

# FX Viewpoint Flash

Currencies  
Global

## USD: Trump Elected

- ◆ The Associated Press has called the 2024 US presidential election for Donald Trump
- ◆ The Republican Party will gain control of the Senate, but several key Senate and House races have yet to be called
- ◆ The US Dollar Index (DXY) surged to a four-month high

The Associated Press (AP) has called the 2024 US presidential election for **Donald Trump, having secured more than the 270 required minimum threshold of Electoral College votes**. According to the AP, **Republicans will hold at least 51 seats in the Senate in 2025 (out of 100 total)**, therefore ensuring majority control. The margin of Republican control in the Senate is not yet clear, as the AP has yet to make calls for several races. Many of the most competitive races in the House of Representatives remain uncalled, and **there is some uncertainty whether Republicans will secure a majority in that chamber**.

**Republican clean sweep is possible**

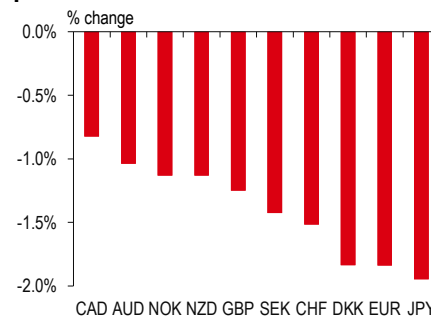
The market reaction to the US election results is all about expectations, and the impact of expectations is already apparent in the strength of the USD (Chart 1). The possibility of a Republican clean sweep bolsters expectations for fiscal stimulus and higher tariffs, both of which may be inflationary and slow the pace of Federal Reserve (Fed) easing in 2025 and support the USD. Thoughts of deregulation and possible corporate tax cuts may foster capital inflows into the US. **Should results confirm a clean sweep, the USD could rally further.**

**Expectations drive the USD stronger**

### 1. US Dollar Index (DXY)



### 2. G10 currencies vs USD: One-day performance on 6 November



**The flipside to this USD strength is FX weakness elsewhere** (Chart 2). Among G10 currencies, the EUR is the most exposed to tariff concerns, especially when the Eurozone economy is still struggling with weak growth. The JPY is weakening alongside rising US yields and weakness elsewhere in Asia currencies.

**Other G10 currencies weakened against the USD**

While the knee-jerk reaction has been supportive of our core view of USD strength, we would caution against extrapolating the move too far. After all, **the presidential inauguration day** is not until **20 January 2025**, and policies requiring congressional approval would take longer still to become reality. Perhaps, the greatest argument, is that **market expectations do not always translate into reality**. A clean sweep would open the door to fiscal stimulus but does not guarantee it. Fiscal legislation could be vulnerable to different policy priorities within the Republican Party. It is also **unclear how warmly the USD would welcome an expansion of the US budget deficit from an already sizeable starting point**. Similarly, USD strength built on expectations of higher tariffs could be on porous ground if they are ultimately used only as a bargaining chip in trade negotiations.

**Even as USD bulls, we are cautious about extrapolating, this initial USD rally could stall or reverse in the coming weeks and months**

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