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Six Minute Strategy

Regime change in Washington

November 2024

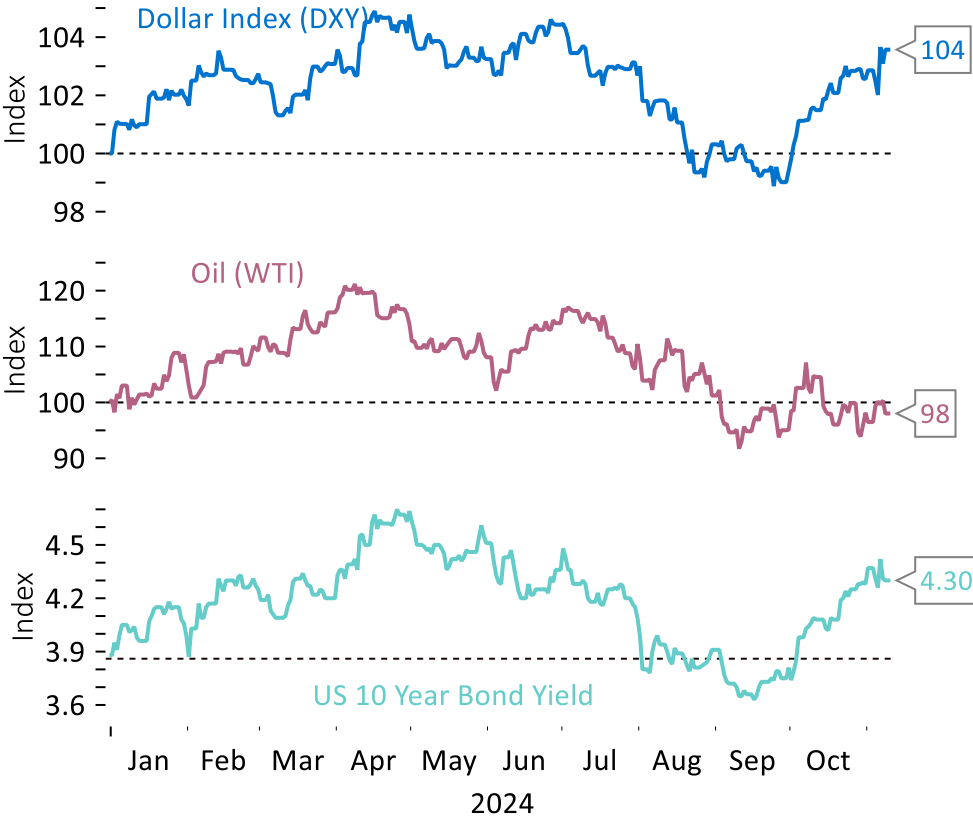
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Asset returns 2024 – Trump impact already clear



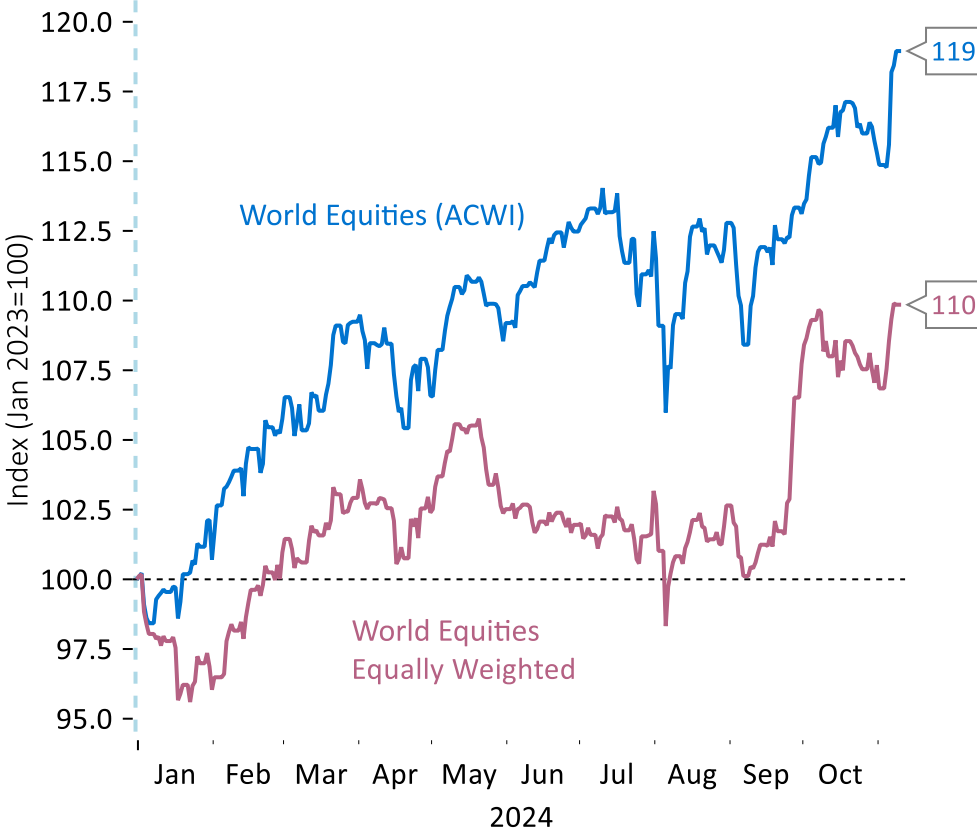
Asset class performance 2024 to date



Source: Macrobond, 11.11.24 WTI – West Texas Intermediate



Markets rally on Trump win – led by US domestic/small-cap



Source: Macrobond, 11.11.24

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

US Election: Regime change in Washington

Implications of President Trump's extraordinary electoral mandate

The new Administration	<ul style="list-style-type: none">• Strong mandate with red sweep (Republican House likely) and a majority of the popular vote.• A pro-business administration focused on cementing US economic advantage with low taxes, low regulations and low cost energy.• Trump transition team very competent – ensuring that all cabinet positions will be held by individuals fully aligned with President's agenda.• US will become 'extractive' with all trading partners. It can extract concessions from suppliers as largest consumer market, and from buyers by virtue of controlling technology and defense markets.• Immigration to fall sharply – as tighter border control and deportations take hold.
Tariffs and trade	<ul style="list-style-type: none">• Administration will seek to punish China for not delivering on original Phase One trade agreement and running ever higher surpluses.• Mexico to come under substantial pressure as USMCA (United States Mexico Canada Agreement) up for renegotiations in July 2026.• Trump will seek to reduce European trade surpluses and increase European defence spending – via the use of tariffs and reduction in support for Ukraine.
Tax	<ul style="list-style-type: none">• Tax cuts will be extended from Tax Cuts and Jobs Act (TCJA) – Inflation Reduction Act (IRA) climate-linked tax credits to be reduced.• Corporate tax likely cut from 21% to 15-18%.• Aim to use tariff revenues and Elon Musk-led cost cutting to offset tax cuts.
Deregulation	<ul style="list-style-type: none">• Streamlining of the Federal Government through a Department of Government Efficiency that can provide up to \$2trillion in savings.• Energy sector deregulation by rolling back climate friendly policies and reducing funding for the Environmental Protection Agency• New leadership at all major regulatory agencies – Securities and Exchange Commission, Federal Trade Commission, Consumer Finance Protection Bureau etc.• Powell likely to remain at Federal Reserve till term ends in May 2026. Trump likely to nominate a candidate favoring less stringent financial regulation and easier monetary policies into the seat of Fed Governor Adriana Kluger when her term expires in Jan 2026.
Risks	<ul style="list-style-type: none">• Inflation from tariff program, tax cuts, and restriction on immigration. Fed higher-for-longer/potential rate rise in 2025?• Deficit rises with tax cut extensions and corporate tax reductions - bond market already forcing greater discipline on the administration.• Trade War - Response from Europe and China to US tariffs risks global trade war.

Source: Sarasin & Partners, November 2024

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