

MONTHLY RESEARCH WEBINAR

THE 2024 U.S. PRESIDENTIAL ELECTION: SCENARIOS AND SECTOR OUTLOOK

Moderator:

Jim Kelleher, CFA

Director of Research

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■ **The 2024 U.S. Presidential Election: Scenarios and Sector Outlook**

- Jim Kelleher, CFA, Director of Research
- John Eade, Argus President

■ **Argus Quick Notes**

- Shooting Stars and Falling Angels in 3Q24
- AI Spotlight on the Industrial Sector
- From Back-to-School to Holiday Shopping
- Global Dividend Investing
- Find these on the homepage of our website

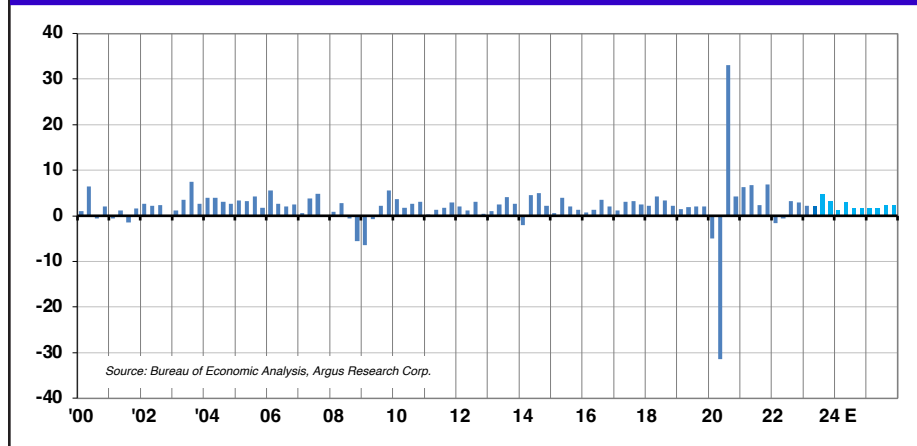
■ **Portfolio Update: the Argus High Yield Model Portfolio**

- High-yielding value stocks outperformed growth in 2022
- The value sector is the place to attain income
- Falling interest rates send bond investors to high-yield stocks
- Diversification across growth & value stocks is vital
- Find the Argus High Yield MP on the homepage of our website

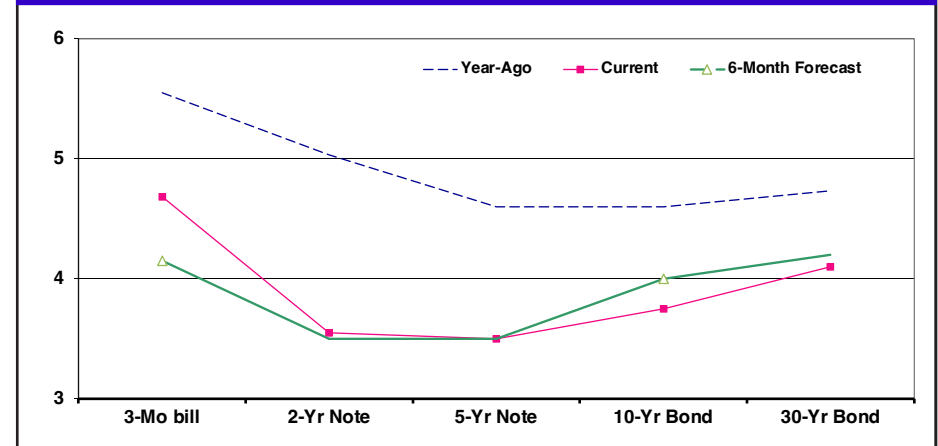
MACRO FORECASTS



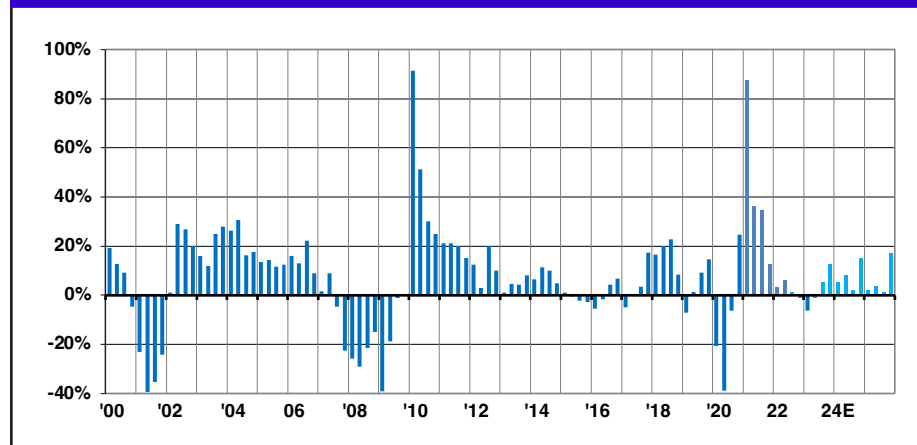
REAL GDP W/FORECASTS (%)



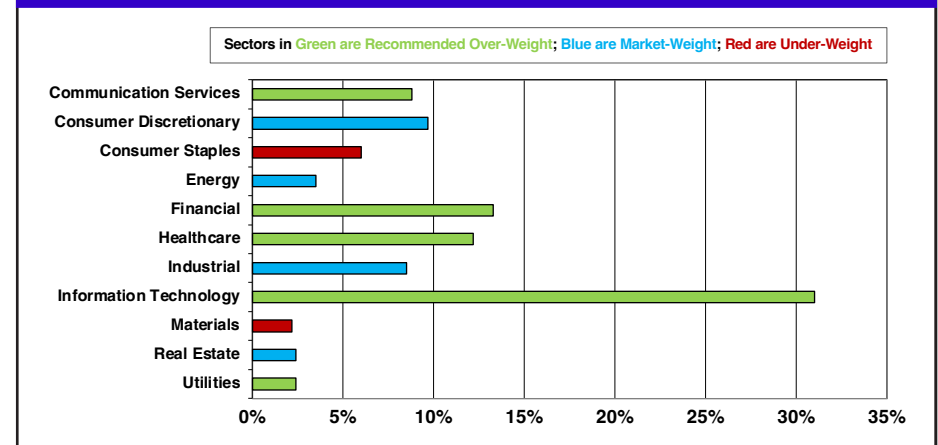
TREASURY YIELD CURVE (%)



S&P 500 QUARTERLY EARNINGS GROWTH



MARKET SECTOR DISTRIBUTION - PERCENT OF S&P 500

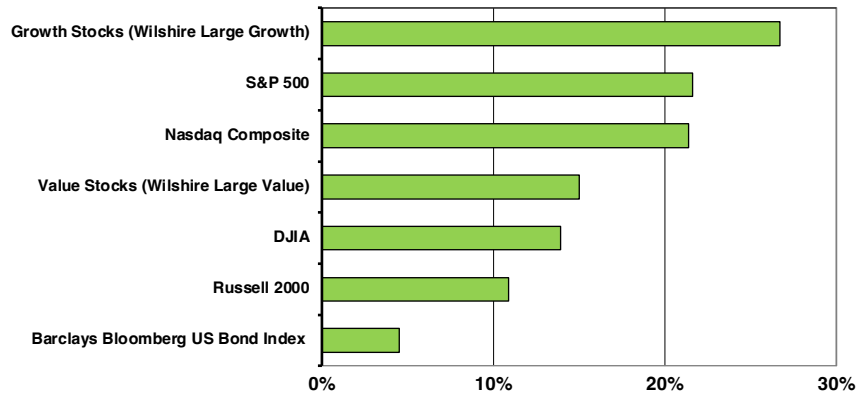


MARKET PERFORMANCE

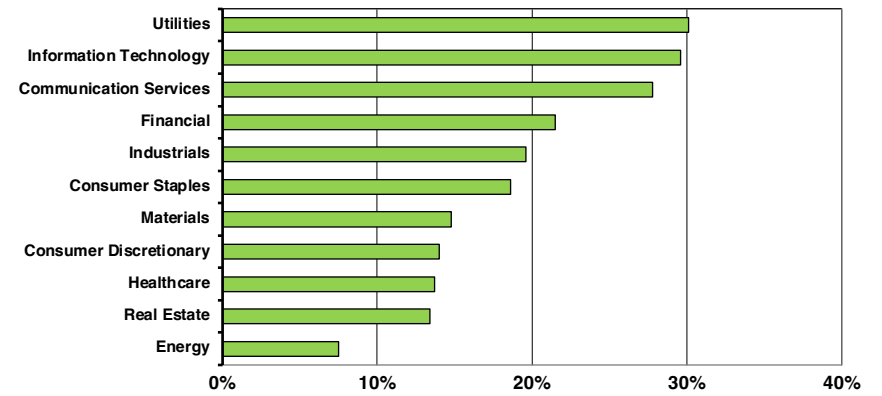
DATA AS SEPTEMBER 30, 2024



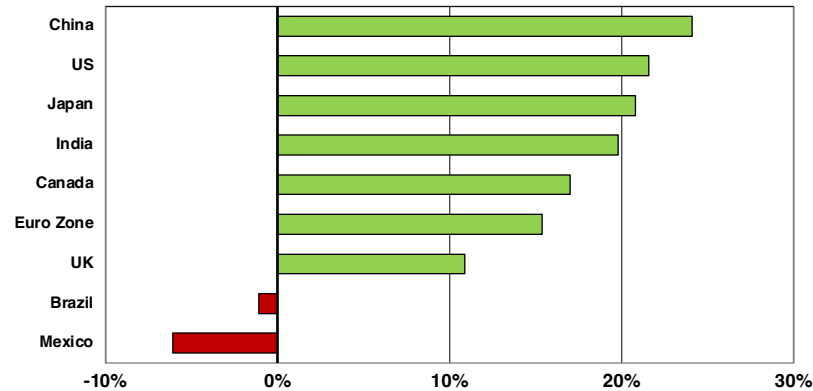
MAJOR INDEX



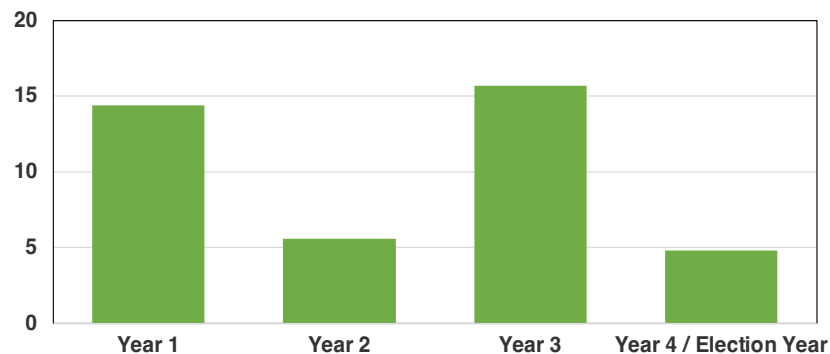
SECTOR



GLOBAL EQUITY MARKETS



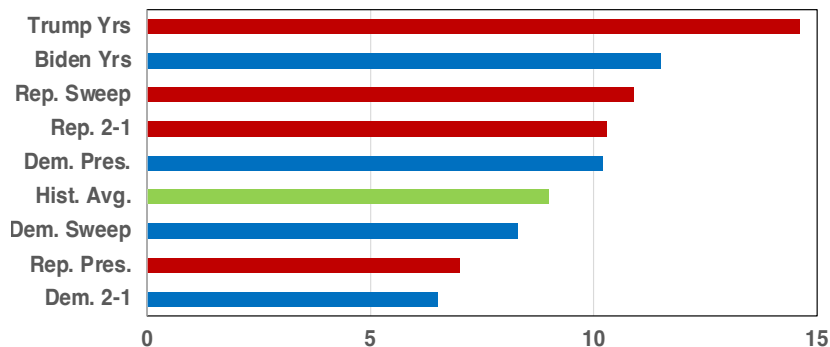
STOCK MARKET ANNUAL RETURNS THROUGH THE PRESIDENTIAL CYCLE (%)



■ Election Year a Challenge

- 1st Year honeymoon
- 2nd Year midterms
- 3rd Year gear up for vote
- 4th Year uncertainty

STOCK PERFORMANCE IN POLITICAL SCENARIOS (AVG ANNUAL S&P 500 % CHANGE)



■ Is Gridlock Best?

- Surprise – not always
- Many scenarios outperform
- GOP sweep tops
- But Democratic President also leads
- Both Trump, Biden above LT average

■ Trump Wins

- Chance for a GOP sweep, with party leading polls in House, Senate
- Domestic Focus – America Alone
- All about winning, not so much about compromise; civil implications

■ Harris Wins

- Likely Gridlock in DC
- Representing a very wide party, more progressive than Biden
- Tax/fiscal debates as focus shifts further toward reducing inequalities

■ Contested Election, Delayed Results

- Unlikely, but worst of all 3 scenarios

■ Moral of Story

- Keep an Eye on investment fundamentals

■ Trump Wins

- Implement 10-20% across-the-board tariffs; 60% on goods from China
- Reduce support for Ukraine, emphasize support of Israel
- Increase spending on National Defense
- Onshoring efforts to increase and improve supply chains

■ Harris Wins

- Targeted tariffs – industry rivals, Chinese IT products
- Maintain support for Ukraine, push for cease-fire in Israel/Hamas war
- Increase spending on National Defense
- Onshoring efforts to increase and improve supply chains

■ Stock Ideas

- Lockheed Martin (LMT), Deere & Co. (DE), Old Dominion Freight Line (ODFL), Union Pacific (UNP)

■ Trump Wins

- Significant easing to current energy policy and oil & gas regulations
- Potential abandonment of Paris Climate agreement
- Shale production to depend on prices
- Sanctions in place vs. Iran/Venezuela, renew threats re: Russia natural gas pipeline

■ Harris Wins

- More regulation; stricter land leasing policy; detailed environmental reviews
- Net-zero emission advocate; reaffirm Paris Climate agreement; more EV subsidies
- Iran Nuclear agreement, but only with major Iranian concessions
- Easing restrictions on fracking

■ Stock Ideas

- Exxon Mobil (XOM), Tesla (TSLA)

■ **Trump Wins**

- More relaxed Financial Regulation expected, easing anti-trust enforcement
- Risk to Fed Independence
- Trade battles could reduce global money flows
- Deficit Spending & Growing U.S. Debt

■ **Harris Wins**

- Higher corporate taxes hit domestic-based sector
- Higher taxes on buybacks could reduce repurchase activity
- Higher minimum wage raises costs
- Deficit Spending & Growing U.S. Debt

■ **Stock Ideas**

- JPMorgan Chase (JPM), Morgan Stanley (MS), Goldman Sachs (GS), Truist Financial (TFC)

■ **Trump Wins**

- Increase efforts to privatize Medicare
- Reduce Medicaid spending and implement work requirements
- Trade tensions with China negative for sector

■ **Harris Wins**

- Administration will strengthen ACA and continue to expand Medicare
- More drugs will come under Medicare pricing power
- Better trade relations with China and other trading partners
- Cancel \$7B HC debt for 3 million qualifying Americans

■ **Stock Ideas**

- Johnson & Johnson (JNJ), McKesson (MCK), IQVIA (IQV), Stryker (SYK)

■ Trump Wins

- Permanently extend tax rates established in 2017
- Eliminate income taxes on tips and SS benefits
- Tariff plan could increase inflation

■ Harris Wins

- Extend child tax credit, provide tax credits for newborns
- Tax credits for first-time home buyers; federal funding to spur home construction
- Tax plan could increase inflation
- Raise top cap gains rate to 33%
- Consider additional tax increases for individual income > \$400k

■ Stock Ideas

- Lennar Corp. (LHR), DR Horton (DHI), American Express (AXP), Visa (V), Mastercard (MA)

■ Trump Wins

- Heavy tariffs & lower taxes lead to inflation, reducing PC and smartphone sales
- End of tax incentives for EVs has impact on semiconductor industry
- Antitrust enforcement eases; no TikTok ban
- Limits on HB1 visas leads to margin pressure across industry

■ Harris Wins

- 10x increase in start-up business deduction to \$50k
- Heavier crypto regulation
- Continued anti-trust enforcement of Big Tech
- Expansion of CHIPS Act leads to more semiconductor foundry jobs

■ Stock Ideas

- Microsoft (MSFT), Palantir (PLTR), Palo Alto Networks (PANW), Nvidia (NVDA), Advanced Micro Devices (AMD), Broadcom (AVGO)

■ **Base Case**

- Core PCE falls toward 2.0% by-year-end
- Fed cuts 2-3x; GDP avoids recession
- S&P 500 rises another 5%: target 5800

■ **Bull Case**

- Transportation and shelter inflation begin to fall rapidly; Fed signals cuts into 2026
- Earnings surprise on upside, interest rates decline and multiples expand
- S&P 500 rises another 10%: target 6000

■ **Bear Case**

- Inflation refuses to budge; Fed signals fewer rate cuts in 2025
- Higher rates finally hit consumer sector; unemployment rises toward 5.0%
- Market endures correction phase: target 5000

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