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What will President Trump mean for markets?

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Uncertainty and market volatility could persist as Trumps' policies take shape. But investors can bolster their portfolios by positioning for several enduring trends.

A Trump presidency in the US, coupled with Republican control of Congress, has the potential to reshape the global economic and geopolitical landscape. Key policy areas in focus for investors include tariffs, fiscal policy, deregulation, monetary policy, and international relations. The resulting market volatility could create opportunities for investors to boost long-term returns.

Donald Trump will return to the White House with a Republican Congress.

- Trump campaigned on a platform of extending personal income tax cuts, lower corporate taxes, deregulation, trade tariffs, immigration controls, and reassessing America's role in global affairs.
- Tariffs, particularly the mooted blanket 60% on Chinese imports and 10% on others, pose the most significant global economic risk.

Yet some policy measures could be constrained.

- With current large federal budget deficits, fiscal hawks in Congress might resist policies that further expand the deficit.
- Potential legal and Congressional challenges mean the Trump administration is more likely to implement bilateral and selective tariffs.
- Although tariffs could temporarily increase inflation, the Fed should continue its path of rate cuts toward achieving a neutral policy stance.

We see wide-ranging implications for global markets.

- US equities should be driven by benign GDP growth, lower interest rates, and AI advancements, while international markets could face greater headwinds from tariffs. That said, the world is also better prepared to deal with trade tensions this time around.
- With the Fed likely to stay on a rate-cutting path and concerns remaining over US deficits, we believe US Treasury yields are likely to fall in the year ahead.
- Gold will likely remain an effective hedge against key political concerns and geopolitical tensions.

Did you know?

- We expect the US tariff rate on all mainland Chinese goods to be hiked in stages to around 30% from 10% in effective terms by end-2026. Alongside this, product- specific tariffs could also be extended to certain other EMs with high US trade surpluses, e.g., Mexico, Vietnam, Taiwan, and maybe South Korea.
- Beijing's potential stimulus in response to tariffs could help mitigate the impact on mainland China, while US imports from markets like Taiwan and Korea are not easily replaceable. In addition, most US sales by European companies are from goods and services made in the US.
- Our end-2025 target for gold is USD 2,900/ oz, and we continue to recommend around a 5% allocation to the yellow metal as a portfolio diversifier.

Investment view

The outlook for US equities was already positive, in our view, owing to the strength of the US economy and optimism over the commercialization of AI. We expect the S&P 500 to reach 6,600 by the end of 2025. The rise in US yields has gone too far, in our view, and provides an opportunity to lock in attractive yields. Gold, on the other hand, remains an effective portfolio hedge amid political concerns and geopolitical tensions.

For more, see **What will President Trump mean for markets?,** 25 November, 2024.