

Economic Research View:

Market Reaction to US Election Results

Nomura Asset Management Co., Ltd. Published November 7, 2024

Atsushi Matsumoto
Senior Economist

The initial reaction of the financial markets to news of Donald Trump's victory in the November 5th presidential election was that the USD appreciated broadly, US equity prices rallied by about 2.5%, and the US Treasury yield rose by around 20 basis points. Taken together, these market movements appear to reflect a "Red Sweep" where the Republican Party wins the presidency and both houses of congress. While results of the House of Representatives election have not been confirmed yet, it seems that financial markets are pricing-in a Red Sweep at nearly a 90% probability.

From now on, we think the markets will focus on two main questions. First, the result of the House election. While it is likely that the Republican Party will win a slim majority in the House, leading to a Red Sweep, a win for the Democratic Party could mean that financial markets' expectations for expansionary fiscal policies might recede. This could lead to reversals for the US dollar and the US equity markets as well as lower US Treasury yields.

The second question is who will join the incoming administration. Trump will likely prioritize loyalty to himself and choose people who agree with his agenda, similar to Vice President-elect JD Vance. From the perspective of economic and financial market implications, the Treasury Secretary, Commerce Secretary, and Secretary of State are of particular interest. If members of an incoming Trump administration suggest they will raise tariffs immediately after the inauguration, rapidly crack down on undocumented immigration, or take steps to weaken the US dollar, then even the messaging from incoming government officials could cause some disruption to the financial markets.

*This commentary is based on personal views of the author and does not necessarily represent Nomura Asset Management house view.

Disclaimer

This report was prepared by Nomura Asset Management Co., Ltd. for information purposes only. Although this report is based upon sources we believe to be reliable, we do not guarantee its accuracy or completeness. Unless otherwise stated, all statements, figures, graphs and other information included in this report are as of the date of this report and are subject to change without notice. The contents of this report are not intended in any way to indicate or guarantee future investment results. Further, this report is not intended as a solicitation or recommendation with respect to the purchase or sale of any particular investment. This report may not be copied, re-distributed or reproduced in whole or in part without the prior written approval of Nomura Asset Management Co., Ltd. Registration Number: Director-General of the Kanto Local Financial Bureau No.373 Membership: The Investment Trusts Association, Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association.