

## US stocks set record high as investors look to new administration

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US stocks surged to new highs on Tuesday, alongside global equities, as the path for a smooth transition of power in the US cleared and investors weighed the likely arrival of measures to bolster the world's biggest economy.

The Dow Jones Industrial Average climbed 1.5 per cent higher, pushing one of Wall Street's oldest stock market indices beyond 30,000 for the first time. The wider S&P 500 gained 1.6 per cent to close at a new record peak of 3,635.

A rotation into industries that are set to benefit most from an economic recovery propelled indices higher worldwide, with the energy and financials sectors leading gains.

The move marked an acceleration of a trend that began in the wake of Joe Biden's election win earlier this month and has gained traction following a series of positive results from trials of Covid-19 vaccines.

"The market is focusing beyond the next few weeks and is pricing in a recovery as 2021 progresses," said Brian Levitt, global market strategist at Invesco. "What you'll end up having is an environment that over the next couple of years should be good for risk assets."

"As long as the path to reopening [virus-hit economies] remains unchanged, then short-term weakness, while it can hurt... will take a back seat," added Greg Boutle, BNP Paribas' head of US equity and derivative strategy.

Donald Trump's decision to allow the presidential transition to begin after weeks of delay boosted sentiment across trading desks. Indications that Mr Biden will seek to appoint Janet Yellen, the former Federal Reserve chief who is widely respected for her experience in labour economics, as his Treasury secretary added to the upbeat mood.

Analysts at Deutsche Bank said Ms Yellen would be “likely to try to closely align fiscal and monetary policy” and could quickly reverse the Treasury’s recent refusal to extend the Fed’s emergency lending facilities.

“Yellen as Treasury secretary is a huge plus for markets,” said Dan Scott, chief investment officer at Vontobel Wealth Management.

“She’s highly competent and she has a long history in basically understanding what monetary policy can do for the recovery, and the limitations of monetary policy,” which should pave the way for further fiscal stimulus, he added.

Chris Ralph, chief global strategist at SJP, said Ms Yellen “will be seen as a very safe pair of hands”, with Republicans more likely to be constructive in discussions about a stimulus deal, while David Kelly, chief global strategist at JPMorgan Asset Management, said she has the “institutional knowledge to hit the ground running”.

Mr Trump said late on Monday that the General Services Administration, which provides transition resources for incoming administrations, should “do what needs to be done with regard to initial protocols”.

The move, while short of a full concession 20 days after the November 3 election, marked the first break in an unprecedented effort by the White House to overturn the results.

“If they were unable to transition through the end of this year then the policy vacuum we would’ve entered into could’ve been all the more damaging to the US economy,” said Robert Rennie, global head of market strategy for Westpac.

In a brief press conference on Tuesday, Mr Trump hailed the Dow’s performance. “The stock market’s just broken 30,000,” he said, “never been broken, that number. That’s a sacred number, 30,000. Nobody thought they’d ever see it.”

Brent crude, the international oil benchmark, jumped 3.8 per cent to its highest point since March, at \$47.79 a barrel, on hopes that a coronavirus vaccine might mean a gradual return to normality and rising demand.

Gold, which investors often turn to in times of uncertainty, fell 1.8 per cent to \$1,804 per troy ounce. The dollar, another haven asset, slipped 0.3 per cent as measured against a basket of its peers.

In Europe, the region-wide Stoxx 600 closed up 0.9 per cent, while London’s FTSE 100 rose 1.6 per cent and German’s Xetra Dax climbed 1.3 per cent. In China, the CSI 300 index of Shanghai and Shenzhen-listed shares closed down 0.6 per cent, while Japan’s Topix rose to its highest level in two years, climbing 2 per cent, after traders returned from a long weekend.

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