

2024 *US Elections*

What investors need to know

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As the 2024 US elections approach on 5 November, the US stands at a pivotal crossroads. US voters are gearing up to choose the next president and members of Congress, decisions that will influence global markets. The presidential and vice-presidential TV debates have concluded, and early voting in some states is already underway.



A tight race in swing states

National polls and betting odds reveal a neck-and-neck race between the Democratic candidate, Kamala Harris, and her Republican rival, Donald Trump. However, the national picture only tells part of the picture. The US uses a state-by-state 'first past the post' system for electing the president, where each state's electoral college votes play a crucial role. **Given the polarisation of US politics, the outcome will likely hinge on seven key swing states:** Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania, and Wisconsin. In the 2020 election, these states were decided by margins of 3% points or less, highlighting their critical role in determining the next president.

The three political races

As we approach 5 November, **three critical political battles will climax: the presidency, the House of Representatives, and the Senate.** A split Congress, with control divided between Democrats and Republicans, would limit the president's power to executive actions, which may be subject to legal challenges. Historically, every president since 1980 has faced a divided Congress at some point during their tenure, impacting their ability to pass legislation.

Market implications of policy choices

No matter the election outcome, elevated government spending is anticipated to persist. The US has been running a sizeable annual budget deficit, projected to average 6.2% of Gross Domestic Product (GDP) over the next decade. **This could maintain upward pressure on inflation as well as interest rates** due to increased government bond issuance. The key takeaway for investors is the importance of remaining invested but diversified, as holding cash may not keep pace with inflation.

Preference for a split Congress

Markets typically prefer a split Congress, which tends to curb extreme policies and encourage bipartisan solutions. However, if one party gains control of both the presidency and Congress, the market impacts could vary. **A Republican sweep might lead to deregulation and lower taxes, while a Democratic hold could result in policies that support a lower interest rate environment.** Specific sectors, such as healthcare and energy, could see significant changes depending on the election outcome.

Broader market influences

Recognising that market dynamics are shaped by more than just political outcomes is essential. Geopolitical risk, commodity prices, global inflation, interest rates, and economic growth expectations all play significant roles. As seen already in 2024, **markets can experience volatility due to a variety of factors.**

Strategic positioning for investors

With the election on the horizon, staying invested but diversified can help navigate potential market fluctuations. Markets prefer clarity over uncertainty, and our asset allocation strategy is designed to navigate various economic strategies. **We maintain a diversified mix across asset type and geographies to create resilience against potential market fluctuations.** While we anticipate a supportive environment for corporate profitability and investor returns, it is important to remain vigilant about the risks ahead, considering the global interconnectedness of markets.

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