

2024 Election Results and Market Implications

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November 07, 2024

The 2024 U.S. Presidential Election has resulted in Donald Trump reclaiming the presidency, with the Republican Party regaining control of both the Senate and potentially the House of Representatives. This political shift underscores the nation's response to prevailing economic dissatisfaction during the Biden administration. The election outcomes signal a pivot to the right, with significant implications for markets, sectors, and broader economic policy.

Key Market Trends Post-Election

Equities Surge, Fixed Income Declines:

- Equity markets have responded positively to the anticipated corporate tax cuts and deregulation, with major indices opening in the green.
- Treasury bond yields dipped below zero due to heightened demand for U.S. treasury bonds across various maturities, reflecting investor sentiment leaning towards risk assets.

Tax Policy Changes:

- Trump's plan to reduce corporate taxes from 21% to 15% has buoyed market optimism. This potential policy is projected to increase S&P 500 earnings by 4%, providing a direct boost to corporate profitability.
- Conversely, this represents a significant departure from Democratic proposals, which would have increased corporate tax rates to 28%, negatively impacting earnings.

Sector Winners and Losers:

- **Winners:** Tesla and cryptocurrency sectors experienced notable gains, with Tesla rising 12% and Bitcoin jumping 8%. Traditional oil and natural gas companies, such as Kinder Morgan, also saw stock price increases.
- **Losers:** Sustainable investment-focused companies faced immediate declines, with First Solar dropping 10% as investors anticipate reduced federal support for renewable energy initiatives.

Sectoral Analysis

Healthcare:

Medicare Advantage programs are poised for growth under a Republican-led government favoring deregulation. Companies like United Healthcare, CoverRight, and Humana stand to benefit. However, the interplay between deregulation and cost management will require careful policy navigation to balance growth with affordability and accessibility.

Energy and Environment:

Traditional energy companies are set to benefit from relaxed regulations and increased tariffs on foreign competitors. This policy direction aligns with Trump's promises to cut sustainable energy investments, presenting challenges for renewable energy firms.

Technology and Antitrust:

The shift in administration is likely to slow or reverse antitrust scrutiny on big tech companies, creating a more favorable environment for growth. However, the specifics of this approach remain to be seen, particularly in the context of existing legal and regulatory challenges.

Cryptocurrency:

A pro-crypto stance from the incoming administration is expected to ease regulations and encourage investment in the sector. However, given the volatile nature of cryptocurrencies, market fluctuations will likely depend on broader economic and geopolitical developments.

Conclusion

The 2024 election results represent a significant shift in U.S. economic policy, with broad implications for markets and industries. While certain sectors are poised for growth under a pro-business administration, challenges remain in addressing economic disparities and balancing deregulation with sustainability. Valora Research will continue to monitor these developments and provide strategic insights to navigate this evolving landscape.