

## Views From the Frontline:

November 11, 2024

# Trump Wins Presidency, S&P Reaches 6000

	Price	Quarter-to-Date Change	Year-to-Date Change
S&P 500	5,996	4.2%	27.2%
S&P/TSX Composite	24,759	3.4%	21.2%
EAFE	2,337	-5.2%	7.7%
Volatility (VIX)	14.9	-1.8	2.5

A Trump presidency has equity markets projecting a pro-growth environment and as a result, areas outside of the Magnificent 7 propelled the S&P 500 4.7% higher last week, briefly surpassing the technical level of 6000. We continue

to emphasize the importance of having diversified sources of returns in investor's core holdings and expect balanced funds to benefit. While the path to 7000 will likely experience turbulence along the way, global investors are expecting an inflow of capital as the prospect for a renewed era of American economic dominance becomes closer to reality. However, like 2016, the "animal spirit" that drove the market last week will likely ease as investors reassess the impact of individual policies, as well as the likelihood that they become enacted. Furthermore, it's worth noting that a sizeable portion of revenue from multinational businesses in the S&P 500 is generated internationally and therefore, aggressive tariff policies will negatively impact growth.

Recently, the U.S. has experienced an increase in interest rates as a decisive victory for Donald Trump and the Republican Party boosted growth and inflation expectations. The U.S. economy

	Yield	Quarter-to-Date Change	Year-to-Date Change
US 10 Year	4.30%	52 bps	43 bps
Canada 10 Year	3.18%	23 bps	7 bps
Volatility (MOVE)	99.9	5.2	-14.8

continues to expand at a solid pace. Labor market conditions have generally eased, with the unemployment rate rising slightly year-to-date but remaining low. Inflation has made progress toward the 2% target, although the latest report shows price increases were slightly higher than expected. The Federal Reserve cut their overnight interest rate by 25 basis points to a range of 4.50% to 4.75% and indicated that future rate cuts will depend on economic data. In Canada, short-term interest rates remained roughly unchanged, while long-term interest rates decreased. The Canadian economy continues to post low growth and is declining on a per capita basis. Compared to the U.S., Canada's inflation is declining faster, and its labor market remains softer. The Bank of Canada cut their overnight interest rate by 50 basis points to 3.75% and indicated further interest rate cuts are expected if the economy evolves broadly in line with forecasts. The 10-year rate differential between the U.S. and Canada has reached a record high, reflecting weaker growth expectations for Canada. Globally, the easing cycle continues, with the European Central Bank, the U.K and Sweden continuing to lower their policy rates.

	Quarter-to-Date Change	Year-to-Date Change
Canada Aggregate Bond	-0.2%	3.9%
US Aggregate Bond	-2.1%	2.3%
US High Yield Bond	0.4%	8.5%

Returns are calculated based on representative ETFs

Yields on corporate bonds decreased over the past two weeks, most prevalently in longer dated corporate bonds, driven by a strong risk on move to the market. The risk premium for owning

corporate bonds was lower as the market digested the results from the US election. The primary market slowed with just five new bonds issued over the past two weeks. The lower pace of issuance was largely due to the market waiting to digest the results from the US election. Issuers of note included TD Bank, Gibson Energy, and First Capital Real Estate Investment Trust.

# Market Drivers

## U.S. Politics

\*Market driver size implies significance of developments, subjectively ranked given internal opinions.

### U.S. Politics – Positive

Donald Trump is set to become the 47<sup>th</sup> President of the United States after winning the presidential election in a decisive fashion. Furthermore, the Republican party won back control the Senate and is forecasted to win a majority in the House of Representatives. Following the results, the market is forecasting a renewed era of U.S. supremacy, both economically and geopolitically, that includes stronger growth prospects, less regulation, tax cuts, and protectionist trade policies (i.e. tariffs). As a result, domestic equity markets, bond yields, and the U.S. dollar surged higher last week.

### Central Banks – Neutral

### Earnings – Neutral

### Employment – Neutral

### China – Neutral

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