



CIO advice to investors is to avoid dramatic portfolio shifts based on electoral predictions, and focus instead on various strategies to hedge risks. (UBS)

Is there a way to hedge US election risks?

30 August 2024, 5:51 pm CEST, written by UBS Editorial Team

The US election campaign continues to intensify, with polling suggesting that Vice President Kamala Harris now has a narrow advantage over former President Donald Trump. CIO expects uncertainty and volatility to rise as US elections approach, but advise against making dramatic portfolio shifts on polling predictions.

CIO sees merit in various tools to hedge risks, including exposure to gold, the Swiss franc, and structured strategies.

The US presidential race remains fluid and uncertain.

- Vice President Kamala Harris has formally become the Democratic Party's presidential nominee.
- Momentum in the presidential race has been shifting toward Harris. A 29 August poll from Bloomberg News/Morning Consult showed Harris leading Trump by an average of 2 points across seven battleground states.

But with uncertainty still high, we advise investors against making major portfolio changes.

- The same poll, when limited to likely voters, suggested Harris had a 1 point lead, effectively a tie when accounting for statistical error.
- 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 have tended to produce temporary volatility, making large sectoral shifts to reflect predictions about the outcome dangerous, in our view.

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

- The Swiss franc can offer safe-haven-like qualities amid political uncertainty in the US and Europe. Meanwhile, we think the Swiss National Bank won't cut rates much further.
- Gold can also be an effective hedge against concerns over the US dollar's stability, whether from geopolitical tensions or an unsustainable US fiscal deficit.
- Structured strategies can enable investors to retain exposure to further potential gains in stocks, while reducing sensitivity to a temporary correction.

Did you know ?

- Historically, it is not uncommon for the election to shift in the final months of the campaign. Candidates with an early advantage failed to take the White House in 1980, 1988, and 1992.
- We have adjusted our latest probabilities to account for the shifts in likely voter behavior, with a Blue sweep scenario (Harris with a unified Democratic Congress) rising to 15%, and an outcome where Harris wins but with a divided Congress (Republican Senate, Democratic House) at 40%. We now assign a 35% probability to a Red sweep scenario (Trump with a unified Republican Congress), and a 10% probability to a scenario where Trump wins with a divided Congress (Republican Senate, Democratic House).

Investment view

To manage potential volatility, investors can consider positions in gold and the Swiss franc. We have also identified some of the most potentially election-sensitive stocks, including within the US consumer discretionary and renewables sectors, as well as currencies like the Chinese yuan, where we recommend that investors manage any overexposure.

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Original report - [How can I hedge US election risks?, 30 August 2024.](#)

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