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## How to trade in the Trump era

*di Gillian Tett*

Right now, global investors are grappling with at least two big surprises linked to Donald Trump. The first is the magnitude of his victory. Although many (including myself) expected him to win, few anticipated such a crushing victory, or the extremist tone of his early appointments.

The second surprise is the markets. Not only have American stock markets hit record highs but other risk assets have also surged, with bitcoin jumping to its own record high of \$90,000.

Can this continue? Financial history suggests it could. “When the stock market rises immediately after the election, it tends to perform well over the next year,” says Sung Won Sohn, an independent analyst. “There are solid reasons to be optimistic.”

He might be right. But I think there are at least seven points that investors need to ponder now if they want to continue to “trade Trump”.

American exceptionalism. Well before the election, US stock markets were expensive by global standards, pricing sky-high future growth and earnings. Now even more so. Such exceptionalism will be justified if growth surges due to Trump’s promised tax cuts, deregulation and home-shoring policies; never underestimate the power of “animal spirits”. Indeed consumer confidence among Republicans has already jumped and the American public seems willing to embrace risk, while the European one is not. But this also means that US equities will be vulnerable if recession hits, geopolitical shocks occur or Trump policies shift.

Sectors matter. Trump’s election should help fossil fuel stocks (he loves the “drill baby, drill” mantra), Silicon Valley executives that backed him, steel (which will benefit from tariffs) and bank stocks (because of regulatory loosening). Not so much renewable energy (all those threats to green subsidies), pharma (Trump’s anti-science, anti-price gouging rhetoric) and those sectors dependent on seamless global supply chains.

Beware Trump’s Tudor court. The president-elect’s management style has always been “unconventional” (to put it politely): he exerts control by destabilising opponents and allies alike, while hierarchies of power rest on personal access. No wonder Max Baucus, former US senator, told company leaders this week that you needed to get access to this administration “with lobbyists or anyone else” to flourish. Ignore Trump’s rhetoric about “draining the swamp”. Expect assets linked to courtiers, such as Elon Musk, to surge.

“Friendshoring” is no longer friendly. Most investors already know the potentially sky-high cost of a US-China trade split since there has been so much bipartisan antagonism towards China. Fewer have priced in the fact that Trump’s advisers want to stop companies evading tariffs by placing

operations in “friendly” places. Noting that the North American free-trade deal must be renegotiated by 2026, Nikki Haley told company leaders this week that if they’re doing business in Mexico or Canada, “they should start looking at what their plan Bs are”. Trump allies tell me trade with Germany and France will be vulnerable too.

Watch the \$35tn debt. Yes, that seems obvious. But the risks around Treasuries cannot be stressed enough, since bond market vigilantes may be the biggest (or only) check on Trump’s power in the next year. One key number to know is \$9tn, or how many Treasuries must be rolled over next year. Currently markets seem calm (ish). But they may not stay that way if Trump’s team really implement their campaign promises: namely to weaken the dollar, impose inflationary tariffs, deliver massive tax cuts and reduce Fed independence. We learnt this week that the US monthly deficit jumped to \$257bn in October, its highest level since the pandemic, and inflation is rising again. Some of Trump’s advisers — like Scott Bessent and Kevin Hassett — understand the risks well and want to curb it. Watch whether they can.

Investors should also expect emerging market pain. The dollar has just hit a six-month high, never mind those campaign pledges to weaken the currency. If that continues, the tariff fight will be more intense and more emerging market countries will have debt crises.

Hedge, hedge, hedge — with bitcoin or anything else. Bitcoin’s fundamentals have not changed: as economic sociologist Koray Caliskan notes, it remains a peculiarly faith-based phenomena with limited practical use. But since Trump is pro-bitcoin, it is now a good hedge in a portfolio. So is gold, given the inflation threats and (most importantly) the fact that anti-western countries are diversifying from the greenback into gold. Buying some “real” assets — say, timber — also makes sense given geopolitical risks, and the fact that the single most surprising thing Trump could do is not produce surprises.

Above all, the key thing to understand is that no one can “trade Trump” just by using the type of asset valuation models taught in finance courses. Savvy investors will need to understand psychology, anthropology and history too, be that 1980s Reaganism, 1930s protectionism, the 19th-century robber barons or Tudor royal courts. Those periods were often ugly. However, savvy — or cynical — players made a lot of money. It will now happen again.