

State of Play

Campaign Fever



25 July 2024

A week is a long time in politics, as demonstrated in the past couple of weeks in the US. With a failed assassination attempt on Donald Trump and Joe Biden succumbing to pressure and stepping down from running for president, this week's State of Play discusses the current situation in US politics and what it could mean for markets.

Kamala Harris

While Joe Biden stepping down from running for a second term might seem like a big deal, it doesn't look like the policies expected from the Democrats are likely to change. It looks like Vice President Kamala Harris will be the new nominee, and we're keeping a close eye on how things unfold.

If Kamala Harris becomes the Democratic nominee, several key expectations are likely to shape her campaign and policies:

- 1. Continuation of Biden's Agenda:** Harris is expected to closely align with President Biden's policies, particularly those outlined in his 'Build Back Better' program. This includes focusing on infrastructure development, climate change initiatives, and economic recovery efforts.
- 2. Family-Centric Policies:** A significant part of her platform is anticipated to focus on family-targeted policies. This may involve initiatives aimed at reducing childcare costs and promoting greater parental involvement in the workforce, especially for mothers.
- 3. Economic Growth Initiatives:** Harris is likely to advocate for programs that stimulate economic growth, such as tax credits for low and middle-income households, which she has previously supported.

4. **Addressing Political Uncertainty:** Given the heightened political uncertainty following Biden's exit, Harris will need to reassure voters and investors about her leadership and vision for the future, particularly as the election approaches.
 5. **Engagement with Key Swing States:** Harris may prioritise outreach in critical swing states, such as Pennsylvania and Michigan, to secure votes and build a strong coalition for the election.
 6. **Selecting a Running Mate:** A crucial decision for Harris will be choosing a running mate who can complement her campaign and appeal to a broad range of voters, potentially focusing on candidates from key swing states.
 7. **Navigating Party Dynamics:** Harris will need to unify the Democratic Party, especially if there are any challengers for the nomination, and ensure that she secures the support of party leaders and delegates.
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Advantage Trump?

Has Joe Biden stepping down impacted the election outcome and given Donald Trump the advantage? Possibly:

1. **Increased Odds for Trump:** Following Biden's exit, the probability of a Trump victory in some polls has reportedly increased, prompting a shift in some betting markets.
2. **Shift in Democratic Strategy:** With Biden no longer in the race, the Democratic Party must quickly rally around a new nominee. This shift could lead to changes in campaign strategies and messaging as the party seeks to maintain voter support and unify behind their new candidate.
3. **Voter Sentiment and Approval Ratings:** Biden's approval ratings have not been favourable compared to previous presidents at similar points in their terms. However, Kamala Harris is proving more popular in the polls than Biden, which could be bad news for Trump's campaign.
4. **Focus on Key Issues:** Harris will need to address the concerns of voters effectively, particularly on economic issues, family support, and social policies, to differentiate herself from Trump and appeal to a broad electorate.

Biden's decision to step down has created a more complex electoral environment, with implications for both the Democratic Party's strategy and the overall election outcome.

How did the markets react?

Prior to Joe Biden's decision to drop out of the election race, markets were beginning to price in a Trump victory. Investors started to build what is known as 'Trump trade' positions, where investors prefer companies viewed as being the primary beneficiaries of a Trump presidency and the agenda he has laid out so far.¹

There was a muted reaction in markets on Monday following Joe Biden's decision, as investors tried to work out the implications for their 'Trump trade' positions they had built in the past few weeks. However, the market ended with a degree of optimism on Monday, with the S&P 500 up 0.5%, while the Nasdaq rose 0.8%.²

Prediction markets showed that the probability of victory had declined slightly since Biden quit the race and officially endorsed vice-president Kamala Harris. We will keep a close eye in the weeks ahead to see whether the momentum shifts in favour of the Democrats and their new nominee.

The value of seeking guidance and advice

It is important to seek advice and guidance from a professional financial adviser who can help to explain how to build an appropriate financial plan to match your time horizons, financial ambitions and risk comfort. If you already have a plan in place or have already invested, it is important to allocate time to review this to ensure this remains on track and appropriate for your needs.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: Data as at 25 July 2024

¹CBS New, 22 July 2024

²Reuters, 22 July 2024

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