



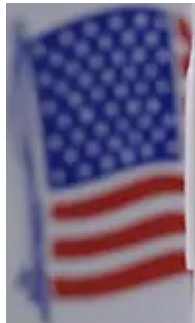
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## Market View

# US election: on the ground insights

As America approaches the 2024 election, the political climate is awash with speculation and strategic manoeuvring. In recent calls with LGT Wealth Management, former Ambassador Ed McMullen and Congressman Don Beyer, provided comprehensive insights regarding different facets of the election, from polling expectations to economic and foreign policy. Here, we delve deeper into these insights, to paint a clearer picture of the 2024 US election landscape.

Date 11 October 2024



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**VOTE**

## Polling and election landscape

Both parties emphasised the closeness of the race between Donald Trump and Kamala Harris, with McMullen noting that national polls slightly favour Trump. Of particular significance are the battleground states of Pennsylvania, Michigan, Arizona, Nevada, and Wisconsin. McMullen pointed out that Trump leads in most of these states, with the exception of Wisconsin where he trails by two points. Importantly, he highlighted the stagnant nature of polling numbers post-debate, indicating no significant bounce for Harris nor any detriment for Trump despite their debate performance.

Congressman Beyer provided a contrasting view, expressing optimism about Vice President Harris's chances. Beyer spoke about the transition within the Democratic camp, with Biden stepping aside and Harris taking his place. Interestingly, this transition was surprisingly smooth, contrary to expectations of internal party conflict. Beyer noted the resulting surge in support, which transformed an eight-point deficit into a tied race. The unique Electoral College system presents both a challenge and an opportunity, underscoring the critical role of a few key electoral states.

## Senate and House projections

McMullen provided predictions for the Senate and House outcomes, expecting the Senate to shift in favour of Republicans with a projected majority of 48-52. However, he expressed less optimism for the House, which, despite currently being in Republican hands, appears likely to potentially shift back to Democratic control due to historic reapportionment by Speaker Pelosi. Beyer was in agreement, expressing optimism for the Democrats reclaiming the House, citing the historical difficulty of a party maintaining control for only two years. Beyer recognised the Senate remains a tight contest with the loss of Joe Manchin's seat in West Virginia being a significant challenge for the Democrats. The overall election dynamics are expected to culminate in a very close presidential race, with the ultimate result hinging on a few key states.

Beyer expressed a general concern about increasing partisanship in Congress, noting that only about 60 out of 435 House seats are truly competitive, with only around ten likely to change hands. This partisanship pulls candidates to the extremes of their parties, with liberal Democrats and conservative Republicans winning primaries, creating a polarised Congress with little overlap. He advocated for reforms like multi-member districts and ranked-choice voting to reduce extremism and foster bipartisan cooperation.

## Economic policies

According to McMullen, Trump's economic policies focus on growth through low taxes and deregulation, aiming to replicate the economic success of his previous term. McMullen believes that Trump's presidency was characterised by high wage growth, increased capital expenditure, low inflation and a higher potential GDP within a geopolitically stable environment. He hopes to see these outcomes again in a new term.

He pointed out that under Trump, the US poverty rate hit its lowest level since 1972, while it has since increased under the current administration.

McMullen criticised the Biden-Harris administration for being non-productive and engaging in massive spending, which he claimed led to the highest inflation since the 1980s and placed the US on a challenging economic trajectory.

However, Beyer's view is that the economy under the Biden-Harris administration is marked by low unemployment and steady job growth. Nevertheless, he recognised that inflation remains a prominent

concern.

Beyer's believes that legislative priorities should include extending the research and development tax credit and addressing the national debt through reforms such as the Social Security 2100 Act. He discussed the potential continuation of the Tax Cut and Jobs Act (TCJA) provisions, emphasising bipartisan support for measures like the research and experimentation tax credit and bonus depreciation. Additionally, he highlighted the Democratic push for a refundable child tax credit to reduce child poverty.

He also praised recent legislative efforts, including the largest infrastructure bill in US history, the CHIPS and Science Act, and the Inflation Reduction Act. He emphasised the long-term benefits of these investments in infrastructure, manufacturing, and environmental initiatives. Beyer pointed out that these measures have led to widespread construction and improvement projects across the country.

Turning to national debt, both speakers recognised this as an issue despite it not being mentioned much by either candidate in the campaign.

McMullen stressed the importance of addressing the federal debt, criticising the Biden-Harris administration for their spending policies. He argued that money was directed into family pockets rather than the private sector, which stunted job growth and productivity. He also highlighted the impact of this spending on consumer sentiment and credit card debt, comparing it unfavourably to previous administrations.

Beyer also acknowledged the growing national debt, emphasising the need for structural reforms in Social Security, Medicare and Medicaid. He advocated for measures like the Social Security 2100 Act to ensure long-term sustainability. He also pointed out the growing homeless population and high housing prices, suggesting policies to alleviate these issues.

## International relations

When the discussion turned to international relations, McMullen praised Trump's diplomatic efforts, particularly his focus on less military engagement and more diplomacy. He cited the Abraham Accords as a significant achievement that fostered cooperation between Middle Eastern countries and Israel, contrasting this with the current situation. McMullen reiterated Trump's commitment to resolving international conflicts, such as the Ukraine-Russia border issues and anticipated that "day one" resolutions would benefit global stability.

Beyer focused on trade and tariffs, criticising Trump's tariff policies and advocating for a more cooperative international trade regime. He reiterated the Democratic view that it is not the countries with higher tariffs that suffer, but rather the American consumers who end up paying higher prices for goods.

While McMullen focused on previous good relationships between Trump and China from a diplomatic perspective, Beyer focused on the proposed higher trade tariffs for China. He emphasised the need for a balanced approach to China, combining competition with cooperation where possible.

## Domestic Issues

Both speakers addressed inflation and the cost of living. McMullen underscored the issue of inflation under the Biden-Harris administration, particularly concerning essential goods and services such as energy, shelter and food. Inflation remains a critical concern, particularly for lower-income families and he believes

it will be a decisive factor in the election, especially in battleground states.

He contrasted the current high inflation with the Trump administration during which gasoline was 30% cheaper. McMullan highlighted several economic issues exacerbated by inflation, including increased credit card and auto loan delinquencies, high interest rates and low consumer sentiment. He criticised the current administration's spending policies, suggesting they worsened inflation without boosting productivity

Beyer views the US economy positively, noting 43 consecutive months of job growth and the lowest unemployment rates since the early 1960s. He attributes the recent slight increase in unemployment (from 3.5% to 4.3%) to the Federal Reserve's interest rate hikes aimed at slowing down the economy. However, he acknowledges that while the inflation rate has stabilised, prices for groceries and other essential goods remain high, requiring Americans to adjust to this new higher price level. Despite these challenges, he remains optimistic about the economy, citing several major investments, including the largest infrastructure bill in US history, the CHIPS and Science Act, and the Inflation Reduction Act, as reasons for this positive outlook.

## Conclusion

The discussions presented during the calls highlight the stark contrasts between the Trump and Harris campaigns. McMullen believes a Trump win could prioritise economic liberalisation, reduced government spending and foreign policy stabilisation. In contrast, Beyer suggests a Harris win might focus on sustaining or increasing government entitlements and managing the complexities of executive power and immigration. Each approach carries profound implications for the future of US governance, economy and international relations.

Their differing visions on economic policy, international diplomacy and domestic issues will underpin the 2024 election. With tight races in pivotal states, the election outcome will not only shape America's immediate future but also have global repercussions, influencing economic and geopolitical dynamics for years to come.

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