

MARKET SIGHT LINES



Putting Our Bull Case Scenario in Focus: Investment Topics for Optimistic Investors

By Michael O'Keeffe, *Chief Investment Officer*



In our annual Outlook ([report](#), [video](#), [webinar](#)), we have a practice of developing three scenarios – our “base case,” a more negative “bear case,” and a more positive “bull case.” [Last week](#), we discussed the possible paths through which our bear case may unfold, along with some investment themes to consider. In this week’s Sight|Lines, we share possible drivers of our bull case scenario and some related investment topics.

THE TAKEAWAY: THE BULL CASE SCENARIO FOCUSES ON BUSINESS-FRIENDLY POLICY SHIFTS

The Trump administration is focused on deregulation, tax reform, freer capital markets, America First trade policy, and improved government efficiency, which may spur continued economic growth and market expansion. In summary:

- *Deregulation*: A rollback in regulations, especially in financial services, energy, and healthcare, could mean lower compliance costs, faster expansion, and higher corporate profits.
- *Tax Reforms*: Lower corporate tax rates could increase after-tax profits, fueling expansion and hiring, while improved individual tax brackets may boost disposable income and spending.
- *Mergers and Acquisitions*: The focus on antitrust will likely soften, with more strategic deals and faster approvals, potentially improving valuations and increased dealmaking activity.
- *Strategic Trade and Manufacturing*: If short-term tariffs lead to improved trade relations and more U.S. jobs, our manufacturing sector could become more competitive and grow.
- *Lower Energy Costs*: Expansion of U.S. energy production, particularly in oil and gas, could mean lower production costs, stronger corporate profits, and easing inflationary pressures.
- *Improved Infrastructure*: Investment in transportation, digital infrastructure, and energy networks could provide a boost to jobs and consumer spending, driving long-term economic efficiency.
- *Government Efficiency and Fiscal Discipline*: Although it will take some time, a tighter focus on spending could ease the debt burden, helping to stabilize our long-term fiscal health.

Pro-business policies can drive earnings, which may support higher stock prices. Reduced friction in banking, trade, and corporate strategy could well lead to improved Animal Spirits.

IN-DEPTH: THE BULL CASE SCENARIO IS ANCHORED ON BUSINESS-FRIENDLY POLICY SHIFTS FROM THE NEW ADMINISTRATION, LEADING TO AMERICAN EXCEPTIONALISM

The combination of deregulation, tax reform, looser antitrust laws, America First trade policy, and improved government efficiency may set the stage for continued economic growth, market expansion, and business confidence, with the potential to advance American Exceptionalism. Going deeper:

- *Deregulation*: A rollback in regulations is a positive for the business environment:
 - This can lead to lower compliance costs, faster expansion, and higher corporate profits.
 - Affected sectors may include financial services, energy, and healthcare.
- *Tax Reforms*: Lower corporate tax rates and improved individual tax brackets may lead to:
 - Increased after-tax profits, fueling expansion and hiring.
 - Individuals may benefit from increased disposable income, fueling more spending.
- *Mergers and Acquisitions*: The focus on antitrust will likely soften, increasing dealmaking activity:
 - Affected sectors may include financial services, technology, energy, and life sciences/healthcare.
- *Strategic Trade and Manufacturing*: If short-term tariffs are for trade negotiations, relations may improve:
 - U.S. manufacturing could become more competitive and expand, adding more U.S. jobs.
 - Affected sectors may include industrials, utilities, and materials.
- *Lower Energy Costs*: We may see an expansion of U.S. energy production, particularly in oil and gas:
 - This could lead to lower production costs, stronger corporate profits, and easing inflation.
 - Energy and energy services companies may benefit from increased production and demand.
- *Improved Infrastructure*: This focus can drive long-term improvements in economic efficiency:
 - A focus on infrastructure can provide a boost to jobs and consumer spending.
 - Areas of focus may include transportation, digital infrastructure, and energy networks.
- *Government Efficiency and Fiscal Discipline*: Although it will take some time, a tighter focus on spending could ease the debt burden.
 - This should help stabilize our long-term fiscal health.
 - The dollar may strengthen as confidence builds, potentially bringing interest rates lower.

The Trump administration's pro-business policies may drive more positive earnings, which could, in turn, support higher stock prices. Reduced friction in banking, trade, and corporate strategy could lead to further American Exceptionalism, which, in turn, could drive improved Animal Spirits.

CONCLUSION

Our report **Outlook 2025: Gravitational Shifts** ([report](#), [video](#), [webinar](#)), includes a bear case and bull case scenario, each influenced by the power shift in Washington, D.C.. While some investors are concerned these changes may trigger economic and market troubles, others are optimistic that deregulation, freer capital markets, strategic trade policy, tax reform, and improved government efficiency may spur continued economic growth and market expansion.

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