

U.S. 2024 elections: Misconceptions & realities



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All values in U.S. dollars and priced as of September 30, 2024, unless otherwise noted

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The main thread ...



Policy differences between presidential candidates matter less to the economy and stock market than many investors think.

5 policy differences between Harris and Trump



- Tax rates
- High prices (inflation)
- Tariffs
- Regulations
- Views on industries and sectors

Most low tax rate provisions will expire at the end of 2025

TCJA provisions that could be impacted

- Individual income tax rates
- Tax brackets
- Standard deduction
- Personal exemption
- Child tax credit
- State and local tax deduction
- Mortgage interest deduction
- Capital gains tax rate
- Alternative minimum tax
- Estate tax and gift tax

Note: The low corporate tax rate does not expire but could be changed

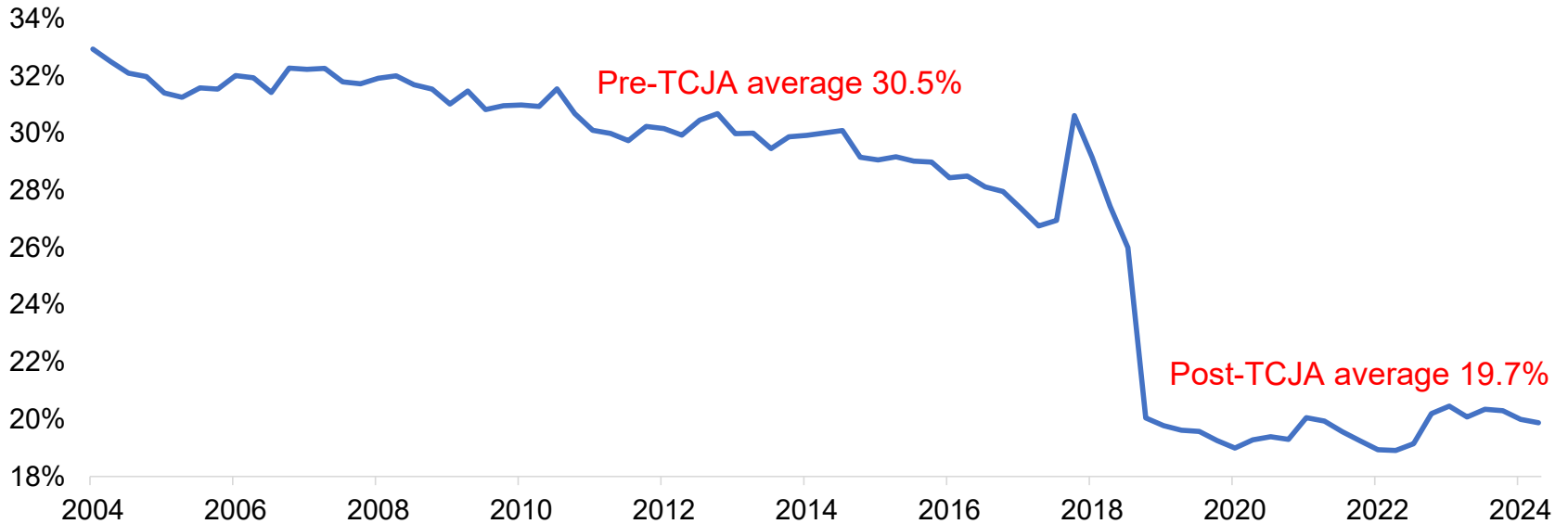
Source – Tax Foundation, Kiplinger, RBC Wealth Management. Items impacted by the Tax Cuts and Jobs Act (TCJA) sunset provisions are not limited to this information. This information does not construe tax advice.

The candidates' proposals differ

- **Trump:** Extend the low tax rates, regardless of household income.
- **Harris:** Keep rates low for lower- and middle-income households and increase tax credits. Raise taxes on upper-income households.
- What will happen to corporate taxes?

The corporate tax cuts worked

Median effective tax rate of S&P 500 companies declined after TCJA



Source – Bloomberg News, “What the data says about actual corporate tax rates: Macro Man” 8/20/24; data represents the median 12-month effective tax rate through 4/30/24. “TCJA” stands for the Tax Cuts and Jobs Act.

Tariffs typically hit both sides

Theoretical tariff considerations for GDP

Country imposing tariff			Country facing tariff	
More domestic production	Tariff tax revenue	Good	Weaker currency	
Higher product prices	Stronger currency	Bad	Fewer exports	
Less specialization	Less selection		Supply chain headaches	
	Supply chain headaches			
Usually a net negative		Net effect	Always a net negative	
Always negative if reciprocated				

- Trump supports across-the-board tariffs on all imports and high tariffs on Chinese imports.
- Harris does not support across-the-board tariff increases. She views them as akin to a national sales tax.

Source – RBC Global Asset Management Inc. Chief Economist Eric Lascelles

Harris and Trump: Industry and sector views

Big differences

- Banks & financial services
- Oil, natural gas, coal, power, rare earth minerals
- Clean energy & cleantech

Some similarities

- Pharmaceuticals
- Technology, including AI
- Military weapons contractors

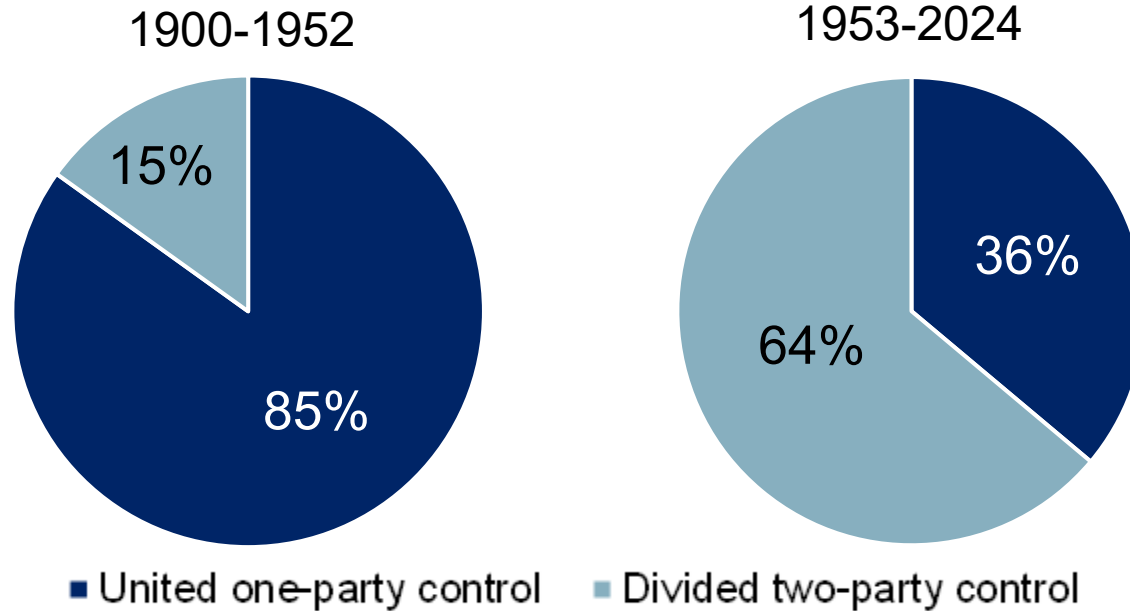
Source – RBC Wealth Management

Why U.S. presidents don't have free rein



- Constitutional checks and balances still matter
- The “administrative state” has a voice
- Corporate lobbyists have sway
- Divided government is the norm

Divided government is the norm, not the exception

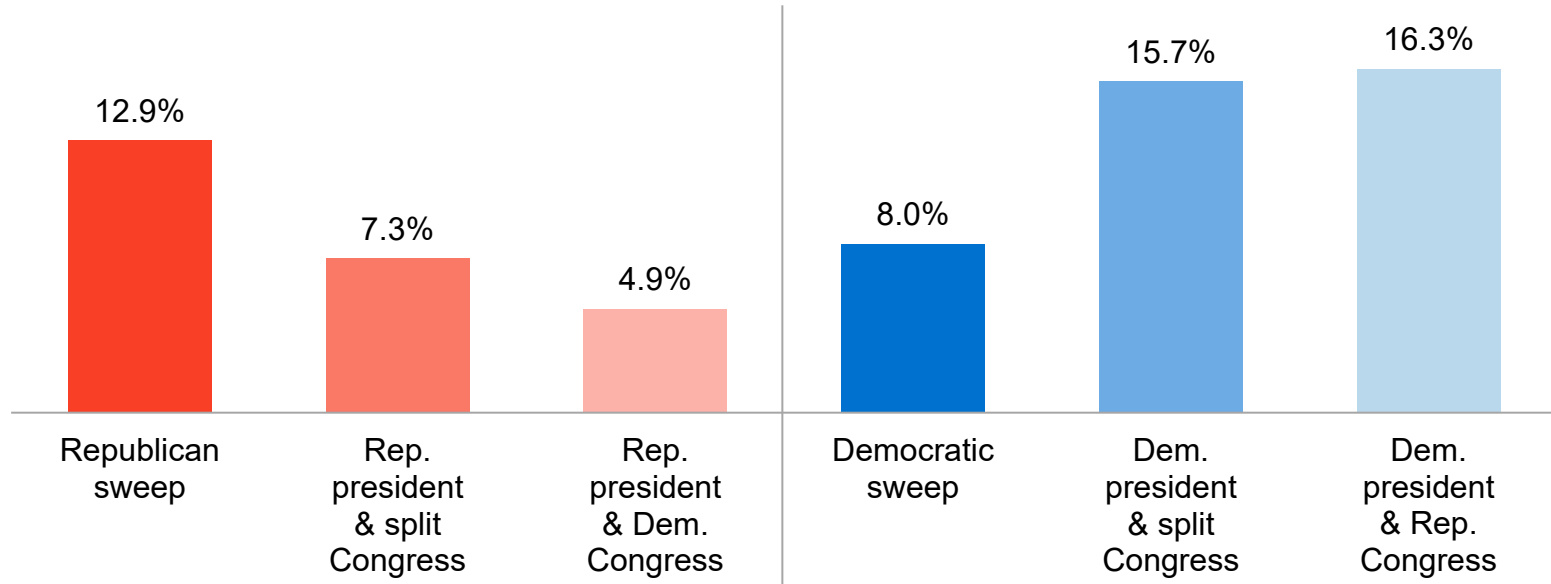


Source – RBC Wealth Management, Library of Congress, Wikipedia

Note: “United one-party control” is the same party controlling the White House, House, and Senate. “Divided two-party control” is when one party controls the White House, and the other party controls the House or Senate or both.

Elephant or donkey—or both?

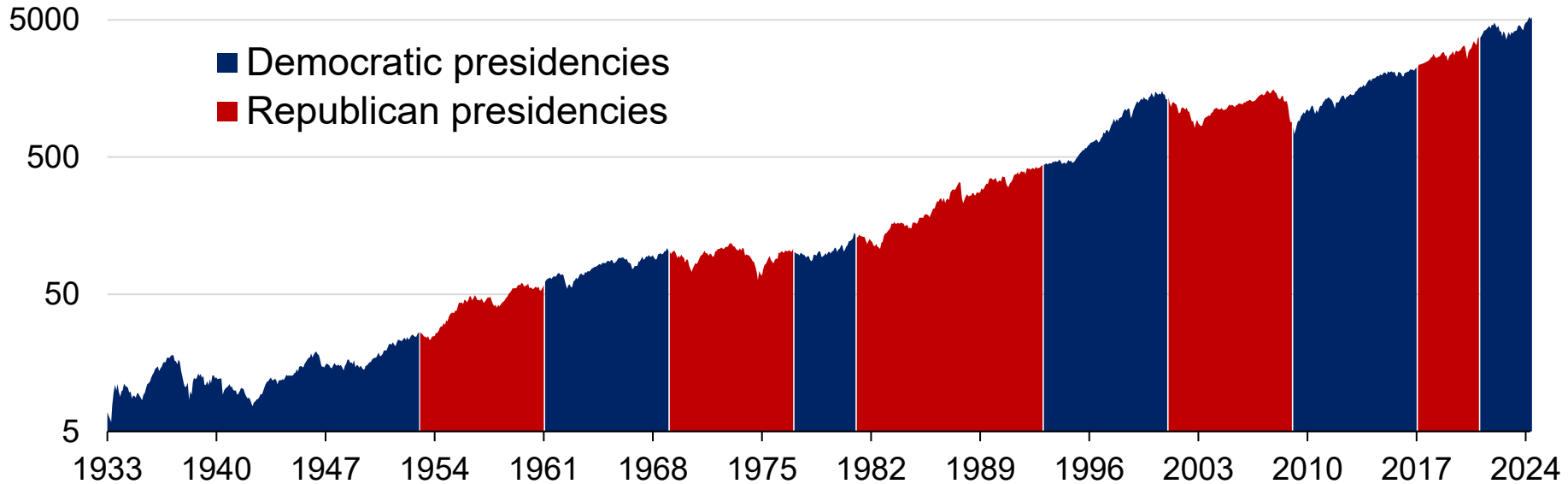
Average annual S&P 500 returns since 1953 by party control



Source – RBC Wealth Management, Bloomberg; data through 12/31/23; annual price data through 2023, not including dividends

Market gains have occurred under both parties

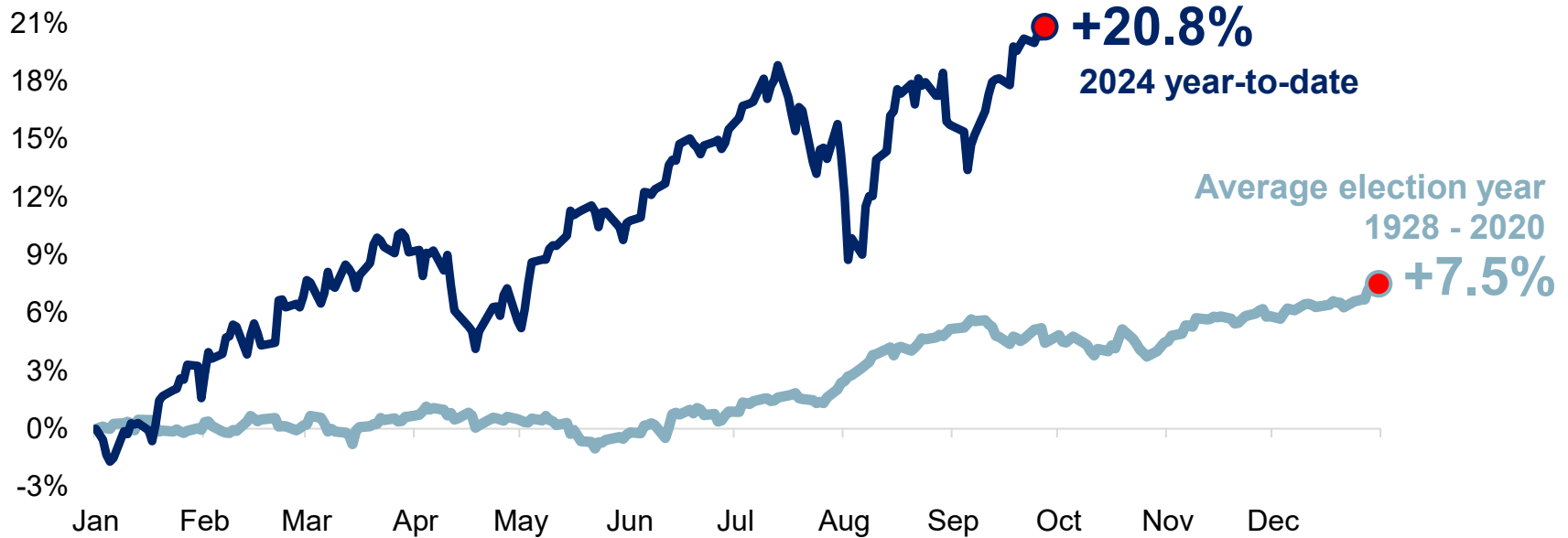
S&P 500 Index performance since 1933



Source – RBC Wealth Management, Bloomberg; monthly data through 9/30/24 shown on a logarithmic scale. Categories separated by inauguration dates when a party change occurred.

Atypical market performance this year

S&P 500 returns in presidential election years



Source – RBC Wealth Management, Bloomberg; price data in presidential election years, not including dividends; 2024 data through 9/30/24

Other factors matter more for the stock market



U.S. Federal Reserve, Washington D.C.

- The natural ebb and flow of the business cycle and its impact on profits
- Federal Reserve monetary policy
- Innovation

Key takeaways



Policy differences between presidential candidates matter less to the economy and stock market than many investors think.

- Give deference to your long-term investment strategy.
- Avoid making drastic asset class or sector changes.

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