

Stocks and bitcoin jump; so do worries about inflation



A television screen on the floor of the New York Stock Exchange displays results of the presidential election on Wednesday. RICHARD DREW — THE ASSOCIATED PRESS

BY STAN CHOE

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NEW YORK>> The U.S. stock market, Elon Musk’s Tesla, banks and bitcoin all stormed higher Wednesday as investors made bets on what Donald Trump’s return to the White House will mean for the economy and the world. Among the losers the market sees: the renewable-energy industry and potentially anyone worried about higher inflation.

The S&P 500 rallied 2.5% for its best day in nearly two years. The Dow Jones Industrial Average surged 1,508 points, or 3.6%, while the Nasdaq composite jumped 3%. All three indexes topped records they had set in recent weeks.

The U.S. stock market has historically tended to rise regardless of which party wins the White House, with Democrats scoring bigger average gains since 1945. But Republican control could mean big shifts in the winning and losing industries underneath the surface, and investors are adding to bets built earlier on what the higher tariffs, lower tax rates and lighter regulation that Trump favors will mean.

“The markets are scrambling to figure out what happens next, but for the time being, the market is pricing in a higher growth and higher inflation outlook,” Peter Esho of Esho Capital said.

Of course, how much change Trump effects in his second term will likely depend on whether his fellow Republicans win control of Congress, and that’s still to be determined. That could leave room for snaps back in some of Wednesday’s big knee-jerk movements.

Nevertheless, the market is cleaving between rather clear winners and losers following Trump's dramatic win. Among them:

Bank stocks, UP

Bank stocks led the market higher, in part on hopes that a stronger economy would mean more customers getting loans and paying them back with interest. They also rallied on hopes for lighter regulation from a Republican White House. JPMorgan Chase soared 11.5%, and financial stocks had the biggest gain by far among the 11 sectors that make up the S&P 500. Capital One Financial climbed 15%, and Discover Financial jumped 20.2% for some of the market's biggest gains on speculation their pending merger will more easily get federal clearance under Trump.

Crypto, UP

Trump has pledged to make the country "the crypto capital of the planet" and create a "strategic reserve" of bitcoin. The price of bitcoin hit an all-time high above \$76,480, according to CoinDesk, and was recently just under \$76,100. Companies in the crypto industry also jumped, including trading platform Coinbase's 31.1% leap.

Tesla, UP

Musk has become a close ally of Trump, exhorting the former president's run. While Trump may end up hurting the electric-vehicle industry broadly by limiting government subsidies, analysts say Tesla could gain somewhat of an advantage by already being such a big player in the industry. Tesla revved 14.8% higher, while rival Rivian Automotive fell 8.3%.

Trump Media & Technology Group, UP

The company behind Trump's Truth Social platform rose 5.9% after jumping nearly 35% earlier in the day. It regularly trades more on Trump's popularity than on prospects for its profits. Its rise came even after it filed unaudited financial documents with regulators on Tuesday saying it lost \$19.2 million during the latest quarter and that its sales weakened from a year earlier.

Private-prison operators, UP

A Trump-led Washington could push for tougher enforcement of the nation's borders, which could mean more business for companies that work with U.S. Immigration and Customs Enforcement, or ICE. GEO Group, which runs ICE processing centers, surged 42.1%. Stocks of smaller companies, UP

Trump's America-First policies could help companies that focus on customers within the United States, rather than big multinationals that could be hurt by increased tariffs and protectionism. The Russell 2000 index of smaller stocks, which are seen as more domestically focused than the big stocks in the S&P 500, jumped 5.8%. That was more than double the S&P 500's gain.

Treasury bond prices, DOWN

Investors see Trump's policies potentially leading to stronger economic growth, which helps push prices down for Treasuries and their yields up. Tax cuts under Trump could also further swell the U.S. government's deficit, which would increase its borrowing needs and force yields even higher. The yield on the 10-year Treasury jumped to 4.43% from 4.29% late Tuesday, which is a major move for the bond market. It's up substantially from August, when it was below 4%.

Inflation worries, UP

Investors also see Trump's policies likely adding to future inflation, particularly tariffs, which can add costs to U.S. households' bills.

"Trump keeps openly telling people that he will increase tariffs not just on China but with every trade partner," said Andrzej Skiba, head of BlueBay U.S. Fixed Income at RBC Global Asset Management. "We're talking 10% tariffs across all global partners. This is a big deal because this could add 1% to inflation. If you add 1% to next year's inflation numbers, we should say bye to rate cuts."

A drop-off in immigration could also mean a crunch of available workers for employers, which could force companies to raise wages for workers faster and put more upward pressure on inflation.

Expectations for interest rate cuts, MUDDLED

Much of Wall Street's run to records this year was built on expectations for coming cuts to interest rates by the Federal Reserve, now that inflation seems to be heading back down to its 2% target. Easier interest rates help boost the economy, but they can also give inflation more fuel.

The Fed will announce its latest decision on interest rates Thursday, where the expectation is still for a cut, according to data from CME Group. But traders are paring back forecasts for how many cuts the Fed will provide through the middle of next year.

Foreign currencies, DOWN against the dollar

Trump has vowed to sharply hike tariffs on imports from China, Mexico and other countries, raising worries about trade wars and disruptions to the global economy. A measure of the U.S. dollar's value against several major currencies climbed 1.6%, which means that those other currencies fell.

The euro sank 1.5%, and the South Korean won fell 1.2%. The Mexican peso, which has been falling against the dollar since the summer, in part on worries about a Trump reelection, fell early in the day but then pared its loss.

Renewable energy stocks, DOWN

Trump is a fan of fossil fuels, encouraging production of oil and natural gas. His win sent solar stocks sharply lower, including a 10.1% fall for First Solar and 16.8% slide for Enphase Energy.

The only stock with a bigger loss in the S&P 500 was Super Micro Computer, which said its sales for the latest quarter could come in below its prior forecast. Its stock sank 18.1%.

All told, the S&P 500 rose 146.28 points to 5,929.04. The Dow surged 1,508.05 to 43,729.93, and the Nasdaq composite jumped 544.29 to 18,983.47.

