



In CIO's view the outlook for US equities was already positive owing to the strength of the US economy and optimism over the commercialization of AI. (UBS)

What does the US election mean for markets?

07 November 2024, 2:20 pm CET, written by UBS Editorial Team US Editorial Team

Former President Trump will become the 47th President of the United States, and the Republicans also look set to take control of both houses of Congress. This initially pushed equities, yields, and the US dollar higher, as investors braced for a boost to growth from tax cuts and lighter business regulation.

The further swings in markets look likely, creating an opportunity for investors to use any outsized moves to build stronger long-term portfolios.

Donald Trump will return to the White House, and looks likely to be supported by a Republican Congress.

- Trump has been elected as the 47th US President, defeating Democratic rival Kamala Harris.
- Republicans also regained control of the US Senate, taking 52 of the chamber's 100 seats.
- At the time of writing, Republicans also appear on track to take control of the House of Representatives.

The initial market response pointed to expectations for stronger growth, higher inflation, and slower rate cuts.

- The S&P 500 rose 2.5% on the day to a new record high, the best post-election day in history.
- The 10-year US Treasury yield climbed 16 basis points to 4.43%. The 30-year bond yield rose 17 basis points, it's largest one-day rise since the pandemic turmoil of March 2020.
- The US dollar gained ground on hopes of higher US growth and the potential for fewer Fed cuts.

But further swings are likely, and could create opportunities for investors.

- A Trump win could create volatility in various sectors, with potential headwinds for tech if trade tensions increase. In our view, setbacks could provide an opportunity to add to long-term positions, given the strong outlook for AI.
- In our view, now is a good time to lock in attractive yields, as the rate-cutting cycle continues.
- The price of gold has eased. Looking ahead, we believe higher US deficits, geopolitical uncertainty, and central bank buying should lead to a rebound.

Did you know?

- Donald Trump became only the second person in American history to be re-elected to non-consecutive presidential terms, with the last being Grover Cleveland in 1892.
- The dollar's 1.9% one-day rise versus the euro was its largest since 2016.
- The gains in the S&P 500 on the day after the election were led by financial services, which rose 6.2%, on expectations of regulatory relief.

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. Further tailwinds are now possible from a relaxation of business regulation and lower taxes. Despite potential challenges from higher US tariffs, we expect the S&P 500 to reach 6,600 by the end of 2025 from 5,929 as of the close on 6 November. The rise in US yields has gone too far, in our view, and provides an opportunity to lock in attractive yields.

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Original report: [What does the US election mean for markets?, 7 November 2024.](#)

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