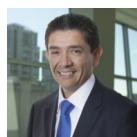




## Markets in a Minute

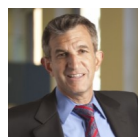
Biweekly insights on the latest global investment news

### Equities: Post-election rally



**Omar Aguilar, Ph.D.**  
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### Fixed Income: Trump—foe of fixed income?



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### Repricing of value

Developed equity markets around the globe have enjoyed an impressive post-election rally, driven by speculation that anticipated economic policies by the Trump Administration will support faster U.S. growth. The results have helped major U.S. stock indexes to stretch toward record highs, while bond yields have been heading decidedly higher. Value has been outperforming growth, while high-dividend-paying stocks have generally been underperforming as bond yields have risen.

### A powerful combination

The prospect of a new administration that may provide fiscal stimulus in an environment where central banks could be set to begin increasing short-term rates seems promising for future corporate earnings growth. With this potential backdrop in mind, small-cap stocks, along with Financials, Health Care, and select Materials stocks, have been extending their recent rallies.

### Stronger dollar and emerging markets

The U.S. dollar has extended its record performance after the election amid hopes that the Trump Administration will boost spending and drive up inflation. Emerging market stocks have underperformed by comparison, reflecting potential headwinds from immigration and trade policies that appeared central message points behind Trump's campaign.

### What Trump flight-to-quality

As investors expected, a Trump victory triggered an initial flight-to-quality. Bond yields fell, with 10-year Treasuries hitting 1.70% as the election results crystalized. Yet only an hour later, things moved in the opposite direction, with 10-year yields rising above 2.0%. This was likely the result of Trump's "mild" acceptance speech combined with the market's focus on some of his policies.

### Will Trump deliver

Treasuries continued to selloff after election night, predicated on a dramatic rise in inflation expectations. The market has been focusing on Trump's pledge to lower taxes, increase domestic spending, and reduce regulation. If successful on all three fronts, the likely result would be an increase in growth, government debt and deficits, and bond yields. The big question is: Can Trump deliver? Even with a majority in the House and Senate, it's still hard to get things done in Washington. Moreover, it's even harder to get them done quickly. If Trump is less than successful, the rise in bond yields could be limited.

### Janet's new best friend

Prior to the election, there was speculation that a Trump Presidency would put Janet Yellen's tenure as Fed Chairman in question. And more immediately, that it would call into question the likelihood of a rate hike this year. All that now seems in the past. As for a December rate hike, you can bet on it!

## About the authors

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Omar Aguilar is Chief Investment Officer (Equities and Multi-Asset Strategies) of Charles Schwab Investment Management, Inc. (CSIM), a subsidiary of The Charles Schwab Corporation. Aguilar joined CSIM in 2011 and is responsible for equity and asset allocation mutual funds, ETFs, and separately managed accounts. Aguilar has more than 20 years of broad investment management experience in the equity markets, including managing index, quantitative equity, asset allocation, and multi-manager strategies. Aguilar received a BS in actuarial sciences and a graduate degree in applied statistics from the Mexico Autonomous Institute of Technology. He was a Fulbright scholar at Duke University's Institute of Statistics and Decisions Sciences, where he earned his MS and Ph.D.

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