

SARASIN

# Six Minute Strategy

## When politics meets markets

July 2024



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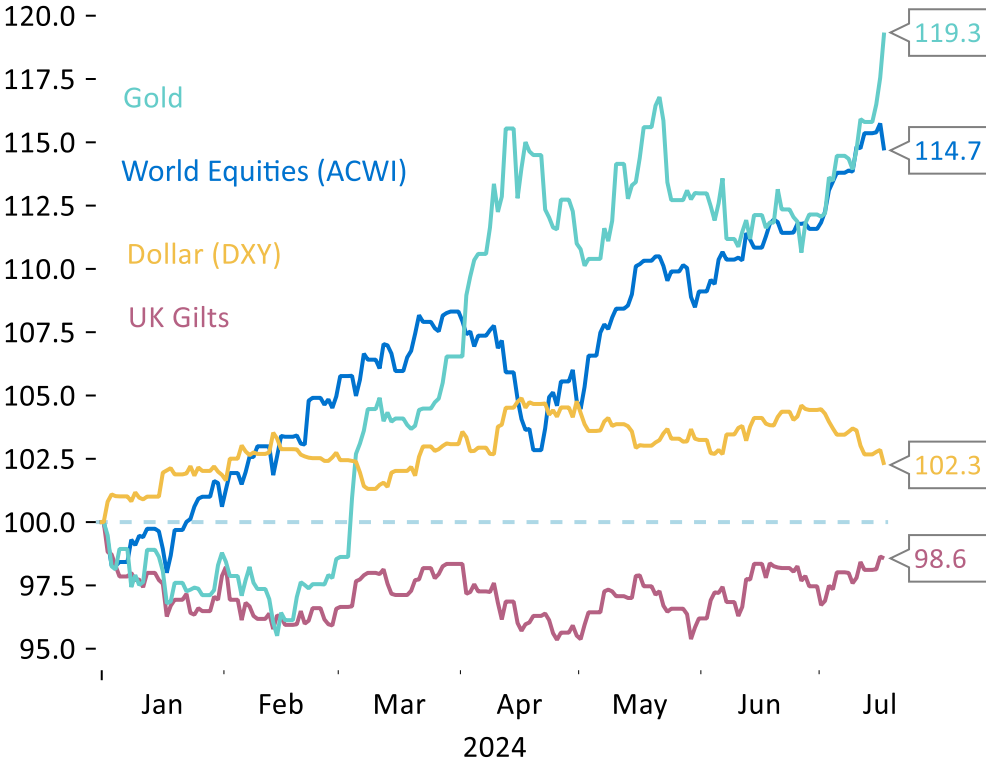
# Strong equity and gold performance continues in 2024

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

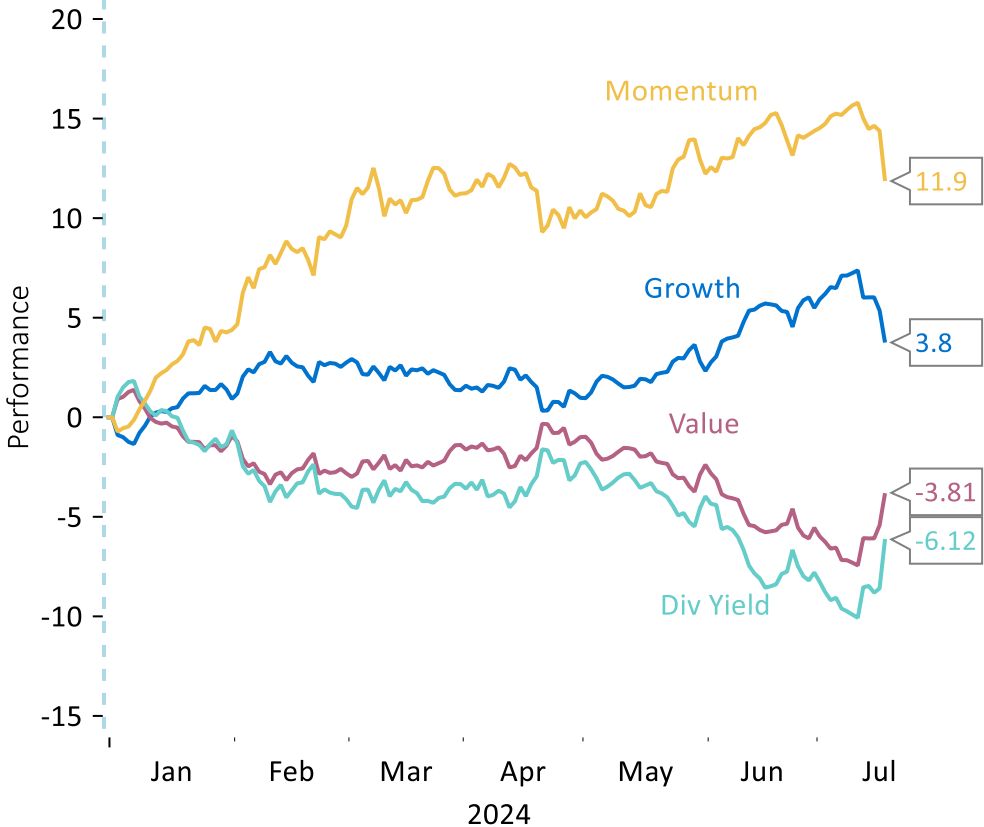
## Global equities and gold lead returns in 2024

## Factor and style performance MSCI World in 2024

Asset class performance 2024 to date



Source: Macrobond, 18.07.24



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

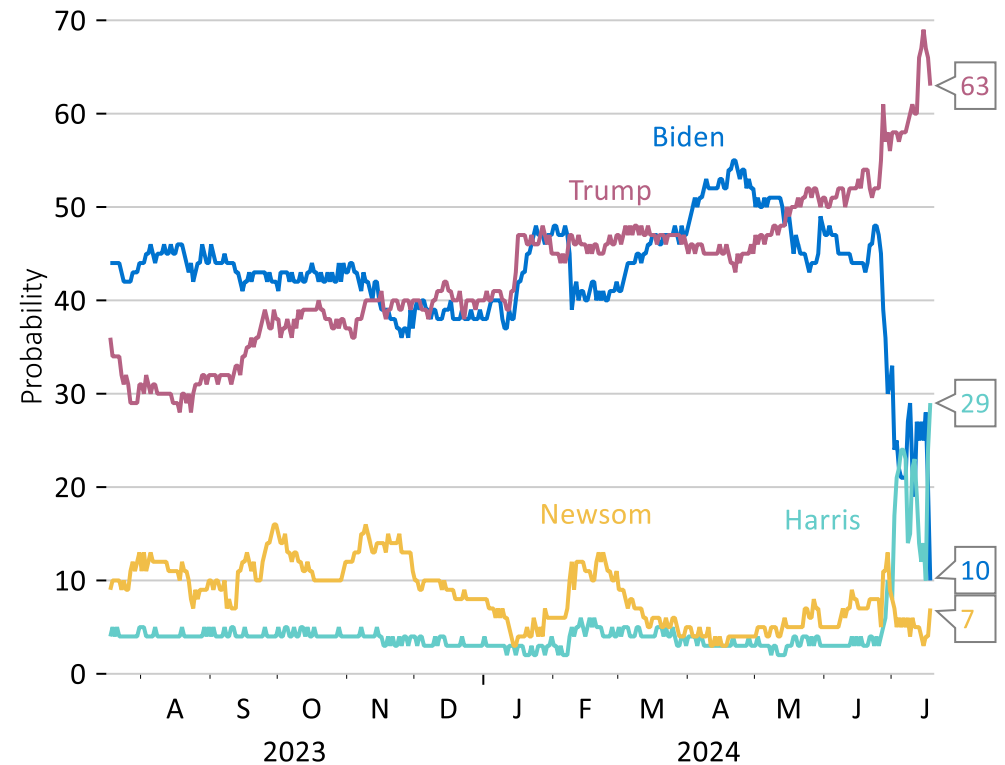
Trump +2.6

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?

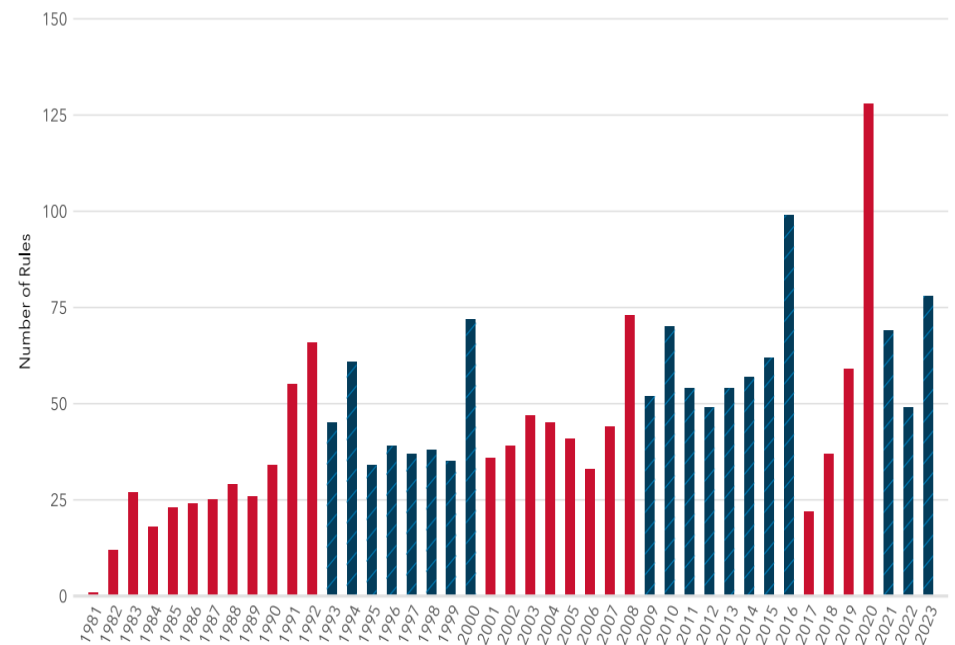
Deregulation agenda will be turbo charged

- 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



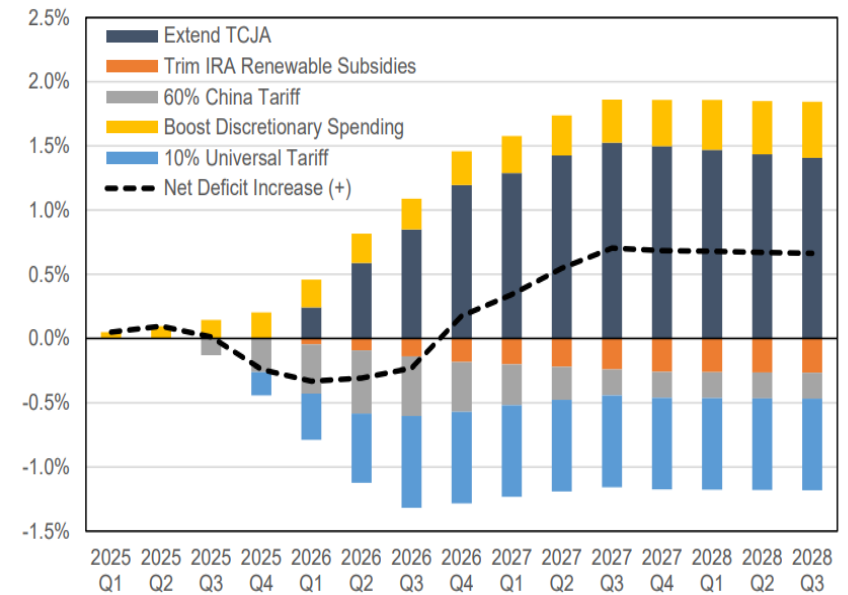
## Economic impact of Trump 2.0

- 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 5<sup>th</sup> 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**

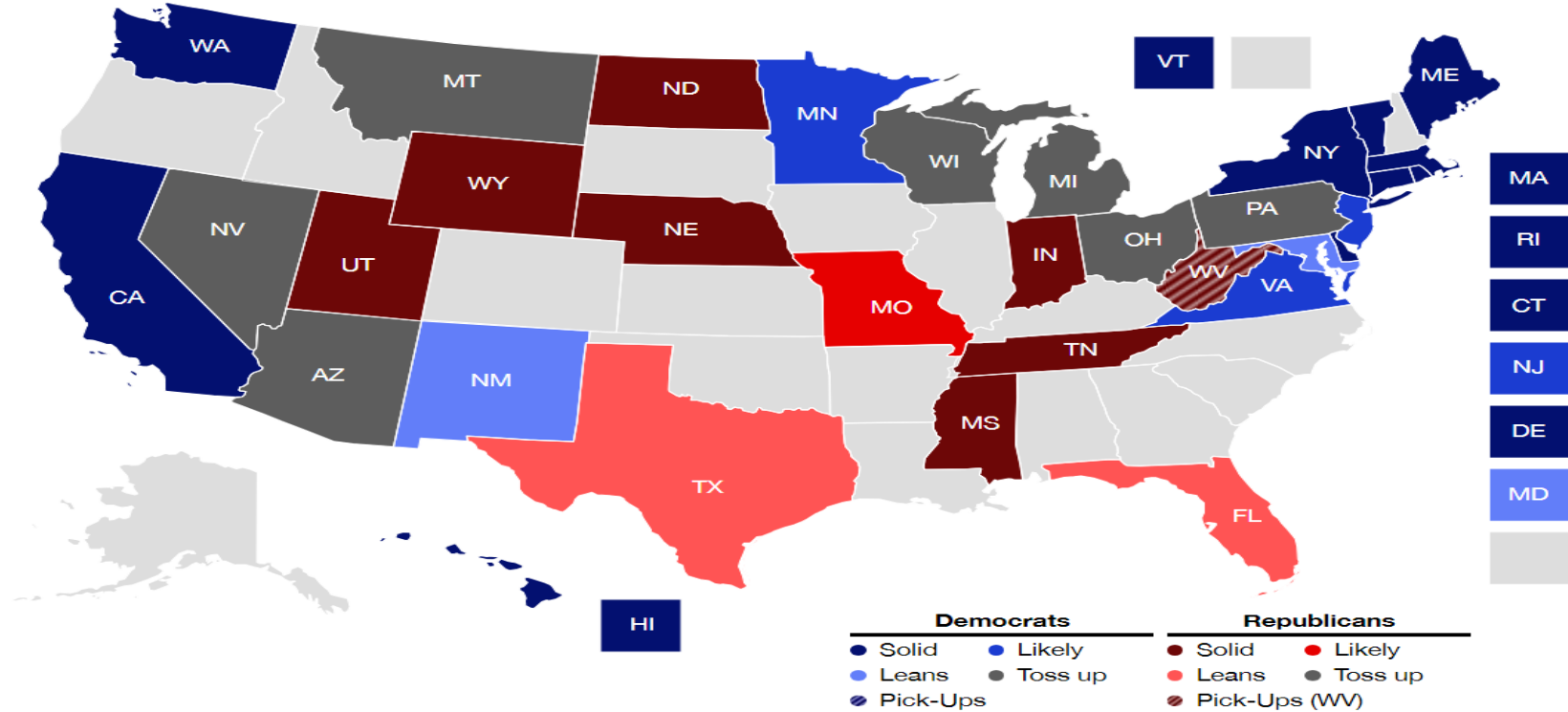
Toss Ups  
**7**

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)



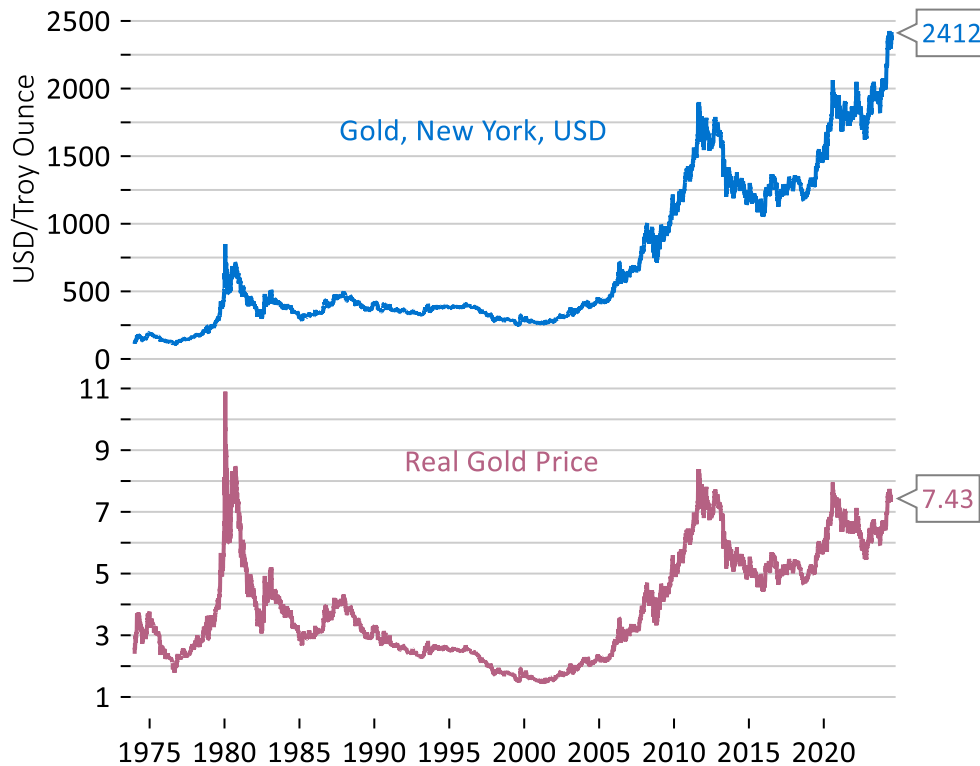
# Gold remains attractive

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



## Real gold prices still short of peak

### Gold Price

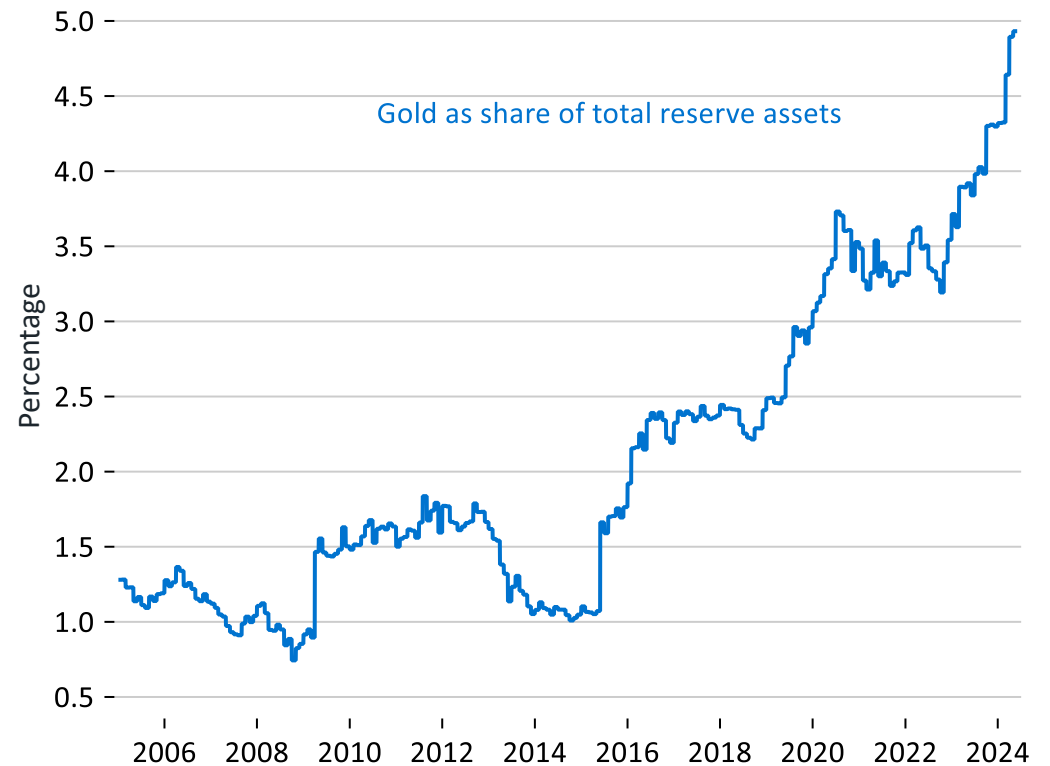


Source: Macrobond, 15.07.24



## Gold increasing share of EM central bank reserves

### China Official Central Bank Reserves



Source: Macrobond, 15.07.24

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