

Republican — whitewash

Saving you time

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The American markets galvanized by the prospect of the «America First» policy

Investors reacted in different ways. Expectations about the impact of Trump's platform, if actually implemented, led to different reactions depending on the camp. In short, MAGA (or America First) policies are likely initially to benefit American companies, if not others as well. They include a cut in corporation tax (from 21% to 15%), import tariffs on foreign goods (60% on Chinese products and up to 20% on those from Europe) and a wave of deregulation. The Russell 2000 index of US small and mid-caps gained 8.57% over the week. In general, the Trump trade boosted US equities, the US dollar and bond yields.

In Europe, as governments lined up to congratulate the new incoming president, the mood in financial markets was dour. The possibility of tariffs hitting European exports to the US comes at a time when the Continent is racking up home-grown problems. The gloomy state of its economy and bleak prospects were compounded by Germany, whose volatile ruling coalition last week finally collapsed, plus the likelihood of thorny negotiations with a US administration. The only silver lining is that, at this juncture, there is no certainty that the tariffs will ever be imposed.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0,88	0,94	11 797,72	4 802,76	19 215,48	7 338,67	8 072,39	5 995,54	19 286,78	39 500,37	1 135,65
Trend	↑	➡	↓	↓	➡	↓	↓	↑	↑	↑	➡
YTD	3,65%	-0,20%	5,93%	-0,52%	14,71%	-1,49%	-2,49%	6,43%	9,63%	18,04%	4,57%

(values from the Friday preceding publication)

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From a geopolitical standpoint, this election is probably not good news for the Ukrainians, even though Trump has reportedly promised to defend their interests when he resolves the war with the wave of a magic wand – another campaign pledge. In the Middle East (and Taiwan), this election will have the effect of increasing tensions.

The Fed cuts its rates by 25 basis points, as expected

The other event of the week, the Fed meeting, came and went almost unnoticed. The decision to cut its benchmark policy band by a quarter-point to 4.50-4.75% was widely expected. Powell had to work hard to prevent the press conference from turning political. Many of the questions he answered were closely linked to his future relationship with the next occupant of the White House. In his view, economic activity and inflation and labour-market fundamentals are moving in the right direction. As for the future and Trump's potentially inflationary agenda, he simply pointed out that now is not the right time to strengthen forward guidance.

Last week the S&P 500 and Nasdaq gained by 4.66% and 5.74% respectively, while the Stoxx Europe 600 gave up 0.84%.

Swiss Market Index (SMI)

Momentum on the SMI remains lacklustre, with 11950 holding firm. The nearest support is 11840 while resistance is located at 12050.

