



## A US Presidential Election for the Ages and What it Means

Richard Harris | September 2024

On the 5th of November, Americans will go to the polls to elect their next president in what many consider to be the most important US election in decades.

This election is pivotal, as Kamala Harris and Donald Trump stand in stark contrast to each other on key issues such as climate change, healthcare and foreign policy. With its global implications, potential Supreme Court appointments and power to shape economic policy, the outcome will have significant ripple effects globally. Amid geopolitical tensions and a polarised electorate, this historic race, featuring a former president and the first woman of colour to run as a major party candidate, will determine the course of the country both domestically and internationally for years to come.

We will begin by highlighting the key differences in the views of the parties and candidates to illustrate the likely consequences of a Democratic or Republican victory.

### Donald Trump – America First 2.0 Campaign

Former President Donald Trump wants to return to the White House with his “**Make America Great Again**” campaign. The campaign focuses on a significant expansion of executive power, an aggressive immigration policy and a return to the economic approach of his previous administration.

### Kamala Harris – A New Way Forward

Kamala Harris, on the other hand, promises to build on Biden’s legacy with her “**A New Way Forward**” campaign and tackle the country’s most pressing issues while portraying herself as a leader who is taking a new approach. Her campaign promises to span domestic and foreign policy, focusing on economic reforms, social issues, and international diplomacy.

### Important policy areas

#### Immigration

- Harris pledges to revive a bipartisan border security bill and secure the border while creating a path to citizenship for undocumented immigrants.

- Trump promises aggressive anti-immigration policies, a massive deportation drive and the elimination of birthright citizenship for children of undocumented illegal immigrants.

### **Healthcare and Social Programs**

- Harris wants to cut healthcare spending and strengthen Social Security and Medicare by raising taxes on high earners.
- Trump promises to cancel and replace the Affordable Care Act while preserving Social Security and Medicare in their current form.

### **Climate and Energy**

- Harris is in favour of further investment in clean energy initiatives and delivering on the Biden administration's commitments on climate change.
- Trump is committed to denying climate change, boosting domestic oil and gas production, and repealing Biden's climate rules and environmental regulations.

### **Foreign Policy**

- Harris promises to support the USA's allies, fight authoritarian regimes and ensure that America prevails in competition with China.
- Trump promises to pursue an isolationist "America First" foreign policy and possibly weaken NATO commitments.

### **Government Spending**

- Both candidates are likely to continue with the expansion of the government deficit to keep economic conditions favourable for US citizens.

### **In addition, both candidates have made further election promises:**

#### **Kamala Harris's Promises:**

President Harris has made several important promises as part of her campaign. She has pledged to provide up to \$25,000 to first-time homebuyers and to ban assault weapons and high-capacity magazines. Harris also promises to mandate universal background checks for gun purchases and not allow tax increases for people earning less than \$400,000 a year. She plans to roll back Trump's tax cuts for wealthy Americans and introduce a minimum tax for billionaires.

Harris also promises to increase the tax rate on long-term capital gains for top earners, raise corporate taxes to 27%, expand the child tax credit and quadruple the tax on stock buybacks. On immigration, she has pledged to sign a bipartisan border security bill. Her housing plan calls for building 3 million more rental flats and affordable homes. To help small businesses, Harris wants to expand the tax deduction for start-up costs for new businesses and award more government contracts to small businesses. And finally, she has promised to work for hostage and ceasefire agreements between Israel and Hamas.

#### **Donald Trump's Promises:**

Former President Trump's campaign promises focus on expanding presidential powers and implementing aggressive policy changes. He has promised to significantly expand presidential powers over the federal government and implement "Schedule F" to replace career civil servants with political appointees. Trump has also promised to use the military for domestic law enforcement and deportation of illegal immigrants.

He has also promised to dismantle the Department of Education and pursue anti-LGBT policies. On trade, Trump advocates a neo-mercantilist trade agenda (which promotes exports, discourages imports, controls capital movements and centralises currency decisions in the hands of a central government). He has vowed to use the Insurrection Act to suppress civil demonstrations and abolish birthright citizenship for the children of undocumented immigrants.

Trump's economic promises include reducing the 21% corporate tax rate, imposing a 10% across-the-board tariff on all US imports and imposing a 100% tariff on imports from China, with further tariffs on countries that do not support global trade in US Dollars. His intention is to maintain the strength and dominance of the USD. On energy policy, he has pledged to increase domestic oil and gas production. And finally, Trump has promised to take on the Mexican drug cartels.

### **The lead-up to the Election and Candidates for each party**

The Democratic Party's preparations for this election were anything but smooth. The first candidate to be announced was the current President of the United States, Joe Biden, who was criticised for his deteriorating health during his presidency.

After a poor performance in the debate against Donald Trump in June 2024, Joe Biden withdrew from the presidential race. The Democratic Party quickly threw their support behind Vice President Kamala Harris as their new candidate. Within 36 hours, Harris secured most delegates at the Democratic National Convention and received support from prominent party members. The party introduced a virtual nomination process to meet election deadlines. Harris was officially named the nominee on 5 August and received 99% of the delegate vote.

Also of great significance to their campaigns are the Presidential running mates, elected to bolster their respective campaigns. Their backgrounds are as follows:

#### **Republican Party**

Donald Trump selected J.D. Vance as his Vice President on 15 July 2024 and announced this decision on his social media platform, Truth Social. Vance, 39, is currently a US Senator from Ohio. He is known for his bestselling memoir "Hillbilly Elegy" and his rise from the working class. Trump chose Vance because of his appeal to working-class voters in the Midwest and his alignment with Trump's populist ideology.

#### **Democratic Party**

Kamala Harris selected Tim Walz as her candidate to run as VP on 6 August 2024 after considering several candidates. Walz, 60, is currently governor of Minnesota. He is a former public-school teacher, National Guardsman and member of Congress. Walz became Harris' choice after President Joe Biden withdrew from the race in July 2024.

As the campaign unfolds, voters are faced with the challenge of critically evaluating these promises, considering their feasibility, potential impacts, and alignment with their own values. This election is not just a choice between two candidates, but a referendum on two different paths for the future of the United States. This underscores the importance of informed citizen participation and the continued strength of American democracy, which allows its citizens to shape the country's path through the ballot box. With the United States and the world in general becoming more polarised, it's anyone's guess as to the outcome of this historic election.

### **Market Update**

The long-anticipated cycle of interest rate cuts in the United States began in September 2024. Federal Reserve Chairman Jerome Powell announced a significant 50 basis point reduction in interest rates. This decision was justified by declining inflation and concerns about a potential slowdown in the labour market. Following the rate cut announcement, the yield on 10-year US Treasury bonds initially dropped to 3.59% before stabilizing at 3.78%, representing a 13 basis point decrease for the month. US stock indices responded positively to the Fed's action, with the S&P 500 rising by 2.02%, the Nasdaq by 2.68%, and the Dow Jones by 1.85% over the course of the month.

The Chinese government unveiled a series of stimulus packages aimed at addressing several economic challenges, including deflationary pressures, the ongoing property sector crisis, and slowing economic growth. These announcements provided a significant boost to Chinese markets, with the Hang Seng Index gaining 17.48% and the Shanghai Composite Index rising by 17.39%.

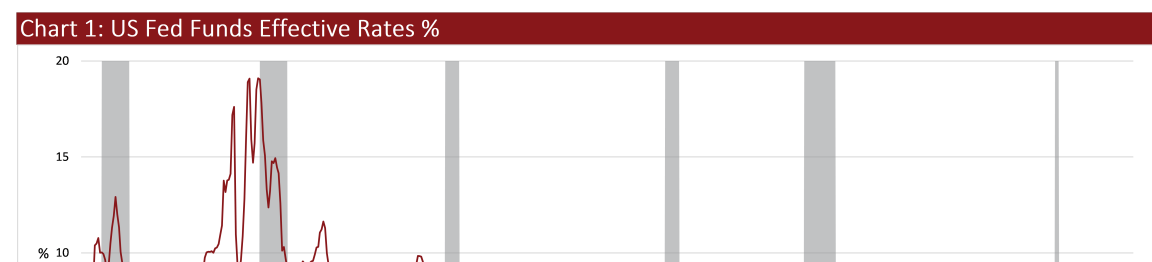
The South African Reserve Bank (SARB) also implemented a rate cut in September, though more conservatively at 25 basis points. Despite inflation reaching the median target of 4.5%, the SARB cited global uncertainties as a reason for their cautious stance. The South African share index continued its upward trajectory, gaining 3.34% in September. This positive performance was driven by post-election optimism, improvements at Eskom, interest rate cuts (both domestic and US), and Chinese stimulus measures. The best performing sector in the South African market was property with a gain of 5.04%, followed by industrials at 4.80% and commodities at 3.21%. The 10-year South African bond yield decreased by 38 basis points due to the aforementioned factors. This contributed to the rand gaining 3.11% over the month, resulting in a 5.73% improvement year-to-date. The rand ended the month at 17.27 to the dollar.

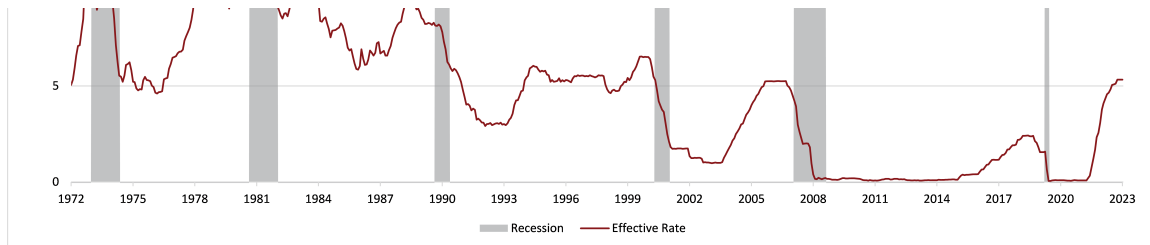
Commodity prices in September were influenced by various factors, including interest rate cuts, stimulus programs, and escalating tensions in the Middle East. Oil prices continued to decline, with the price of Brent crude dropping by 8.9% as the slowing global economy led to oversupply concerns, although this was partially offset by the escalation between Israel and Iran. While oil prices fell, most commodities recovered following the announcement of far-reaching stimulus measures in China. Gold continued its upward trend, rising by 5.25% and reaching new highs. Among the platinum group metals, the price of platinum rose by 5.6% and palladium by 3.5%.

Our market outlook remains cautious for both domestic and international markets. We continue to closely monitor global developments and central bank communications. Our current investment strategy includes maximizing offshore exposure, maintaining relatively high cash holdings, and focusing on defensive positions within portfolios. In the short term, we aim to identify investment opportunities that offer higher returns (alpha generation), reasonable risk-adjusted returns, and favourable entry points. This approach allows us to navigate the current economic uncertainties while positioning our portfolios for potential growth opportunities.

## Chart of the month

The following chart shows that the US economy generally only enters a recession when the Federal Reserve starts to cut interest rates. Many market participants are keeping a close eye on US macroeconomic data, especially the labour market data. Will the US manage to buck the trend of previous cycles?





\* Sourced from Federal Reserve Bank of St. Louis

*"The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell." - Sir John Templeton*



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 Absolut Wealth Management  
 1st Floor, North East Block  
 5 Wessels Road  
 Rivonia, Gp 2128  
 South Africa

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