

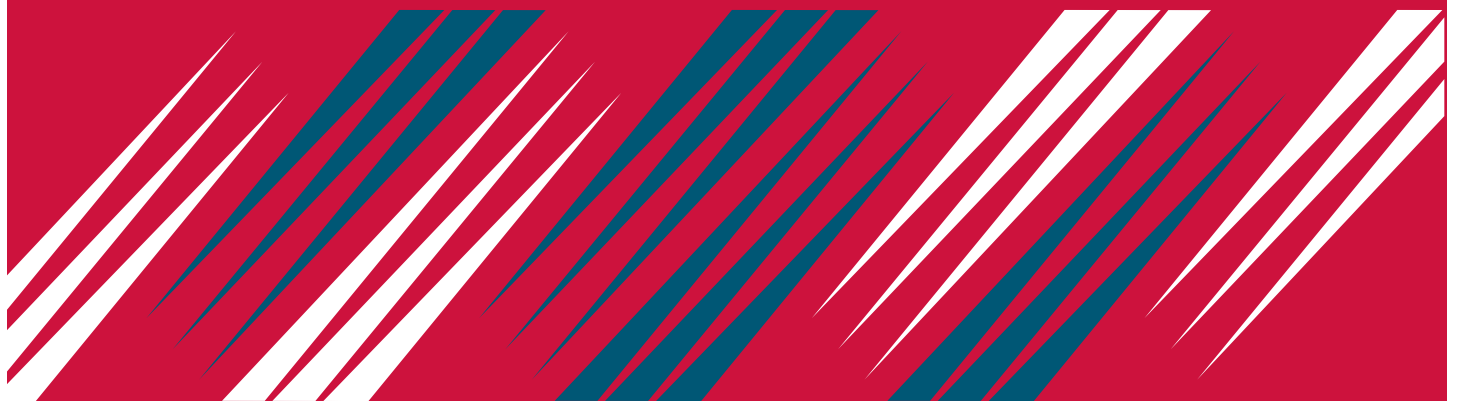


TRUMP, GOP APPEAR HEADED FOR SWEEP

WHAT IT COULD MEAN FOR MARKETS

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Donald Trump will return to the White House with a Republican Senate and, if current trends hold, a majority in the US House of Representatives. Trump is the first president elected to non-consecutive terms since 1892.





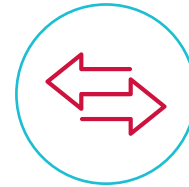
TRUMP ON THE ISSUES

TAXES



A GOP sweep greatly increases the odds that most, if not all, of the provisions of the Tax Cuts and Jobs Act of 2017 will be extended before their scheduled expiration at the end of 2025. Additionally, on the campaign trail, Trump advocated for ending the taxation of Social Security benefits, tips and overtime pay. He proposed lowering the corporate income tax to 15% from 21% for domestic manufacturers.

TRADE



US presidents have a great deal of discretion when it comes to trade policy. On the stump, Trump called for imposing reciprocal tariffs on US imports equal to the duties other countries levy on US exports. He called for a 10% to 20% universal baseline tariff on all US imports and a 60% tariff on imports from China. Additionally, he called for placing tariffs on certain auto imports from Mexico.

ENERGY



Trump has been a strong advocate for increasing US domestic energy production and has vowed to lift hurdles to oil and gas production and distribution while promoting power plant construction. He is far less inclined than the outgoing administration to subsidize a green energy transition.

LABOR/IMMIGRATION



Trump aims, in part by imposing import levies, to bring manufacturing jobs back to the US. He's also promised to ban companies that outsource US-based jobs from securing government contracts. He plans to reduce immigration and to deport unauthorized immigrants. While mass deportations are thought by many to be inflationary since it would shrink labor supply, such an action would also reduce economic growth, potentially offsetting the inflationary impulse.



MARKET IMPLICATIONS

US TREASURY YIELDS



The likely policy mix under a second Trump administration, as outlined above, is seen as intensifying already expansive US fiscal policy, potentially leading to modestly higher US Treasury yields, especially at the long end of the US yield curve, though aggressive trade restrictions could eventually weigh on economic growth, limiting rate rises. However, given the US's already-tenuous fiscal position, we think there are growing risks that investors will demand greater compensation via higher term premia on US Treasuries given the uncertainties associated with Trump's unorthodox mix of policies.

EQUITIES



The prospect of lower corporate tax rates, reduced levels of regulation and other pro-growth policies are generally seen as supportive of US equities. Non-US equities could face headwinds from rising trade tensions, with European and emerging markets seen as the most vulnerable. US small caps, given their domestic focus and sensitivity to tax rates, are seen as potential winners under Trump. Fossil fuel stocks and financial (thanks to likely lighter regulation) stand to benefit from Trump's victory. Conversely, green energy stocks could face a more challenging environment ahead.

CURRENCIES

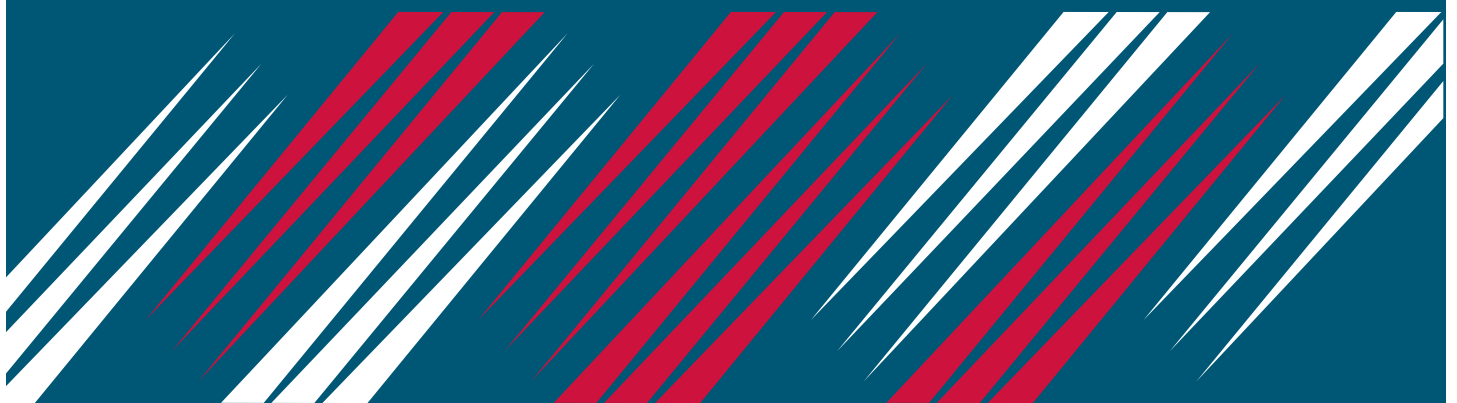


The expected policy mix in a second Trump administration has boosted the dollar in anticipation of his victory and the greenback could extend its gains over the medium term as, historically, the currency of the country that imposes tariffs tends to appreciate versus the country whose goods face levies. EUR/USD, USD/CNY and USD/MXN are some of the currencies to watch given that Europe, China and Mexico are in the crosshairs of Trump's tariffs. Gold has been a beneficiary of the "Trump trade" as some investors seek non-dollar safe havens amid an unsettled geopolitical backdrop. Cryptocurrency investors in particular expect a friendlier regulatory backdrop under Trump.



STAY THE COURSE

Election outcomes can have deep political, economic and social implications. Fortunately, the balance of power does not lie solely in the hands of an individual or a party, but rather in a system of distributed power replete with checks and balances. The push and pull of the political process has fostered an environment in which the US economy and equity market have become the largest in the world. In election years and other times of change, it is important for investors not to let news headlines knock them off course. Maintaining a disciplined investment approach, a long-term time horizon and a sensible rebalancing plan remains a sound approach in this election year, as in others.





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