

SARASIN

# Six Minute Strategy

## Different economic paths as America decides

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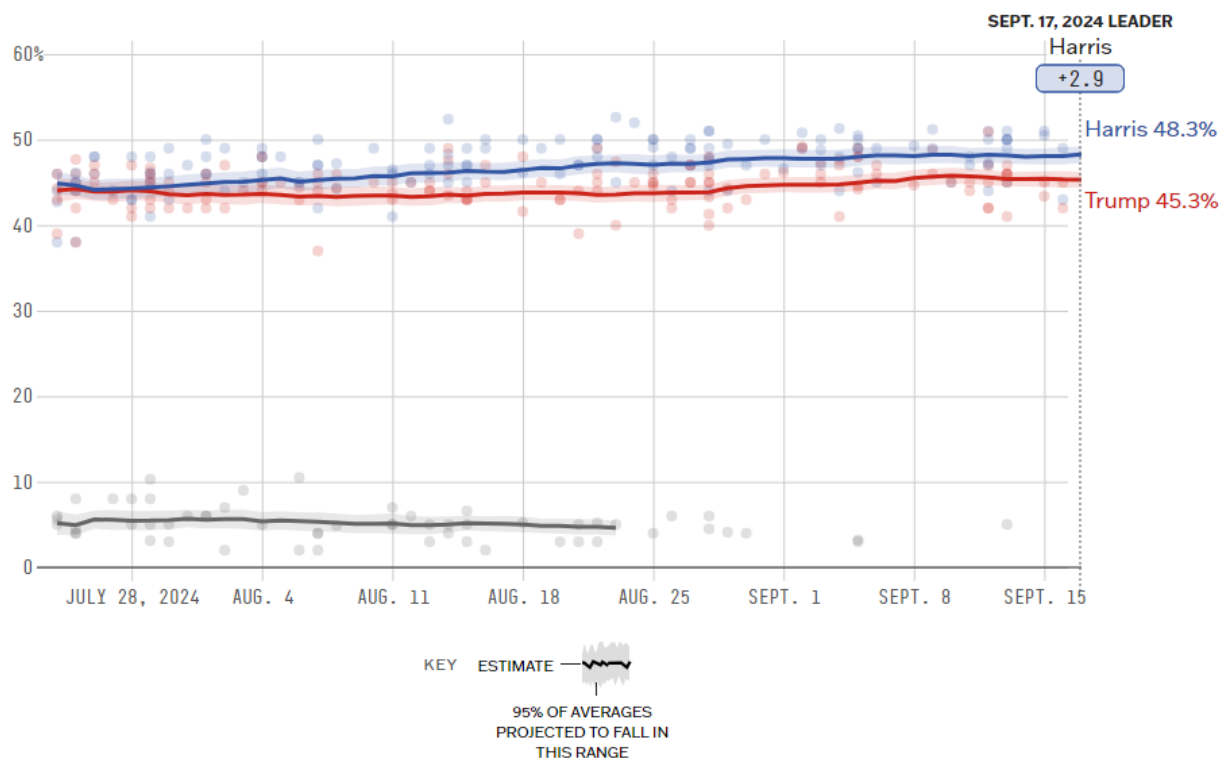
# 2024 US elections: A defining moment for politics, economics and markets



## Poll Aggregator 538's odds on the US Presidency

### Who's ahead in the national polls?

Updating average for each candidate in 2024 presidential polls, accounting for each poll's recency, sample size, methodology and house effects.



- Despite Harris bounce, polls are too close to call
- Harris needs about 2.5% lead to overcome the electoral college disadvantage
- Senate is likely to remain Republican
- House of Representatives likely to go with the winner of the Presidency
- Candidates have widely different views on taxation, tariffs, spending, regulation, climate and global governance

Source: 538, 18.08.24.

# President Trump's proposals



	GDP	Debt
10 year change	-0.4%	+9.3%

1. Extend individual income tax cuts of the Tax Cut and Jobs Act (TCJA) due to expire in December 2025
2. Extend business tax provisions of the TCJA (100% depreciation on tangible investment and 100% depreciation on research and experimentation)
3. Reduce corporate tax rate to 15%
4. Eliminate taxes on social security benefits
5. *Reciprocal or universal tariffs on all trading partners; 60% tariffs on China*
6. *Repealing clean energy tax credits in the IRA (\$7500 for household EVs) and clean energy production and claw back unspent funds*
7. *Deport illegal immigrants*

# Vice President Harris's proposals



# HARRIS WALZ

	GDP	Debt
10 year change	-1.3%	4.4%

1. Extend TCJA for households making less than \$400K
2. Expand child tax credit permanently to as much as \$6K per newborn, £3K – 3.6K young children
3. Expand earned income tax credit for childless adults
4. Down payment support of \$25K for first-time home buyers
5. Raise corporate tax rate to 28%; corporate AMT to 21% from 15%; quadruple buyback tax to 4%
6. Lower prescription drug costs
7. *New capital gains tax bracket of 28% and NIIT to 5% for those with incomes > 1m*

# Distributional effects are meaningfully different

Harris is appealing to the lower three quintiles (60%) vs Trump is targeting the top two (40%)



## Distributional effects of the Harris vs Trump

Income group	Harris		Trump
	Change in income, after taxes and transfers		Change in income, after taxes and transfers
First quintile	24.40%	>	6.40%
Second quintile	3.90%	>	1.70%
Middle quintile	2.40%	>	2.20%
Fourth quintile	1.80%	<	2.90%
80-90%	0.80%	<	2.60%
90-95%	0.40%	<	2.70%
95-99%	-0.20%	<	3.40%
99-99.9%	-0.50%	<	2.10%
Top 0.1%	-0.90%	<	1.60%

# Base case for Trump policy

## Economic implications and asset allocation

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- **Economic implications:**

- **Inflation** – tariffs on imports from China will raise inflationary pressures as US importers will likely pass tariffs on to consumers.
- **Deficit** – budget deficit to increase by approximately 1% as result of increased spending and lower taxes (TCJA expiry).
- **Growth** – unlikely to be dramatically stimulated, consumer reaction to higher inflation may lead to economic weakness. Deregulation may have moderate stimulating effect at the margin.

- **Asset allocation:**

- **Equities** – US equities supported by higher inflation, deregulation and expectation of fiscal largesse. Chinese equities likely under pressure due to tariff concerns.
- **Fixed income** – US treasuries likely to sell off due to higher inflation. US yield curve to steepen on concerns of debt sustainability.
- **Gold (and potentially crypto)** – supported as inflation hedges.
- **US Dollar** – tariffs and inflation are supportive of currency but debt sustainability likely to weigh on investor sentiment.

# Base case for Harris policy

## Economic implications and asset allocation

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- **Economic implications:**

- **Growth** – corporate tax increase to 28% will likely offset the benefit of low-middle income support.
- **Inflation** – slower growth, but more equal distribution of income across earners nets out to broadly neutral inflation effect.
- **Deficit** – Budget deficit to increase due to increased government spending; this may be offset somewhat by higher corporate taxes.

- **Asset allocation:**

- **Equities** – if Democratic sweep, negative for US equities. If divided Congress, positive for US equities.
- **Fixed income** – no material change. Deficit higher, but unlikely to lead to a sharp sell-off in US Treasuries.
- Gradual weakness likely for the **US dollar**.

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