# How long will the markets soar under Trump?

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By Jonnelle Marte

President-elect Donald Trump speaks during a rally in New York after the election. (Evan Vucci/Associated Press)

It has been more than two weeks since Donald Trump won the presidential election, and Wall Street is still celebrating. U.S. stock markets locked in their third straight week of gains Friday, with major indexes reaching record highs this week.

The surging markets appear to be in reaction to the potential benefits of a Trump presidency, such as lower corporate and income tax rates, higher infrastructure spending and looser regulations. If such measures are enacted during Trump's term, they could provide a jolt to an already growing economy, investment analysts say.

The Dow Jones industrial average, the Standard & Poor's 500-stock index and tech-heavy Nasdaq composite index all closed on record highs Friday, along with the Russell 2000 index, which tracks small-cap stocks.

The Dow, which rose 0.36 percent Friday to 19,152, has so far held its ground after closing above 19,000 for the first time Tuesday. The S&P 500 increased by 0.39 percent and the Nasdaq rose 0.34 percent.

The S&P 500 and the Dow have gained a stunning 3 percent and 4.5 percent, respectively, since Election Day.

*[Tax reform shaping up to be one of Washington's first fights under Trump]*

On the campaign trail, Trump touted plans to overhaul the tax code and reduce taxes for businesses and individuals. If enacted, substantial tax reform could have the effect of freeing up cash for businesses and consumers.

Trump has also pushed for new infrastructure, calling for increased government spending on such projects as building and repairing roads and bridges. A boom in infrastructure could create more jobs and boost companies that sell construction equipment, said Jim Holtzman, financial adviser with Legend Financial Advisors. But Trump will still have to convince a spending-averse Republican Congress.

The president-elect has also railed against government red tape, pledging to loosen regulations for banks, oil companies and Internet providers to save costs and add jobs. Financial advisers say, however, that actions toward deregulation could have mixed effects across different industries, though investors may see the hands-off approach as a positive for the markets.

*[This quote from Donald Trump's top strategist will frighten small-government Republicans]*

The rally has seemed to calm the fears of some individual investors who were initially anxious about how Trump's policies might affect their nest eggs, financial planners say. Steven Podnos, a financial planner in Cocoa Beach, Fla., said one 80-year-old retiree he works with insisted on moving his portfolio entirely to cash two weeks before the election because he was worried that markets would collapse if Trump was elected.

"What I told him, and I told all the other clients, is that I had no idea what the markets would do in response to the election," Podnos said. "And I told them it shouldn't matter to them," since many of the dramatic market reactions seen after major events are short-lived. Two days after the election, the retiree called back, asking to have his savings reinvested in the market.

Financial advisers say that they are also fielding calls from investors asking whether they should be making adjustments to their accounts to be better positioned for the volatility that may come next. While U.S. stocks are rallying, bonds have sold off, pushing interest rates higher for mortgages and other loans. Investors may be selling bonds because they're worried that Trump's policies could lead to higher government spending — and eventually higher inflation, investment analysts say. The Federal Reserve is widely expected to raise short-term bond rates in December, a move that could also push rates higher on longer-term bonds.

*[Trump's win might blow up the Federal Reserve's plans for next year]*

Jude Boudreaux, a financial planner in New Orleans, says that he hears from clients who don't trust the market gains and want to know whether they should be more conservative with their savings. Others call to ask whether they should be buying more stock. "Every conversation we've had since the election has been about the election, or it's at least come up," he said.



But Boudreaux and other financial planners say it will be difficult to identify which sectors and companies may turn out to be winners and losers under Trump's policies without more information about what those policies are. Trump's proposals lack detail, and he has already reversed course on certain policy stands since he won the election.

"Now that Trump is in, he's backing off some of the things he was talking about before the election," Holtzman says. "So, good luck planning [based on] that."

For the time being, many advisers are largely telling investors to stick with the plan. It's not clear how long the rally will last and whether the higher interest rates since the election will stick.

Those who are concerned that the market surge will lose steam can use the recent highs to rebalance their portfolios, Boudreaux says. Take someone who normally invests 60 percent of his portfolio in stocks, but now has about 65 percent of his savings in stocks after the gains: That investor can sell some stocks to bring the allocation back down to 60 percent, he says. The proceeds can be used to buy bonds or other investments that may have gone down in value.



“We’re not speculating,” Boudreaux says. “It’s just if you’re uncomfortable and you’ve had some extra gains, let’s get you back to your target allocation.”