



Summer 2016

Summer's here and the countdown to Christmas begins in earnest. After such an eventful year on the global political and economic front, investors will no doubt be looking forward to some time out to relax with family and friends.

Donald Trump's election to the US Presidency ushers in a period of uncertainty for the global economy and financial markets until he takes office on January 20 and his policies become clearer. Markets reacted with rising bond yields and a higher US dollar, paving the way for the US Federal Reserve to lift interest rates as planned in December. US shares reached their highest levels since 1999, while Australian resource stocks also surged on the back of Trump's stimulatory agenda. Not so positive for Australia is Trump's promise to withdraw from the Trans Pacific Partnership (TPP) on his first day in office. The TPP would have been the world's biggest free trade agreement and scrapping it will have implications for Australia's trade in the region.

While Trump's victory eclipsed most other news in November, there was some positive economic data at home. Unemployment held steady at 5.6 per cent in October, at three-and-a-half-year lows. Consumer confidence is also buoyant; the ANZ/Roy Morgan Consumer Confidence indicator rose to a 7-week high in mid-November before dipping 2.3 per cent to 115.5. Still, this augurs well for the Christmas spending period. It also suggests there will be no more rate cuts from the Reserve Bank this year.



How to play the Trump card

To say that Donald Trump's election as President of the United States took the world by surprise is an understatement. Markets hate surprises and uncertainty, so a short-term period of volatility is to be expected. But as investors begin to digest the new policy direction, buying opportunities could arise.

So, what do we know of President-elect Trump's policies and what will they mean for us?

Mining shares rally

Global share markets responded positively to Trump's promise to increase spending on infrastructure and defence and to cut taxes. These policies would provide a shot of fiscal stimulus to the US economy and Australian companies that do business there.

Coal and iron ore prices were already rising but iron ore surged ahead by almost 15 per cent in the week of the election.ⁱ Australian resource stocks are up about 35 per cent this year.ⁱⁱ

Trump has also pledged to reduce industry regulation and allow the importation of foreign drugs, which is... [Read more](#)
