



TRUMP'S ELECTION VICTORY STILL DRIVING MARKETS AS UK LOOKS TO FINANCIAL SERVICES FOR GROWTH

This week financial markets continued to be driven by Donald Trump's re-election as he starts to appoint the top jobs in the incoming administration. Trump is yet to announce his choices for the key economic jobs but many of his selections so far are from outside the political mainstream and show a more radical approach than in his first term. Some of his candidates may struggle with Senate confirmation but markets are taking his selections seriously. Robert Kennedy Jr's nomination as health secretary knocked pharmaceutical stocks due to his scepticism about vaccines.

Meanwhile, Chancellor Rachel Reeves's first Mansion House speech set out plans to encourage financial services to be less risk-averse and more focussed on stimulating growth. UK GDP slowed to just 0.1% last quarter, so the need to improve growth is clear. Aside from plans to consolidate large pension schemes, the announcement was light on detail. However, Trump's election promise to hike trade tariffs meant it was noticeable that both Reeves and Bank of England governor highlighted the need to improve trade with the EU as the UK risks getting caught in the middle.

THE MARKETS THIS WEEK

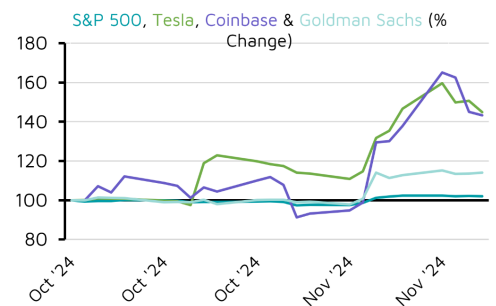
FTSE 100	S&P 500	Nikkei 225	MSCI Europe	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Iron Ore	GBP USD
-0.54%	-0.40%	-2.17%	-0.28%	-6.28%	+0.14%	-0.06%	-3.93%	-2.15%	-2.85%	-2.34%

US: "TRUMP TRADE" ASSETS SURGE



Investors have piled into what has been dubbed the "Trump trade". In addition to Donald Trump's re-election, the Republicans retained control of the House of Representatives and regained control of the Senate. This gives Trump a freer hand to enact policies that are seen to be pro-business and low regulation. The S&P 500 and Nasdaq indices hit new highs this week before tailing off. Tesla has been at the forefront of the rally adding \$300bn in market capitalisation since election night. Trump has promised to scrap a tax break on US electric vehicle sales which is expected to hit Tesla's unprofitable rivals. This gain exceeds the combined market value of Ford, General Motors and Stellantis.

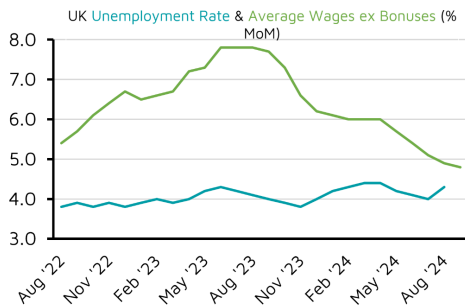
Wall Street banks made big gains as investors expect lower taxes and less regulation and the dollar has soared. Cryptocurrencies have also seen big gains. Crypto exchange Coinbase and other crypto-related names have surged on speculation that a Trump presidency would lead to wider adoption and less scrutiny from regulators.



UK: EMPLOYERS GRIPE ABOUT NATIONAL INSURANCE TAX HIKE

Companies have been warning about the cost of the government's increases to employers National Insurance and the minimum wage. The hospitality industry has been among the most vocal critics and businesses say the changes will lead to "drastic" job cuts and business closures. Retail chains are also finding it costly. Asda said its annual tax bill would go up by £100m. Marks and Spencer, Sainsbury's, JD Wetherspoon, The Restaurant Group and BT warn they face additional costs of £500m for their combined 350,000 workforce.

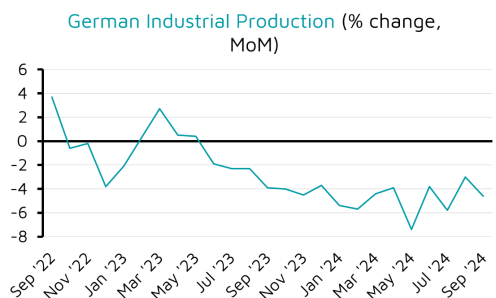
Businesses employing low earners are expected to be the hardest hit according to analysis by the Office for Budget Responsibility. Hiring had already stalled ahead of the budget and the UK's unemployment rate ticked up to 4.3% in September. Although average wage growth remains relatively robust at around 4.8%, the number of vacancies declined by 35,000 in the three months to October.



GERMANY: ECONOMIC WEAKNESS DRAGS ON EUROZONE OUTLOOK

The German economy continues to struggle as it deals with problems in its manufacturing sector. German GDP growth has been weak for most of the last two years and manufacturing is a particular problem as higher energy prices have taken effect. Manufacturing accounts for around 25% of the German economy, compared to 15% for the Eurozone. Industrial output in the Eurozone fell 2% in September led by a 2.7% decline in Germany as manufacturers layoff staff and reduce production.

The re-election of Donald Trump could present further problems for European exporters, including German car makers, and Goldman Sachs has reduced its forecast for Eurozone GDP growth from 1.1% to 0.8% in 2025. Germany also faces political problems as its fractious three-party coalition collapsed last week. Chancellor Olaf Scholz has opted for a snap election and he will be aiming to form a government that is willing to relax Germany's strict rules on government borrowing as part of plans to stimulate economic growth.



Data sourced from Investing.com, Trading Economics and Office for National Statistics

This is not a financial promotion and is not intended as a recommendation to buy or sell any particular asset class, security or strategy. All information is correct as at 15/11/2024 unless otherwise stated. Where individuals or FE Investments Ltd have expressed opinions, they are based on current market conditions, they may differ from those of other investment professionals and are subject to change without notice. This communication contains information on investments which does not constitute independent research.

Financial Express Investments Ltd, registration number 03110696, is authorised and regulated by the Financial Conduct Authority (FRN 209967). For our full disclaimer please visit <https://www.fefundinfo.com/en-gb/about/legal-and-policies/financial-express-investments-limited-disclaimer/>