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Will Donald Trump's election benefit or harm US equities?

The election of Donald Trump will have an ambiguous effect on US stock prices.

A first group of effects is favourable: deregulation, a greater attractiveness of the United States for foreign investors, lower corporate tax rates.

But a second effect is unfavourable: the rise in US long-term interest rates caused by the rise in expected inflation (along with customs duties and the curb on immigration).

All in all, we do not know what the overall effect of Donald Trump's election will be on US stock prices. Recent trends point to a rise in US stock market indices immediately after Donald Trump's election, followed by a fall.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus

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The favourable effects of Donald Trump's election on US equities

Donald Trump's economic programme includes:

- **deregulation** (of finance and corporates);
- **cutting the tax rate on corporate profits** from 21% to 15% (**Chart 1**);
- **raising tariffs**, which will encourage companies to produce in the United States, making it therefore more attractive to invest in the country **(Chart 2)**.

Chart 1
United States: Statutory corporate income tax rate (as %)

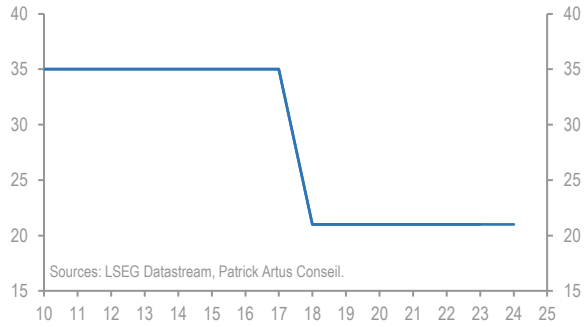
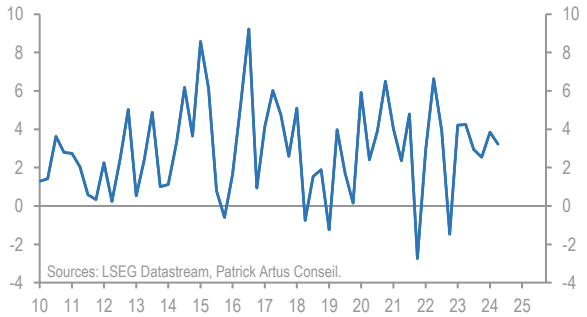


Chart 2
United States: Direct and portfolio investment inflows, excluding public debt financing (as % of nominal GDP)



These various aspects of Donald Trump's economic programme are conducive to a rise in US equities.

The adverse effects of Donald Trump's election on US equities

Curbing immigration and increasing tariffs on imports into the United States from all other countries will lead to higher inflation **and hence higher short- and long-term interest rates**, which can already be seen in the trends observed since September 2024 (**Charts 3/4**).

Chart 3
United States: Eurodollar contracts (3-month, December 2025 maturity)



Chart 4
United States: 10-year Treasury interest rate (as %)



The rise in long-term interest rates is greater than the rise in expected long-term inflation (Chart 5) and is therefore detrimental to the valuation of US equities.

Chart 5
United States: 5-year inflation swap in 5 years (as %)



Summary: what have we noticed since Donald Trump was elected?

Since the election of Donald Trump on 5 November 2024, we have noted:

- First, a sharp rise in US stock market indices
- followed by an increase in index volatility (Chart 6).

Chart 6
United States: Stock market indices (01.01.2024 = 100)



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