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The 'Trump bump' in the markets is powered by a welcome cut in corporate taxes

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Trump has vowed to cut America's taxes on companies, which currently can reach 39pc CREDIT: AP

Awave of new technologies led by robotics and artificial intelligence; the opening up of China's equity markets, with all that country's vast potential, to global investor; recovery of global trade; or a boom in mergers and acquisitions as companies revive their appetite for dealmaking – there are plenty of forces which could give this bull market fresh impetus, drive equities higher throughout 2017, and make it one of the longest upturns in stock prices since records began.

But here is one that few people have noticed: corporate tax cuts. On Wall Street, the "Trump Bump", to use the term traders have latched upon for the way Wall Street surged ahead since Donald Trump found his way into the White House, has been largely driven by his promise to reform the United States' crazily high corporate taxes.

But it is not just the US that is cutting the amount companies have to pay. In this country, corporation tax is being driven down to historic lows; the Swiss are cutting canton by canton; and the Japanese have already started edging rates down.

As corporate taxes are reduced around the world, some of that money will go to staff in higher wages, some to consumers in lower prices. But in the first instance, it will translate into higher profits and dividends, and that is inevitably going to push every major index upwards.

In the run-up to the US presidential election, it was widely assumed that the steady, experienced, if slightly dull Hillary Clinton would usher in a rally on Wall Street, while the wild, unpredictable, protectionist Trump would trigger a wave of panic selling. As it happened, much like Britain's vote to leave the European Union back in the summer, it did not work out like that.

Instead, after initial nervousness, the main markets are all up strongly. The S&P 500 slumped to 1,800 after the election, but has since bounced back to 2,200, while the Dow has broken through its all-time high and is closing on the 20,000 barrier.

The explanation? Trump turned out not to be quite as completely unhinged as he sometimes appeared on the campaign trail, and he has assembled an economic team with plenty of Wall Street experience. But one of the main reasons has been his pledge to significantly reduce the rate of corporation tax.

At 39pc, once state and federal taxes are combined, the US has one of the highest corporate rates in the world – only the United Arab Emirates and Chad take more from businesses. It was so high that companies were starting to move abroad.

Clinton's only answer to that was to impose heavy "exit taxes" on anyone impudent enough to leave – the kind of thing the East German Politburo might have come up with on a bad day. Trump by contrast has promised to dramatically slash it, taking it all the way down to 15pc. Whether he can get that through Congress remains to be seen. But there can be little doubt the bill is going to come down significantly.

You don't need an MBA in finance to work out that lower taxes mean companies will be able to keep more of their money. What is the potential impact? The research firm Global Market Intelligence estimates that a five-point tax cut would lead to a 7pc rise in the S&P, and a 10-point cut to a 12pc rise, for the simple reason that lower taxes feed directly through to profits. If Trump manages to get the full 20-point cut through, logically that would push the Dow up by 24pc or more, taking it close to 25,000.

Of course, the impact would not be even. The US tax code makes the plot of Downton Abbey look simple. There are hundreds of exemptions that reduce the effective rate. But for some businesses it would be significant. On one analysis, JP Morgan, for example, could see a 22pc increase in earnings per share. Telecoms companies, which pay an average 28pc, would see a similar boost.

That is the US. While that country has the highest corporate taxes of any major economy, it is far from the only one reducing rates. The UK has been one of the most aggressive, taking the rate down from 28pc to 20pc since 2010, and it is scheduled to come down to 17pc by the end of this Parliament.

That will be the lowest rate ever: it was 40pc when it was introduced in 1965, and went up to 52pc in the 1970s. There have been hints it may come down to 15pc, especially if the EU tries to shut us out of its market. That translates into higher earning for British companies, especially outside the FTSE 100: smaller, domestic businesses find it far harder to come up with clever wheezes to reduce their tax bills.

Among Swiss cantons, Geneva, for example, has cut its rate by 10 points to below 14pc. Japan has cuts rates already, with further reductions scheduled for 2017 and 2018. Even in high-tax France, rates could soon be coming down. François Fillon, the Republican front-runner for the presidency in next year's election, has promised to slash the rate from 33pc to 25pc.

In an era when companies are more mobile than ever, and countries are competing fiercely for investment, cuts in taxes quickly become competitive. The more countries cut, the more pressure there is for others to match those, meaning rates could come down a long way quickly.

You can debate whether that is right or wrong. Plenty of people think companies should pay more, not less, although they invariably ignore that it is always people, whether they are staff, shareholders or customers, who end up footing the bill for corporate taxes.

What you cannot dispute is that it is good for corporate earnings, and so for share prices. Competition means that, sooner or later, some of the money saved from paying less to the government will be passed on to customers in the form of lower prices, and to workers in higher wages. But in the first few years, shareholders will reap the biggest rewards.

Of course, there are plenty of threats to the bull market that started in 2009 and which has already turned into one of the longest in history. The eurozone looks as fragile as ever and may blow up any time. The Federal Reserve may raise rates too aggressively and provoke a recession. Trump's erratic protectionism may cause a collapse in China. But there is a good chance that in the next year a wave of global corporate tax cuts will power the markets toward new highs.

The Left will hate it. But investors – who are, let us remember, mostly private individuals and pensioners – will be quietly pleased.