NUS INVESTMENT SOCIETY

PLACING YOUR BETS ON THE US ELECTIONS

MACROECONOMIC IMPLICATIONS ON YOUR FINANCIAL PORTFOLIO
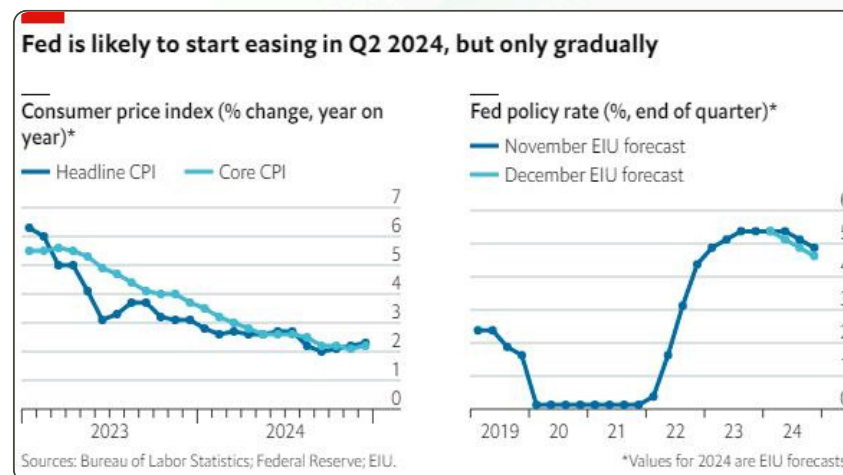
CURRENT MARKET SITUATION

SEPTEMBER FOMC

The Fed has already **cut rates by 50 basis points**, responding to cooling inflation. Future cuts will depend on inflation and labour data, with flexibility based on non-farm payrolls.

UPCOMING ELECTIONS

Like how the **Russian invasion of Ukraine** heavily affected **energy prices**, the outcome of this election is a **significant macroeconomic event** which could affect various asset classes.

MARKET UNCERTAINTY

A Trump win might offer **familiar pro-business** policies, while a Harris win could bring **greater regulatory pressures**.
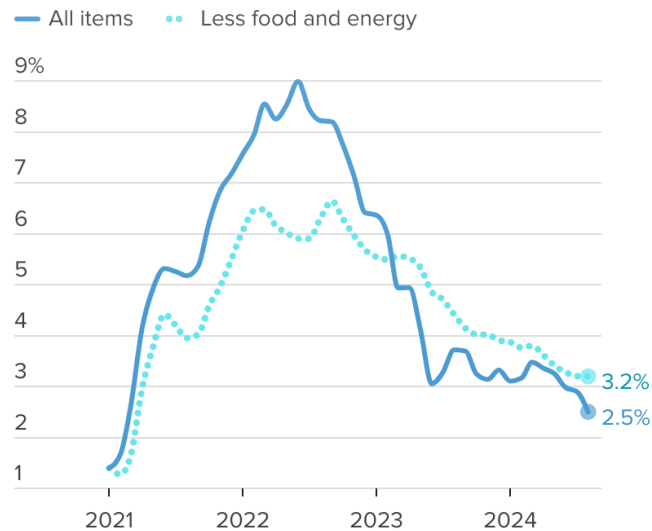
Fed is likely to start easing in Q2 2024, but only gradually

Consumer price index (% change, year on year)*
— Headline CPI   — Core CPI

Fed policy rate (%, end of quarter)*
— November EIU forecast
— December EIU forecast

Sources: Bureau of Labor Statistics; Federal Reserve; EIU.

*Values for 2024 are EIU forecasts.

© 2024 The Economist Intelligence Unit Limited.

U.S. consumer price index
Year-over-year percent change January 2021–August 2024

— All items   ·· Less food and energy

3.2%
2.5%

Source: U.S. Bureau of Labor Statistics
Data as of Sept. 11, 2024

CNBC

US Non Farm Payrolls - Thousand

Source: tradingeconomics.com | U.S. Bureau of Labor Statistics

INFLATION VS. UNEMPLOYMENT

On **September 18**, the US Federal Reserve **lowered interest rates by 50 basis points (0.50%)** in reaction to **weakening inflationary pressures** and a **stumbling labour market**, marking a shift in their priorities.

COMMODITIES

- Tax on **unrealised capital gains** may lead to potential rise in popularity of **gold** as a safer investment.

- *If Kamala Harris wins the presidency: "I'd go into **cash** and I'd go into **gold**..." - John Paulson, billionaire hedge fund manager (and Trump donor)*

REAL ESTATE

- Aggressive campaigning **against speculative investment in real estate**

- Passed the **Stop Predatory Investing Act** and **Preventing the Algorithmic Facilitation of Rental Housing Cartels Act**

Could lead to a **greater rigidity in prices**

STOCKS

- Likely to sustain current push for **clean energy**

- Potential boost for sectors like **Electric Vehicles** (ex. TSLA) and **related sectors** like **lithium** (ex. ALB)

BONDS

- Likely to have **high fiscal expenditure** due to social welfare initiatives

- Potential resurgence of **inflationary pressures** and **high interest rates** due to **high budget deficit**

COMMODITIES

- **Corporate tax cuts** and individual tax relief could spark **inflation**, prompting Federal Reserve to **lower interest rates.**

- **Tariffs would be increased** (esp. on China) and focus more on domestic growth in sectors like raw materials and manufacturing.

REAL ESTATE

- Might see another **massive refinance boom** and a **record number of home sales** similar to his prior presidency.

STOCKS

- "...might incline to only **slightly lower our S&P 500 forecast of 6,500** by end-25." - Market Insider

- Significant tax cuts similar to **Tax Cuts and Jobs Act of 2017** could boost business profits and positively impact the stock market.

BONDS

- **Trump's trade***, tax, and immigration policies could stress the **U.S. labor market** and economy, potentially causing a significant rise in **Treasury Bond** values.

*Trump trade: A belief that reduced regulation, lower taxes, less immigration, and higher tariffs could favour certain sectors, affecting inflation and bond yields.

- All scenarios laid out in the previous slides are purely **hypothetical** and may not play out as predicted in reality**.**

- It is important to do your own research on potential risks and implications before investing in any asset class!

- This was made with the help of the Global Macro department of NUS Investment Society. If you're interested in more student-curated financial knowledge, **do follow us on our social media channels**!