



## CIO OFFICE MORNING MARKET WRAP

11 November 2024

An emphatic win for Mr Trump in the US elections has paved the way for a Republican government for the next four years. President-elect Trump won both the popular and electoral Votes. Moreover, the Republicans have bagged the Senate and there is a high chance of bagging the House as well. This will be a complete Red Sweep and the so called “Trump Trades” ruled the markets. US Bond yields moved up as the US 30-year ended the week at 4.46%. The 10-year touched a high of 4.47% before settling at 4.3%. Stock Markets rejoiced with S&P 500 crossing 6,000 intraday on Friday before ending the week slightly below at 5,995. Bitcoin rallied to all-time high crossing \$81,000 as Mr Trump has been supportive of Crypto currencies in the past.

The popular narrative seems to be that the Trade, Immigration, Tax and Energy policies of Mr Trump would lead to higher inflation and higher fiscal deficits thereby pushing bond yields higher. However, we would do well to remember that the new mandate for the president-elect is not “Growth at Any Cost” but “Growth at reasonable inflation.” US citizens decisively voted against the pressures of inflation. Hence, it would be interesting to see the implementation of the hyperbole pre-election promises in action. We have increased our portfolio durations and changed our stance to neutral duration at the moment. 2025 would be an interesting year as the status quo has just changed.

The Fed as expected cut rates by 25 bps to bring down the Fed Funds Target rate to 4.5%-4.75% range. The market now discounts a 65% chance of a rate cut in the 18th December meeting. But the Q&A was splashed with questions about Fed’s relationship with Mr Trump. Powell said the election outcome would not affect what policymakers do in the near term because it is too early to know what actions the Trump administration will take. Powell was direct and said he would not resign if Trump pressured him to leave, ending speculation that he might step down before his term is over. The Fed chair said it is “not permitted under the law” for the president to fire or demote him. Powell’s term ends in May 2026.

Last Thursday, BoE also cut its policy rates by 25 bps. While the BOE acknowledged on Thursday that Reeves’ policies would push up inflation by almost half a percentage point to a peak of 2.8% along with issuance of additional \$184 Bn of borrowing in the next 5 years, Bailey told reporters on Thursday that there was no immediate need to change the trajectory of easing. He effectively endorsed a further four quarter-point rate reductions to 3.75% by the end of next year.

Markets this morning:

This morning the Chinese stocks are in the red post weak CPI data. The Core CPI came in at 0.2% for October. PPI slid for the 25th straight month. China local index dropped more than 1% whereas Hong Kong dropped sharply 2.5%. Nikkei has dropped 0.4% before the Japanese parliament vote today. The 10-year US Treasury Yields hold steady at 4.3%. Gold has dropped to around \$2,670. Brent Crude trades at \$73.55.

Upcoming macro releases this week:

The first major macro data from the US this week is the October CPI release on Wednesday. The Headline number is expected to be 0.2% and the Core is estimated to be 0.3%. This will be followed by PPI and Initial Jobless Claims on Thursday. On Friday, we see the Retail Sales, Empire Manufacturing, and the Industrial Product data. From Europe we have the preliminary Q3 GDP figures on Thursday. UK’s preliminary Q3 GDP numbers on Friday rounds up the week.

Have a good week!

Chief Investment Office  
Wealth Management,  
Emirates NBD.

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