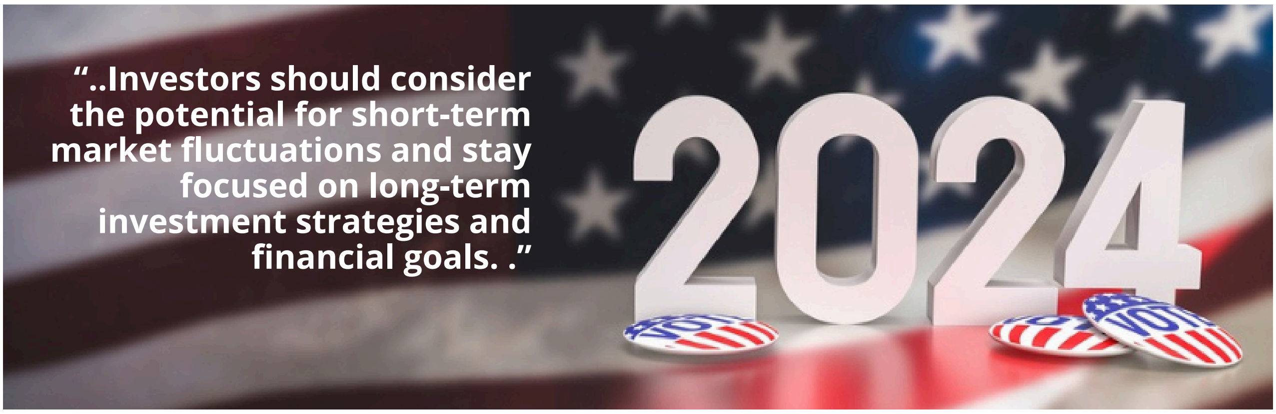
The following are excerpts from three online articles which report on the post US Presidential Election result and the likely impact of a Donald Trump presidency on global markets, the wider economy and US trade partners . All content is referenced in detail below.

In this week's news article, after the dust has settled on Donald Trump's re-election as the 47th President of the US, Morgan Stanley (2024) reveals how Trump's plans for tax cuts, tariffs and deregulation could shape markets and impact investors. While Reuters (2024) explores how the 'Red Sweep' of Republican control will impact the extent of fiscal and regulatory change. We conclude with an Irish Times (2024) feature on how Trump's trade policies may impact the Irish economy.



What the Trump Victory Means for Markets

Morgan Stanley (2024) reports how Trump's re-election may lead to an extension of his tax cutting policy, likely increasing the federal deficit while at the same time supporting heightened corporate valuations. The report continues to reveal how proposed tariffs on Chinese goods could also raise inflation and dent U.S. economic growth:

The focus now shifts to the implications of a second Trump administration, particularly concerning tax policies, trade tariffs and deregulation efforts. Here's what investors should be watching:

1. Taxes, Debts and Deficits

Changes to much of the 2017 Tax Cuts and Jobs Act (TCJA) provisions will be on the table in 2025, including, but not limited to, individual, corporate and capital gains tax rates. These could have meaningful consequences for individual investors and businesses, as well as for U.S. debt and deficits. A removal of the $10,000 cap limiting the state and local tax (SALT) deduction, for example, could add about $200 billion to the federal deficit. Republicans also have proposed decreasing the corporate income tax rate from 21% to as low as 15% and may seek to revive the 100% depreciation bonus. This would likely add further to the deficit, but may also boost corporate earnings and temporarily cause markets to rally on the news. The expectation is that Trump will push to make the TCJA's cuts permanent. However, any significant changes will require the approval of Congress, and the opportunity to address record-high debt and deficits could play a central role in negotiating provisions of a final tax bill. The Congressional Budget Office projects that the national debt could increase by $7.75 trillion over the next decade under Trump's holistic policies (not just on taxes). With lawmakers likely to consider the balance between revenues and expenditures, the tax-policy changes that are eventually enacted may be more tempered than campaign-trail proposals.

2. Trade and Tariffs

In contrast to tax policy, which is dependent on congressional approval, trade and tariff policy in the U.S. can often be influenced and sometimes directly implemented by executive order. Taken together, Trump's proposals to impose a 60% tariff on Chinese goods and potentially a universal 10% tariff may negatively impact economic growth and put upward pressure on inflation. More specifically, the measures could cause inflation to increase by 2.5% and GDP to decline by 0.5% in the two years following imposition, according to Bloomberg Economics. Trump's full trade agenda is still opaque, however, which provides a tail risk for investors; as such, should tariffs rise, Morgan Stanley's Global Investment Office encourages investors to consider defensive sectors and stocks, such as Consumer Staples, Health Care, Utilities and select retailers with less exposure to offshore production.

Morgan Stanley(2024)

Morgan Stanley (2024) outlines how deregulation in Trump's second term could benefit sectors such as Energy, Financial Services, Pharmaceuticals and Cryptocurrency, while creating policy risks for clean energy and electric vehicles. Their analysis emphasises how policy changes may stoke market volatility, but investors should stay focused on their long-term investment strategies and financial goals:

3. Deregulation

Deregulation could be a major theme of a second Trump term. Although U.S. crude oil production is currently at a record level and additional supply could be a drag on oil prices, oil and natural gas producers are nonetheless likely to benefit from deregulation. For example, Trump is likely to lift a Biden administration pause on new natural-gas permitting approvals, accelerate approval timelines and create an easier permitting process. Financial services could also see reduced regulatory burdens, potentially boosting the banking sector and enhancing merger-and-acquisition activity. Less stringent requirements in pharmaceuticals and biotechnology, meanwhile, could help those industries by prompting accelerated drug approvals. Additionally, cryptocurrencies and blockchain may see favorable treatment from a Trump administration and a Republican Congress, while the broader tech sector and AI policy may benefit from less federal scrutiny. Conversely, certain sectors might face increased risks under Trump's policies.

The clean energy sector, in particular, could suffer if clean-energy tax credits are rolled back, despite their popularity in some Republican circles. The electric vehicle industry and related infrastructure might also see less federal support, impacting growth in this innovative sector. Finally, some areas are likely to see bipartisan support. For instance, policies supporting the development and reshoring of the semiconductor industry, as well as broader national security concerns such as defence spending and cybersecurity, are expected to remain robust, driven by ongoing geopolitical tensions and the strategic need to reduce reliance on foreign critical materials.

4. Stay Focused on the Long Term

The re-election of Donald Trump introduces variables that could lead to short-term market volatility as new policies are implemented and existing ones are expanded or curtailed. Investors should consider the potential for short-term market fluctuations and stay focused on long-term investment strategies and financial goals.

Morgan Stanley(2024)

After Trump win, investors savour 'red sweep' possibilities

Trump may have a free hand to implement his campaign promises and proposals, however Reuters (2024) is keen to point out that despite this GOP control, the regime may still benefit certain stocks and potentially strengthen the dollar. Plus it reminds us of how historically the S&P500 has performed well when previously, the US election resulted in such a clean sweep of power:

Investors are increasingly factoring what potential Republican control of government could mean for stocks, bonds and currencies, even as the first feverish market reactions to Donald Trump's presidential victory begin to settle. A so-called 'red sweep' scenario, in which Republicans control the White House and both houses of Congress, could clear the way for Trump to implement his economic proposals with a freer hand. Many, such as tax cuts, are seen as being growth-friendly but also driving up inflation risks. "With many of Trump's policies geared to support stocks, particularly small caps, markets are likely to respond well to a red sweep," said JJ Kinahan, CEO of IG North America and president of online broker Tastytrade. Expectations that such policies will be pushed through under Trump to some degree have helped lift corners of the stock market higher, boost the dollar and weigh on Treasuries, as investors recalibrated their portfolios for stronger growth, looser regulations and the possibility that inflation worries could keep the Federal Reserve from cutting rates too deeply next year. While some of those moves have lost steam in recent days, investors are still gaming out how Trump's policies could affect markets and the economy over the long-term, especially under a red sweep scenario. Trump has promised to slash federal regulations that he says limit job creation. He has pledged to keep in place a 2017 tax cut he signed while in office, and Trump's economic team has discussed a further round of individual and corporate tax cuts beyond those enacted in his first term.

Strategists at Goldman Sachs said their earnings per share estimates for the S&P 500 would rise by about 4% if Trump reduced the statutory domestic corporate tax from 21% to 15%. Deutsche Bank analysts said they would upgrade their 2025 U.S. growth forecast to 2.5-2.75% from 2.2% in the event of a red sweep. However, they expect to reduce their 2026 growth forecast in anticipation of economic uncertainty associated with an intensifying trade war.

History may also be on the side of continued strong stock performance after this 'Red Sweep'. The S&P 500 rose an average of 9.1% in years of such unified control against a 6.7% average annual return for divided government, in which the opposing party holds at least one of the Senate or House of Representatives, according to an analysis by Evercore ISI of data since 1928. The index is up 26% this year and hit 6,000 points for the first time ever on Friday. To be sure, even with the Republican Congressional majority, some investors believe the narrow margins faced in both the House and Senate may still present challenges to implementing fiscal and regulatory changes. "We may not get everything that has been promised. The discussion on the campaign trail is always very different than the legislation that gets passed," said Paul Nolte, senior wealth advisor and market strategist for Murphy & Sylvest. "I think a lot of that is already in the pricing for stocks today."

Reuters(2024)

Ireland will be affected by Donald Trump's presidency. Here's what to expect.

In a detailed analysis of the impact of Donald Trump's second term as President on the Irish economy, Irish Times (2024) reaffirms how his economic programme has injected new uncertainty into Ireland's economic outlook.

Reshoring' US investment would leave Ireland exposed.

Trump's stated goal is to bring US investment back to United States – to "reshore", in the jargon – and as the location for the international headquarters of many big US companies, Ireland is clearly exposed if this happens. Trump's ambitions to 'reshore' US corporate overseas investment has implications for Ireland, where the international headquarters of many big US companies are located.

There are a few things to balance up when considering the impact of a second Trump administration, according to Martin Shanahan, head of industry at Grant Thornton and former chief executive of IDA Ireland, the body responsible for attracting investment here. The markets are betting on a strong US economy after the election, he said, and "other things being equal, this has a positive impact on Ireland – the nuance is that other things are rarely equal". Trump's recipe for driving economic growth revolves around "a type of economic nationalism or protectionist approach" based on trade policy, tax policy and subsidies, said Shanahan.

"A protectionist trade policy approach could result in two main outcomes for Ireland – increased trade tension globally, reducing trade and foreign direct investment flows, that would impact negatively on Ireland as an open trading economy. The second would be the potential for direct tariffs against Europe, again not a good outcome for Ireland," he said. If Trump imposes tariffs on imports from Europe, the likelihood is that the EU and other countries would react, potentially leading to trade wars.

Trump's re-election brings "considerable uncertainty" to the economic outlook, in the view of Kieran McQuinn, research professor at the Economic and Social Research Institute, with significant potential implications for the public finances. Corporation tax now accounts for 25 per cent of total tax revenue, he pointed out, and Trump's policies, if implemented, pose a threat to the traded sector of the economy, jobs and these revenues. A study undertaken by the Danish Industry Federation using a model developed by Oxford Economics estimated that 30,000 jobs in Ireland could be at risk on a worst-case scenario.So, the big questions is what Trump will actually do and how he will balance the risks to the US economy from tariffs – including higher prices – with meeting his campaign promises. Taoiseach Simon Harris has speculated that Trump's approach to tariffs will be "transactional" – in other words, he will use them, or the threat of them, to try to secure an economic advantage, rather than as long-term policies.

Irish Times (2024)

Irish Times(2024) reminds us that Ireland has also long benefited from tax-driven investment here from the US, and Trump's promises to cut the US corporate tax rate and introduce measures to make it more profitable for firms to invest at home – rather than in countries like Ireland – will also be closely monitored here:

The danger lies in the potential longer-term impact on inward investment, which is already under some pressure due to Ireland's infrastructural shortfalls, or firms changing their international structures in a way that cuts tax revenues paid to the Irish State and boosts their payments in the US. It is too early to say what tax changes might be on the way, said Shanahan, with the "devil in the detail" for Ireland.

Both Shanahan of Grant Thornton and McQuinn of the ESRI pointed to the strong inward investment here due to how the first Trump tax reform programme played out. Tax experts warn, however, that this time around there may be a sharper focus on bringing investment back to the US. A barrier to Trump in terms of cutting US corporate tax may be the cost, at a time when he will already want to pay for the renewal of other tax reductions introduced during this first term. After strong growth in recent years, including some major "generational" investments by US firms in Ireland, Shanahan believes investment decisions by big firms are now likely to slow down "as companies weigh up their options and delay to see what election promises translate into action. The most important thing now for Ireland, he said, is to focus on our own competitiveness.

"As we head into our own election cycle, focusing on what policies and investments are required to keep Ireland competitive will be important," he said. For now the Irish public finances remain buoyant with the budget in surplus and money going into two investment funds. This provides some buffer, but there is no doubt that there is now new uncertainty over corporate tax revenues, long identified as an area of risk.

After a period when everything seemed to be going to Ireland's advantage in terms of investment and corporate tax, a much more mixed and challenging picture for the future is now emerging.

Irish Times (2024)

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