CANTOR Fitzgerald

Trump Victory Implications at Sector and Stock Level

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This is a marketing communication.

Introduction

In the run up to Donald Trump's presidential election victory and after the election, there has been much speculation regarding what Trump's victory would mean for stocks in various sectors. We base this analysis on campaign trail promises, previous experience during Trump 1.0, and various press publications and commentary. Unlike in many countries, a clearly drafted and costed manifesto has not been published, therefore the conclusions drawn will be subject to revision as further evidence emerges.

Macro-economist consensus appears to be that the macro implications of the Trump victory are likely to be inflationary in the US and detrimental to global trade more generally. Increased uncertainty in international relations is rarely positive for the world's economy.

We detail our views on the main policy areas that will be impacted by a Trump victory and then in the following section we outline the sector level implications and specifically the impacts on the stocks in our coverage list.

In summary, we assess the first order impacts on the stocks we cover to be manageable risks, and in some cases, there is upside (ceteris paribus) for US domestic players with strong local manufacturing and infrastructure spending exposure. But we do worry about second order impacts once retaliatory actions are taken and the dampening impact on growth that this may have, along with the higher prices that consumers are likely to face as costs are passed on, as we saw during the recent years' period of cost inflation.

Main Policy Areas

The main policy areas that will impact our coverage companies are

1) Fiscal and Tax policy

- Tax policy is an area that clearly will impact all companies with operations in the US. Depending on whether it is a Republican full sweep of both the presidency and both houses of Congress, the outcome will vary, but during the campaign Trump proposed a wide variety of tax policy changes. The most important one is the extension of the 2017 Tax Cuts and Jobs Act that has certain personal and partnership tax rates/allowance set to reset to previously higher levels unless it is extended beyond the end of 2025 expiration date. The other major tax change proposed was a reduction in corporate tax to 15% from 21% specifically for companies that produce in the US. Other potential changes include the exemption of overtime, social security, and tip income from income tax, as well as providing deductions for car loans interest, and state and local taxes and credits for 1st time home buyers. Changes to Electric Vehicle purchase tax credits are expected, due to likely changes to Biden's flagship Inflation Reduction Act (IRA). From a corporate perspective, change to allowable capital expensing, taxation of foreign derived intangible income, and possible withdrawal of U.S. support or involvement in the OECD's Pillar Two (which would impose a global 15% minimum tax on corporations) will have impacts on both capital intensive and capital light companies.
- As well as taxation policy, government spending efficiency may come under the spotlight, if the suggested Department of Government Efficiency (potentially under Elon Musk) comes to fruition, with mooted potential savings of $2tr.
- Without a full sweep including the House of Representatives, Trump will find it difficult to enact all of these changes, and even with control of both houses, fiscal conservatives within the Republic caucus may stand in the way of loosening fiscal policy given the existing scale of the fiscal deficit ($1.8tr) and debt to GDP at 123% in 2024, and potential for a bond market negative reaction would constrain changes if they went too far.

2) Tariffs and Trade policy

- Much has been made of Trump's plans to impose "universal baseline tariffs" of 10~20% on imports from non-Chinese nations and 60% on Chinese made goods.
- Firstly, this is something that Trump can action by executive order, but the implementation would take time as seen previously. Secondly, it is not clear if this is part of a plan for quid-pro-quo trade negotiations or inward investment incentivisation. Thirdly, the US-Mexico-Canada trade agreement

that Trump negotiated to replace Nafta, does not come up for review until July 2026, which may make imposing tariffs on Mexico problematic before that date, without good faith negotiations taking place first.

- The stated aim of the tariffs is to raise government receipts to offset the TCJA tax cut extension mentioned above, as well as to encourage repatriation and establishment of domestic manufacturing. However, it is not clear if overseas manufacturers will absorb the cost or pass it on to consumers, or whether any companies would be exempt if they have a large (non-manufacturing) domestic base.

3) Healthcare policy

- The main changes expected in healthcare policy relate to a) enhanced subsidies for Medicaid cover related to the Affordable Care Act (Obamacare) b) drug price negotiations related to the Inflation Reduction Act and c) vaccine policy impacts from the potential involvement of Robert F Kennedy Jr. in policy setting.

4) Anti-trust policy

- It is widely expected that the Trump administration may take a less aggressive stance on anti-trust enforcement through the FTC and the DoJ. Much will depend on who is appointed to head up these two important government organisations. But it should also be remembered that much of the current batch of anti-trust litigations began as investigations under the Trump 1.0 administration, and that the Republican party may not be the bastion of free trade and libertarian orthodoxy that it was previously. JD Vance in particular has expressed strong views regarding limiting corporate power and corporate takeovers.

5) Project 25 and the Federal Bureaucracy policy

- The Project 25 plan from the Heritage Foundation, has been widely mentioned as a wish list for potential reforms to be implemented under the Trump administration. Trump and his campaign team have distanced themselves from the project during the campaign, though many of the ideas may influence actual changes to be put in place, related to control of previously independent agencies such as the Department of Justice, or the removal of job protections for up to 50,000 civil servants under the Schedule F plan, who's roles may be filled with loyal political appointees.
- Depending on how the bureaucracy is managed, it could speed or slow down implementation of Trump policy changes. Also, the timescale to action widespread reform of the bureaucracy would be elongated without causing disruption to much needed government programmes in many cases.

6) Foreign Policy

- It seems that Trump plans to continue his "America First" policy, focusing on nationalist objectives and reducing international commitments, which may include a more isolationist stance with decreased international cooperation. Given the ongoing wars in Ukraine/Russia, and Gaza/Lebanon, as well as tensions with the Chinese government over trade, support for Russia, Taiwan and human rights, the timing of this change of approach adds to the geopolitical risk faced by investors.
- The issues that Trump deems to be matters that impact American interests will likely determine US proactivity in the foreign affairs arena. Bilateral rather than multinational relationships are expected to be the focus of Trump foreign policy.

7) Industrial and Regulatory Policy

- There is a myriad of agency regulations that will be impacted by the new Trump administration. These cover areas such as a) environmental regs and the EPA related to emission standards for everything from vehicle to power stations. b) In finance, bank capital requirement rules under the Basel III endgame framework, general deregulation, ESG policy application, consumer finance protection and crypto currency policy c) in energy, drilling rights, wind farm development rights, energy source government financing and d) industrial policy related to low carbon infrastructure development credits.
- Exactly what gets tackled first and how quickly will be determined by Trump and his transition team and will depend on the bureaucratic changes highlighted above.

Sector and Stock impacts

Companies will be affected differently depending on their:

1) Exposure to international trade
2) Reliance on Chinese supply chains
3) Domestic vs international revenue mix
4) Domestic vs international production
5) Exposure to sector specific regulatory burdens

Across the board, fiscal policy will tend to impact those companies with a higher proportion of their earnings in the US market, or with domestic US manufacturing facilities.

1) Consumer Discretionary

The policy areas that are expected to impact on consumer discretionary stocks the most are the trade and tariff policies. This is the case because large swaths of this sector would be very reliant of imports into the US from lower cost manufacturing bases overseas, and in particular in China. IRA related EV tax credits will impact auto-manufacturers with higher EV penetration, unless EPA tailpipe emission regulations are amended to allow more ICE based vehicle sales in the mix.

Amazon has 61% of its revenue in the US, and more than half of Amazon.com's sales come from third-party sellers, who to a large degree source inventory from China. The company risks losing commission and fee revenue if marketplace sales decline due to higher prices or reduced seller profitability. AWS may be impacted by tariffs on chips imported from Taiwan for its datacentres. Also, the Trump/Vance animosity towards the big tech firms may impact on anti-trust litigation against Amazon, but we see Amazon as at the lower end of this risk category.

42% of **Nike's** revenues and 90%+ of its profits are from the US, but the vast majority of Nike's production is overseas, with 18% of its footware from China. It would be very difficult for Nike to repatriate its manufacturing so we would expect tariffs to impact on Nike's margins or volumes depending on whether it chooses to pass on the tariff costs.

Volkswagen has 21% of sales in the US, with production both domestically and near-shored in Mexico as well as in Europe. Given excess capacity already being experienced by VW in Europe, it is unlikely that they have the flexibility to shift production to the US in the time frame required to avoid the various tariffs threatened on Mexican and European production. VW has committed capital to EV production, which is already under-utilised and low returning, so any further EV volume declines is a clear negative.

LVMH have 25% revenue exposure to the US, with imports making up the vast majority of these products. Sustained tax cuts and wealth effects may help support demand from the wealthier client market in the US, and it is unclear if passing on the tariff cost or absorbing it in margin would be the best option for profits depending on the price sensitivities of luxury goods buyers.

Flutter's US revenues make up 44% of revenue, and tariffs are not an issue given the digital nature of its gambling service. It is unclear if the deregulatory nature of a Trump 2.0 regime will extend to gambling regulations, which tend to be implemented on a state-by-state basis.

2) Consumer Staples

Similar to consumer discretionary, staples will be largely impacted by the change of tariffs for those without domestic manufacturing. Depending on where the value add production takes place, tariffs on raw material imports may be a negative impact to companies' gross margins.

Glanbia generates 81% of its revenues and has a significant manufacturing presence in the United States. It has several facilities across multiple US states and therefore, depending on the source of its protein, is likely to be largely immune from tariffs.

For **Nestle**, 56 of its 340 global production facilities and c. 30% of sales are US based, so we believe the company produces or has the capacity to produce for the US market largely from its US base, thus tariff impacts should be minimal.

According to its CEO, **Kerry Group** manufactures in the US, and has no significant risk from US tariffs on its 47% of revenues generated domestically.

L'Oreal has 5 of 40 global production facilities in the US, with operational assets at 26% matching it sales at 27% of total. We therefore see L'Oreal as low on the risk scale for tariffs.

Diageo earns 54% of its profits on 39% of sales using 26% of its assets from the US, and emphasises its commitment to U.S. manufacturing and sourcing raw materials locally. Therefore, we place Diageo at low risk from import tariffs.

3) Technology, Media, and Telecommunications (TMT)

There is a broad array of policy changes that will impact on companies in the TMT sector. Firstly, tariffs on tech products will be a major issue, given the largely Asia Pacific production bases for these products. For the Big 5 tech platforms (Amazon, Alphabet, Apple, Meta, and Microsoft), Trump and Vance have been openly hostile to **Big Tech** in the past, and it is not a foregone conclusion that lower anti-trust regulation will apply to the large tech names. Existing FTC and DOJ cases are likely to continue, especially under existing agency leadership. On the positive side, the Trump administration is likely to be pro maintaining US AI leadership, which should work in the tech companies favour when it comes to infrastructure developments around datacentre and power needs. However, less favourable terms for development of renewable sources of power may conflict with the big tech firm's stated ESG and carbon neutral targets, which may require them to develop infrastructure overseas. Another area that may increase bottlenecks in the industry is access to skilled labour via the H1-B visa programme, which may come under renewed scrutiny as it did during Trump 1.0, especially given the America(n) First guiding framework of Trump's policies. Other policy topics impacting online content companies include freedom of speech issues in the form of possible changes to the Section 230 of the Communications Decency Act, which may increase liability for the platform companies if they remove content (i.e. unlawful censorship) inappropriately. An implementation of the ban on TikTok, may be impacted by Trump if the law is required to be changed following Bytedance's appeal, which will have market impacts for Meta, Snap, and Alphabet in particular. There is reduced risk of data privacy rulemaking under the Trump administration, which would reduce costs for the platforms. In the **media** space, national and local ownership limits for radio and television stations may be eased under Trump, thus allowing further consolidation in the industry. In **telecommunications**, a Trump Federal Communications Commission (FCC) is expected to reduce regulation of wired and wireless broadband services by abandoning net neutrality and Title II rules, leaving broadband companies largely unregulated.

Overall, the TMT space is expected to see a raft of changes based on its importance to the US both economically and politically.

Apple earns 64% of its revenue in the US, but 75% of its revenue is product based, thus c. 50% of revenue is US product sales, all of which is manufactured overseas and mostly in China using components from Taiwan, Japan, and Europe. On this basis 60% tariffs on Chinese goods would severely impact Apple's earnings directly, before secondary impacts that a trade war with China would have on sales of Apple branded goods in China (17% of sales). Trump appears to have a good relationship with CEO Tim Cook, but Trump ran on tariffs so to backtrack for Apple alone, would breach trust with his base, though more expensive iPhones may upset the base more. Apple is also subject to antitrust litigation related to its iPhone platform and App store restrictions, which may continue as before under Trump. Hiring difficulties for overseas candidates may impact talent acquisition.

Microsoft generates 50% of its revenue in the US, and physical devices makes up less than 2% of its overall revenue. We therefore see no risk from tariffs for Microsoft. Microsoft also has no major outstanding litigation issues with the DOJ or FTC, which means it has more scope to pursue acquisitions. Positive government policy towards US AI development would work in Microsoft's favour given its leading position in AI Cloud provision, as well as its investments in leading AI model developers such as Open AI. The main risk is the increased cost for hardware procurement (datacentre chips and servers) due to import tariffs. Hiring difficulties for overseas candidates may impact talent acquisition.

4) Energy

The energy space is one of the more potentially positively impacted sectors from Trump 2.0. As mentioned above this results from a combination of changes to climate change policy, as well as environmental/emissions regulations, along with potential increased availability of Offshore Drilling rights and access to public lands and waters for oil and gas exploration and production. Alongside this, the expected end to the Biden imposed moratorium on LNG export terminal development may be lifted. Furthermore, the Department of Energy's Loan

Programs Office funding, which is meant to support innovative clean energy technologies and advanced vehicle manufacturing facilities, may be used more to support funding for lower carbon projects such as natural gas, carbon capture and storage and nuclear developments. Foreign policy may have secondary impacts on oil prices if wars in Ukraine and Middle East can be ending quickly as indicated by Trump. In summary, Trump's repeated reiteration of "Drill Baby Drill" and talk about "Liquid Gold" make it highly likely the Trump administration favours domestic energy production.

Shell has 20%+ exposure to the US directly both in terms of revenue, employees, and assets, with mostly offshore upstream production, downstream processing and refining and marketing in the US, so is directly impacted by a positive policy shift to fossil fuels. Also, as one of the largest LNG suppliers and traders, the increase of LNG exports from the US will provide opportunities to Shell for offtake agreements and trading, which would be positive. On the negative side, Shell has offshore wind developments off the Atlantic coast, which be impacted if permitting for offshore wind becomes more difficult.

Total has lower exposure to the US with c. 10% revenue and 8% asset weighting in the country. Its activities span offshore production, LNG plants, downstream refining & chemicals, and offshore wind developments off the Atlantic coast. It is likely to see positive impacts from Trump 2.0 policies, but to a lesser degree than Shell.

5) Financials

The financial services sector is expected to see positive impacts from a range of policy shifts under Trump 2.0. One of the main areas is the Basel III Endgame Accord on bank capital requirements, which may now have a lower chance of enforcement, thus significantly reducing (9%) the requirements for large banks and less so (3~4%) for mid-sized banks. Another major topic is the general tilting of the playing field towards deregulation, and the lower regulatory burden that comes with this for the banks. There is also a lower chance of the Financial Stability Oversight Committee implementing a new systematic risk framework, which could help support the private credit side of the industry. Crypto legislation and regulatory framework may be more amenable to the industry, given Trump's supportive comments and actions on the campaign trail. Other areas that may see less government oversight are Open Banking and Buy Now Pay Later regulations. The Consumer Finance Protection Bureau may also see its remit constrained, again reducing the regulatory burden on financial services providers. Another positive potential upside for the investment banking industry's fees is the expectation for a busier M&A environment due to lower anti-trust hurdles, though this is not entirely clear from the campaign trail commentary. A Trump 2.0 tilt away from ESG oversight, would potentially remove the requirements on banks and fund managers to use ESG criteria when making loans or investments, which may lead to headcount cost reductions but may also remove a source of fund flow into ESG oriented funds in the US.

PayPal generates 58% of its revenue from the US. But it may be negatively impacted by Trump's tariffs which would impact cross-border payment volumes, which makes up 12% of its global total payment values. However, this 12% is split amongst numerous payment routes. PayPal, a number of years ago, published information on the flow of payments through its "modern spice routes," which highlighted that shoppers in the main economies buy from multiple regions in both directions, e.g. of their international purchases US shoppers spent 49% with UK based merchants and UK shoppers spent 70% with US merchants. With the growth of AliExpress and Temu, the volumes of Chinese flows to the US are likely to have risen in the mix and is at risk from 60% tariffs. But overall, we see low risk to the overall business from tariffs. The bigger positive is likely to come from Trump's deregulatory agenda which could reduce compliance burdens and his cryptocurrency-friendly stance and promise to build government Bitcoin reserves could boost digital payment adoption generally.

Visa earns 43% of its revenues from the US. Trump's proposed policies could create both challenges and opportunities for Visa. A Trump proposal to temporarily cap credit card interest at 10%, would likely reduce the profitability of credit card lending and may lead to increased fees or reduced access to credit, but this would face step hurdles to implement it. Visa has meaningful cross border payments, which have shown strong growth in recent period, but does not disclose the volumes or destination/source. Like PayPal this is a potential risk, but unlikely to be excessive, and flows would likely shift to routes with lower tariffs than China to US flows. Moreover, as with PayPal, deregulation in financial services should provide Visa with more flexibility in innovation, particularly in digital payments and cryptocurrencies. Visa is subject to antitrust litigation by the DoJ for anticompetitive behaviour in the debit card market, which is likely to continue under the Trump administration.

For a UK bank, **Barclays** earns a sizeable 31% of its income from the US. Just under half of this is from its US consumer bank, and the other half is from investment banking and corporate banking. The expectations for lower

capital requirements, deregulation, and less oversight in consumer lending, as well as possible increase in M&A all works positively in Barclays favour.

6) Healthcare

As mentioned above the main areas of impact from Trump 2.0 relate to Medicaid insurance premium subsidisation related to Obamacare and its impact of revenues for insurance providers, drug price negotiations under the Inflation Reduction Act (IRA) and finally, policy towards vaccines and public health policy due to the influence of Robert F Kennedy Jr on the Department of Health and Human Services (HHS) impacting on Medicare/Medicaid, FDA, CDC and NIH. The Affordable Care Act (Obamacare) appears to be settled law at this stage, but may be subject to tinkering at the edges, and Trump only had the “concepts of a plan” when challenged during the debate with Kamala Harris during the campaign.

Over half of **GSK**’s revenues come from the US. Trump's 2024 campaign policies are likely to affect GSK through potential shifts in vaccine policy, corporate tax benefits, and changes in healthcare regulation from the HHS. While some aspects, like tax cuts (GSK manufactures in the US), may benefit GSK financially, other areas such as vaccine scepticism pose risks to its public health efforts and vaccine-related revenues. Drug price negotiation efforts by Medicare may be rolled back under Trump which would maintain pricing power for GSK on drugs sold to Medicare beneficiaries.

Similar to GSK, **Roche** is exposed to the price negotiation approach being undertaken by Medicare, which Trump has criticised, so could benefit from this change. Roche earns 40% of revenue with 30% of operating assets in the US, so tariffs are unlikely to impact significantly given its production base in the US, and important drugs and raw materials may be excluded from tariffs given their inability to be substituted in important health fields such as oncology, neuroscience, immunology, haemophilia and ophthalmology.

7) Industrials and Materials

Trump's administration is expected to continue prioritising infrastructure development, as seen in his previous term. Investments in roads, bridges, and energy projects are seen as nonpartisan issues, and the construction industry expects continued federal funding for these projects. House building regulations may also be eased to help speed up construction. On the tax front continued capital expensing is more likely which will benefit companies investing in plant and equipment. However, as the US remains a net importer of raw materials and finished industrial products, the impact of tariffs will vary based on the source and non-substitutable nature of the materials or products. Risks of lower offshore wind farm construction and other clean energy developments may offset some of the infrastructure spending increases especially in eastern seaboard districts and southern sunbelt states. At a higher level, these sectors provide many of the working-class jobs that Trump’s supporters would look to see flourish under Trump 2.0 so the general direction of policy will be to encourage domestic production and the reduction of imports.

FedEx 72% of revenue is from the US, but facilitating trade is a key part of its business, both into and out of the US. Any disruption to global trade flow from Trump tariffs will likely have a negative impact on FedEx. But a shift to increased domestic production under Trump policies would be a positive in the other direction, especially given FedEx’s strong position in the US.

With 23% of revenues and 17% of assets in the US, **Kingspan** has a significant presence in the US across its various divisions. They have a strong focus on local production, with multiple manufacturing facilities across the country. For certain specialised products or components, they may rely on imports from other Kingspan facilities globally. We do not see Kingspan at significant risk from tariff increases. Individuals and corporates are expected to continue to try to improve the energy efficiency of their buildings and the growth in AI supported datacentre construction is expected to continue at pace in the US market under Trump.

Caterpillar have maintained a strong domestic production base and earn 52% of revenues, with 45% of employees in the US. Tariffs on competitor imports would likely benefit Cat, whilst a strong focus on local production for its various overseas markets, insulates it somewhat from retaliatory tariffs. Overall, the expectation of increased infrastructure spending in the US should benefit Caterpillar as it will drive demand for construction equipment. Also, as a major producer of engines and ICE based power systems it is likely to benefit from any loosening of EPA emission rules.

Deere makes 56% of its revenue and has 55% of its operating assets in the US. Operating 24 manufacturing centres in 11 states means the vast majority of its US revenue is generated from US factories. The company operates some production and assembly lines in Mexico, which should remain covered by Trump’s own US-

Mexico-Canada Agreement until 2026, unless Trump carries through on his campaign trail threat to impose 200% tariffs on Deere's Mexican imports, but this might become subject to a legal hurdle or two. Given its high US share of agricultural equipment from locally produced equipment, Deere should benefit from any tariffs placed on imported competitor equipment. As Deere is an exporter of US made equipment any retaliatory tariffs could impact negatively on the company, though this could be offset by shifting export production across its 44 overseas production facilities in 16 countries.

Smurfit Westrock makes 59% of its revenue in the US and primarily focuses on local production within its US market. Its extensive network of paper mills and converting plants allows them to efficiently serve customers across the country. This localised production strategy helps reduce transportation costs, lead times, and environmental impact, but now also limits the business's exposure to tariffs under Trump, and should benefit it relative to imported products. How tariffs would apply to Canadian paper products under the US-Mexico-Canada Agreement is unclear, but after 2026 this becomes more of an issue. As paper/cardboard production is an energy intensive business SW could benefit from potentially lower energy costs and emission regulations.

With 67% of revenue from the US and predominantly localised production for residential and non-residential projects, **CRH**, is largely immune from import tariffs. The company is also vertically integrated which further reduces supply chain risks that may need imports. Like Caterpillar, CRH is expected to be a major beneficiary of any increase in infrastructure spending, as it supplies materials such as cement, asphalt, and aggregates used in construction. Trump's campaign also spoke about reducing government regulations, which for CRH, could mean fewer environmental and labour regulations, potentially lowering environmental regulatory costs and accelerating project development timelines.

Rio Tinto generates 16% of its revenue in the US, but produces most of its commodities outside the US, though it does mine copper at the Kennecott mine in Utah, and Boron in California. Any streamlining of permitting may help Rio in the US, especially with the development of its Resolution copper mine in Arizona. A slow down in EV demand due to reduced incentives under Trump, may reduce the demand for copper, lithium, and other battery materials at the margin, but growth in domestic supply may benefit Rio given its US based operations for copper. However, if Trump's 60% tariffs on China lead to a slowdown there due to reduced US demand for Chinese goods, the knock-on impacts on Rio Tinto, which is a major supplier of iron ore into the Chinese market, could be significantly negative and would be seen in the price of iron ore. This is caveated by the potential for stimulus from the Chinese government to offset demand-diminishing US tariffs.

Strategic Implications for Multinationals

Companies face several strategic challenges from the change of policy under Trump. The challenges are likely to include 1) a need to restructure global supply chains to reduce dependence on China and increase US-based manufacturing 2) higher operational costs from either absorbing tariffs or passing them to consumers and 3) increased market volatility from uncertainty and complications for long-term planning due to potential trade policy volatility

How they react will be interesting to observe but will include potential mitigation strategies, such as 1) diversifying supply chains across multiple countries to reduce exposure to specific tariffs 2) increasing domestic US production to avoid import tariffs, 3) building inventory ahead of tariff implementation and 4) taking legal action to prevent the timely implementation of administrative actions.

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