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U.S. ELECTIONS: "IT FEELS LIKE DÉJÀ VU ALL OVER AGAIN"

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Once again, an electorate was asked to vote, this time on the candidate that they preferred to occupy the Oval Office in the White House. Once again, the polls indicated that, with a high degree of certainty, there would be no surprise. Once again, the polls turned out to be wrong: Donald Trump not only gained the presidency, he also secured Republican control of both the House and the Senate.

As Trump campaigned on a populist anti-establishment and anti-globalization platform, the financial markets naturally expected awful things to happen should he be elected. And they were right—for a short time, anyway. Between 8 p.m. and midnight ET on the day of the election, the S&P 500 Index future fell by 5.7% as the outcome of the election was revealed—only for the entire sell-off to be reversed over the following eight hours.

What happened? In his acceptance speech, Trump struck a conciliatory tone and indicated that, upon inauguration, he would launch a major new infrastructure program, and would build relationships with other nations. The markets took consolation from this and decided to ignore the fact that, truth be told, we still know very little about the domestic and foreign policy strategies that Trump will actually adopt.

My view is that, once in office, Trump will soften the position he adopted on the campaign trail and embrace a more practical, business-friendly stance. Given his affiliation with business owners in the U.S., he will understand that it is not in the best interests of corporate America to entertain a regime of sky-high tariffs and isolationism. Should border trade with Mexico be brought to a halt, for example, great losses would be imposed on U.S. auto manufacturers.

If, however, Trump fulfills his promise of a more isolationist approach, it will present a once-in-a-lifetime opportunity for China to put itself at the center of a redesigned global trade network. China is already in the process of negotiating a pan-Asian free trade agreement that includes a number of strategic allies of the U.S., such as Japan, South Korea, and Australia. An isolationist U.S. would be disruptive in the short term, but over the long term would fit nicely with the Chinese authorities' strategic plan to internationalize the renminbi and would marginalize American businesses.

It was notable that, in his acceptance speech, Trump attributed the success of his campaign to the "movement" rather than to the Republican Party. This provided further evidence that, while the president-elect and Congress are ostensibly from the same party, they will need to negotiate in order to steer the country onto the right path. For now, we hope, and expect, that the checks and balances on the new president, and the need for him to cooperate with mainstream Republican congressmen, will remain a forceful anchor.

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