



CIO expects the Fed to continue to move toward a neutral policy stance, and they do not expect it to immediately change its outlook given uncertainty around policy execution remains high. (UBS)

# What does a Trump win mean for policy, the economy, and geopolitics?

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**Donald Trump will be the 47th President of the United States, with the Associated Press calling the 2024 election in his favor. The former president has secured the needed 270 Electoral College votes to become only the second person in American history to be reelected to nonconsecutive terms.**

Votes are still being counted, but the Associated Press has projected Republicans will regain majority control of the Senate with at least 51 seats. The GOP picked up seats in West Virginia and Ohio; protected against challenges in Nebraska, Texas, and Florida; and is projected to win in Montana. Meanwhile, tight races in the House of Representatives will mean the overall composition of Congress may not be settled for a few more days or weeks.

It is possible that close results in individual states may lead to recounts. That said, we believe it is unlikely that recounts will alter the apparent result of the election, and we believe that investors should make forward-looking investment decisions on the assumption of a Trump victory.

## **What will it mean for policy, the economy, and geopolitics?**

Trump campaigned on a platform of extending personal income tax cuts, lower corporate taxes, deregulation, trade tariffs, immigration controls, and reassessing America's role in global affairs. If the Republicans secure control of Congress, the

president would have greater scope to pursue his policy agenda. That said, narrow Congressional majorities could constrain some policy measures, especially given already large federal budget deficits.

We believe that tariffs are the most potentially consequential policy from an economic perspective. The mooted 60% tariff on imports from China and a 10% tariff on imports from the rest of the world could make much of US-China trade unviable, reduce US domestic demand and corporate profits, and lead to lower GDP growth around the world, particularly in China. Such tariffs could also contribute to higher inflation in the US.

Of course, it remains to be seen whether negotiations, concessions on trade or other issues, or legal challenges may ultimately lead to lower (or no) tariffs being introduced in the end. It should also be noted that it is also likely to take time to introduce tariffs, which we think would likely take until the second half of 2025 or 2026 to implement.

In fiscal policy, we believe that the election result reduces near-term fiscal risks around funding the government (20 December 2024 deadline) and the expiration of the debt limit suspension (2 January 2025 deadline). Trump campaigned on extending the expiring personal tax cuts at the end of 2025, reducing the corporate tax rate from 21% to 15%, and a range of other tax exemptions on earned income. With the deficit as a share of GDP now twice as large as at the start of Trump's first term, and as interest rates are higher, fiscal hawks in Congress could opt to block or scale back legislation that would further expand the deficit, especially if Congressional majorities are slim.

We expect the Fed to continue to move toward a neutral policy stance, and we do not expect it to immediately change its outlook given high uncertainty around policy execution remains high. An additional 25bps rate cut on 7 November looks highly likely, and in our base case, we expect another 25bps cut in December and 100bps of easing in 2025. At the margin, the Fed may slow the pace of rate cuts if it perceives that changes to migration, trade, or fiscal policy may lead it to fear higher inflation.

Elsewhere, we expect measures supporting a swift deregulation of the fossil-fuel energy and financial services industries. From a geopolitical perspective, we believe that a Trump presidency is likely to mean a more confrontational stance with China, test transatlantic relations with respect to both trade and the war in Ukraine, and see the application of a "maximum pressure" strategy toward Iran, keeping the risk of escalation in the Middle East at a high level.

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