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Six Minute Strategy

When politics meets markets

July 2024



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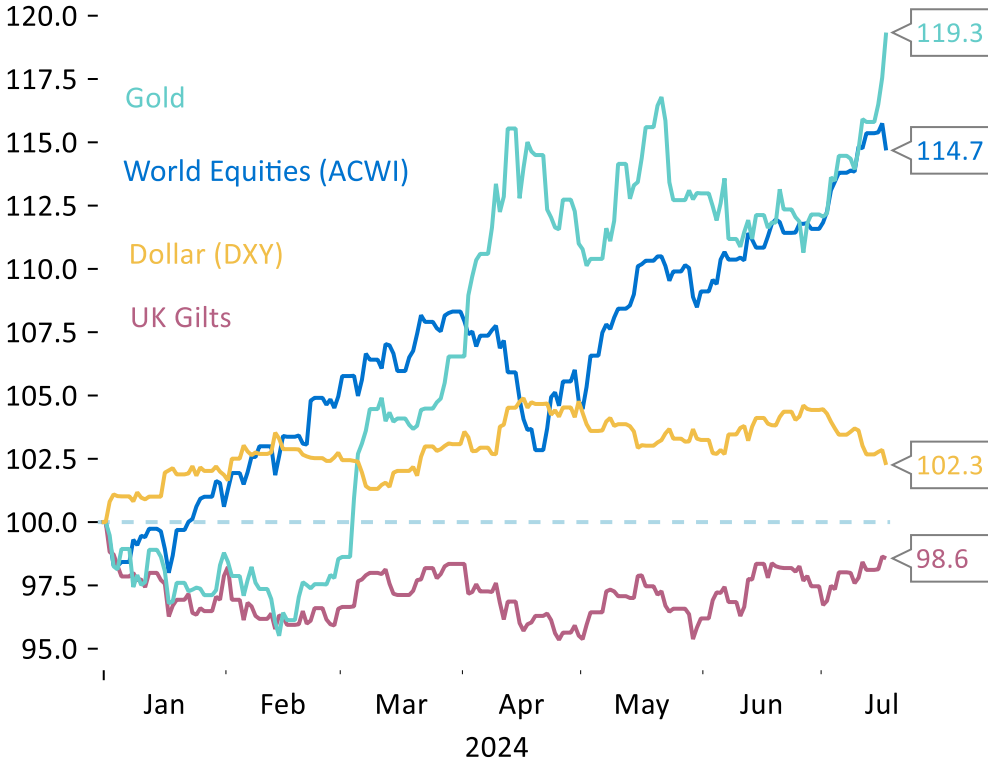


Strong equity and gold performance continues in 2024

Managing leadership change from AI-led growth to value/yield is the key challenge of H2 2024

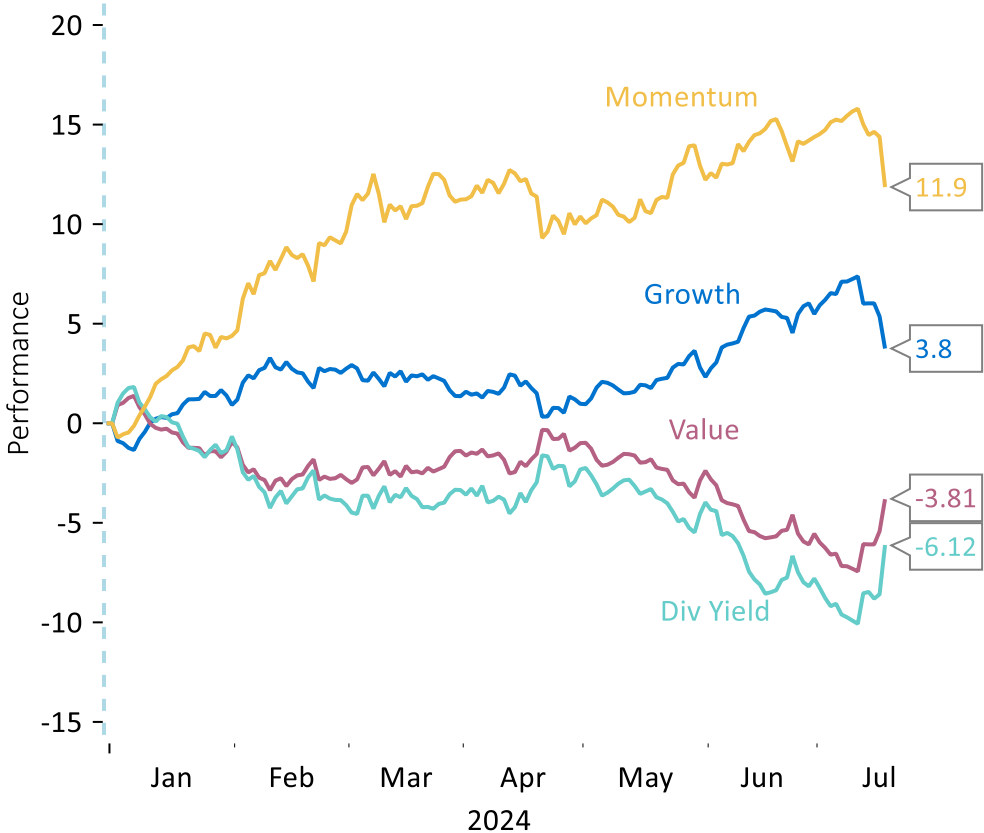
Global equities and gold lead returns in 2024

Asset class performance 2024 to date



Source: Macrobond, 18.07.24

Factor and style performance MSCI World in 2024



Source: Macrobond, 18.07.24

Past performance is not a reliable indicator of future results and may not be repeated.

US election: Presidency is Trump's to lose

Leading in all key battleground states

2024 Arizona: Trump vs Biden

Trump +5.4

2024 Georgia: Trump vs Biden

Trump +4.0

2024 Michigan: Trump vs Biden

Trump +0.6

2024 Nevada: Trump vs Biden

Trump +5.2

2024 North Carolina: Trump vs Biden

Trump +5.8

2024 Pennsylvania: Trump vs Biden

Trump +5.3

2024 Wisconsin: Trump vs Biden

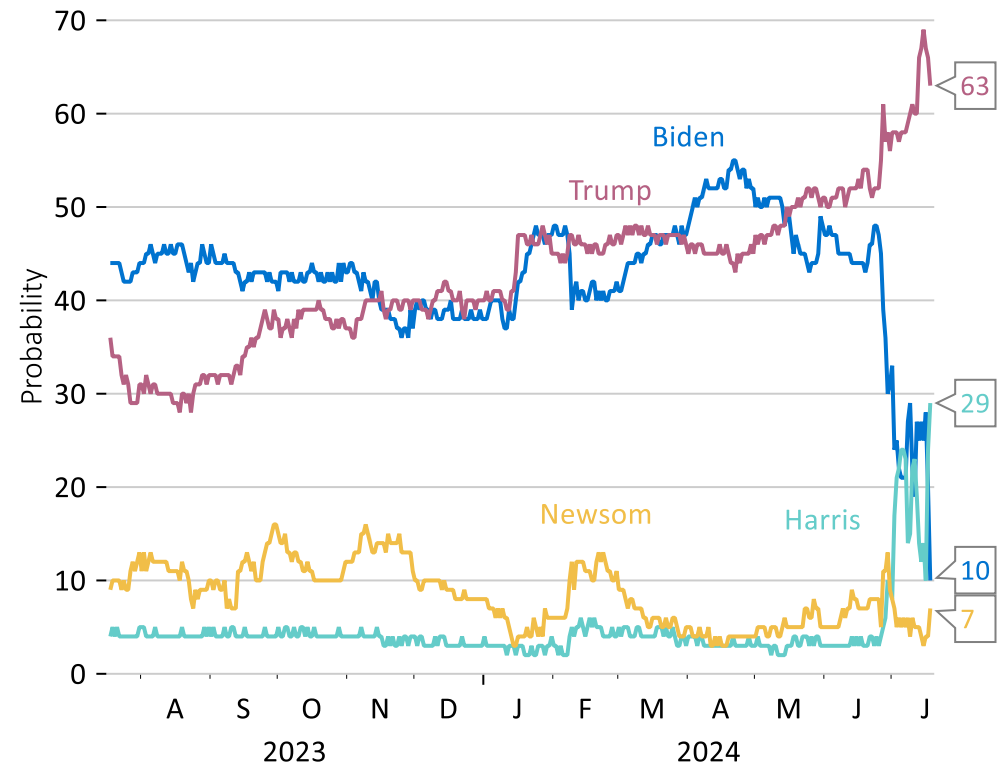
Trump +2.6

Source: RealClearPolitics July 2024



Odds of a Trump victory in November soar

US, Political Polls, PredictIt 2024 Presidential Election Winner?



Source: Macrobond, 19.07.24

What happens if there is a clean sweep?

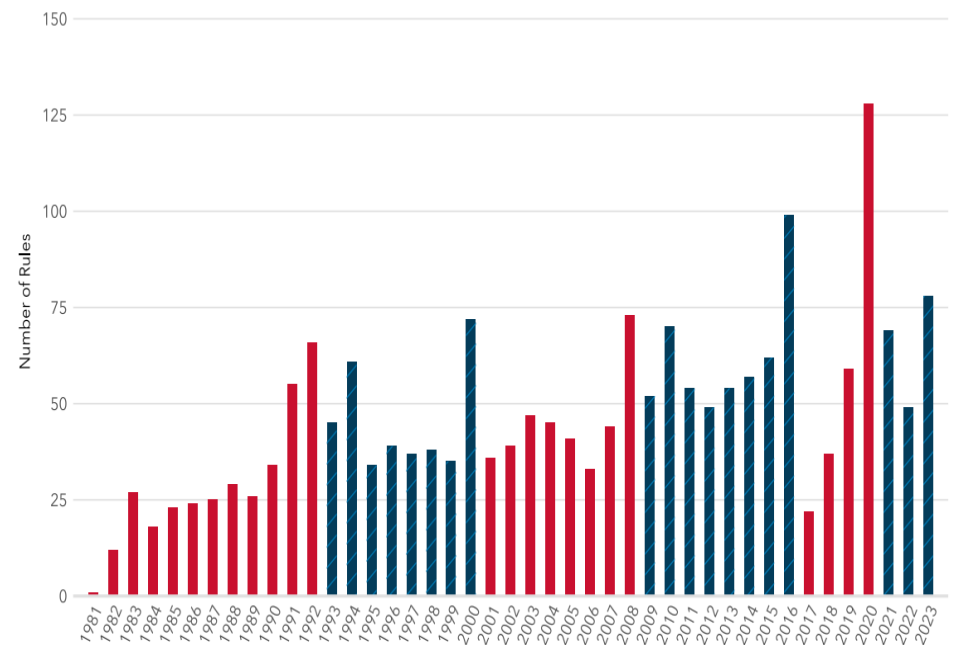
Deregulation agenda will be turbo charged

- Environmental standards lowered
- Reduction in fuel efficiency standards and permitting requirements
- Net neutrality
- Chevron Deference (courts no longer need to defer to federal agencies when resolving ambiguities in the law)
- Anti-trust?



Executive Orders rose sharply during Trump 1.0

Economically Significant Final Rules Published by Presidential Year



Regulatory
Studies Center

THE GEORGE WASHINGTON UNIVERSITY

Sources: Office of the Federal Register ([federalregister.gov](https://www.federalregister.gov)) for the years 2021 and onwards; Office of Information and Regulatory Affairs ([reginfo.gov](https://www.reginfo.gov)) for all the prior years.

Updated: March 04, 2024

Deficits under Trump 2.0

Impact of tax cuts and tariffs on federal deficit



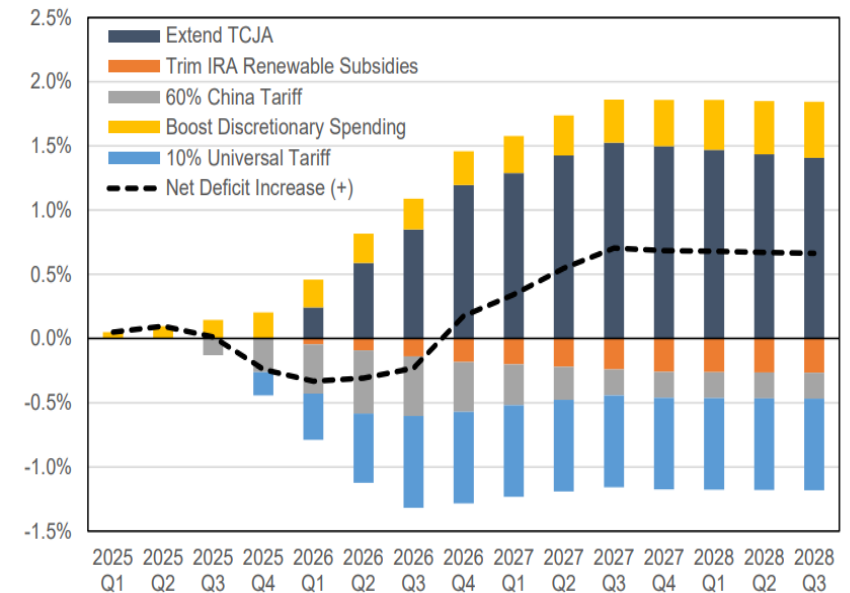
Economic impact of Trump 2.0

- The Congressional Budget Office (CBO) currently projects that the primary deficit will fall to 1.8% by end 2028 because the 2017 Tax Cuts and Jobs Act (TCJA) expires.
- Trump will likely extend TCJA provisions & partially pay for this by reducing subsidies on renewables and imposing tariffs. There are two scenarios – 10% universal tariff or a 60% tariff on China.
- Even with tariffs and elimination of some key parts of the IRA (Inflation Reduction Act), the primary deficit increases a further 0.7%.



Implication of Trump Policies for the Federal Deficit

DECOMPOSING CONTRIBUTION TO DEFICIT (+) UNDER GOP SWEEP AS % GDP, 4Q MOVING SUM



Sources: CBO and Piper Sandler.

So what sort of economy could President Trump inherit?

1. Inflation dynamics are finally improving. Fed is back to being a dual mandate (labour & prices) Central Bank. Inflation should fade to the background by 5th November 2024
2. Powell Testimony on the 10 July 2023: “elevated inflation is not the only risk we face. Reducing policy restraint too late or too little could unduly weaken economic activity and employment.” A Trump presidency could begin with growth slowing?
3. Rate cuts will have begun by the election – Expect quarter point cuts quarterly from September 2025
4. Long-term yields will start to embed a premium to reflect a widening deficit
5. Trump tariffs will raise inflation - but imports as share of GDP are just 15%. So, a 10% tariff would raise prices by 1.5%. In the past exchange rates have offset part of this. But the economy could face labour constraints over the medium term, which would have inflationary consequences.

Senate is for the Republican party to lose

Democrats
43

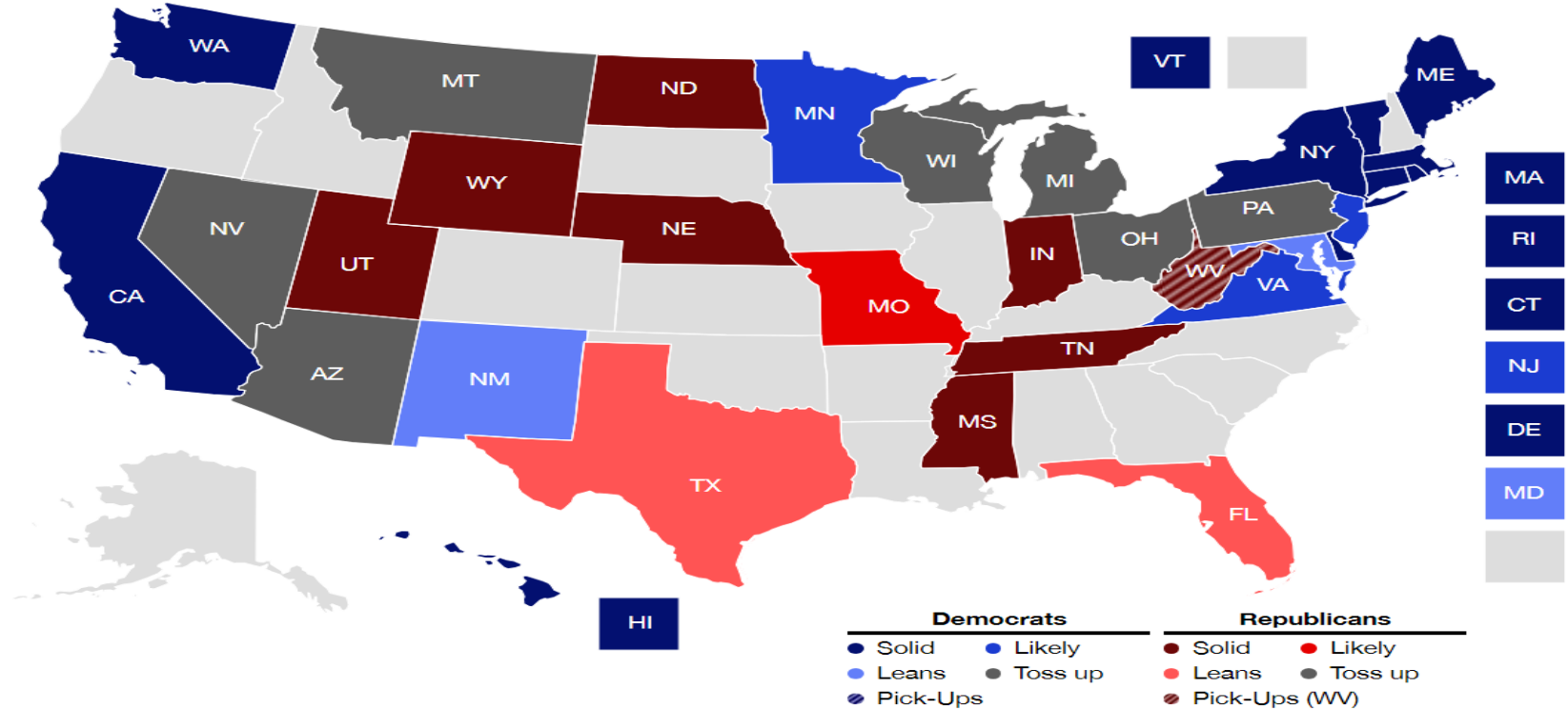
Toss Ups
7

Republicans
50



51 Seats Needed For Majority

| LIKELY DEM | LEANS DEM | TOSS UP | | LEANS GOP | LIKELY GOP |
|--|----------------------------------|---|---|-------------------------------|----------------|
| MN: Klobuchar (D) NJ: Menendez (D) VA: Kaine (D) | MD: Open (D) NM: Heinrich (D) | AZ: Open (D) MI: Open (D) MT: Tester (D) NV: Rosen (D) | OH: Brown (D) PA: Casey (D) WI: Baldwin (D) | FL: Scott (R) TX: Cruz (R) | MO: Hawley (R) |



Gold remains attractive

Retail demand is strong in India, Turkey and China, particularly during financial stress

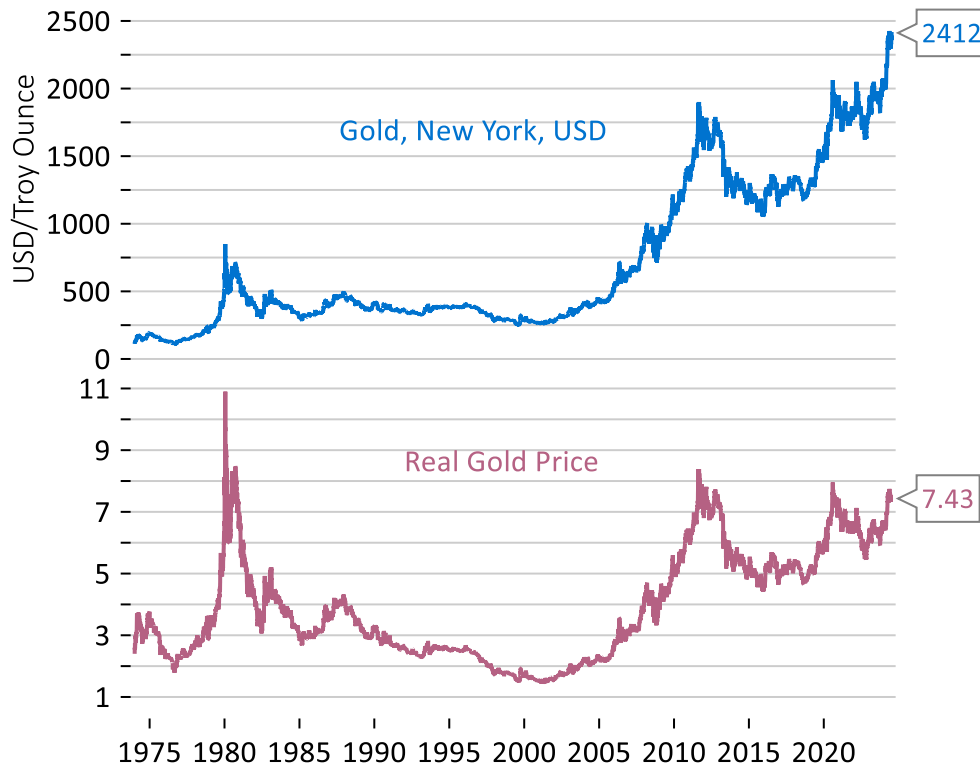


Real gold prices still short of peak



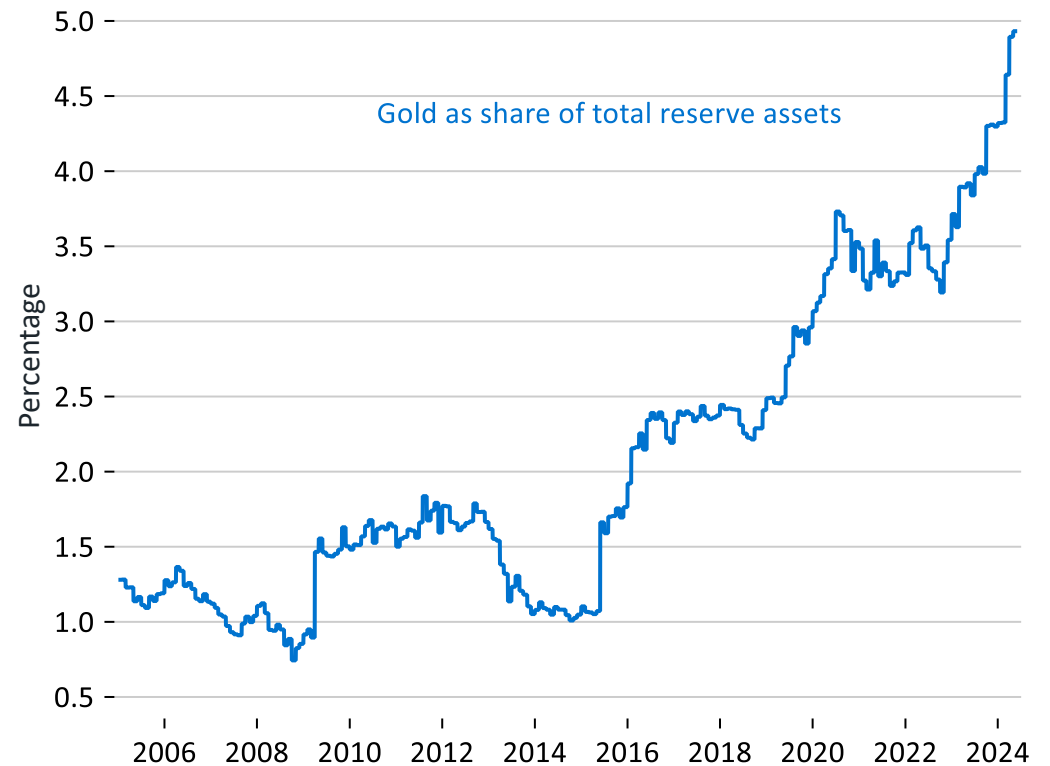
Gold increasing share of EM central bank reserves

Gold Price



Source: Macrobond, 15.07.24

China Official Central Bank Reserves



Source: Macrobond, 15.07.24

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