

US: Donald Trump and the Red Sweep, now what?

EQUITY STRATEGY TEAM

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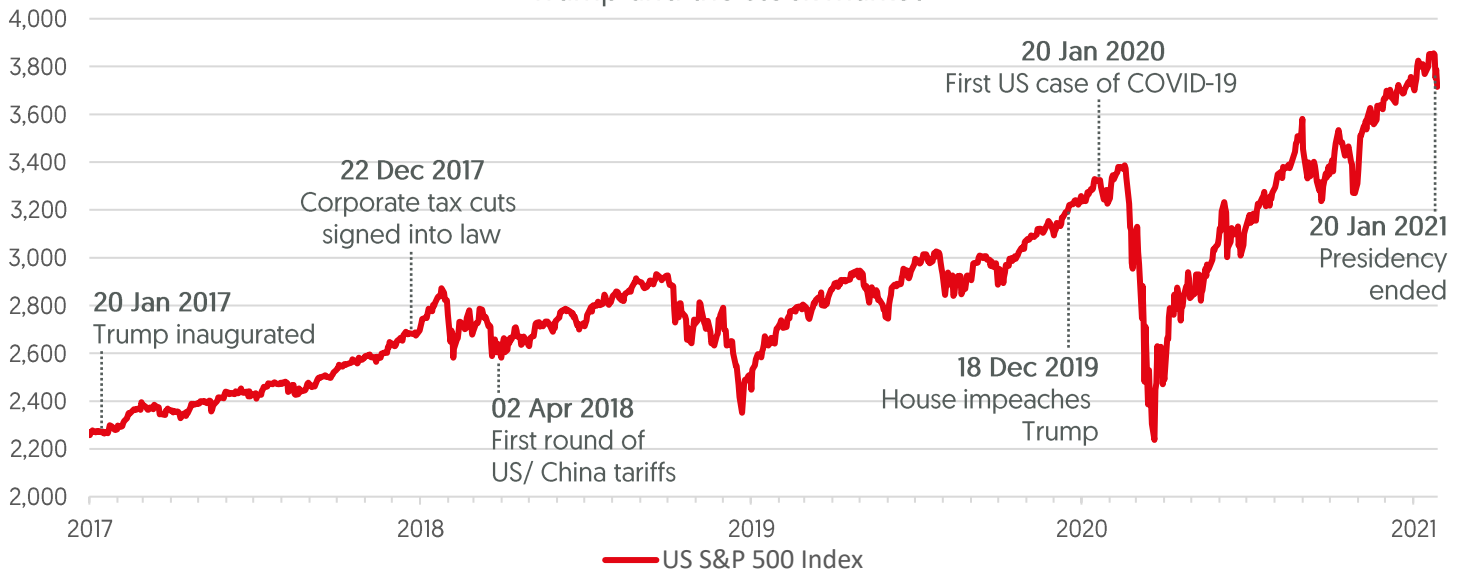
*The summary and impact of
a major news event*

As Donald Trump gets ready to be inaugurated as the next U.S. president on 20 January 2025¹, and the political landscape is set for considerable transformation. With both the Senate and House of Representatives firmly in Republican hands, many analysts have labelled this situation a "Red Sweep".² This term refers to the scenario in which the Republican Party secures complete control of the Presidency, the Senate, and the House of Representatives.

Reflecting on Trump's First Presidency

To anticipate what may unfold during Trump's second term, it is crucial to evaluate the economic performance of his first presidency. The average annual GDP growth rate during Trump's time in office was 2.3%.³ His administration had imposed import tariffs on Chinese products, particularly steel and aluminum, with the intention of boosting American-made goods. However, these tariffs backfired, prompting retaliatory tariffs from China that negatively impacted American exports and raised costs for consumers. While Trump's presidency did not experience major wars or recessions, it was not without its difficulties. He was confronted with numerous challenges, including a trade war, a devastating pandemic, and impeachment. Despite these hurdles, the S&P 500 increased by 69.6%, ultimately reaching new record highs.⁴

Trump and the stock market



Source: Bloomberg, extracted on 27 Nov 2024

Implications on Trump's Second Presidency

Trump's second presidency is anticipated to be broadly supportive for the US economy and corporate earnings¹, although inflation risks due to trade tariffs could cause the US Federal Reserve (Fed) to pause or even stop rate cuts after March 2025.⁶ A red sweep is likely to further strengthen the US dollar, while ongoing concerns about US fiscal sustainability.⁶ The markets appear to favour US equities, given improved risk-reward from Trump's anticipated fiscal spending, tax cuts and deregulation.⁶ Certain sectors, such as energy, healthcare, and financials, may benefit from supportive policies under Trump.⁶

What to expect⁶?

The outlook for the S&P 500 appears positive, with markets anticipating a 16.5% growth in earnings per share in 2025. This expectation hinges on the U.S. economy achieving a soft landing and maintaining overall consumer spending, while artificial intelligence (AI) continues to drive strong growth in the semiconductor, internet, and hardware sectors, aided by further rate cuts from the Federal Reserve until March 2025. Deregulation is likely to enhance confidence among small and medium-sized businesses. However, companies with significant international revenue may face challenges due to higher tariffs under a Trump administration, which could lead to retaliatory tariffs and increased geopolitical tensions. Additionally, a stronger US dollar could create headwinds for firms that rely heavily on international sales.

Information Technology: Higher tariffs could negatively affect the existing electronics supply chain, predominantly located in East Asia. The regulatory approach toward Big Tech may become somewhat more lenient under a Trump administration, potentially resulting in increased merger and acquisition activity, particularly in the hardware sector. The race for advanced AI model development is expected to remain unaffected by the election results, while reshoring initiatives are likely to receive bipartisan support. The markets maintain an optimistic view on the IT and Communication Services sectors.

Traditional Energy: US energy midstream and oilfield services may benefit from a Trump administration that could facilitate increased access to resources on federal lands and reduce bureaucratic obstacles related to permits and Environmental Protection Agency regulations. Conversely, Clean Energy initiatives might suffer if a unified Republican government repeals specific clean tech tax credits. Policies supporting the electric vehicle industry and incentives for climate change initiatives could also be at risk.

Healthcare: There could be less pressure on Medicare-focused insurers, as a Trump administration is expected to create a more favourable regulatory and rate environment, enhancing the visibility of margin recovery. However, we anticipate that Medicaid and individual exchanges may receive less support under Republican leadership. Price negotiations for Medicare could be delayed or eliminated altogether.

Financials: Banks are likely to benefit from lighter regulations, though there will still be a focus on capital regulation in the wake of the Silicon Valley Bank collapse.

Conclusion

As Donald Trump prepares for his second term, his Red Sweep could reshape the US economic landscape. With favourable conditions anticipated for banking and energy sectors, stakeholders must remain vigilant in monitoring policy changes and market responses. The coming years will undoubtedly present both challenges and opportunities, making it essential for stock traders to adapt to the evolving political and economic environment.



United States

Below are the stocks based on market capitalisation

Ticker	Name	Market Cap [USD]	Price [USD]	Analysts' Consensus 12M Target Price [USD]	Potential returns from Analyst Consensus	Dividend Yield
Top 10 stocks in the Information Technology sector						
AAPL US	APPLE INC	3.55T	234.93	244.96	4.27%	0.43%
NVDA US	NVIDIA CORP	3.31T	135.34	169.90	25.53%	0.03%
MSFT US	MICROSOFT CORP	3.14T	422.99	500.27	18.27%	0.78%
AVGO US	BROADCOM INC	745.75B	159.67	194.46	21.79%	1.33%
ORCL US	ORACLE CORP	506.27B	182.70	187.57	2.67%	0.88%
CRM US	SALESFORCE INC	315.49B	330.01	345.43	4.67%	0.48%
CSCO US	CISCO SYSTEMS INC	236.14B	59.29	62.87	6.04%	2.70%
ACN US	ACCENTURE PLC	227.10B	362.16	380.85	5.16%	1.63%
ADBE US	ADOBE INC	226.12B	513.68	621.37	20.96%	N/A
AMD US	ADVANCED MICRO DEVICES	221.09B	136.24	185.01	35.80%	N/A
Top 10 stocks in the Oil & Gas sector						
XOM US	EXXON MOBIL CORP	517.13B	117.66	130.93	11.28%	3.37%
CVX US	CHEVRON CORP	291.33B	162.11	174.08	7.38%	4.02%
COP US	CONOCOPHILLIPS	138.92B	107.39	133.07	23.92%	2.90%
EOG US	EOG RESOURCES INC	74.86B	133.09	145.39	9.24%	2.93%
EPD US	ENTERPRISE PRODUCTS PARTNERS	72.94B	33.65	34.89	3.70%	6.24%
WMB US	WILLIAMS COS INC	70.87B	58.14	56.55	-2.73%	3.27%
ET US	ENERGY TRANSFER LP	66.49B	19.42	20.56	5.88%	6.65%
OKE US	ONEOK INC	65.77B	112.59	110.93	-1.47%	3.52%
KMI US	KINDER MORGAN INC	62.36B	28.07	26.71	-4.86%	4.10%
SLB US	SCHLUMBERGER LTD	61.65B	43.66	57.66	32.07%	2.52%
Top 10 stocks in the Healthcare sector						
LLY US	ELI LILLY & CO	748.24B	788.19	998.65	26.70%	0.66%
UNH US	UNITEDHEALTH GROUP INC	559.88B	608.38	630.86	3.69%	1.38%
JNJ US	JOHNSON & JOHNSON	374.14B	155.40	177.91	14.49%	3.19%
ABBV US	ABBVIE INC	323.53B	183.08	204.43	11.66%	3.58%
MRK US	MERCK & CO. INC.	260.86B	103.12	131.19	27.22%	3.14%
ABT US	ABBOTT LABORATORIES	206.31B	118.95	130.64	9.83%	1.85%
TMO US	THERMO FISHER SCIENTIFIC INC	199.54B	521.66	658.90	26.31%	0.30%
ISRG US	INTUITIVE SURGICAL INC	191.82B	538.55	537.86	-0.13%	N/A
DHR US	DANAHER CORP	172.50B	238.83	290.88	21.79%	0.45%
AMGN US	AMGEN INC	150.55B	280.07	331.86	18.49%	3.21%
Top 10 stocks in the Financial Services sector						
V US	VISA INC-CLASS A SHARES	634.42B	314.70	326.90	3.88%	0.75%
MA US	MASTERCARD INC	488.69B	532.38	561.93	5.55%	0.50%
BX US	BLACKSTONE INC	231.23B	189.02	168.39	-10.91%	1.82%
AXP US	AMERICAN EXPRESS CO	214.33B	304.25	283.50	-6.82%	0.92%
MS US	MORGAN STANLEY	211.38B	131.21	125.97	-3.99%	2.82%
GS US	GOLDMAN SACHS GROUP INC	197.04B	605.43	584.87	-3.40%	1.98%
SPGI US	S&P GLOBAL INC	166.01B	522.86	567.96	8.62%	0.70%
SCHW US	SCHWAB CHARLES CORP	151.20B	82.60	79.57	-3.67%	1.21%
BLK US	BLACKROCK INC	151.01B	1019.45	1110.27	8.91%	2.00%
KKR US	KKR & CO INC	142.14B	160.03	161.76	1.08%	0.44%

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