



2024 Election Outlook

Chief Investment Office

October 21, 2024

Agenda

Discussion of the 2024 election and its implications on markets and investors

1. History of election impacts on the macro and micro
2. The state of the election 14 days out
3. Special Guest: Robin Petty, NewEdge Wealth's Head of Wealth Strategy
4. The implications of *this* election
5. Policy risks to watch in 2025 and beyond

The 2024 U.S. Election is Almost Here. What Should Investors Know?

Presidential Elections don't matter (much) for markets in aggregate, but this one still has implications for investors

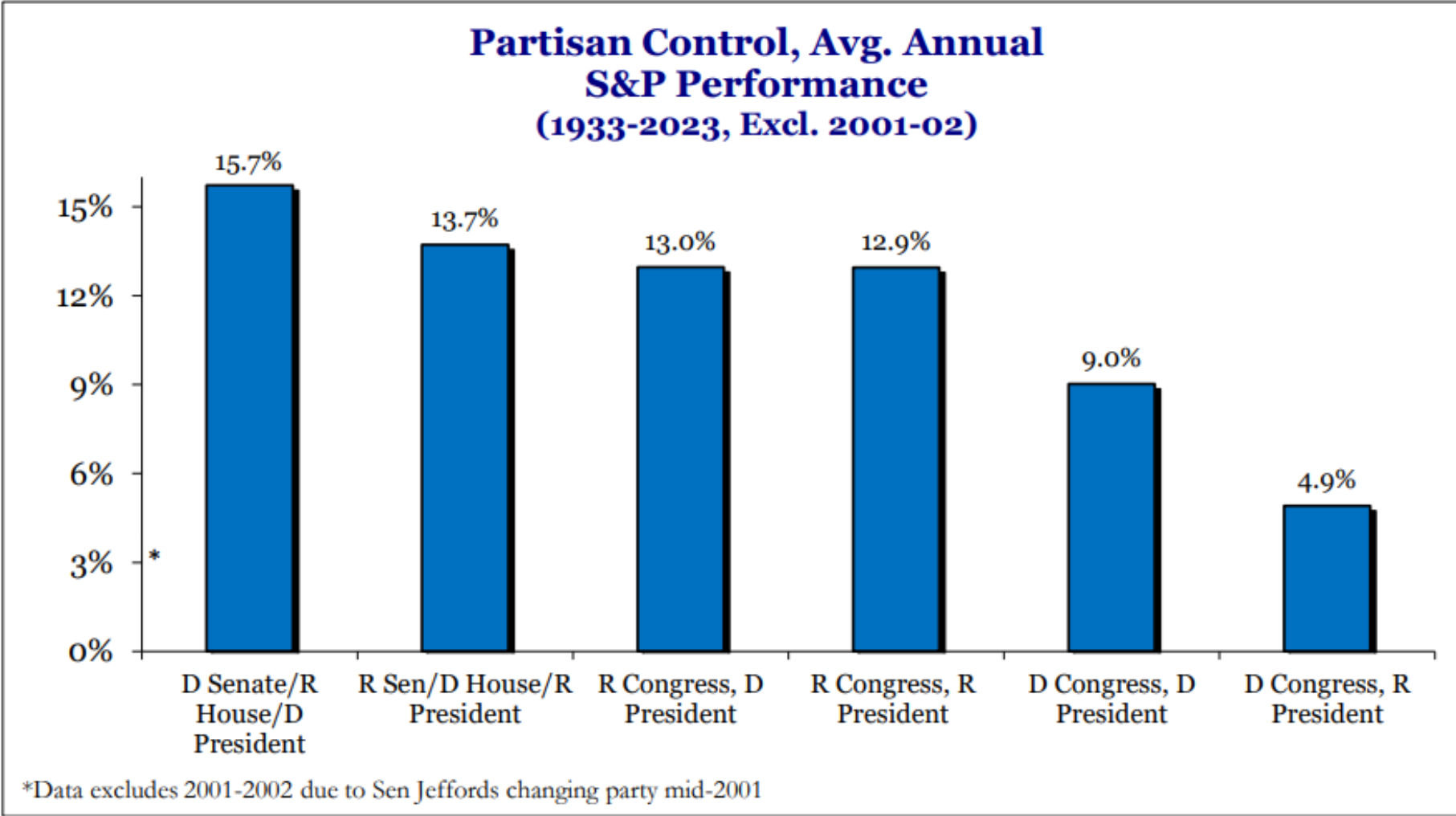
Policy outcomes depend on the Presidency AND Congress, and it's going to be close

Fiscal policy (taxes & spending) will be in focus in 2025

It's time to plan ahead for likely changes to the tax code

Elections in a Historical Context

Pick Your Combination!

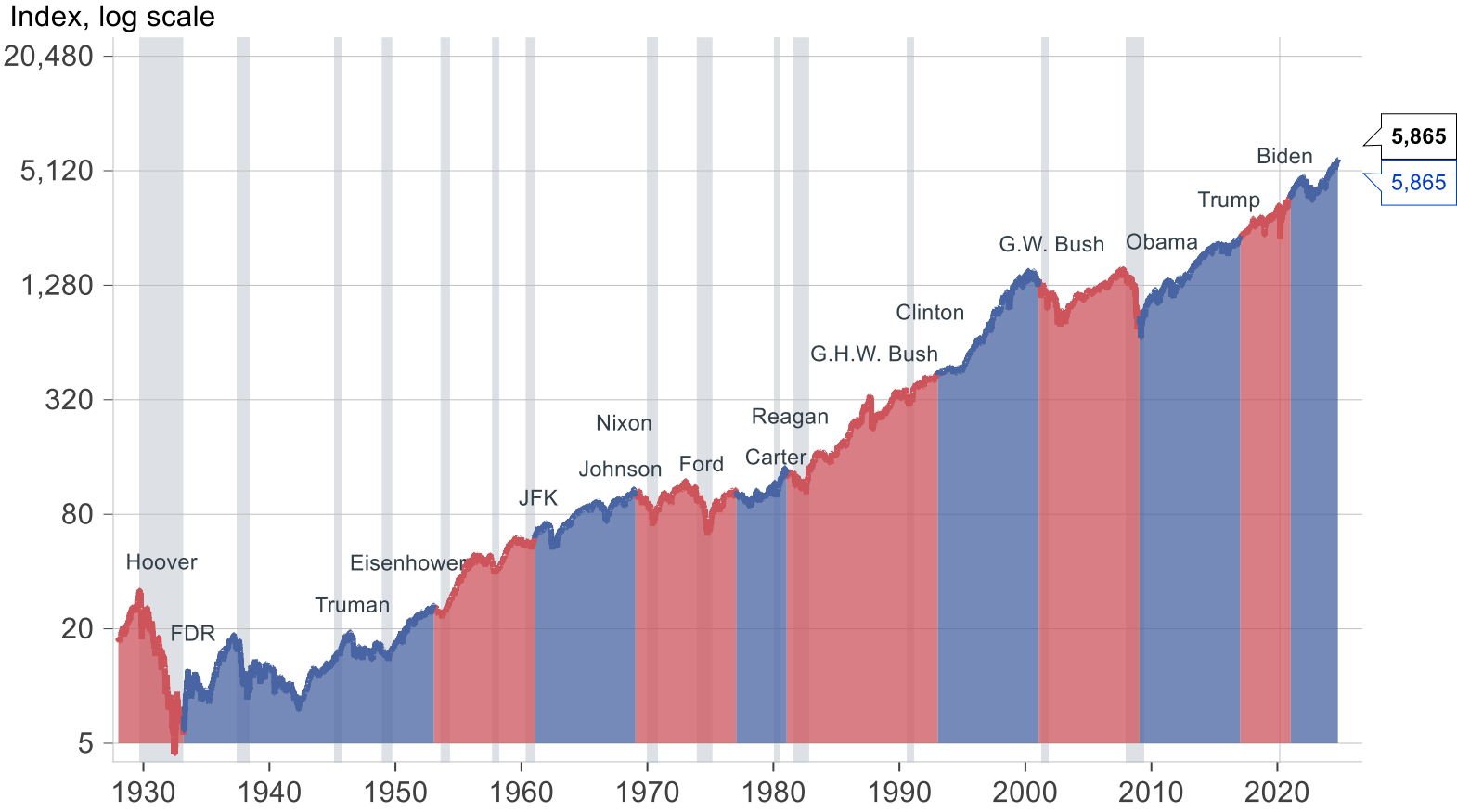


Source: Strategas Research Partners

The Economic Cycle Matters Most for Markets

The Stock Market and Presidencies

S&P 500 price return with presidents and their parties highlighted, NBER recessions shaded

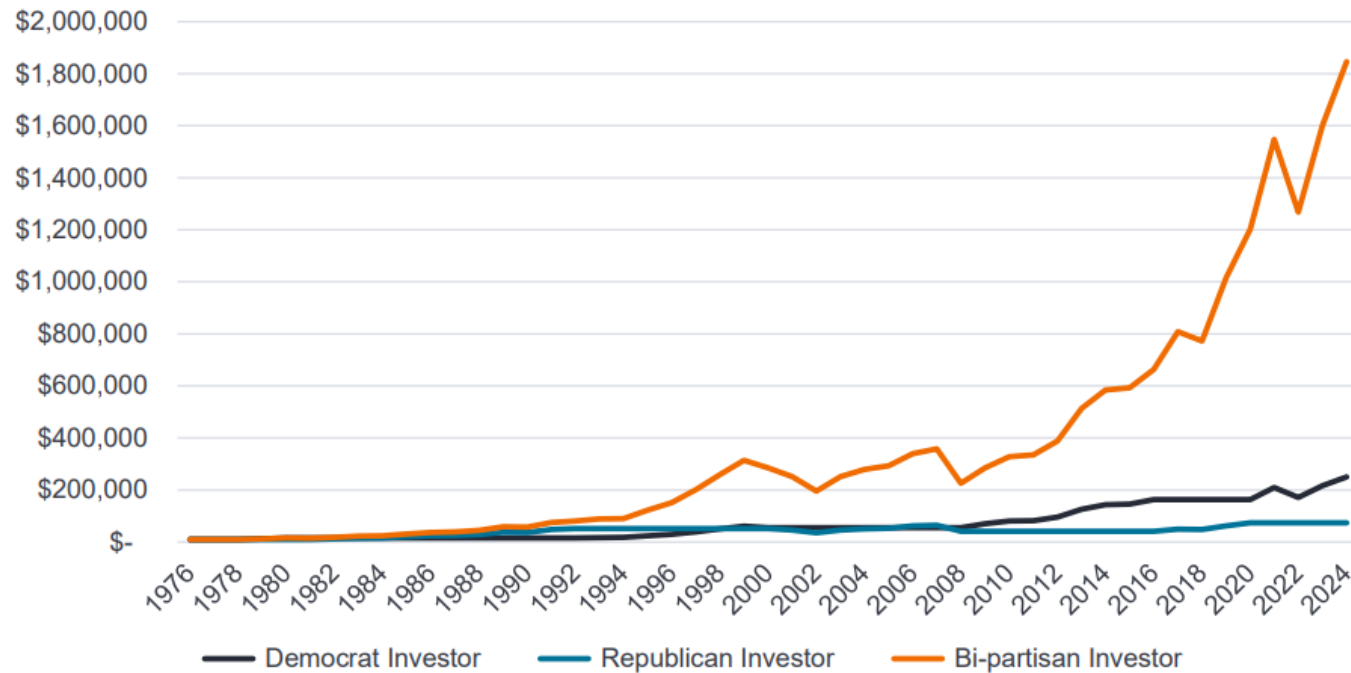


Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global, Macrobond Financial AB

Being a Bi-Partisan Investor

“Partisan” vs. “Bi-Partisan” investing

Growth of \$10,000 1976-2024



Source: Morningstar 1977-2024, As of 6/30/2024. Janus Henderson Investors.



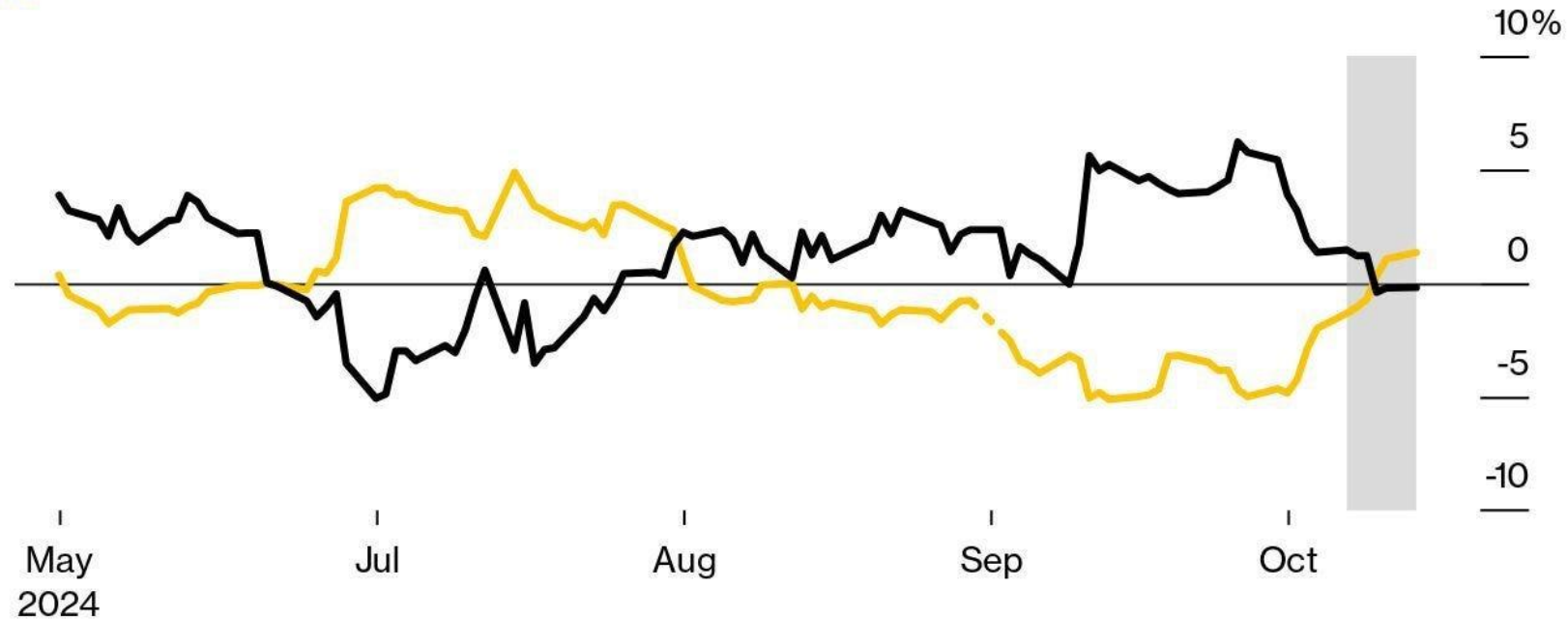
Assumes \$10,000 initial investment. Invested in S&P 500 only during preferred party's administration.

Should We Fade the Trades?

Trump Trade is Back

Stocks benefiting from Republican policies gain ahead of election

- Democratic Outperformers vs Underperformers
- Republicans Outperformers vs Underperformers



Source: Goldman Sachs, Bloomberg

Bloomberg

Industrials Loved the 2016 Election But Then Gave Up All the Relative Performance

Industrials Sector Absolute (Top) and Relative to the S&P 500 (Bottom)



Source: Bloomberg, NewEdge Wealth

Snap Reactions in Markets May Not Endure Far into 2025

Initial Post-2016 Election Market Effects Faded Quickly

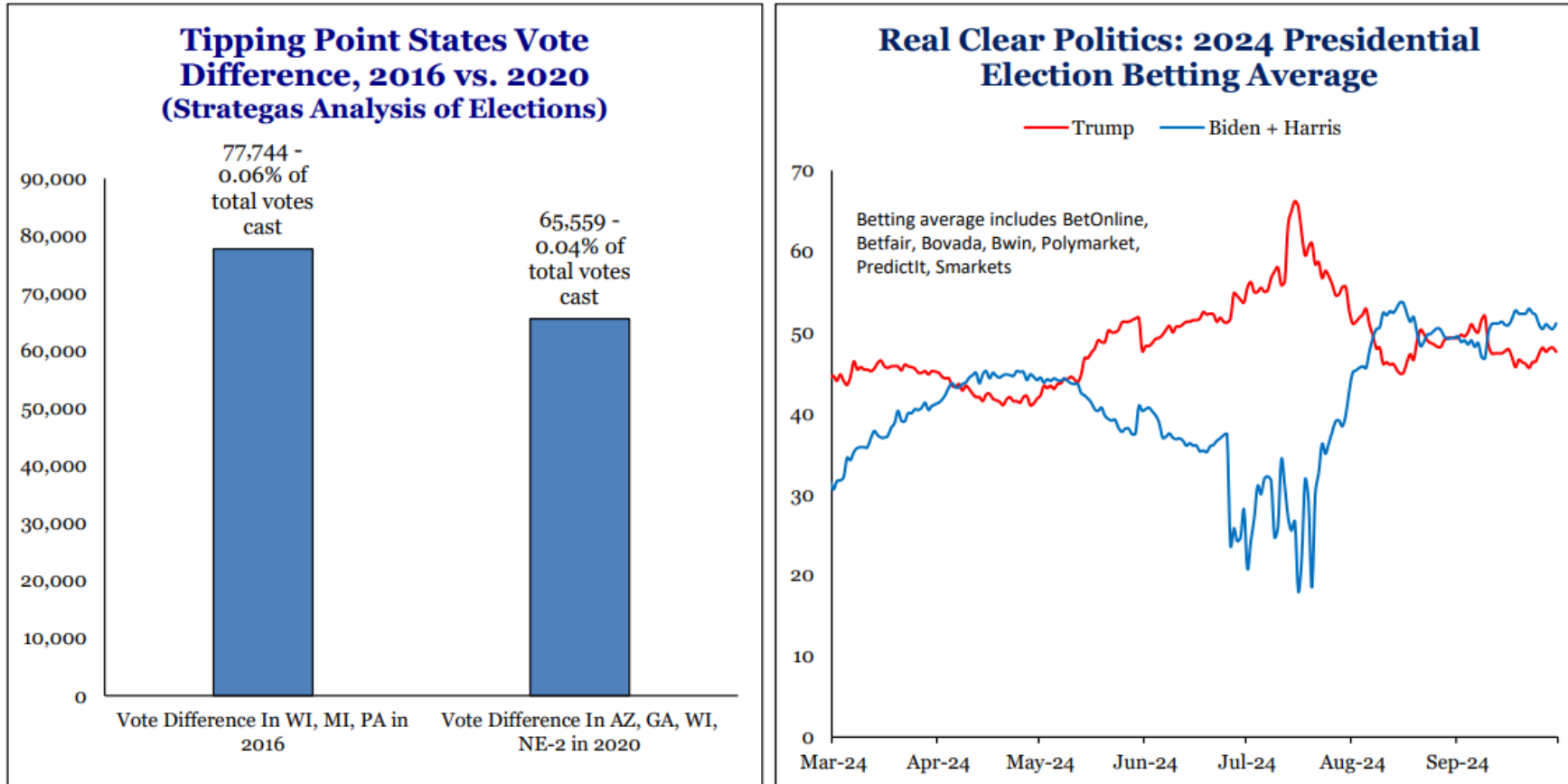


Source: NewEdge Wealth, Macrobond, Bloomberg Russell Investment Group, Federal Reserve, U.S. Department of Treasury

The State of the Election 14 Days Out

Close Elections Are an American Pastime

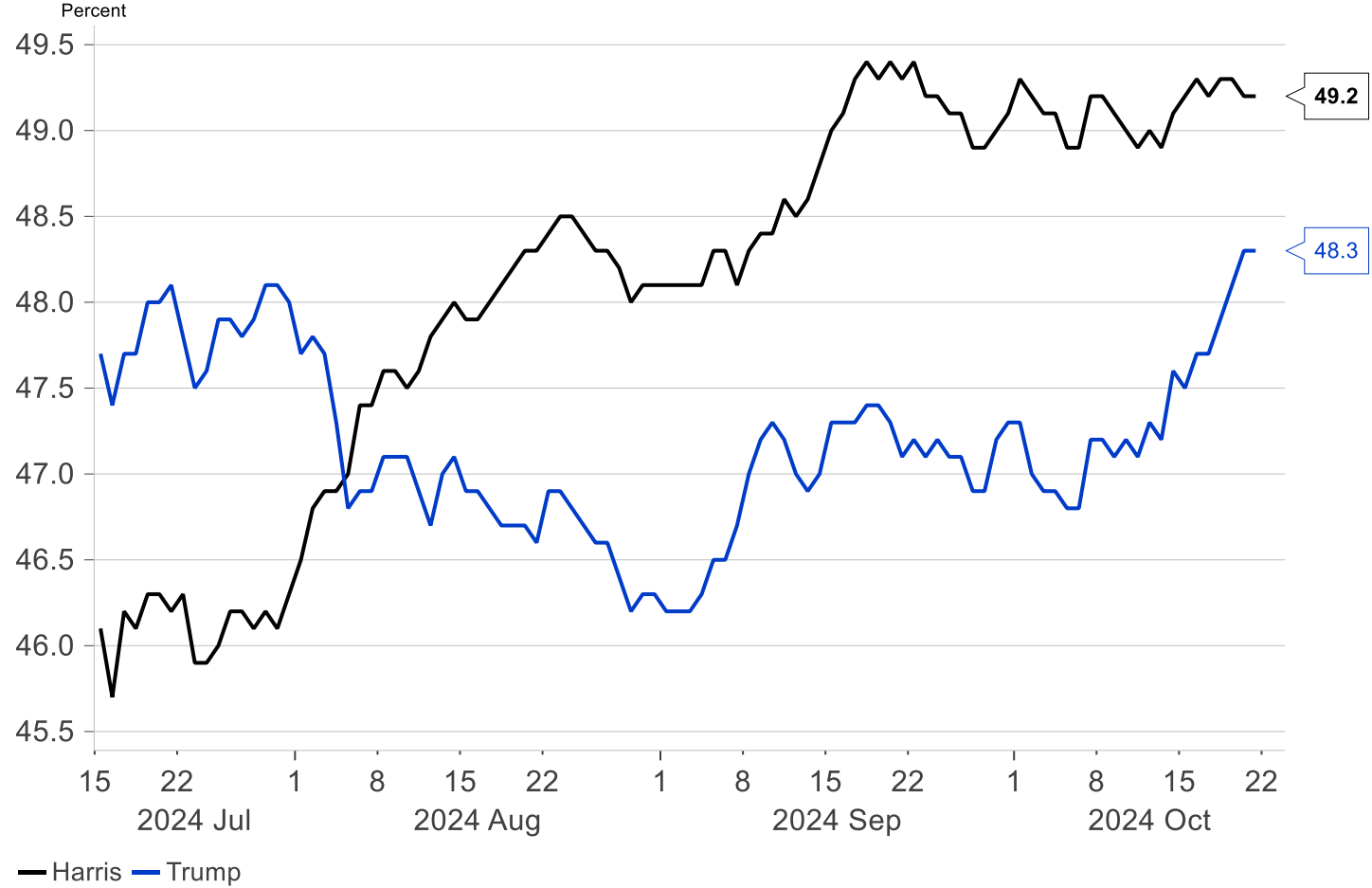
America Is A 50-50 Electoral System



Source: Strategas Research Partners, as of 10/1/24

National Poll Averages Have the Presidential Race Within the Margin of Error

RealClearPolitics National Poll Average Closer than 2016 or 2020

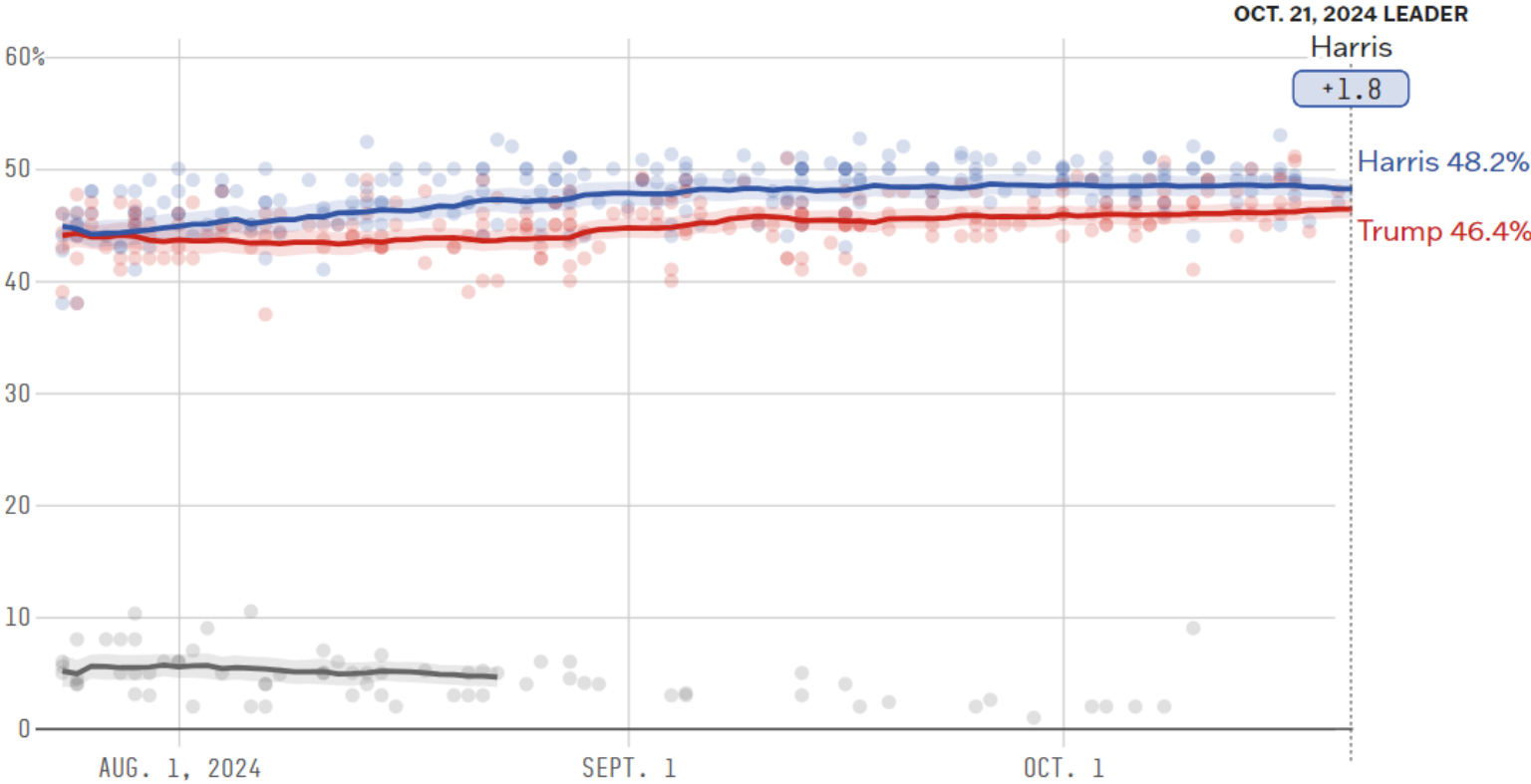


Source: NewEdge Wealth, Macrobond, Bloomberg RealClearPolitics (RCP)

Polls Have This As a Tight Race...

Who's ahead in the national polls?

Updating average for each candidate in 2024 presidential polls, accounting for each poll's recency, sample size, methodology and house effects.



Source: 538

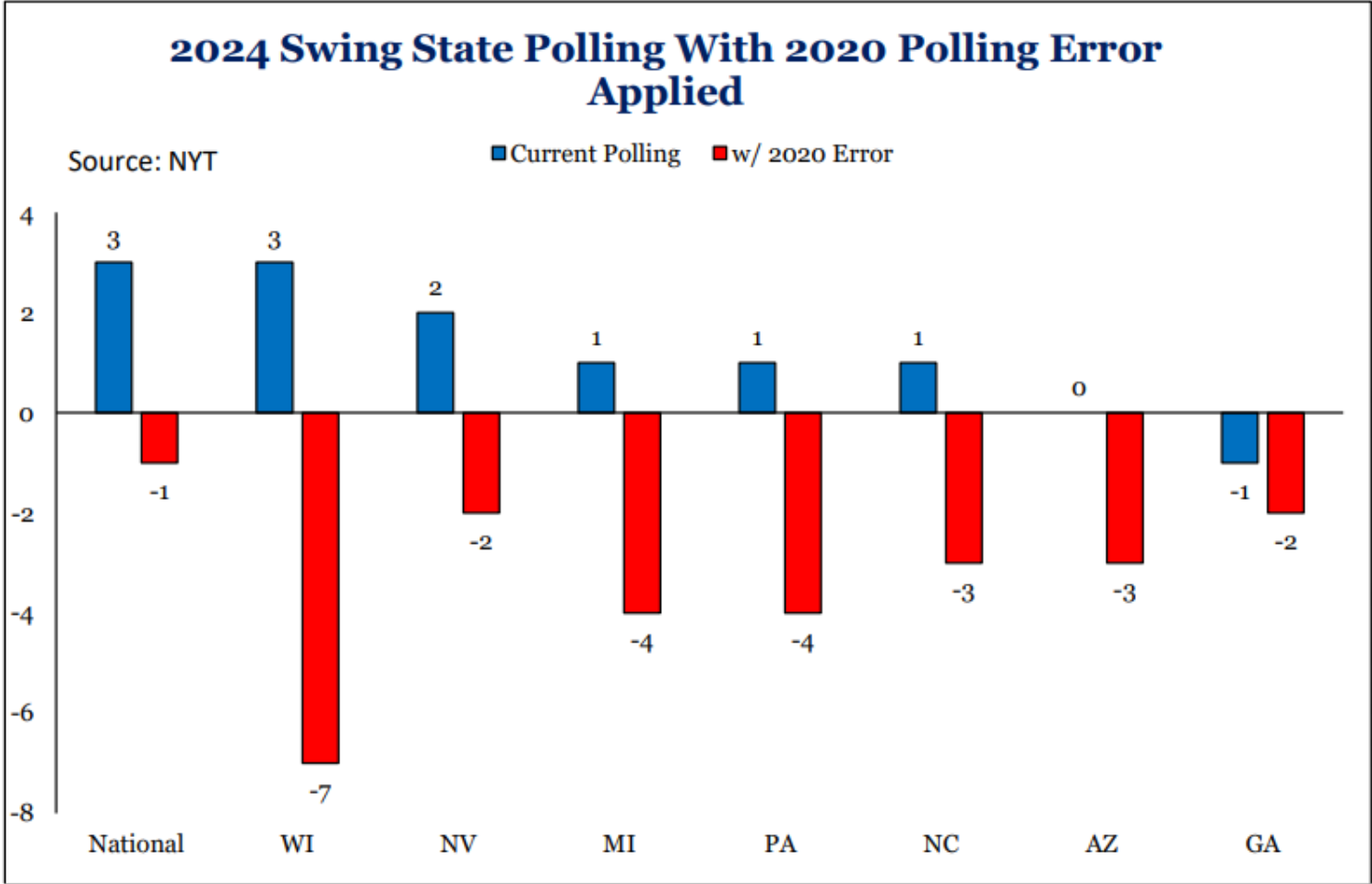
Recent Poll “Misses” Mean a Wide Range of Outcomes are Still in Play

	POLLING LEADER	IF POLLS MISS LIKE THEY DID IN ...	
		2022	2020
U.S.	+1 Harris	+1	+3
Wis.	+1 Harris	+3	+9
Nev.	Even	+3	+3
N.C.	Even	+1	+3
Pa.	Even	+6	+4
Mich.	Even	+6	+5
Ga.	+2 Trump	+2	+3
Ariz.	+2 Trump	+2	+4

Includes polling as of Oct. 20. See the latest polling averages »

Source: NYTimes

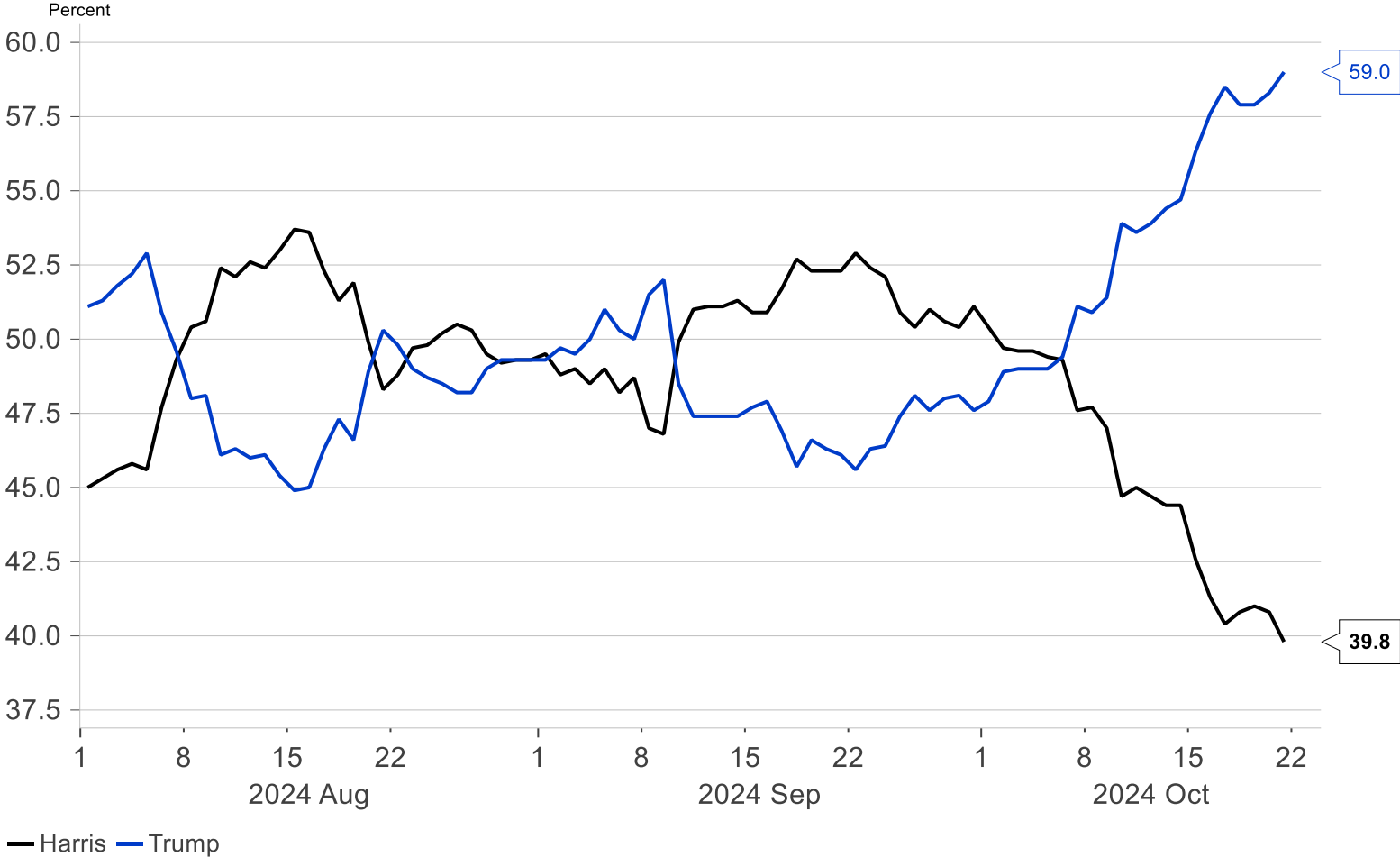
Polling Errors Could Swing the Swing States



Source: Strategas Research Partners, as of 10/1/24

Bettors See Race Moving Towards Trump in the Closing Weeks (RealClear Politics)

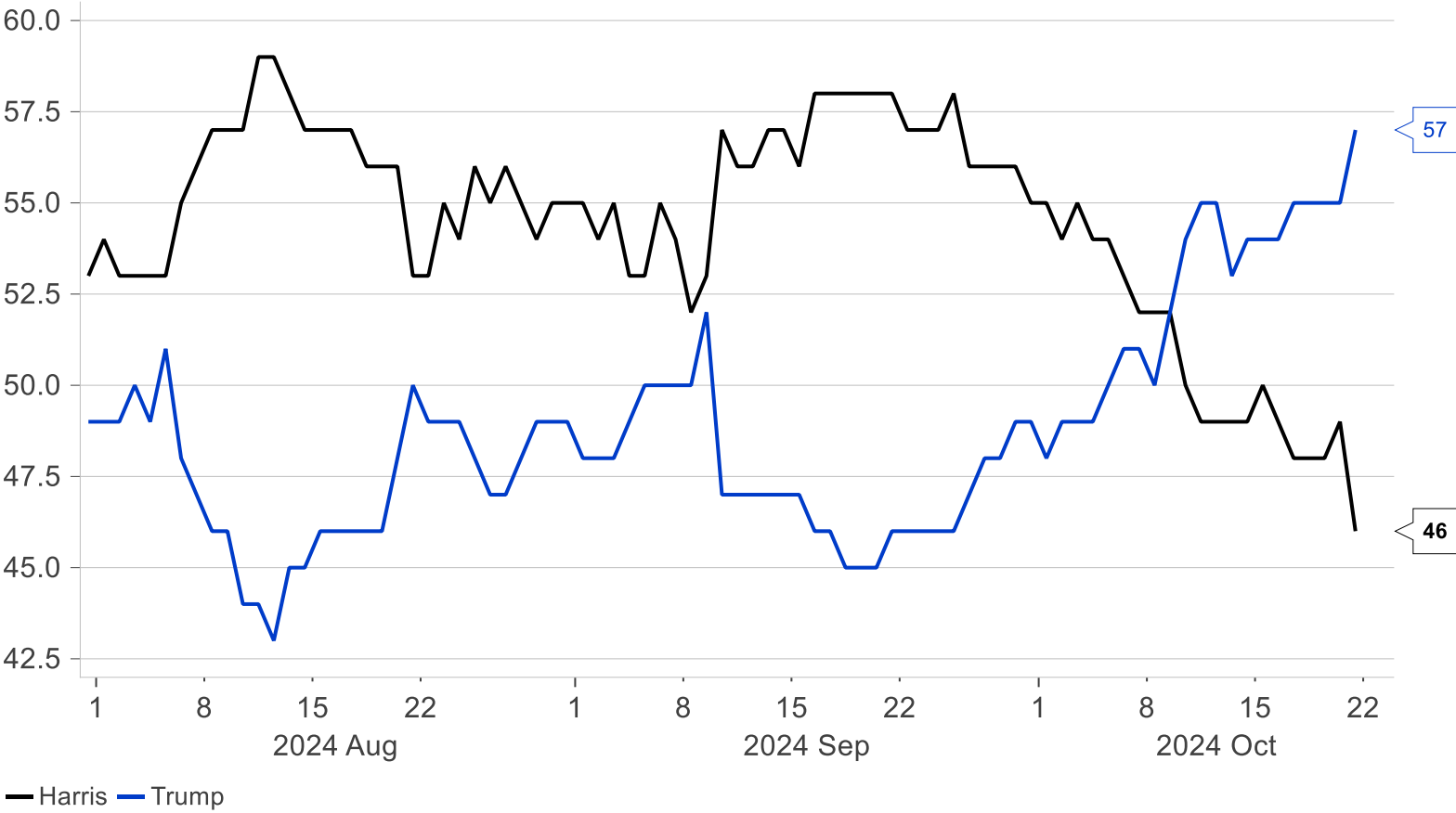
Odds of Victory in 2024 U.S. Presidential Election



Source: NewEdge Wealth, Macrobond, Bloomberg RealClearPolitics (RCP)

Bettors See Race Moving Towards Trump in the Closing Weeks (PredictIt)

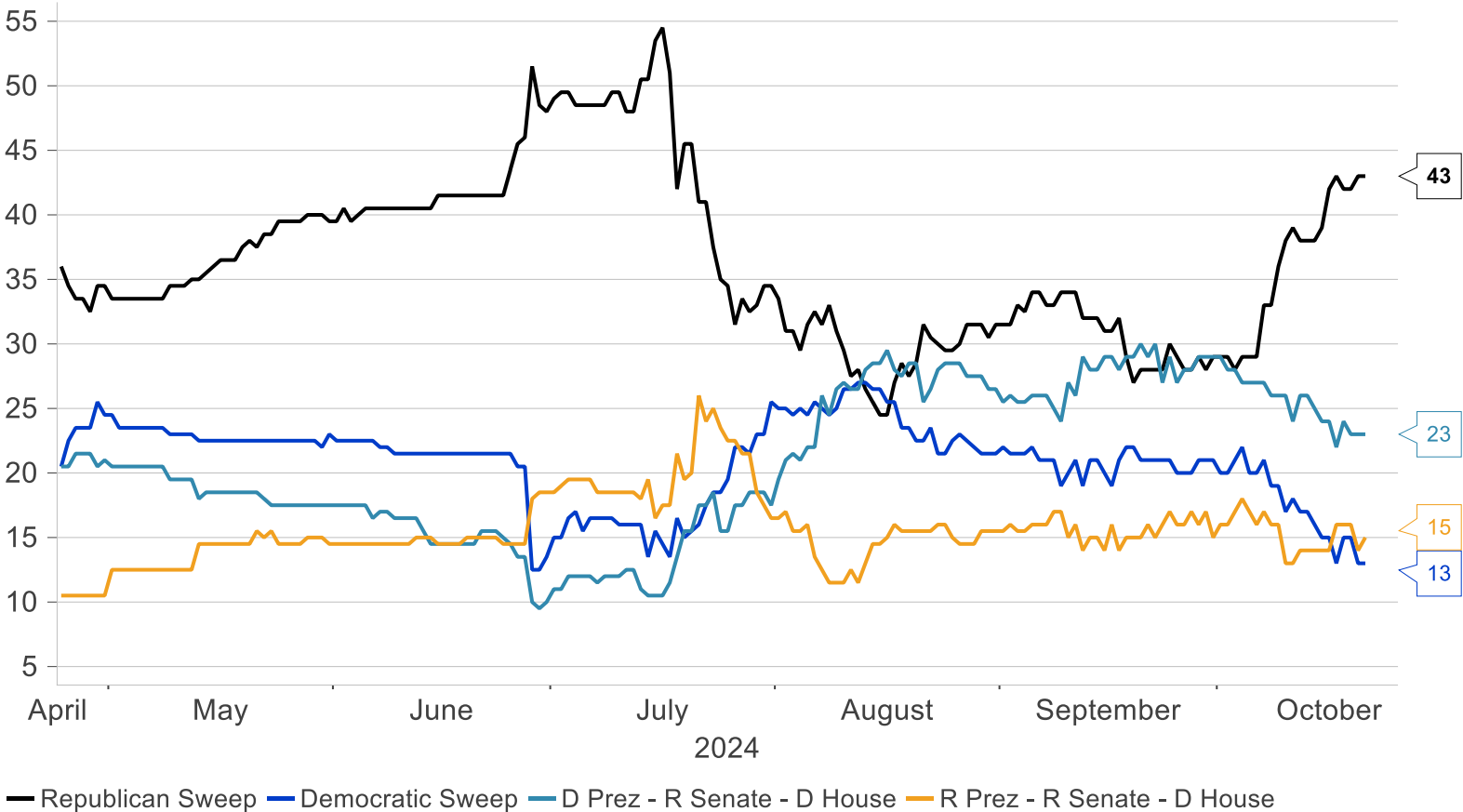
US PredictIt 2024 Who Will Win the 2024 US Presidential Election



Source: NewEdge Wealth, Macrobond, Bloomberg

Probability of a Republican “Sweep” as High as They’ve Been Since July

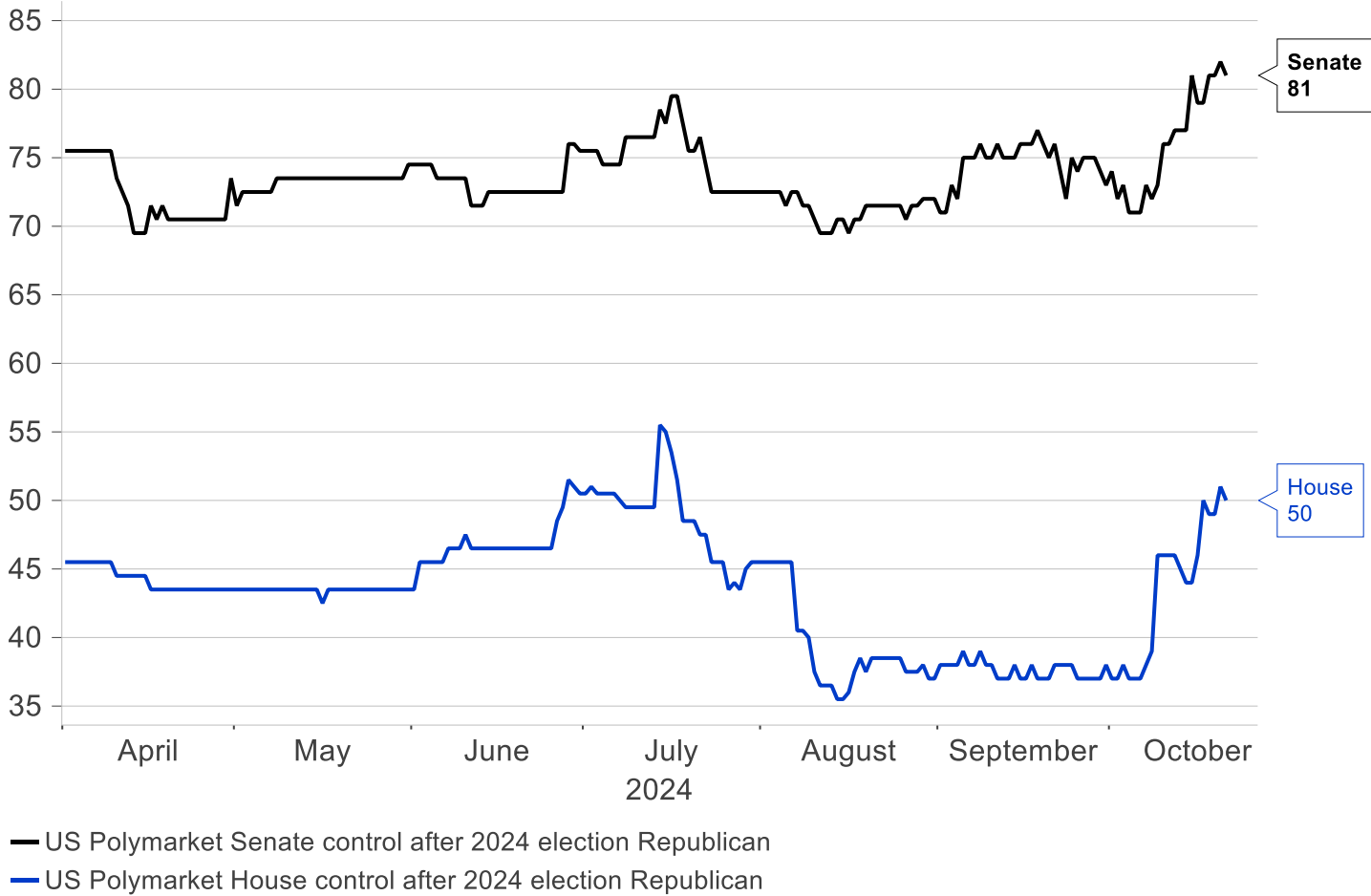
Polymarket Betting Odds for 2024 Election Balance of Power Outcomes



Source: NewEdge Wealth, Macrobond, Bloomberg

Republicans' Friendly Senate Map Makes a Democratic Sweep Unlikely

Odds of a Republican Senate and House



Source: NewEdge Wealth, Macrobond, Bloomberg

Harris Lagging in Swing States

This Day in History

The RealClearPolitics averages on October 11 for the past three cycles.

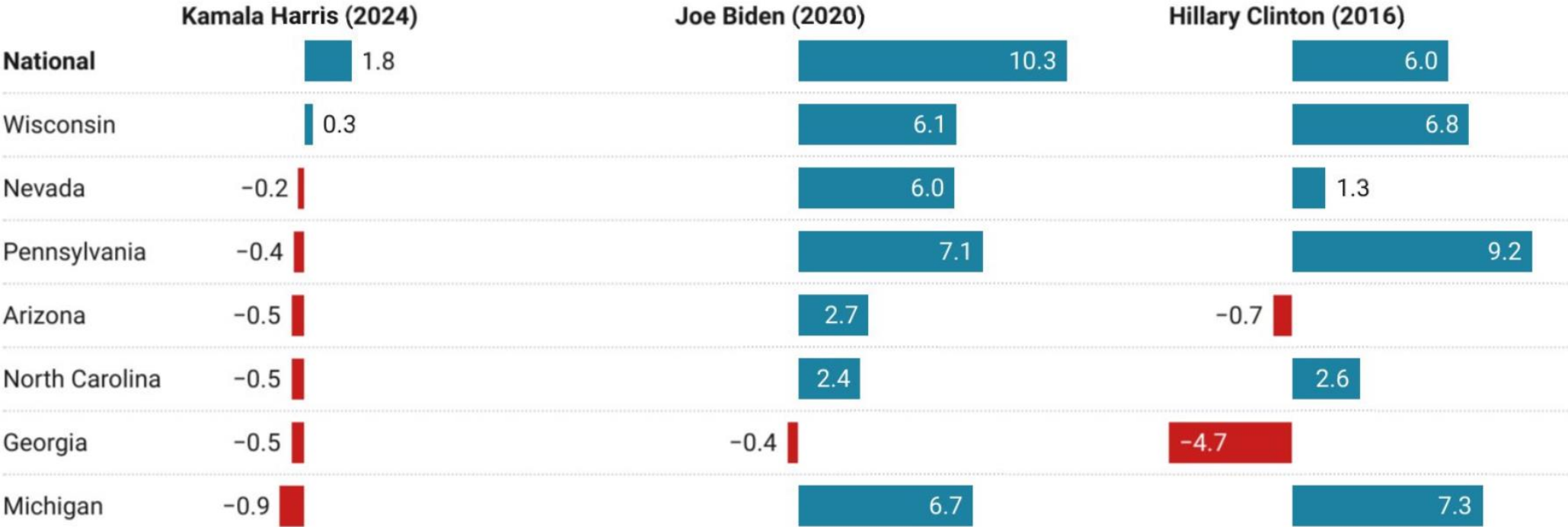


Chart: @MattMargolis • Created with Datawrapper



While Fundamentals Favor Harris

Economic Indicators Are All Pointing To Harris Winning In November

The Predictive Power of Financial & Economic Indicators In Presidential Elections

Election	Misery	S&P 500	VIX	Dollar	% Correct
'92	X	X	X	X	100%
'96	X	X	X	-----	75%
'00	X	X	X	X	100%
'04	X	X	X	X	100%
'08	X	X	X	X	100%
'12	X	X	X	X	100%
'16	X	X	X	X	100%
'20	X	X	X	X	100%
'24	Harris	Harris	Harris	Harris	100%

Sources: Strategas

We are not confident in the polling so we use economic data to project elections. All four of the major predictive indicators are in Harris favor today.



Falling Misery Index (Lower Unemployment/Lower Inflation) Good for Incumbent

United States Misery Index: Current Inflation Rate Plus Unemployment Rate

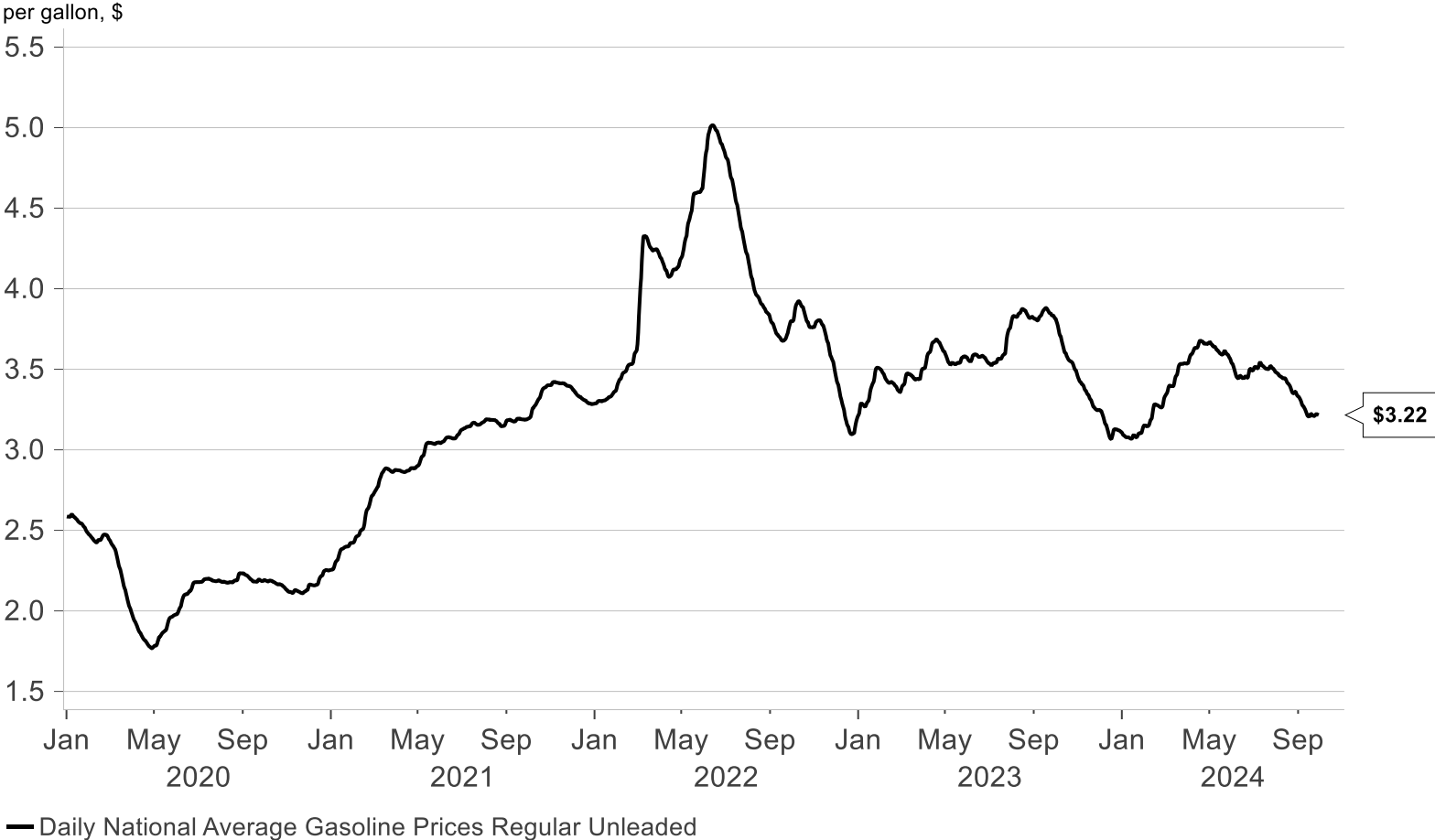


— United States Misery Index Current Inflation Rate Plus Unemployment Rate

Source: NewEdge Wealth, Macrobond, Bloomberg

Gas Prices Remaining Subdued Through the Election is Critical for Harris

Daily National Average Gasoline Prices Regular Unleaded

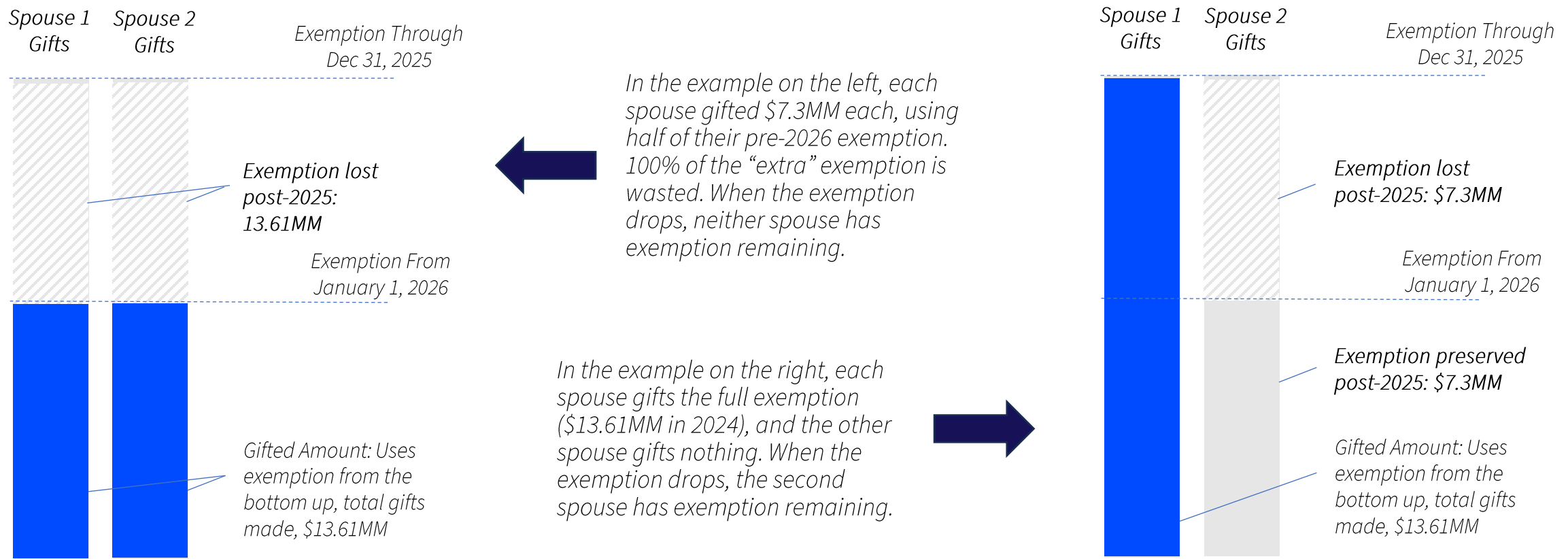


Source: NewEdge Wealth, Macrobond, Bloomberg

**Special Guest:
Robin Petty, J.D.
NewEdge Wealth, Head of Wealth Strategy**

Strategic Use of Two Gift & Estate Tax Exemptions – Fill One Up First

If a married couple has enough assets to fully use one spouse's exemption, but not both spouses' exemptions, it is more efficient to use one exemption 100% rather than splitting the gift 50/50. The below illustration shows why.



From the Whitepaper: A Snapshot of the Potential Tax Changes in 2026

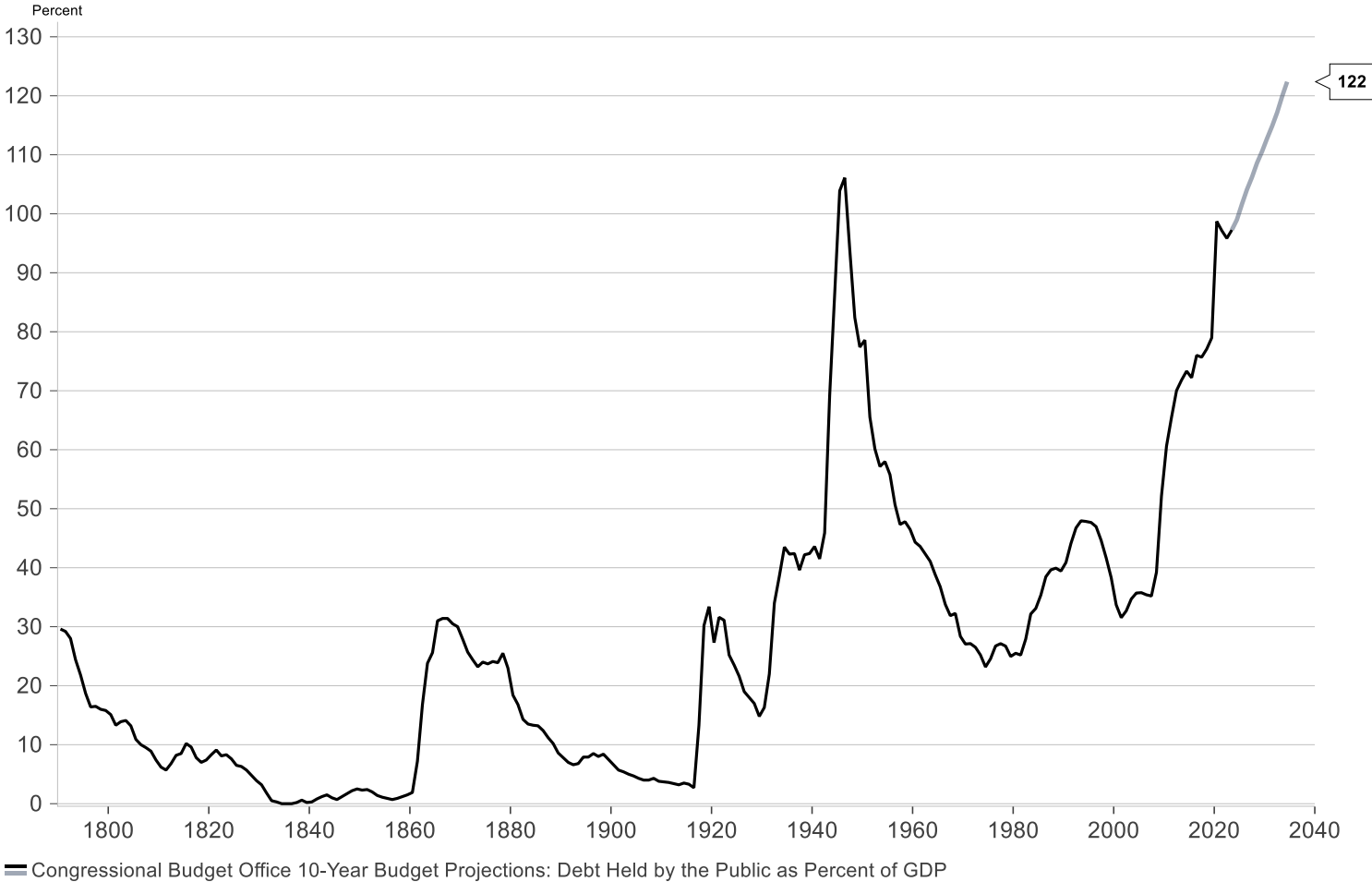
Tax Provision	Current Law (TCJA 2017)	Post-2026 (Scheduled Expiration of TCJA)	Impact on UHNW Individuals
Individual Tax Rates	Top marginal rate of 37%.	Top marginal rate increases to 39.6%.	Higher income will be subject to a larger tax burden unless new legislation passes.
Estate and Gift Taxes	Estate and gift taxes are levied at a rate of 40% on transfers in excess of \$13.61 million exemption per individual (\$27.2 million for couples) in 2024.	This exemption will be reduced by about one-half, returning to 2017 levels with adjustments for inflation.	Perhaps the most consequential change for UHNW individuals involves the estate and gift tax exemptions. This shift underscores the importance of planning now, as a massive reduction in the exemption would expose more estates to significant taxation.
State and Local Tax (SALT) Deduction	Taxpayers who itemize their deductions can deduct up to \$10,000 in state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes (but not foreign real property taxes).	Full deductibility of state and local income, sales (in lieu of income), and property taxes, as well as foreign income taxes restored. Taxpayers will also be able to deduct foreign real property taxes.	This change would particularly benefit individuals in high-tax jurisdictions, offering substantial relief and increasing their overall deductions.
Standard Deduction	\$14,600 for individuals and \$29,200 for married couples filing jointly in 2024.	Reverts to \$6,500 for individuals and \$13,000 for married couples filing jointly, adjusted for inflation; personal exemption restored.	A part of the rationale for increasing the standard deduction was to simplify the tax filing process for many taxpayers. The standard deduction will be cut nearly in half and more individuals will consider itemizing deductions with their taxes.
Child Tax Credit	\$2,000 per child, phaseout begins at \$200,000 for unmarried taxpayers and \$400,000 for married taxpayers.	\$1,000 per child, phaseout begins at \$75,000 for unmarried taxpayers and \$110,000 for married taxpayers.	Individuals may see reduced credits with lower thresholds and reduced benefit.
Deduction for Pass-Through Business Income “199A Deduction”	20% deduction for qualified pass-through income. The deduction is limited to the greater of 50% of W-2 wages, or 25% of W-2 wages plus 2.5% multiplied by depreciable property (equipment and structures).	20% deduction eliminated. Pass-through business income will generally be taxed according to ordinary individual income tax rates without a deduction for qualified business income.	Increases the effective tax rate for small business owners, reducing overall tax efficiency.
Bonus Depreciation	Full expensing (i.e., 100% bonus depreciation) through 2022, before phasing down ratably through the end of 2026. For long-production-period property, the phasedown period began after 2024.	Bonus depreciation eliminated. Businesses will generally capitalize the cost of property used in a trade or business or held for the production of income and recover such cost over time through annual deductions for depreciation or amortization without the use of bonus depreciation.	Loss of upfront investment deductions increases the cost of capital investments.

What Are the Implications of This Election?

“Largest fiscal cliff in American history in 2025 with \$4T of expiring tax provisions!”- Dan Clifton, Strategas

Will Exploding Debt Become a Problem in the Next President's Term?

CBO Estimates a Continued Increase in Federal Debt as Share of GDP



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Congressional Budget Office (CBO)

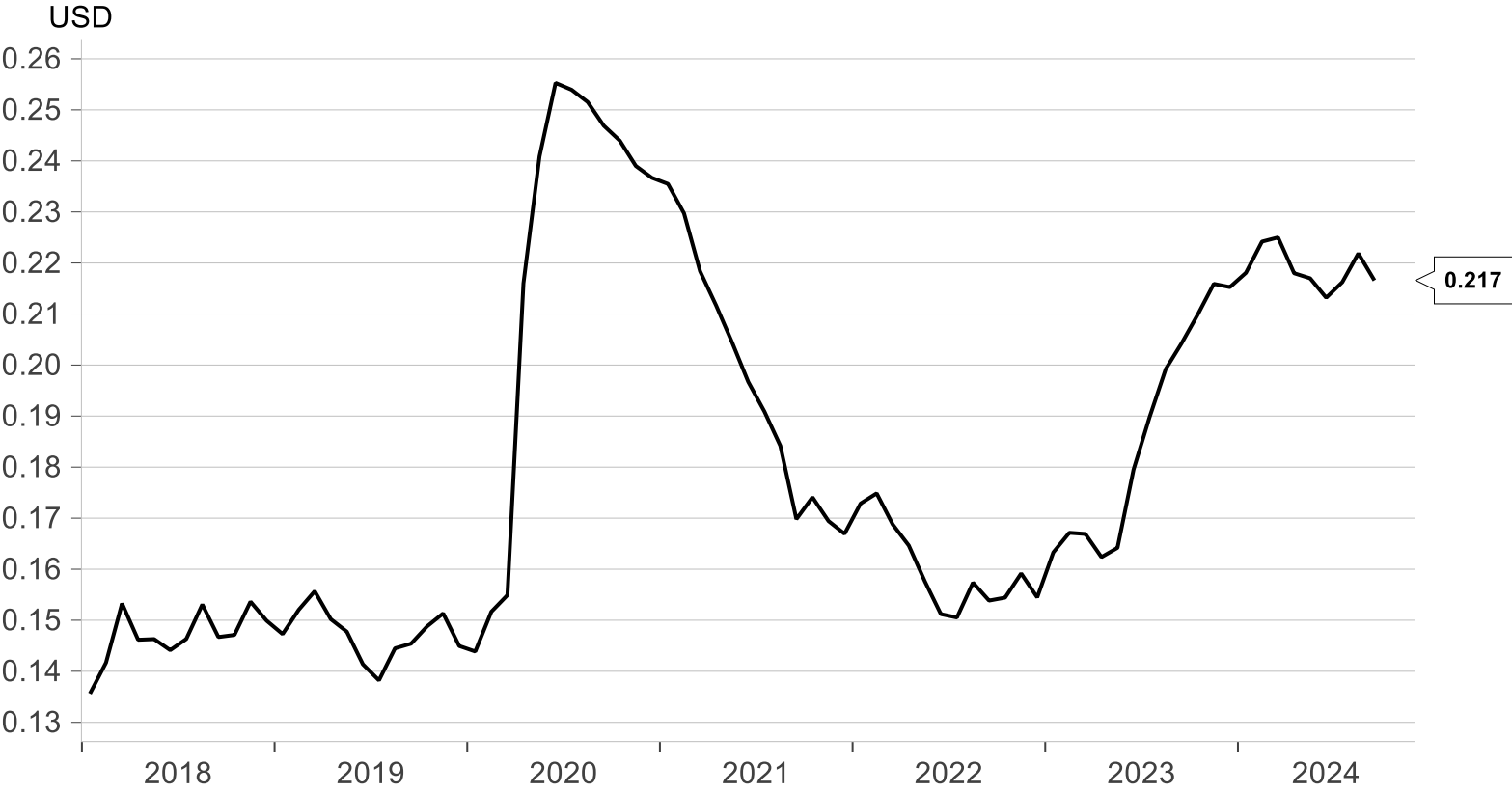
Interest Costs are Pinching the Budgets



Source: NewEdge Wealth, Macrobond, Bloomberg

But if the Fed Cuts, Interest Costs Will Fall (Who Will Be the Next Fed Chair?)

Treasury Bills as a % of Total Treasury Debt Outstanding

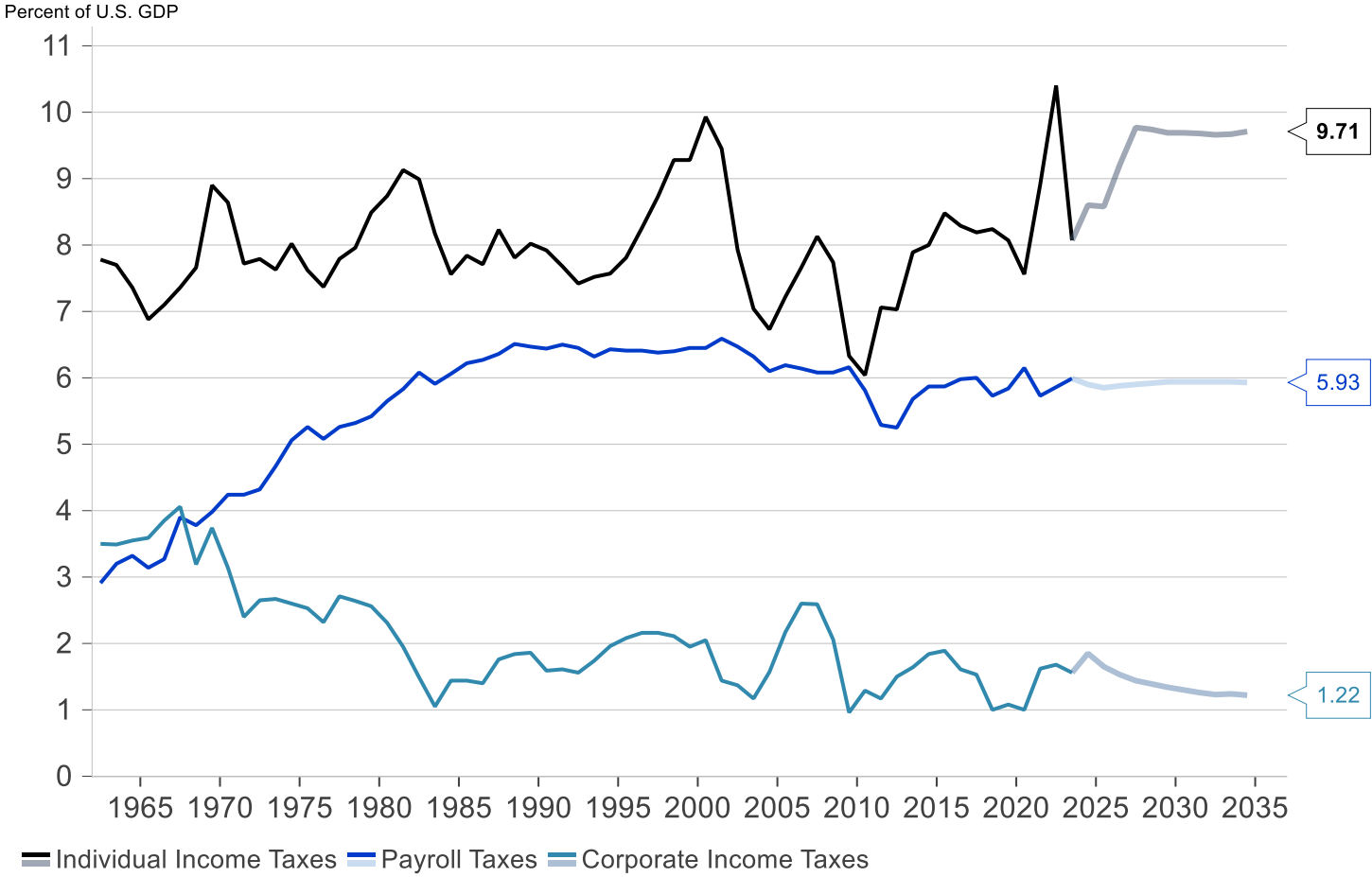


— United States, Securities Statistics, SIFMA, US Treasury Issuance and Outstanding, Securities Outstanding, Bills, USD

Source: NewEdge Wealth, Macrobond, Bloomberg SIFMA (Securities Industry & Financial Markets Association)

CBO Revenue Estimates Assume a Full Expiration of Individual Cuts from 2017

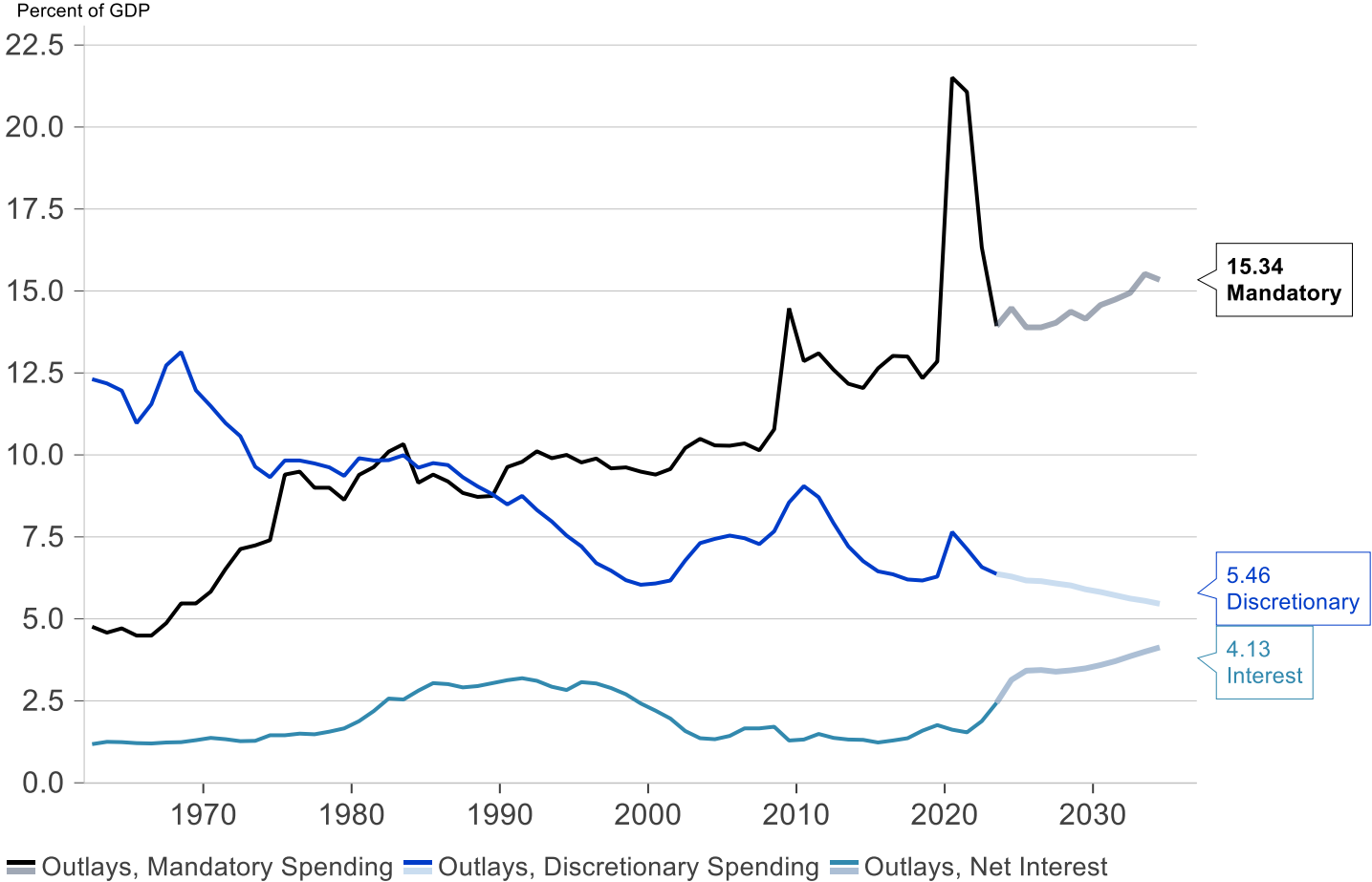
CBO Revenue Projections Assume Tax Rate Rise in 2026



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Congressional Budget Office (CBO)

Significant Spending Cuts Are Unlikely, Especially to the Largest Programs

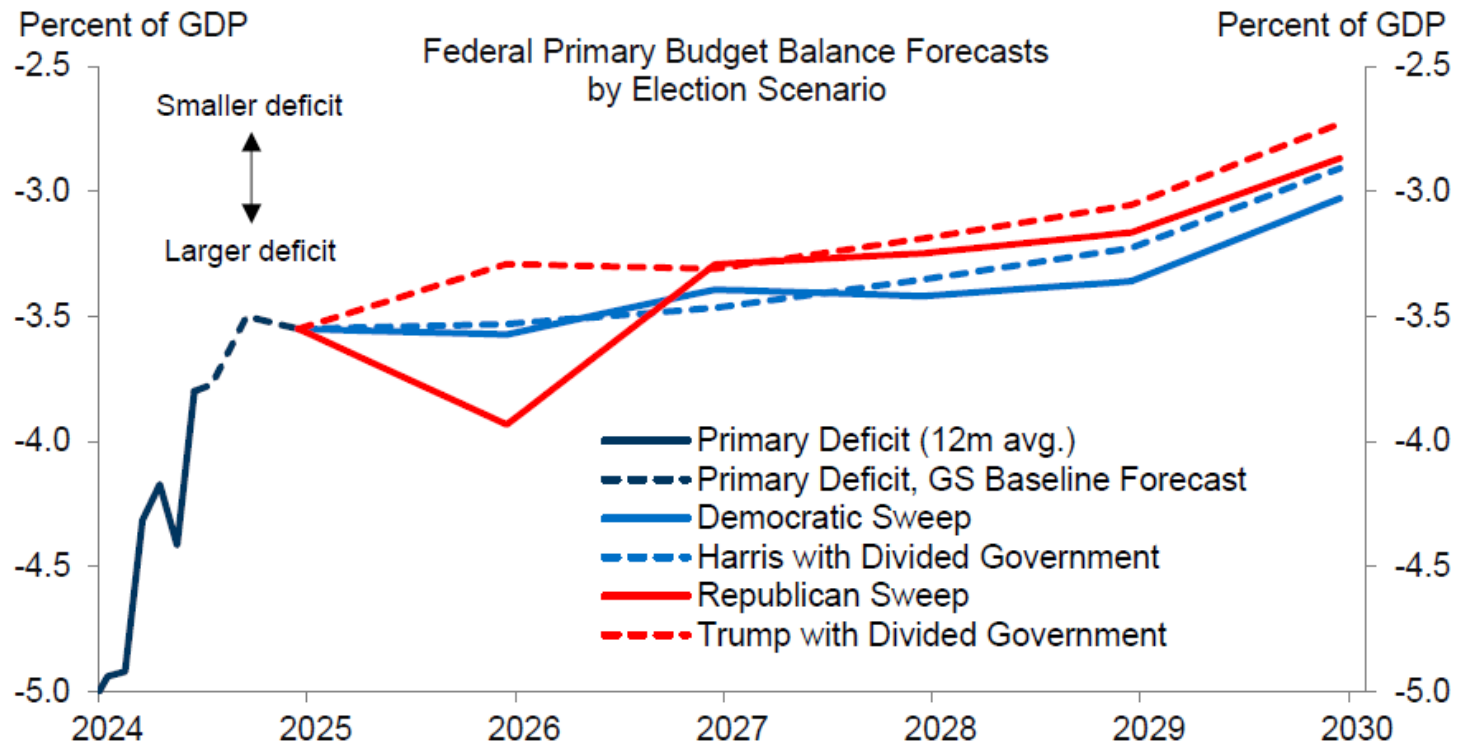
CBO Spending Projections Show Interest & Entitlement Burden Growing



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Congressional Budget Office (CBO)

Deficit Will Not Be Dramatically Different Based on the Election Outcome

Exhibit 12: The Primary Deficit Would Likely End Up Close to or Slightly Smaller Than Its End-2024 Level in All Four Post-Election Scenarios, in Part Because It Is Already Nearly 5% of GDP More Negative Than the Modest Surpluses the US Has Usually Run in a Full Employment Economy

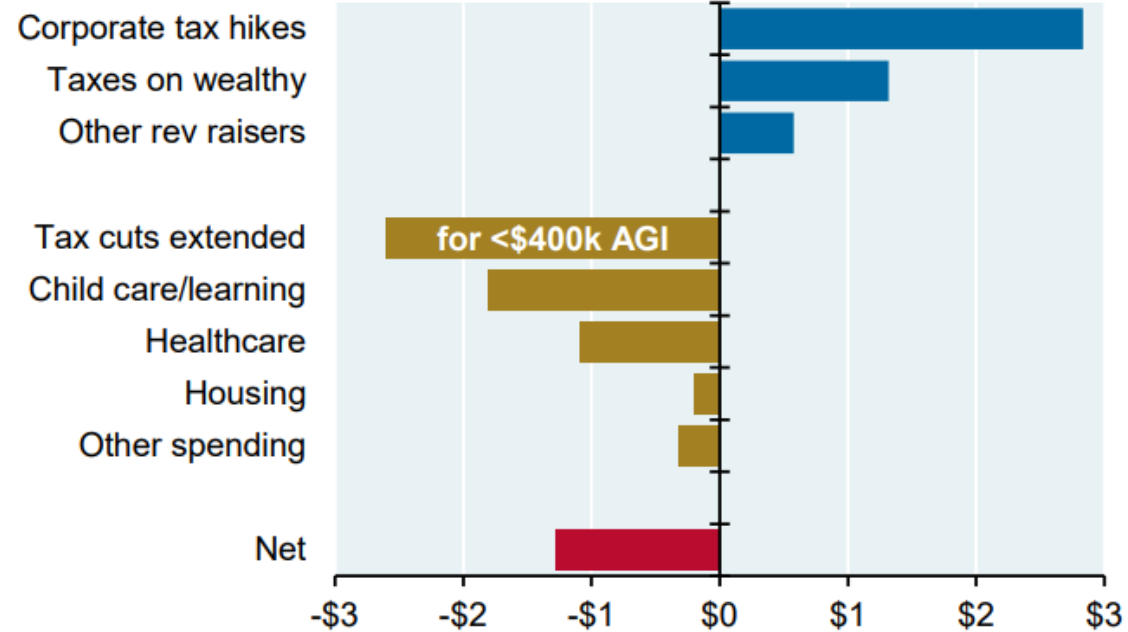


Source: Goldman Sachs Global Investment Research, Treasury

Some See Trump's Policies Resulting in a Bigger Deficit

Harris: 10-year budget deficit effect of proposed policies

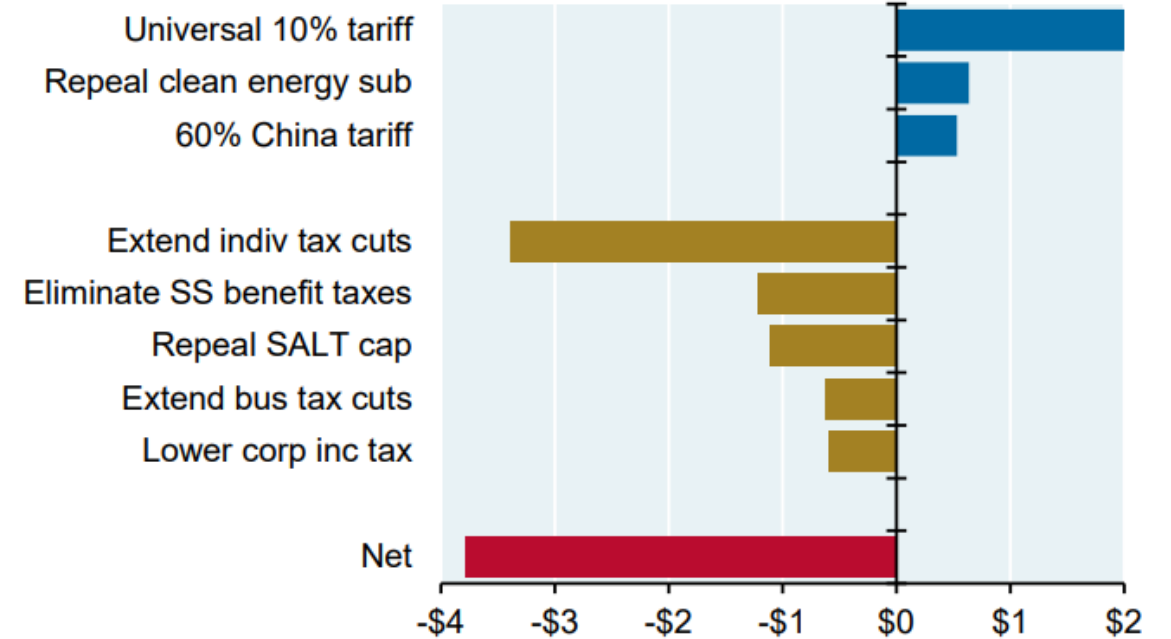
US\$ trillions



Source: JPMAM, September 2024

Trump: 10-year budget deficit effect of proposed policies

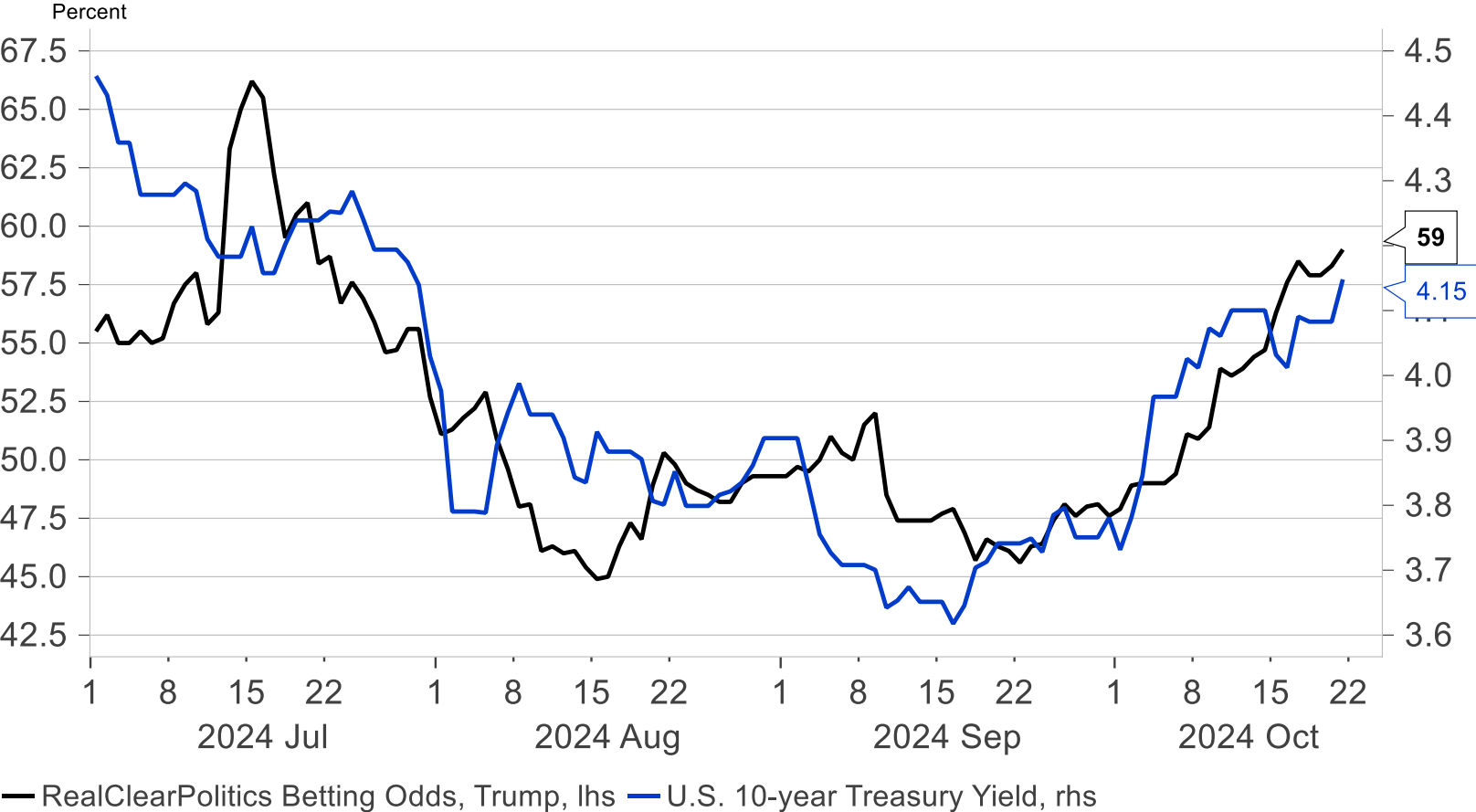
US\$ trillions



Source: JPMAM, September 2024

Including the 10 Year Yield, Which Has Been Correlated to Trump's Election Odds

10yr Treasury Yield Has Been Rising With Trump Victory Odds



Source: NewEdge Wealth, Macrobond, Bloomberg RealClearPolitics (RCP)

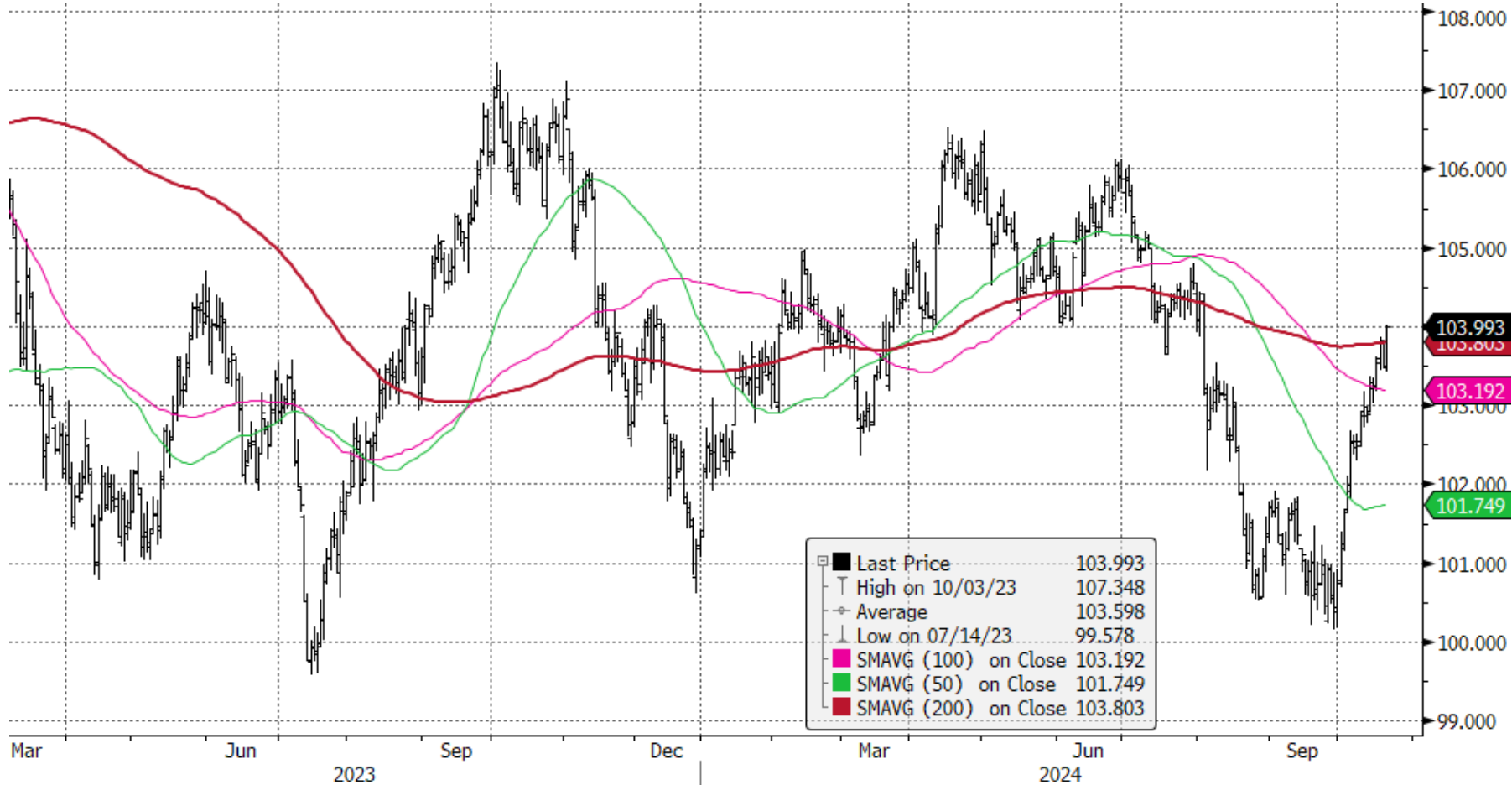
With the 10 Year “Dancing on the Ceiling” of Resistance

10 Year Treasury Yield



Same With the USD, Rallied Into Resistance

USD Index (DXY)



DXY Curncy (DOLLAR INDEX SPOT) US 10 Year Treasury 6m Daily 08MAR2023-22OCT2024

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Long Term USD Cycles

USD Index (DXY)



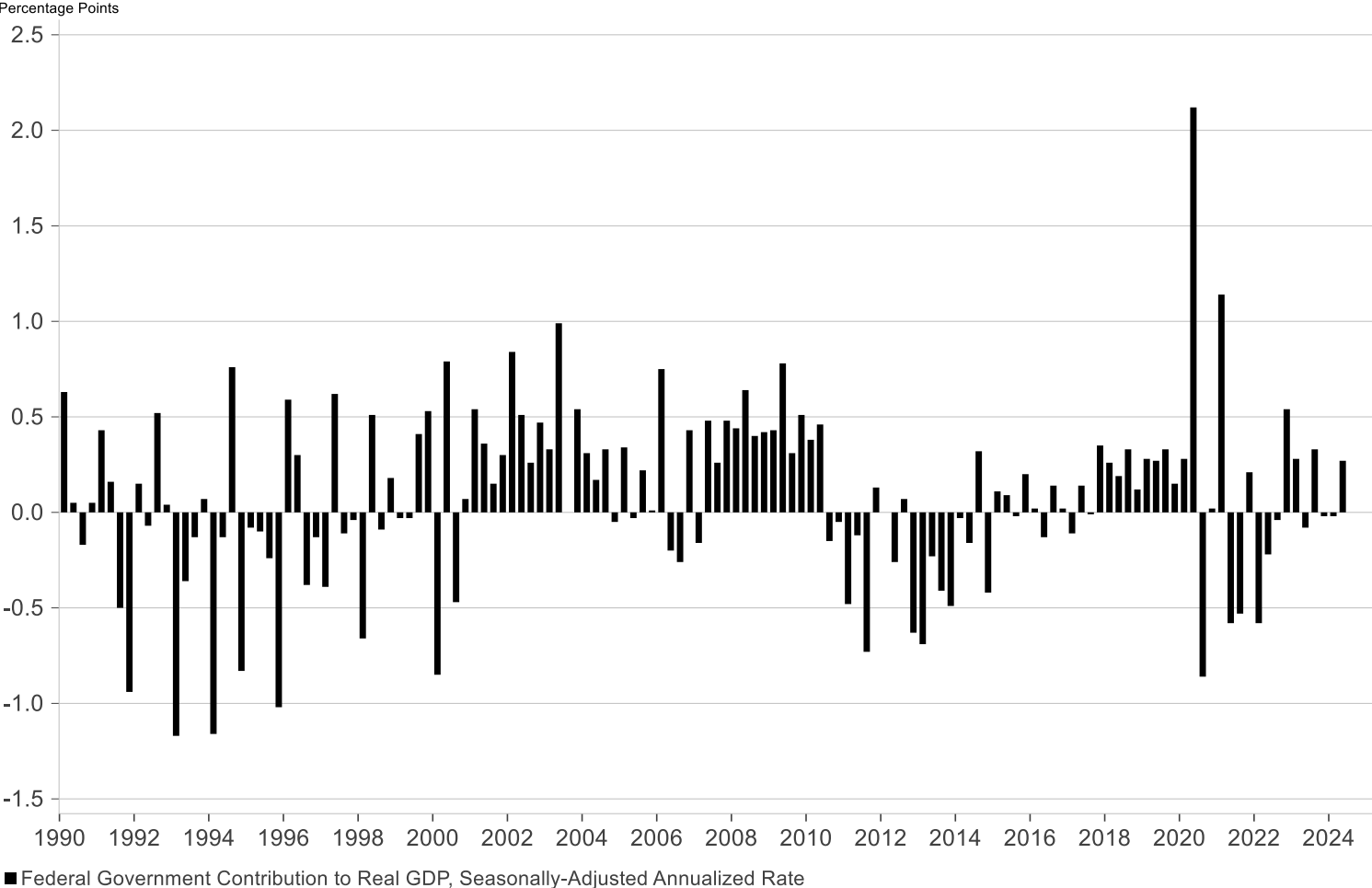
DXY Curncy (DOLLAR INDEX SPOT) DXY 20Y Weekly 31OCT2000-22OCT2024

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When it Comes to Debt and Stimulus, the Composition of Government Matters

Federal Government Contribution to Real GDP (QoQ Annualized)



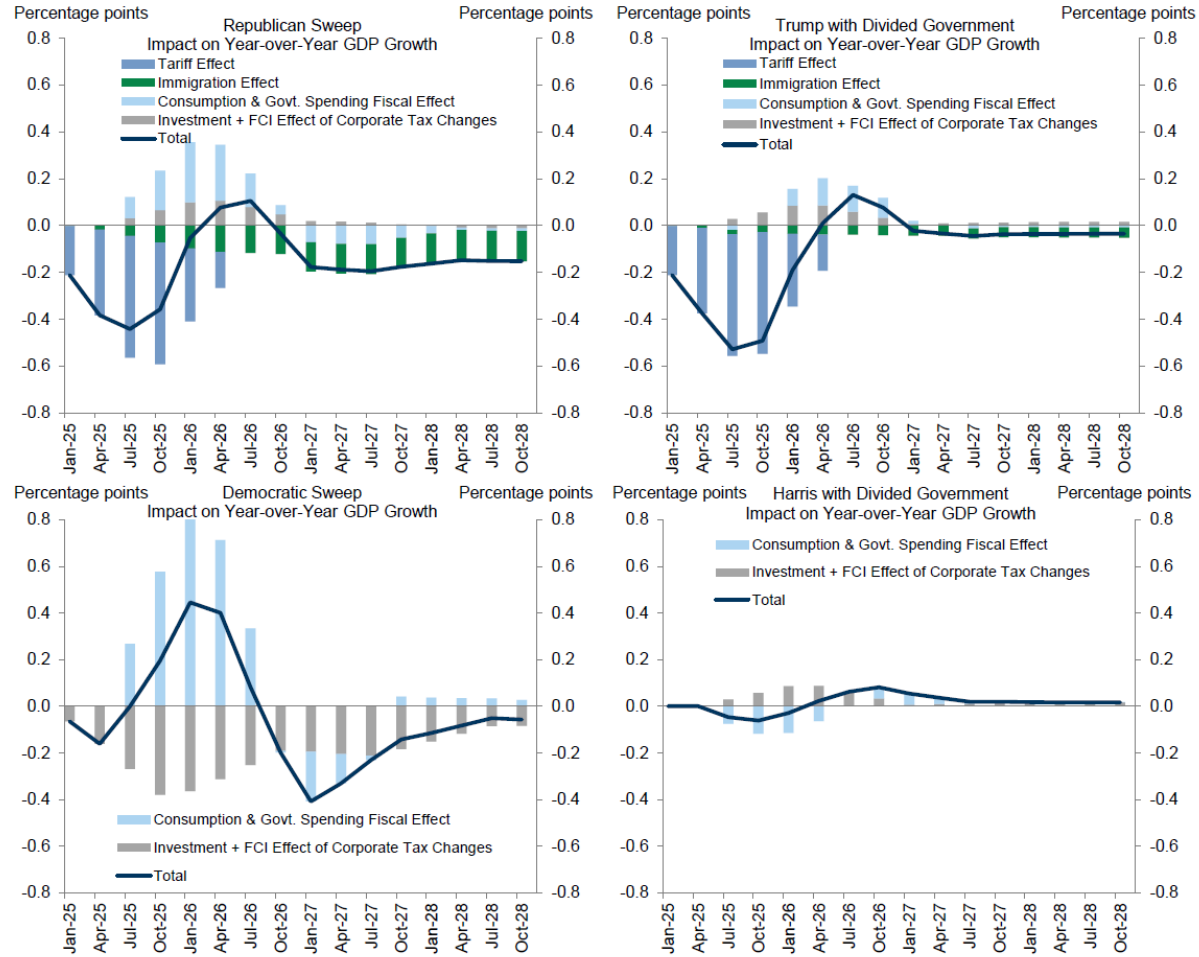
Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Economic Analysis (BEA)

Policy Risks to Watch into 2025 and Beyond

- Taxes
- Tariffs
- Immigration

How Will the Economy Perform Under Different Possible Outcomes?

Exhibit 11: Changes to Trade and Immigration Policy and the Impact of Changes to Corporate Tax Policy on Business Investment Would Offset the Growth Effects of the Fiscal Impulse in All Four Scenarios

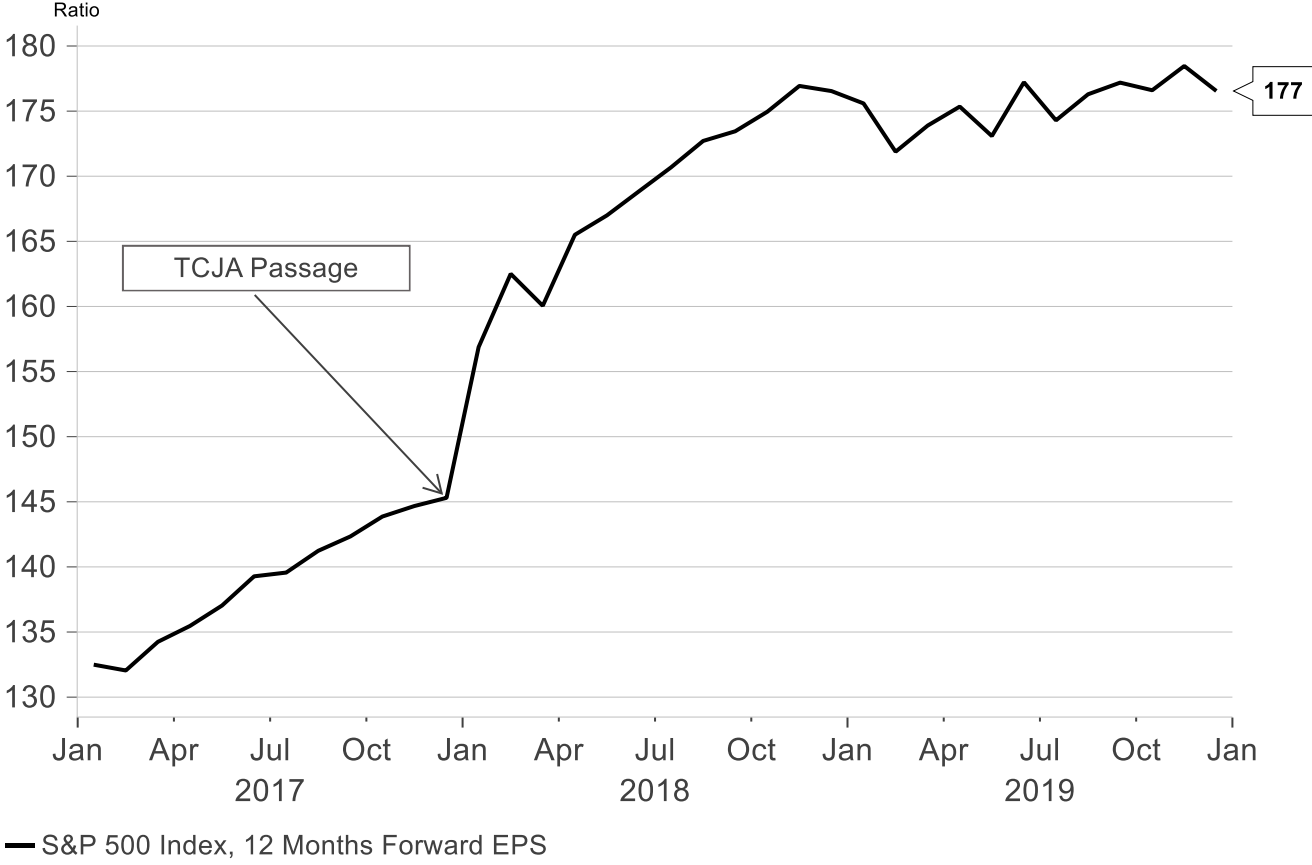


Immigration and tariff effects are not shown in the Harris scenarios because we assume net immigration of 1.5mn and no new tariffs under our baseline and under the Harris scenarios.

Source: Goldman Sachs Global Investment Research

Risk #1: Corporate Tax Rate Changes Influence Earnings Estimates (and Stocks)

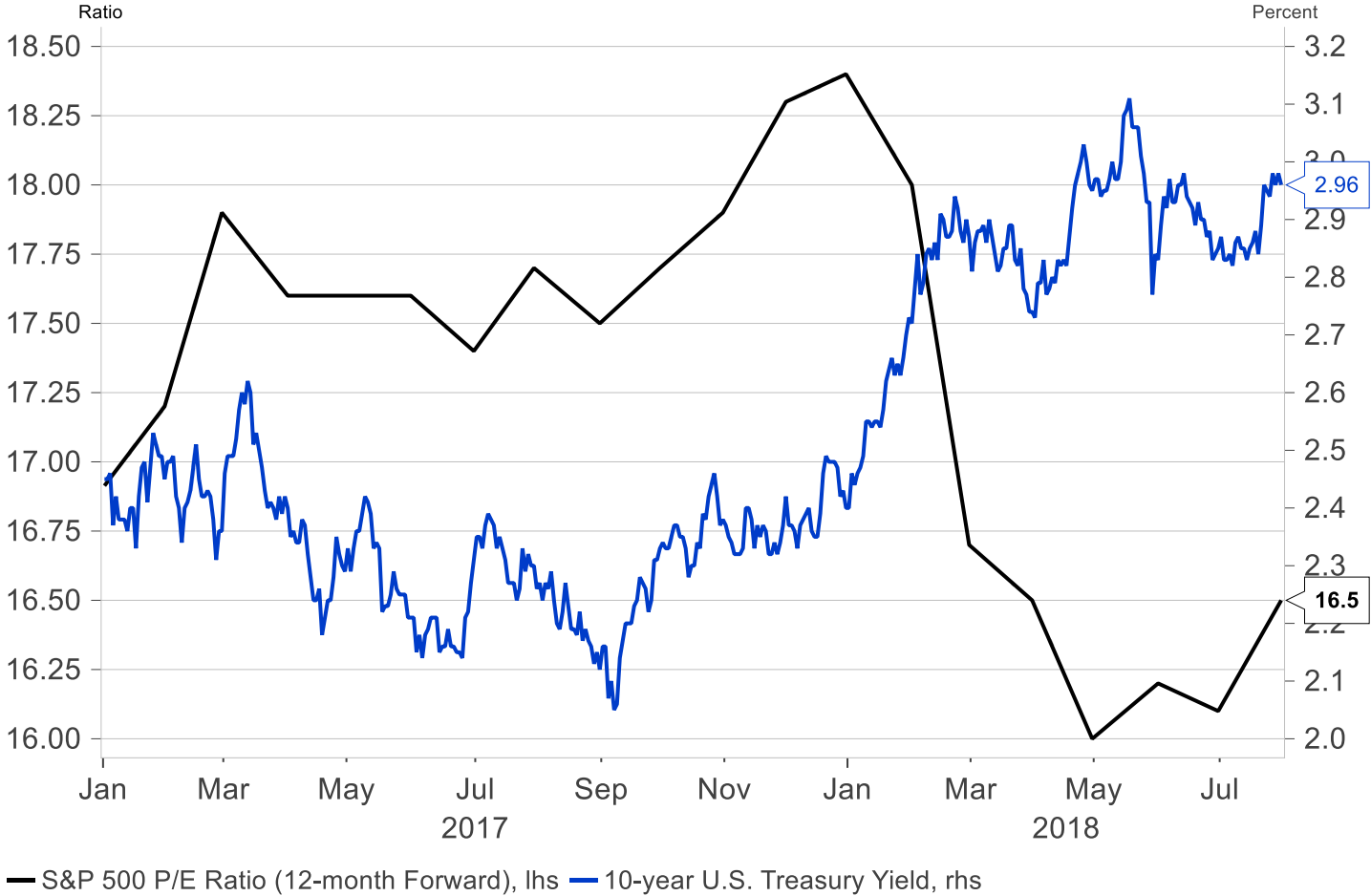
Corporate Tax Cuts in 2017 Powered Earnings Estimates for 2018 and Beyond



Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global

Remember, Markets Anticipated the 2018 Tax Cuts in 2017

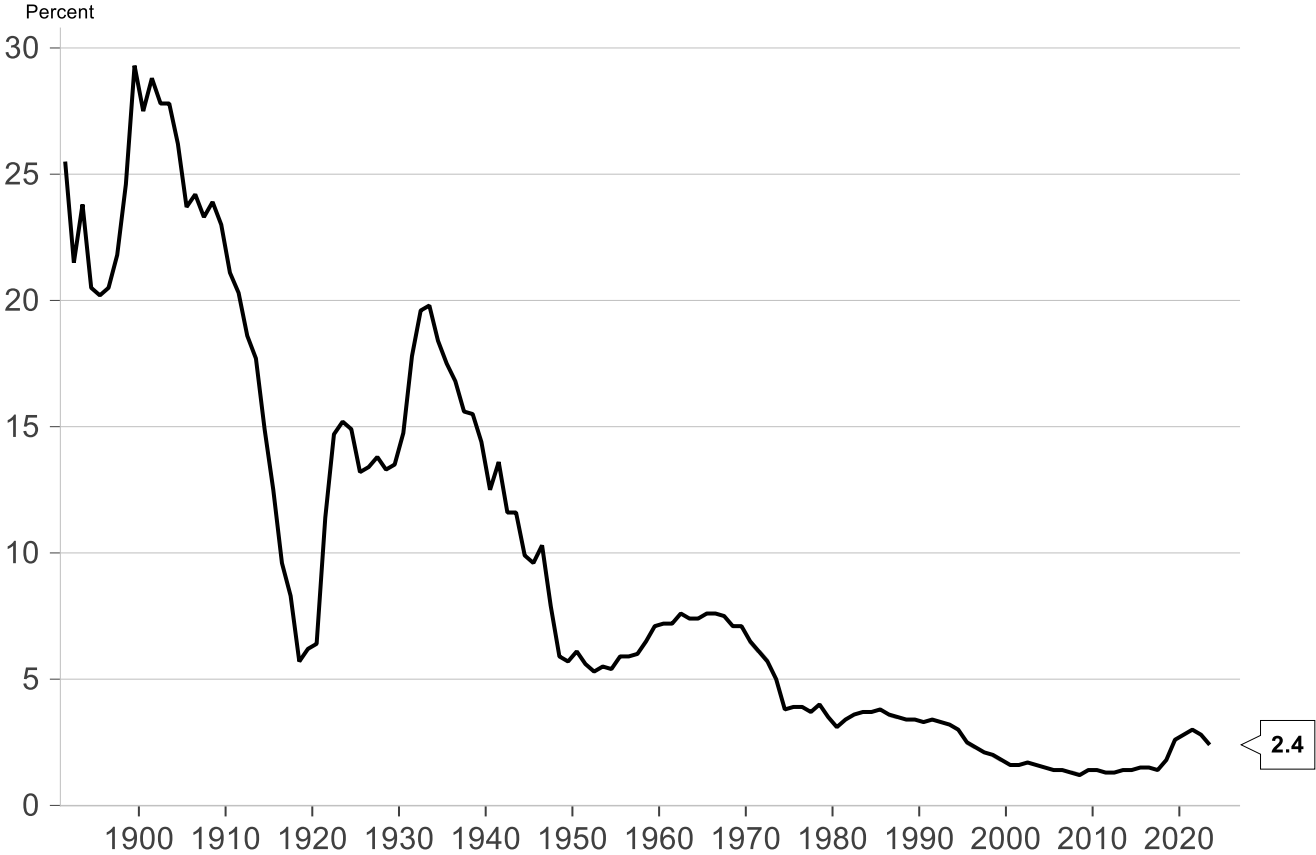
Interest Rates and Equity Multiples Both Rose Ahead of TCJA



Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global, U.S. Department of Treasury

Risk #2: Large Tariff Increases Could be Tough for Consumers to Absorb

Trade Taxes as % of Total Imports

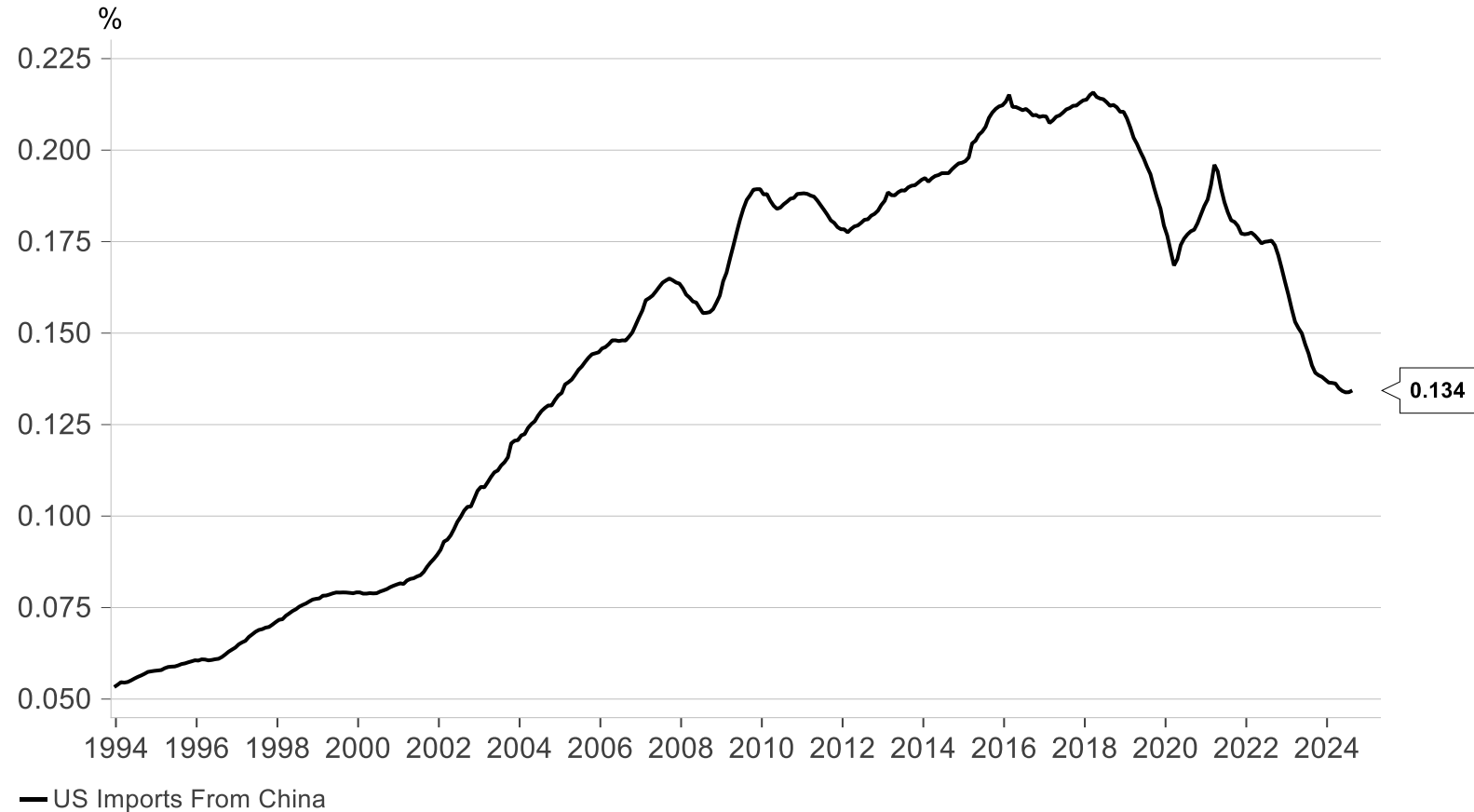


— Ratio of Trade Duties Collected to Total Imports

Source: NewEdge Wealth, Macrobond, Bloomberg United States International Trade Commission

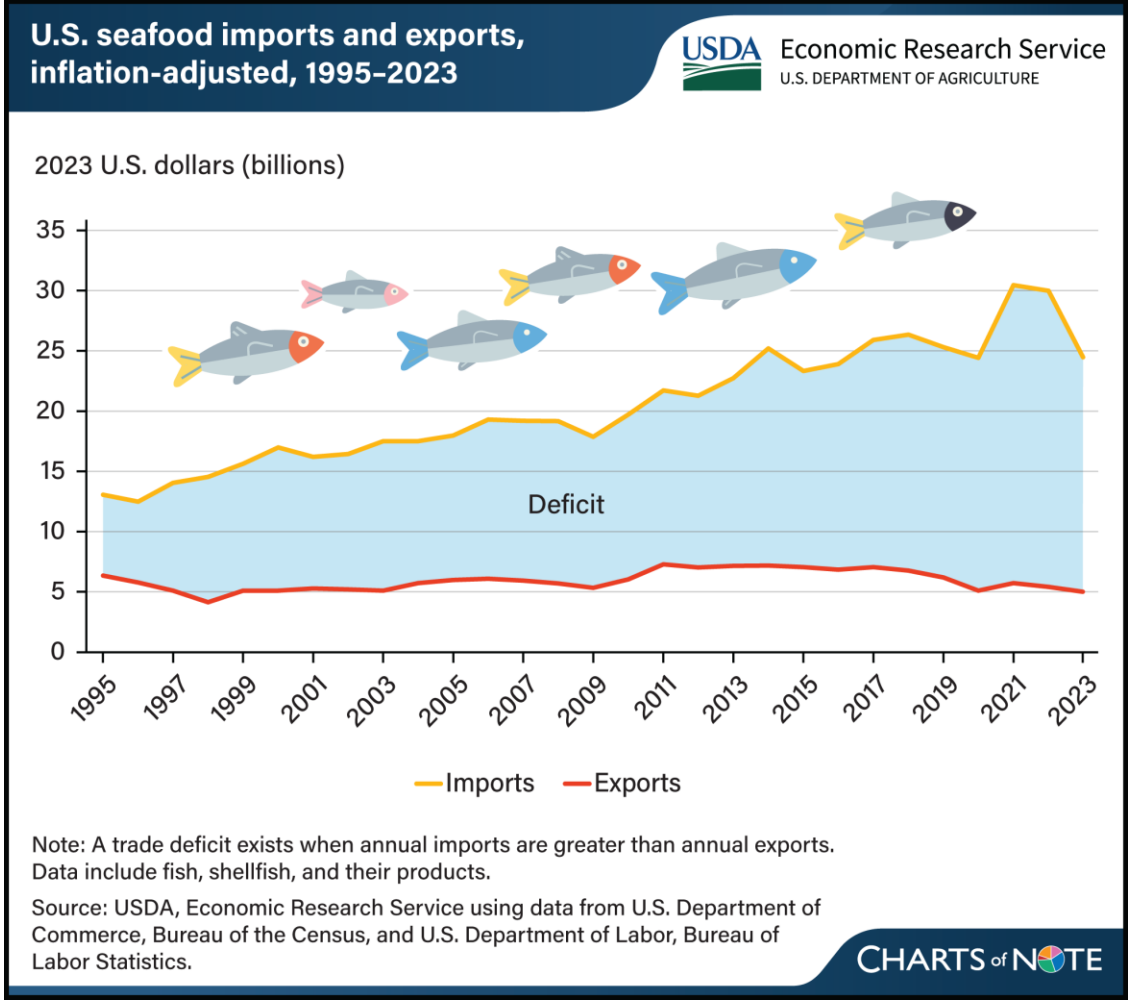
Trump is Talking About Even Larger Tariffs on China

US Imports From China as a % of Total Imports



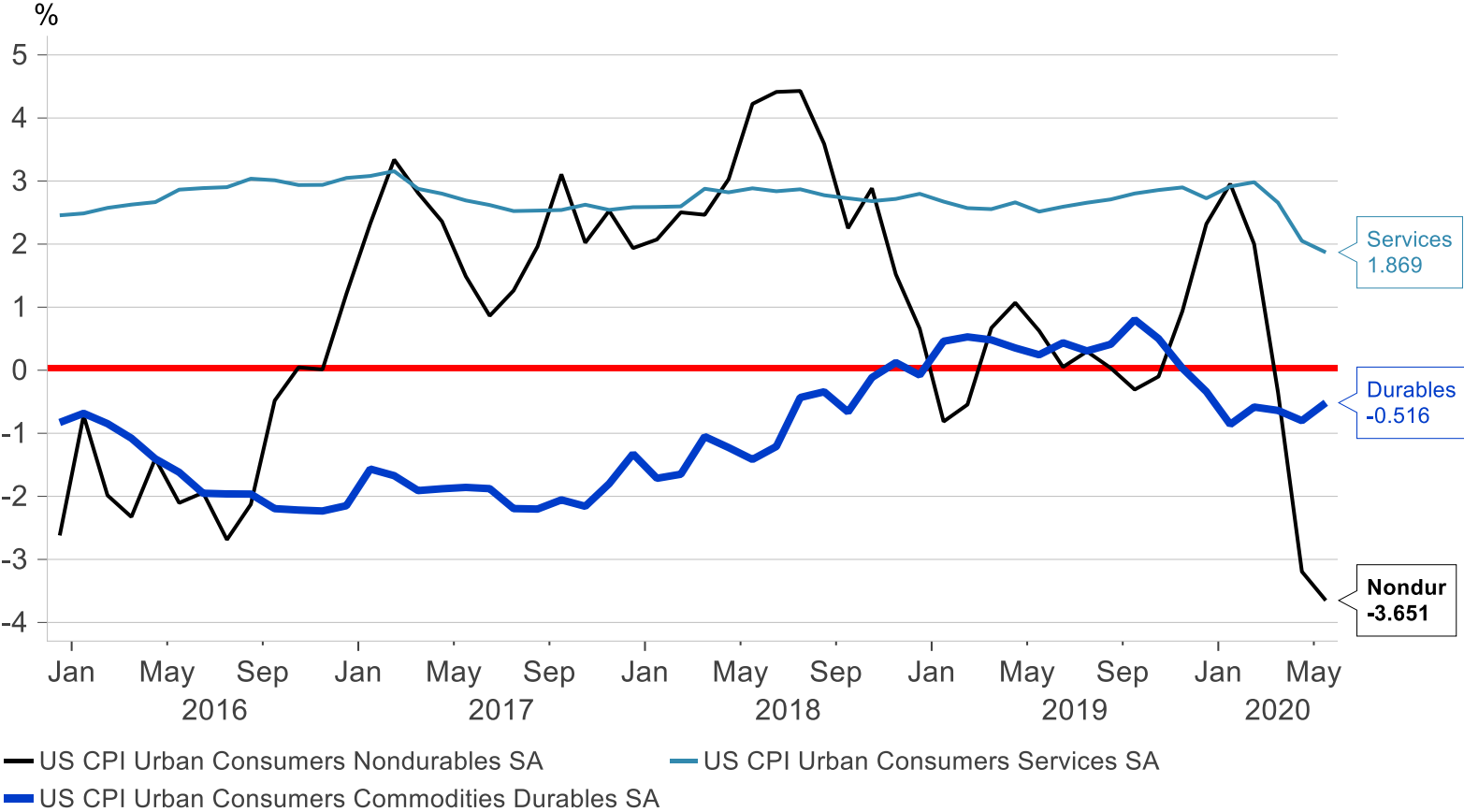
Source: NewEdge Wealth, Macrobond, Bloomberg

But Some Things We Just Don't Produce... 90% of US Consumed Fish is Imported (NOAA)



Trump's Tariffs Did Result in a Bottoming in Durable Goods Prices

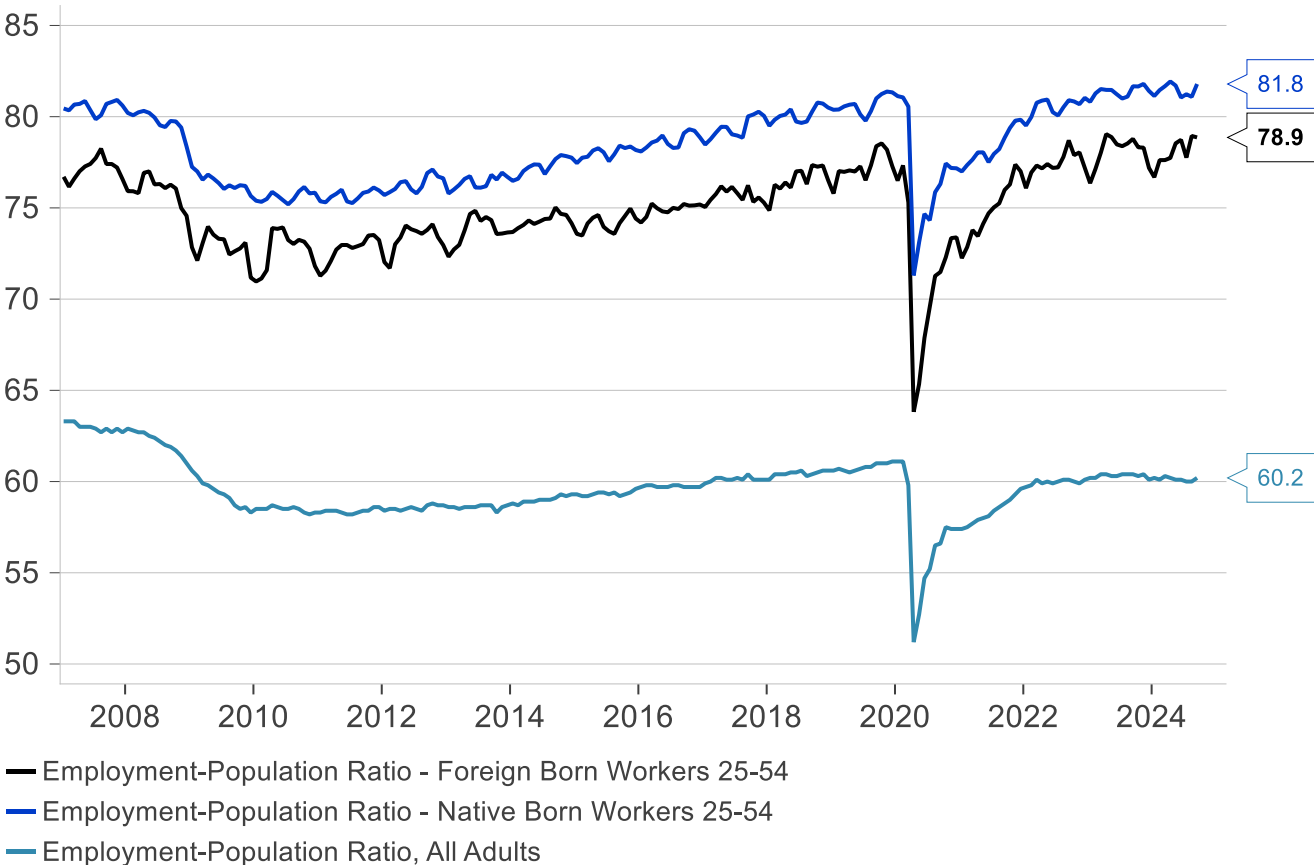
CPI Components: Durable Goods, Nondurable Goods, and Services



Source: NewEdge Wealth, Macrobond, Bloomberg

Risk #3: Immigration Restrictions Contribute to a Re-tightening Labor Market

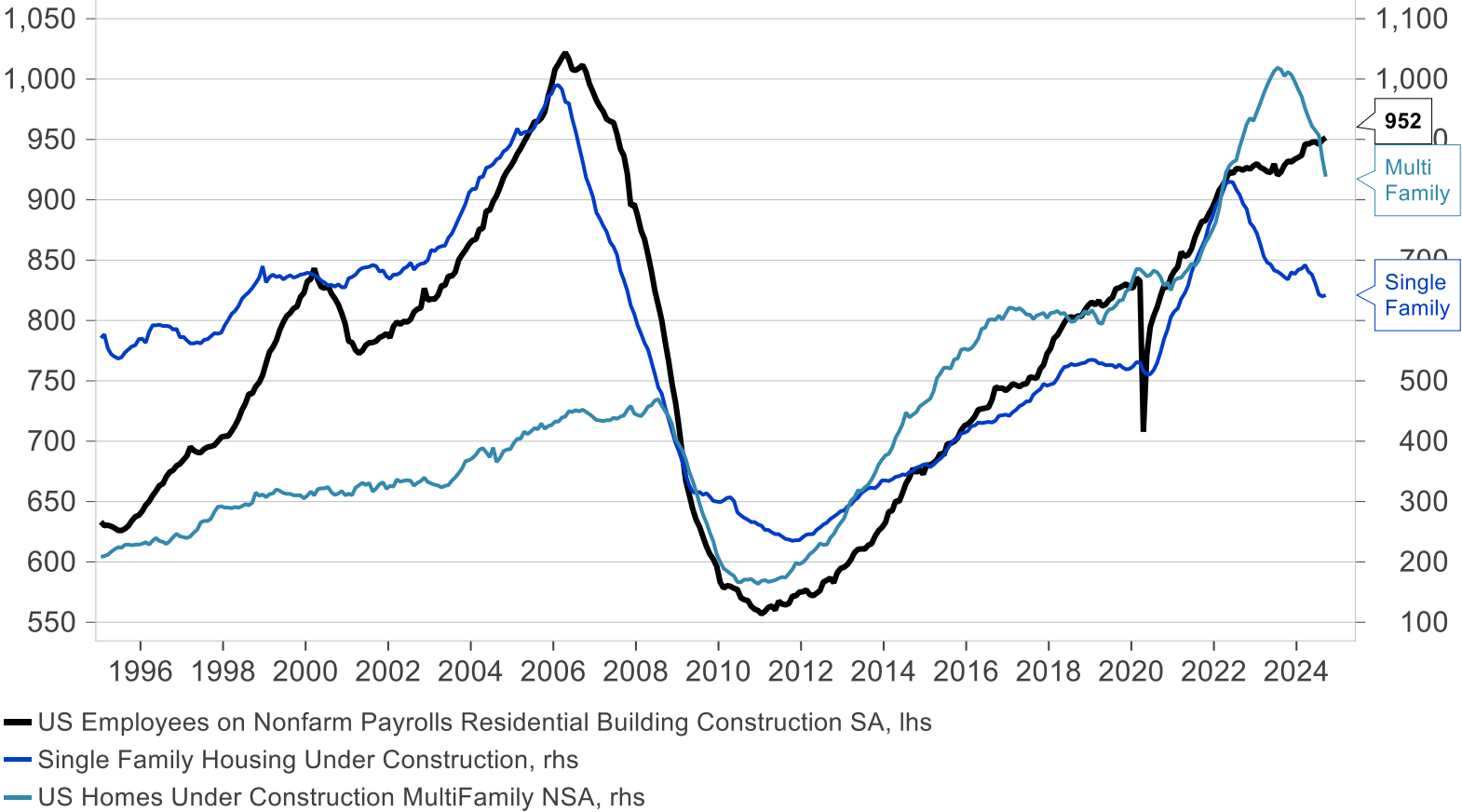
Prime-Age Workers are Employed at Close to Their Highest Rates Ever



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Labor Statistics (BLS)

No Slack in the Housing Labor Market

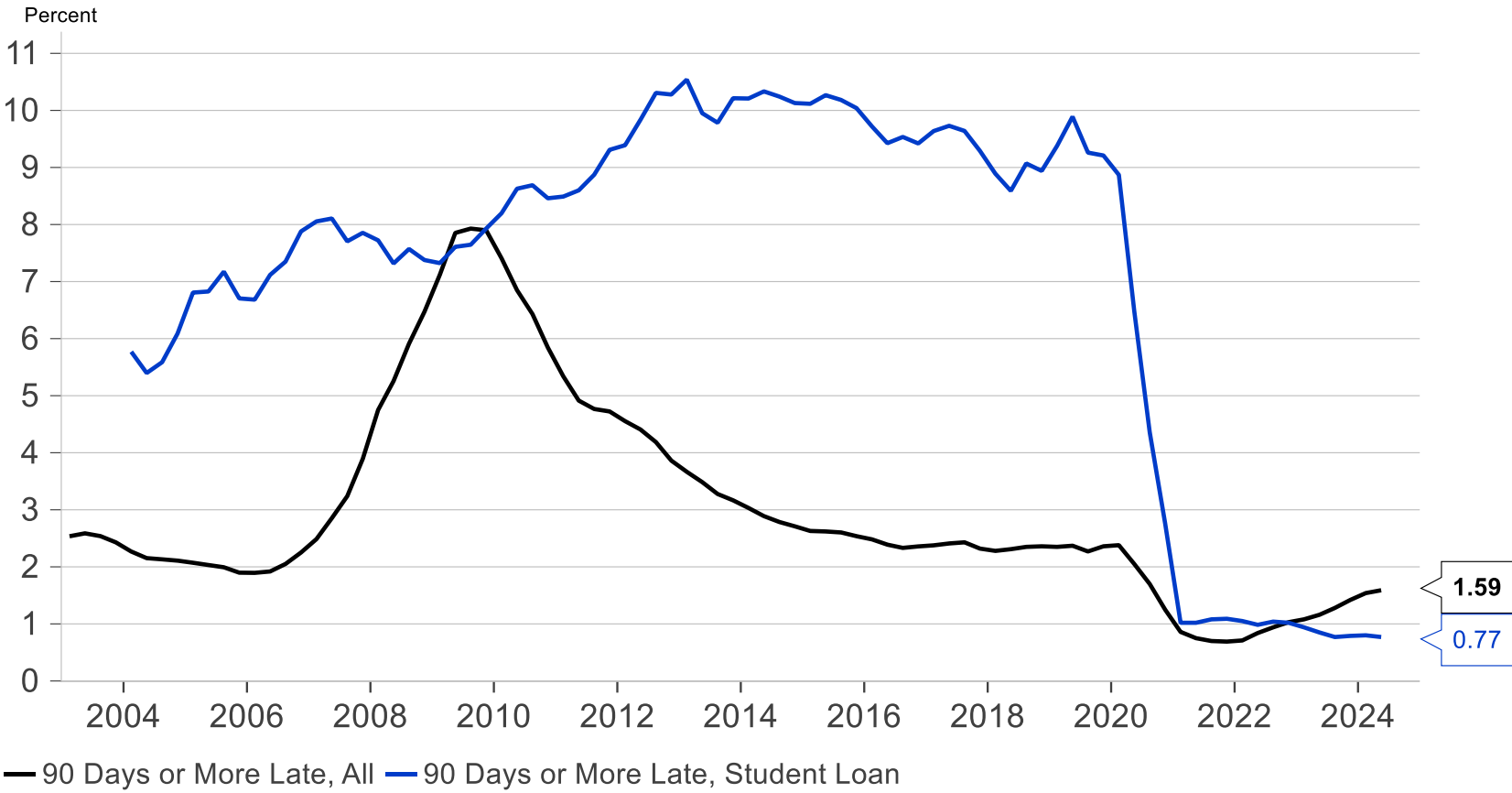
Housing Related Employment Still At Cycle Highs



Source: NewEdge Wealth, Macrobond, Bloomberg

Bonus Risk: Rise in Student Loan Default Rate Almost Inevitable

United States, Deposits & Loans, Consumer Credit, By Delinquency

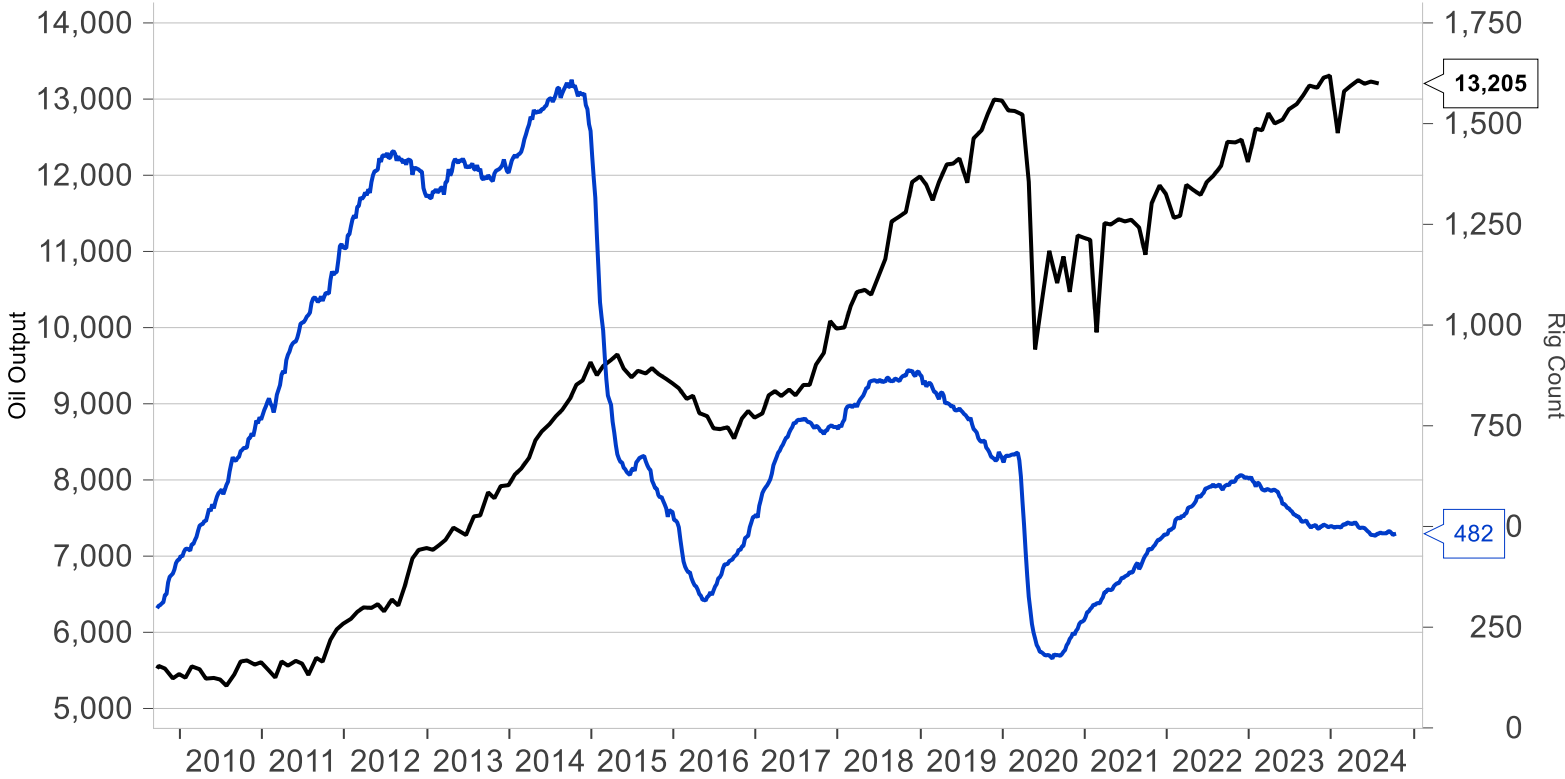


Source: NewEdge Wealth, Macrobond, Bloomberg Federal Reserve Bank of New York

Bonus Risk: Energy Deregulation Results in a Supply Glut? Great for Consumers

There's Operating Efficiency in Them Thar Hills: Record Production with Fewer Rigs

U.S. Crude Oil Output & Baker Hughes Rig Count



— DOE EIA US Crude Oil Production (MBPD), lhs — Baker Hughes United States Crude Oil Rotary Rig Count Data, rhs

Source: NewEdge Wealth, Macrobond, Bloomberg, as of 10/12/23

Disclosures

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. You cannot invest directly in an index. Index returns shown are total returns which includes interest, capital gains, dividends, and distributions realized over a given period of time. An individual who purchases an investment product which attempts to mimic the performance of a benchmark or index will incur expenses such as management fees and transaction costs which reduce returns.

TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
U.S. MBS: Bloomberg Barclays US MBS Index
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap : Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
U.S.: MSCI USA Net Total Return USD Index

Europe: Euro Stoxx 50
United Kingdom: UK FTSE 100
Japan: Tokyo TOPIX Stock Exchange Index
China: Hang Seng Index
Brazil: Ibovespa Brasil Sao Paulo Stock Exchange Index
India: NSE Nifty Index
South Korea: Korea Stock Exchange KOSPI Index
Taiwan: Taiwan Stock Exchange Index

REITS Diversified: FTSE Nareit Eqty Diversified Total Return Index
REITS Healthcare: FTSE Nareit Eqty Health Care Total Return Index
REITS Industrial: FTSE Nareit Eqty Industrial Total Return Index
REITS Lodging/Resorts: FTSE Nareit Eqty Lodging/Resorts Total Return Index
REITS Office: FTSE Nareit Eqty Office Total Return Index
REITS Residential: FTSE Nareit Eqty Residential Total Return Index
REITS Retail: FTSE Nareit Eqty Retail Total Return Index
REITS Self Storage: FTSE Nareit Eqty Self Storage Total Return Index
REITS Data Centers: FTSE Nareit Equity Data Centers Total Return Index
REITS Specialty: FTSE Nareit Equity Specialty Total Return Index
Real Assets Agriculture: Bloomberg Sub Agriculture Total Return Index
Real Assets Industrial Metals: Bloomberg Sub Industrial Metals Total Return Index
Real Assets Precious Metals: Bloomberg Sub Precious Metals Total Return Index
Real Assets Energy: Bloomberg Sub Energy Total Return Index

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Abbreviations/Definitions: AI: artificial intelligence; CB: central banks; CPI: Consumer Price Index; Dot Plot: The Fed dot plot is published quarterly as a chart showing where each of the 12 members of the FOMC expect the federal funds rate to be for each of the next three years and the long term; EBITDA: Earnings before interest, taxes, depreciation and amortization; EM: emerging markets; EPS: earnings per share; HY: high yield; IG: investment grade; Initial Jobless Claims: measures the number of individuals who filed for unemployment insurance for the first time during the past week; IPO: initial public offering; Treasury General Account (TGA): Treasury's cash balance held at the Fed; Trimmed mean inflation: a measure that strips out the fastest and slowest growing prices each month, leaving behind a less noisy measure of core inflation; VIX is the ticker symbol for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Any questions?

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