

Friday 8 November 2024

# focus



## US Election 2024: Trump Triumphs

America has voted and Donald Trump is hired (again). Following a highly contested and historic election, Trump has reclaimed the presidency with a decisive mandate, winning not only the required electoral college votes but also the popular vote. Although some votes remain to be counted, Trump has already secured a clear victory, convincingly over the 271 electoral college votes needed to clinch the presidency.

### The numbers in brief (as at midday Friday 8 November)

#### Electoral college votes

**296** Trump  
**226** Harris

#### Popular vote

**50.8%** Trump  
**47.6%** Harris

#### Senate

**52** Republican  
**45** Democrat

#### House

**210** Republican  
**198** Democrat

(Outcome TBC - 218 required)

### Republicans Take Control: The Red Sweep

The result was a resounding success for Trump and the Republicans, with all the so-called swing states falling to Trump and most of the Democrats key demographics shifting their votes to the right. While much focus is placed on the presidential race, control over the legislative branches - the House of Representatives and the Senate, collectively known as Congress, is also critical. While not all votes have been counted, it appears likely that Trump and the Republican Party will achieve a 'red sweep', securing the presidency, the House, and the Senate in a single election cycle. If this is achieved, consolidation of power will allow Republicans to push through priorities more easily, such as tax cuts, deregulation, and conservative judicial appointments, while potentially reversing policies enacted by Democrats.

#### Key policies

Campaign policy specifics were limited on both sides, but we highlight some of Trump's key proposed changes. Of course, what is promised and what is delivered often differ, and we will need to wait until after Trump's inauguration on 20 January 2025 to start seeing detailed policy announcements.

#### Tariffs on imports to the US

Trump has proposed a 60%, or higher, tariff on all goods imported from China, and a 10% to 20% tariff on goods imported from all other countries (including New Zealand). It's possible he could scale back these tariffs, as was the case after the 2016 election, when the actual tariffs were smaller and more targeted than initially suggested.

#### Lower corporate tax rate and deregulation

Last time Trump was president he reduced the corporate tax rate from 35% to 21%, where it has stayed since. This time he's talked about lowering

it further to 15%, as well deregulating certain industries such as banks and energy. Such a move would boost US corporate earnings, particularly those potentially benefiting from more light-handed rules and regulations. Trump has also signalled an intention to make the current lower personal tax rates permanent, which are currently set to expire at the end of 2025.

#### Immigration Policy

A vocal advocate for strict border control, Trump intends to tighten border security, increase deportations of undocumented immigrants, and limit immigrant rights regarding work and welfare. In his previous term, 1.5 million people were deported. He has talked about potentially increasing this tenfold.

#### Implications: Higher corporate profits potentially come with higher inflation and interest rates

Economists generally agree that Trump's tariff policies are likely to increase consumer prices. The added costs of higher tariffs are typically passed on to buyers. Additionally, immigrant workers have historically helped fill job shortages in the US. If there is a sudden decrease in immigrant workers, it could lead to labour shortages, pushing up wages, costs, and ultimately prices. Higher tariffs, fewer immigrant workers, and increased government spending are expected to put pressure on inflation, keeping interest rates higher than what they otherwise would have been.

Greater protectionism, even if more limited than what has been proposed, could lead to other countries imposing their own retaliatory trade measures, which would likely reduce global trade and hurt economic growth in both the US and worldwide.

While corporate tax cuts are generally good news for US companies, slower growth, rising inflation, and higher interest rates may be headwinds for companies and financial markets.

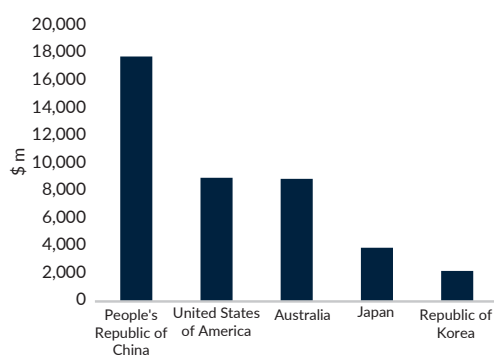


...Following Trump's win, US equity markets reacted positively...

### Implications for New Zealand

Donald Trump's proposed 10% to 20% tariffs on all imported goods could have meaningful implications for New Zealand's trade. New Zealand exports roughly \$8 billion worth of goods annually to the US, with key products including beef, wine, and dairy. Earlier this year, the US overtook Australia as our second biggest trading partner. If implemented, Trump's tariff policy would result in exports facing significant additional costs reducing their competitiveness in the large and growing US market.

INTERNATIONAL MERCHANDISE GOODS  
EXPORTS BY DESTINATION, 12 MONTHS TO  
SEPTEMBER 2024 (NZ\$ M)



Source: Statistics NZ, Forsyth Barr analysis

China remains our largest export destination, and the introduction of a 60% tariff on Chinese imports is likely to have a ripple effect on the New Zealand economy. If Chinese exports to the US drop significantly due to tariffs, that will hurt the Chinese economy, and could, in turn, dent demand for New Zealand's goods. The Chinese economy has been struggling for some time and officials have stepped up policy support. Further details of support measures are anticipated in coming weeks and months, now the election outcome is known.

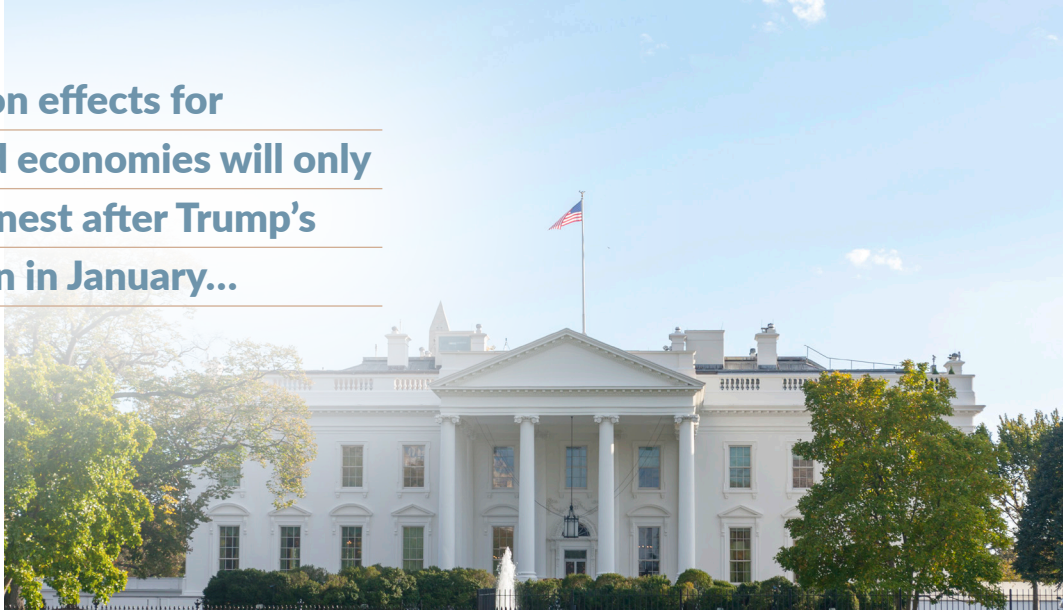
A weaker New Zealand dollar may partially offset the impact, boosting New Zealand's competitiveness. Other countries may reassess their trade positions in a more protectionist environment, which could open opportunities for New Zealand to diversify its export base.

### Clear market reaction

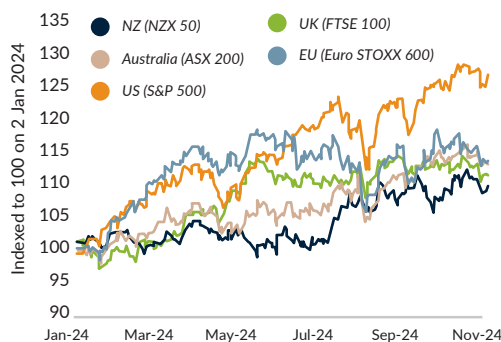
The term 'Trump trade' had gained popularity heading into election day. The idea is that Trump's policies of lower corporate taxes, deregulation and tariffs will boost corporate profits as well as put pressure on inflation and interest rates. Following Trump's win, US equity markets reacted positively. Industries which are expected to benefit from deregulation such as financials, industrials, energy, and the automotive industry, have performed well. International markets have been more muted, particularly in regions with high exposure to US trade, such as Europe and China.



## ...the flow-on effects for markets and economies will only begin in earnest after Trump's inauguration in January...



MAJOR GLOBAL SHARE MARKETS (INDEX = 100 ON 2 JANUARY 2024)



Source: Refinitiv, Forsyth Barr analysis

One particularly strong response in markets has been in US Treasury bonds. The US ten-year bond yield jumped significantly on the day to around 4.40%, up about 75 bps from lows seen a couple of months ago. Interest rates are being driven higher by expectations of inflationary pressures and anticipated higher fiscal deficits under Trump. Both Trump and Harris's proposals were estimated to lift fiscal deficits significantly (from already elevated levels), but Trump's plans are more fiscally expansionary. Estimates indicate that making personal tax cuts permanent would alone add US\$4.6 trillion to the US budget deficit.

The election outcome brings more certainty for markets, but the greater task of assessing what actual policy settings will be implemented and the flow-on effects for markets and economies will only begin in earnest after Trump's inauguration in January. The medium-term outlook is murkier than the initial market reactions suggest. We remain cautious about shifting portfolios around in response to political aspirations. Moving your portfolio around in response to short-term events is almost always detrimental to your wealth. If at any point you would like to discuss current market events or your portfolio, please do not hesitate to contact your Forsyth Barr Investment Adviser. They are happy to discuss and available at any time.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

0800 367 227

[forsythbarr.co.nz](https://www.forsythbarr.co.nz)