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Trump May Usher in 'Roaring '20s' for Stocks

BY LEE BARNEY
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(Dreamstime)

President-elect Donald Trump's stunning victory in the race for the White House sent major stock indexes soaring 3% to 5% Wednesday — and Wall Street traders think this is just the beginning of further, significant gains.

"We are entering the 'Roaring 1920s' for stocks," Todd Morgan, chair of Bel Air Investment Advisors of Los Angeles, told Newsmax. "It happened coming out of the Spanish Flu pandemic of 1919 and has been happening again. Businesses are on fire. Today alone, the Dow is up more than 1,400 points, or 3.4%, and the S&P 500, 2.35%."

On Wednesday, the day after Trump's win, the Dow Jones Industrial Average rocketed by 1,508.05 points (3.57%), to close at an all-time high of 43,729.93. The S&P 500 also hit an all-time high, popping 2.53% to 5,929.04. The Nasdaq Composite climbed 2.95% to a record of 18,983.47.

The growth, deregulation, and lower corporate and individual taxes that Trump will bring, will boost multiple sectors — including banks, cryptocurrency, energy, consumer, home building, technology, healthcare, and defense, Morgan and other traders say.

growth stocks, in particular, as well as five- and 10-year Treasury bonds, will fare well, Morgan said.

Bel Air is telling clients it sees an 11% upside to the market through 2025.

"We are already halfway there," Morgan said. "Today's meteoric rise is a good anchor."

The market's initial celebratory "reaction is not surprising," said Jack McIntyre, global fixed income portfolio manager at Brandywine Global Investment Management in Philadelphia.

"The market is correctly saying we might see a red sweep," of not control of the U.S. House of Representatives and Congress, he said.

"For now, investor sentiment is pro-growth, pro-deregulation, and pro-markets," said David Bahnsen, chief investment officer of The Bahnsen Group in Newport Beach, California. "There is also an assumption that M&A activity will pick up and that more tax cuts are coming, or the existing ones will be extended. This creates a strong backdrop for stocks."

Andrea Scauri, senior portfolio manager at Lemanik, Lugano in Lugano, Switzerland, is bullish on energy and consumer spending.

"Old economy sectors, like oil, drilling, mechanical, and heavy industry will benefit," he said. "And probably also tech, as American consumers will have more money in their pockets (and) might spend it on new phones, TVs — or invest in the stock market."

With bonds, McIntrye is waiting to see how the fixed-income market responds to the Trump win with an eye toward "a bet that there is going to be some fiscal responsibility coming out of the Trump administration."

Matthew Ryan, head of market strategy at Ebury, and Emmanuel Cau, head of European equity strategy at Barclays, based in London, sees a Trump administration raising the value of the dollar.

"We will have to wait until Jan. 20, 2025, for Trump's inauguration," Ryan said. "His rhetoric in the meantime will be closely watched by market participants.

"Commentary that doubles down on his tariff threats and tax cuts could conceivably exert some additional upward pressure on the greenback, as investors pencil in weaker global growth and a higher terminal Federal Reserve interest rate."

Ryan added: "You have renewables, auto, some of the tariff stocks, and China-exposed names. Then you have your U.S. consumer and dollar plays doing better. That seems to be the story now."

Gold could be a sound investment in a second Trump presidency, notes Alex Ebkarian, COO of Allegiance Gold.

"It is essential to remember that during Trump's previous term, gold rose by 53%, while national debt increased by $7 trillion," he said. "This reflects gold's resilience in a low-interest-rate environment amid rising debt — a policy direction Trump has historically supported and may continue."

As for investors in 401(k) plans and IRAs who may be overweight in cash, Morgan notes that there is $6.5 trillion sitting on the sidelines. He suggests safe investments for near-retirees and retirees, including locking in yields of 4% to 4.5% on five- and 10-year bonds.

"Don't leverage portfolios, since the market is up 23% year-to-date," Morgan said. Rather, "right size allocations to stocks and bonds, and stick with quality for long-term investing."

Hendrik Du Toit, CEO of Ninety One of London, sums up the current outlook for portfolios thus: "It's a completely new world, and we need to understand that. He [Trump] has a massive endorsement and will move much faster than before [his first term].

"The market will price that in very quickly. What's really important here is the markets like clarity — and they have that," De Toit sad. ■

With Reuters reporting.

Lee Barney, Newsmax's financial editor, has been a financial journalist for 30 years, covering the economy, retirement planning, investing and financial technology.