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The USA has voted - markets welcome a possible 'red sweep'. Rightly so?

Trump and the Republicans are likely to emerge from the elections as surprisingly clear winners. Initial reactions on the stock markets are euphoric, although certain specific segments such as alternative energies are penalized. The US government bond market suffers slight losses. The US dollar gains, as does the cryptocurrency Bitcoin.
Trump has at least two years to implement his election program. This means limiting immigration, promoting the domestic economy with fewer regulations, for example in the environmental sector or in banking, lower corporate taxes and general import duties, in some cases of up to 60% for goods from China. The presumed economic policy will massively increase government debt over the coming years, re-ignite inflationary pressure and push long-term interest rates to a higher level.

For the time being, however, the expectation that investment activity in the USA will be boosted and the feared slump in growth will not materialize is likely to prevail. Assuming this is the case, the US equity market can be expected to continue its positive performance, supported in particular by investors who have been skeptical to date. It is less clear whether equities will be boosted in general, as a trade war will not be favorable for export-heavy markets. The European economy is stagnating anyway as a result of the stumbling automotive industry and a lack of political cooperation.

Some uncertainties remain in the medium term. The signs of a marked slowdown in growth in the USA cannot be overlooked, neither can be signs of a cooling labor market. The economic and political dimension of US trade policy is difficult to assess. A global trade war will weaken economic growth and the battle for leadership in key technologies between the US and China is likely to put a strain on geopolitical stability.

With the election of Trump, a new dynamic has returned to the US stock market that is likely to continue for some time. From a tactical perspective, it is worth considering increasing exposure to equities. By contrast, the assessment for USD bonds is negative. This mainly applies to medium to long maturities. Although a strong correction has already taken place here in recent weeks, a rapid trend reversal seems rather unlikely. In the longer term, the concerns expressed should not be disregarded, which will then shift the relative attractiveness of equities to bonds.

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