



## Stock Markets Are Tougher Than Donald Trump

### Description

When Donald Trump was elected U.S. president in November, global investors chose to look on the bright side.

Markets flew to new highs as investors accentuated the positives of his proposed \$1 trillion tax and infrastructure blitz and eliminated the negatives, such as his threats to impose trade sanctions on Mexico and China. Investors are still latching onto the affirmatives today, three weeks or so into his controversial presidency.

Fear and loathing of a Trump presidency has bordered on the hysterical at times, yet the stock market continues to keep its cool.

### Donald — duck!

There are good reasons for investors to be wary of President Trump, who has the power to inflict major damage to the world's economy.

All the fuss about the Muslim travel ban, women's reproductive rights, and waterboarding terror suspects would look like a minor internet spat against the damage inflicted by a global trade war.

That is still on the table: Trump says he will build his Mexican wall and may follow through on threats to slap a 20% tariff on the country's imports to the U.S.

His threat of a thumping 45% tariff on imports from China, which he has previously accused of "raping" the U.S. with its unfair trade policy, is on a different scale.

The fallout from a trade war between the world's two biggest economies would be toxic, so why aren't markets running for cover?

### This means war, maybe

Maybe markets think that it simply isn't going to happen. A full-blown trade war will hurt U.S.

companies, such as **Boeing** or **Apple**, and push up consumer prices in the shops. Trump doesn't want to get blamed for a hit to the U.S. economy.

However, he could start small with a targeted trade war, for example, beginning with Chinese steel imports, where there is evidence of dumping excess capacity, in the hope of appeasing his voter base without triggering severe retaliation.

We may know more in April, when the U.S. Treasury releases a report examining accusations of Chinese currency manipulation. A critical verdict would give him the procedural excuse he needs to act.

### **Invest in peace**

Global markets are guessing that is this all chest-thumping for now and are keeping their cool, and rightly so.

They know the only predictable thing about Trump is his unpredictability. Anybody who adjusts their portfolio in line with what they think The Donald might do next is making a costly mistake.

Serious investors know that you cannot sell up at every threat, even one as potentially serious as a global trade war. Even if get your timing right, you then have to repeat the trick by timing your re-entry into the market. You will also miss out on any dividend payments and rack up trading charges along the way, depleting your portfolio.

Stock markets have survived far worse than Donald Trump. They are tough enough to recognize this, and so are you.

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