

# Portfolio Perspectives

Insights from the CIO Office – FLASH NOTE  
11 November 2024

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## Key Messages for Investors

- The road from political victory to policy implementation is long and winding
- Too early to make high-conviction positions even in diversified portfolios
- Balance of risks seem to be the upside which provides comfort
- A global US tariffs regime would be a poor outcome for all, but in our view this is very unlikely
- Trust your well diversified portfolio

### The US Elections is not yet decided

While it looks like the Republicans will sweep the presidency and Congress, as at 2 p.m. on November 11, AEST, the elections are not over.

Assuming a “Red Sweep”, the road from political victory to policy implementation is long and winding. Trump’s tax and spending plans have been well broadcasted, but it is important to remind investors of how the market reacted when the Truss government in the UK tried to ram through an unsustainable budget. The market gets a vote, too!

### Overall risk is to the upside

It remains too early to make high-conviction positions even in a diversified portfolio. In our internal discussions, we can only share that all scenarios we have considered suggest greater upside versus downside risk for markets, but there will still be winners and losers. For example, China’s slowing economy is not helpful for Australia, especially as the policy setting here remains tight, and we now see growing evidence of meaningful financial stress on households.

### Where we could be wrong

Trump’s tariff plans represent the greatest risk to our base case. However, for the removal of doubt, the following is an extreme and unlikely

scenario in our opinion. A quick history lesson: Trump first imposed tariffs on select Chinese goods in January 2018. By March 2018, the tariffs were extended to Chinese steel and aluminium goods but extended further to encompass similar goods from Canada, Mexico and the EU. Over 2018, the MSCI World Index fell 7%, and global GDP growth, which started the year at 4.2%, exited at 3.0%. Global GDP is currently growing around 2.6%. Since Trump’s new policy calls for tariffs across all US imports, the global economic impact could exceed the 1.2% reduction that occurred when those earlier targeted tariffs came into effect. Given the competing priorities for a new administration, it seems very unlikely that Trump would prioritise hurting the stock market and inducing recessionary-like conditions for the global economy at this time.

### What should you do?

Continue to trust your well-diversified portfolio. In times of heightened market volatility and uncertainty, it is important to remember your long-term financial goals and stay true to your risk profile.

Investors should always focus on their long-term financial objectives, especially during periods of financial anxiety.

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