



The Trump card has been dealt

What are the investment consequences of the surprise US election result?

The arrival of Donald Trump marks a change of direction for the US government from the near status quo that Hillary Clinton was offering. Quite what the new direction is remains unclear.

On the one hand, the president-elect has said he will cut taxes for both individuals and companies. US corporation tax could fall from 35% to 15%, with a special 10% rate to encourage the likes of Apple and Microsoft to repatriate profits currently stockpiled overseas. Mr Trump has also spoken about boosting investment in infrastructure, by way of tax credits rather than direct government investment. The consensus is that both measures would be good for growth, which helps explain why the US stock markets rallied after the election result.

On the other hand, the cuts to tax and infrastructure boost appear to be relying upon increased government borrowing for finance rather than reductions in other government expenditure. That has already pushed up yields on US government bonds sharply, helped by an expectation of growth-induced higher inflation. An increase in short term rates from the Federal Reserve at its mid-December meeting now looks very likely.

For investors, there are big question marks about what Trump will do on trade and regulation. Nobody knows how much of the campaign rhetoric will be translated into reality once President Trump enters the White House in mid-January – the famous wall has already acquired sections of pure fence in post-election interviews.

In such uncertain circumstances, one is reminded of the cliché, it is time in the markets that matters not timing the markets'

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.