US Presidential Election

Three scenarios for markets

Global Research

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ING

The 2024 US Presidential Election

Three scenarios for financial markets

	Policy drivers and macro impact				Market impact			
	Domestic policy	Foreign policy	Trade policy	Fed policy impact	EUR/USD	US 10Y	Credit spreads	Oil - Brent
1 **Trump clean sweep** Trump Presidency Republican House Republican Senate	Enlarging the 2017 tax cuts the priority. New immigration controls. No meaningful fiscal consolidation	Less support for Ukraine and Taiwan. Trump focus on domestic growth and jobs	Tariffs, with China particularly exposed. Implementation may be delayed as initial focus on domestic policy	Loose fiscal policy likely to be accompanied by tighter monetary policy if Fed is serious about hitting 2% inflation	4Q24 **1.02** 2Q25 **1.00** 4Q25 **0.95**	4Q24 **3.90** 2Q25 **4.20** 4Q25 **5.20**	4Q24 **120bp** 2Q25 **115bp** 4Q25 **120bp**	4Q24 **87** 2Q25 **81** 4Q25 **74**
2 **Trump constrained** Trump Presidency Republican House Democrat Senate	Trump may be able to extend 2017 tax cuts, but further reductions and spending priorities may be blocked by Democrats	Domestic agenda is constrained so a more likely emphasis on foreign policy as he seeks a deal with Russia over Ukraine	Trade protectionism is quicker and harder as Trump seeks to pull levers that he believes will boost the US economy	Lingering inflation fears from tariffs & tax cut extensions may make the Fed wary of cutting rates too much in 2025	4Q24 **1.06** 2Q25 **0.98** 4Q25 **1.03**	4Q24 **3.80** 2Q25 **4.10** 4Q25 **4.90**	4Q24 **130bp** 2Q25 **125bp** 4Q25 **120bp**	4Q24 **85** 2Q25 **77** 4Q25 **70**
3 **President Harris** Harris Presidency Republican House Democrat Senate	Tax increases for corporates & wealthy, but tax credits and spending elsewhere see modest fiscal consolidation	Ongoing support for Ukraine, but funding restricted by Rep. opposition. Middle East tensions persist, Taiwan retains US backing	A more 'carrot' approach of reshoring incentives rather than the 'stick' of Trump tariffs	Fed feels more onus on them to bolster US economy given less fiscal support	4Q24 **1.12** 2Q25 **1.15** 4Q25 **1.18**	4Q24 **3.60** 2Q25 **3.90** 4Q25 **4.60**	4Q24 **140bp** 2Q25 **145bp** 4Q25 **150bp**	4Q24 **83** 2Q25 **79** 4Q25 **78**

*USD IG Corp Cash index (current and 3Q target 135bp)

*USD/bbl

Scenario 1: Trump clean sweep

Donald Trump wins the Presidency and Republicans win control in Congress

Key policy drivers

Domestic: Extension and enlargement of tax cuts the early focus. Spending is re-prioritised rather than restrained. Debt sustainability worries mount

Foreign: Secondary to domestic issues. Ukraine receives less support. Peace deal takes longer. Global tensions linger, with occasional flare ups

Trade: Not the immediate priority, but tariffs will still be implemented, more likely in 2026 rather than 2025

Timings: Tax cuts and securing a strong growth story the priority, followed by migration controls with trade and foreign policy lagging behind

Macro impact

Growth: Confirmation of tax cuts may give growth an earlier lift while encouragement of reshoring keeps the momentum strong. Tariffs come in later, meaning less immediate pressure on Eurozone

Inflation: Tax cuts support domestic demand and immigration controls lift wages marginally, which keep inflation more elevated. Eventual tariffs further lift inflationary pressures

Central banks: Stronger growth and higher inflation likely mean Fed keeps interest highest in this scenario. Moreover, ongoing loose fiscal policy is likely to result in tighter monetary policy in general

Market impact

FX

A Republican clean sweep is the most bullish scenario for the dollar medium term. Loose fiscal, tight monetary policy plus tariffs are all positive. Dollar strong, then stronger is our call.

EUR/USD at **1.02** by end of 2024

Rates

A risk-on theme, whether justified or not, will reduce the bid for bonds, pushing yields up. A gung-ho attitude to the ballooning fiscal deficit adds to issuance, pressuring rates higher.

A 5% + handle for the US 10yr

Credit

Strong performance of USD credit back towards the bottom end of trading range, perhaps reaching tights in 2Q25 but ending next year at 120bp. USD outperforms EUR, but no major weakness in EUR.

Strong spread tightening

Commodities

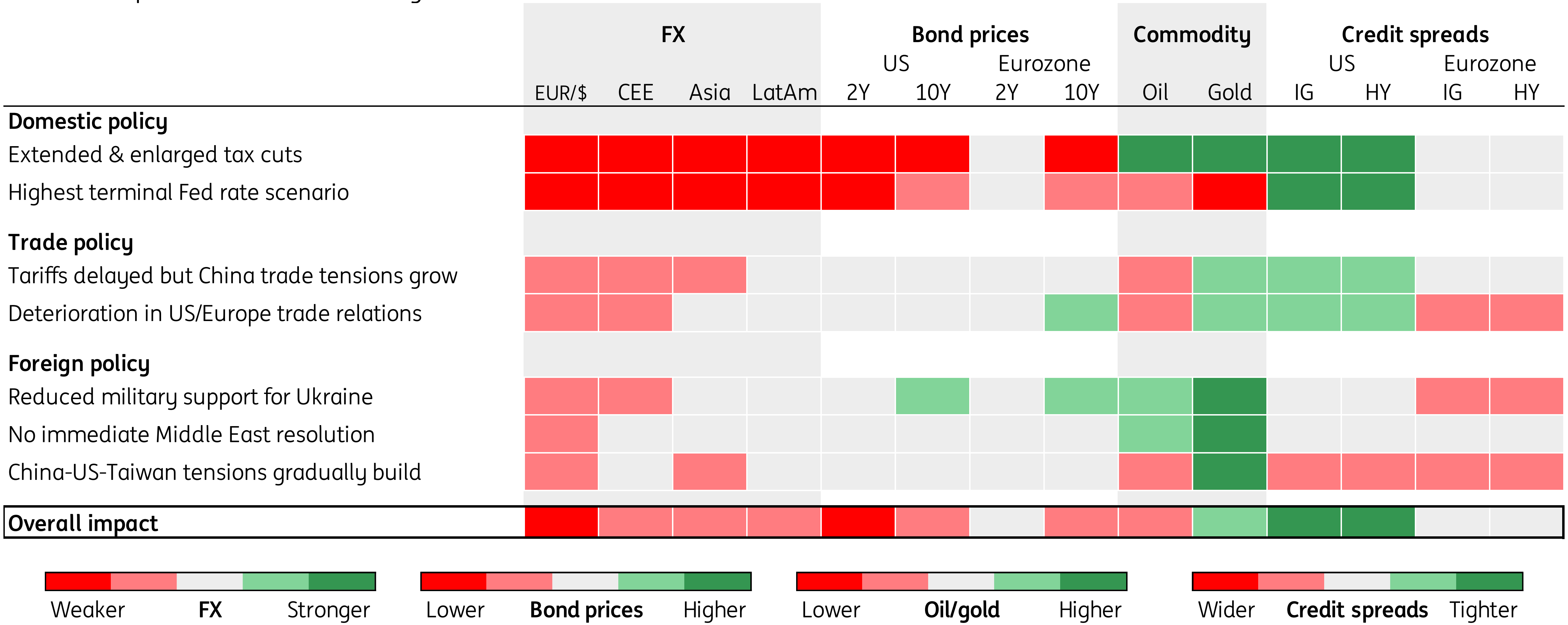
Tax cuts support oil prices in short term. Focus on US energy independence and pressure on OPEC+ to increase supply sees weaker prices longer term. Key upside risk is stricter sanction enforcement against Iran.

Oil at **$87/bbl** by end of 2024

Scenario 1: Trump clean sweep

Donald Trump wins the Presidency and Republicans win control in Congress

The winners and losers in financial markets
Relative impact on asset markets by the end of 2025



Scenario 2: Trump constrained

Donald Trump wins the Presidency, but Congress split (Democrats win Senate, Republicans win House)

Key policy drivers

Domestic: 2017 tax cuts extended but Democrats delay wider changes for corporates and wealthier individuals. Deficits remain substantial

Foreign: Deal with Russia over Ukraine conflict sees large areas of Ukraine fall under permanent Russian control. Middle East tensions reduced.

Trade: 60% tariffs on China and 10% on all goods globally in 2025. Plans to phase out Chinese imports of key goods.

Timings: Democrat-held Senate forces Trump to make concessions on fiscal/immigration. Focus on trade policy comes early in the presidency.

Macro impact

Growth: Negligible impact on 2025 US growth given policy constraints but 2026/27 higher on tax cuts/reshoring. Eurozone growth impact slightly negative

Inflation: Tax cuts plus tariffs & tighter labour supply (lower immigration) offer modest boost in 2026

Central banks: Higher inflation limits Federal Reserve rate cuts. Weaker growth doesn't accelerate ECB rate cuts given slightly higher inflation.

Market impact

FX

Early Trump focus on foreign policy can see USD stronger mid-25 than under a clean sweep. Net-net, a Trump administration is USD +ve. But if US growth falters, weak USD policy is a risk

EUR/USD at **1.06** by end of 2024

Rates

The biggest hit to bonds here comes from the tariff war's effect on inflation. This is partially cushioned by the added tax revenue that can be deployed to help reduce the fiscal deficit.

Bonds get hit from inflation risk

Credit

Decent USD performance but less considerable, and more of a slower tightening over the year to also end at 120bp. Expect more outperformance over EUR as EUR credit could see some weakness.

USD outperformance over EUR

Commodities

Early focus on foreign policy sees easing tension in the Middle East weigh on oil prices. Pressure on Russia/Ukraine to come to a deal puts further downward pressure on prices through 2025.

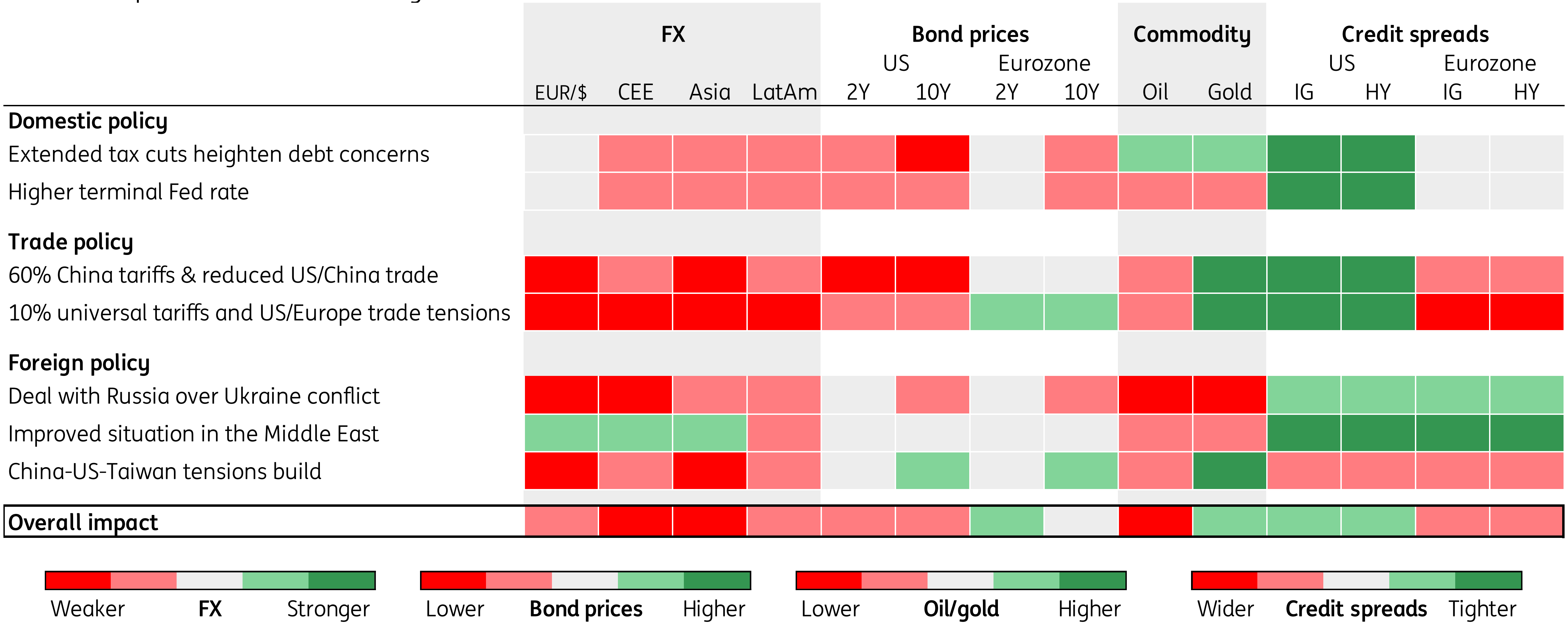
Oil at **$85/bbl** by end of 2024

Scenario 2: Trump constrained

Donald Trump wins the Presidency, but Congress split (Democrats win Senate, Republicans win House)

The winners and losers in financial markets

Relative impact on asset markets by the end of 2025



Scenario 3: President Harris

Kamala Harris wins the Presidency, but Congress split (Democrats win Senate, Republicans win House)

Key policy drivers

Domestic: Sunsetting of Trump tax cuts and more taxes for corporates and wealthy coupled with some extra spending will see some fiscal restraint

Foreign: Ongoing support for Ukraine and close collaboration with global allies. Middle East tensions persist, but Taiwan retains US backing

Trade: Carrot of financial incentives to reshore production to the US rather than the "big stick" of tariffs under Trump

Timings: Tax cuts to sunset end 2025 with tax rises from 2026. Better fiscal numbers materialise relatively swiftly, but fiscal sustainability worries persist

Macro impact

Growth: Somewhat tighter fiscal policy will be a headwind to growth, but a more certain trade and economic backdrop may mitigate this, particularly if the Fed feels content with a lower inflation profile

Inflation: Some fiscal restraint will help dampen price pressures relative to Trump. Limited migration & trade impact should also lesson inflation fears over the medium term

Central banks: A tighter fiscal environment, coupled with modestly weaker growth and reduced inflation threat may see the Fed be more willing to run looser monetary policy relative to the Trump scenarios

Market impact

FX

Somewhat tighter fiscal and looser monetary mix – plus less aggressive trade policy – is a USD negative. Dollar can weaken into year-end and further into 2025 if Fed takes rates down to 3.50%

EUR/USD at **1.12** by end of 2024

Rates

Rates are lower because of tighter fiscal response, which facilitates lower rates along the yield curve. A moderately weaker activity backdrop pushes in the same direction.

Rise in yields more muted

Credit

Some weakness in USD spreads as taxation on corporates adds pressure. Spreads slowly leak wider through the year. EUR credit may see some outperformance over USD credit.

EUR outperformance over USD

Commodities

Lower growth prospects weigh on oil, short term. Middle East tension persists. No Russia/Ukraine deal means oil ends 2025 higher versus other scenarios. Looser monetary policy supports prices in 2025.

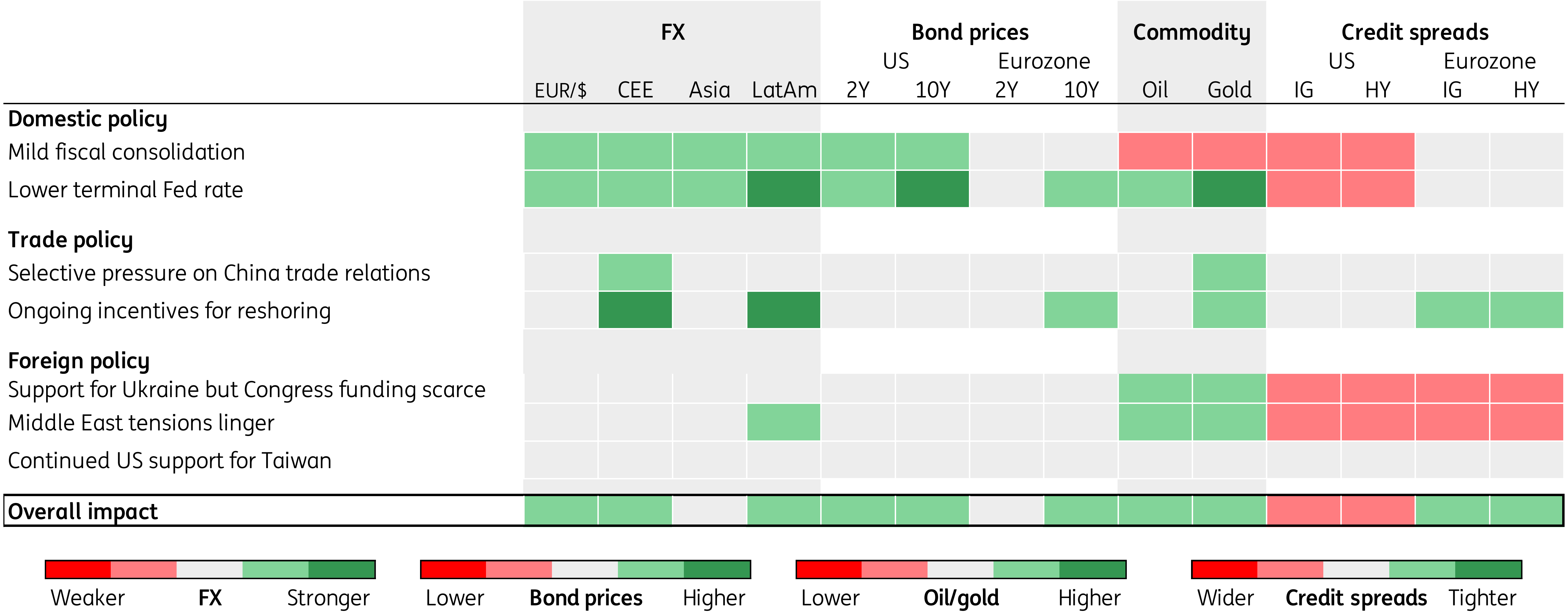
Oil at **$83/bbl** by end of 2024

Scenario 3: President Harris

Kamala Harris wins the Presidency, but Congress split (Democrats win Senate, Republicans win House)

The winners and losers in financial markets

Relative impact on asset markets by the end of 2025



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