

# What Trump's win may mean for the markets and economy

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## Key takeaways



### Five key policies

Trade and investment, tax, immigration, and fiscal policies, and his approach to the Fed may impact some investments.

### Asset classes to watch

Tax-advantaged investments, REITs, the US dollar, and select industries and companies may be influenced to some extent.

### What matters more

Monetary policy is likely to have greater influence on stocks than any legislation or executive action.

Now that the election is over and Donald Trump is set to take office on January 20, 2025, investors are wondering what his policies may mean for the markets and economy. Based on pledges made on the campaign trail, here are five key things we'll be watching for from the President-elect. We believe, however, that investors often overstate the impact that the federal government has on broad financial markets. In fact, monetary policy is likely to have a greater influence on markets in the next few years than any forthcoming legislation or executive action. Ultimately, policymaking is about setting priorities. No administration gets everything it wants, nor do markets necessarily respond to the political initiatives in the "obvious" way.

## Trade and investment

### Policy platform

- Pursue "America First" agenda.
- Implement universal baseline tariff of 10%.
- Increase tariffs on Chinese goods to "more than 60%."
- Impose 100% tariff on cars made outside the US.
- Use blanket tariffs to penalize companies that outsource US jobs.

### Market implications

- **Policy uncertainty.** A period of trade policy uncertainty could potentially weigh on markets until greater clarity emerges.
- **Strong US dollar.** Despite the latest reporting that Trump is considering forcing a weaker dollar to encourage exports, the US dollar would likely strengthen amid expectations that policies would result in stronger US growth compared to the rest of the world.
- **Protection for select industries.** Tariffs on European and Chinese goods could benefit US companies in certain industries, such as steel, aluminum, and paper.

## Tax policy

### Policy platform

- Cut funding for the Internal Revenue Service.
- Cut corporate tax rate to 15% for companies that produce their goods in the US.
- Remove tax from Social Security benefits.
- Work with Congress to make individual tax cuts for those above and below \$400,000 income level and estate tax thresholds permanent.
- Could extend the Tax Cuts and Jobs Act (TCJA) special 20% tax deduction for pass-through businesses that are set to expire.

- Withdraw from or renegotiate the international tax agreement.
- Remove tax on tipped income and overtime pay.

### Market implications

- **Reduced demand for tax-advantaged investment vehicles.** Historically, there has been lower demand for them during periods of lower taxes.
- **Real estate investment trusts (REITs) are likely to benefit.** If the special 20% pass-through tax deduction is extended, that would allow REIT shareholders to deduct 20% of taxable REIT dividend income they receive, not including dividends that qualify for capital gains rates.

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## Immigration

### Policy platform

- Implement a sweeping mass deportation program to remove all illegal immigrants from US.
- Issue executive orders to place conditions on immigration.
- Resume the building of wall at US southern border.
- End automatic citizenship for children of undocumented immigrants born in US.
- Partner with local law enforcement on “catch and release” strategy.

### Market implications

- **Negative impact on certain industries.** Those that utilize immigrants for labor, such as hospitality, health care, manufacturing, construction, and agriculture, could face challenges like higher labor costs and lower profit margins.
- **Potential demographic and growth challenges.** The birth rate for US citizens is relatively low

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## Federal Reserve (Fed)

### Policy platform

- Could resume dovish pressure/rhetoric toward the Federal Open Market Committee.
- Potential plans to make the Fed less independent.
- Uncertain whether Fed Chairman Jerome Powell would be reappointed when his term expires in 2026.
- May propose non-traditional candidates for Fed chairman and governors.

### Market implications

- **Challenges to Fed independence raise risks to markets.** Inflation expectations could potentially reaccelerate, resulting in higher interest rates and lower equity valuations.

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## Fiscal policy

### Policy platform

- Rein in government spending on foreign aid, clean energy and climate mitigation funds, and immigration.
- Protect Social Security and Medicare reforms from benefit cuts.
- Extend tax cuts implemented in first administration.
- Establish “Department of Efficiency” under Elon Musk with goal of cutting \$2 trillion in spending.

### Implications

- **Level of fiscal discipline** will depend on whether there’s a split government; if there’s a one-party sweep, we’re likely to see higher fiscal deficits.

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### Important information

All investing involves risk, including the risk of loss.

In general, stock values fluctuate, sometimes widely, in response to activities specific to the company as well as general market, economic and political conditions.

Investments in real estate related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small and mid-cap companies and their shares may be more volatile and less liquid.

Stocks of small-sized companies tend to be more vulnerable to adverse developments, may be more volatile, and may be illiquid or restricted as to resale.

Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers.

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