

2024 U.S. Election Highlights

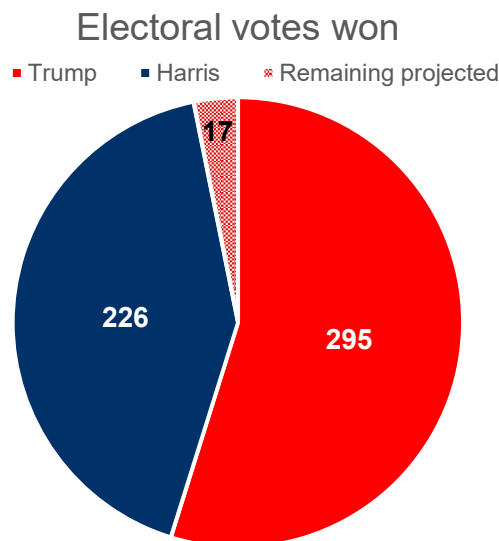
November 2024



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 47th 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.

	Short-term economy	Medium-term economy	Inflation (+ 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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