THE DESIDERATA OF WALL STREET

In a few days the United States will have a new president. The choice is between two diametrically opposed figures: a new old leader, Donald Trump, widely known, since this would be a comeback, and Kamala Harris, a figure to be discovered even though she evidently embodies the features of American democrats and seems to be in the political groove of Joe Biden. One can read in Wall Street's intentions a certain implicit favour for Donald Trump's policies: his programme is generally perceived as more business-friendly. The former president has stated that he wants to reduce corporate taxes to 20% and even to 15% for those that concentrate production on American soil. Kamala Harris, on the other hand, plans to increase them to finance a more social and redistributive approach to wealth. Of course, both candidates benefit from a favourable economic environment. With another solid performance in the third quarter, the US has grown by 2.7% over the past year. They are actually outperforming all the major developed economies in this regard, not to mention the historic growth rate, an expression of higher productivity that will help combat inflation. This is why, until a few weeks ago, the markets did not seem particularly interested in the election contest, preferring to focus on the strength of the macroeconomic data: whoever wins, the economy is doing well and so are the stock markets.

Since the low reached in October two years ago by the global indices, the ride led by Wall Street has been impressive. The S&P, the flagship index, has risen 63%, the Nasdaq, which represents technology, almost 90%. The MSCI World, which is weighted on the basis of stock market capitalisation, managed to score +58% precisely because the component of American stocks, which grew more than 70% in the index, expresses digitalisation stocks: NVIDIA, Apple, Microsoft, Amazon, Meta, Alphabet, Broadcom and Tesla alone account for around 20% of it. And this happened against a macroeconomic backdrop that few had imagined two years ago. Many then announced the arrival of a recession with a hard landing considered naturally inevitable: inflation would dampen consumption and halt growth.

In reality, the savings accumulated during the covid period and the wage increases needed to stimulate a return to work and to catch up with inflation have continued to keep unemployment low and consumption high. In addition, the large inflow of illegal labour (the kind that Trump wants to forcefully contain) has helped to raise productivity and thus contain inflation. The slowdown of the Chinese economy has kept demand for raw materials low. Added to this was Biden's policy of stimulating oil production by flooding the world with black gold.

Bidenomics has focused on growth through the role of the state with fiscal[1] stimulus policies that do not concern themselves with the mighty increase in debt. And all this happened with the Federal Reserve vigorously raising interest rates, which managed to bring inflation back on a downward trend without triggering the dreaded recession. It then began, following what more than half the world's central banks are already doing, a cycle of rate cuts that galvanised the stock markets even in September, when seasonality would have suggested at least a correction.

Two parallel phenomena continued to support risk appetite. The great mass of liquidity in the markets (M2 always close to the highest levels since the October 2022 restart) and the artificial intelligence narrative that promises mighty productivity gains and allows the magnificent seven digitisation companies to post significant profits thus dragging the markets along.

One has to wonder why the markets, given the apparent successes of bidenomics, seem to have gone beyond mere Trumpian leanings: in the last month, shares in Trump Media & Technology Group, the parent company of the social platform Truth, launched in 2022 by Donald Trump as an alternative to Twitter (now X), have exploded. Its movement represents a strong signal of investors' desires. Moreover, various pro-Trump

[1] *American Rescue Plan Act (ARPS)*, marzo 2021; *Infrastructure Investiment and Job Act*, novembre 2021; *Inflation Reduction* Act, Agosto 2022: sono questi alcuni dei più significativi interventi con importi che superano i tre trilioni di dollari.

indicators moved strongly: the dollar rose by 3% in October and gold by 4%, while treasury bond yields rose by 0.5% to 4.3%. Bitcoin, recently backed by the Republican candidate, advanced 10%. The markets, with Trump, are in fact discounting a rise in inflation, not least because of the tariffs he intends to raise and widen; these would curb, or at least slow down, the Federal Reserve's monetary easing.

It is possible that markets, at this stage, are genuinely concerned about the future. Although mega-capitalisation technology stocks have often outperformed expectations for the quarter, the fear that profits will suffer in the face of costs is driving Wall Street investors to focus on those promising to ease corporate tax burdens. The artificial intelligence megatrend is certainly powerful and will not stop. But at current capitalisation levels, the risk that continued investment in this sector will erode margins is a fear that has tainted investors especially this past quarter, as evidenced by the market's reaction to Microsoft and Meta's results and outlook.

Although Wall Street seems to have already expressed its preference, the uncertainty as to who will be the new president a few days before the vote is still wide. And it is not certain that even finance might react at the very last moment to Trump's divisive approach, as Michael Bloomberg's stance in favour of Kamala Harris indicates. The real bone of contention in the United States, and by extension in Western democracies as a whole, concerns the confrontation between elites and new forms of populism. The elites denounce the drift of the peoples towards xenophobic right-wingers. While the peoples, who previously doubted the effects of globalisation, which the elites have powerfully supported over the last thirty years, now fear the attempts at deglobalisation that result in dangerous wars of position that draw resources away from civil society. This is, perhaps, the real clash that shapes voters' perceptions one way or the other.

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