

THE IMPACT OF THE 2024 ELECTION ON THE ECONOMY AND MARKETS

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OVERVIEW: A CLOSE ELECTION WITH TRUMP IN THE LEAD

- **The switch from Biden to Harris is unprecedented**
- **The economy is still the focal issue**
- **Most elections impact it only at the margin, except for Reagan's**
- **Some of Trump's policies resemble Reagan's, but there are key differences**



KEY ISSUES

- **What caused inflation to spike and will it get back to the Fed's 2% target?**
- **Can federal spending and the national debt stabilize?**
- **Will the next trade war be worse than before?**
- **How will the election outcome impact life insurers?**



THE BIG DICHOTOMY: ECONOMISTS ARE UPBEAT, VOTERS ARE UNHAPPY

- **Key macro indicators confirm the US economy is doing well**
- **It has also outperformed other advanced economies**
- **But voters are fixated on higher costs they pay everyday**

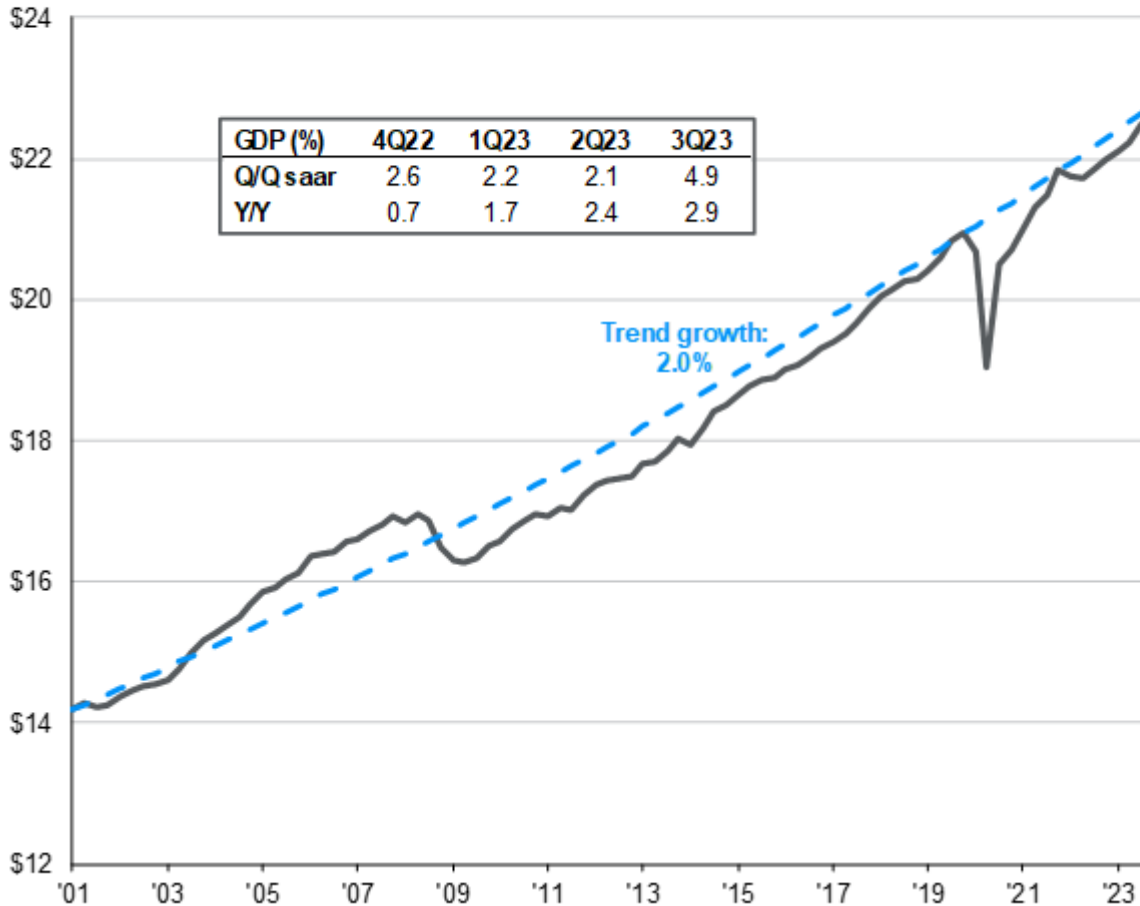


THE ECONOMY IS OPERATING NEAR ITS POTENTIAL

Economic growth and the composition of GDP

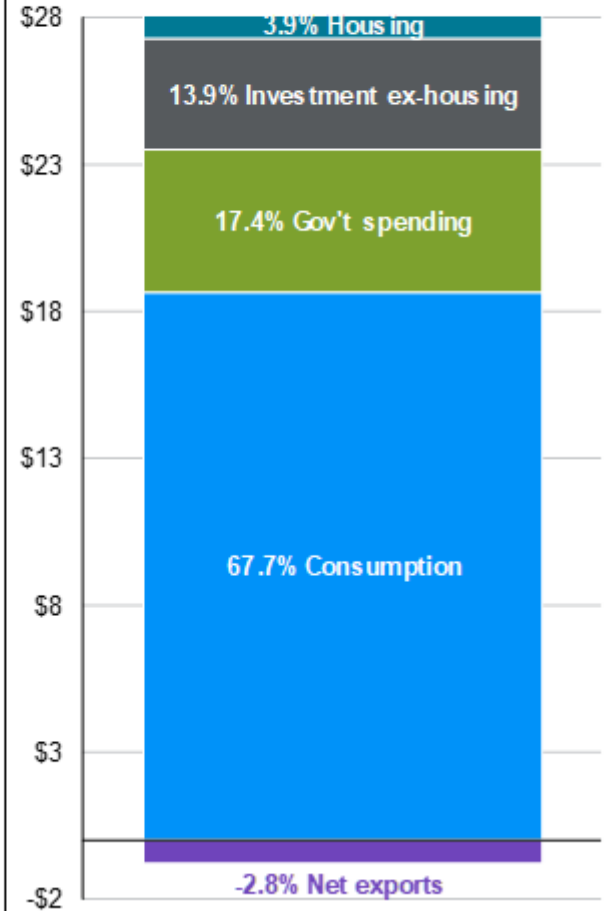
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

3Q23 nominal GDP, USD trillions



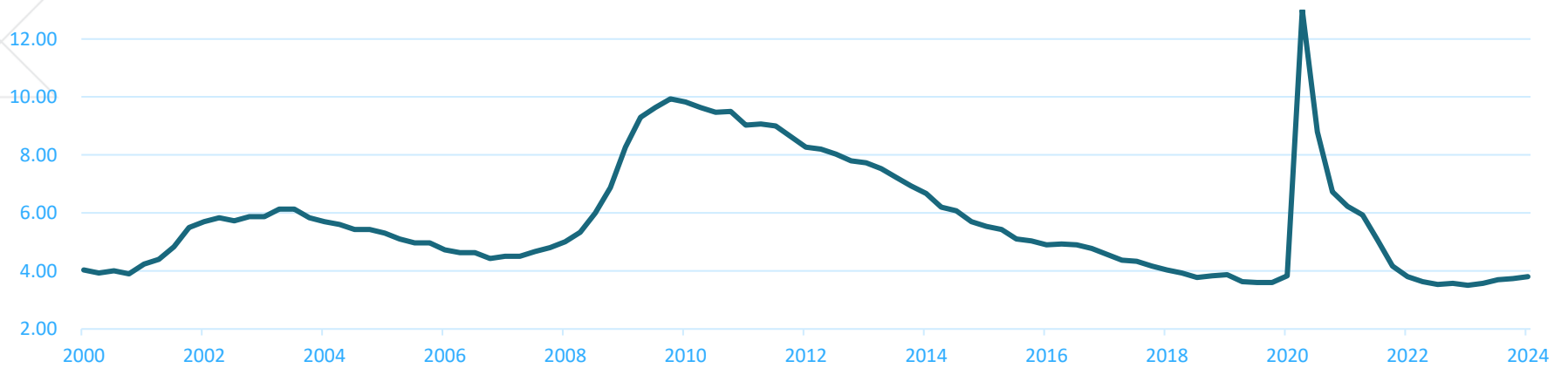
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.

Guide to the Markets – U.S. Data are as of December 31, 2023.



UNEMPLOYMENT IS NEAR RECORD LOWS

US Unemployment Rate

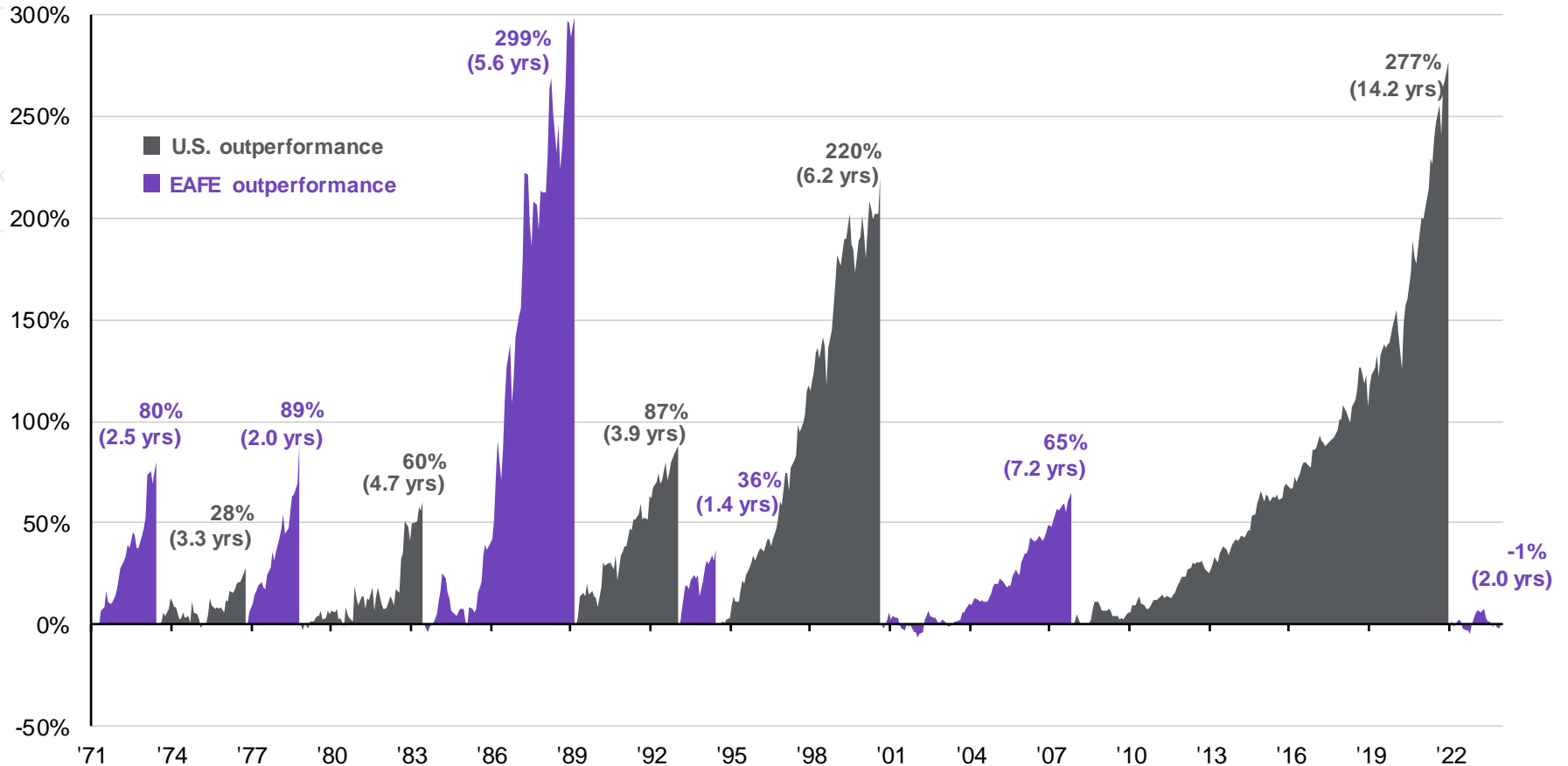


Source: Bloomberg, BLS

THE US STOCK MARKET HAS OUTPERFORMED INTERNATIONAL MARKETS

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance

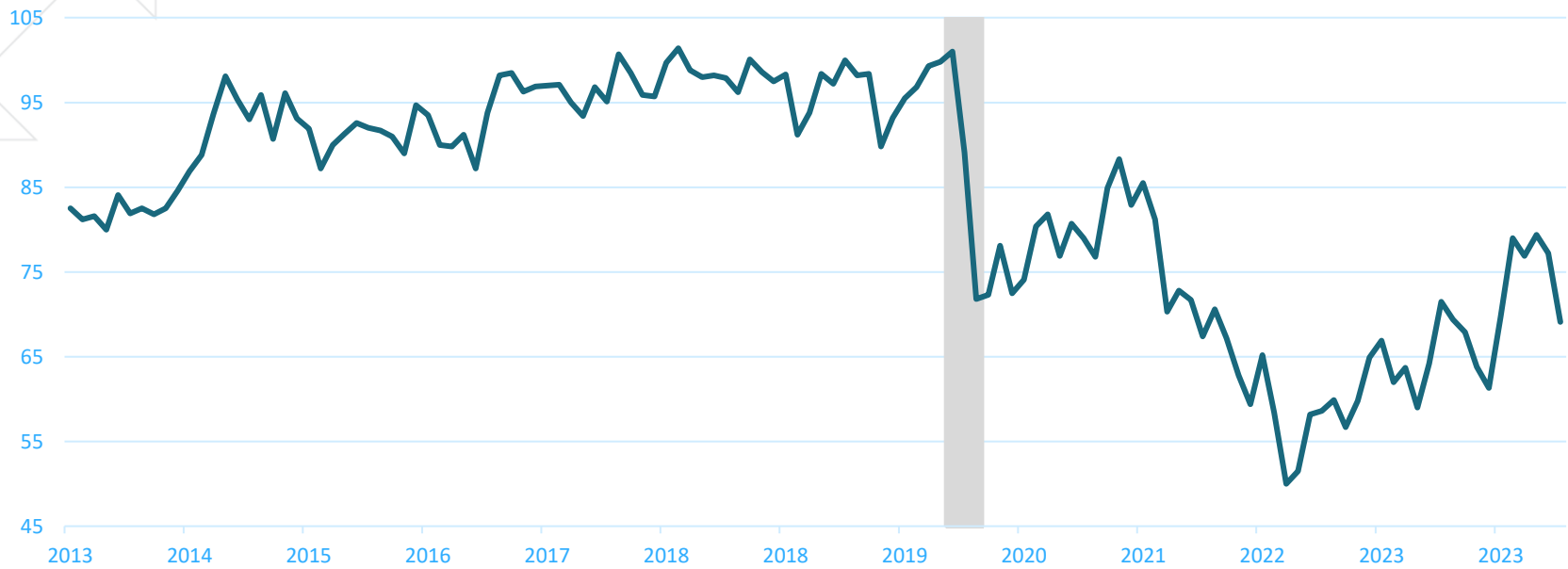


Source: FactSet, MSCI, J.P. Morgan Asset Management *Guide to the Markets* – U.S. Data areas of December 31, 2022. For informational purposes only. Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. *Peak MSCI EAFE outperformance vs. MSCI USA occurred in April 2023. If this sustained for 12 months, the regime will switch in April 2024.

IS CONSUMER CONFIDENCE TURNING?

University of Michigan: Consumer Sentiment

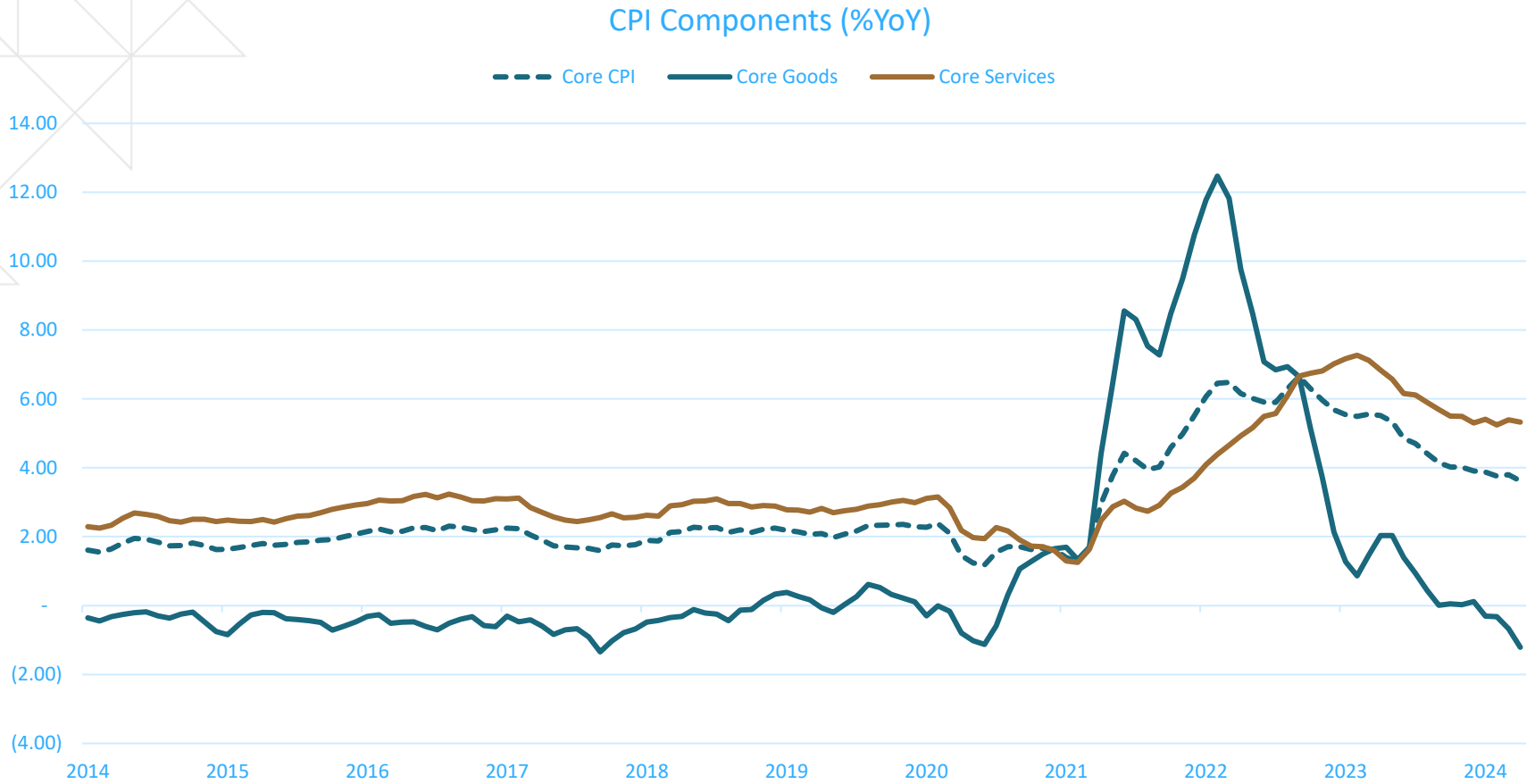
— University of Michigan Consumer Confidence



Source: St. Louis FED



THE COVID-19 PANDEMIC CAUSED GOODS PRICES TO SURGE



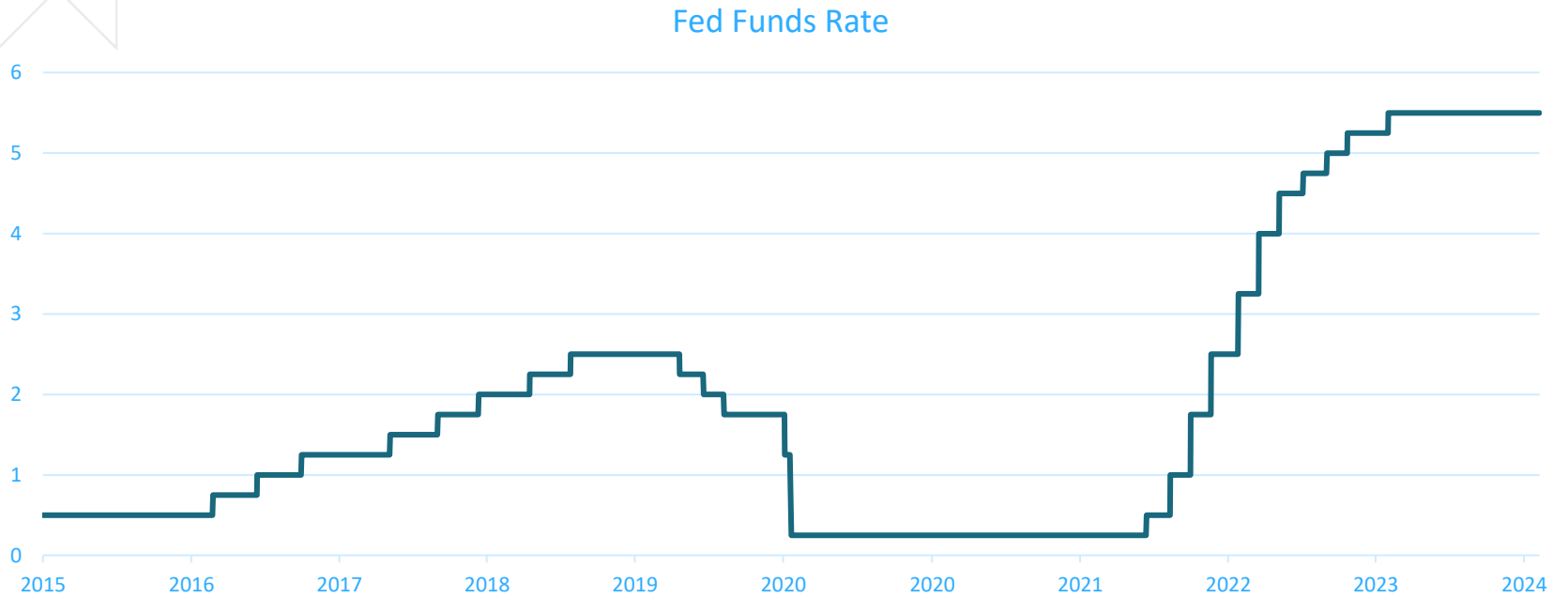
Source: US Bureau of Labor Statistics, Macrobond

THE US GOVERNMENT SPENT \$5 TRILLION ON COVID RELIEF

- **The amount is 5X larger than in the 2008 financial crisis**
- **Both Trump and Biden favored large transfer payments**
- **Biden continued the payments too long**



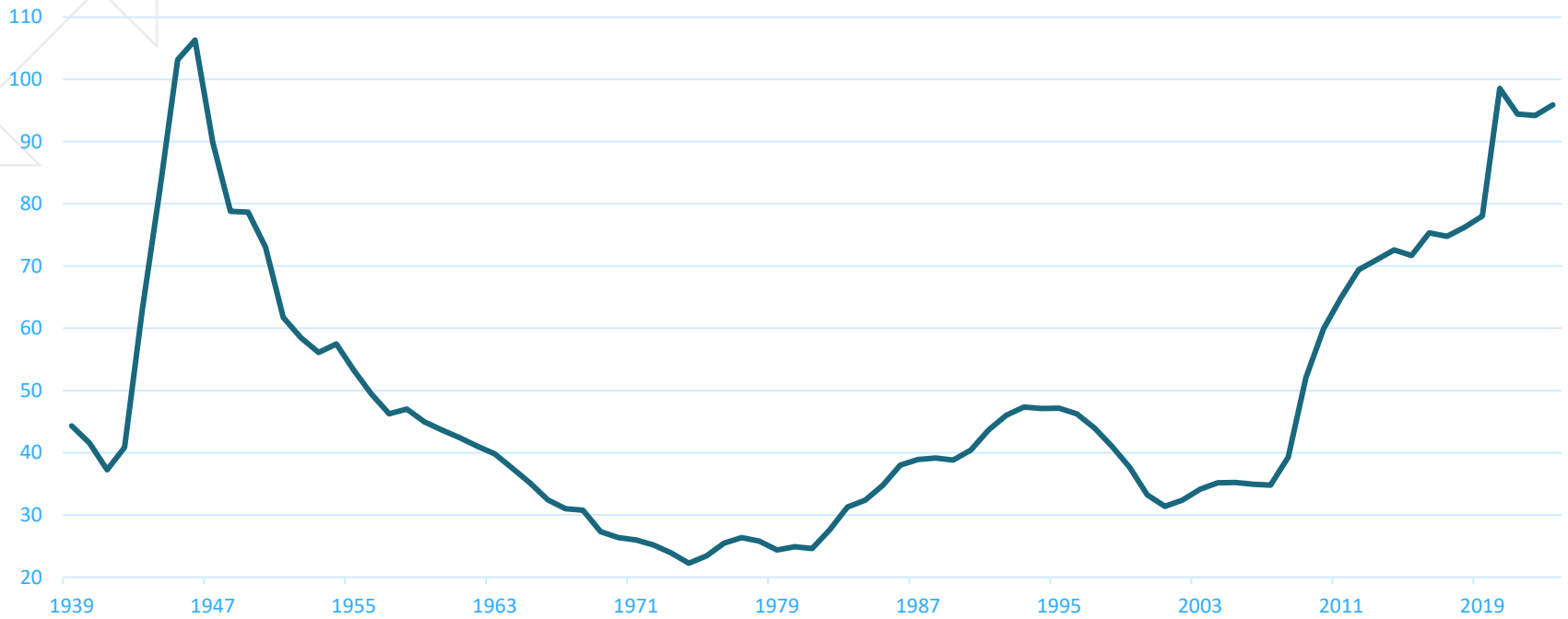
THE FED LOWERED INTEREST RATES TO ZERO AND WAS LATE TO INCREASE THEM



Source: Bloomberg

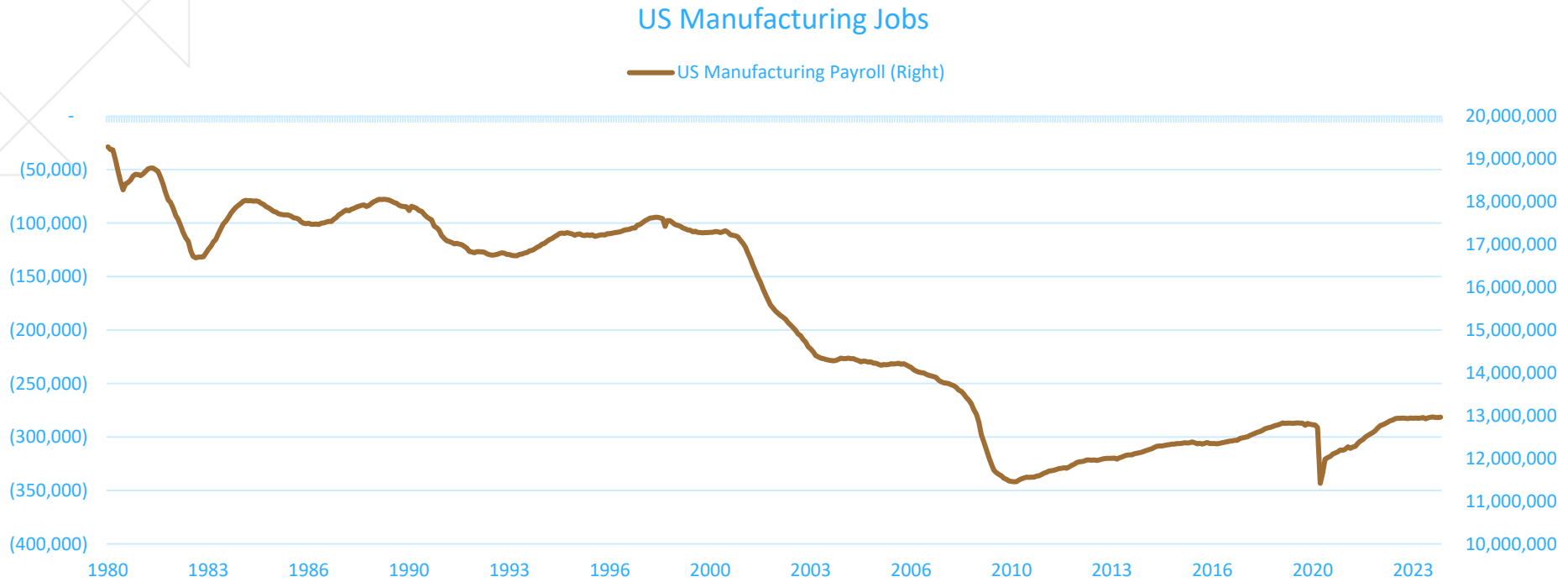
FEDERAL FINANCES ARE UNSUSTAINABLE

Gross Federal Debt Held by the Public as % of GDP



Source: St. Louis Fed

TRADE POLICY: TARIFFS HAVE NOT RESTORED MANUFACTURING JOBS



TRUMP PLANS TO DOUBLE DOWN ON THE TRADE WAR WITH CHINA

- **The 2018 round did not hurt the economy**
- **But it did cause a 15% stock market correction**
- **He is calling for 60%+ tariffs on Chinese imports and 10% on others**
- **If enacted, tariffs would rise from 2% of imports to 17%**
- **Biden has also boosted tariffs but by considerably less**

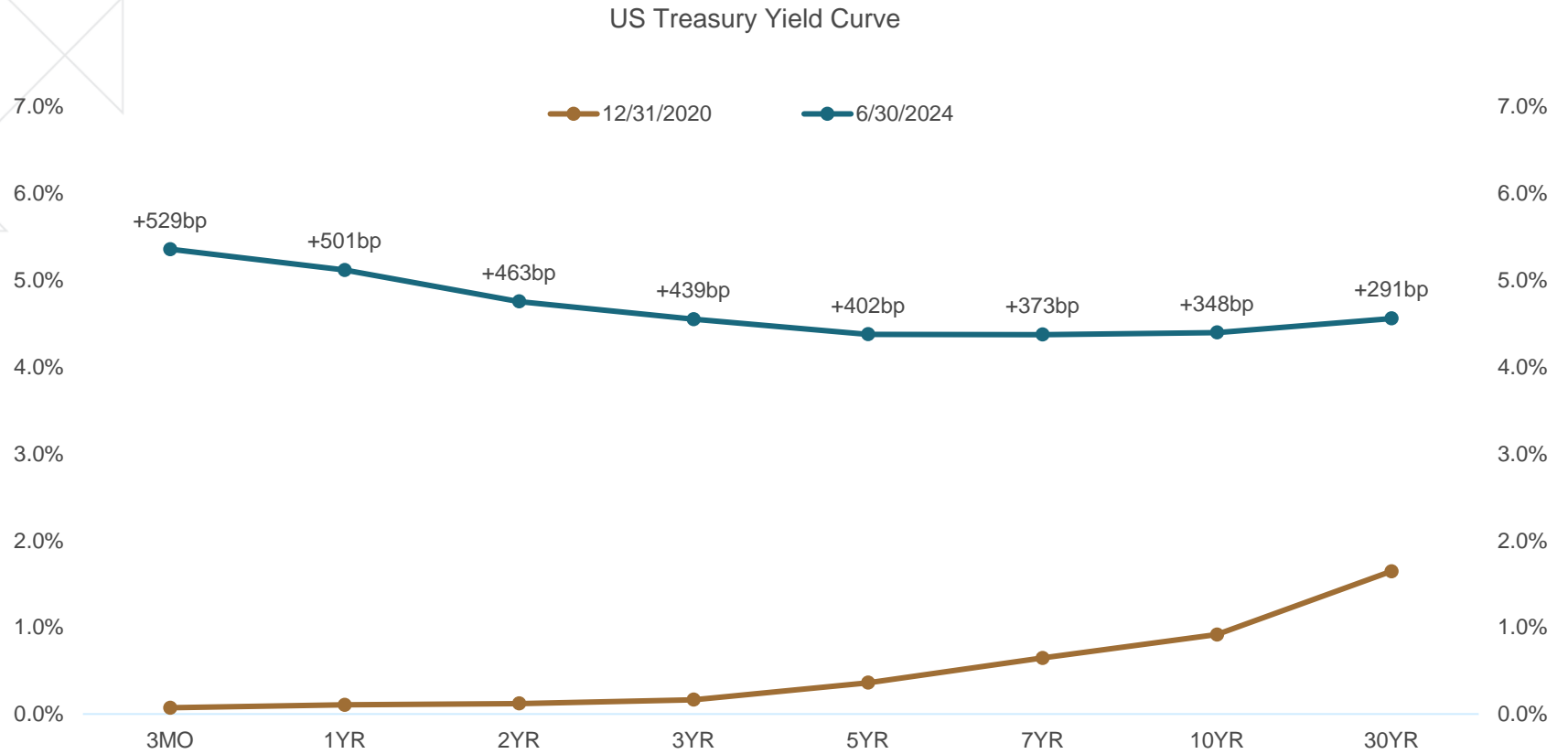


CHALLENGES FACING LIFE INSURERS' P&L

- **The Treasury yield curve is inverted**
- **Corporate credit spreads vs Treasuries are narrow**
- **The Stock Market is Expensive**
- **Uncertainty about Corporate Tax Cuts Being Extended**



WHEN WILL THE YIELD CURVE TURN POSITIVE?



CONCLUSIONS ABOUT ECONOMIC POLICIES: GOOD, BAD AND UGLY

- **Good: The Fed is committed to 2% Inflation**
- **Bad: Both parties won't compromise on the budget**
- **Ugly: The next trade war could be worse than the first one**
- **Life insurers favor low corporate tax rates and less regulation**

