



PKB's Market Espresso

Short. Rich. Strong.

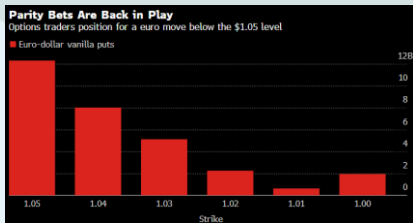
Market Reactions to Trump's Victory

US equities rallied following Donald Trump's victory, while **European markets declined**:

- **Diverging Impacts:** US long-term rates rose, while European rates fell. US equities climbed, led by Small & Midcaps on expectations of government support for mid-sized businesses
- **Volatility and Commodities:** Equity volatility declined, while many commodity prices, including Brent, fell
- **Political Context:** On November 13, Republicans also secured control of the House of Representatives (218 to 209 seats), securing Trump the *political trifecta*, which opens a smooth path to implement his policies until the 2026 mid-terms

Euro Parity With Dollar?

- Currency strategists revise forecasts for the **euro** in the wake of the US election and coming up with a new call: a slide toward **parity** with the US dollar
- The changing landscape in the currency market follows anticipation that global trade restrictions could become a **key pillar** of Trump's economic policy when he returns to the **White House**



Source: Bloomberg

Tight Spreads, Big Moves

US Corporate bond markets are experiencing significant activity, with **very low spreads** and heightened issuance following recent political and economic developments.

- **Very Low Spreads:** Investment-grade spreads and high-yield spreads have tightened significantly since the US elections, returning to very compressed levels
- **Borrowing Surge:** Over \$50 billion in new corporate debt were issued post-Trump victory, as companies capitalize on favorable borrowing conditions with investors who, as in equities, currently have a clear preference for corporate America
- **Investor Demand vs. Risks:** Tight spreads reflect robust demand but they also mean less remuneration for the risk taken by investors

Complex environment for China

China faces a growingly **complex environment** for trade and investment, shaped by **domestic challenges** and rising **international tensions**.

- **Peak China:** Economic challenges, rapid aging toward a "super-aged society," and soaring youth unemployment signal stagnation
- **Less Open for Business:** Ideological conformity, widespread censorship, and crackdowns on dissent hinder innovation and openness
- **Centralized Power:** Decision-making at the top discourages initiative among elites, reducing adaptability
- **Securitization:** Rising restrictions on due diligence, market intelligence, and supply chain audits complicate routine business practices due to fears of Western influence

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