INFOGRAPHIC

Investment Institute

2024 US elections: macro, geopolitical, and investment perspectives

OCTOBER 2024

Policy in brief: Harris vs Trump

Taxation: **Harris favours higher taxation** on corporates and wealthier households to finance higher social spending, more support for low-income housing, and for continuing the green agenda. By contrast, candidate **Trump would reduce tax on corporates, cut** government spending, pursue more deregulation and increase oil production.

Foreign trade: Their trade policies diverge significantly. **Harris would maintain strategic tariffs on China,** while **Trump proposes a blanket 60% tariff** on Chinese imports and 10-20% on others, although actual tariffs might be lower under his presidency.

Immigration: **Trump's plan to deport over 10 million undocumented immigrants**, combined with his tariff proposals, could create a supply shock, resulting in lower growth and higher inflation.

Debt and deficits: Neither candidate shows much concern about debt and deficits, a significant medium-term concern for the United States (and the world). Harris' policies could increase the deficit by $2-3 trillions over ten years, while Trump's could raise it by $6-7 trillions.

Economic impact

If fully implemented, both platforms may lead to some slightly lower growth over a full presidential term.

Harris

The main economic impact would come from **higher corporate tax rates lowering investments, which would only be partially offset by higher public investment** in the early years. Inflation would not be materially impacted, allowing the Fed to remain accommodative next year.

Trump

The negative impact of Trump's package stems mainly **from inflationary pressures (tariff-related), which more than offsets the positive impact of lower taxes. Stronger effect earlier. Higher inflation could keep Fed policy rates higher** and this would lead to lower residential and non-residential investment.

In the short term, US market sentiment will hinge on Trump's lower corporate tax regime versus the risks of inflation consequence of tariffs and deporting undocumented immigrants. Meanwhile, Harris may represent continuity, especially if Democrats lack a House majority, easing concerns about wealth taxes and higher corporate tax rates.

US election scenarios and market implications

ELECTION SCENARIOS

HARRIS — TRUMP

	Democratic sweep Harris presidency Democratic house Democratic senate	Harris divided government Harris presidency Democratic house Republican Senate	Trump divided government Trump presidency Democratic house Republican Senate	Republican sweep Trump presidency Republican House Republican Senate
Domestic policy	▪ Partial extension of 2017 TCJA; ▪ Corporate tax hike; ▪ Immigration reform; ▪ No fiscal consolidation.	▪ Partial extension of 2017 TCJA; ▪ Corporate tax hike; ▪ Immigration controls; ▪ Disputes about spending increases.	▪ Partial extension of 2017 TCJA; ▪ Corporate tax hike; ▪ Disputes about spending increases.	▪ Extension of 2017 TCJA; ▪ Corporate tax cut; ▪ Immigration controls; ▪ No fiscal consolidation.
Trade policy	▪ Status quo; ▪ Tough on China to stay; ▪ Renegotiate USMCA in 2026.	▪ Status quo; ▪ Tough on China to stay; ▪ Renegotiate USMCA in 2026.	▪ 10% universal tariff; ▪ Reciprocal tariff; ▪ 60% tariff on some selected Chinese imports.	▪ 10% universal tariff; ▪ Reciprocal tariff; ▪ 60% tariff on some selected Chinese imports.
Foreign policy	▪ Status quo on Russia-Ukraine war, Middle East and China-Taiwan.	▪ Status quo on Russia-Ukraine war, Middle East and China-Taiwan; ▪ Funding for Ukraine more restrained.	▪ Domestic policy constrained so more focus on foreign policy.	▪ More nationalistic; ▪ Less support for Ukraine-Taiwan; ▪ Trade policy to shape foreign policy.
Fed policy	▪ Fiscal policy pressures lead to tighter medium term monetary policy.	▪ Relatively tight fiscal policy puts onus on Fed to provide monetary support.	▪ Inflation fears from tariffs and tax cut extensions make Fed wary of easing too much in 2025.	▪ Easy fiscal policy to be offset by tighter monetary policy to hit 2% inflation target.

ASSET CLASS IMPLICATIONS

	Democratic sweep	Harris divided government	Trump divided government	Republican sweep
Equities	▪ Lower equities from prospects of higher taxes; ▪ Infrastructure, construction, and green companies outperform.	▪ Equity price action determined by organic earnings and growth outlook.	▪ More volatile price action; ▪ Limited tax agenda; ▪ Uncertainty over tariffs on earnings.	▪ Short term, equities rise from prospects of more tax reform and accelerating M&A; ▪ Opportunities in small caps and banks.
Fixed income	▪ Higher deficits pushing rates higher.	▪ Relatively tight fiscal policy and easy monetary policy positive for rates.	▪ Interest rates under pressure from higher inflation due to tariffs.	▪ Interest rates likely to rise if tax cuts and loose fiscal policy are not offset by spending cuts.
FX	▪ USD negative.	▪ USD negative; ▪ Relatively tight fiscal policy and loose monetary policy.	▪ Higher FX volatility and stronger USD for longer.	▪ Initially bullish USD (ease fiscal + tighter monetary policy), to weaken after if the curve steepens (growth stronger than inflation).

Source: Amundi Investment Institute, Amundi US as of October 2024. TCJA: Tax Cuts and Jobs Act. USMCA: United States-Mexico-Canada agreement. RoW: rest of the world. USD: US dollar.

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IMPORTANT INFORMATION

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