

Economic Alert iQ



First Citizens
Research & Analytics

Monday 7th November 2016 – 3:40 pm

International

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Economic Alert: Road To The White House

- The clear consensus that has emerged suggest a win for Hillary Clinton, with polls predicting that she will win the popular vote by 3-4%. Almost every major poll is showing Mrs. Clinton in the lead, usually by around 2-4%.
- Despite the results of the polls, the US Presidential race is far from certain.

Key Fiscal Policy Differences

Policy Area		Clinton	Trump
Taxes	Policy proposals/stance	Individuals: Higher marginal income tax rates including 4% surcharge for income over USD5mn; no change in tax regime for bottom 95% of income earners. Lower the thresholds for estate tax, and increase rates to 45% from 40%. Businesses: Change corporate tax code to discourage foreign 'inversions', an 'exit tax', a limitation of tax deductions on interest abroad	Individuals: Lower top marginal income tax rate to 33% from 39.6%; rate of 15% on business income claimed on individual tax returns; reduce 15% income tax bracket to 12%. Simplify income tax from seven to three brackets. Eliminate the estate tax. Businesses: Cut the top tax rate on corporate profits to 15% from 35%, while eliminating many deductions
	Priority for candidate	High	High
	Likelihood of enactment	Medium	Low
	Quote	'I want to make sure the wealthy pay their fair share, which they have not been doing' – December 19 2015	'My core beliefs are I want a major tax cut'. – May 9 2016
Government investment/stimulus	Policy proposals/stance	Spend at least USD275bn on infrastructure with proposal sent to Congress within first 100 days in office; establish USD25bn national infrastructure bank; universal broadband by 2020	Spend 'at least double' Clinton's USD275bn on infrastructure, financed by infrastructure bonds
	Priority for candidate	High	High
	Likelihood of enactment	Medium	Low
	Quote	'If we invest in infrastructure now, we'll not only create jobs today, but lay the foundation for the jobs of the future'. – July 28 2016	'We have a great plan and we are going to rebuild our infrastructure. By the way, her [Clinton's] numbers is a fraction of what we're talking about, we need much more money than that to rebuild our infrastructure. Well I would say at least double her numbers and you're going to really need more than that. We have bridges that are falling down.' – August 2 2016
Fiscal policy (debt/deficit management)	Policy proposals/stance	New spending to be paid for via higher taxes on high income earners. No long-term debt reduction plan.	Small reduction in primary spending; tax rate cuts to be 'revenue neutral' based on series of policies including eliminating tax breaks and 'loopholes', and a one-time tax on repatriated corporate cash held overseas. No long-term debt reduction plan.
	Priority for candidate	Low	Low
	Likelihood of enactment	Medium	Low

Source: Business Monitor International (BMI)

- Mrs. Clinton is clearly the preferred candidate for the financial markets as she would represent continuity in terms of economic policy. Mr Trump, on the other hand, has not clearly articulated a detailed plan for the economy but is believed to prefer a much more protectionist trade policy and has emphasized a preference for substantial tax cuts that could push the budget deficit higher.

The U.S. dollar surged Monday as investors grew more confident that Democratic nominee Hillary Clinton will win the U.S. presidency on the eve of the election. The Wall Street Journal Dollar Index, which measures the U.S. currency against 16 others, rose 0.6% to 88.03.

The Mexican peso, seen as the most vulnerable currency to the U.S. election outcome, rose over 2% against the dollar.

Investors sold haven currencies, which often benefit during times of market distress. The Japanese yen was down 1.3%, while the Swiss franc fell 0.8% against the dollar.

- Thus far, there has been relatively muted response to the narrowing in opinion polls over the last week, but the risk is that it could fall much further in the event of a Trump win.
- In this scenario, Federal Open Market Committee (FOMC) stance on monetary policy will become more uncertain. Moreover, the future of Janet Yellen, the Federal Reserve's chairwoman, could be in doubt.
- The FOMC's latest meeting ended last week and signaled that a rate hike in December was becoming more likely.
- The statement indicated that the committee was waiting for "some" further evidence that inflation and employment were on track to reach their targets and highlighted a rise in inflation and inflationary expectations since earlier this year.
- The October jobs data released on Friday appears to have provided "some" of the further evidence that was required, with news that the unemployment rate fell to 4.9% and the average earning rate rose to 2.8%, a seven-year high.
- Clinton will begin the night with a significant advantage in the Electoral College, with BMI analysis of polling data, demographics and historical trends suggesting that she has a very high likelihood of winning at least 275 of the 538 available electoral votes, above the 270 threshold required for the presidency.
- On the other hand, Republican candidate Trump begins with a narrower base of 215 electoral votes and has struggled to expand from his core support demographic of non-college educated white voters.
- Despite the advantage Clinton enjoys with respect to the Electoral College, recent polling shows that the race has tightened at the time of writing with undecided voters yet to be swayed by either candidate, thus a Trump victory cannot be ruled out.
- Till Wednesday, it's anyone's best bet on who will become the U.S 45th President come January 2017.



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