



We see strong momentum in sustainable investments. Investors should maintain a diversified portfolio approach to capture top-down and bottom-up opportunities in SI. (UBS)

How can I hedge US election risks?

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The US election campaign continues to intensify, with early polls suggesting a narrowing in the lead of former President Donald Trump over Vice President Kamala Harris. We expect uncertainty and volatility to rise as US elections approach, but advise against making dramatic portfolio shifts on polling predictions. We see merit in various tools to hedge risks, including exposure to gold, the Swiss franc, and structured strategies.

Vice President Kamala Harris's campaign for the White House continued to gain momentum, raising USD 200mn in the first week, with 66% coming from first-time contractors in the 2024 election, according to AP. More than 170,000 volunteers also signed up to help canvass support and ensure voter turnout.

What you need to know about CIO's House View:

The US presidential race remains fluid and uncertain.

- The Democratic Party has swung quickly behind Vice President Harris as the party's nominee for the White House, following the withdrawal of US President Biden.
- The vice president's campaign got off to a strong start by raising USD 81 million in the first 24 hours, a record haul for either party.
- While early polls showed Harris narrowing the lead enjoyed by former President Trump, we still think a "red sweep" is the likeliest electoral outcome.

But we advise investors against exiting risk assets in response to this uncertainty.

- US political outcomes are far from the largest driver of financial market returns. Economic data and Fed rate cut expectations remain at least as important.
- Electoral shifts or upsets have tended to produce volatility rather than large and sustained drawdowns.

So we favor strategies to improve the resilience of portfolios and remain invested.

- The Swiss franc is a more conservative approach amid political uncertainty in the United States and Europe. Meanwhile, we do not believe the Swiss National Bank will cut rates much further.
- Gold can also be an effective hedge against concerns over geopolitical polarization, the US fiscal deficit, or a weaker US dollar.
- Structured strategies can enable investors to retain exposure to further potential gains in stocks, while reducing sensitivity to a correction.

Investment view

We believe investors should avoid dramatic portfolio shifts based on electoral predictions. Instead, we favor various strategies to hedge risks. To manage potential volatility, investors can consider positions in gold and the Swiss franc. We also see a potential portfolio role for structured investments with capital preservation or yield generating features, for single stocks or for cyclical sectors like energy, industrials, and financials.

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