

Trump & Uncertainty

29 November, 2024

President Trump's return to the White House is reigniting debates across many policy fronts. Markets are in a state of watchful anticipation. For fund managers, the only constant right now is uncertainty. From trade and taxes to monetary policy, the lack of clarity will potentially shape market behaviour in profound ways.

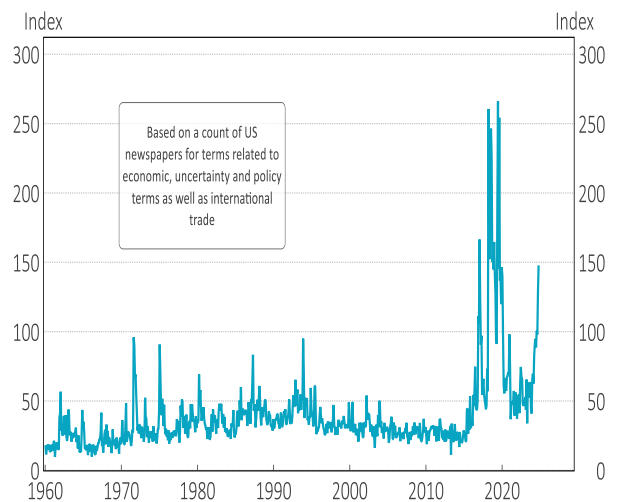
Rising uncertainty

Economic policy uncertainty has surged since Trump's win, as key decisions remain unresolved or unpredictable.

Where uncertainty reigns supreme

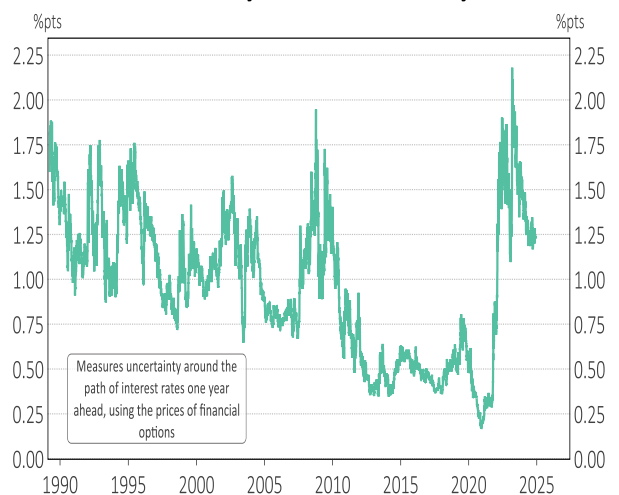
- **Trade Policy:** How far will Trump go with new tariffs? How will protectionism impact global supply chains? Fund managers are left guessing.
- **Monetary Policy:** Speculation is rife about whether the Fed will hold with its current rate cut trajectory or pivot under pressure from inflationary policy measures.
- **Fiscal Policy:** Possible tax cuts are stirring debate. While businesses may cheer, concerns about ballooning federal debt weigh heavily. Investors remain in limbo, uncertain about the potential impacts on corporate earnings and federal debt levels.
- **Sector-Specific Impacts:** Key industries - energy, healthcare, and tech - face unclear regulatory and fiscal outlooks.
- **Climate and Immigration Policies:** Potential rollbacks and stricter rules are creating longer-term strategic uncertainties for businesses.
- **Geopolitical Risks - the wild card.** From simmering tensions with China to potential shifts in U.S. alliances, foreign policy unpredictability adds another layer of complexity. Investors are left guessing how these dynamics will impact global trade, defence spending and foreign investment flows.

US Trade Policy Uncertainty



Source: PinPoint Macro Analytics, Macrobond, Economic Policy Uncertainty

US Policy Rate Uncertainty



Source: PinPoint Macro Analytics, Macrobond, Kansas City Fed

Losers:

- Non-U.S. Equities, especially China: Trade policy unpredictability and currency fluctuations are dimming prospects.
- Gold and Commodities: A strong dollar and lower safe-haven demand have dragged prices down.
- Oil: Conflicting signals on demand and policy have kept energy markets under pressure.

Volatility: the quiet before the storm?

Equities and bonds have shown restrained volatility. But FX markets are active. Safe-haven currencies like the Swiss Franc and Japanese Yen are attracting inflows as investors hedge against policy-driven risks.

Navigating the uncertainty

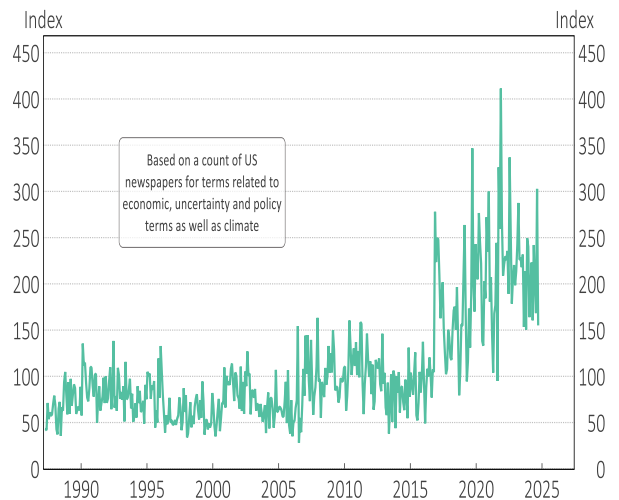
As Trump’s administration rolls out its agenda, uncertainty will remain a defining feature of the economic and market landscape. While some areas like government spending and financial regulation provide glimpses of stability, unresolved questions around trade, taxes, and monetary policy will probably keep markets on edge.

For investors, the challenge is balancing short-term opportunities with long-term risks. In a world where clarity is scarce, adaptability and vigilance are essential.

For funds, it’s really a case of opening page 1 of the Fund Manager Playbook.

- Stay Flexible: Agility is essential in adapting to new policy developments.
- Diversify Strategically: Spread exposure across asset classes to manage risk effectively.
- Watch the Policy Narrative: Small signals - on trade, taxes, or regulation - can create outsized market moves.

U.S. Climate Policy Uncertainty



Source: PinPoint Macro Analytics, Macrobond, Economic Policy Uncertainty

PinPoint Safe-Haven Currency Index

(Safe-haven currencies should retain value in periods of stress)



Source: PinPoint Macro Analytics, Macrobond, ICE, Matteo Iacoviello

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