

US Presidential Election

Former President Trump Reclaims Presidency After Four Years

November 7, 2024

An Unusual and Confusing Presidential Election Comes to an Anticlimactic End

In the US Presidential Election held on November 5th local time, Republican candidate and former President Donald Trump defeated Democratic candidate Vice President Kamala Harris and is set to return to the presidency after four years. As of the time of writing (morning of the 7th Japan time), the vote counting is still ongoing. However, Mr. Trump has already delivered a victory speech, while Vice President Harris has conceded defeat. Mr. Trump is set to be inaugurated as the 47th President in January 2025.

Throughout his campaign, Mr. Trump advocated for several key policies:

- 1) the extension and permanency of the Trump tax cuts,
- 2) reduction of corporate tax rates,
- 3) strengthening of a hardline stance against China,
- 4) forced deportation of illegal immigrants,
- 5) revision of environmental regulations and subsidies.

Except for the trade policy (3), cooperation with Congress is essential for these policies. While the Republicans have secured the Senate, the House of Representatives is reportedly leaning Republican, though the results are not yet confirmed. In assessing the feasibility of these policies, the immediate focus is on whether the Republicans can also secure the House.

Implications for the US Financial Markets

Given the market's sensitivity to the "Trump Trade" observed during his 2016 inauguration, there is a high likelihood of an immediate uptick in US equities, rising interest rates, and a stronger US dollar. Sector-wise, industries such as oil and natural gas, energy infrastructure, as well as AI and cryptocurrency-related companies, are expected to benefit. The USD/JPY exchange rate, heavily influenced by interest rates and stock prices, is likely to rise as long as both interest rates and stock prices continue to increase.

Shifting the focus from the short-term to the medium-term, Mr. Trump's proposed policies have varied impacts on the economy and inflation, necessitating careful consideration of policy implementation post-inauguration. For instance, the extension of the Trump tax cuts and reduction in corporate tax rates are expected to stimulate economic growth. Conversely, stricter immigration controls and increased tariffs, particularly against China, could slow economic growth while driving inflation. If the former policies are prioritized, they could support stock prices, whereas the latter could pose risks to the bullish trend in equities. Additionally, the prioritization and progress of these policy agendas could influence the Federal Reserve's monetary policy, which is currently in a rate-cutting phase. Although real GDP growth remains robust, a reversal in the slowing economic momentum could prompt the Fed to reconsider its monetary policy stance.

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