

Billionaire Investor on How to Understand Risks and a Trump Presidency

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Updated Nov 08, 2024 9:21 am EST / Original Nov 08, 2024 1:45 am EST

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The message is loud and clear. Donald Trump won his rubber match election against the Democrats decisively, a ringing endorsement of his mandate. And the markets roared in approval of this Trumpvember surprise, with the [Dow Jones Industrial Average](#) [↑ DJIA +0.66%](#) logging its biggest gain (1508 points, or 3.57%) in two years on Wednesday.

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Less obvious is a critical implication of the mostly unfettered capitalism that will accompany the next Trump administration, engendered by GOP control of the Senate and perhaps the House. Yes, expect tax cuts, less regulation, fewer guardrails, and a government no longer picking winners and losers (except for tariffs), all reasons why investors perceive the incipient environment to be advantageous. And yet, with all the dancing, dancing, dancing in the streets, note that this new freedom could be accompanied by greater risk in the capital markets. The Donald may be a once-in-lifetime difference-maker, but even he hasn't figured out how to obviate this immutable law of economics: With greater returns comes greater risk.