



Trumped Again

It wasn't necessarily a surprise that Donald Trump became the 47th president of the United States. As late as Election Day afternoon, the race was considered by most to be "too close to call."

It was a surprise, though, that it was a landslide victory, with Trump garnishing 312 Electoral College votes, and almost 75 million "popular" votes. Concerns anyone might have had about contesting the results of the election were quickly dispelled. It was that one-sided.

But it wasn't one-sided because so many more people voted for Trump than before. It was one-sided because eight to nine million citizens who voted for Joe Biden in 2020 didn't show up for Kamala Harris. Riding on Trump's coattails, the Republicans took back control of the Senate, with 53 seats, and gained a slight majority in the House of Representatives.

The knee-jerk reaction by the financial markets to Trump's win was not as crazy as it was in 2016 (when stocks dropped 5% overnight, before finishing up 1% by the end of the day), but it was not ho-hum either. The S&P 500 was up 2.5% the day after the election, hitting a new all-time high. Stocks seemed to react favorably to Trump's "pro-business" stance and the potential for tax cuts.

On the flip side, the bond market seemed to react to the fear that Trump's policies would ignite inflation, sending interest rates higher. The 10-year U.S. Treasury Rate increased almost 20 basis points (0.20%) the day after the election. A significant move that sent bond prices lower.

Fear crept into international stocks as well. They were down about 1.5% on the news of a second Trump term and have continued to drop since. "America First" doesn't exactly resonate with international businesses. Perhaps foreign stock markets should not have been so surprised. After all, in almost every developed nation around the world, the incumbent party was voted out in this recent election cycle.

Plenty of weird stuff happened, too.

Remember "[meme stocks](#)" — the ones that at-home day-traders have been buying as a joke? Well, China has those, too. Wissoft Co. is a Chinese software and heavy equipment provider. Its Chinese name, "Chuan Da Zhi Sheng," sounds like "Trump wins big" to Mandarin speakers. Just a strange coincidence. What isn't a coincidence is that its stock price reacts to favorable news about Donald Trump. A Trump presidency has no sensible impact on



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Wisesoft's business, but here we are.

Naturally, Elon Musk fanatics made some noise as well. The price of "[Dogecoin](#)," a goofy dog-themed cryptocurrency created as a joke soared in value after Trump appointed Musk to co-lead the newly created Department of Government Efficiency, aka DOGE. The value of Dogecoin currently exceeds that of Ford Motor Company . . . and, yes . . . we're still crypto skeptics.

Now that the election outcome is clear, what does this mean for us as investors?

Who knows? As we have said, the president gets way too much credit when things are good and way too much blame when they aren't. Having said that, there are some campaign promises that we are paying attention to.

For starters, Trump has made tariffs a central part of his economic agenda. Tariffs impose a fee on imports from other countries. While their impact can be hard to predict, Trump's aim is to incentivize U.S. companies to do more business within our borders, protecting American industries and jobs. However, it's widely accepted that tariffs ultimately just pass the increased cost on to consumers . . . aka higher inflation.

It's worth noting that many of the tariffs created in the "trade war" with China during Trump's first term were upheld by the Biden administration. Nevertheless, the incoming president labels himself the "Tariff Man," so we expect to talk much more about this in the future.

Immigration is another theme central to Trump's campaign. There are certainly many sides to this issue, but we are focused on how it could potentially impact the economy. Fewer people in the country also means fewer people working (legally or illegally). A smaller pool of workers will push wages higher. And typically, that wage pressure leads to higher inflation.

Lower taxes and rolling back the authority of the federal government (spearheaded by the aforementioned DOGE) could also impact the economy and financial markets. There is much debate whether lower tax *rates* can stimulate an economy and increase total tax *revenues* collected (reducing the budget deficit), or if the opposite is true. The prospect of lower taxes has already excited the stock market, but if it results in an even larger budget deficit, America will merely be kicking the proverbial "national debt" can down the road once again.

Even though some of these key policies seem likely to increase inflation, Trump doesn't *want* high inflation. Keeping a lid on prices was also a campaign promise — for both candidates.

The cornerstone of Trump's plan to bring down inflation is to "Drill, baby, drill." On Dave Ramsey's podcast, Trump said, "I believe I'll be able to get energy down to 50% of what it is right now within a period of less than a year." And he believes that with lower energy prices will come lower interest rates.

There is a difference between campaigning and governing. Promises on the campaign trail don't always translate to policy for any president. And even when they do, it's hard to say what the real impact of those policies will be.

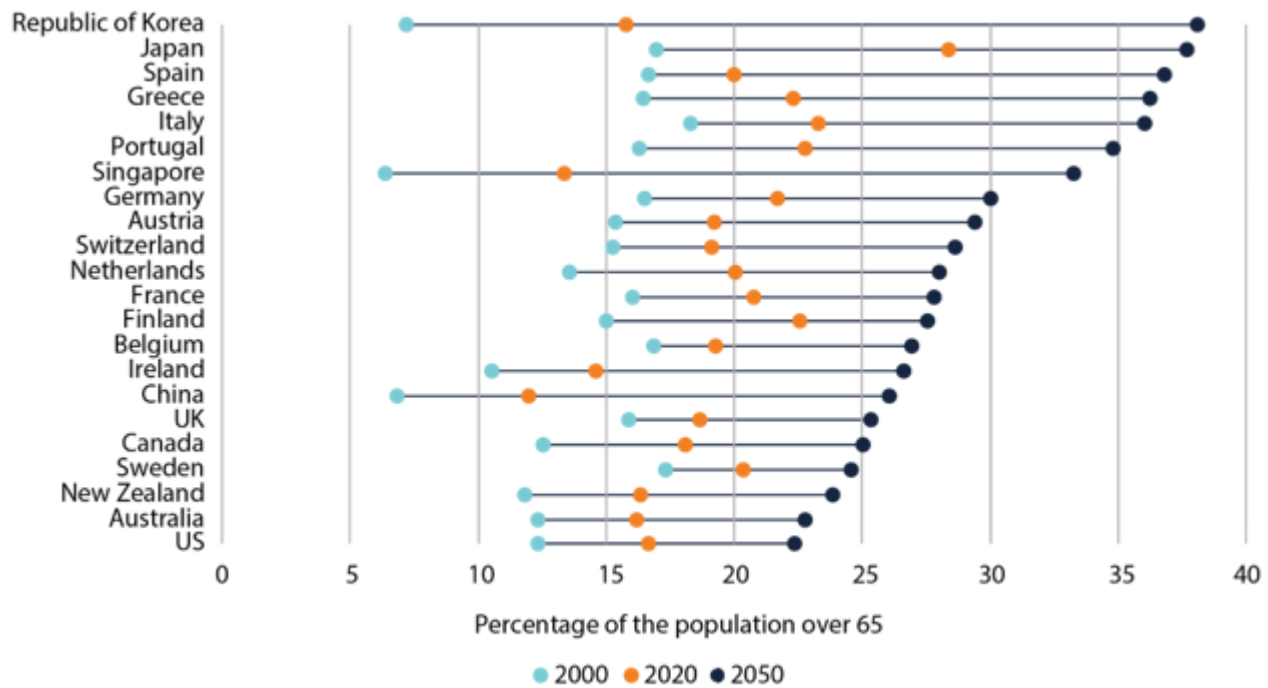
However, we must repeat, as we always do around this time . . . there are much bigger forces at play in the economy than who is president.



The president cannot do anything about the slowing down of the global economy. Why is the global economy slowing down? Because the world is getting older. Sixty to seventy years ago, women around the world were having 5 babies on average. Today that number is [2.3](#).

It is expected that the [world's population will peak in the mid-2080s](#), and will then start to shrink. Countries such as China, Germany, Japan, and Russia have already hit their population peak, and many others are expected to follow in the next 30 years.

The good news for Americans is that we are in somewhat of a demographic bubble. As you can see below, most of the developed world is aging much more quickly than we are. While older countries are grappling with fewer workers supporting more retirees, we will boast a larger and more dynamic workforce which should support relatively stronger economic growth.



Source: OECD

Yes, we are still getting older, but it should take us much longer to feel the full effects of the demographic crisis the world is entering. We are still jogging while everyone else has to slow down and power walk.

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