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Donald Trump's US presidential election gains sink global markets



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US stocks looked set to join in a global rout as a Donald Trump victory in the US election became an increasingly likely possibility. Richard Drew



by Vesna Poljak

Wall Street looked set to greet a Donald Trump presidency with the sharpest losses since at least the Brexit vote after a closer-than-expected race for the White House derailed global equities and boosted bonds.

Futures late on Wednesday pointed to a 641-point fall for the Dow Jones Industrial Average; that indicator fell 669 points after the United Kingdom referendum, which triggered a 3.39 per cent loss for the US index.

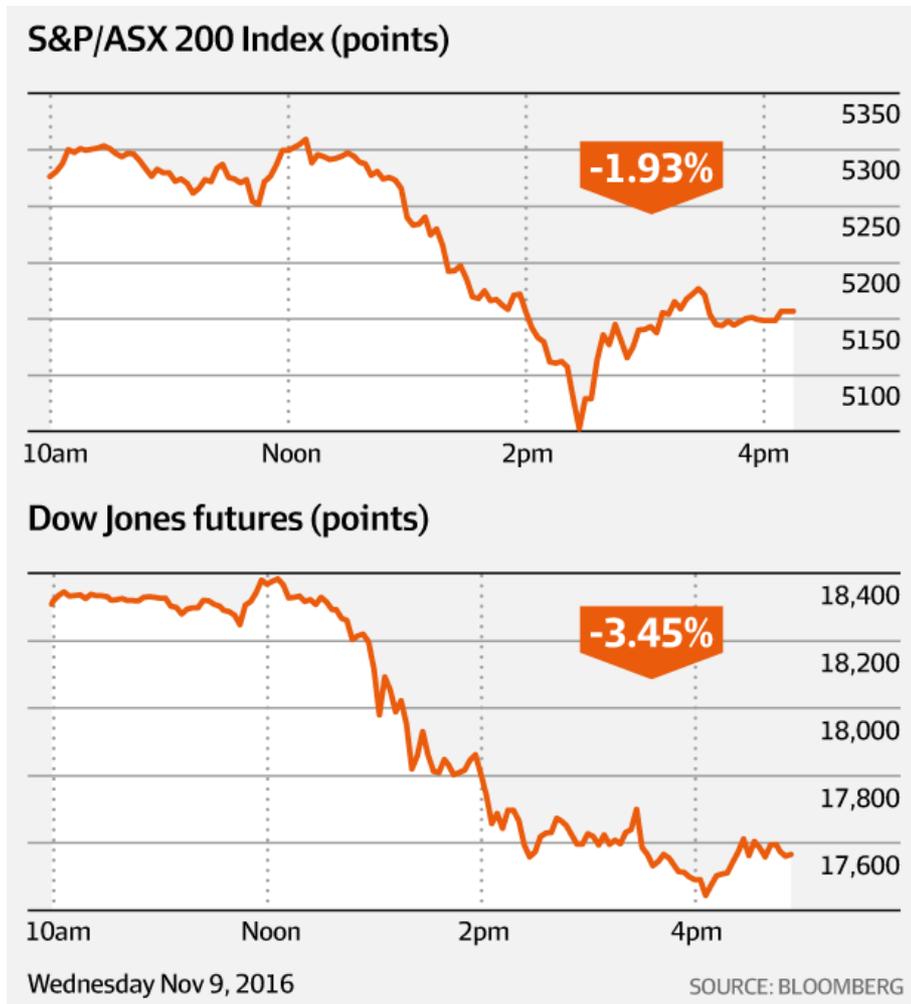
Mr Trump's victory in the state of Florida marked the start of what could be a prolonged period of uncertainty for investors. The Mexican peso, the preferred financial market proxy for the US election, plunged to a 19-year low.

Australian 10-year bond yields fell. They were were at 2.41 per cent early in the day when a Hillary Clinton victory looked likely, before falling as low as 2.28 per cent before settling at 2.30 per cent in the afternoon. Three-year bond yields fell from 1.74 per cent to as low as 1.64 per cent, before rising slightly to 1.65 per cent.

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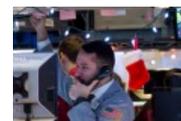
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The Australian dollar fell from US77.7¢ to US75.94¢. The S&P/ASX 200 index fell 1.82 per cent to 5,162.10 points and briefly looked set to test 5,000 points in the worst day for Australian shares since September. Only gold stocks bucked the trend to advance in Australian trading on Wednesday. In Asia, Japan's Nikkei fell 5.29 per cent to 16,263.76, Hong Kong's Hang Seng fell 4 per cent to 21,983.66.

As investors scrambled to work out the policy implications of Trump as president, K2 Asset Management managing director Campbell Neal said that it was clear that Americans thought that a Republican president would be better placed to lift their standard of living over the next four years than a Democrat leadership. He also recalled that the Brexit vote produced a shock for markets, but most asset prices later recovered.

"I have taken a counter-cyclical view to this. It will be good for corporate America long-term. I think Americans were looking for a change agent and they had two choices only – Clinton or Trump. There's a lot of things that Donald Trump has said that I don't agree with, that Americans don't agree with," he added.

"He will be watered down by his own party. I can't see him building a wall between the US and Mexico."

Mr Neal said that a Clinton victory would have delivered certainty. Trump's popularity brings uncertainty, which markets are hugely uncomfortable with, but confidence will slowly be restored, the fund manager said.



"Trump will act as a change agent and he would do more things than Clinton is prepared to do," he said. "He can therefore really make change in the US, better than what we've probably seen under the Democrats, under [Barack] Obama."

He also speculated that Mrs Clinton's chances may have been hurt by Americans who identify as Democrats, but did not have the conviction to vote for her.

Meanwhile, Chad Padowitz, chief investment officer at Wingate Asset Management, said that the United States was now a riskier proposition for investment. That was reflected in a rush to safe-haven assets, such as gold. In spite of the plunge in US equities, the US dollar was largely unmoved, down 1.5 per cent.

"Many of his policies are divisive, internationally and domestically, so that's generally not a favourable thing," Mr Padowitz said.



"It's pretty hard to say it's a positive. That being said, the US presidency has certain limitations and the majority of the Republican party were not behind him. It doesn't mean his agenda will be carried through. America is certainly built to withstand any one person's actions."

[He predicted a drop in equities over the next few days, but in the weeks ahead expects stabilisation.](#) The Federal Reserve's December rate hike appears in doubt, he said, but added there is still ample reason for the Fed to go ahead.

"I don't think markets particularly liked the prospect of a Clinton presidency, it wasn't a fantastically market-friendly presidency versus Trump. Going forward, then it's about what policies or otherwise is he able to implement and no one really knows. It is what it is," the Wingate CIO said.

BNP Paribas estimates the chance of an interest rate rise by Fed chair Janet Yellen has gone to 50 per cent from 90 per cent.



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