Post US-Election
Policy and Economic Outlook

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Trump’s Return to the White House:

The election of Donald Trump as the 47th President of the United States puts in place a policy era that has the potential to fundamentally change the global economic and geopolitical framework. The 'America First' agenda of Donald Trump will likely amplify protectionism and focus on reducing trade deficits by bringing back domestic manufacturing and removing regulations. This may likely influence U.S. sectors such as the energy and fossil fuel industries, but it will aggravate the context of market instability across the globe, particularly as global trade is subjected to strain and tensions heighten within geopolitical dimensions.

On a short-term level, the economic growing prospects of Trump's policies, including tax cuts, deregulation and increasing government spending on infrastructures, defense, and the like are likely to stir expansion in terms of economic growth. However, this will be due to increased national debt and deficits. Deregulation might be helpful to sectors such as energy and finance, but it brings along substantial environmental and financial stability risks. This economic action will hit developing economies more forcefully through capital flight and higher borrowing costs exacerbated by a strong U.S. dollar and rising Treasury yields.

Trump's impending policy of a more assertive foreign stance with greater defense spending and less foreign military engagement will change global security equations as China and Russia gain higher strategic salience. This will tend to destabilize relations internationally, as well as investors' confidence, especially with rising inflation and interest rates. All of this will probably make capital markets volatile with investor caution on the fluctuations in stock and bond markets, as well as the dollar that strengthens further and an outflow of capital from emerging markets that could increase economic woes, increasing uncertainty worldwide.

GLOBAL TRADE RELATIONS UNDER TRUMP

Protectionist Policies -

- Focus - Reducing the deficits and safeguarding American Jobs.
- Tools - The implementation would be done with the help of tariff policies, trade barriers, and quotas.

US-China Tensions -

- The US-China international relations will continue to be tense if Trump decides to go ahead with his tariff policies. It would lead to retaliatory actions from China and ongoing friction.
- Trump's stance on China resonates with a portion of the American electorate who view China's trade practices and technological dominance as unfair.

Economic Nationalism -

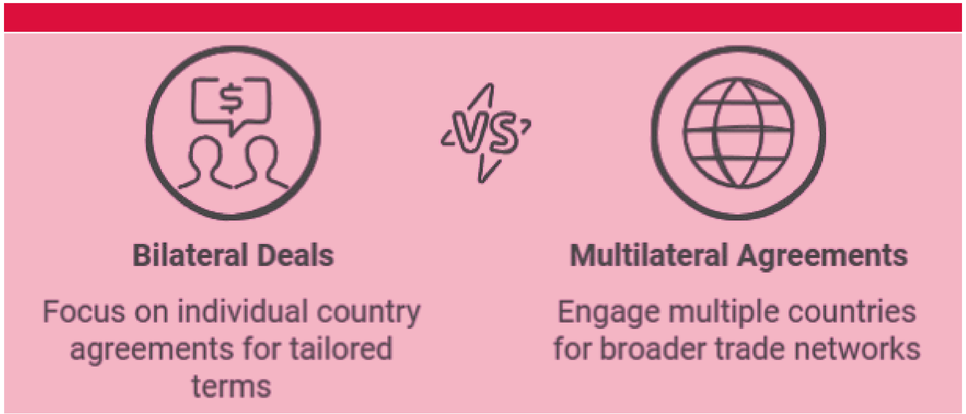
- Trump's focus on "unfair" trade practices may lead to tariffs and trade restrictions, risking retaliations and destabilizing global markets.

Relations with EU -

- Trump's relationship with the EU was strained in his first term due to accusations of unfair trade practices. Upon re-election, he may attempt to reduce the U.S. trade deficit with the EU and challenge global trade regulations that conflict with U.S. interests.

Re-negotiating Trade Deals -

- Trump may renegotiate trade agreements, like the USMCA (United States - Mexico - Canada - Agreement) which replaced NAFTA (North Atlantic Free Trade Agreement), focusing on securing better terms for the U.S. through bilateral rather than multilateral deals.



KEY HIGHLIGHTS -

1. Universal tariff proposal -

- 10% tariffs on all imports, and 60% on all tariffs from China.
- EV Imports from China are targeted for special duties.

2. 2023 Import Data

- Total goods imported - $3.1 Trillion
- Total Imports from China - $421.4 Billion

3. Projected Revenue & Impact

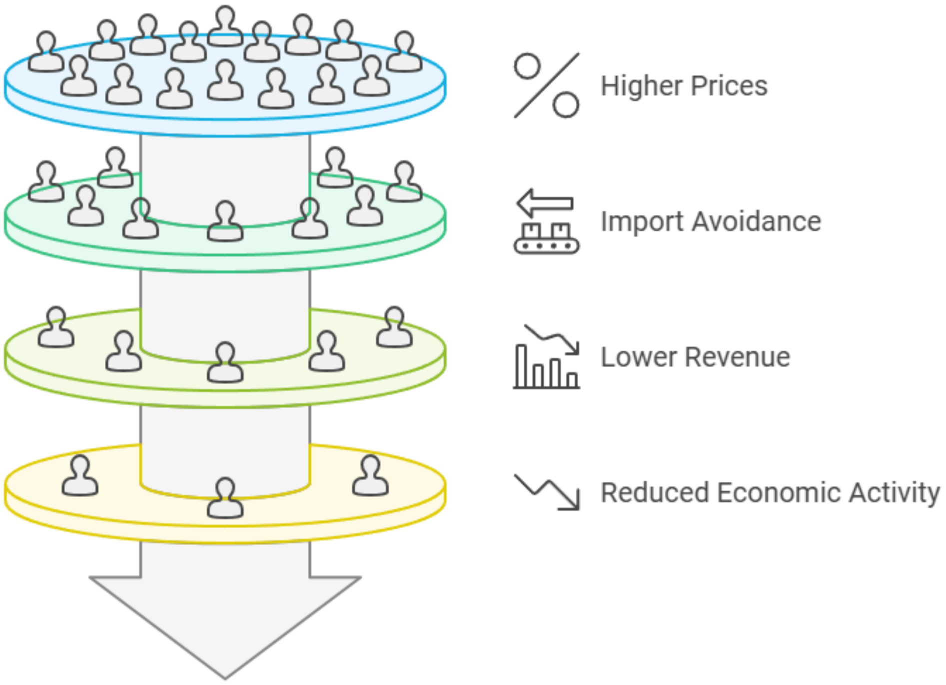
- Estimated Tax Revenue - $311 Billion
- However, the real revenue might be lower for reasons like tax avoidance and evasion, falling imports, and lower incomes.

4. Economic Consequences -

- Long-term GDP ↓ 0.8%.
- Capital stock ↓ 0.7%.
- Job loss: 684,000 full-time equivalents.

5. Impact on Global Value Chains

- Disruption to Global Value Chains
- Higher Consumer Prices
- Production and Investment Shifts



Impact on Major Trade Partners -

- Trump plans to renegotiate the Canada-Mexico-U.S. free trade agreement in 2026, likely pushing for concessions to favor "Buy America" policies and special interest groups.
- In 2023, Mexico became the largest exporter to the U.S., driven by Chinese-owned car parts plants utilizing tariff-free access. Trump has opposed such practices, threatening a 60% tariff on all Chinese exports.

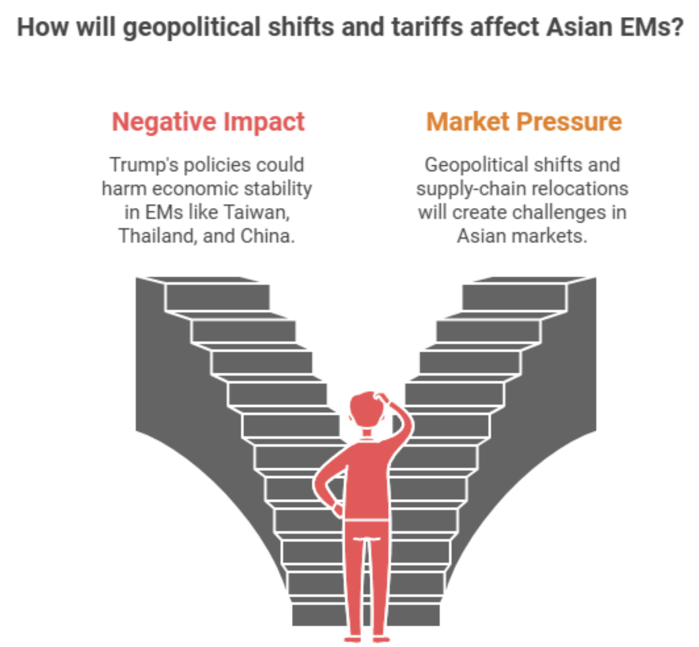
Impact on Emerging Markets

Emerging markets (EMs) will respond to the new administration's trade policies. Without higher tariffs, EM currencies and equities could benefit from balanced global growth, central bank easing, and robust earnings.

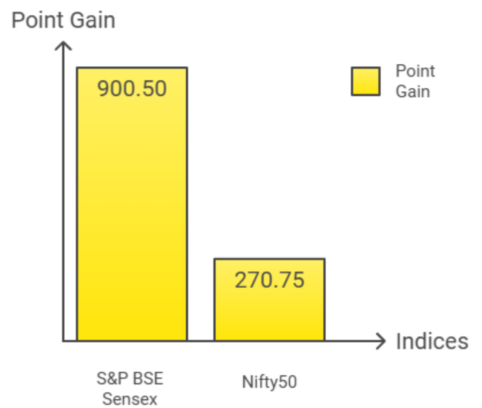
KEY POINTS:

- Trump's Policies: Preferences include corporate tax cuts, steep tariffs on imports (60% on China, 10-20% globally), mass deportation impacting labor, reduced aid to Ukraine, limited NATO involvement, and continued support for Israel and Taiwan.
- Impact on EMs: Trump's policies could negatively affect Asian EMs, particularly Taiwan, Thailand, and China, with Malaysia and India also impacted.
- Asian Markets Under Pressure: Geopolitical shifts and supply-chain relocations, driven by tariffs and tech competition, will shape opportunities in EMs.

Impact of Trump's Policies on Asian Emerging Markets



The S&P BSE Sensex gained 900.50 points, closing at 80,378.13, while the Nifty50 rose 270.75 points to 24,484.05. These figures reflect a single trading session, but the broader implications of Trump's victory for India's economy and financial markets could be far-reaching.

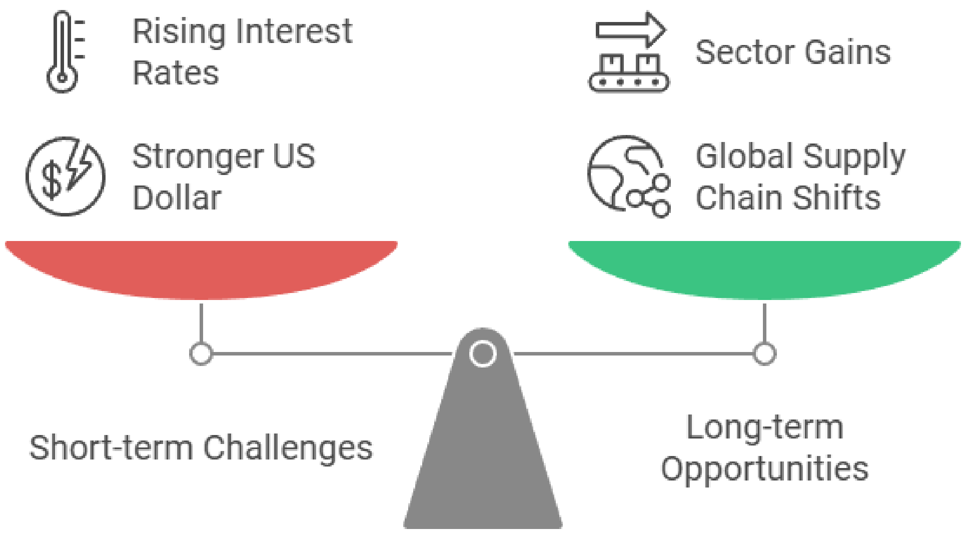


Stock Market Index Performance

Impact on Indian Economy:

Here are some potential implications of Trump's victory for India's economy and financial markets:

- Short-term Challenges: A stronger US dollar, rising interest rates, and potential capital outflows may affect India's economy.
- Impact on Rupee: The Indian rupee may come under pressure due to a stronger US dollar, but India's strong foreign exchange reserves could provide reassurance.
- Market Volatility: The combination of rising yields and a stronger dollar may challenge India's external sector, impacting capital flows and import costs.
- Long-term Opportunities: India may benefit from global supply chain shifts, with key sectors like IT, pharma, and manufacturing positioned to gain.
- Trade Policies: Trump's protectionist trade policies might continue to push businesses to diversify production outside China, giving India an edge.



Balancing Immediate Challenges with Future Gains

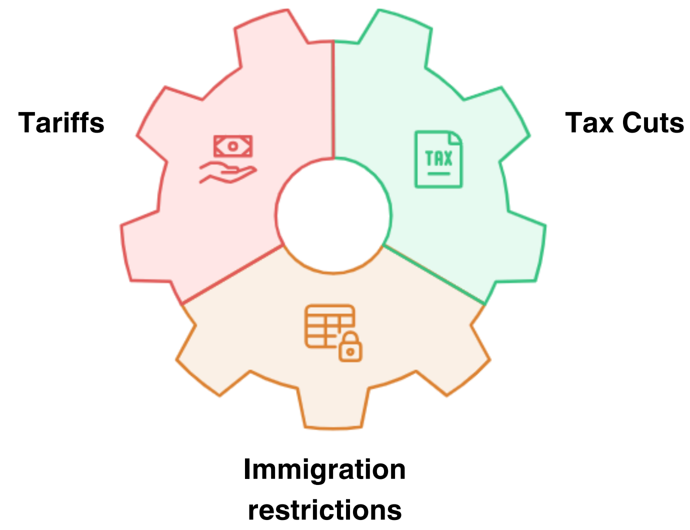
Trump vs Harris: Contrasting economic policies for America's future

Policies	Donald Trump	Kamala Harris
Tariffs	Implements broad tariffs on imports to boost domestic production and reduce dependency on foreign goods	Advocates for minimal tariffs, applied only to specific sectors to protect key industries
Corporate tax	Proposes corporate tax cuts to stimulate business investment, prioritizing economic growth through lower taxation	Proposes moderate hike in tax to fund social service, aiming to reduce income inequality
Federal reserve	Prefers control over the fed, encouraging policies that may boost short-term growth but risk inflation	Favors maintaining federal reserve independence to control inflation and ensure stable growth

Effect of the Trump Trade Policy

- Trump's election promises, including tariffs hike on imports by 10% – 20% (notably from China to be 60%), tax cuts, and immigration restrictions, pose risks to economic stability.
- Increased tariffs may increase domestic prices, raising inflation, while a smaller workforce due to stricter immigration policy could slow growth.

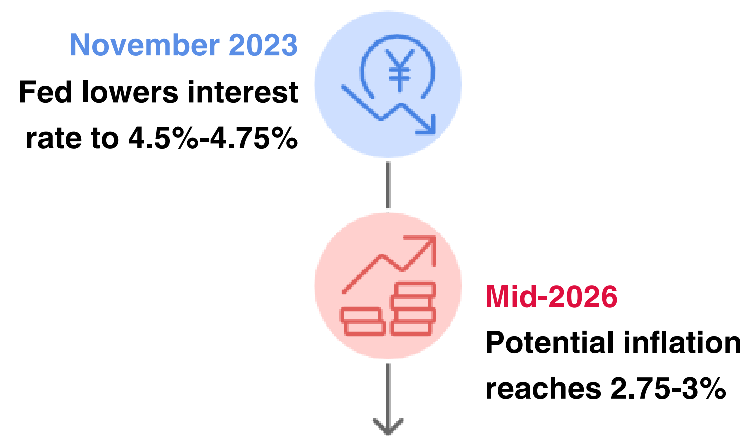
Impact of Trump Trade Policy



Federal Reserve's Policy Challenges

- In November the fed lowered the interest rate by a quarter point to 4.5% to 4.75% but after the election aftermath and trump's policy, the feds are most likely to upend the future rate cuts signalled by them.
- Trump' potential influence could hamstring Fed's ability to cut rates when the economy needs it. The constant public attacks by Trump on Fed's Chair Jerome Powell seem to promise likely White House interference with monetary policy.
- If inflation rates reach 2.75-3% by mid-2026, as some economists predict, the Fed might be forced to halt further rate cuts, affecting borrowing costs.

Federal Reserve's Monetary Policy Shifts



Trump's economic measures

Individual tax provision

- Maintain TCJA rates and brackets, with a 37% top rate and high AMT exemptions. Standard deductions remaining roughly twice as high as before the Tax cut and jobs act (TCJA) and personal exemptions would remain eliminated

Social security tax

- Exclude all social security benefits from taxable income for all individual

Business tax provisions

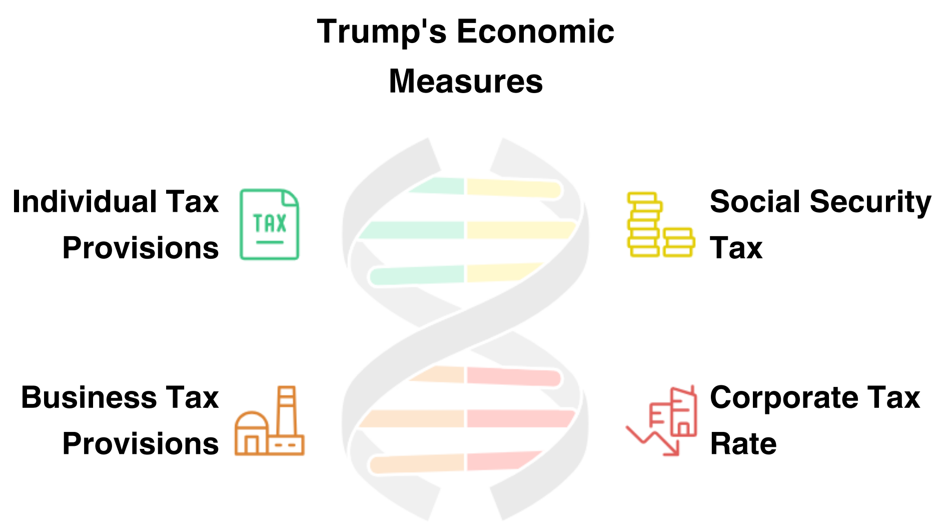
- Restore 100% bonus depreciation and full R&E deductions, reversing recent limitations on deductions.

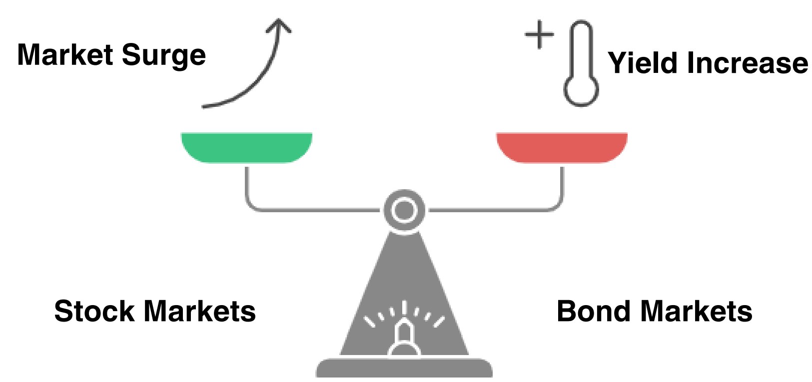
Corporate tax rate

- Further reduce to 15%, down from the TCJA 21% cut.

Market Reactions

- Post-election, stock markets surged while bond markets saw declines. The 10-year Treasury bond yield rose significantly, indicating investor concerns over potential deficit increases and inflation.
- Rising yields on Treasury bonds indicate higher returns for investors but also are a signal of market caution about Trump's fiscal policies.

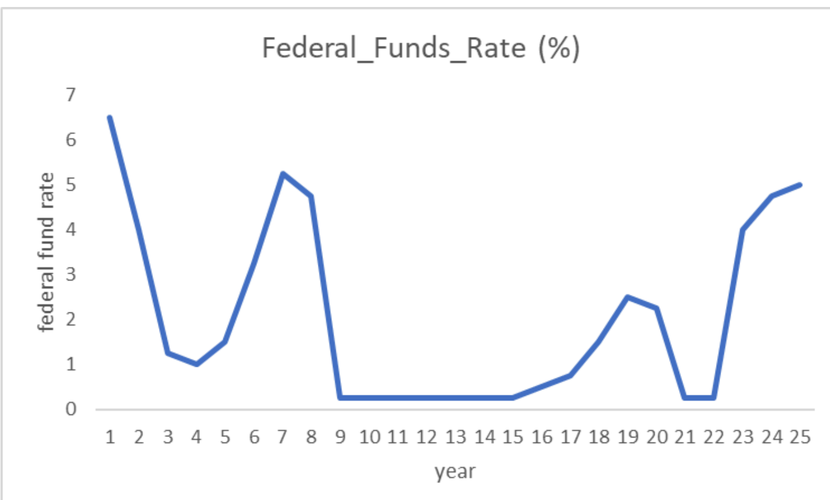


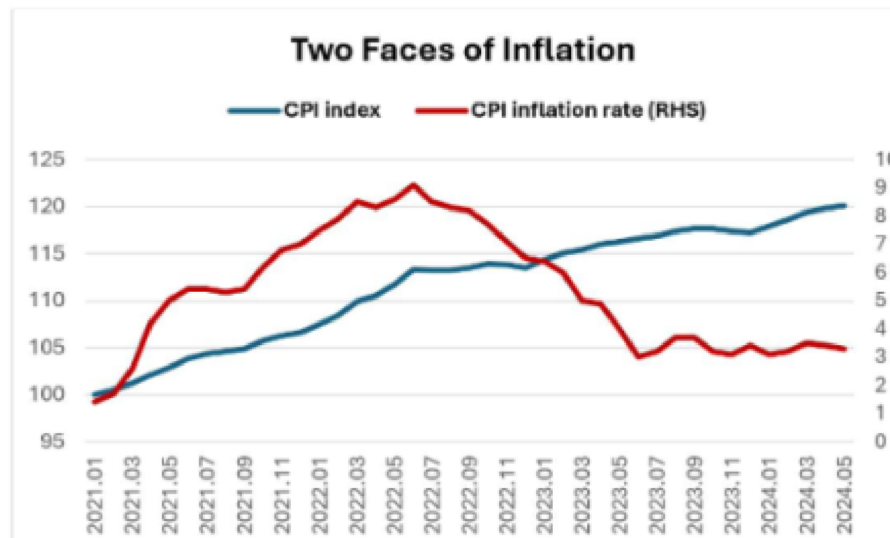


Post-election market dynamics: stocks soar, bonds caution.

IMF Global Inflation Projection

- The IMF projects global inflation to decline from 6.8% in 2023 to 4.5% in 2025, in consequence of pressures from supply-demand mismatches and labour shortages from demographic shifts and immigration controls exercising their influence.
- Inflation might continue running above the target in important economies due to supply chain realignment, geopolitical uncertainties, and variability in climate.





Source: US Bureau of Labor Statistics

U.S. Energy Policy under Trump vs Kamala

Differentiating factor	Donald Trump	Kamala Harris
Primary focus	Energy independence through maximized domestic oil and gas production with his aggressive approach.	Renewable energy transition and sustainability, supported by the Inflation Reduction Act (IRA)
Oil & gas production	Expands production; eases drilling restrictions; due to which federal climate action might be 'Derailed' for the next four year	Tightens environmental regulations on oil and gas
View on renewable energy	Opposes and labels green initiatives as a "SCAM," negatively impacting renewable energy stocks (Sunrun -27%, Sunnova -43%, FirstSolar -12.5%)	Supports investment in renewable energy and EVs, likely benefiting green energy stocks

OPEC + and Non-OPEC Producers' Challenges

Growing production in the U.S.

- Growing U.S. crude production has been a thorn in the side for OPEC+ in recent years, challenging the bloc's control over output and pricing influence.

Higher Non-OPEC production

- Non-OPEC production is expected to be higher with records for global output witnessed for Brazil, Canada, and Guyana, while OPEC+ looks to maintain output cuts through the balance of the calendar year 2025, stabilizing market activities.

Geopolitical Threats to Petroleum Markets

Tension in the Middle East

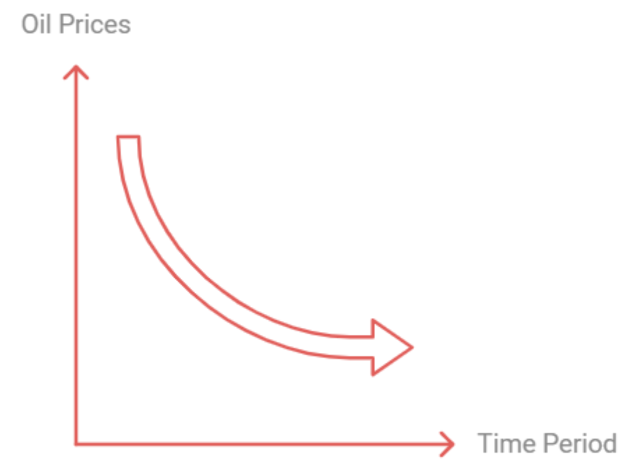
- Middle East tension, especially that of Iraq, and Russia-Ukraine conflict are still critical threats to oil supply stability.

Swings in energy imports

- Drastic swings in energy imports, which the Ukraine crisis created by leading to a decrease in the purchase of Russian fossil fuel by Europe from 16 billion euro to 1 billion euro a month from 2022 to 2023 and shifting its energy dependency to others.

Global crude oil prices impact

- If the tariffs on Chinese imports from Trump are deployed, lower demand from China – the world's biggest oil importer– will certainly send global oil prices lower.
- Trump intends to boost U.S. oil production and exports, which may pressure OPEC+ and other global producers into competitive production increases and stabilise or even lower the oil price.



Impact of Tariffs on Global Oil Prices

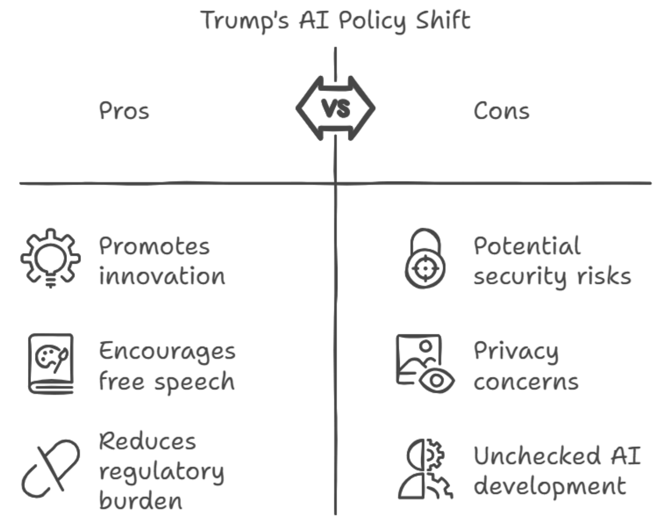
Trump's AI Policy Shift

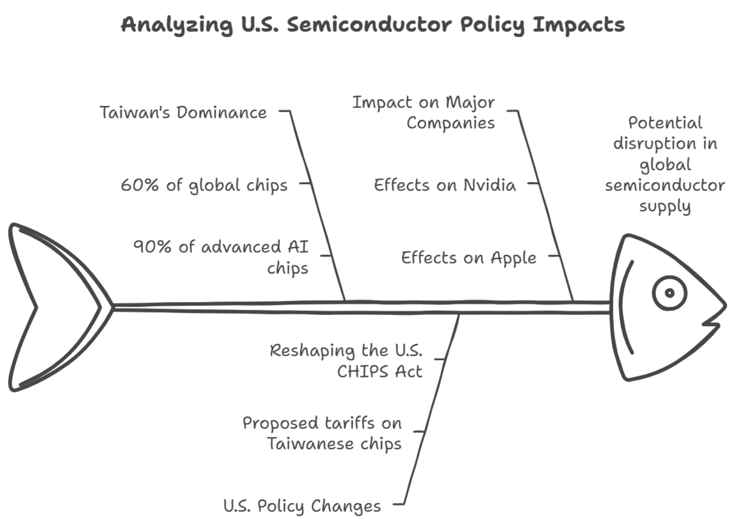
Trump would replace Biden's restrictive AI regulations, based more on security and privacy concerns, with a freer strategy built on "AI development rooted in free speech." Trump's stance against AI regulation aligns with his view that safety measures can impede innovation.

The Semiconductor Industry and Export Regulations:

•Trump has expressed frustration with Taiwan's semiconductor dominance, suggesting tariffs on Taiwanese chips to encourage U.S. chip production and potentially reshaping the U.S. CHIPS Act.

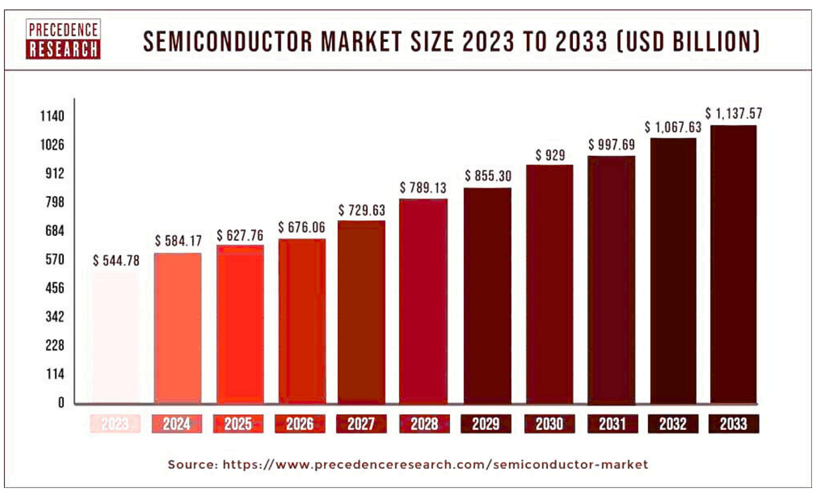
• Given Taiwan's dominance, supplying nearly 60% of global chips and 90% of advanced AI-related chips, any policy changes could disrupt major players like TSMC, which would affect companies like Nvidia and Apple.

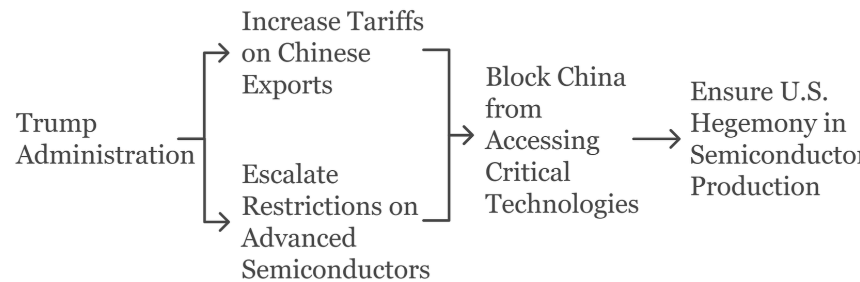




Implications for U.S. China trade and semiconductor controls

Trump will likely increase the tariffs on Chinese exports which include lower-tech semiconductors and escalate the restrictions in export of advanced semiconductors. These policies would continue Trump's previous policies aimed at blocking China from accessing critical technologies and ensuring U.S. hegemony in the production of semiconductors.





Political Risk: Taiwan and China

Policy in Taiwan presents a tremendous risk to the semiconductor industry. International high-technology supply chains are exposed to disruptions originating from Taiwan because it has emerged as the world's premier hub for chip manufacturing
Taiwan is important for supplying advanced chips to the world. Therefore, an invasion by China could cost the world economy an estimated $10 trillion in advanced chips needed in AI and other technologies.

While it's too early to forecast with confidence, the return of a Trump presidency will likely augur a larger defence budget, though less security aid for American partners abroad like Ukraine. Part of why it's so difficult to predict the effects of a second Trump term is that there is less Republican consensus on defence spending, said Mark Cancian , who studies security budgets at the Center for Strategic and International Studies.

Expert's opinion

Mackenzie Eaglen, an expert on the defence budget at the American Enterprise Institute,said that Trump oversaw a massive hike in defence spending during his first term — some $225 billion higher than projected from the late Obama years. Republican aides in Congress signalled confidence that a second Trump term would increase the military budget, though cautioning that it's still too early to predict.

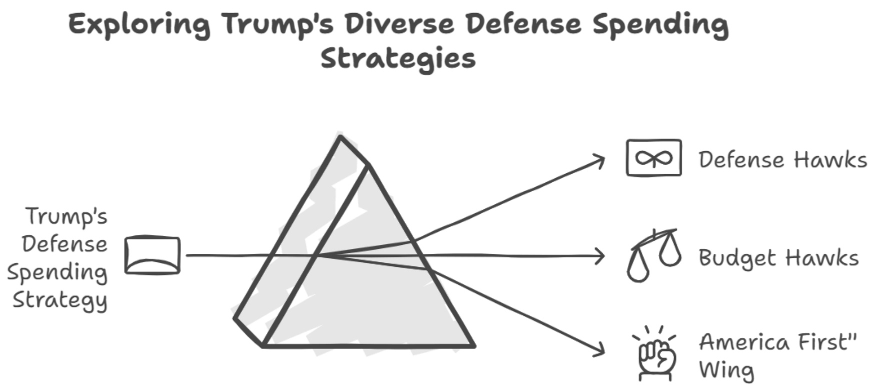
Trump's Pentagon Plans:

Whereas the right wing once almost uniformly supported higher military spending, it's now split into three main camps.

1. Defence hawks : It includes people like Former Secretary of State Mike Pompeo, who favour a more assertive military and funding to support one.

2.Budget hawks : It features individuals such as House Freedom Caucus, who are most concerned with bloated government spending and would in some cases favour cuts.

3."America First" wing of the Republican Party : It includes individuals like Secretary of Defence Chris Miller is sceptical that America's military needs to maintain so many missions around the world, and may also support cuts.



Source: https://foreignpolicy.com

Trump's Key Republican Policy Proposals

An American Iron Dome -

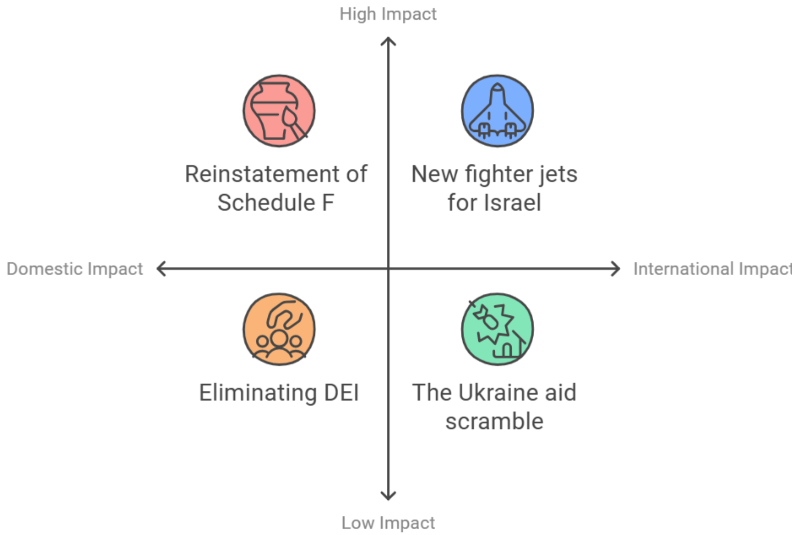
The 2024 Republican Party platform pledged to build an "Iron Dome Missile Defence Shield" for the United States .It would be similar to Israel's Iron Dome missile defence system which is designed to shoot down short-range rockets fired by groups such as Hamas.

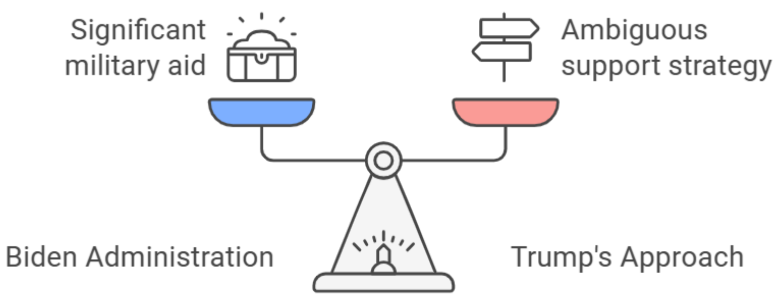
Reinstatement of Schedule F -

Schedule F is a policy aimed at reclassifying federal employees in policy making roles, which would make it easier to hire and fire them. While supporters argue it could improve efficiency and accountability, critics fear it could disrupt agency stability and lead to legal challenges. The reinstatement of Schedule F, as the plan is known, could send shock waves across the federal workforce, including at the Department of Defence.

Eliminating Diversity, equity, and inclusion (DEI)-

Trump and his allies have long railed against efforts to boost the representation of minority groups across government—including at the Pentagon. Trump said he would create a task force to monitor "woke generals" and eliminate diversity, equity, and inclusion training.





Comparing U.S. Strategies in Ukraine

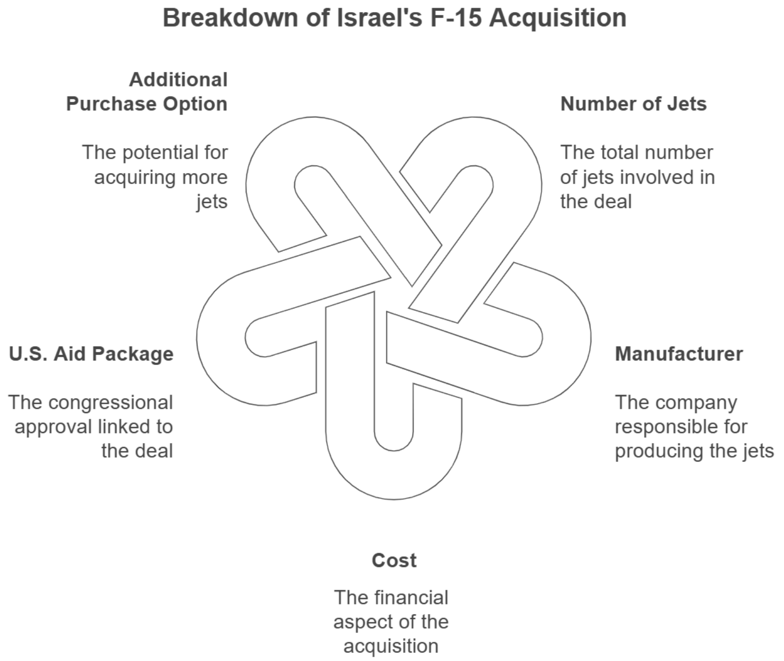
SHIFT FOR THE WORLD

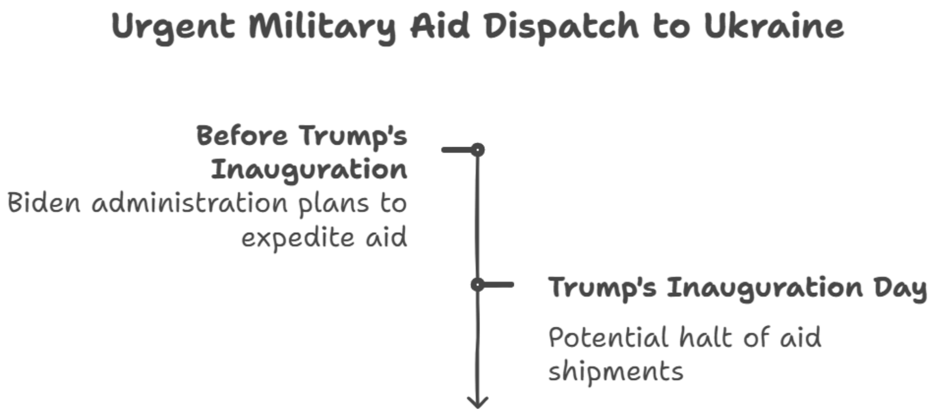
New fighter jets for Israel -

Israel just bought 25 F-15 fighter jets from Boeing for $5.2 billion. The deal is part of a broader U.S. aid package approved by Congress earlier this year and gives Israel the option of buying an additional 25 jets

The Ukraine aid scramble -

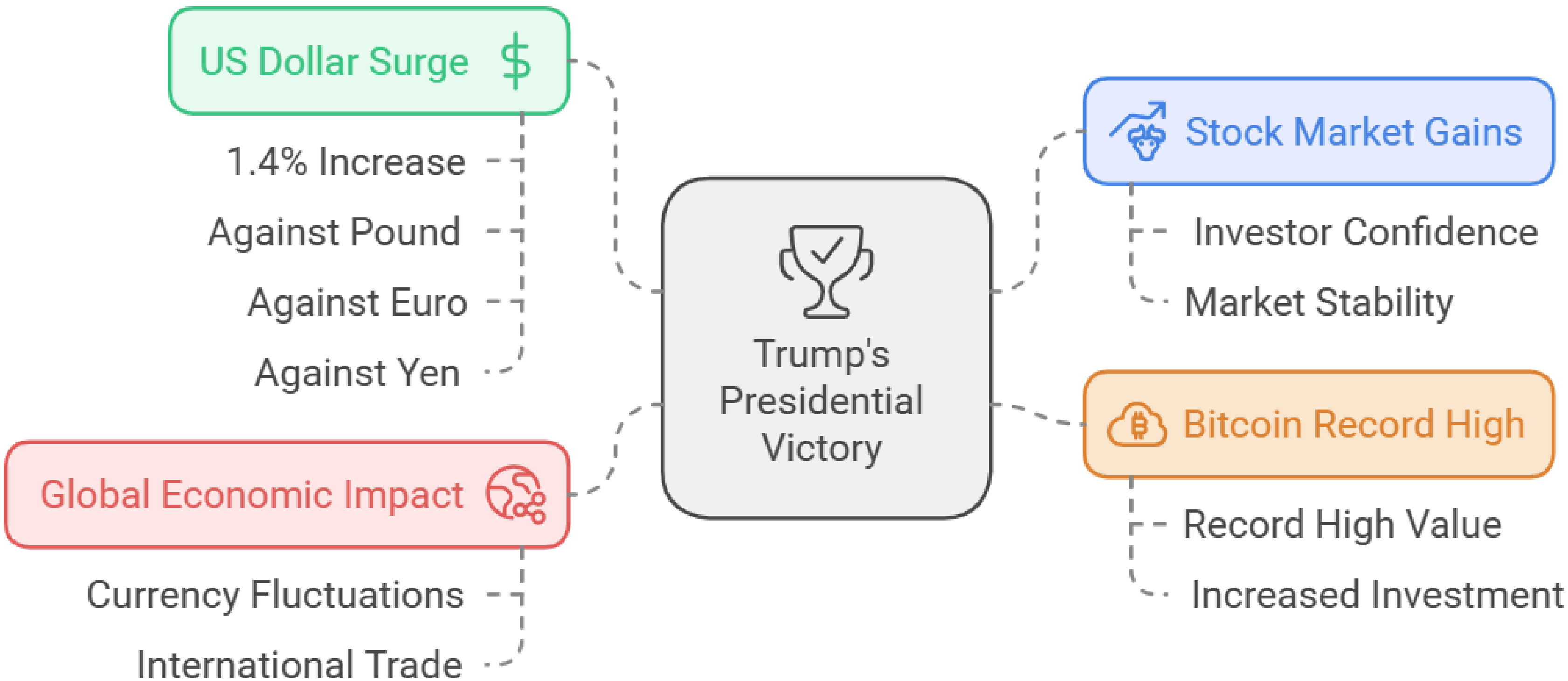
More than $6 billion in outstanding U.S. military aid to Ukraine has yet to make its way to the country, but the Biden administration plans to rush that out the door before Trump's inauguration.Yet there are challenges to doing so quickly enough, and Trump could still stop shipments once he takes office.





DOLLAR STRENGTH AND GLOBAL CURRENCY MARKETS

With Donald Trump all set to return to the White House, the US dollars and stock market are seen as winners, according to Edison Research.



Source: https://indiatoday.com

OTHER FACTORS IMPACTING CURRENCY

Concerns about rising debt and tariff-driven inflation may keep inflation elevated longer, prompting the Federal Reserve to pause its rate-cutting cycle. Optimism about strong economic growth under Trump further diminishes the need for stimulative cuts. Consequently, bond yields increase as traders anticipate rates remaining near 4.75% to 5% over the medium to long term. The expectation of fewer rate cuts pushes yields higher and strengthens the dollar, as markets adjust to the likelihood of more expensive borrowing. This reflects reduced chances of a low-rate environment, impacting currency and bond market dynamics.

WHAT TO EXPECT IN THE COMING DAYS?

So far, currency market moves have been somewhat restrained compared to initial expectations. However, it's still early, and we anticipate that volatility will remain elevated in the coming sessions as investors adjust their positions with another Trump presidency in mind.
This could mean renewed pressure on risk assets and continued dollar strength, especially if the Federal Reserve hints at upcoming policy meetings that the election outcome might slow the pace of rate cuts.

Source: https://reuters.com

WHAT'S DRIVING THE U.S. DOLLAR RALLY?

Rising US bond yields
Interest rate policy has been a driving force in currencies the past 2-3 years and the sharp spike in US yields since the start of October have driven the USD higher

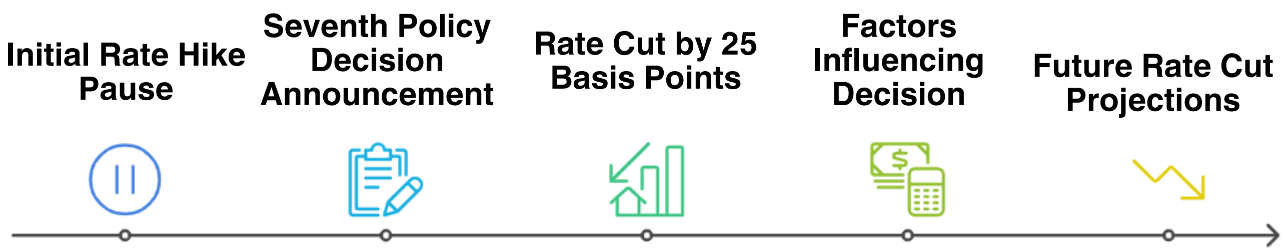
Trump's Push for Lower U.S. Tax Rates
Trump's proposed tax cuts, likely to pass with a Republican Congress, are expected to boost U.S. economic growth, drive inflation, and prompt higher Federal Reserve interest rates—making the dollar more appealing

Increased Protectionism and Tariffs
These tariffs could signal weaker global growth under Trump, leading investors to favor lower-risk assets, like the dollar, while avoiding higher-risk currencies, particularly those tied to the global economic cycle.

Higher Geopolitical Uncertainty
A second Trump term could increase geopolitical uncertainty, which tends to dampen risk appetite. His stance on Ukraine is uncertain, and he has expressed less support for NATO

Source: https://forbes.com

KEY HIGHLIGHTS OF US FED MEETING ON 7TH NOVEMBER



US Federal Reserve Interest Rate Decisions 2024

The US Federal Reserve announced its seventh policy decision of 2024, cutting the benchmark interest rate by 25 basis points to 4.50-4.75%, following a unanimous FOMC vote. The Fed noted an easing job market and inflation approaching the 2% target, with labor conditions softening but unemployment remaining low. Since July 2023, the Fed has paused rate hikes after aggressive increases totaling 5.25 percentage points since March 2022. Policymakers project further rate cuts, with a 50 bps reduction expected by year-end.

Source: https://moneycontrol.com

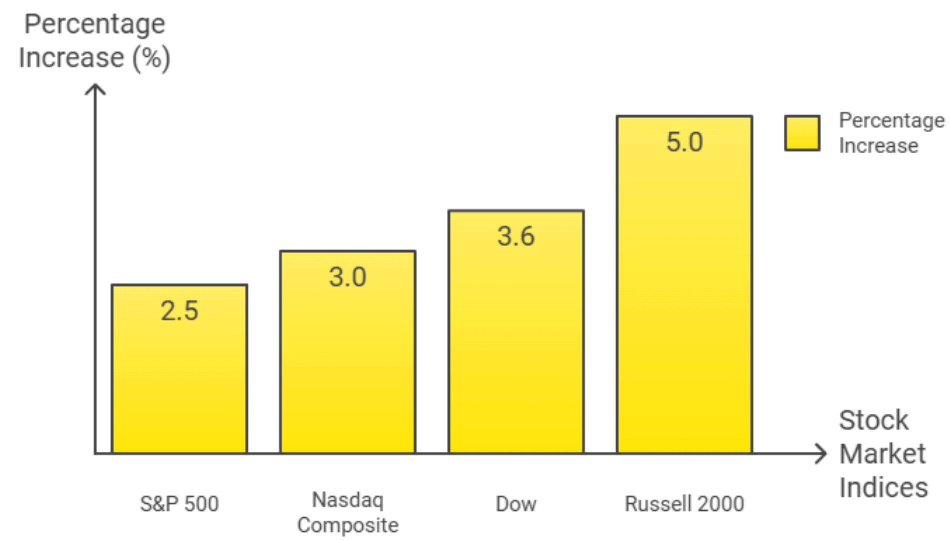
KEY POINTS

Stocks surged to record highs, the dollar strengthened around the world, and government bond yields after a conclusive win by President-elect Donald J. Trump.

Following the presidential election, markets reacted strongly, driven by relief from resolved uncertainty and anticipation of increased government spending, lighter regulation, bigger deficits, and faster growth under a Trump administration.

Kristina Hooper, chief global market strategist at Invesco

"What we are seeing is a visceral reaction to a surprising outcome given very tight polling. Markets are reacting positively to a decisive victory."



One-Day Percentage Increase of U.S. Stock Market Indices

Movement of Different Securities

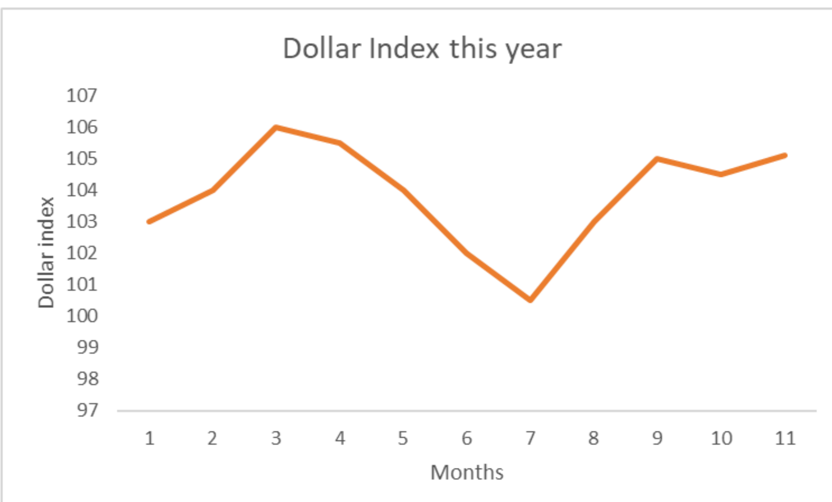
Bitcoin - rose sharply, also hitting a record. Mr. Trump has promised to end the Biden administration's regulatory push against cryptocurrency and establish the United States as the "crypto capital of the planet."

Source: https://business-standard.com

KEY POINTS

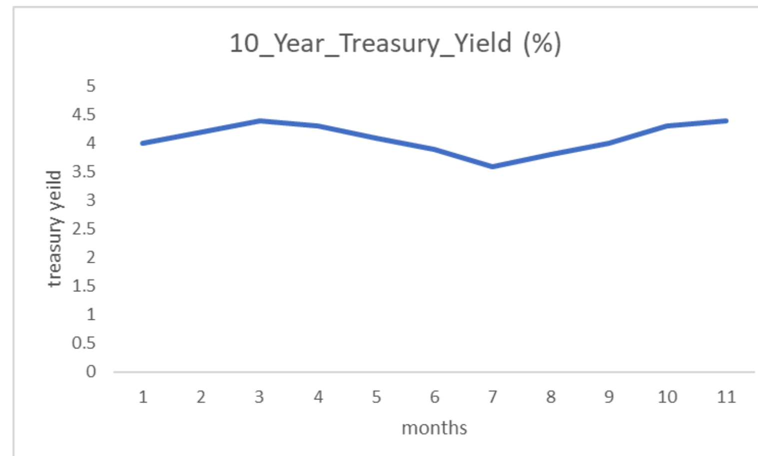
U.S. Dollar in Comparison to Other Currencies -

The U.S. dollar rose against the currencies of major trading partners — like the Japanese yen as well as the euro, the Mexican peso and the Chinese renminbi — which were expected to be heavily affected by Mr. Trump's proposal to substantially raise tariffs. The euro recorded its steepest daily fall against the dollar in more than four years. Major stock indexes around the world slumped.



Significant Movement in Treasury Yields -

The 10-year Treasury yield jumped 0.2 percentage points on Wednesday — a big move in that market and its biggest in more than two years — to more than 4.4 percent. This highlights the shifting financial landscape and the potential implications for interest rates.



Inflation Expectations Rise -

On November 6th, 10-year inflation expectations rose by 0.1 percentage points to 2.4%, marking the largest single-day increase since early 2023. This exceeds the Fed's 2% target, with Calvin Tse of BNP Paribas warning of heightened inflation risks.

Source: https://goldmansachs.com

EUROPEAN MARKETS

Stock markets in Europe rose sharply in early trading but pared those gains in the afternoon, ending with a small loss.

Yields on European government bonds fluctuated. "The market has clearly yet to settle on a consensus narrative," analysts at Rabobank said.

But there were some early losers in European markets as shares in the German automakers BMW and Daimler as well as the Danish renewable energy company Orsted dropped on expectations of higher tariffs and less aggressive climate goals.

GERMAN MARKETS

German business leaders warned that a second Trump term would further challenge the country's stagnating economy. The United States is the largest buyer of German products, especially pharmaceuticals, machinery and cars.

"The clear result of the U.S. elections is a wake-up call for Germany and Europe," said Siegfried Russwurm, president of the Federation of German Industries.

ASIAN MARKETS

Across Asia, stock markets extended gains from Tuesday. In Japan, the benchmark Nikkei 225 rose 2.6 percent. Stocks in mainland China fell slightly, and the Hang Seng Index in Hong Kong tumbled 2.2 percent.

Bruce Pang, chief economist for the greater China area at JLL, a real estate and investment management firm, said the Hong Kong stocks were down because the companies listed there were more exposed to a weaker Chinese currency.

Mr. Trump's more protectionist policies might also mean that Chinese policymakers will focus more on driving domestic demand in the economy instead of expecting exports to stimulate growth.

Conclusion

A second term for President Trump would likely drive intensified "America First" policies, significantly reshaping the global economic and geopolitical landscape. His administration would emphasize energy independence through expanded oil and gas production, potentially sidelining renewable energy efforts. In contrast, Democratic leaders like Kamala Harris would prioritize a renewable energy transition and stronger environmental regulations.
Trump's approach to trade, particularly with tariffs on Chinese goods and potential import tariffs, could disrupt supply chains, raise consumer prices, and heighten global economic volatility. Industries like U.S. manufacturing and fossil fuels might benefit, but sectors reliant on global trade could face setbacks. Emerging markets, especially in Asia, may feel substantial pressure from trade shifts and rising U.S. interest rates, though some, like India, could gain from global supply chain diversification.

In technology, Trump's potential tariffs on Taiwanese chips and tightened semiconductor export restrictions to China could unsettle international tech supply chains, amplifying U.S.-China tensions. His AI policies might encourage a deregulated innovation environment, while his defense plans likely include increased military spending and may reflect a divided Republican stance on defense priorities. Trump's stance on foreign conflicts, such as the Russia-Ukraine war, could impact global security dynamics and affect defense industries already reshaping to meet current demand.
Economically, Trump's policies could bolster the U.S. dollar, driven by higher bond yields and protectionist tariffs, but may also prolong inflationary pressures and increase national debt. The Federal Reserve's efforts to balance inflation could be complicated by a fiscal environment emphasizing tax cuts, deregulation, and expanded government spending. The polarized economic visions between a Trump administration and potential Democratic leadership underscore a divided economic future for the U.S., with both opportunities and substantial risks.

In summary, Trump's proposed policies could intensify economic nationalism and geopolitical assertiveness, likely creating a complex and volatile environment for global trade, investment, and international relations. Investors, markets, and global actors are preparing for a more unpredictable and fluctuating landscape, with both economic opportunities and challenges on the horizon.

Thank You