



## Letter n°144

### The United States one year after Trump's election (1). The domestic scene.

*“I know of no country, indeed, where the love of money has taken stronger hold on the affections of men, and where the profounder contempt is expressed for the theory of the permanent equality of property.”*

Alexis de Tocqueville in Democracy in America.

Tocqueville's words ring true. One year in power and \$1.5 billion in personal enrichment for Donald Trump – but what about the country? Trump's policies have not been the disaster that was predicted, as he has repeatedly backed down on certain measures. However, they have not succeeded in creating jobs, reducing inequalities, preventing the rise in unemployment, reindustrialising the economy, increasing GDP growth, or sustainably reducing the budget deficit. They have also led to a slight rise in inflation.

These are the issues examined in this Letter 144:

#### **Economic growth has slowed, but less than expected:**

In 2025, growth, estimated at 2.1% by the World Bank, was driven by investment in artificial intelligence, accounting for nearly one percentage point of growth, and by consumption.

According to the World Bank, after 2.4% growth in 2024 and 2.1% in 2025, growth is expected to rise to 2.2% in 2026. The IMF forecasts that growth could even reach 2.4% in 2026.

Trump is doing everything possible to stimulate short-term growth through tax cuts, policies aimed at easing credit conditions, and pressure on the Federal Reserve. For now, the rise in the non-manufacturing ISM index to 53.8 in January indicates the resilience of the economy, but small businesses continue to face difficulties in accessing credit.

#### **Uncertainty in the labour market:**

The economy appears to have entered a phase of growth without job creation, possibly due to uncertainty generated by advances in artificial intelligence. The unemployment rate stood at 4.1% when Donald Trump took office; it was 4.4% at the end of 2025 and 4.3% in January.

The number of jobs created in 2025 was revised sharply downward to 181,000 from 585,000, one of the weakest figures since the Second World War, excluding recession periods.

The deterioration of the labour market is also reflected in one million fewer job openings in 2025, bringing the total to 6.5 million in December, along with more layoffs and fewer hires. According to the University of Michigan, the percentage of unemployed individuals who believe they will find a job within the next 12 months is at its lowest level in the past 12 years.

The average duration of unemployment is increasing, and the number of people working part-time involuntarily has risen by 62% in one year, reaching 900,000 in the fourth quarter. The number of individuals holding multiple jobs has increased by 10% year-on-year to 9.3 million.

In January, the figures were better than expected, with 130,000 jobs created. However, 63% of these were in healthcare, 32% in social work, and the remainder primarily in construction.

### **Inflation remains Americans' top concern and could cost Republicans the midterms:**

Although inflation has slowed significantly since its 2022 peak, the 2% target has not been reached in five years. The middle class has not seen a meaningful improvement in purchasing power. Tariffs, even if less severe than initially feared, are adding to inflationary pressures, and the depreciation of the \$ is making imports more expensive. In surveys, more than half of Americans report a decline in their purchasing power, and consumer confidence, according to the The Conference Board, is at its lowest level in the past 12 years.

In 2025, median income after inflation rose by only 1.4%, and real weekly earnings for full-time workers increased by just 0.5% – both figures below the inflation rate.

In January, the inflation rate fell to 2.4%, helped by lower gasoline prices. It could decline further as rent increases slow – rents rose 2.8% in 2025 and account for 35% of the index basket. However, healthcare costs are expected to rise by 9% in 2026, electricity costs even more, and core inflation stands at 3%, compared with 2.6% last April.

### **A dichotomy in consumption trends:**

In 2025, retail sales rose by 3.7%, but in December they remained flat despite the holiday season.

Tariffs are weighing on purchasing power. According to a study by the Kiel Institute for the World Economy, American consumers and importers have borne 96% of the new tariffs.

#### **- *Advantage to the wealthiest:***

50% of total consumption comes from the top 10% of income earners, who benefit from rising stock markets and tax cuts. Tax refunds are expected to inject \$200 billion into the economy this year, but the primary beneficiaries will be higher-income households.

#### **- *Growing difficulties for the majority of the population:***

In January, the savings rate, at 3.5% of disposable income, fell to its lowest level since 2009. According to the University of Michigan, confidence among non-graduates is at its lowest level since 1976, when the index was first created. Lower-income households are more heavily affected by inflation. Food prices are 30% higher than five years ago. Nearly one-third of low-income Americans spend 95% of their income on essential goods. As a result, major retail groups such as Target, Home Depot, and JD Sports have revised their expectations downward, while discount-focused retailers have raised theirs.

Lower-income groups are dining out less frequently, including at fast-food chains, where traffic has declined by nearly 10%. In 2025, only 10% of fast-food outlets recorded an increase in customer visits, as meal prices rose faster than grocery prices.

At the same time, fast-food chains have faced rising labour costs due to shortages of low-skilled workers. The share price of Wendy's fell by nearly 50% in 2025. Pizza Hut reported a 3% decline in U.S. revenue in the fourth quarter, its ninth consecutive quarterly drop.

By contrast, high-end restaurants are seeing revenue growth.

If Trump, in an attempt to win the Midterm elections, distributes \$2,000 to each individual or family, he risks fuelling demand-driven inflation. Loan growth is already strong at 5.9%, and outstanding credit card balances are up 7%. This dynamic could slow if Trump persists in his plan to cap interest rates at 10%.

## **The appointment of Kevin Warsh as Head of the Fed and the worsening of public debt:**

### **- *Attempt to control monetary policy:***

Kevin Warsh has consistently stated his intention to reduce the size of the Federal Reserve's balance sheet – a move that can be welcomed, as quantitative easing has widened inequalities in favour of financial asset holders. However, shrinking the Fed's balance sheet is likely to push long-term interest rates higher.

### **- *Continued deterioration of public finances:***

In the 1920s, federal and local public spending represented 5% of GDP; today, it stands at 36%. The work of the “DOGE,” widely publicised, has not reversed the trend.

The budget deficit amounted to \$1.8 trillion (5.9% of GDP) for fiscal year 2024–2025, compared with \$2 trillion (6.4% of GDP) between October 2023 and October 2024.

According to the Congressional Budget Office, the BBB Act, with its planned tax cuts, is expected to worsen the deficit by \$100 billion per year. If the Supreme Court of the United States overturns the tariffs, the fiscal deterioration would be even greater.

In any case, tariffs will not be sufficient to offset reductions in income tax revenues, and public debt will therefore continue to rise. After the tax cuts, the budget deficit, according to the OECD, is expected to reach 7.5% of GDP in 2026, as the BBB Act reduces government revenues which could potentially put upward pressure on long-term interest rates. The figure could be worse if the Supreme Court invalidates the tariff policy.

U.S. public debt currently stands at \$38 trillion, or 125% of GDP. Interest payments on the debt are approaching \$1 trillion, representing about 4% of GDP.

## **Continued technological breakthroughs but reindustrialisation still fails:**

### **- *Technological breakthroughs:***

In 2025, investment in artificial intelligence contributed nearly one percentage point to GDP growth. In 2026, AI investment is expected to rise further, with \$600 billion announced by the top four companies, contributing to GDP growth. However, no one can reliably predict the long-term effects on growth or assess the impact on productivity.

At the same time, in the space sector, another arena of international competition among major powers, the number of launches since 2022 has exceeded the total launches between 1957 and 2021. SpaceX currently operates 9,300 Starlink satellites and conducted 87% of all launches in 2025, while China conducted only 6%. In 2026, SpaceX plans 2,500 launches, due to significant cost reductions per launch.

### **- *Failure of reindustrialisation:***

In 2025, industrial production increased by only 2%, and the number of manufacturing workers continued to decline despite Donald Trump's rhetoric on reindustrialisation.

The number of blue-collar jobs fell by 145,000 in 2025. Manufacturing employment, which reached a historical peak of 19.5 million in 1979, decreased by another 65,000 in 2025 to 12.7 million. While tariffs help protect jobs in the steel industry, other sectors, such as automotive and auto equipment, have faced rising costs due to tariffs, leading to 20,000 job losses since April.

## **The misguided approach to real estate:**

Since 2019, housing prices have increased by more than 50%, largely due to insufficient construction. The deportation of migrant workers has further delayed construction projects.

Seeking to lower housing prices, Donald Trump has aimed to prevent institutional investors from buying residential real estate, accusing them of driving up prices. This is a mistake: these investors own less than 3% of the residential housing stock, while the American Enterprise Institute estimates a shortage of around 6 million homes.

Trump has also sought to compel Freddie Mac and Fannie Mae to purchase roughly \$200 billion in mortgage-backed securities to lower interest rates and make housing loans more affordable. However, if the new Fed chair reduces the Federal Reserve's balance sheet as planned, long-term rates will rise. The 30-year mortgage rate, at 6.2% compared with 2.7% in 2021, is a major barrier. 2025 was the worst year for home resales since 1995, and in January 2026, existing home sales fell 8.4% – hardly cause for celebration.

In the event of a stock market crash, housing prices could fall significantly. After the 2008 crisis, they dropped more than 25% over five years, but we are not yet in that scenario.

### **Immigration and demographics: toward labour shortages in certain sectors:**

Alongside restrictions on immigration, population growth is slowing: the U.S. population stands at 349 million today and is projected to reach 364 million by 2056, according to the CBO.

As of July 1, 2025, the U.S. population had grown by 0.5% year-on-year, an increase of 1.8 million compared with 2.8 million in the previous 12 months. This slowdown is primarily due to reduced immigration. Florida remains the state receiving the most migrants, while California is the state losing the most.

Deportations are not expected to significantly affect consumption, but they are already creating labour shortages in sectors such as construction, hospitality, and agriculture.

Net migration is expected to fall from 2.4 million to 325,000 in 2025–2026. As a result, the population could decline for the first time, potentially reducing GDP growth by 0.3 percentage points.

**Conclusion:** *“A sovereign who attaches himself to one faction tilts the boat and hastens its shipwreck”* Napoléon.

Contrary to appearances and Trump's self-satisfaction,

***The relative decline of the United States is noticeable:*** one only needs to observe China's resistance to Trump's tariff threats, Chinese breakthroughs in AI, and Trump's difficulty in enforcing the sanctions he imposed.

***Moreover, Trump is weakening the country long-term:*** by attacking the Fed's independence, firing the director of the BLS, weakening ties with historical allies, reducing immigration (essential to certain sectors), targeting universities, cutting research budgets, and creating uncertainty, Trump is slowing job creation and weakening the United States.

***Finally, the multiplication of populist measures unsettles the business world:*** recall the cap on credit card interest rates, the ban on institutional investors acquiring individual homes, pressure on oil companies to invest in Venezuela against their will, requests for Fannie Mae to buy mortgage-backed securities, bans on share buybacks for defence companies, equity stakes in companies like Intel, MP Materials, Lithium Americas in exchange for public funds, and commissions demanded on semiconductor sales to China.

Geneva, 18 February 2026

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