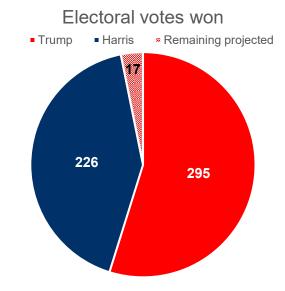


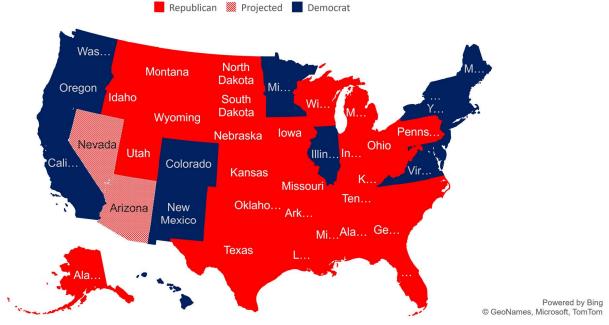
After an eventful election campaign, U.S. polling stations closed, and the deeply divided American public has made it clear that they're looking for a change. Voters have spoken, and Donald Trump has been elected as the 47<sup>th</sup> President of the United States, serving a term from 2025 to 2028.

## Digging into some of the details

It appears as though Donald Trump may have also won the popular vote, which is something that Republican winners don't always do. While the final tallies are still being sorted, Republicans will seemingly hold 312 electoral votes, well above the 270 needed to gain control of the White House. Despite all the uncertainty and tight polling as election day approached, it was ultimately an outcome that became clear within hours, as opposed to within days, which is what it took in 2020.



Source: RBC GAM, AP News. As of 2:00 p.m. November 7, 2024.



## **Expected results by State**

Source: RBC GAM, AP News. As of 2:00 p.m. November 7, 2024.

In addition to electing the President, U.S. citizens also voted for the Senate and House of Representatives. The votes tilted in a right-leaning direction all the way down the ballot.

- Senate: Republicans flipped the Senate with at least two additional seats. Republicans started out with a favourable advantage this cycle as more Democratic incumbents were up for reelection in some of the swing states.
- **House of Representatives:** The House is a tighter race, and at this point it appears likely it will remain in Republican hands, though it may take days for the outcome to be fully decided.

If the Republicans do end up controlling the White House, Senate, and the House, it would result in a Republican sweep. Should that pan out, both the executive and legislative branches of government will be aligned, making it easier for Republicans to implement policy with an aligned congress.

## What would be the implications of a Trump Presidency?

If Congress is at least theoretically supportive of the president, it does then suggest slightly larger deficits opposed to under a divided Congress. The risk of a debt ceiling problem or a government shutdown would also seemingly be lower, to the extent that you have the same party in control of the major levers of political power.

While difficult to precisely predict, the table below provides a high-level overview of the expected economic implications from a Trump victory. Yellow represents an expected net negative from proposed policies, while green represents a net positive.



|                | Short-term<br>economy | Medium-term<br>economy | Inflation<br>(+ is higher) | Equities | Bond yields |
|----------------|-----------------------|------------------------|----------------------------|----------|-------------|
| Overall effect | +                     | neutral                | +                          | ++       | +           |
| Tariffs        |                       | —                      | + +                        |          | +           |
| Immigration    |                       | — —                    | neutral                    | —        | neutral     |
| Regulations    | + +                   | +                      | neutral                    | + + +    | neutral     |
| Oil policy     | +                     | +                      | —                          | +        | —           |
| Taxes          | + +                   | +                      | +                          | + + +    | +           |
| Animal spirits | + +                   | +                      | +                          | + +      | +           |
| Gov't spending | —                     | neutral                | —                          | neutral  | neutral     |
| Debt servicing | n/a                   | —                      | n/a                        | —        | +           |

Source: RBC GAM. Estimated impacts as of November 6, 2024.

Historically, Republican sweeps have been fairly positive for the stock market. Though it's fair also to acknowledge and to make a counter point that markets have generally not minded the checks and balances that come when each party controls some part of Congress. On the surface, equities stand to benefit from reduced regulations and tax cuts proposed by newly elected President Trump. More specifically, based on these regulations, companies within the financials, energy, and industrials could be set to benefit most from these policies due to the context of their operations. On the bond yields side, there's already been some movement higher. Trump's platform of higher tariffs and tax cuts is viewed to be slightly inflationary, which could lead to higher deficits and more bond supply. That said, there's considerable debate around the extent to which all of the stated policies will be supported and enacted.

Broadly speaking, this is a slightly inflationary outcome in the context of tariffs. They add to the cost of goods and might make prices move a bit more quickly than they would have under the alternative. However, friendlier oil policy and the greater ability to drill for oil could actually be slightly deflationary. On the net we are budgeting for slightly higher inflation and it may mean that Central banks don't cut rates quite as much.

## **Final thoughts**

It was largely expected that results would be close, with a chance that the outcome may not be known the morning after the election. With this commanding result, there is now additional clarity on which direction the U.S. economy could take. But it's important to remember that the President's influence over the economy is indirect due to the separation of branches. While the economic policies of a President are undoubtedly important, the reality is that it takes more than one person to drastically impact the economy.

As long-term investors, we invest over the span of multiple election cycles, and presidents are temporary. And so, any policy that may be deemed as a poor idea are likely to be unwound in the future, and good ideas are more likely to be kept by future presidents. It's important to keep in mind that historically, elections haven't been the driving factor of markets. Much of our investing is based on how corporations do, and while some of that is influenced by policy, most of it is influenced by a company's own innovation and decision-making. So while the outcome of this election is certainly consequential, its potential implications are not the only things that matter for investments.



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