

INVESTMENT UPDATE – November 2024

US elections

Result

Donald Trump elected President and the Republicans take the Senate as well as being likely to retain the House of Representatives:

- a clear platform for governing, not seen since the first half of Barack Obama's initial term as president especially as Republicans won the popular vote, a recent rarity
- the second Trump administration ready to enact significant legislation
- we still await details of key members of administration
- there is a real benefit that there was no contested outcome.

Likely domestic impact

There are some key expectations, including a likely focus as in the first Trump's term on the stock market as a barometer of success:

- likely cuts to corporate and personal taxes
- proposed higher import tariffs if not a full 60% on China and perhaps not on Europe
- tighter control of immigration and cheaper labour
- likely higher budget deficit and higher inflation
- policy interest rates to fall less and more gradually
- long-dated bonds may be under pressure and yields have risen
- a greater chance of a weakening in the US\$
- oil drilling to be favoured over renewables, although Republican states in focus
- a boost to domestic demand and corporate profits from lower taxes, although the US equity market rally has anticipated much of this already.

Likely international impact

There is a high chance of a more insular approach:

- less engagement in and diminishing importance of the global institutions, eg the UN
- blocs or countries will aim to be self-reliant economically and militarily, as reflected in the share price reaction in European defence stocks
- geopolitical tensions may still be prominent if possible end to existing conflicts
- increasing trade tariffs and geopolitical tensions will undermine global trade
- Chinese equities may face tariff-related headwinds.

VAM's positioning

We had not taken a particular stance and the initial reaction may unwind:

- in Fixed income we retain shorter duration in investment grade with good carry/interest
- in Equities financials and industrials may outperform as with technology and healthcare (on de-regulation); utilities, bond proxies and clean energy/sustainability may lag (except Tesla of course!) as might real estate as rate cuts reduce
- In Alternatives commodities may be back as a partial inflation hedge.

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