

# Wall Street has already priced in a Trump victory—just look at European stocks and the inflation market

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In campaign field offices across the country, the presidential election is very much neck-and-neck, yet **on Wall Street it's a settled matter.**

"The investor community, they've been very, very, favoring Trump based on my conversations and based on just a general ambiance," Interactive Brokers senior economist Jose Torres told Fortune.

**The market has already started pricing in a Donald Trump victory.** A series of recent analyst notes detail how the former president's protectionist economic policies would translate into market outcomes. Investors expect a second Trump term would mean tariffs on importers hoping to enter the U.S. market and higher levels of inflation. Trump's signature economic proposal of implementing blanket tariffs isn't the platonic ideal of a free-market policy one might have associated with past conservative leaders. Yet the market is very much preparing for the tectonic shifts that a closed-off U.S. market could pose to the global economy.



Wall Street investors have already started to prepare for what they consider to be a certain Donald Trump victory in the November election. © Anna MoneyMaker Getty Images

In Europe, stocks are already lagging the broader market. In the U.S., inflation forecasts have started to trend up just as Trump pulled ahead in the betting markets. Analysts have even started to bandy about predictions of stagflation. ***The polls show Trump and Vice President Kamala Harris in a dead heat heading into the final week of their respective campaigns.*** However, **prediction markets are tilting in favor of Trump,** which has colored much of the market forecasts.

"Trump win increasingly priced in, but polls still tight," Barclays European equities strategist

Emmanuel Cau wrote in an analyst note published Wednesday.

European stocks are already underperforming the market due to investors' fears they'll be hit hard by Trump's proposed tariffs, according to Barclays. For investors, ***European companies struggling with Trump's tariffs could lead to major earnings hits.*** In a worst-case scenario of a ***full-blown trade war between Europe and the U.S.***, companies in Italy and Germany could see high-single-digit drag on EPS growth, according to Barclays. Entire sectors, such as tech and the European auto market, could suffer the same fate, per the bank's forecast. European stocks, ***keep lagging, suggesting they may be perceived as the losers from a second Trump presidency,*** Cau wrote.

Another feature of Trump's tariffs is that they're widely expected to be inflationary. ***Expected tariffs (per Trump's stated proposals) support potential upside risk to market pricing of inflation if Trump wins the U.S. election,*** Bank of America rates strategist Meghan Swiber wrote in a note on Wednesday.

And **because Wall Street expects Trump to win the election,** projections for the future rate of inflation have ticked up. For example, inflation compensation, which is the premium investors are willing to pay to protect the real value of their returns from inflation, rose since September, according to Bank of America. Part of the increase ***was due to positive economic data.*** Another part had to do with Trump's political fortunes.

"We note it also coincided with higher market-implied probability of Former President Trump winning the U.S. election," Swiber wrote.

Trump's tariffs would lead to 70 to 80 basis points of inflation, according to Bank of America's estimates.