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On Wall Street, a Rosy Vision of Trump 2.0

By Rob Copeland
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The financial world sees plenty of opportunity in the return of President-elect Donald J. Trump. For now, Wall Streeters are looking past the risks.

The day after the presidential election, JPMorgan Chase's chief executive, Jamie Dimon, picked up his phone for a call he had hoped not to make.

Mr. Dimon, who had privately supported Vice President Kamala Harris and boasted to associates he hadn't spoken to Donald J. Trump in years, was now in the position of calling the president-elect with congratulations and an offer to help in any way. Mr. Trump didn't pick up, forcing Mr. Dimon to leave a message on his voice mail, according to two people with knowledge of the call.

The snub -- and a subsequent missive from Mr. Trump on social media that Mr. Dimon would ''not be invited'' to be a part of his administration -- did not dampen the banker's enthusiasm. Mr. Dimon said a few days later that his industry was ''dancing in the street'' over Mr. Trump's win and incoming Republican majorities in the House of Representatives and Senate.

These days, it seems that everyone who is anybody on Wall Street -- to say nothing of a whole lot of nobodies -- is amped up for Mr. Trump's return to the Oval Office. In interviews, bankers, lawyers, investors and corporate executives with a wide range of political views said that despite mixed opinions on Mr. Trump's proposed policies overall, they see in his administration the greatest possibility for a boon to the business world in a generation or more.

In part, they've been won over by the president-elect's picks of a fairly run-of-the-mill collection of Republican stalwarts for economic and financial regulatory roles. They expect this Wall Street-heavy crowd, such as Paul Atkins, a longtime lawyer for investment firms who is Mr. Trump's pick for Securities and Exchange chairman, and Howard Lutnick, a billionaire investment banker as the commerce secretary designate, to focus on rote conservative causes like lighter financial regulation and lower taxes (or at least a continuation of tax cuts set to expire).

Notably, the rosy outlook sidesteps some of the nonconformist economic ideas -- namely tariffs on all imports to the United States -- that Mr. Trump has pledged. It also takes as a given that the president-elect will continue to save his most provocative political picks for bureaucracies such as the F.B.I. that financiers see as unrelated to their world.

For now, those risks are taking second place to cold, hard opportunity. One prominent investment banker asking for anonymity because he's not authorized to speak publicly on the matter, pointed out that amid Mr. Trump's posturing, there is profit to be made: His bank was seeing an uptick in interest from corporate clients looking to purchase expensive, complicated financial instruments that reduce the risk from changes in the price of currencies.

The client receives financial stability, while the investment bank generates fees.

With Trump 2.0, there does seem to be something for everyone in the financial arena: For bankers like Mr. Dimon, high on the wish list is the loosening of looming capital requirements, known as the ''Basel III endgame,'' that they say would reduce the amount of money they have available to lend, and ultimately profit. International regulators have argued the proposed rules are needed to prevent another financial crisis.

Chief executives with big pay packages contingent on rising stock prices are heartened that Mr. Trump, as he did in his first administration, is again agitating for lower interest rates, which generally propel financial markets higher by incentivizing risk-taking.

Interest rates are set by the Federal Reserve, not the president directly, and they're already on the way down. Still, Mr. Trump has shown no compunction about publicly insisting that the central bank keep rates low, despite a tradition that presidents generally steer clear of direct pressure on the Fed.

Lower rates would also be a boon for mergers and acquisitions, initial public offerings and other cogs in the Wall Street moneymaking machine, which were jammed up during the past four years in the aftermath of the pandemic and under a Biden administration that had attempted to clamp down on big companies trying to get bigger. When Mr. Trump appointed a former **technology** lobbyist, Gail Slater, to lead the Justice Department's antitrust division, he said he expected her to "facilitate, rather than stifle," the corporate world, language that would not have been out of place in the Reagan deregulation movement.

And perhaps no one is more elated than cryptocurrency investors and venture capitalists, who embraced the once-Bitcoin-skeptic president-elect and are hoping to be permitted to register and market new coins to ordinary investors. The price of Bitcoin, a proxy for the hopes of the industry at large, recently touched $100,000 and has shot up nearly 40 percent since the election. The S&P 500 is up 6 percent since then.

As ever with Mr. Trump, whose decision making can be tough to predict, handicapping the chance of a long-term financial windfall from his time in office can be similar to reading a Rorschach test in which the same image can seem different depending on the viewer.

It's easy enough to craft an argument for why financial optimism may be misplaced: Mr. Trump has talked up spending plans that would balloon the national debt and the imposition of tariffs and a renewal of tax cuts that could exacerbate inflation. A tightening of the labor market caused by mass deportations of immigrants could also cause a spike in wages as companies are forced to compete aggressively for workers.

And heady times for Wall Street are often followed by economic troubles. The financial services industry has traditionally thrived right up to the brink of collapse, such as ahead of the bursting of the internet bubble in 2000 and the mortgage market in 2007.

Few expect such calamity in the short-term, but Wall Street's track record on economic projections is famously spotty, and executives like Mr. Dimon have said they are girding for all possibilities. Last week, Bank of America's chief executive, Brian Moynihan, expressed skepticism that Mr. Trump's so-called Department of Government Efficiency, to be co-led by Elon Musk, with an aim of slashing federal spending, would make much of a dent in anything.

Analysts at the bank Standard Chartered similarly this month flagged "unusual uncertainty on the potential policies of the incoming U.S. administration, and on their timing and their impact."

There was also widespread exasperation among the finance set late last month when Mr. Trump threatened to impose a 25 percent tariff on goods from Mexico and Canada. Wall Street hates uncertainty and a bubbling trade war between two of America's largest trading partners would bring that in droves.

And yet not long after that threat, many financiers reached deep for a reason to focus on the positive by passing between one another a letter from January to investors from Mr. Trump's Treasury secretary pick, Scott Bessent, that described tariffs as less important than they may seem because they would be "on the table but rarely discharged."

A spokeswoman for the Trump transition did not respond to a request for comment.

To Trump 2.0 converts like Ken Griffin, the billionaire founder of the hedge fund Citadel who didn't donate to the president-elect's campaign, the tariff talk may well just be a starting point, rather than a serious pledge.

The president-elect "comes from a field -- real estate -- where the norms of negotiation are often different," Mr. Griffin said last week at the DealBook Summit in New York. Amazon's founder, Jeff Bezos, sounded a similarly conciliatory optimistic tone toward Mr. Trump's administration at the event.

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THE WALL STREET JOURNAL.

EXCHANGE --- The Score / The Business Week in 6 Stocks: Warner Bros. Gains, JPMorgan, Banks Soar

By Francesca Fontana
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JPMORGAN CHASE

JPM +12%

Donald Trump's election victory powered a broad market rally Wednesday. Big winners included banks, which rose on hopes for reduced regulation and higher interest income. JPMorgan Chase shares climbed 12% to a record high. Wells Fargo and Goldman Sachs both rose 13%. The prospect of lighter regulation and protective tariffs drove gains in industrial stocks, including equipment makers and domestic steelmakers. Bitcoin prices and crypto-linked stocks also rallied. Sectors expected to benefit from Democratic policies declined sharply, including clean-energy and electric-car companies. Bucking the trend was Tesla, the EV maker helmed by Trump ally and donor Elon Musk. Its shares rose 15%.

PALANTIR TECHNOLOGIES

PLTR +23%

The software company reported strong sales and raised its revenue guidance, buoying investor confidence in the company's growth. Palantir sells **data-analytics** software to governments and businesses worldwide. Its **technology** has been used in the wars in Ukraine and the Middle East to assist with battlefield logistics and military decision-making. The company also notched some larger contracts with the U.S. Defense Department this year. Palantir Technologies shares climbed 23% Tuesday.

LYFT

LYFT +23%

The ride-hailing company raised its outlook after reporting double-digit percentage gains in ridership and revenue. Lyft said gross bookings rose 16% to $4.12 billion as the app's number of active users rose to a record 24.4 million. For the full year, the company expects gross bookings growth of 17%. During the quarter, Lyft also signed a strategic partnership with food-delivery app DoorDash that offers exclusive benefits to riders that link their DashPass accounts. Lyft shares soared 23% Thursday.

WARNER BROS. DISCOVERY

WBD +12%

The entertainment conglomerate posted a surprise profit of $135 million, thanks to better-than-expected growth in streaming subscribers. Warner Bros. added 7.2 million direct-to-consumer subscribers globally in the third quarter, its largest growth since the Max streaming service launched. The company said lower box-office revenue from "Beetlejuice Beetlejuice" and "Twisters" didn't match the strong performance by "Barbie" a year earlier. Warner Bros. shares soared 12% Thursday.

SONY

SONY +9%

The Japanese entertainment and electronics company said net profit climbed 69% from a year earlier and raised its annual revenue forecast. During the week, Sony also rolled out its updated PlayStation 5 console in time for the holiday shopping season. The PS5 Pro offers faster rendering, enhanced details and other upgrades. Earlier in the week, rival Nintendo cut its annual forecasts for Switch sales and revenue after disappointing first-half results. American depositary shares of Sony jumped 9% Friday.

HERSHEY

HSY -2.2%

Hershey's latest quarter wasn't so sweet, as high cocoa prices ate into its sales. The chocolate maker lowered its annual guidance and missed revenue and profit expectations. Record-high cocoa prices remain a challenge for Hershey and candy-making rivals like Mondelez International. Cocoa-based candies have become more expensive in 2024, with global inflation and adverse weather for growing the key ingredient. Hershey shares lost 2.2% Thursday.

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THE WALL STREET JOURNAL.

EXCHANGE --- The Score / The Business Week in 6 Stocks: JPMorgan Boosts Banks, Tesla Loses Traction

By Francesca Fontana
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12 October 2024
The Wall Street Journal
J
B2
English

JPMORGAN CHASE

JPM +4.4%

America's top banks kicked off earnings season with reassuring news. Both JPMorgan Chase and Wells Fargo on Friday posted quarterly profits that fell from a year earlier, but by less than what analysts expected. JPMorgan said profit decreased 2% to $12.9 billion, bolstered by lending profits and weighed down by increased losses in credit-card loans. At Wells Fargo, profit dropped 11% to $5.11 billion, dragged down by higher funding costs for customer deposits. JPMorgan said the economy remains strong for consumers and big companies, a sign that the Federal Reserve may have achieved a soft landing. JPMorgan shares rose 4.4% Friday.

Delta Air Lines

DAL -1.4%

Delta reported earnings that came in below analysts' estimates in the latest quarter, in part because of a $380 million hit to sales resulting from flights canceled during the global CrowdStrike IT outage. Expenses related to reimbursements and grounded crews totaled $120 million, even after accounting for the fuel savings of flying less. All in all, it led to its earnings per share coming in 26% lower than during the same period of last year. Delta shares lost 1.4% Thursday.

TESLA

TSLA -8.8%

Tesla's driverless robotaxi made a flashy debut -- but investors weren't impressed. Chief Executive Elon Musk on Thursday unveiled the new autonomous Cybercab, with no steering wheel or pedals. He also announced the Robovan, designed to shuttle up to 20 people at a time. Musk said Tesla plans to start Cybercab production before 2027. He also left questions unanswered, including business model specifics. The unveiling got a chilly reception from investors. Tesla shares fell 8.8% Friday.

PFIZER

PFE +2.2%

An activist investor is taking aim at Pfizer. Starboard Value has taken a roughly $1 billion stake in the drugmaker and wants the struggling company to make changes to turn its performance around, The Wall Street Journal reported. The company overestimated future demand for Covid-related products after the pandemic subsided, and its other offerings haven't been able to fill the gap. In addition, the company's first attempt at a weight-loss pill disappointed. Pfizer shares climbed 2.2% Monday.

SUPER MICRO COMPUTER

SMCI +16%

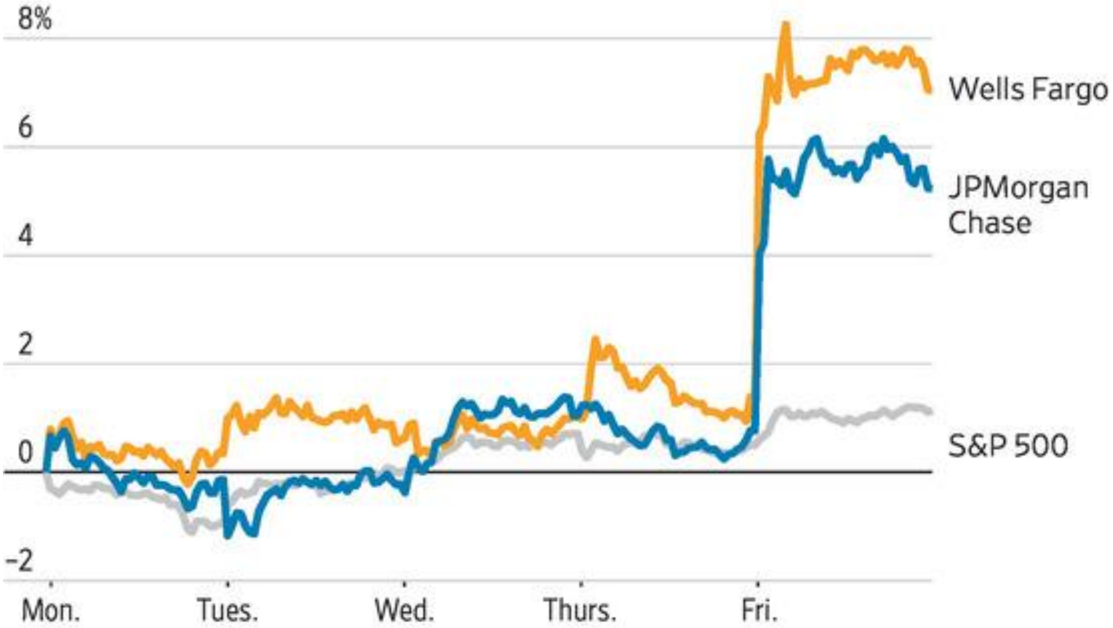
Super Micro Computer announced positive shipment data Monday, saying that it recently deployed more than 100,000 graphics processing units with liquid-cooling solution to large AI factories. The stock, which recently split 10-for-1, was hit last month after The Wall Street Journal reported that the Justice Department is probing the company following a critical report by an activist short-selling firm. In August, an annual filing delay also prompted a selloff. Super Micro shares surged 16% Monday.

ALPHABET

GOOG -1.6%

The Justice Department submitted a filing Tuesday that presented a federal court with options to remedy what a judge said was Google's unlawful monopoly in search. The remedies range from conduct restrictions to a breakup. Google responded that the initial proposal is "radical and sweeping" and could have "negative unintended consequences for American innovation and America's consumers." Parent company Alphabet shares slipped 1.6% Wednesday.

Performance of bank stocks this week



Source: FactSet

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