

Trump returns: Priorities are growth and winning



David Bianco
Americas Chief Investment Officer
DWS

Trump returns: Decisive election win for Trump and Republicans – a mandate!

The decisive win for Trump and Republicans lends support to their policy proposals and empowers them to act. Markets now expect deregulation and some tax cuts. Investors also understand that the election appears to consent to Trump's plan to use tariffs as a geopolitical tool and indicates that the electorate is concerned about unlawful immigration. These latter two issues pose risks to the economy and markets, but there is optimism that a balance in actions will be found and perhaps improvements for the longer-term will be made by addressing these matters head-on. The central view is more positive for the economy and stocks, but likely comes with greater tail risks. In our view, the country seeks new solutions to festering problems. For new leadership, it's a big opportunity, responsibility and risk.

Tariffs & Taxes: Tariffs likely by executive action, tax cuts by an act of Congress

We expect new and higher tariffs to be imposed on China. Probably not as high as 60%, at least not at first. We remain doubtful of tariffs on all imports. We believe the US will seek a more cooperative relationship with China on geopolitical matters. Signs of cooperation could help avoid an escalation of tariffs. If tariffs must escalate on China, then the US will likely seek that its allies also tariff China's exports; those that don't could face US tariffs. The President and administration will likely have wide latitude in these matters, especially with a Republican Congress, because it ties to national security and foreign policy interests.

Extending Trump household tax cuts beyond the 2025 sunset and changing corporate taxes will require an act of Congress. We think this will be a first 100-day legislative priority for the administration. We're unsure how significant any net tax reductions might be from 2024 levels, but we think the priority will be to avoid higher personal taxes for all. If new tariffs take effect, we think it will be a priority to cut taxes for manufacturing firms. This would likely take the form of a percentage of pretax profits deduction for domestic manufacturing derived profits and probably leave the US corporate tax rate unchanged at 21%. Other changes are possible, but a substantial hit to federal revenue that exacerbates the deficit runs the risk of upsetting the bond market. The bond market holds the veto here.

Deregulation & energy: New agency heads likely have pro-growth orders

Leadership at federal agencies will change. Priorities of deregulation, agency efficiency and new tone from top of cooperation with private industry. This alone is something fueling an enthusiastic sentiment to the election so far in most of corporate America. Financials, Healthcare, Communications and Tech are encouraged. The energy sector will likely be allowed and likely prodded to produce more and more in the U.S. If companies take new land leases they will be expected to produce even if oil prices fall. We think oil prices are likely range bound at the lower end of inflation adjusted past 20-year norms. Because transport fuel costs are likely to be benign and many manufacturers and good retailers are likely to build up inventories ahead of tariffs, we think transports and logistics firms could soon exit their post pandemic volume and profits recession. Despite pro fossil fuel energy policies, the country's trend toward more electricity usage will continue owing to datacenters. We think pursuing *all-of-the-above* energy policies will be favored. Ramping up electricity generation will be expensive and poses inflation risk. The administration might consider structuring and granting carbon credits to utilities and others for the private sector to voluntarily buy to meet their climate goals. That said, we see pricing power at electric, not oil and gas.

We raise our 2025E S&P EPS to \$275 from \$270, 2026 S&P EPS likely \$300

Given the likely continuation of healthy US economic growth, the potential of deregulation and the potential for corporate tax cuts, we raise our 2025E S&P EPS to \$275. We believe that S&P EPS will likely be between \$270 to \$280 in 2025, 10-15% y/y growth, depending on how well optimized the mix of lower taxes and higher tariffs plays out. As before, we continue to expect 20% y/y growth from the Great Eight digital companies of the S&P 500. 2026 is uncertain, but \$300 or slightly more is within reach if AI boosts trend productivity.

We take neutral S&P 500 tactical view after exceptionally strong but justified year

We think S&P 500 stays in a 5700-6300 range until worst of tariff risks appear diminished and material corporate tax cuts appear likely. The deficit is likely to reach records outside of a recession, it's important that 10yr Treasury yields do not exceed 4.5% to support the roughly 21.5+ current forward S&P PE. Our strategic 12-month targets are under review.

Contributor: Ju Wang, Equity Portfolio Manager

Global Equity Index Forecasts: 12-months			
Index	Sep 2025F	NTM EPS Growth	Target PE
S&P 500	5,800	10.7%	21.6
EuroStoxx 50	5,100	4.1%	13.7
Stoxx 600	540	4.9%	14.2
MSCI Japan	1,760	8.4%	15.4
MSCI Asia xJ	740	12.7%	14.2
MSCI EM	1,140	13.0%	13.2

S&P 500 Outlook at Yearend			
	2022	2023	2024F
S&P 500	3840	4770	6000
Dividend Yield	1.75%	1.50%	1.50%
S&P EPS	\$222	\$223	\$245
Trailing PE	17.3	21.5	24.5
DPS	\$67	\$70	\$76

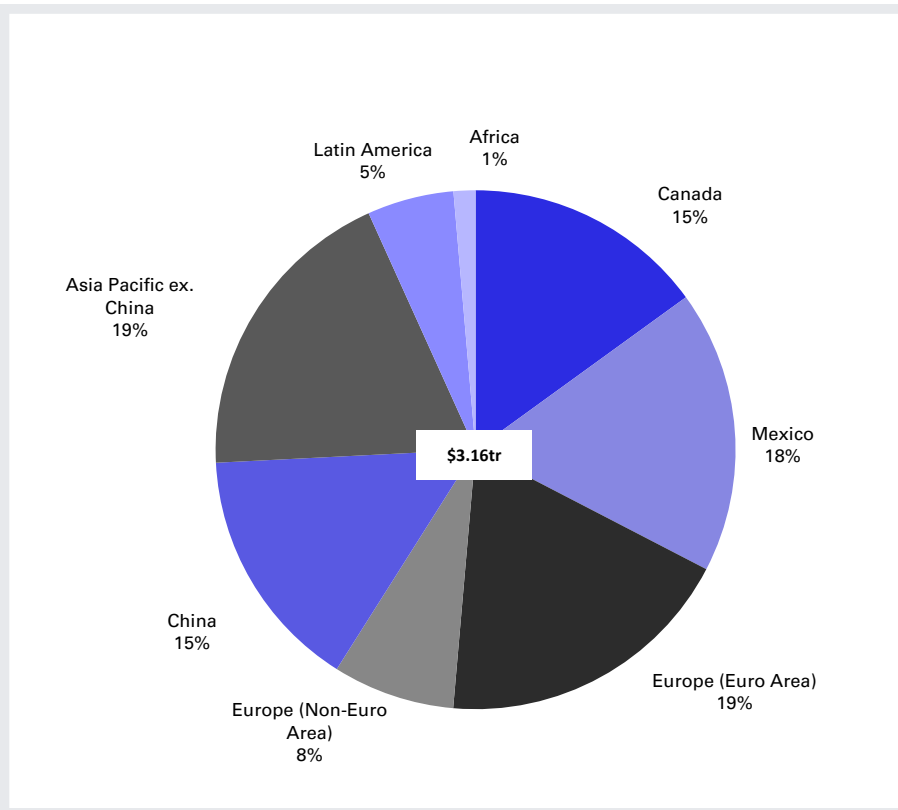
Next 5%+ Price Move (Up / Balanced Risk / Down)			
Taxable U.S. Investor Asset Allocations			
Asset Class	Long-term	Current	
Fixed Income/cash	31.5%	31%	
Equities	58.5%	57%	
US Equities	41%	38.5%	
S&P 500	37%	36%	
Small Caps	4%	2.5%	
Foreign DM	12.5%	13.5%	
Foreign EM	5%	5%	
Alternatives	10%	12%	

Key CIO Views			
Macro signal:	Nov 2024	Sep 2025F	
U.S. Fed Funds rate	4.75%-5.00%	3.75%-4.00%	
10yr Treasury yield	4.30%	4.05%	
US IG Corp Spreads	95bp	85bp	
US High Yield Spreads	310bp	375bp	
Crude Oil (WTI) \$/bbl	68	80	
EUR / USD FX rate	1.08	1.08	

GDP Forecasts			
Region	2023	2024F	2025F
US	2.5%	2.4%	1.7%
World	3.2%	3.1%	3.2%
Euro area	0.5%	0.7%	1.0%
China	5.2%	4.8%	4.4%
Japan	1.7%	0.0%	1.2%

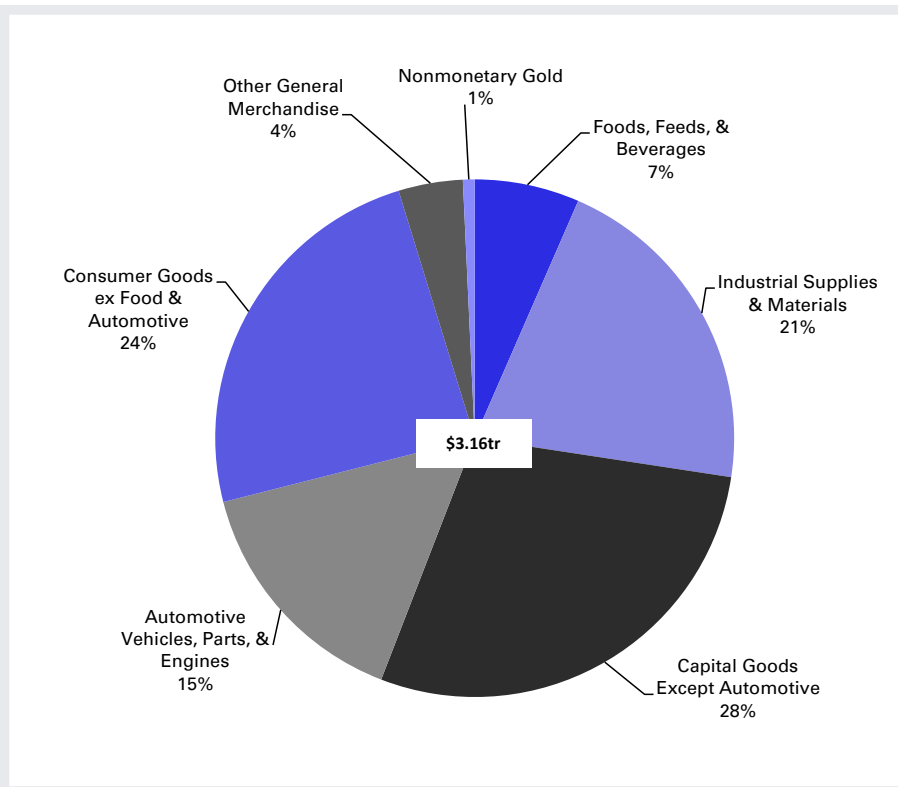
* Q4/Q4 GDP growth.
EPS = Earnings Per Share; GDP = Gross Domestic Product
FX = Foreign Exchange; TIPs – Treasury Inflation Protected Securities
Source: DWS Investment Management GmbH. All opinions and claims are based upon data on 11/12/2024 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. All foreign asset exposures are not FX hedged unless otherwise noted. For illustrative purposes only. Past performance may not be indicative of future results. Diversification neither assures a profit nor guarantees against loss. Forecasts are not a reliable indicator of future returns.

U.S. imports by region (Trailing 4-quarter sum 3Q2023-2Q2024)



Source: Haver DWS Investment GmbH as of 11/11/2024. Past performance may not be indicative of future results.

U.S. imports by type (Trailing 4-quarter sum 3Q2023-2Q2024)



Source: Haver DWS Investment GmbH as of 11/11/2024. Past performance may not be indicative of future results.

S&P 500 industry monitor (1 of 2)

Sector	Industry	PE on 2023	PE on 2024	2024	2025	2024 EPS	3m Total	2024 End	Combined
		EPS	Consensus EPS	Consensus EPS Growth	Consensus EPS Growth	3m Revision	Return Momentum	Upside (Intrinsic Valuation)	
Consumer Discretionary		30.7	27.5	23.7%	11.6%	1.9%	24.3%	-17.0%	1
	Automobile Components	8.8	7.8	11.7%	12.4%	2.2%	-10.2%	57.6%	0
	Automobiles	42.3	39.0	-11.7%	8.6%	-1.6%	62.5%	-48.1%	0
	Household Durables	13.8	13.1	8.3%	5.4%	1.8%	5.1%	-0.2%	0
	Leisure Products	16.6	14.5	12.3%	14.2%	6.2%	1.2%	-4.9%	0
	Textiles Apparel & Luxury Goods	22.5	22.3	6.4%	1.0%	-2.6%	9.3%	8.8%	0
	Hotels Restaurants & Leisure	27.3	24.1	26.8%	13.6%	-2.4%	21.4%	-6.7%	1
	Distributors	17.0	16.1	-11.9%	5.4%	-13.2%	-1.5%	20.2%	-1
	Broadline Retail	39.0	32.7	127.4%	19.0%	12.2%	21.3%	-9.5%	1
	Specialty Retail	25.5	23.9	-0.6%	6.4%	-1.8%	12.3%	-17.2%	-1
Consumer Staples		22.1	20.9	7.3%	5.8%	-0.5%	2.9%	-1.2%	0
	Consumer Staples Distribution & Retail	30.3	28.5	5.8%	6.3%	-1.1%	11.5%	-11.3%	0
	Food Products	15.4	15.0	-5.7%	2.5%	-2.5%	-4.0%	12.6%	-1
	Beverages	20.8	19.6	8.8%	5.9%	0.2%	-3.5%	11.0%	0
	Tobacco	15.2	14.1	5.7%	7.8%	1.7%	7.2%	-16.0%	0
	Household Products	24.2	22.8	13.4%	6.2%	0.8%	-0.7%	-9.2%	0
	Personal Care Products	22.6	21.3	424.4%	6.2%	-8.3%	-1.8%	8.3%	-1
Energy		15.4	14.8	-24.1%	4.0%	-11.4%	6.4%	-14.3%	-1
	Energy Equipment & Services	13.6	12.5	20.5%	8.4%	-1.8%	7.9%	12.4%	0
	Oil Gas & Consumable Fuels	15.6	15.0	-26.7%	3.5%	-12.2%	6.2%	-21.2%	-1
Financials		18.5	17.2	15.8%	7.4%	2.5%	17.8%	-18.4%	1
	Banks	13.3	13.0	2.2%	2.8%	2.4%	21.3%	-15.6%	1
	Financial Services	26.0	24.1	16.4%	7.7%	1.9%	14.8%	-17.9%	1
	Consumer Finance	15.9	15.3	22.0%	3.8%	5.7%	31.4%	-29.5%	1
	Capital Markets	22.3	19.9	23.2%	12.5%	2.3%	20.5%	-33.8%	1
	Insurance	15.8	14.2	39.7%	11.3%	2.8%	10.9%	3.7%	1
Health Care		21.6	18.0	0.8%	20.1%	-1.6%	-0.9%	6.8%	-1
	Health Care Providers & Services	16.9	15.5	1.4%	9.5%	-3.4%	2.2%	8.4%	-1
	Health Care Equipment & Supplies	26.9	24.6	19.4%	9.0%	0.9%	8.3%	-2.3%	0
	Life Sciences Tools & Services	27.6	25.3	-5.1%	8.9%	-0.7%	-6.8%	-8.8%	-1
	Biotechnology	22.0	16.8	-16.8%	31.1%	-9.5%	-4.2%	1.6%	-1
	Pharmaceuticals	21.2	15.9	3.9%	33.1%	3.0%	-5.1%	13.9%	0
Industrials		27.7	23.3	4.0%	18.5%	-4.9%	13.7%	-16.6%	0
	Aerospace & Defense	48.0	27.1	-10.9%	77.2%	-31.7%	8.2%	-19.7%	-1
	Building Products	26.0	24.2	6.3%	7.5%	-0.9%	18.9%	-24.4%	0
	Trading Companies & Distributors	27.8	25.7	8.0%	8.1%	-1.1%	26.4%	-25.6%	0
	Electrical Equipment	35.1	29.8	24.6%	17.8%	-0.8%	19.4%	-9.6%	1
	Construction & Engineering	38.0	32.4	27.3%	17.3%	2.6%	25.9%	-38.3%	1

Combined signal rules: Green – at least 2 of the following 3 must be green: EPS growth, EPS revision, price momentum

Red – at least 2 of the following 3 must be red: EPS growth, EPS revision, price momentum

Source: Factset, DWS Investment GmbH as of 11/11/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

S&P 500 industry monitor (2 of 2)

Sector	Industry	PE on 2023 EPS	PE on 2024 Consensus EPS	2024 EPS Growth	2025 Consensus EPS Growth	2024 EPS 3m Revision	3m Total Return Momentum	2024 End Upside (Intrinsic Valuation)	Combined Signal
	Industrial Conglomerates	20.7	19.1	-2.6%	8.3%	0.3%	12.1%	-7.4%	0
	Machinery	20.5	20.1	1.6%	2.0%	1.4%	17.2%	-7.6%	0
	Commercial Services & Supplies	37.6	34.1	34.2%	10.1%	0.6%	10.5%	-21.2%	0
	Professional Services	31.1	28.5	13.9%	9.2%	0.3%	16.1%	-23.4%	0
	Air Freight & Logistics	17.4	15.2	-10.4%	14.5%	-4.6%	4.4%	-3.1%	-1
	Passenger Airlines	11.6	9.5	-3.0%	22.3%	-0.8%	66.5%	-15.5%	0
	Ground Transportation	27.0	23.3	18.1%	15.9%	9.2%	6.2%	-25.4%	1
Information Technology		34.7	28.8	25.9%	20.7%	0.1%	10.2%	-16.0%	0
	IT Services	24.3	23.0	9.1%	5.9%	1.9%	11.7%	5.1%	0
	Software	36.3	32.2	19.5%	12.9%	-0.1%	8.9%	-3.8%	0
	Communications Equipment	21.7	20.9	-4.6%	3.8%	1.8%	23.5%	-9.0%	1
	Technology Hardware Storage & Peripherals	30.4	27.1	17.1%	12.4%	1.8%	1.5%	-17.5%	1
	Electronic Equipment Instruments & Components	26.1	23.3	4.4%	12.3%	1.5%	15.3%	-22.7%	0
	Semiconductors & Semiconductor Equipment	41.0	29.1	57.8%	40.8%	-1.7%	15.7%	-27.9%	1
Materials		24.3	20.6	-11.8%	17.8%	-6.2%	5.7%	-22.8%	-1
	Chemicals	24.5	21.3	-11.4%	15.2%	-5.5%	3.9%	-11.0%	-1
	Construction Materials	38.1	30.8	2.1%	23.7%	-16.8%	18.6%	-52.1%	0
	Metals & Mining	18.5	15.4	-18.4%	20.1%	-6.3%	3.4%	-15.8%	-1
	Containers & Packaging	29.4	23.1	-3.1%	27.3%	-5.6%	13.1%	-58.5%	-1
Real Estate		40.6	37.6	9.5%	7.9%	-0.6%	4.9%	-8.4%	0
	Industrial REITs	30.1	32.4	15.3%	-7.1%	29.1%	-6.2%	0.7%	0
	Hotel & Resort REITs	18.3	18.6	-5.9%	-1.7%	-11.0%	13.5%	17.5%	-1
	Office REITs	39.2	43.9	-19.2%	-10.7%	-1.3%	20.5%	-29.6%	0
	Health Care REITs	87.1	76.2	106.7%	14.3%	0.2%	11.8%	5.6%	0
	Residential REITs	43.0	47.7	-7.0%	-10.0%	3.6%	5.4%	-8.4%	-1
	Retail REITs	35.7	31.8	-6.8%	12.2%	-5.9%	7.8%	4.4%	-1
	Specialized REITs	39.7	35.1	15.4%	13.1%	-7.0%	3.0%	3.6%	-1
	Real Estate Management & Development	40.5	31.8	6.6%	27.4%	11.4%	13.9%	-43.7%	0
Communication Services		21.8	19.0	36.9%	14.9%	1.2%	11.8%	1.6%	0
	Diversified Telecommunication Services	9.4	9.2	-7.4%	2.0%	0.1%	7.5%	-3.3%	0
	Wireless Telecommunication Services	25.4	22.3	45.9%	13.6%	4.3%	22.3%	-17.5%	1
	Media	11.4	11.0	11.2%	3.7%	2.7%	12.3%	-5.1%	0
	Entertainment	63.0	27.7	9.3%	127.8%	-44.1%	21.8%	-51.2%	0
	Interactive Media & Services	23.7	21.2	67.5%	11.9%	7.7%	10.1%	13.7%	1
Utilities		19.7	18.1	19.3%	8.6%	0.7%	7.7%	0.6%	0
	Multi-Utilities	20.1	18.3	4.8%	9.8%	0.0%	9.3%	-7.1%	0
	Water Utilities	25.6	23.6	8.6%	8.3%	0.5%	-4.7%	-9.9%	0
	Gas Utilities	21.2	20.1	12.4%	5.6%	0.7%	14.1%	-5.9%	0
	Electric Utilities	19.2	18.0	25.8%	6.8%	1.3%	5.2%	9.2%	0
	Independent Power and Renewable Electricity Producers	20.2	15.7	32.3%	28.3%	-3.6%	50.7%	-74.2%	1
S&P 500		25.3	22.2	12.6%	14.1%	-0.7%	10.8%	-9.9%	0

Combined signal rules: Green – at least 2 of the following 3 must be green: EPS growth, EPS revision, price momentum

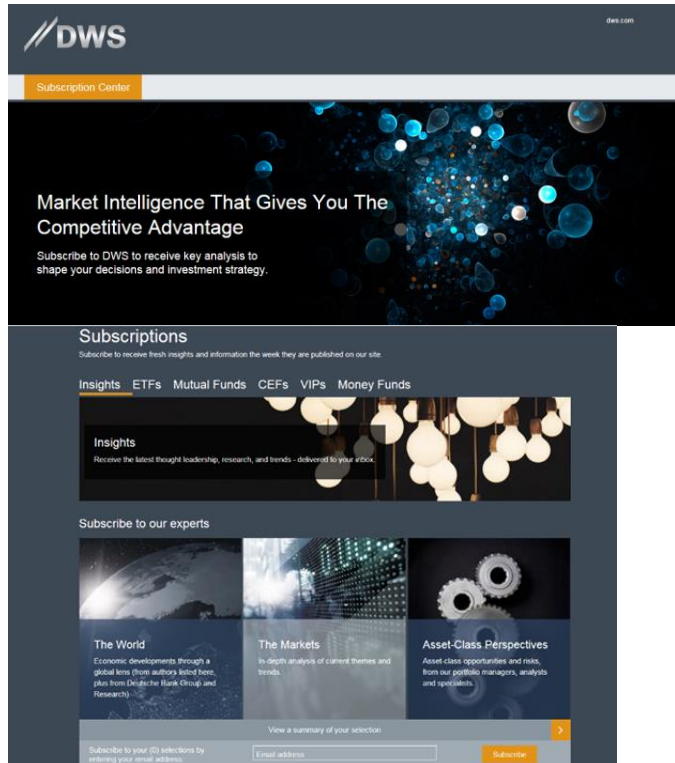
Red – at least 2 of the following 3 must be red: EPS growth, EPS revision, price momentum

Source: Factset, DWS Investment GmbH as of 11/11/2024. Past performance may not be indicative of future results. Forecasts are not a reliable indicator of future returns. Forecasts are based on assumptions, estimates, views and hypothetical models or analyses, which might prove inaccurate or incorrect.

Contact Information

David Bianco 212 454-8527, david.bianco@dws.com

Ju Wang 212 454-8572, ju.wang@dws.com



Want to start to receive Americas CIO View and other materials from our thought leaders directly in your inbox?

Retail registered representatives:
Go to the **Subscription Center on dws.com:**

<https://outlook.dws.com/subscription-center/home>

And sign up and request the types of thought leadership materials you would like to receive by topic (Global CIO View, Americas CIO – David Bianco, Americas Insights, and Asset Class Perspectives) or exclusively by one or more of our experts.

Institutional clients:
View current and past editions of Americas CIO View by going to:

<https://institutional.dws.com>

DWS does not render legal or tax advice, and the information contained in this communication should not be regarded as such. The comments, opinions and estimates contained herein are based on or derived from publicly available information from sources that we believe to be reliable. We do not guarantee their accuracy. This material is for informational purposes only and sets forth our views as of this date. The underlying assumptions and these views are subject to change without notice. Past performance is not indicative of future returns. Diversification neither assures a profit nor guarantees against loss. DWS does not intend to promote a particular outcome to the U.S. election due to take place in November 2024. Readers should, of course, vote in the election as they personally see fit. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Investments come with risk. The value of an investment can fall as well as rise and your capital may be at risk. You might not get back the amount originally invested at any point in time.

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas, Inc. and RREEF America L.L.C., which offer advisory services. © 2024 DWS Group GmbH & Co. KGaA. All rights reserved. I- 103605_1 (11/24)