### *The Road to 270*

As stipulated in Article II, Section 1, Clause 2 of the US Constitution, the winner of the US Presidential election on November 5, 2024 will need to win 270 of the Electoral College's 538 votes (a simple majority). The Electoral College, a body of electors which meets every four years for the sole purpose of electing the President and Vice President of the United States, emerged as a compromise at the Constitutional Convention in 1787 between those wanting the election determined by popular vote, and those seeking more balanced representation from smaller states.

This mix of state-based and population-based government was persuasively argued in The Federalist Papers by James Madison in Federalist No. 39 and Alexander Hamilton in Federalist No. 68. The total number of electors (538) is based on the number of members in the US Senate (100 total, or 2 per state) and the US House of Representatives (435 total, distributed based on state population), as well as an additional 3 electors for Washington DC (equals the total for the least populous state, as provided by the 23rd Amendment, ratified in 1961).

The Electoral College has elected the presidential candidate who received the most popular votes nationwide in all but 4 US elections: 1876, 1888, 2000 and 2016.

AUTHORS
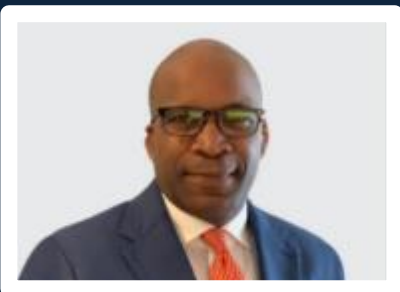
Roger Hollingsworth

Managing Director
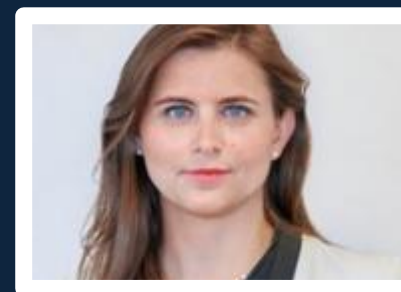Head of US Government Affairs
Washington, D.C.

RHollingsworth@us.mufg.jp
(202) 463-2234

Tom Joyce

Managing Director
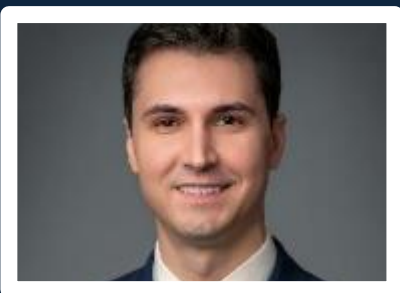Capital Markets Strategist
New York, NY

Tom.Joyce@mufgsecurities.com
(212) 405-7472

Hailey Orr

Managing Director
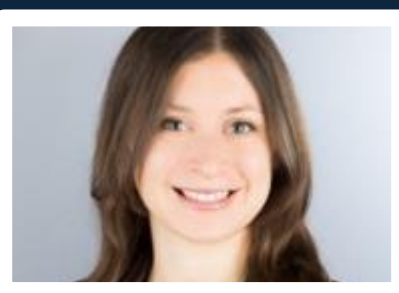Capital Markets Strategist
New York, NY

Hailey.Orr@mufgsecurities.com
(212) 405-7429

Alex Anderson

Vice President
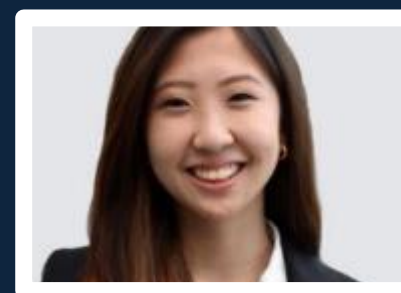Government Affairs Office
Washington, D.C.

AlAnderson@us.mufg.jp
(202) 463-2226

Stephanie Kendal

Vice President
Capital Markets Strategist
New York, NY

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Angela Sun

Analyst
Capital Markets Strategist
New York, NY

Angela.Sun@mufgsecurities.com
(212) 405-6952

Contents

Notable Dates in the 2024 US Election Cycle

June 27	Trump / Biden debate
Jul 15-18	Republican National Convention
Aug 19-22	Democratic National Convention
Sep 10	First Trump / Harris debate
Mid September	Early voting begins in numerous states
Sept 17-18	Last Fed meeting before election
Oct 1	VP debate (Vance / Walz)
Nov 5	US election
Nov 6-7	First Fed meeting post-US election

Swing State Early Voting Already Underway

While election day is November 5th, many Americans in key swing states will cast their votes before then, starting with Pennsylvania, where early voting starts on September 16th.

Swing States	# of Electoral College Votes	Early Voting Date
Pennsylvania	19 votes	September 16th
Arizona	11 votes	October 9th
Georgia	16 votes	October 15th
Nevada	6 votes	October 19th
Wisconsin	10 votes	October 22nd
Michigan	15 votes	October 26th

Source: (1) PIMCO (Libby Cantrill). Real Clear Politics.

1 2024: Year of "Change" Elections

"I sought for the greatness and genius of America in her commodious harbors and her ample rivers, and it was not there; in her fertile fields and boundless prairies, and it was not there; in her rich mines and her vast world commerce, and it was not there. Not until I went to the churches of America and heard her pulpits aflame with righteousness did I understand the secret of her genius and power. America is great because she is good, and if America ever ceases to be good, America will cease to be great."

Alexis de Tocqueville, French political philosopher, and author of "Democracy in America" (1805-1859)

2024: Largest Election Year in History

2024 will be the largest election year in human history. More than 75 countries, and over 4.2 billion of the world's 8.1 billion people, will have held national or major regional elections in varying form, including several of the world's most populous countries (India, the United States, the EU, UK, France, Indonesia, Russia, Mexico, Pakistan, Bangladesh, South Korea, and Japan).

Legend:
- Election 2024 (Pop. >10m)
- Election 2024 (Pop. <10m)

Map labels:
- Netherlands 18m
- Germany 83m
- Sweden 11m
- France 65m
- Italy 59m
- Russia 144m
- Poland 41m
- Ukraine 37m
- Spain 48m
- Belgium 12m
- UK 67m
- Romania 20m
- Portugal 10m
- Algeria 46m
- Chad 18m
- Senegal 18m
- Mali 23m
- Burkina Faso 23m
- Ghana 34m
- Tunisia 12m
- Somalia 18m
- Jordan 11m
- Türkiye 86m
- Mozambique 34m
- Rwanda 14m
- Mexico 128m
- US 340m
- Brazil 216m
- Dominican Rep. 11m
- Venezuela 29m
- South Africa 60m
- South Sudan 11m
- Bangladesh 173m
- India 1.4bn
- Sri Lanka 22m
- Pakistan 240m
- S. Korea 52m
- N. Korea 26m
- Japan 123m
- Taiwan 24m
- Cambodia 17m
- Indonesia 278m

Source: (1) Economist Intelligence Unit. United Nations. V-Dem 4. European countries included because of EU Parliamentary elections.

2024: The Year of Change Elections

Selected change elections around the world in 2024

🇬🇧	Ruling UK Conservative Party ousted for first time in 14 years
🇫🇷	Unexpected "snap" election; substantial gains by right wing RN party; significant losses from incumbent PM Macron's majority
🇮🇳	Modi re-elected, but his BJP loses outright majority in India's Parliament for 1st time in a decade
🇹🇼	Taiwan's DPP holds Presidency; legislative control flips to Kuomintang
🇰🇷	Landslide SK Parliamentary loss by ruling conservatives to liberal opposition
🇯🇵	Incumbent PM Kishida withdraws from Sept 27 Presidential election without naming successor
🇿🇦	South Africa's ANC loses first parliamentary majority since end of Apartheid (1993)
🇺🇸	Incumbent President Biden withdraws; Congress control change expected

Source: (1) Mehlman Consulting.

"Change Elections" the New Normal in US

Since 2000, 10 of the 12 federal US elections, including each of the last five, resulted in a change in the party controlling the House, Senate, and/or White House. This outpaces the average of the 1960s – 90s where one to two of the five elections per decade resulted in party control change.

Last 25 Years

1960's	1970's	1980's	1990's	2000's	2010's	2020's
1960	1970	1980	1990	2000	2010	2020
1962	1972	1982	1992	2002	2012	2022
1964	1974	1984	1994	2004	2014	? 2024
1966	1976	1986	1996	2006	2016	
1968	1978	1988	1998	2008	2018	

⬤ Change election

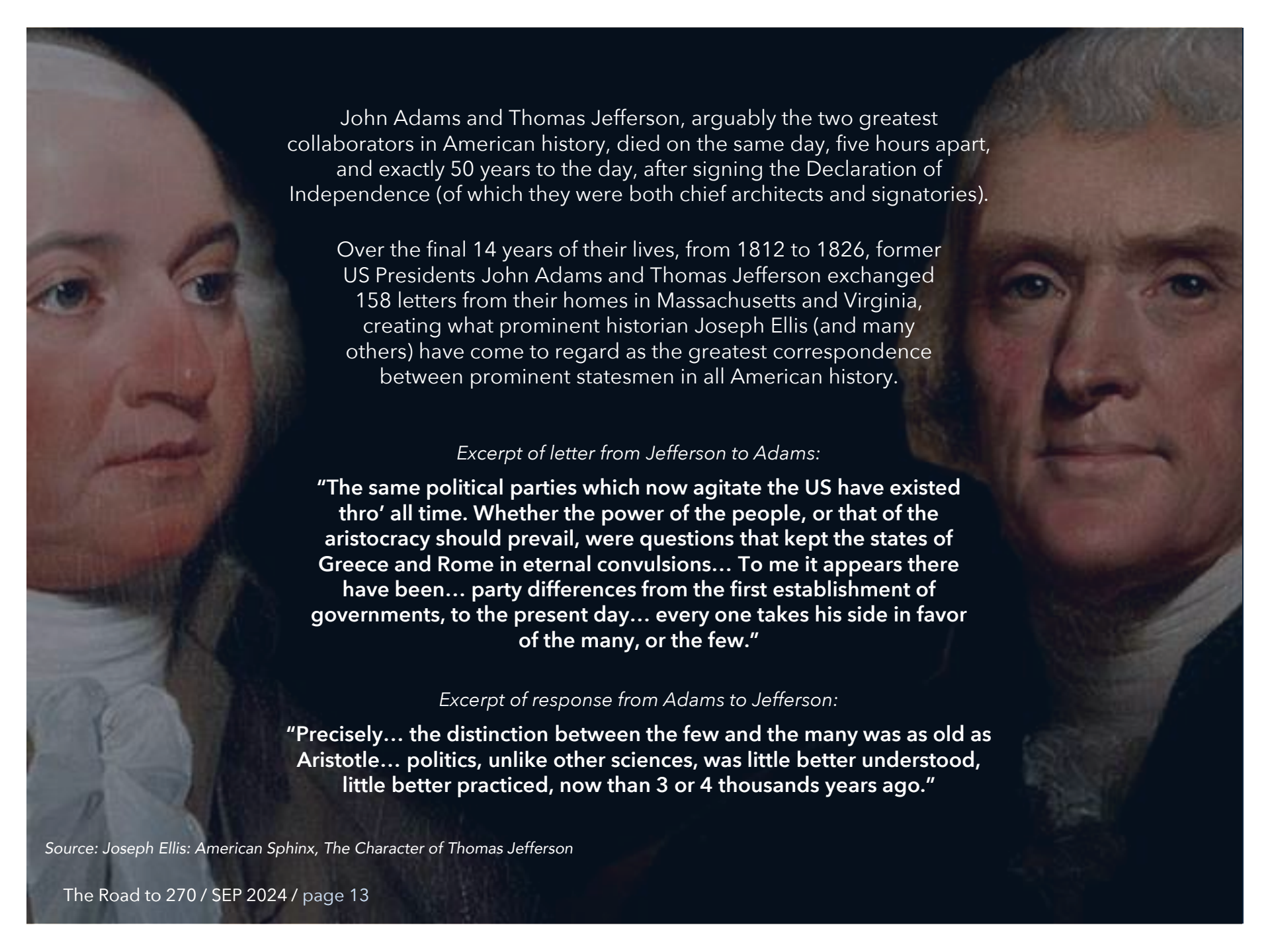*Source: (1) Mehlman Consulting.*

2 *Historical Perspective*

John Adams and Thomas Jefferson, arguably the two greatest collaborators in American history, died on the same day, five hours apart, and exactly 50 years to the day, after signing the Declaration of Independence (of which they were both chief architects and signatories).

Over the final 14 years of their lives, from 1812 to 1826, former US Presidents John Adams and Thomas Jefferson exchanged 158 letters from their homes in Massachusetts and Virginia, creating what prominent historian Joseph Ellis (and many others) have come to regard as the greatest correspondence between prominent statesmen in all American history.

Excerpt of letter from Jefferson to Adams:

"The same political parties which now agitate the US have existed thro' all time. Whether the power of the people, or that of the aristocracy should prevail, were questions that kept the states of Greece and Rome in eternal convulsions… To me it appears there have been… party differences from the first establishment of governments, to the present day… every one takes his side in favor of the many, or the few."

Excerpt of response from Adams to Jefferson:

"Precisely… the distinction between the few and the many was as old as Aristotle… politics, unlike other sciences, was little better understood, little better practiced, now than 3 or 4 thousands years ago."

Source: Joseph Ellis: American Sphinx, The Character of Thomas Jefferson

Public Trust in Government Has Been Declining

With the exception of one year following September 11th and the subsequent start of the Iraq war, US public trust in Government has been below 50% since the mid-1970s. In 2024, public trust has increased marginally but remains at just 22%, on average. Notably, trust in the government tends to be meaningfully higher among members of the party that controls the presidency.

% who say they trust the government to do what is right just about always / most of the time
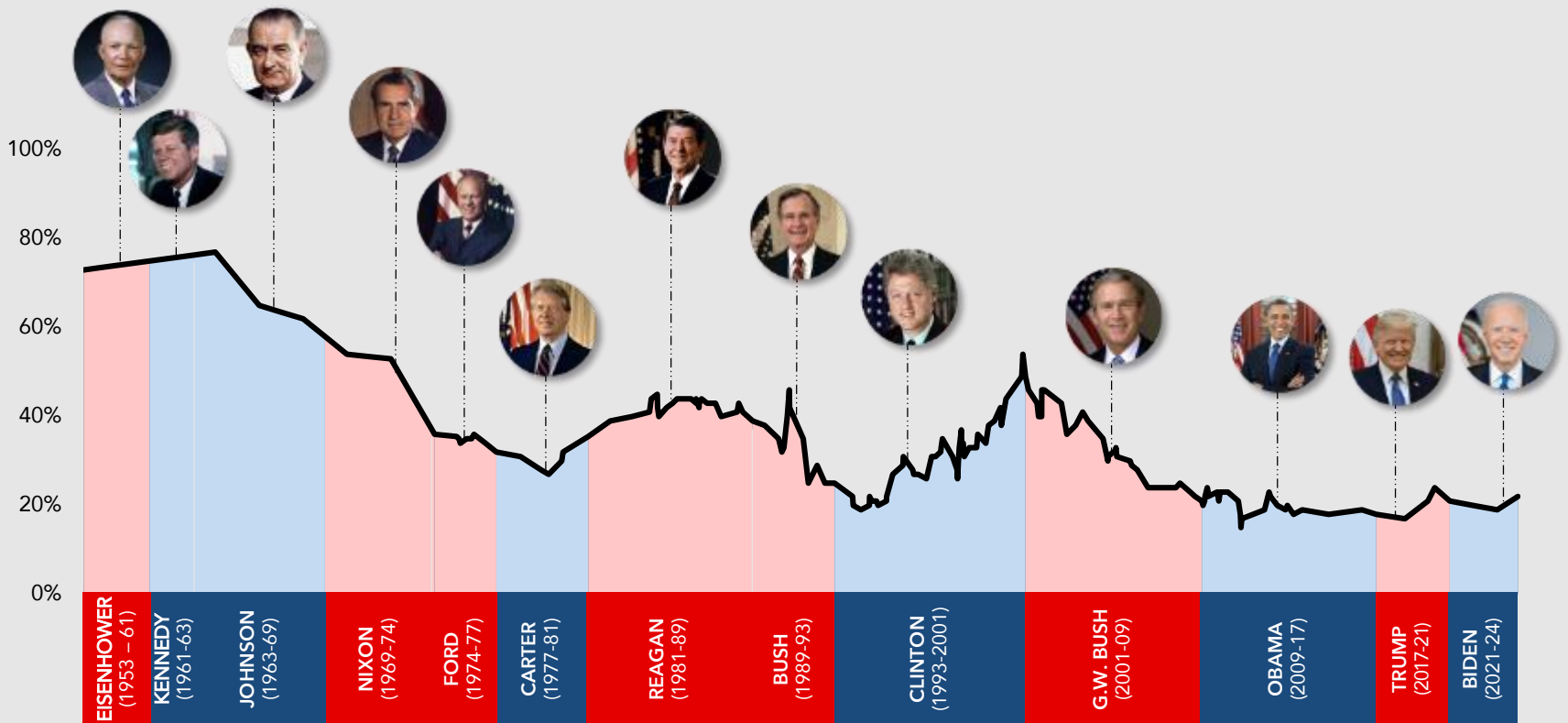
Source: (1) Pew Research Center. Data from 161 surveys collected from December 1958 – May 2024. Graph is moving average.

Pew Research Center

The Electoral College Map Evolves Over Time

The distribution of 538 electors across the 50 states is adjusted over time in accordance with population changes. Following the 2020 Census, Republican leaning states gained a net three electoral college votes.

Reapportionment gains & losses following 2020 census

Seats Lost/Gained since 2020 census:

-1	0	+1	+2 Or more
Seats *LOST*			
NY: (-1)		MI: (-1)	
PA: (-1)		IL: (-1)	
OH: (-1)		CA: (-1)	
WV: (-1)			
Seats *GAINED*			
OR: +1		FL: +1	
MT: +1		NC: +1	
CO: +1		TX: +2	
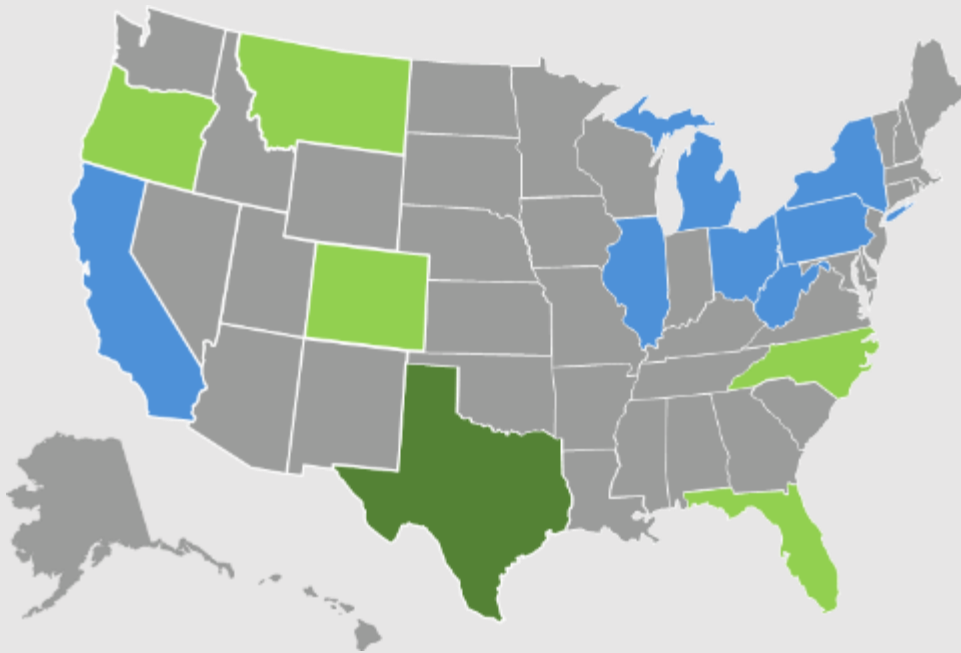
Congressional Control Declining for Both Parties

The average duration of one party holding control in either chamber of Congress has declined by roughly half in the last century. With a more divided electorate, Congressional control in each house is swinging between parties roughly every 4-5 years, or every 2-3 election cycles.

Average duration of control in Congress

20th century:
11.1 years

21st century:
4.8 years

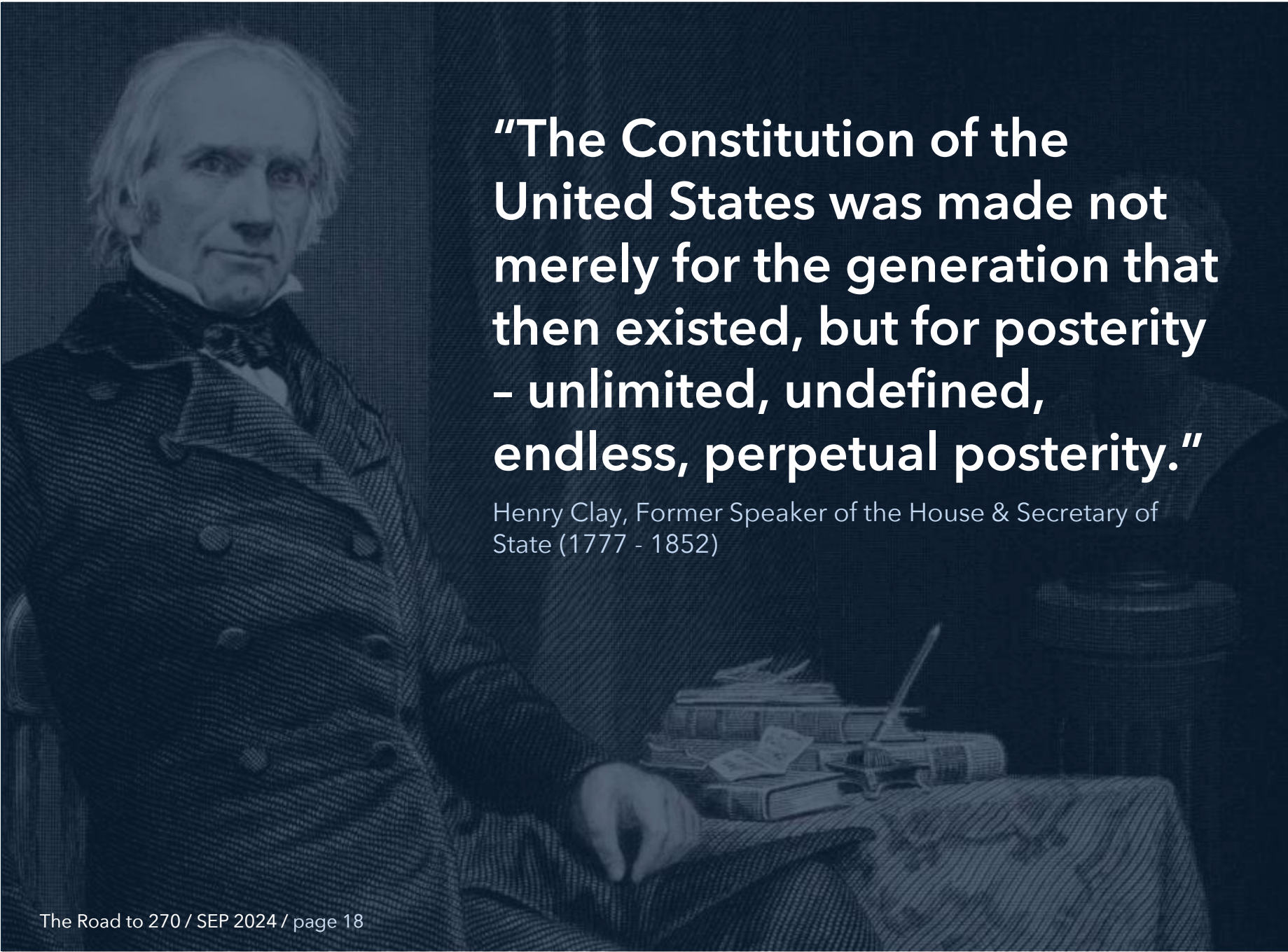20th century:
9.0 years

21st century:
4.0 years

House

Senate
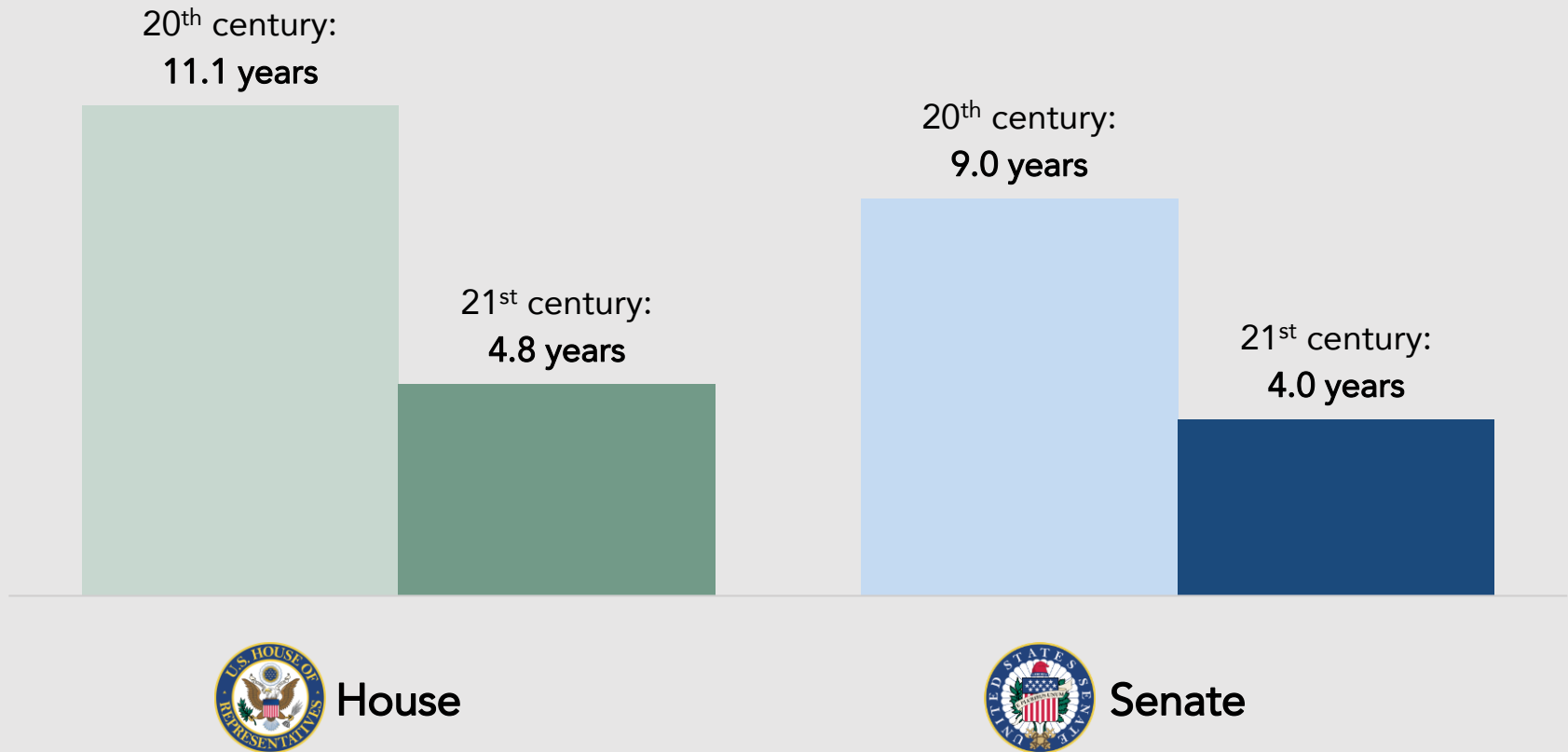
Source: (1) Mehlman Consulting (Bruce Mehlman).

3 *National Polls Matter Less*

"The Constitution of the United States was made not merely for the generation that then existed, but for posterity – unlimited, undefined, endless, perpetual posterity."

Henry Clay, Former Speaker of the House & Secretary of State (1777 - 1852)

2024 US Presidential Election Dashboard

With the electoral map favoring Republicans, history suggests that VP Kamala Harris may need a 3-4% lead in national polls to win the electoral college.

NATIONAL POLLS

National Polling

Harris		Harris : +2.7%		Trump
48.5%				**45.8%**

CRITICAL SWING STATE POLLING

"Frost Belt"

WI	PA	MI
Harris **+2.2%**	Harris **+1.1%**	Harris **+2.6%**

"Sun Belt"

NV	AZ	GA	NC
Harris **+0.6%**	Trump **+0.9%**	Trump **+1.3%**	Trump **+0.4%**

ELECTORAL COLLEGE MAP BASED ON RCP POLLS

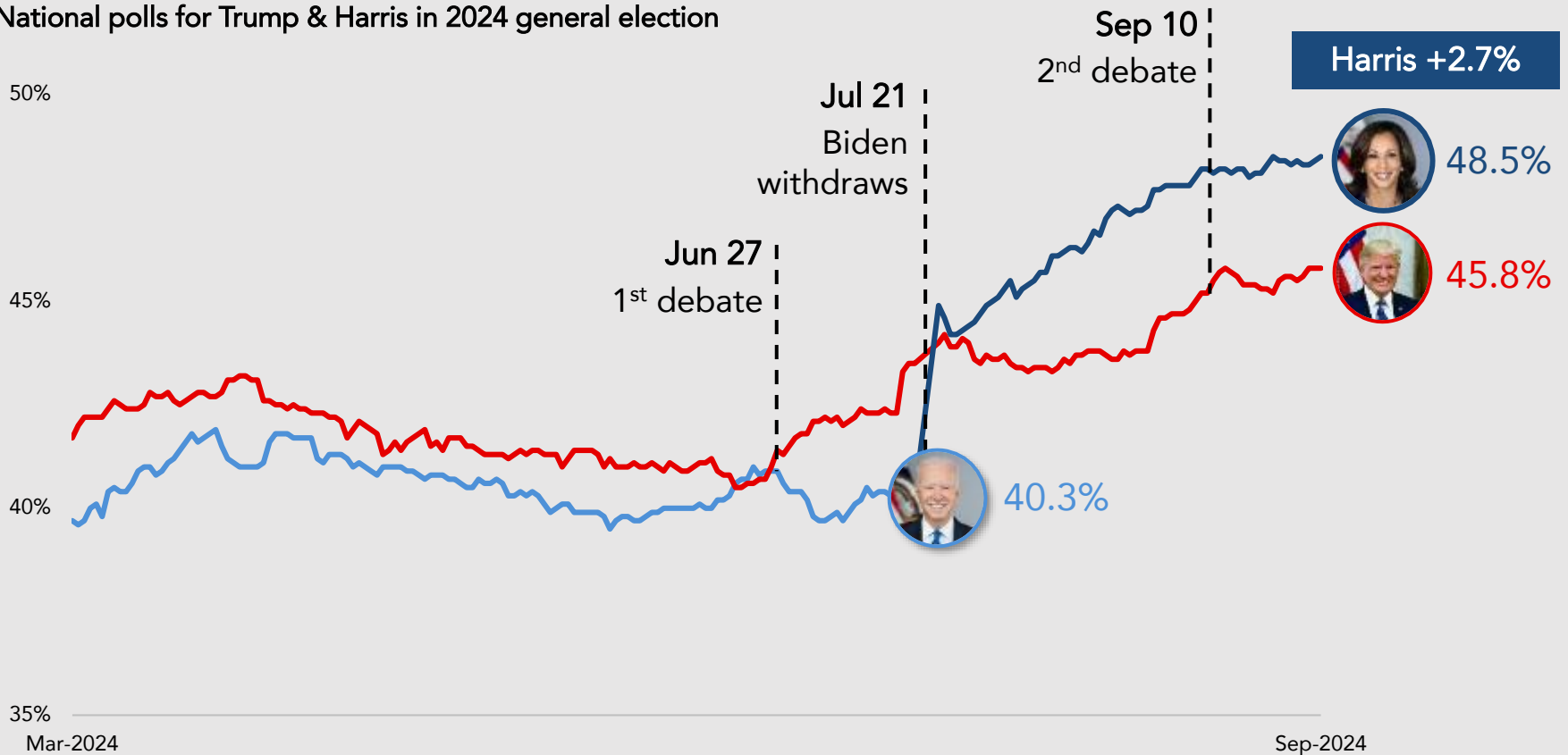Trump: **219**   **?**   Toss Up: **104**   Harris: **215**

(270 needed to win)

Source: (1) FiveThirtyEight Average Polling. Electoral college map based on RCP polls. Data as of September 26, 2024.

National Polls Matter Less

National polls have consistently shown a close, competitive race. Former President Trump's national polling in this election cycle has been characterized as having a "high floor" and "low ceiling". Since Harris entered the race as the Democratic nominee, she has closed the gap and now leads in the national polls. National polls are important indicators of momentum in the election, but swing state polling matters far more in anticipating election outcomes.

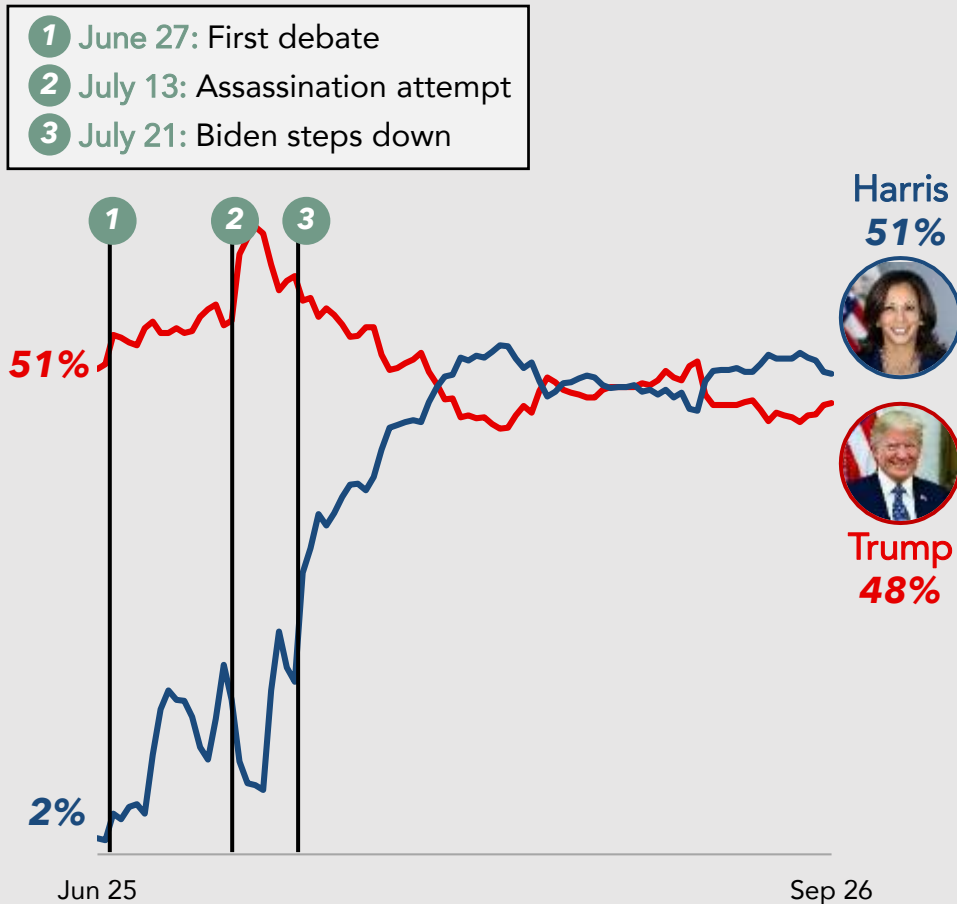National polls for Trump & Harris in 2024 general election

Harris +2.7%

Jun 27
1st debate

Jul 21
Biden
withdraws

Sep 10
2nd debate

48.5%

45.8%

40.3%

50%

45%

40%

35%

Mar-2024

Sep-2024

The "Betting" Markets are Generally Volatile

Since June 26, Vice President Harris' probability of winning the 2024 Presidential election in "betting markets" has increased from 2% to over 50%.

US betting markets (2024 election)

1	**June 27:** First debate
2	**July 13:** Assassination attempt
3	**July 21:** Biden steps down

1 **2** **3**

Harris
51%

51%

Trump
48%

2%

Jun 25   Sep 26

Presidential election
Harris: 53%	
Trump: 45%	

US Senate control
Republican: 75%	
Democrat: 25%	

US House control
Democrat: 63%	
Republican: 37%	

Public Opinion on Former President Donald Trump

Former President Donald Trump has been polling <u>behind</u> Vice President Kamala on favorability, with significant divergence in opinions based on political party affiliation.

In your opinion, would Donald Trump make a good president?

Legend: ■ Yes ■ No

Group	Yes	No
Overall	38%	56%
Republican	74%	21%
Democrat	10%	86%
Independent	30%	57%

Public Opinion on Vice President Kamala Harris

Vice President Kamala Harris faces the same favorability issues that President Biden did. Only 42% of survey respondents thought she would make a good president, though among Democrats, over 75% believe she would make a good president.

In your opinion, would Kamala Harris make a good president?

■ Yes ■ No

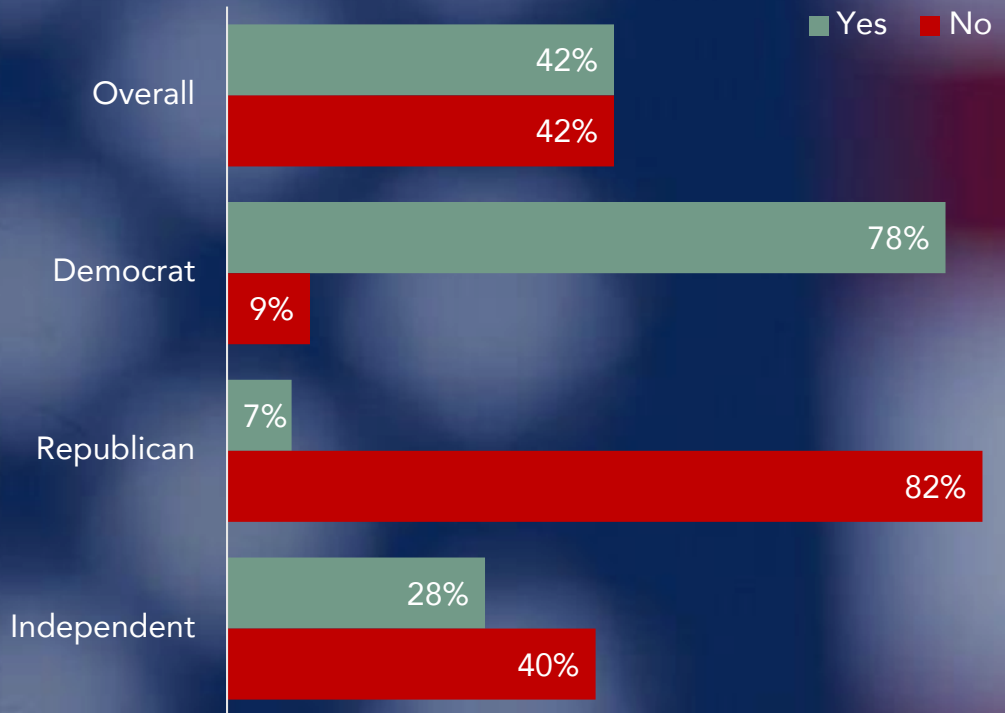|	Yes	No
Overall	42%	42%
Democrat	78%	9%
Republican	7%	82%
Independent	28%	40%

Source: (1) AP-NORC Center for Public Affairs. Survey of 1,143 adults nationwide conducted July 25-29, 2024. Poll conducted using the AmeriSpeak Panel, a probability-based panel of NORC at the University of Chicago.

4 *Swing States Matter More*
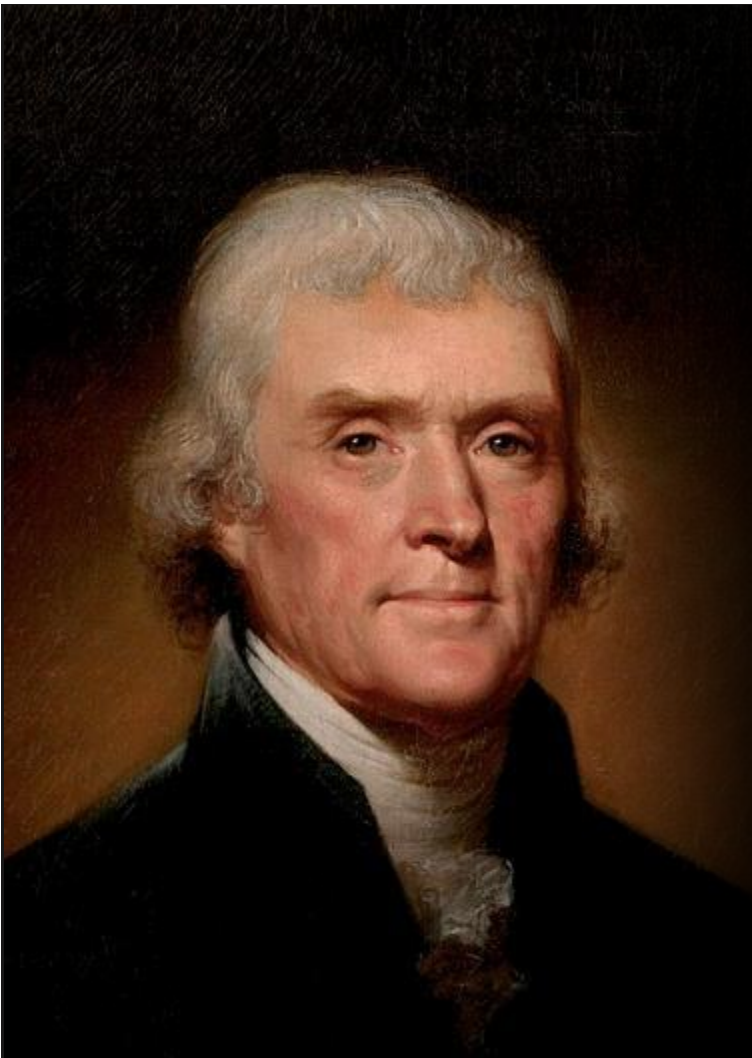
"If there be any among us who would wish to dissolve this union or to change its republican form, let them stand undisturbed as monuments of the safety with which error of opinion may be tolerated, where reason is left free to combat it."

President Thomas Jefferson's First Inaugural Address (March 4, 1801)

"Swing States" That Matter More in 2024

Latest swing state polling and electoral college votes

+0.6

+2.5

+2.1

NV (6)

WI (10)

MI (15)

PA (19)

+1.1

AZ (11)

+0.9

NC (16)

+0.4

GA (16)

+1.2
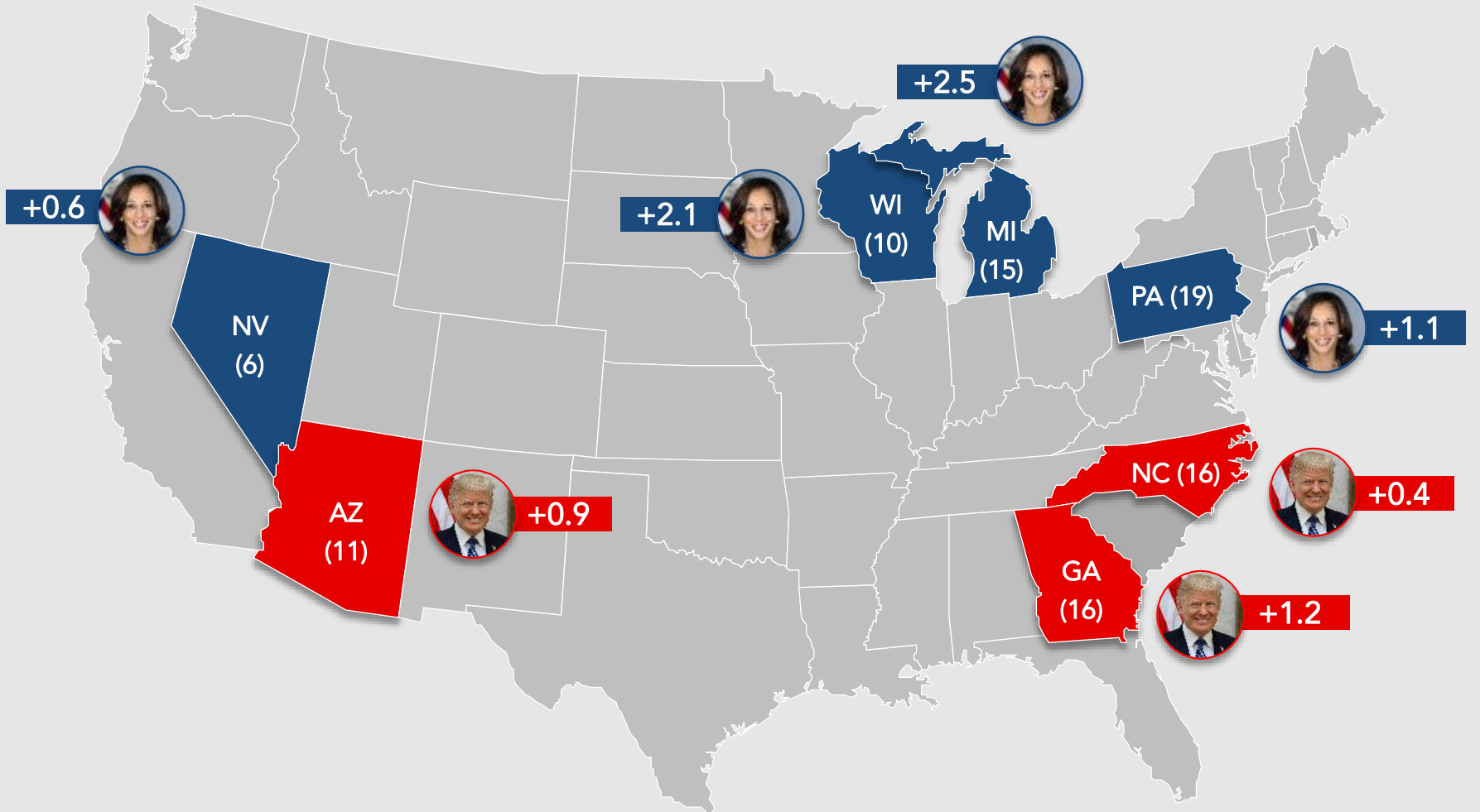
Source: (1) FiveThirtyEight Average Polling. Data as of September 26, 2024.

Harris Closes Swing State Gap Since July 21

Polling averages in key 2024 "swing states" have converged sharply since President Biden withdrew on July 21, with most differentials now well within the margin of error.

Polling averages for swing states since President Biden's withdrawal on July 21

State		July 21 Biden Withdraws	Sep 10 Trump/Harris Debate	Sep 26 Latest Polling
"Frost Belt"	WI	+2.3%	+2.4%	+2.2%
	PA	+4.4%	+0.5%	+1.1%
	MI	+2.4%	+1.7%	+2.6%
"Sun Belt"	NV	+5.8%	+0.1%	+0.6%
	AZ	+5.5%	+1.0%	+0.9%
	GA	+5.9%	+0.8%	+1.3%
	NC	+6.9%	Tie	+0.4%

Source: FiveThirtyEight Polling Average. Data as of September 26, 2024.

Road to 270: The No "Toss Up" Map

With several key swing states polling well within the margin of error, the electoral map for the 2024 US Presidential Election remains "too close to call."

2024 presidential election electoral map

Total Electoral College Votes
538

Votes Needed to Win
270

Current Votes

Harris: *276*

Trump: *262*

WA: 12
OR: 8
MT: 4
ID: 4
WY: 3
ND: 3
SD: 3
MN: 10
WI: 10
MI: 15
VT: 3
ME: 1 3
NH: 4
NY: 28
MA: 11
RI: 4
CT: 7
PA: 19
NJ: 14
DE: 3
MD: 10
DC: 3
NV: 6
UT: 6
CO: 10
NE: 4 1
IA: 6
IL: 19
IN: 11
OH: 17
WV: 4
VA: 13
CA: 54
AZ: 11
NM: 5
KS: 6
MO: 10
KY: 8
TN: 11
NC: 16
SC: 9
OK: 7
AR: 6
MS: 6
AL: 9
GA: 16
TX: 40
LA: 8
FL: 30
AK: 3
HI: 4
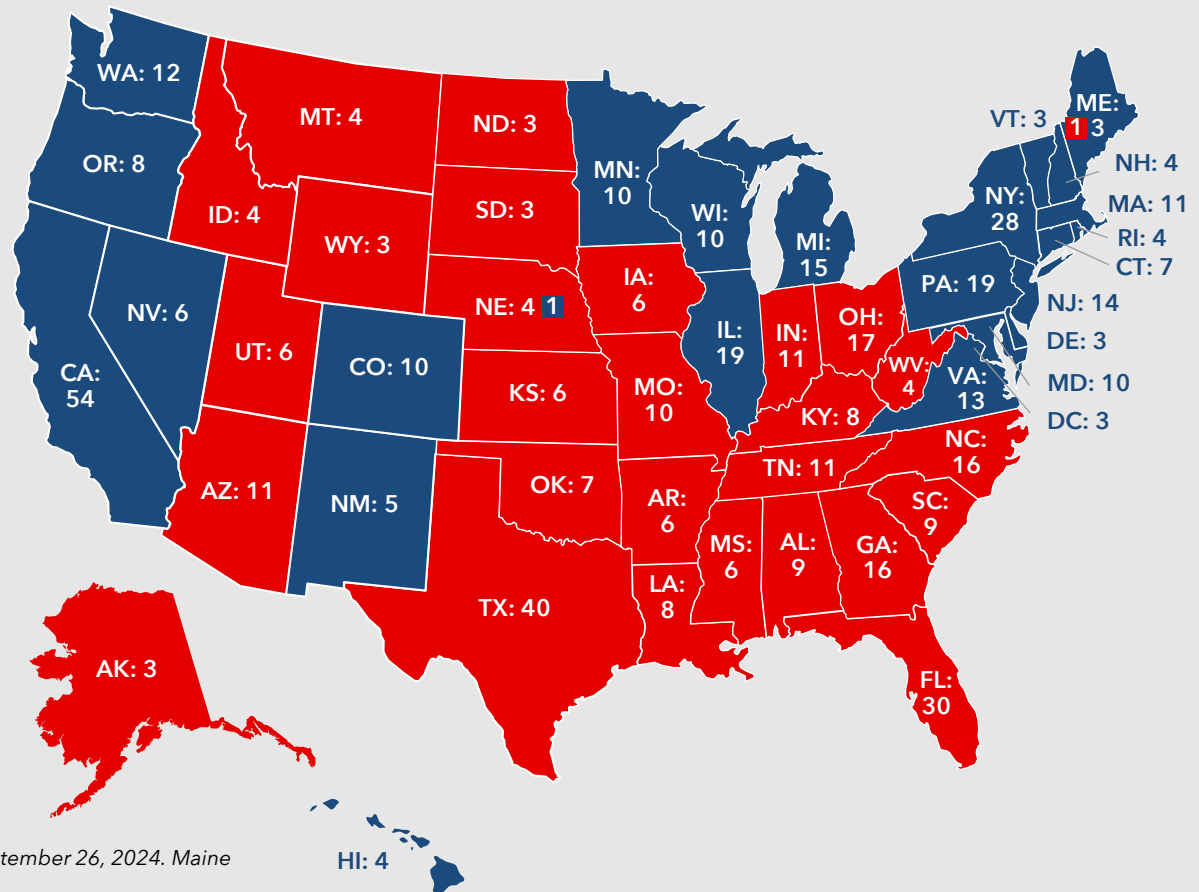
Source: (1) FiveThirtyEight Average Polls. Data as of September 26, 2024. Maine and Nebraska have split electoral votes.

Road to 270: A Closer Look at Swing States

The 2024 election may come down to just a handful of critical swing states. As the polling stands today, the path for Trump is more obvious. He needs to secure Pennsylvania and its 19 electoral college votes, while maintaining the currently Republican leaning states. Harris' path to victory is more challenging. However, with numerous states within the historical margin of error, the race remains too close to call.

215 votes   **219 votes**

Solid Democrat	Likely/Leans D	Toss up	Likely/Leans R	Solid Republican
139	76	104	126	93

Solid Democrat	Likely / Leans Democrat	Toss up	Likely / Leans Republican	Solid Republican
California (54)	Illinois (19)	Pennsylvania (19)	Texas (40)	Indiana (11)
New York (28)	New Jersey (14)	Georgia (16)	Florida (30)	Tennessee (11)
Washington (12)	Virginia (13)	North Carolina (16)	Ohio (17)	Alabama (9)
Massachusetts (11)	Colorado (10)	Michigan (15)	Missouri (10)	Louisiana (8)
Maryland (10)	Oregon (8)	Arizona (11)	South Carolina (9)	Kentucky (8)
Connecticut (7)	New Mexico (5)	Minnesota (10)	Iowa (6)	Oklahoma (7)
Rhode Island (4)	New Hampshire (4)	Wisconsin (10)	Kansas (6)	Mississippi (6)
Hawaii (4)	Maine -1st (1)(2)	Nevada (6)	Montana (4)	Arkansas (6)
Vermont (3)		Nebraska-2nd (1)	Alaska (3)	Utah (6)
Delaware (3)			Maine-2nd (1)	Idaho (4)
D.C. (3)				West Virginia (4)
				North Dakota (3)
				South Dakota (3)
				Wyoming (3)
				Nebraska -1st & 3rd (2)(2)

Source: (1) Real Clear Polling. Data as of September 26, 2024. FiveThirtyEight.

5 *The Money*

"Freedom of speech is a principal pillar of free government; When this support is taken away, the constitution of a free society is dissolved, and tyranny is erected in its ruins."

Benjamin Franklin, scientist, inventor, diplomat, political philosopher, Founding Father of the United States; drafter and signatory to the Declaration of Independence (1776)
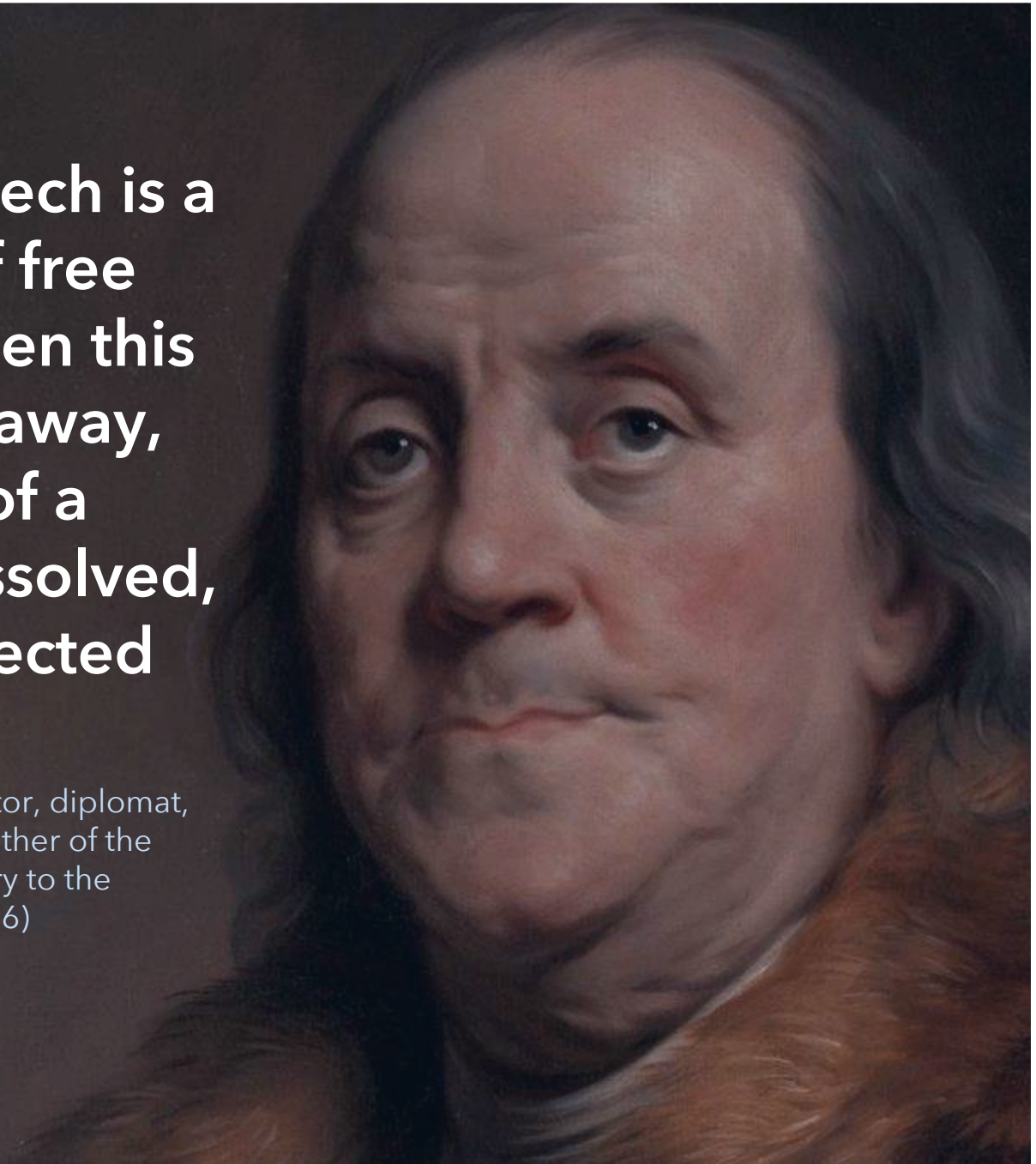
How Much Does It Cost to Run for President?

Total presidential campaign spending over the last 40 years, USD mn

Year	Republican Candidate	Democratic Candidate	Total Expenditures
2020	Trump	Biden	Rep: $1.6 bn / Dem: $1.1 bn
2016	Trump	Clinton	Rep: $708 / Dem: $884
2012	Romney	Obama	Rep: $694 / Dem: $858
2008	McCain	Obama	Rep: $739 / Dem: $1.3 bn
2004	W. Bush	Kerry	Rep: $493 / Dem: $697
2000	W. Bush	Gore	Rep: $569 / Dem: $260
1996	Dole	Clinton	Rep: $493 / Dem: $209
1992	H.W. Bush	Clinton	Rep: $209 / Dem: $281
1988	H.W. Bush	Dukakis	Rep: $413 / Dem: $394
1984	Reagan	Mondale	Rep: $189 / Dem: $366
1980	Reagan	Carter	Rep: $347 / Dem: $181
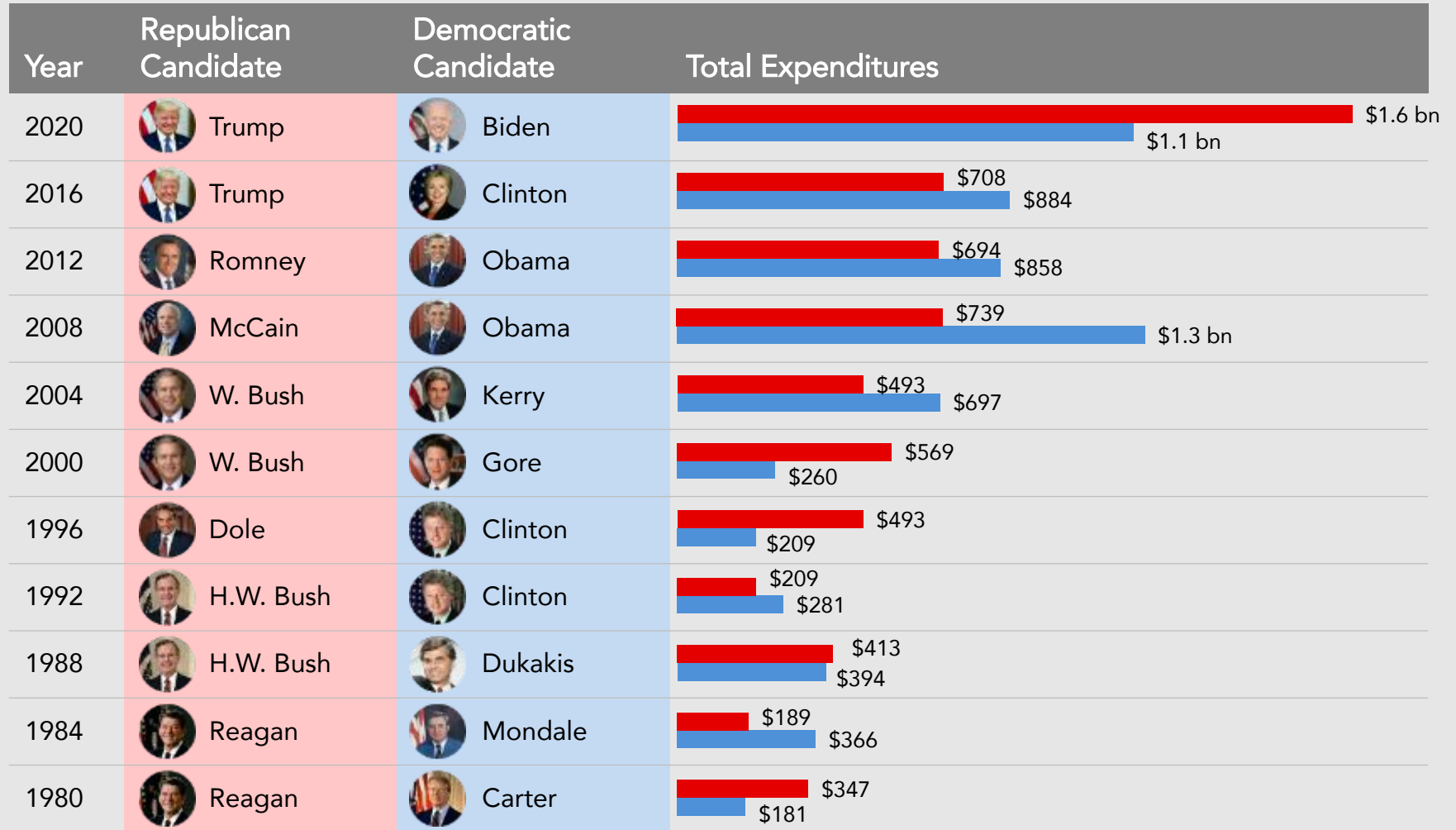
Harris' Fundraising Windfall Since July 21

In the first 24 hours of Kamala Harris becoming the presumptive Democratic nominee, she raised a record $81 million dollars. Of those donations, 61% were made by first time donors to the 2024 Democratic ticket.

Single-day donations to ActBlue PAC, USD mn

1 June 27: First debate

2 July 13: Trump Assassination attempt

3 July 21: Biden steps down

$232 million

$1.2 billion

$80

$40

$0

Jun 27

Sep 19
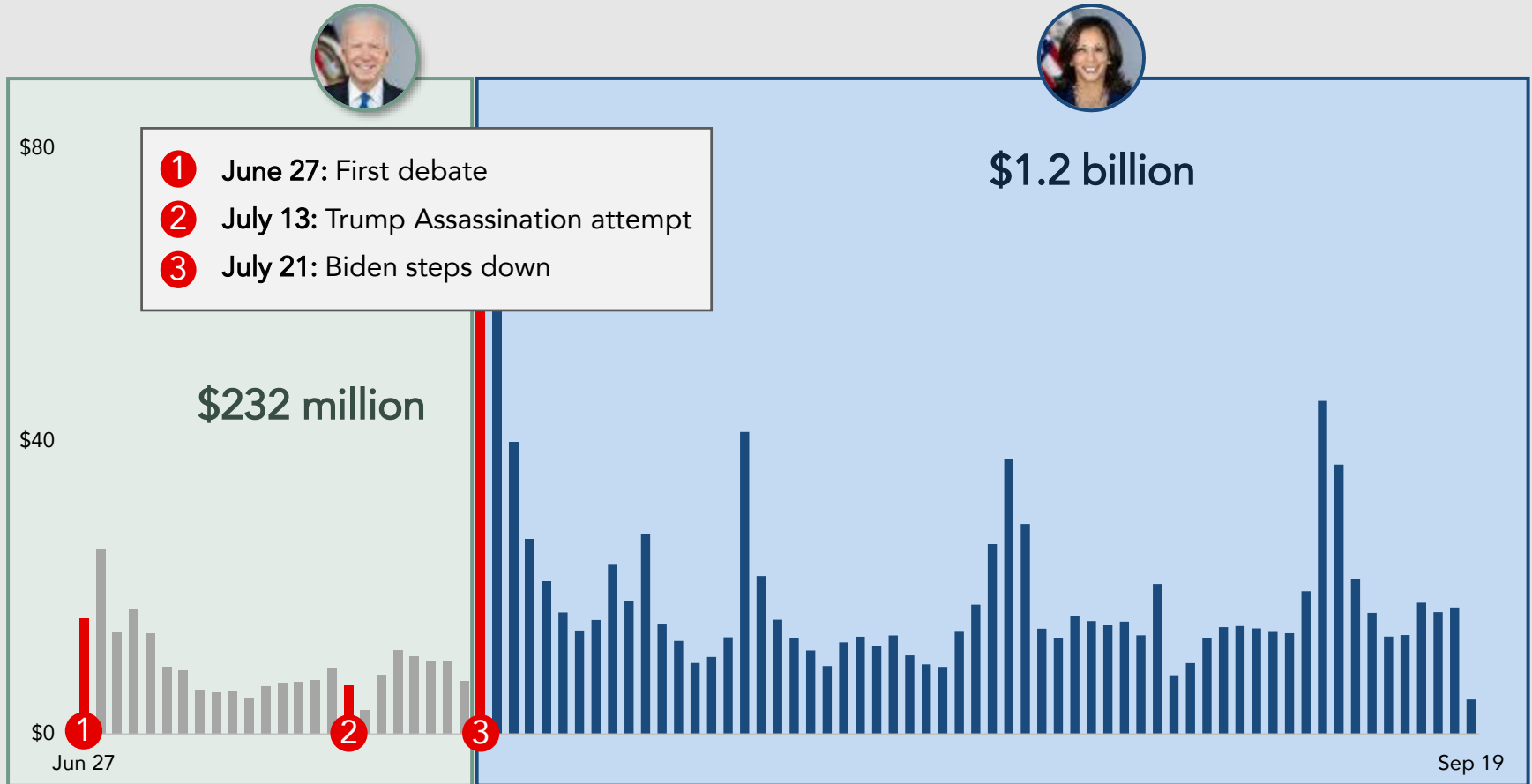
Source: (1) Bloomberg. Data as of September 19, 2024.

Democrats Outspending on Advertising

Democrats have spent nearly 2x as much as Republicans in the 2024 presidential election, especially in critical swing states. While Democrats have outpaced Republican spending in almost every media category, the most stark contrast has been in digital. Republicans, by contrast, have focused more on traditional broadcast advertising.

Presidential campaign ad spending YTD, USD mn

	Democrat	Republican
Digital	$111	$27
Broadcast	$105	$80
Connected TV	$69	$34
Cable	$32	$29
Radio	$8	$6
Satellite		$3

Political ad spending across swing states (Mar – Nov 2024), USD mn
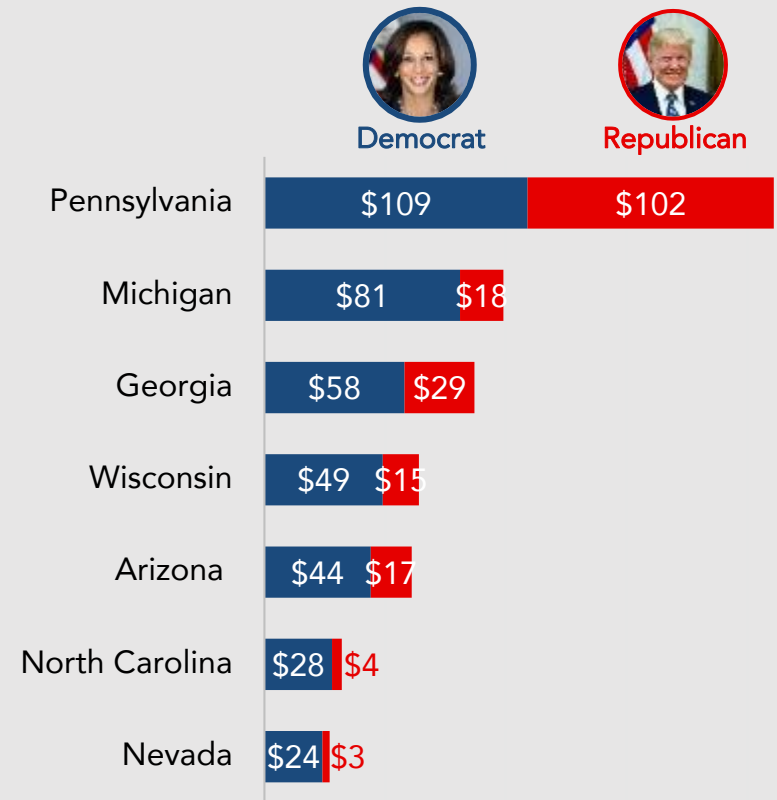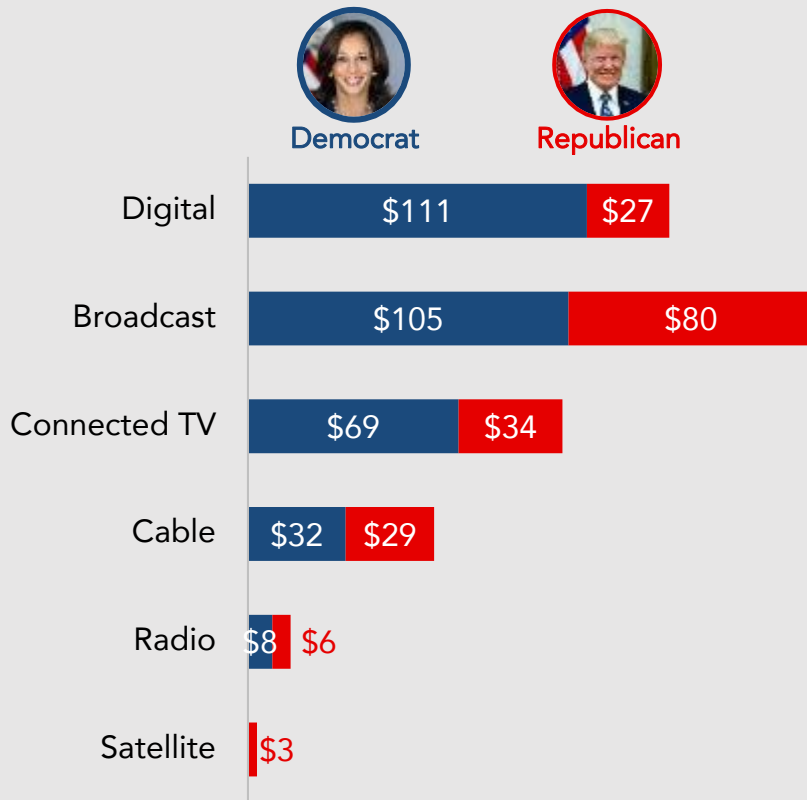
	Democrat	Republican
Pennsylvania	$109	$102
Michigan	$81	$18
Georgia	$58	$29
Wisconsin	$49	$15
Arizona	$44	$17
North Carolina	$28	$4
Nevada	$24	$3

Harris' Digital Ad Blitz

In the month following President Biden's withdrawal from the election, Trump spent $5.6 mm on digital ads on Google and Meta. Harris, on the other hand, spend 10x that amount, or $57 mm. The spending splurge from the Harris campaign is thought to have helped her surge in donations from small-dollar and first-time donors. Trump's limited digital ad spending contrasts with the 2020 election where his campaign had spent $91 mm on digital ads by this point in the year and spent $275 mm during the entirety of his campaign.

Cumulative spending on Google and Meta ads, by campaigns and affiliated committees, USD mn
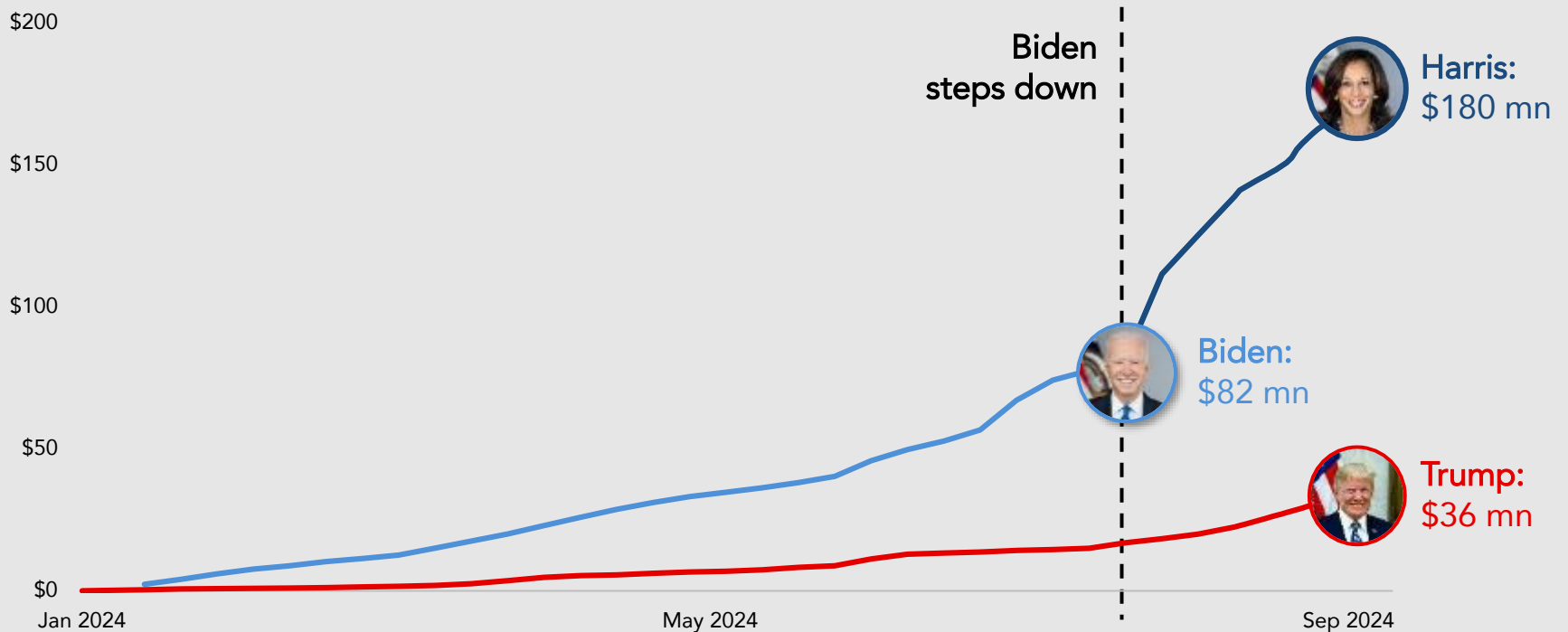
Biden steps down

Harris: $180 mn

Biden: $82 mn

Trump: $36 mn

6 *Voter Turnout*

"A people who mean to be their own governors must arm themselves with the power that knowledge gives.

Liberty may be endangered by the abuse of liberty, but also by the abuse of power. No nation could preserve its freedom in the midst of continual warfare."

James Madison, US Founding Father, co-author of the US Constitution, and 4th President of the United States (1809-1817)

Record Voter Turnout Expected in 2024

The elections of 2018, 2020 and 2022 were three of the highest-turnout US elections of their respective types in decades, with the 2020 Presidential election at the highest level of voter turnout for any election since 1990. Prior to President Biden's withdrawal, 2024 was on track for a lower turnout election. However, the 2024 election is now on track for record turnout, with nearly 1 million people donating to a campaign this year.

Voter turnout in US Presidential elections

66.6%

Post-WWII avg: 58%
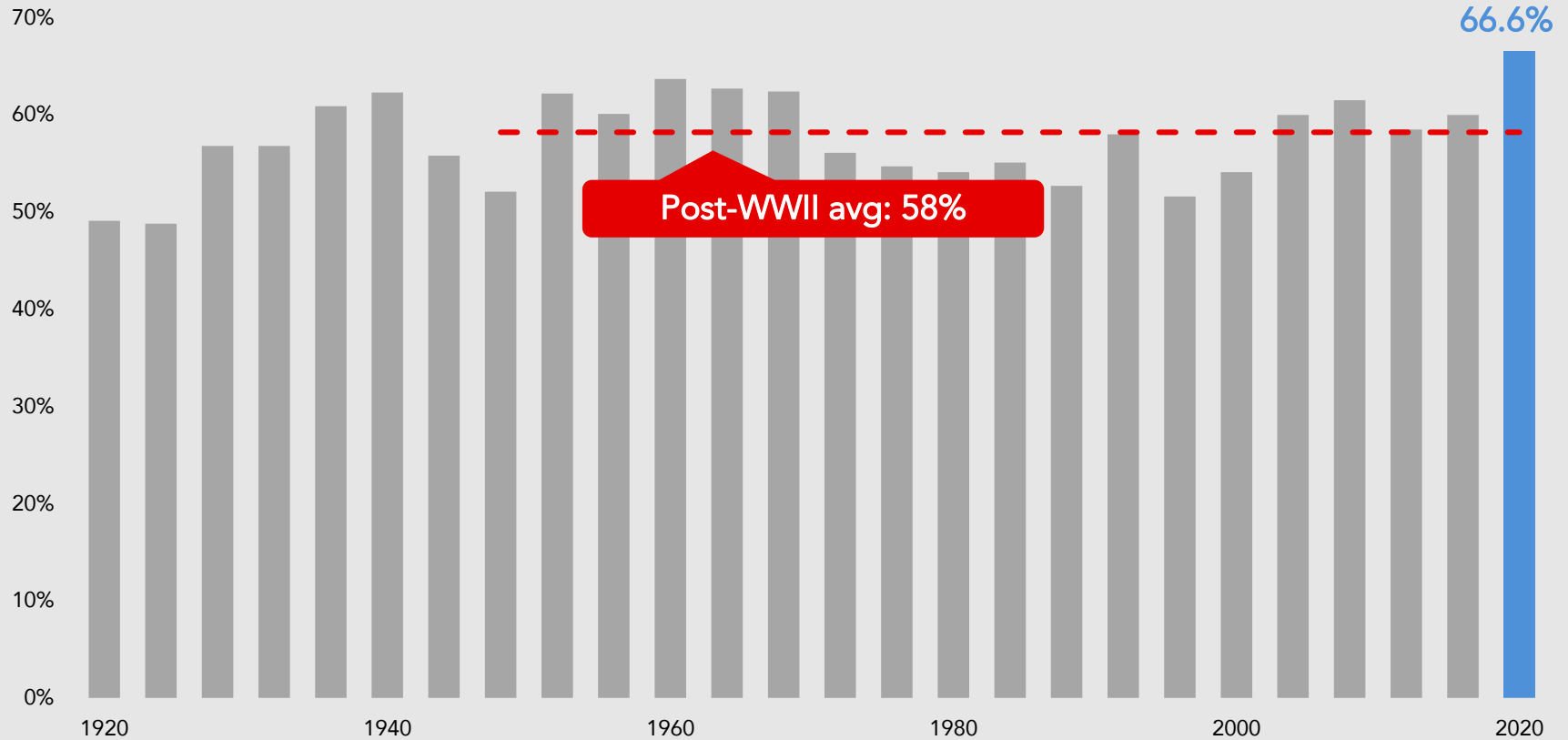
Source: (1) US Elections Project. Vital Statistics of American Politics.

Voter Turnout: The 2020 Election

Overall, 67% of eligible voters turned out in the 2020 election; however, trends varied widely between different demographic groups. For example, women turned out at a higher rate than men, while younger generations had a far lower turnout than older generations.

2020 voter turnout by gender

Female	68%
Male	65%

2020 voter turnout by ethnicity

White	71%
Black	63%
Asian	59%
Hispanic	54%

2020 voter turnout by age

Silent/Greatest (>77)	71%
Boomer (56-76)	75%
Gen X (40-55)	68%
Millenial (25-39)	62%
Gen Z (18-24)	51%
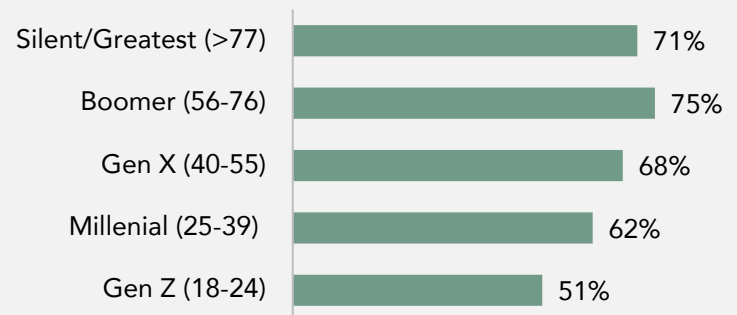
Source: (1-3) US Census Bureau, "Voting and Registration in the Election of November 2020". Voter turnout is reported voters as a percent of the total citizen population.

Turnout Expectations Since Biden's Withdrawal

President Biden's withdrawal from the election appears to have galvanized voters with 44% saying they are more likely to vote in this election than they were when he was the Democratic candidate. Critically, voters in key demographics Biden did well with in 2020 indicate they are far more likely to vote now that Harris is the candidate.

With President Biden making the decision not to run for reelection, does that make you more or less likely to vote in this year's November 2024 election?

Share of respondents who said:
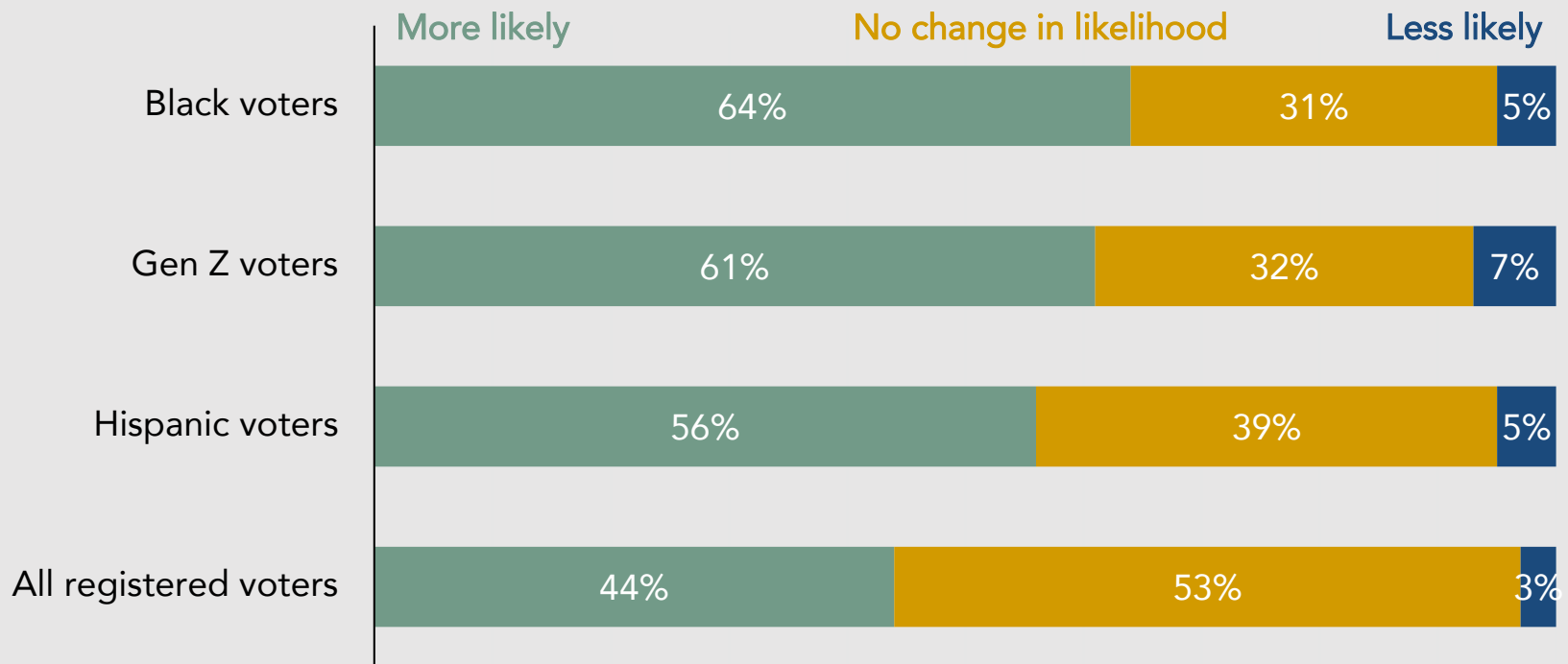
	More likely	No change in likelihood	Less likely
Black voters	64%	31%	5%
Gen Z voters	61%	32%	7%
Hispanic voters	56%	39%	5%
All registered voters	44%	53%	3%

Early, Absentee & In-Person Voting

More than 50% of Americans vote "early" or "absentee" in US elections. This, in turn, increases the chances that the election outcome is <u>not</u> immediately clear the night of the election in close election scenarios, thereby increasing the probability of post-election discord.

% of validated voters who cast their ballot:
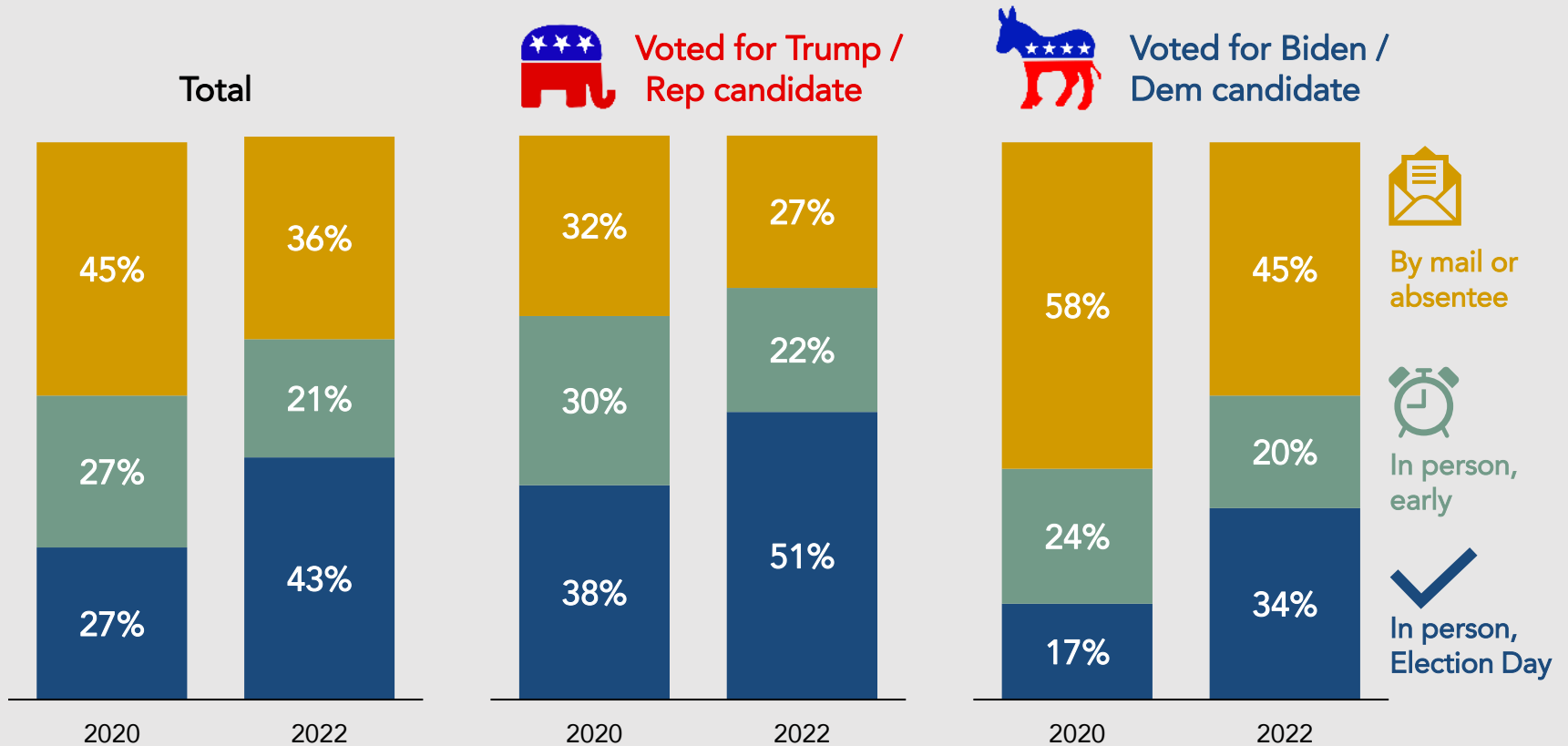
Total

	2020	2022
By mail or absentee	45%	36%
In person, early	27%	21%
In person, Election Day	27%	43%

Voted for Trump / Rep candidate

	2020	2022
By mail or absentee	32%	27%
In person, early	30%	22%
In person, Election Day	38%	51%

Voted for Biden / Dem candidate

	2020	2022
By mail or absentee	58%	45%
In person, early	24%	20%
In person, Election Day	17%	34%

By mail or absentee

In person, early

In person, Election Day

When Early In-Person Voting Begins

Five states begin in-person early voting in September, starting with Pennsylvania on Sep 16, Minnesota and Virginia on Sep 20, Vermont on Sep 21 and Illinois on Sep 26. More than 100 million Americans (two-thirds of the electorate) voted early in-person or by mail in 2020.

Early in-person voting schedule, by state

Days before the Nov. 5 election

- 14
- 21
- 28
- 35

Day-of only

AK · ME · VT* · NH · WA* · ID · MT · ND · MN · MI · NY · MA · RI · OR* · UT* · WY · SD · IA · WI · OH · PA · NJ · CT · CA* · NV* · CO* · NE · IL · IN · WV · VA · MD · DE · AZ · NM · KS · MO · KY · TN · SC · NC · DC* · HI* · OK · LA · AR · MS · AL · GA · TX · FL
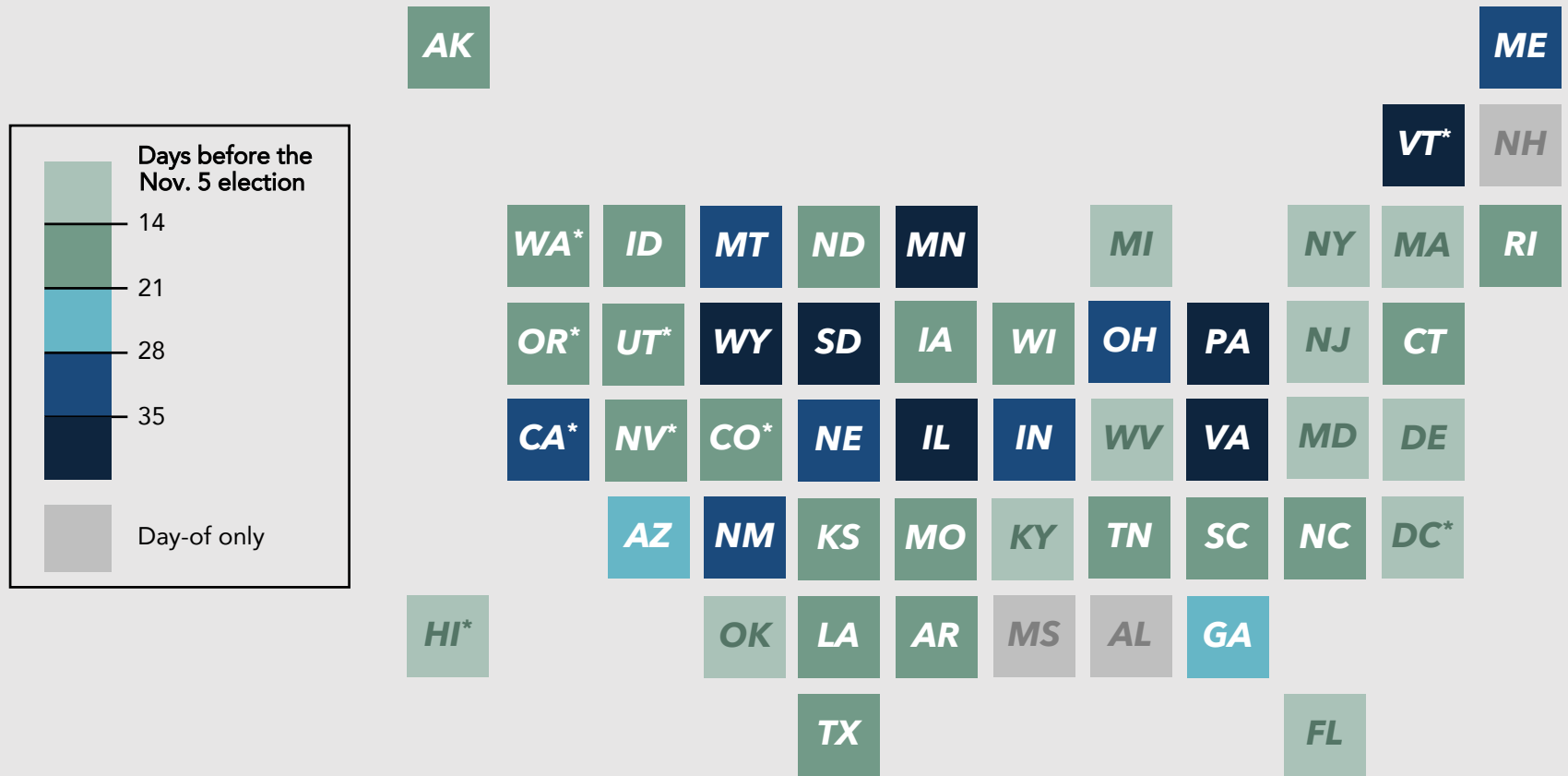
*Source: (1) Axios, "First votes of 2024 election are about to be cast". NCSL. * indicates states where elections allowed to be conducted entirely via mail. North Carolina mail-in voting delayed amid court battle.*

7 *Voter Demographics*

"It was we, the people, not we, the white male citizens; nor yet we, the male citizens; but we, the whole people, who formed the Union. And we formed it, not to give the blessings of liberty, but to secure them; not to the half of ourselves and the half of our posterity; but to the whole people - women as well as men."

Susan B. Anthony, American social reformer & pioneering women's rights and women's suffrage activist (1820-1906)

Voter Demographics: The Gender Divide

The gender divide will be critically important to watch in the 2024 election. Harris is the leading candidate among female voters with a substantial margin that has widened since President Biden dropped out of the race. Trump still holds a substantial lead among male voters.

National polls for Trump & Harris in 2024 general election, by gender

Men
46%
51%

Trump +5%

Women
54%
41%

Harris +13%
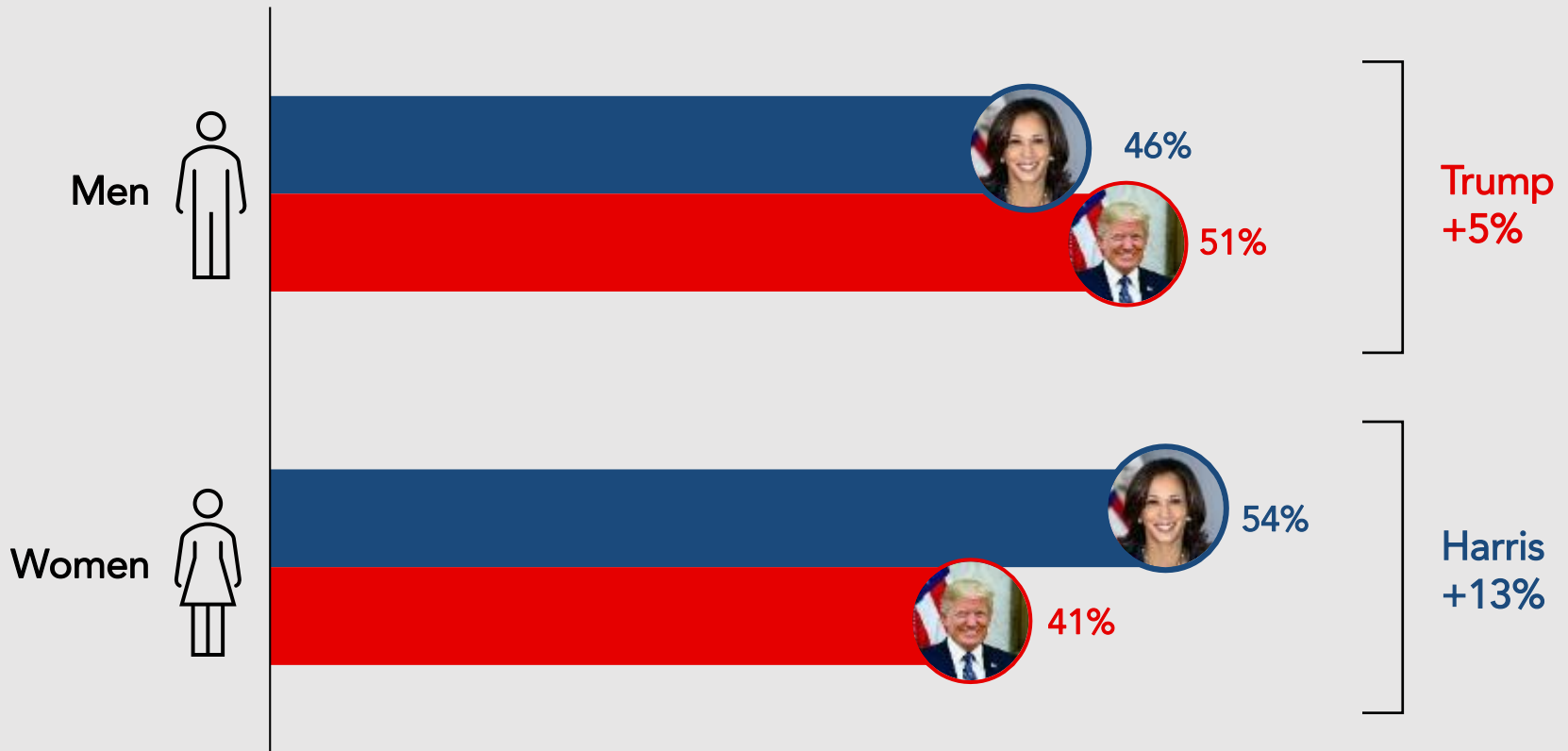
Source: (1) ABC News/Ipsos. Survey of 2,496 adults conducted August 23-27 (MOE: +/- 2.0%). Survey was conducted online via the Ipsos KnowledgePanel in English and Spanish. Partisan divisions are 29% Democrats, 29% Republicans, and 30% Independents.

Voter Demographics: More Diverse, Educated and Older

Many factors associated with voters' partisanship align with race and ethnicity, education level and age. White voters are much more likely than those in other racial and ethnic groups to associate with the Republican Party, while the Democratic party has a 13ppt advantage among those with a bachelors' degree or more formal education. Age also plays a role when it comes to partisanship as well as voter turnout.

Changing demographic profile of American voters (1992-2020)

More Diversity

1992	2020	
84%	70%	White
	5%	Other
		Asian: 1%
1%	11%	Black
10%	13%	Hispanic
5%		

More Educated

1992	2020	
50%	30%	High school or less
26%	33%	Some college
23%	37%	College degree+

Older

1992	2020	
19%	12%	18-29
40%	29%	30-49
21%	29%	50-64
19%	29%	65+
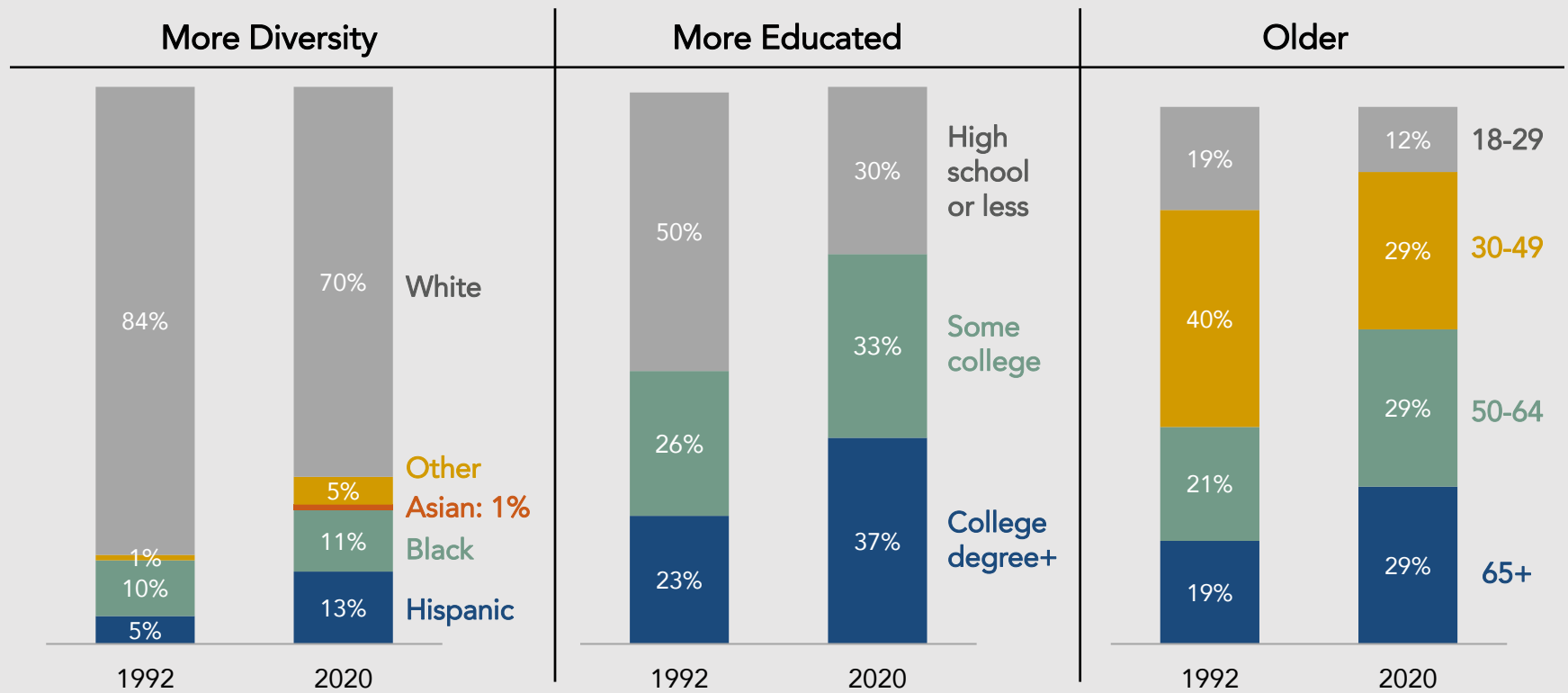
Source: (1-3) Pew Research Center, "Changing Partisan Coalitions in a Politically Divided Nation". Data is annual totals of Pew Research Center telephone surveys (1992) and American Trends Panel annual profile online surveys (2020). Based on registered voters. White, Black, and Asian voters include those who report being only one race and not Hispanic. Hispanic voters are of any race. Estimates for Asian voters are representative of English speakers only. No answer response not shown.

More Voters Identifying as "Independents"

Young voters often identify as "Independent" and form attachments to one of the two major US political parties as they get older. Generation X and Millennials, however have maintained or even expanded their Independent party identification in recent decades.

Party identification, by generation

	Republican	Independent	Democrat
Silent Generation *(born 1928-1945)*	39%	26%	35%
Baby boomers *(born 1946-1964)*	35%	33%	32%
Generation X *(born 1965-1980)*	30%	44%	27%
Millennials *(born 1981-1996)*	21%	52%	27%
Generation Z *(born 1996-2012)*	17%	52%	31%
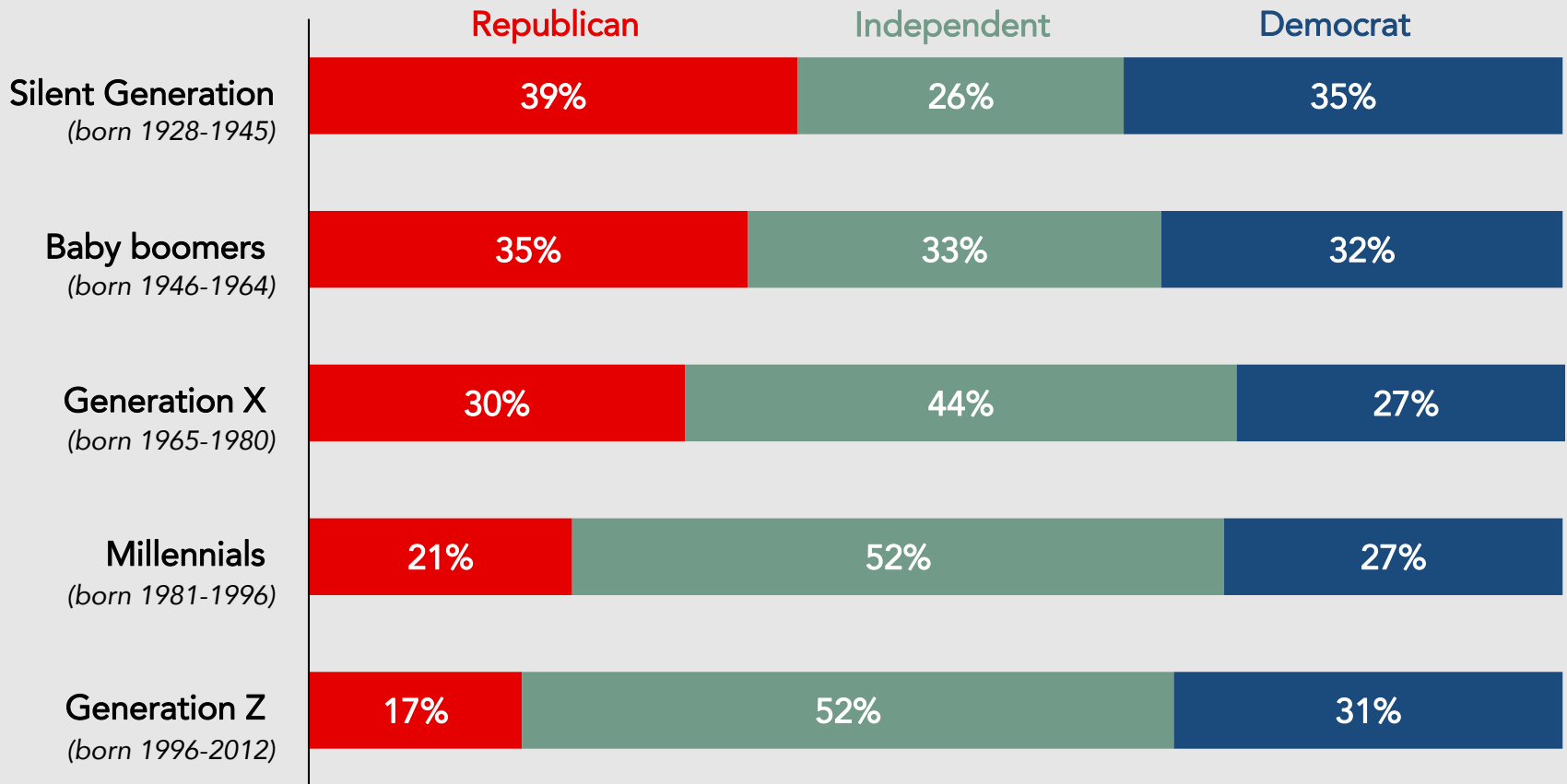
Source: (1) Gallup, "Millennials, Gen X Clinging to Independent Party ID." Bruce Mehlman.

"Swing Voters" Younger, More Diverse

A recent study by "Data for Progress" analyzed the universe of "swing voters", defined as voters who could vote either way (including moderates, undecideds and those who have voted for different parties in past elections), and found that in 2024 they tend to be younger, more diverse and slightly less educated than the broader universe of likely voters.

Voter demographics	All Likely Voters	Swing Voters
Gender		
Female	53%	60%
Male	47%	40%
Age		
Under 45	33%	43%
45+	67%	57%
Race/Ethnicity		
Non-white (Hispanic, Black, Asian)	28%	33%
White	71%	62%
Education		
No College	64%	67%
College	36%	33%

The Road to 270

8 *Voter Issues*

"To argue with a man who has renounced the use and authority of reason, and whose philosophy consists in holding humanity in contempt, is like administering medicine to the dead, or endeavoring to convert an atheist with scripture."

Thomas Paine, Political Philosopher, French Revolutionary & American Founding Father (1737-1809)

Voter Positions Closely Tied to Political Party

Voter perceptions of key issues (i.e. strength of economy, importance of climate change) vary significantly by party affiliation. The gap in voter priorities between the major parties is one reason that capturing "independent voters" is critical to candidates.

Do you personally worry about this problem a great deal, a fair amount, only a little, or not at all?

% respondents who answered "a great deal"
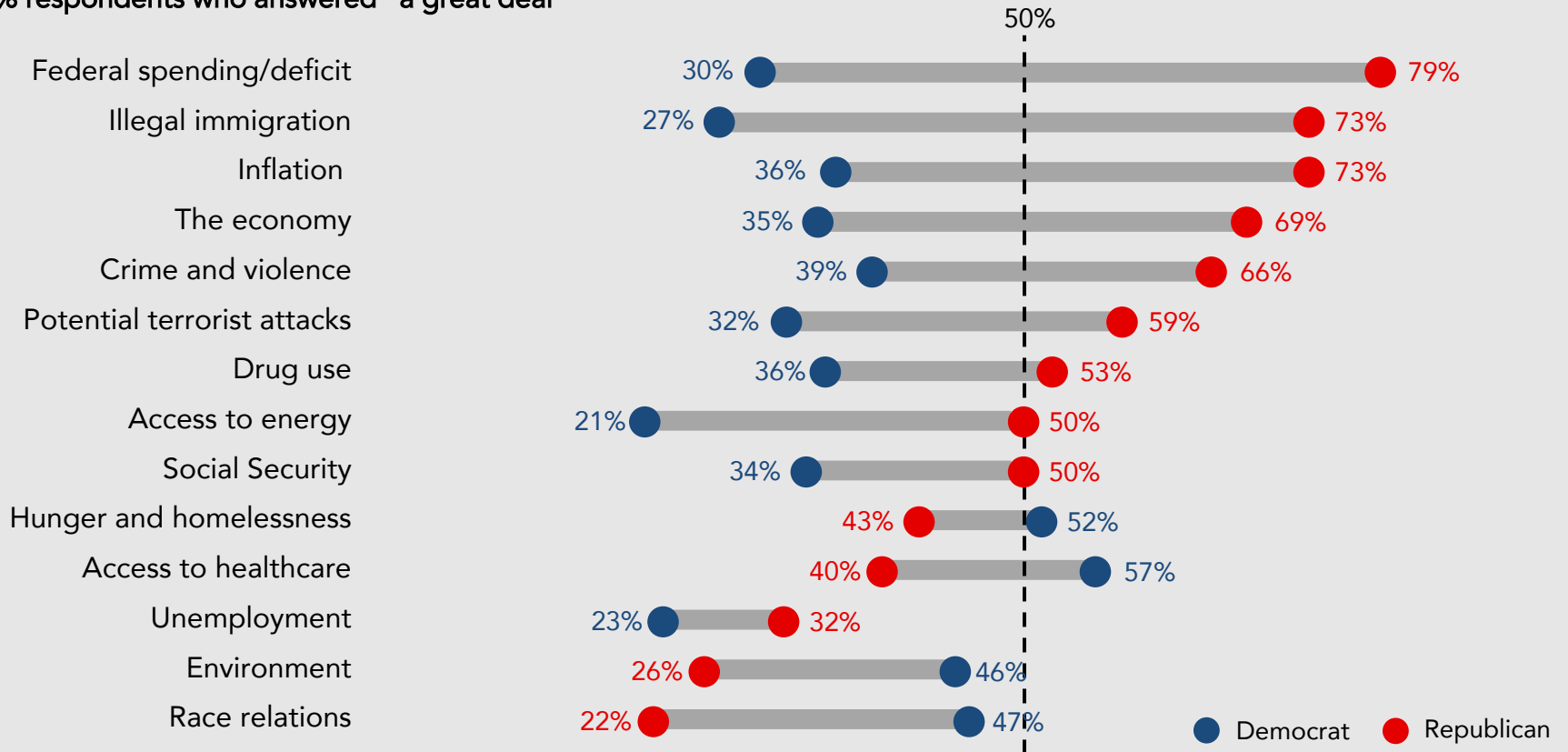
50%

Issue	Democrat	Republican
Federal spending/deficit	30%	79%
Illegal immigration	27%	73%
Inflation	36%	73%
The economy	35%	69%
Crime and violence	39%	66%
Potential terrorist attacks	32%	59%
Drug use	36%	53%
Access to energy	21%	50%
Social Security	34%	50%
Hunger and homelessness	52%	43%
Access to healthcare	57%	40%
Unemployment	23%	32%
Environment	46%	26%
Race relations	47%	22%

● Democrat ● Republican

Key Issues Driving US Voters in the Election

A recent NYT survey of registered voters in several key swing states – Arizona, Georgia, Nevada, North Carolina – cited the economy, abortion and immigration as the most critical issues in the upcoming US Presidential election. As we have noted previously, how voters "feel" about the economy is more important than how the economy is "actually" performing.

Most important issue for presidential-election voters

Issue	Percentage
Economy	22%
Abortion	14%
Immigration	13%
Inflation	7%
Character/competence	6%
Democracy	5%
Equality	4%
Dislike of other candidate	3%

Top 3 Issues

1) Economy
2) Abortion
3) Immigration
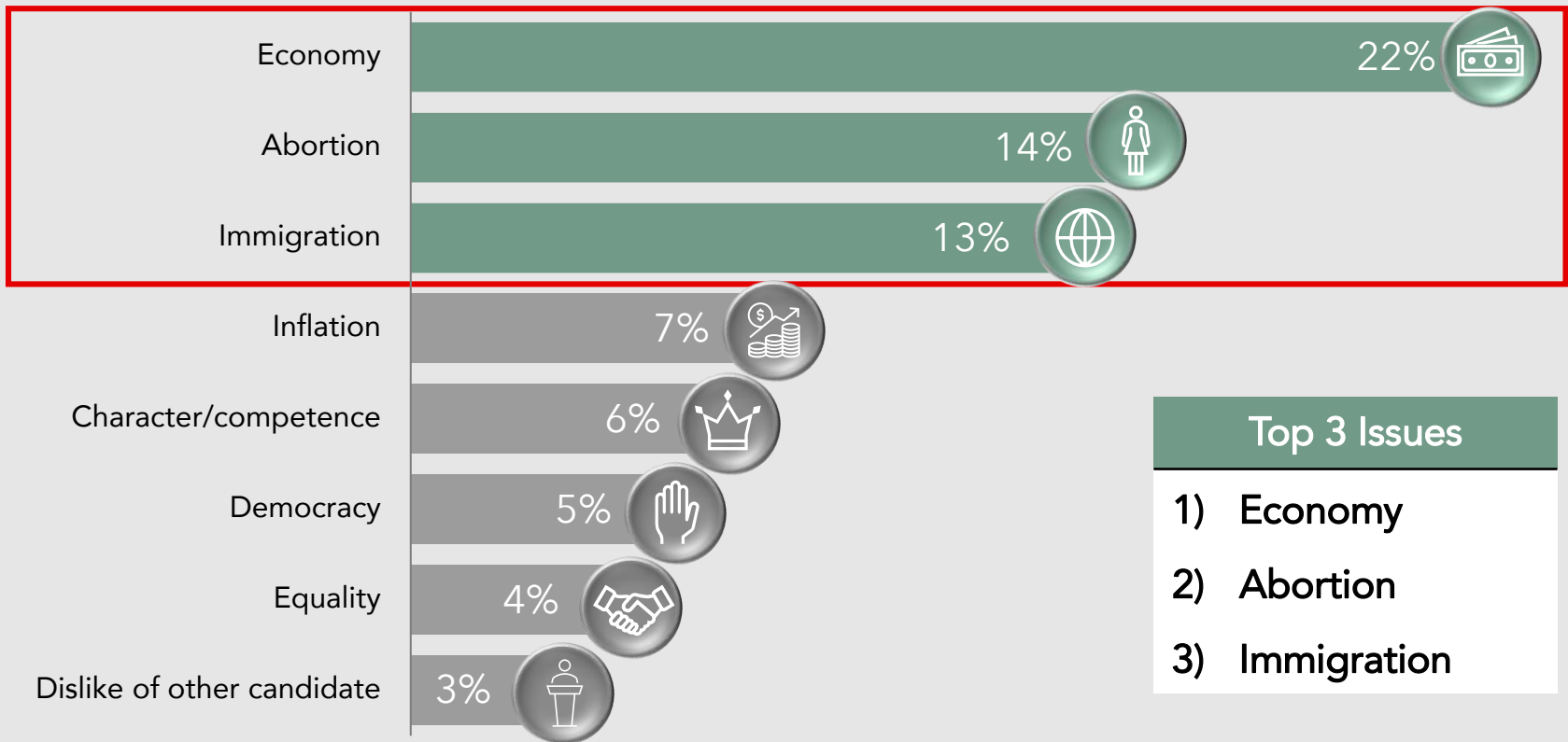
Source: (1) NYT/Siena Poll. Poll of 2,670 registered voters conducted August 9-14 (margin of error: +/- 2.1%). Voters polled in Arizona, Georgia, North Carolina, and Nevada. Many issues aren't listed in chart. Voters could respond with more than one issue.

Public Trust in Managing the Economy

According to the most recent monthly poll conducted by the Financial Times and the University of Michigan Ross School of Business, public sentiment has converged between Vice President Kamala Harris and former President Donald Trump in recent polls related to trust in managing the economy. The August poll marked a significant improvement in voter sentiment toward Harris on the economy since President Biden's withdrawal from the race, and the first time Democrats have outperformed Trump since the poll began nearly a year ago.

Survey Question: Regardless of your opinion of these candidates overall, or how you would vote for president, who do you trust most to handle the economy?

Harris: **42%**

Trump: **41%**

Biden: **35%**

Neither: 10%

0.5

0.05

Feb-24   Mar-24   Apr-24   May-24   Jun-24   Jul-24   Aug-24
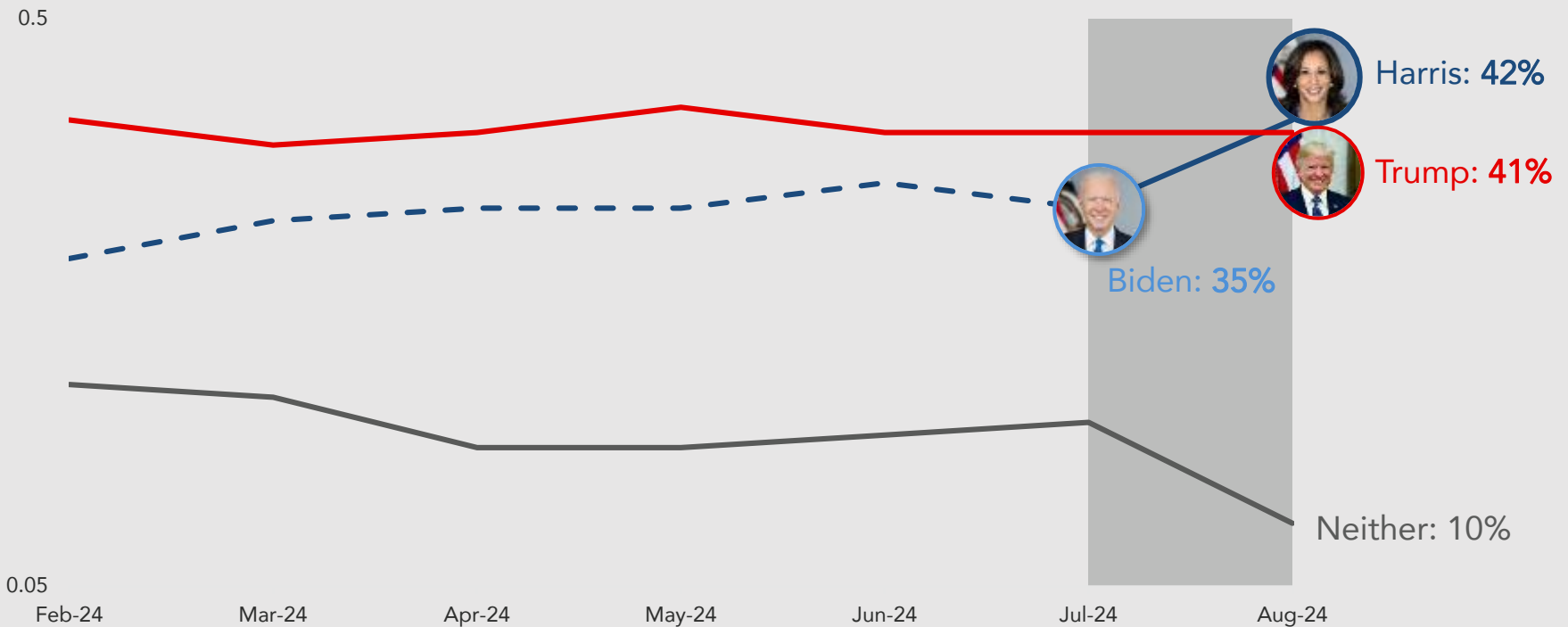
Source: (1) Financial Times/Michigan Ross. Survey of 1,000 registered voters conducted February – August 2024. Excluding respondents who answered both equally or not sure.

Misery Index: Predictor of US Elections

The so-called "Misery Index" is a gauge of economic sentiment equal to the sum of the US unemployment and inflation rate. When measured in October, it has successfully predicted 15 of the last 16 US Presidential elections over more than 60 years, including every US election since 1980. At 6.7% today, the misery index currently stands: (1) lower than it has been 85% of the time over the last 50 years; (2) well below the 10.1% average over the last 50 years; and (3) below the 7.35% historic threshold for the incumbent political party to win re-election.

Misery index = US unemployment rate + headline inflation rate

50 year avg (1974-2024): 10.1%

Historic threshold for incumbent to win re-election: 7.35%

Sep 2024: 6.7%
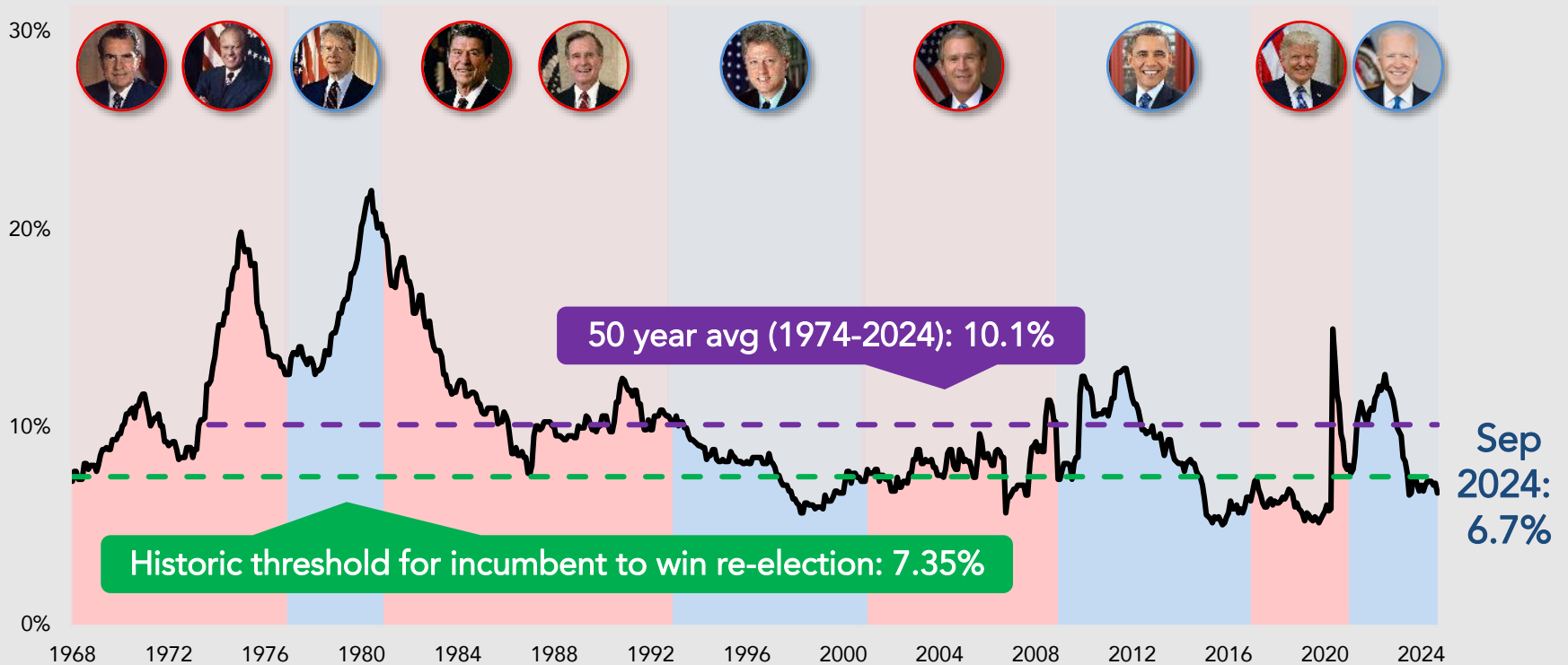
Source: (1) Bloomberg. Data as of September 12, 2024.

Abortion Rights on Key Swing State Ballots

11% of voters in six swing states (AZ, GA, MI, NV, PA, WI) indicated abortion was the most important issue in the upcoming election, more than double the country-wide view of just 4%. This is particularly important in Arizona and Nevada, critical swing states that may have abortion-related proposals on their 2024 ballots. Though more voters rate the economy and immigration as the most important issues, Democrats are hopeful that abortion-related measures may galvanize support for Vice President Harris.

States where abortion is on or proposed for the ballot in 2024

● On ballot
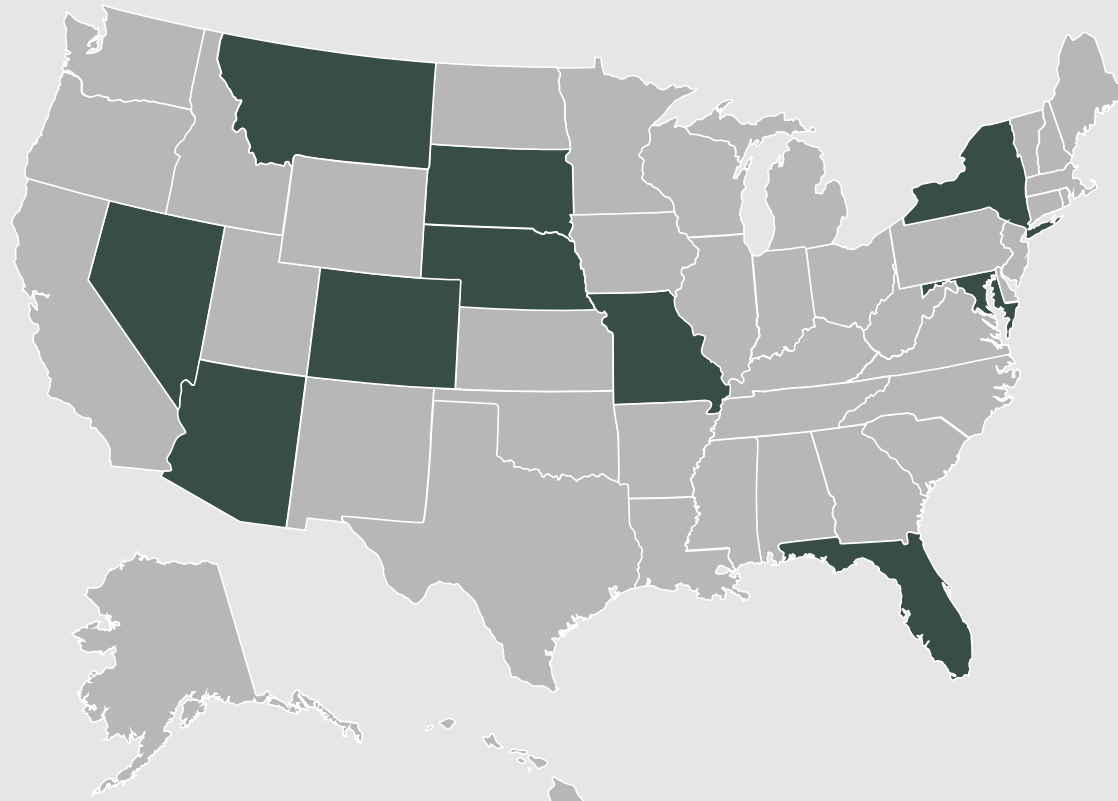
Source: Axios, "Swing states to test Biden's abortion-rights push". AP, "Nebraska is the latest state to add abortion to November ballots. What would the measures do" (August 2024(.

Immigration Also a Key Polling Issue

Since 2019, immigration has increased nearly 35% in the US. While a larger immigrant population supports a growing labor force, dampens wage pressure and eases inflation, political pushback on immigration polices is significant and will be crucial to the 2024 election.

Foreign-born labor force in the US, mn

Foreign-born US workforce has grown 3.4 million since COVID began, nearly 4x the pace of the prior decade

2010	2019	2020	2021	2022	2023
24.8	28.1	27.5	28.8	30.1	31.5
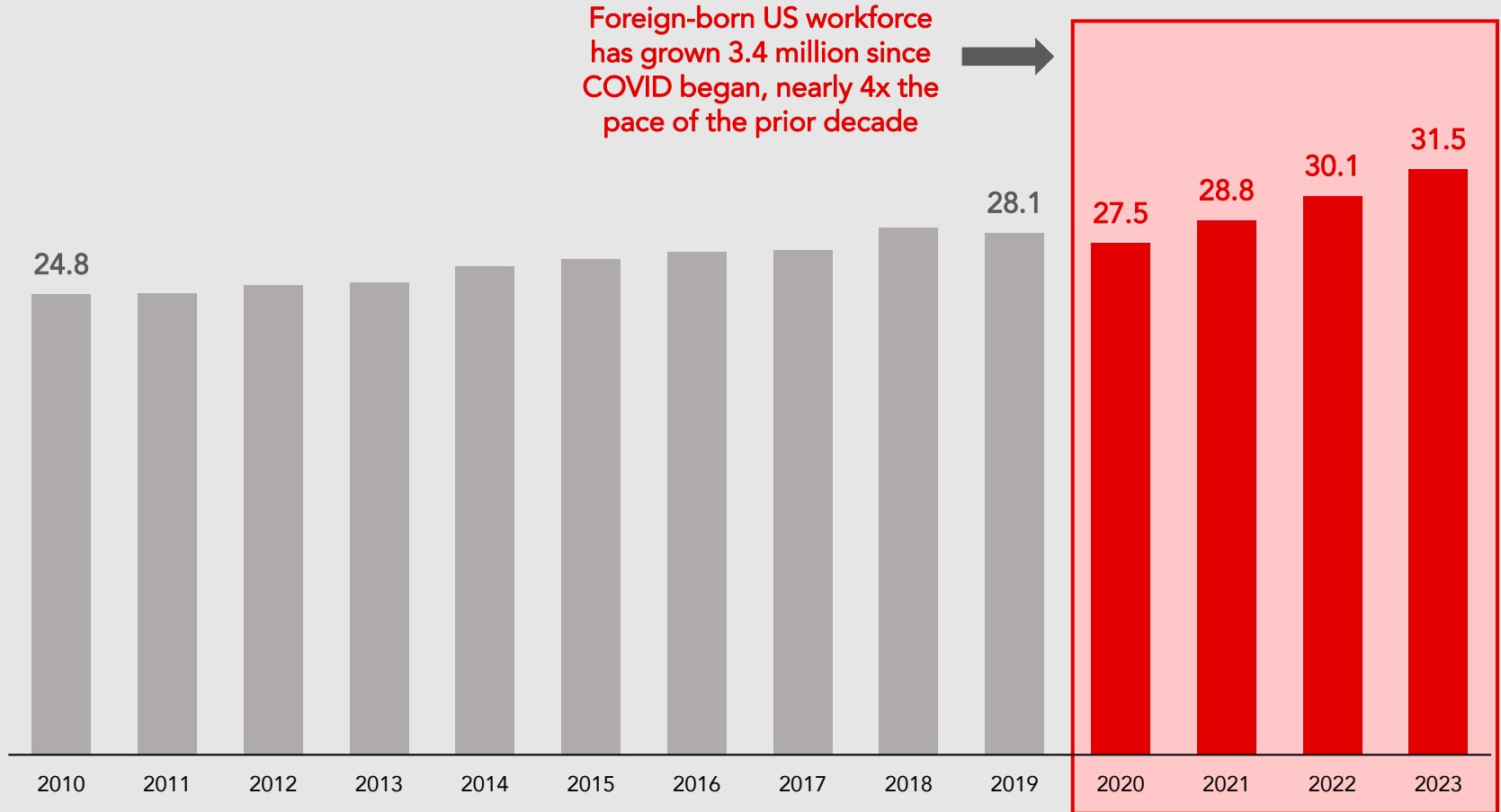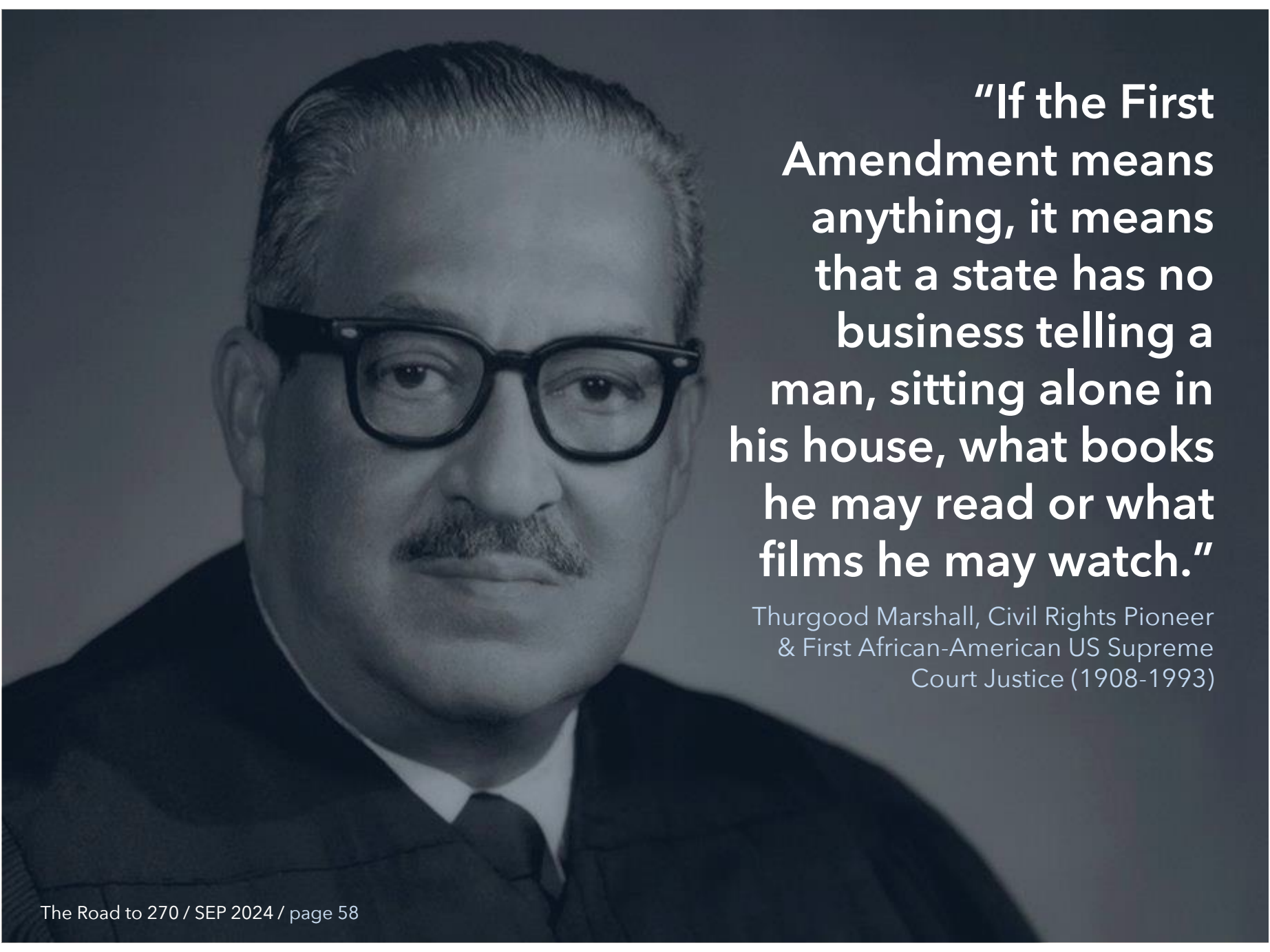
Source: (1) Federal Reserve. Data as of December 2023.

9 *VP & 3rd Party Candidates*

"If the First Amendment means anything, it means that a state has no business telling a man, sitting alone in his house, what books he may read or what films he may watch."

Thurgood Marshall, Civil Rights Pioneer & First African-American US Supreme Court Justice (1908-1993)

Vice Presidential Nominees Prior Experience

As recently observed by Washington DC-based strategist Bruce Mehlman, most US Vice Presidential nominees come to the position with significant Government experience, most frequently as a US Senator or state Governor. Former President Trump's VP nominee, JD Vance, has served as the junior Senator from Ohio since January 2023. In addition to aligning well with the former President's base, the Ohio Senator provides an opportunity to strengthen the campaign's penetration of the critically important and nearby "Frost Belt" (MI, WI, PA).

Highest office held by vice presidential nominees (1868 – 2024)
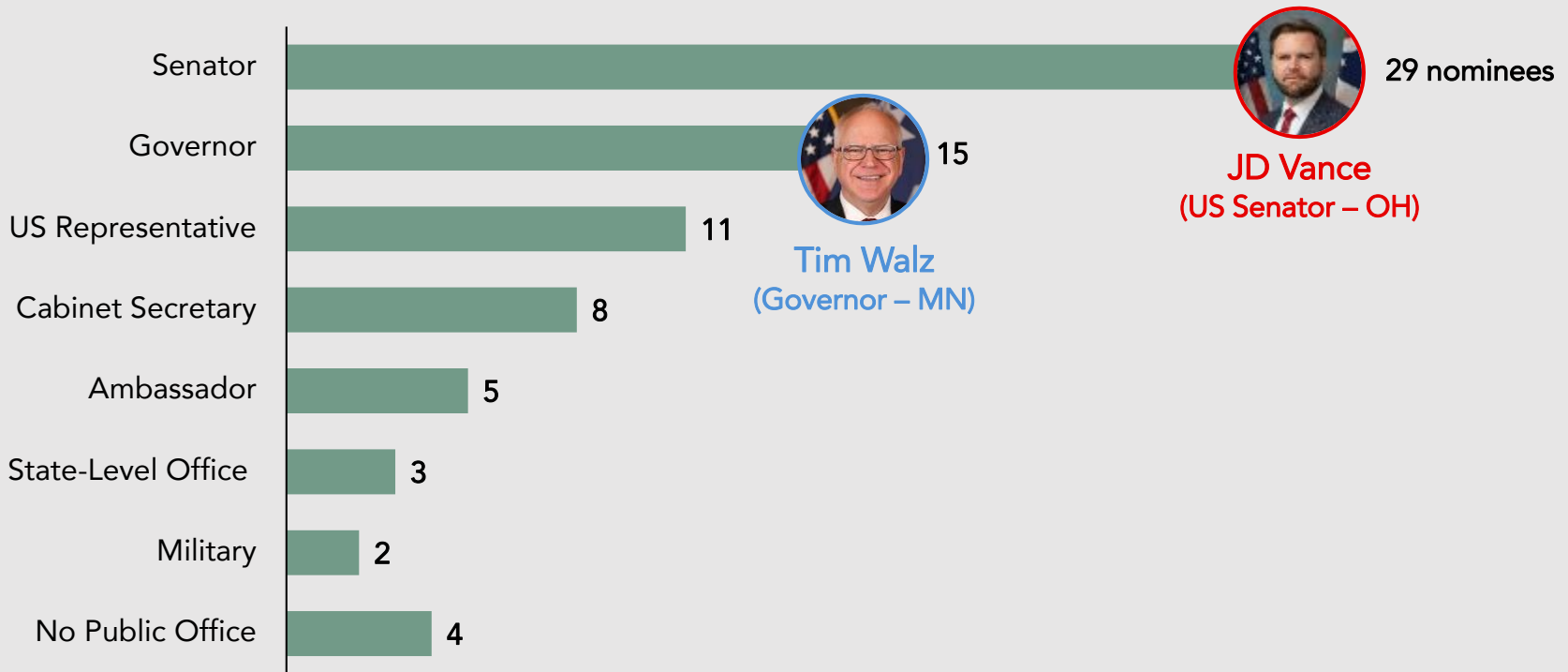
Office	Nominees
Senator	29 nominees
Governor	15
US Representative	11
Cabinet Secretary	8
Ambassador	5
State-Level Office	3
Military	2
No Public Office	4

Tim Walz
(Governor – MN)

JD Vance
(US Senator – OH)

Dem VP Nominee: Governor Tim Walz (D-MN)

Tim Walz
Dem Vice President Nominee / Governor - Minnesota

- VP Harris's selection of Minnesota Governor Tim Walz helps unify key Democratic constituencies
- Walz has a policy track record that can appeal to progressives while connecting to moderates in suburban / rural areas

Policy Highlights

- **Financial regulation:** Walz has a limited footprint on financial / bank regulatory issues, but voted against the Troubled Asset Relief Program (TARP) in 2008
- **Energy:** Walz has favored an "all of the above" energy policy, supporting measures that enhance incentives for energy transition as well as ease regulations for traditional energy sources such as oil and gas
- **Transition finance:** As Minnesota Governor, Walz enacted laws that require the state to transition to net-zero green house gas emissions by 2040 and enacted strong vehicle emissions standards
- **Nuclear and biofuels:** Walz has favored the expansion of nuclear and biofuels as part of the U.S. energy generation mix, advocating for a reversal of Minnesota's ban on new nuclear energy
- **Tax:** Walz enacted capital gains increases on high earners and introduced a child tax credit with the state running a budget surplus, signaling a progressive tax policy leaning

Key Facts

- 60 years old, elected as Minnesota Governor in 2018; re-elected in 2022
- Advanced tax reform and energy transition policies at the state level
- Previously served in the U.S. House of Representatives for 12 years as Minnesota 1st District Rep
- Former member of Agriculture, Armed Services, Transportation, and Veteran Affairs Committees
- Member of the U.S. National Guard since 1981, ending service in 2005
- Lived and taught in China, becoming closely involved in U.S.-China policy during his time in the House
- Former high school teacher and youth football / basketball coach

GOP VP Nominee: Senator J.D. Vance (R-OH)

J.D. Vance
GOP Vice President Nominee / U.S. Senator - Ohio

- Former President Trump's selection of J.D. Vance marks the continued transformation of the GOP
- Vance's selection effectively picks the standard bearer for Trump's GOP brand for the next generation of GOP leaders

Policy Highlights

- **Financial regulation:** Sponsored bill to empower a Special Inspector General to monitor overreach and misconduct at financial regulatory agencies
- **Energy:** Supports elimination of certain Inflation Reduction Act subsidies and tax credits and expansion of traditional energy production
- **U.S.-China relations:** Supporters stronger economic restrictions against China, including U.S. financial market access restrictions for Chinese firms
- **Crypto & digital assets:** Favors a "light touch" regulatory approach for the development of the digital asset ecosystem in the U.S.
- **Foreign investment / M&A:** Early opponent of Nippon Steel's acquisition of U.S. Steel, supporter of strict merger reviews/policies that promote economic competition

Key Facts

- 39-year-old serving as a first-term Senator from Ohio
- Graduate of Ohio State University and Yale Law School
- Former Marine, served in Iraq War
- Previous work experience in corporate law and venture capital
- Associate of conservative voices in tech / Silicon Valley, such as Peter Thiel
- Known for publishing his book, "Hillbilly Elegy," focusing on the struggles of working families in America
- Member of the Senate Banking Committee; Senate Commerce Committee

3rd Party Candidates Tend to Fade by Election Day

With RFK Jr. withdrawing from the race (though still on several state ballots), third party candidates are <u>not</u> likely to be a pivotal factor in the Presidential election results. Historically, third party candidates typically perform much worse on election day than earlier in the election cycle.

Jill Stein – Green Party

Age:
74 years old

VP Candidate:
Butch Ware

States included on Ballot:
AL, AK, AR, AZ, CA, CO, CT, DC, FL, GA, HI, ID, LA, ME, MI, MD, MA, MS, MO, MT, NC, NJ, NM, NV, OR, OH, PA, SC, TX, UT, WA, WI, WV

Chase Oliver – Libertarian Party

Age:
39 years old

VP Candidate:
Mike ter Maat
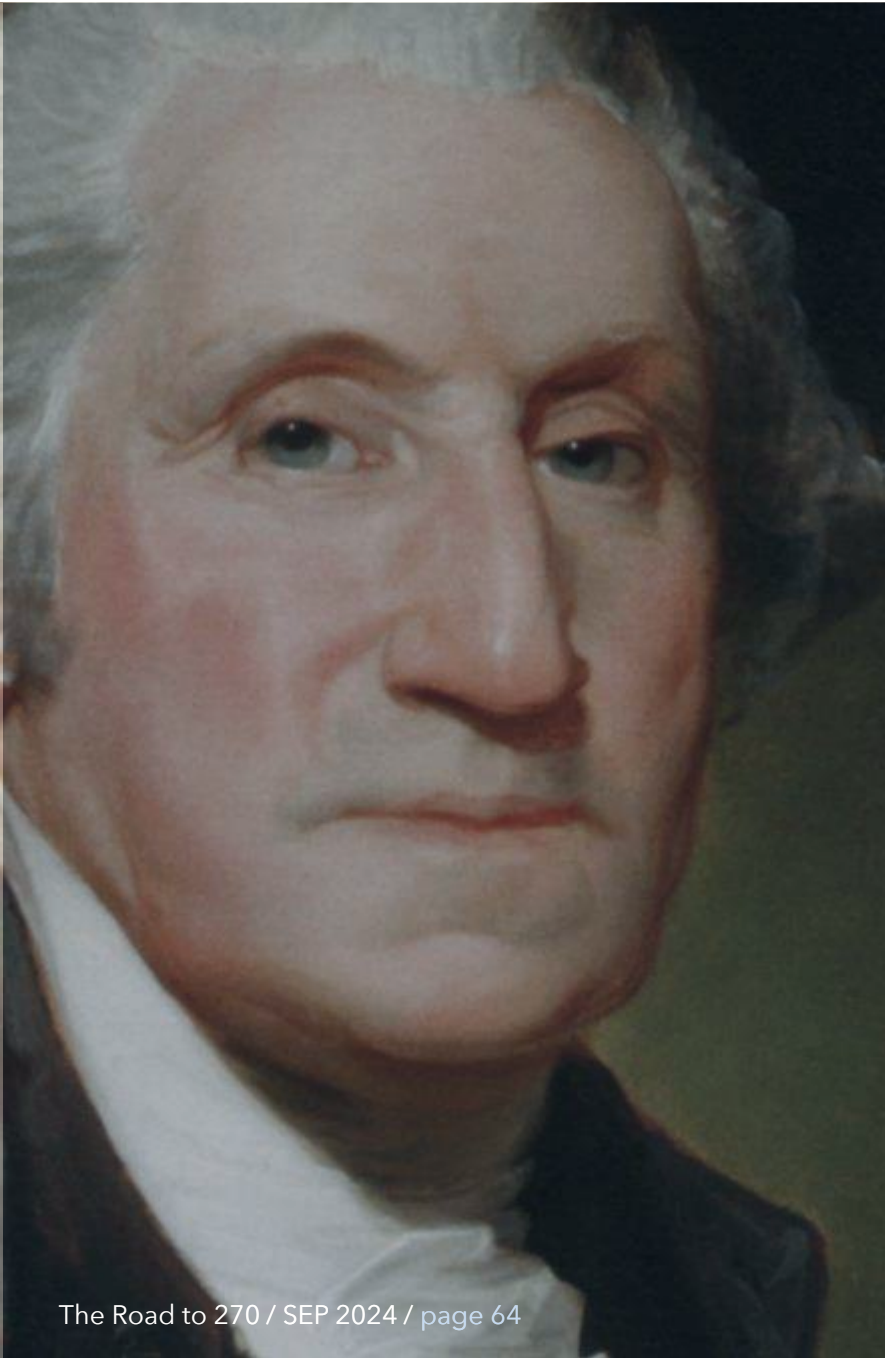
States included on Ballot:
AL, AK, AR, AZ, CA, CO, CT, DE, FL, GA, HI, ID, IN, IA, KS, LA, MA, MD, ME, MI, MO, MS, MT, NC, ND, NE, NJ, NV, NM, OH, OK, OR, PA, SC, SD, TX, UT, VT, WA, WI, WV, WY

Source: (1) Politico, "Where third-party candidates could spoil 2024". Data as of September 9, 2024.

The Congress

10 *The US House of Representatives*

"The alternate domination of one faction over another, sharpened by the spirit of revenge natural to party dissension, which in different ages and countries has perpetrated the most horrid enormities, is itself a frightful despotism."

George Washington, Commander of the Continental (Revolutionary) Army, US Founding Father & First President of the United States (1732-1799)

US House Likely to Follow Trajectory of White House

As happens every two years, all 435 seats in the US House of Representatives are up for election this year. In our view, with the majority so tight, control of the US House of Representatives is highly likely to follow the trajectory of the White House race.
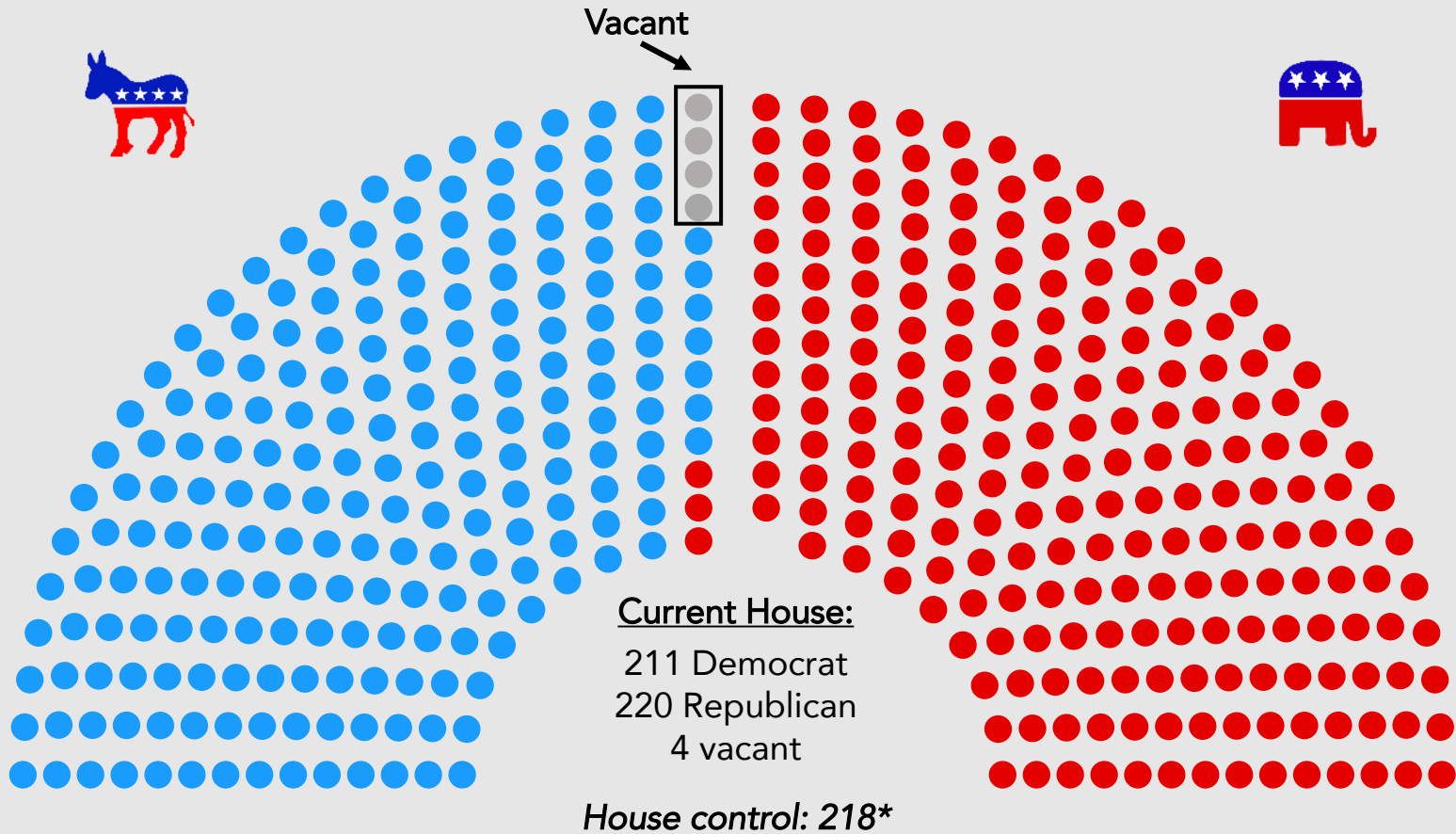
Vacant

Current House:

211 Democrat
220 Republican
4 vacant

House control: 218*

Smallest US House Majority in 70 Years

At the start of the current 118th Congress, the Republican Party held a 5 seat majority, the narrowest majority in the US House of Representatives since 1954. With so narrow a majority, and all 435 seats up for election, we expect control of the House to follow the trajectory of who wins the White House.

Party control margins in the U.S. House

Smallest majority in 70 years (5 seats)
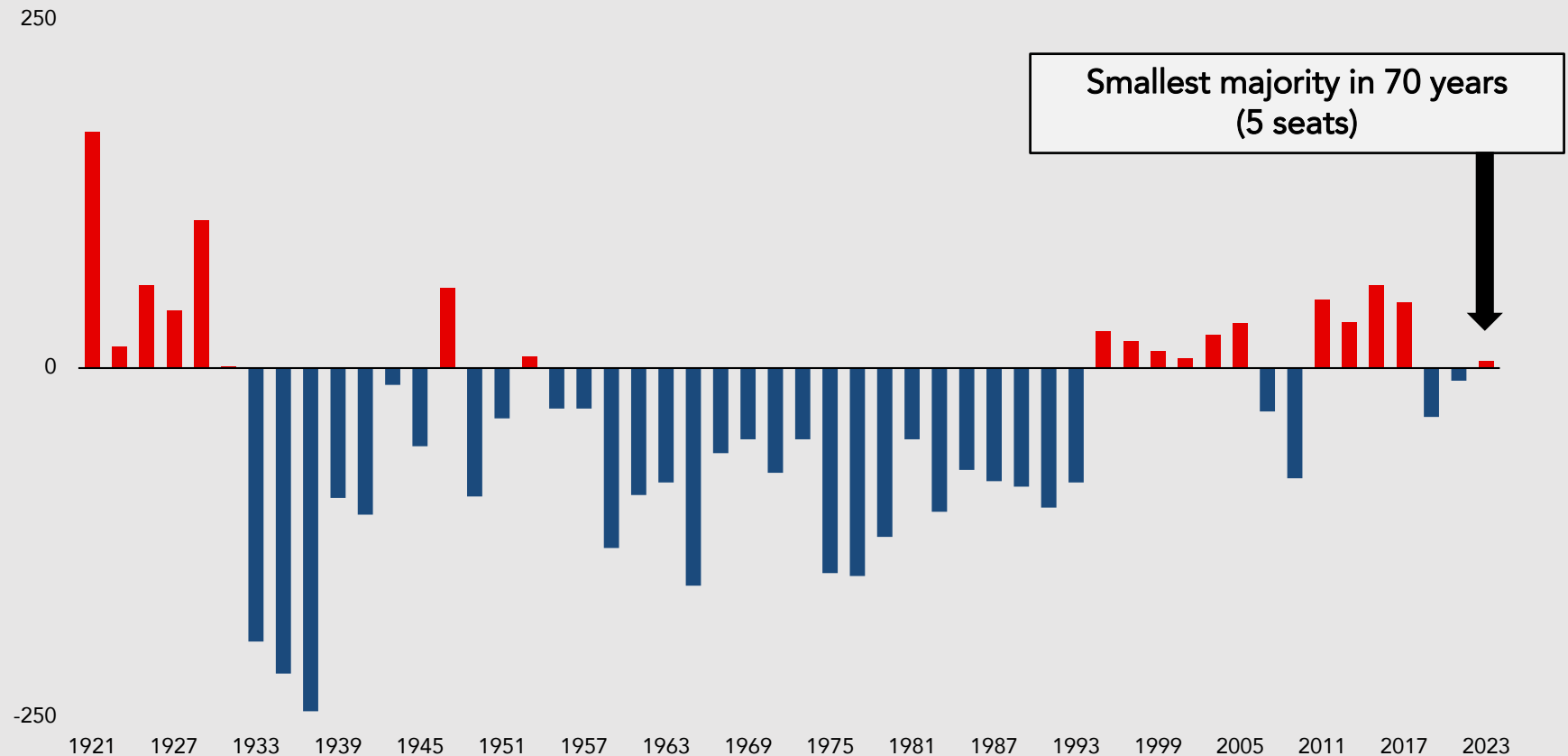
Source: (1) Mehlman Consulting, "Age of Disruption". Data as of September 10, 2024.

Key US House Races to Watch

All 435 seats in the US House of Representatives will be up for election in 2024. An analysis by the Cook Political Report highlights 24 toss-up races for the US House of Representatives with Democrats defending 11 toss-up seats and Republicans defending 13 toss-up seats. The Republican party currently controls the House with 220 seats (218 needed for majority).

2024 House race ratings

Solid Democrat   Toss up   Solid Republican

| 174 | 16 | 13 | 24 | 6 | 10 | 192 |

Likely   Lean   Lean   Likely
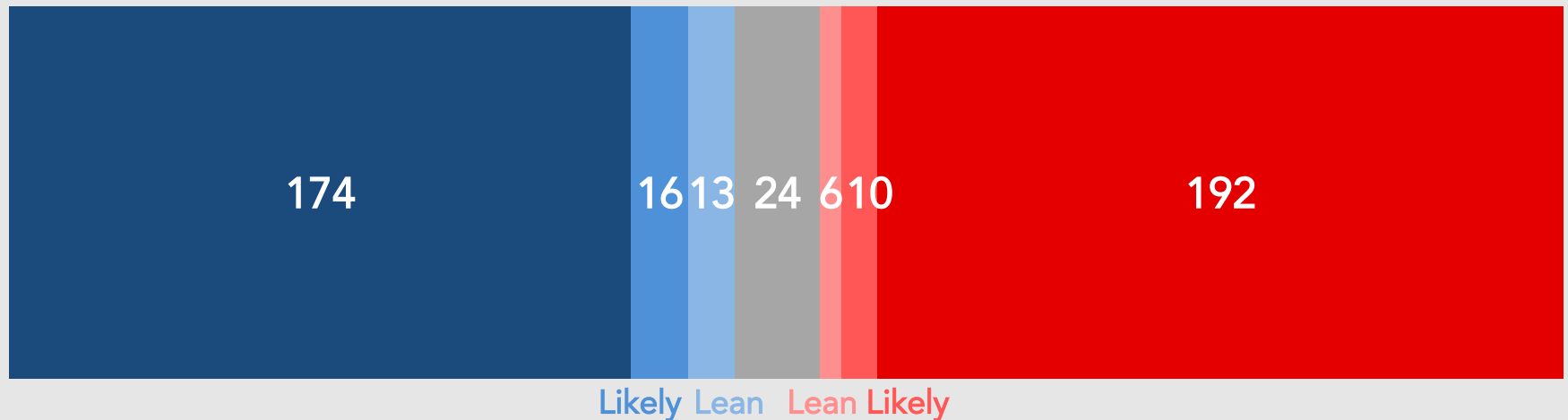
House Races to Watch

While all 435 seats in the US House of Representatives are up for election, 24 are a "toss up"

"Toss-up" seats in the 2024 US House of Representatives election

State	Dem. Candidate	Rep. Candidate
Alaska – AL	*Peltola**	Begich
Arizona – 01	Shah	*Schweikert**
Arizona – 06	Engel	*Ciscomani**
California – 13	Gray	*Duarte**
California – 22	Salas	*Valadao**
California – 27	Whitesides	*Garcia**
California – 41	Rollins	*Calvert**
California – 45	Tran	*Steel**
Colorado – 08	*Caraveo**	Evans
Maine – 02	*Golden**	Theriault
Michigan – 07	Hertel	Barrett
Michigan – 08	McDonald Rivet	Junge

State	Dem. Candidate	Rep. Candidate
Nebraska – 02	Vargas	*Bacon**
New Jersey – 07	Altman	*Kean Jr.**
New Mexico – 02	*Vasquez**	Herrell
New York – 04	Gillen	*D'Esposito**
New York – 17	Jones	*Lawler**
New York – 19	Riley	*Molinaro**
N. Carolina – 01	*Davis**	Buckhout
Ohio – 13	*Sykes**	Coughlin
Oregon – 05	Bynum	*Chavez-DeRemer**
Pennsylvania – 07	*Wild**	Mackenzie
Pennsylvania - 08	*Cartwright**	Bresnahan Jr.
Washington – 03	*Perez**	Kent

Source: (1) Cook Political for vulnerable senate seat data. Real Clear Politics for polling data. As of September 5, 2024.

*Incumbent

11

The US Senate

"**Because power corrupts, society's demands for moral authority and character increase as the importance of the position increases.**"

John Adams, US Diplomat, Founding Father & 3rd President of the United States (1735 - 1826)
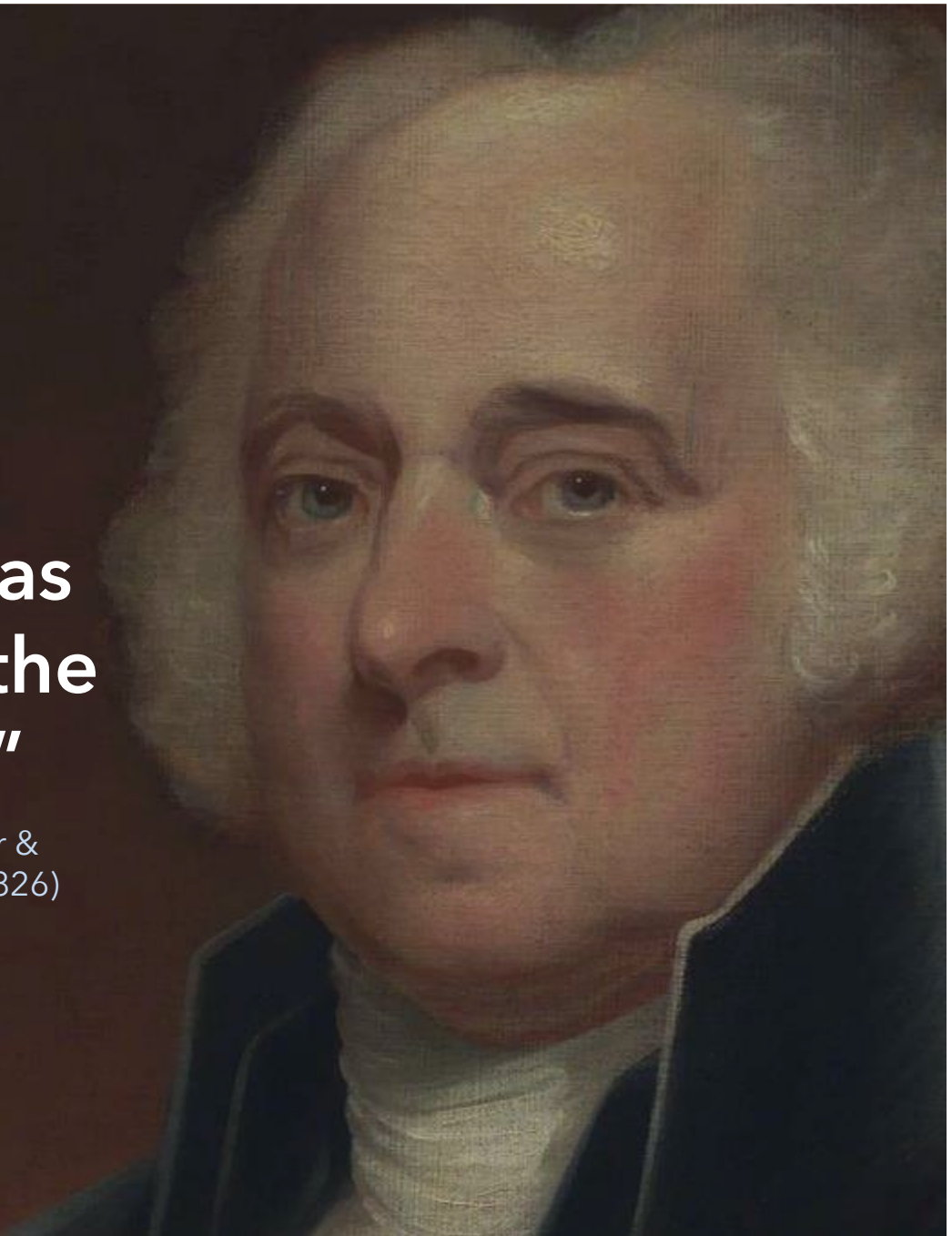
The US Senate: Pre-Election Snapshot

Given the narrowly held majority in the US Senate, Republicans have an opportunity to take control of the chamber. With Sen. Joe Manchin (I-WV) no longer in the race, West Virginia will most likely flip red and Republicans would need to gain just one additional seat for a simple majority.

Independent
(Caucus Democrat)

Current Senate:

51 Democrat*
49 Republican

Senate control: 50

Departing Senators:

CA – Laphonza Butler (D)	ID – Mike Braun (R)
DE – Tom Carper (D)	UT – Mitt Romney (R)
MD – Ben Cardin (D)	AZ – Kyrsten Sinema (I)
MI – Debbie Stabenow (D)	WV – Joe Manchin (I)
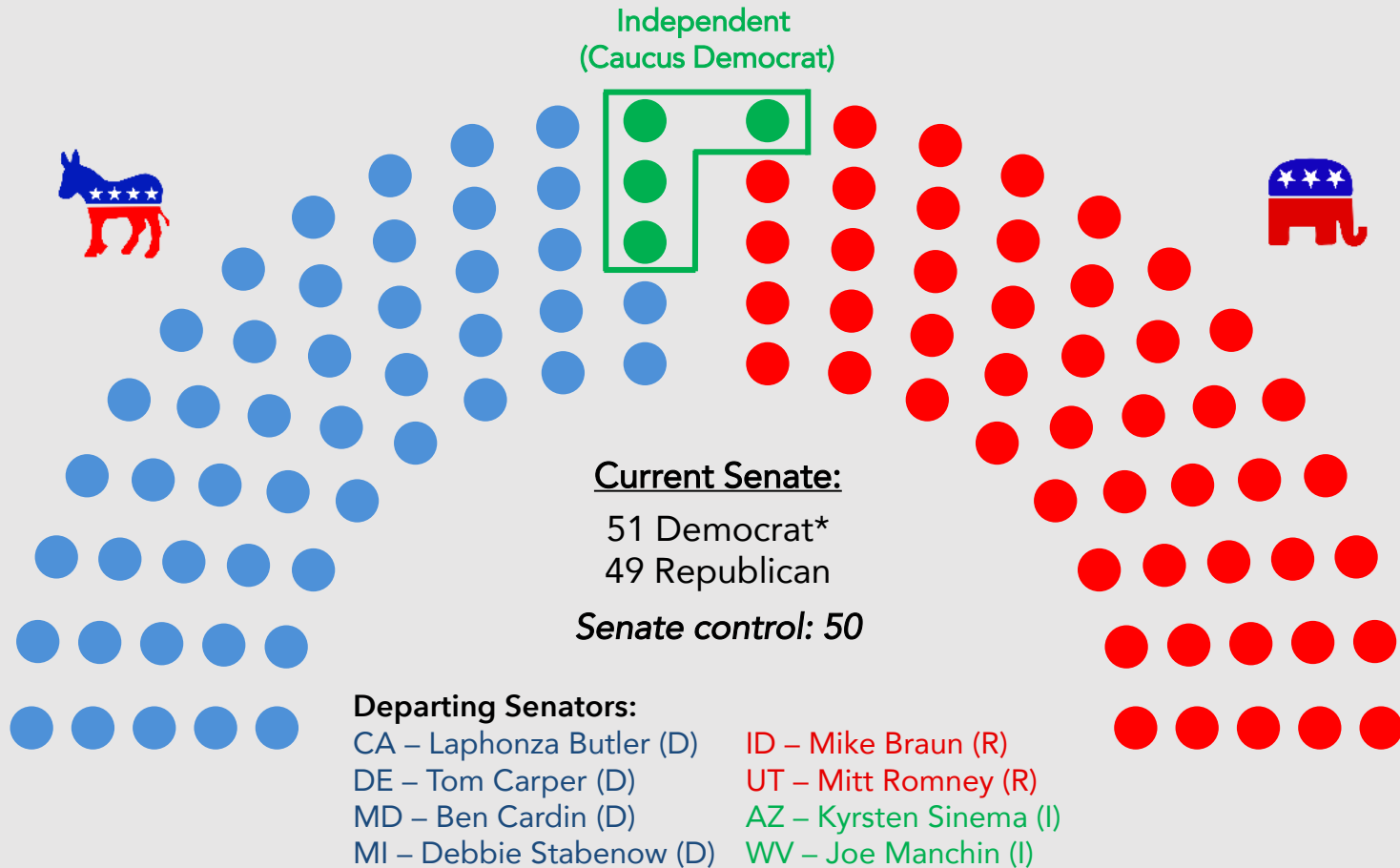
*Source: (1) US Senate. Ballotpedia. *Green indicates four independents who caucus with Democrats. 50 for Senate control is with VP of the same party.*

"Structural Advantage" for Republicans in the Senate

In any given election year, Republicans or Democrats will have a "structural advantage" in the US Senate race based on which seats are up for election (Senators serve six-year terms). In 2024, 34 Senate seats are up for election, of which 23 are held by Democrats or Independents. 11 of the 34 seats are considered "vulnerable" with Democrats defending 9. Republicans, therefore, have the "structured advantage" in the current election cycle, and can take control with a net gain of just two seats, or by winning the Presidential election along with a net gain of one seat.

2024 Senate race ratings
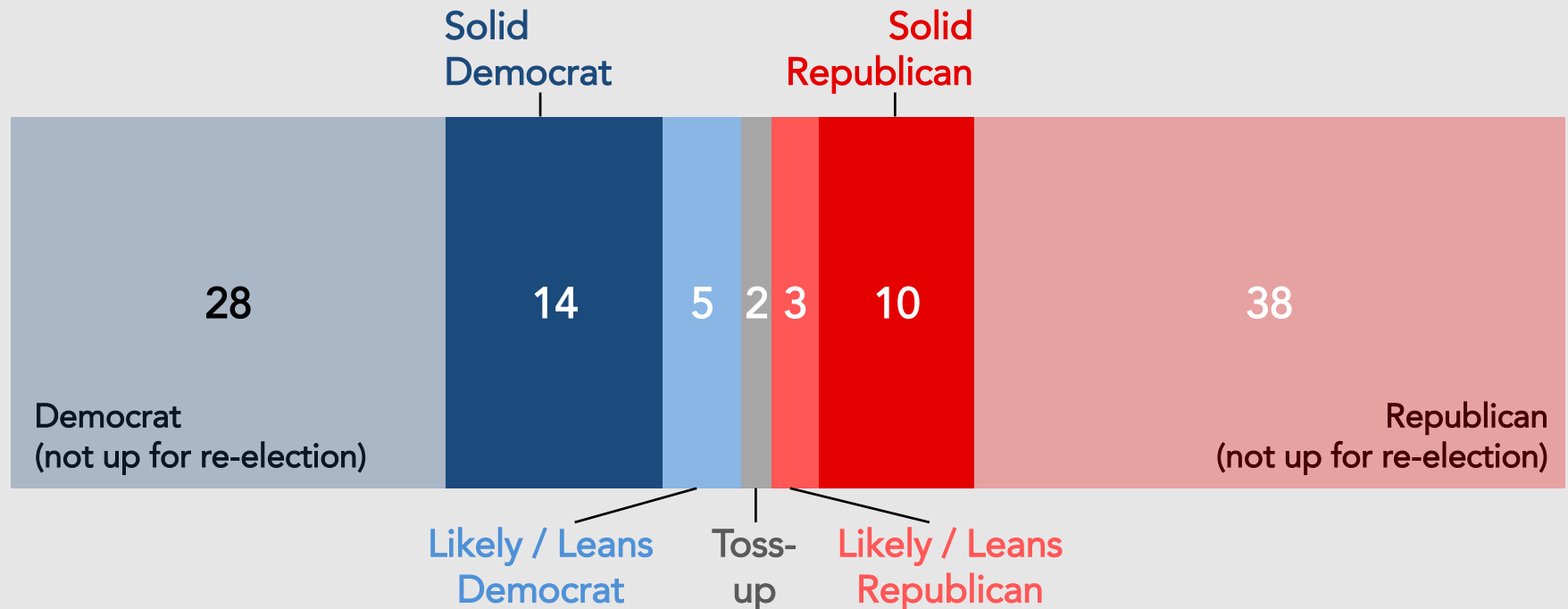
Source: (1) The Cook Political Report. Data as of September 12, 2024.

"Structural Advantage" for Republicans in the Senate

34 US Senate seats are up for election in 2024, of which 23 are held by Democrats or Independents. 11 of those 34 seats are considered "vulnerable" with Democrats defending 9. Against this backdrop, we would place the odds of GOP gaining control of the US Senate > 80%, regardless of White House victor (Trump or Harris).

Vulnerable Democratic seats in the 2024 US Senate election

Democrats: 23 held seats   Republicans: 11 held seats

Solid Democrat	Likely / Leans Democrat	Toss up	Likely / Leans Republican	Solid Republican
Schiff (CA)	Gallego (AZ)	Slotkin/Rogers (MI)	Scott (FL)	Banks (IN)
Murphy (CT)	Alsobrooks (MD)	Brown (OH)	Cruz (TX)	Hawley (MO)
Rochester (DE)	Rosen (NV)		Tester (MT)	Wicker (MS)
Hirono (HI)	Casey Jr. (PA)			Cramer (ND)
Warren (MA)	Baldwin (WI)			Fischer (NE)
King (ME)				Ricketts (NE)
Klobuchar (MN)				Blackburn (TN)
Kim (NJ)				Curtis (UT)
Heinrich (NM)				Barrasso (WY)
Gillibrand (NY)				Elliot (WV)
Whitehouse (RI)				
Kaine (VA)				
Sanders (VT)				
Cantwell (WA)				

Denotes 11 seats considered vulnerable, 9 of which are currently held by Democrats

Source: (1) Cook Political Report. Data as of September 12, 2024. King and Sanders are Independents.

12 *Governance Challenges*

"If there is no struggle, there is no progress."

Frederick Douglass, American social reformer, abolitionist, writer and statesman & most important 19th Century African-American Civil Rights Leader (1818-1895)
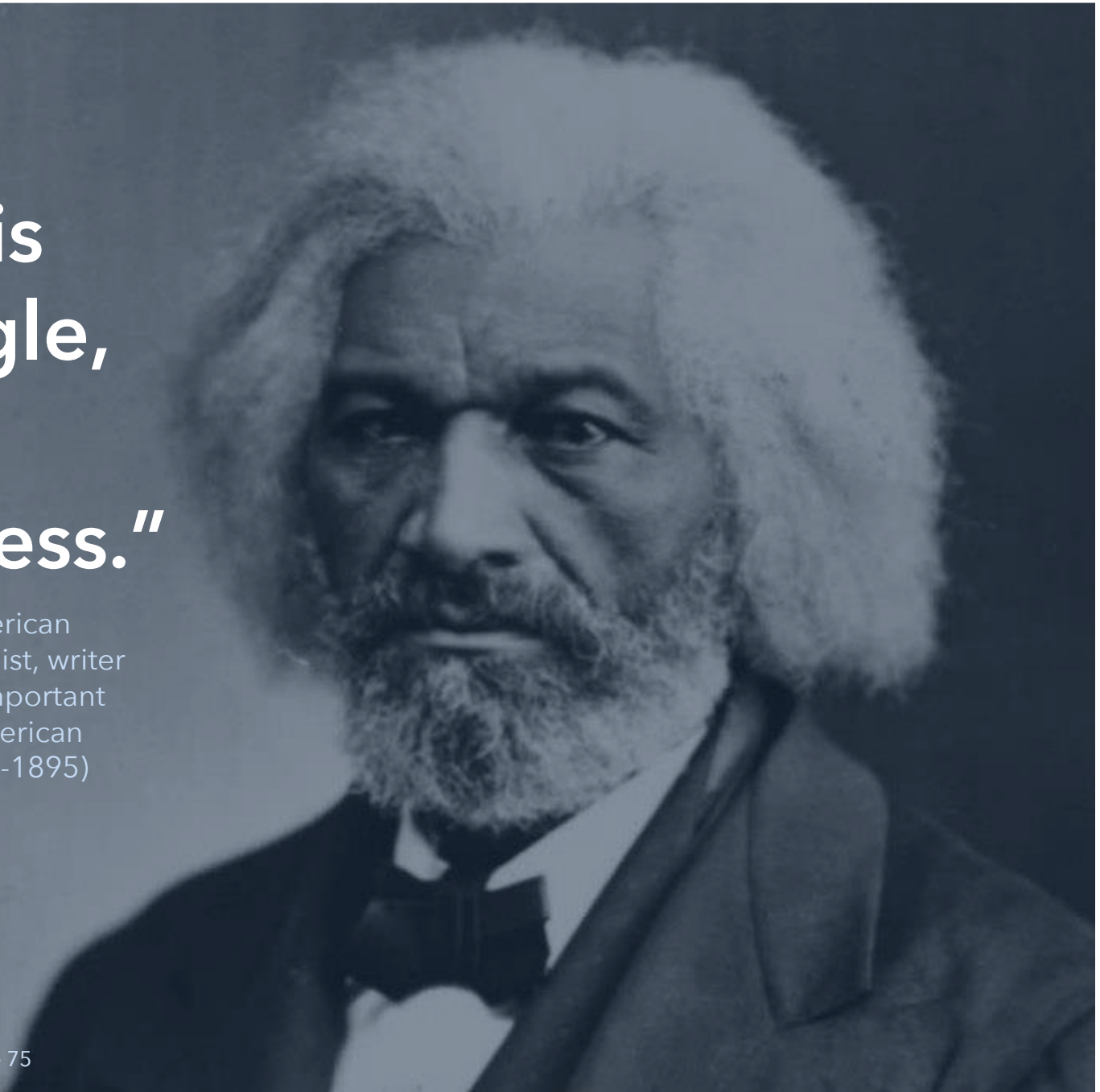
Legislation is Challenging in Today's Washington

Large, complex legislation is very difficult in today's Washington. In addition, the probability of either party gaining a 60 person, filibuster proof, majority in the US Senate is exceptionally low. The expiration of numerous provisions of the 2017 tax bill will push tax policy to the top of the legislative agenda. If however, Congress is divided, look for short (2-year) provision extensions rather than a substantive reform bill.

Enacted legislation by US Congress

1970s avg: 760
1980s avg: 664
1990s avg: 486
2000s avg: 443
2010s avg: 339

365

78

93rd, 94th, 95th, 96th, 97th, 98th, 99th, 100th, 101st, 102nd, 103rd, 104th, 105th, 106th, 107th, 108th, 109th, 110th, 111th, 112th, 113th, 114th, 115th, 116th, 117th, 118th
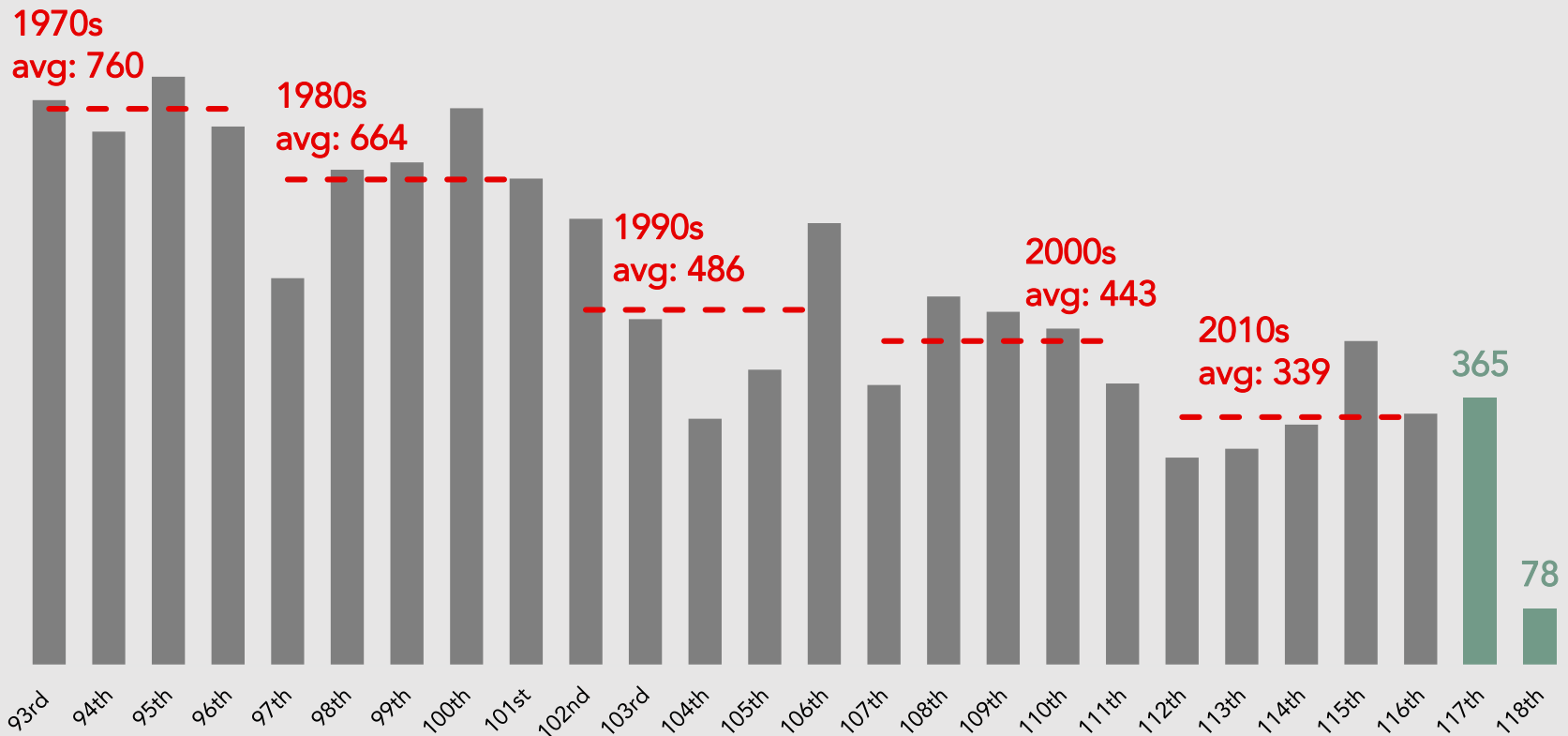
Source: (1) GovTrack Statistical and Historical Comparison. Data accessed September 11, 2024.

Divided Gov't: Fiscal Restraint, Stocks Outperform

Since 2007, each party has managed to hold "governing control" (control of the White House and both chambers of the US Congress) for only one two year period each. Instead, the vast majority of the last decade has been dominated by divided government in Washington. Historically, **"divided government"** has been associated with **more fiscal restraint** and **stock market outperformance** (relatively speaking).

Historical control of White House and US Congress

No consistent governing alignment > 2 years since 2007
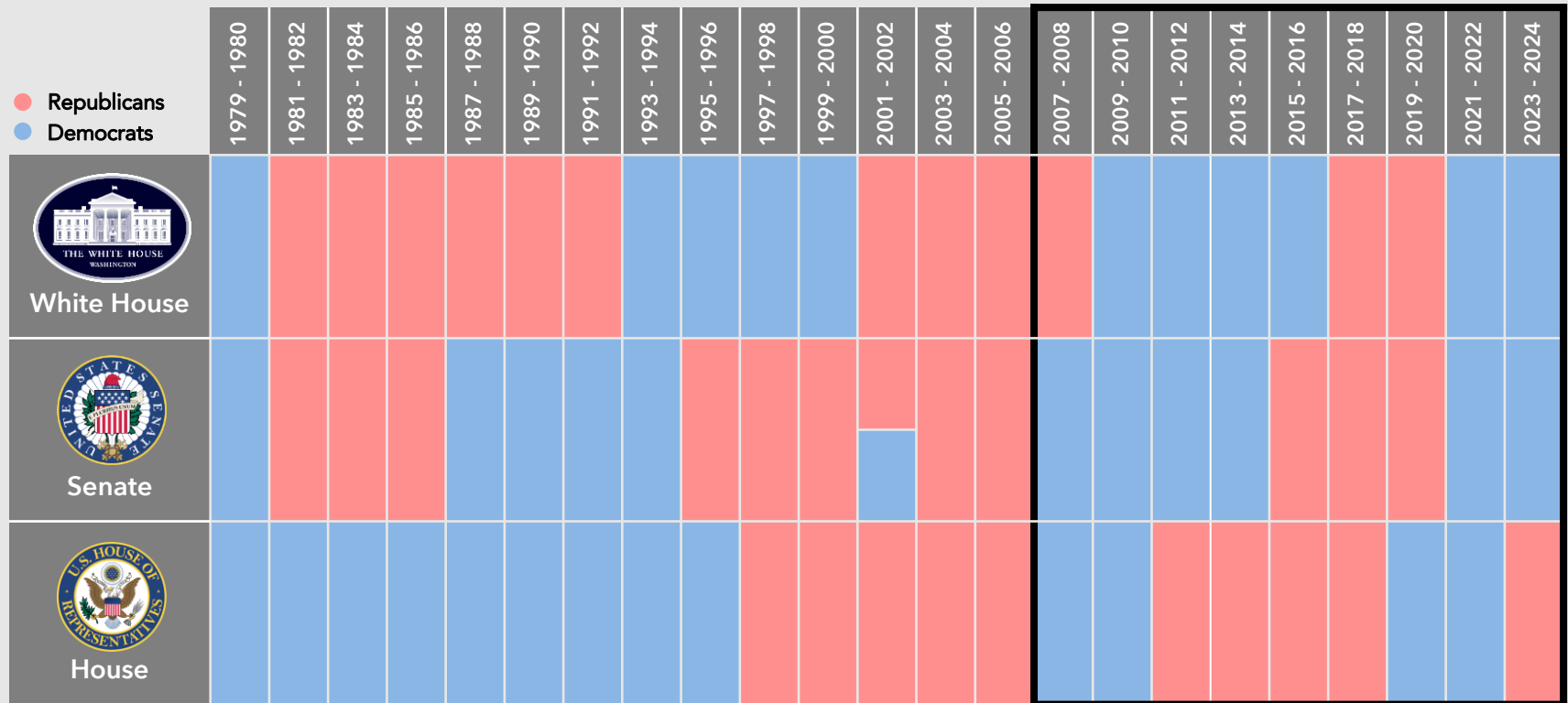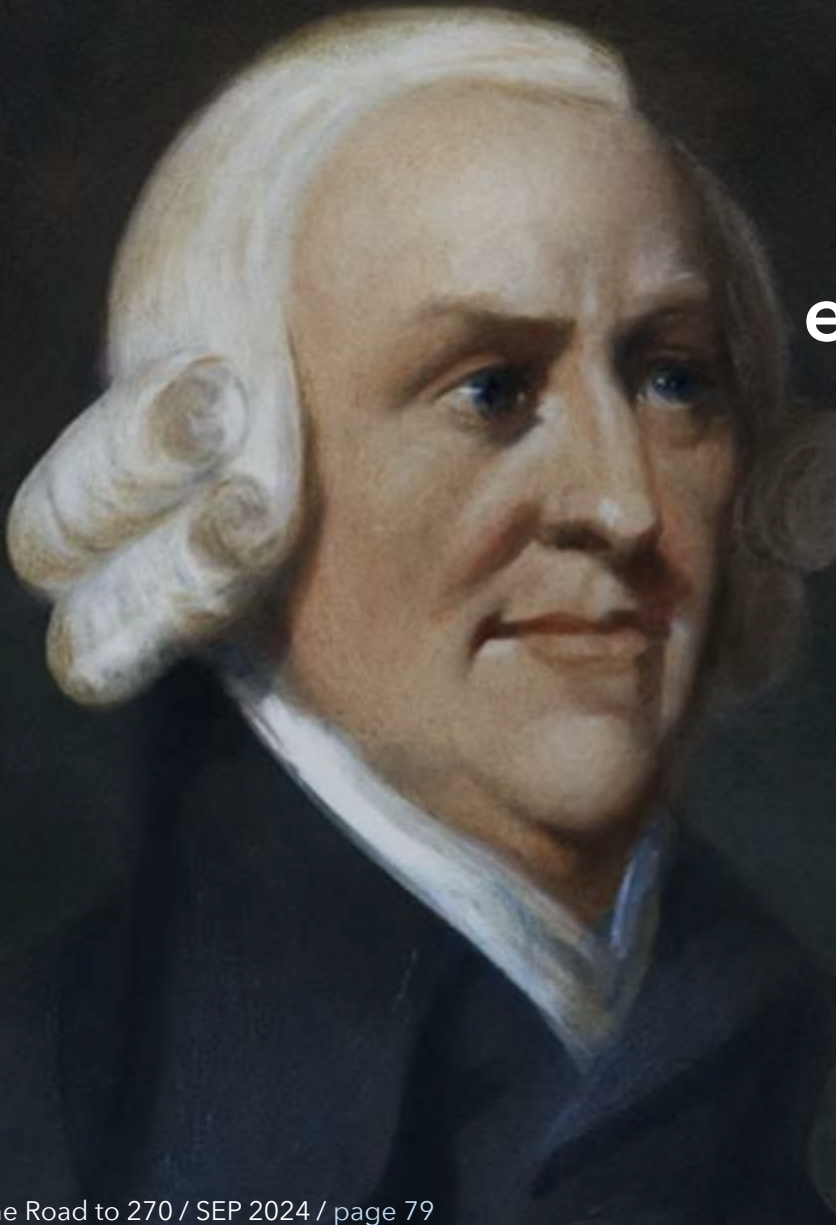
Legend:
- 🔴 Republicans
- 🔵 Democrats

Chart columns (two-year periods): 1979-1980, 1981-1982, 1983-1984, 1985-1986, 1987-1988, 1989-1990, 1991-1992, 1993-1994, 1995-1996, 1997-1998, 1999-2000, 2001-2002, 2003-2004, 2005-2006, 2007-2008, 2009-2010, 2011-2012, 2013-2014, 2015-2016, 2017-2018, 2019-2020, 2021-2022, 2023-2024

Rows: White House, Senate, House

13 *Economic & Trade Policy*
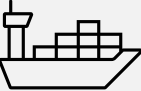
"The propensity to trade, barter and exchange one thing for another is common to all men, and to be found in no other race of animals."

Adam Smith,
in *The Wealth of Nations* (1776)

Economic & Trade Policy Platforms

Selected components of Trump and Harris economic policy agenda	Harris	Trump
Expansionary fiscal policy	✓	✓
Less Fed independence		✓
Assistance for first-time home buyers	✓	✓
Restrict rent price-setting tools	✓	
Maintain existing tariffs	✓	✓
Broad-based universal 10% tariffs		✓
60% tariff on goods from China		✓
Reduce / streamline government regulation		✓
Less anti-trust M&A enforcement		✓
Expand oil and gas production		✓
Expand IRA & energy transition	✓	
Cap out-of-pocket prescription expenses	✓	
Cancel $7 bn of medical debt	✓	
Eliminate / dilute Affordable Care Act		✓

Trade, Finance & Economic Policy

Legend:
- 🟩 Accelerates
- 🟩 Continues
- 🟧 Slows
- 🟥 Stops/Reverses

Policy Area	Harris	Trump
"China Competitiveness" Agenda	Strengthen regional cooperation in key sectors (i.e., a "competitor," not enemy)	Forceful efforts to combat China's global influence
Trump-era Tariffs	Maintain existing w/ periodic rebalancing	Combative new tariff escalation
U.S.-Japan Trade (e.g. IPEF)	Collaborative, emphasis on sustainable finance, digital trade	Bilateral, emphasis on trade imbalances & protectionism
Energy Policy (e.g. IRA)	Strong emphasis, implementation of IRA / renewables / green hydrogen	Focus on traditional energy, skepticism re: climate & sustainable finance
Global Tax (e.g. OECD)	Alignment on global tax measures (e.g., minimum corp. taxes)	Skepticism re: global tax agreements, focus on sovereignty

US Manufacturing Resurgence Should Continue

During the Biden-Harris administration, private sector investment in the US manufacturing sector more than tripled from $6 bn in 2021 to nearly $20bn in August 2024. We expect either a Trump or Harris presidency to provide additional tax incentives, subsidies and protectionist measures to encourage continued re-investment in the US manufacturing sector.

Total value of private manufacturing construction, by region, USD bn

CHIPS Act & IRA signed into law

Total: $19.6 bn
West $4.6 bn
South $10.5 bn
Midwest: $4.0 bn
Northeast: $0.6 bn

$5.6 bn
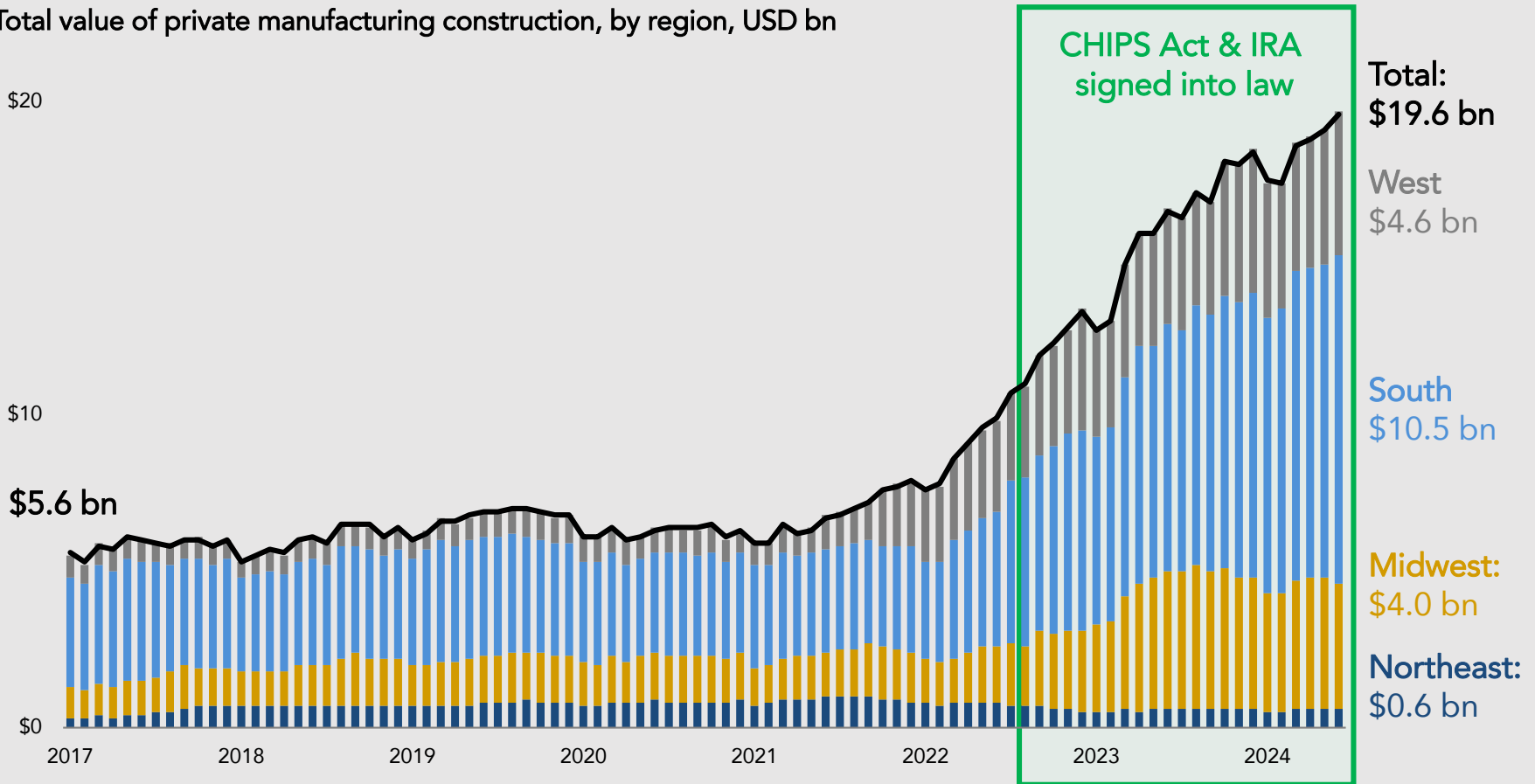
Source: (1) US Census Bureau. Total value is not seasonally adjusted. June 2024 value is preliminary.

Existing US-China Tariffs Will be Maintained 🇺🇸 🇨🇳

Between 2018 and 2020, former President Trump announced and implemented tariffs on over $500 bn of US imports from China, though roughly $160 bn of "List 4" tariffs were suspended in the subsequent "Phase One" trade deal with China. While comparatively smaller, President Biden's additional tariffs target industries critical to US swing states such as electric vehicles, semiconductors, solar, manufacturing and defense.

Section 301 China tariffs based on import good value at time of tariff implementation
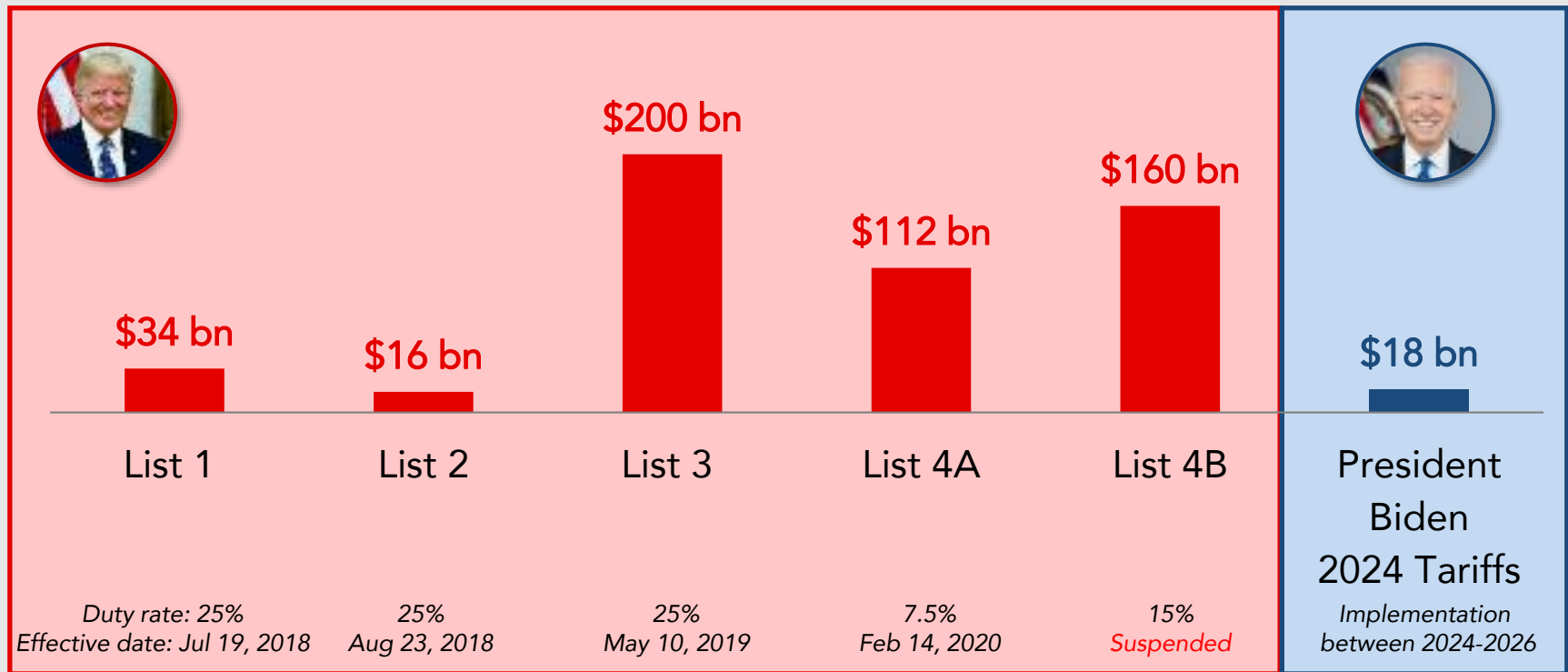
	List 1	List 2	List 3	List 4A	List 4B	President Biden 2024 Tariffs
Value	$34 bn	$16 bn	$200 bn	$112 bn	$160 bn	$18 bn
Duty rate:	25%	25%	25%	7.5%	15%	Implementation between 2024-2026
Effective date:	Jul 19, 2018	Aug 23, 2018	May 10, 2019	Feb 14, 2020	*Suspended*	

Trade War Begins on Day 1 of Trump 2.0

In his first term, former President Trump focused his first full year on generational tax reform in 2017 and the stock market rose 19%. In 2018, nearly 18 months into his first term, President Trump pivoted to the trade war. In a Trump 2.0 scenario, we expect the trade war to begin on Day 1.

Notable attributes of a trade war in a Trump 2.0 scenario

Timing: Day 1 of Trump 2.0

Key Architect: Robert Lighthizer (former US Trade Rep)

Legal Toolkit: First term blueprint (Sec 201, 232, 301, etc.)

Targets: Allies <u>and</u> adversaries

China: Existential threat (higher tariffs, revoke MFN status?)

Approach: Emboldened ("Big plans already underway")

Philosophy: "Zero-Sum" game (no "soft" benefit focus)

Strategy: More tactical; create uncertainty; encourage domestic MNC investment

Partnerships: Bilateral over multi-lateral

Barometers: Trade deficits; US domestic spending

Governor: Stock market (less so this time)

14 *Regulatory Policy*

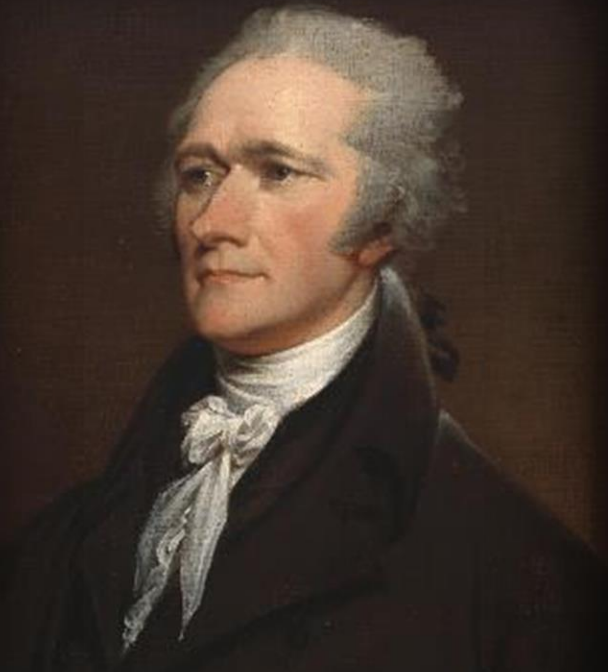"In framing a government which is to be administered by men over men, the great difficulty lies in this: You must first enable the government to control the governed; and in the next place, oblige it to control itself."

Alexander Hamilton, the first US Treasury Secretary
& Founding Father of the United States,
in Federalist Paper No. 50 (1788)

Regulatory Policy

Presidents have enormous impact on regulatory policy (appointments, executive orders, legislation), though less so following recent SCOTUS rulings (i.e., Chevron doctrine). Generally, equity sectors most impacted by regulatory policy include: **financials, energy, healthcare, industrials and telecom**. Less impacted: **consumer staples & discretionary, technology and real estate**.

Legend:
- 🟩 Accelerates
- 🟢 Continues
- 🟧 Slows
- 🟥 Stops/Reverses

	Harris	Trump
Basel III Endgame (e.g., bank capital)	Full implementation, modest modifications to FRB proposal	Emphasis on regulatory "tailoring;" will seek curbs to FRB proposal
Other Post-SVB Reg. Reforms	Regulatory tightening, restoration of "Dodd-Frank"	De-regulation; focus on financial sector growth
Climate Risk Regulation (e.g., SEC Disclosure)	Emphasis on governance, measuring, monitoring, and disclosure of climate risks	Most climate-related risk measures likely rolled back
Digital Asset Regulation (e.g., crypto, stablecoin)	Priority for regulators, focus on consumer protection, mitigating illicit finance	Congressional focus, support for market innovation
"Shadow Bank" Regulation (e.g., private funds, "shadow banks")	FSOC / "systemic" risk regulation, transparency, risk management & oversight	Status quo, limited regulation/ increased transparency

Federal Reserve Independence

Barring a wave of resignations, it will be difficult for the next US President to reshape the Federal Reserve Board. Jerome Powell's terms as Fed Chair and on the Board of Governors expire in 2026 and 2028, respectively. Though not required by the Federal Reserve Act, Fed Chairs have historically resigned when their terms as Chair expire. Aside from Powell and Kugler, most other Fed Governors are serving terms that expire beyond the next Presidential term.

Year of expiring Fed Governor terms

2025	2026	2027	2028	2029	2030 or later
None	Adriana Kugler — Fed Governor; Jerome Powell* — Fed Chair	None	Jerome Powell*** — Fed Governor	None	Christopher Waller** — Fed Governor; Michael Barr** — Vice Chair for Supervision; Michelle Bowman — Fed Governor; Philip Jefferson** — Vice Chair; Lisa Cook — Fed Governor
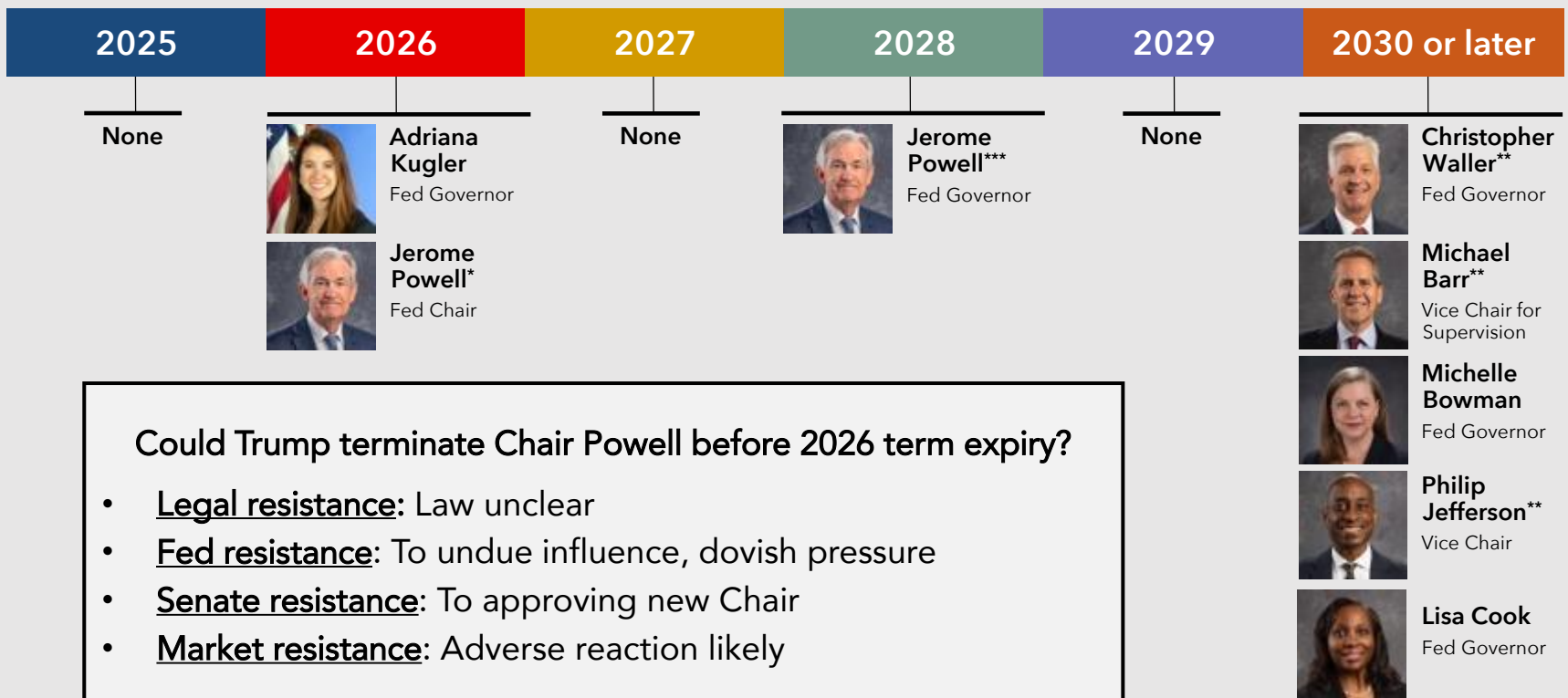
Could Trump terminate Chair Powell before 2026 term expiry?

- **Legal resistance**: Law unclear
- **Fed resistance**: To undue influence, dovish pressure
- **Senate resistance**: To approving new Chair
- **Market resistance**: Adverse reaction likely

More / Less Restrictive Anti-Trust M&A Enforcement

In 2023, US regulators won 2/3 of contested deals that went to trial. The Biden Administration sharply strengthened M&A deal scrutiny through a combination of: (1) political appointments to key regulatory bodies (DOJ, FTC); (2) more stringent anti-trust regulatory enforcement; (3) greater use of Executive Orders; and (4) specific "merger guidelines" released in Dec 2023 to tighten deal scrutiny. Under VP Harris, we would generally expect more policy continuity, and therefore more stringent US anti-trust M&A scrutiny, than under former President Trump.

Win rate of US agencies under current leadership as a percent of contested deals resulting in a trial verdict
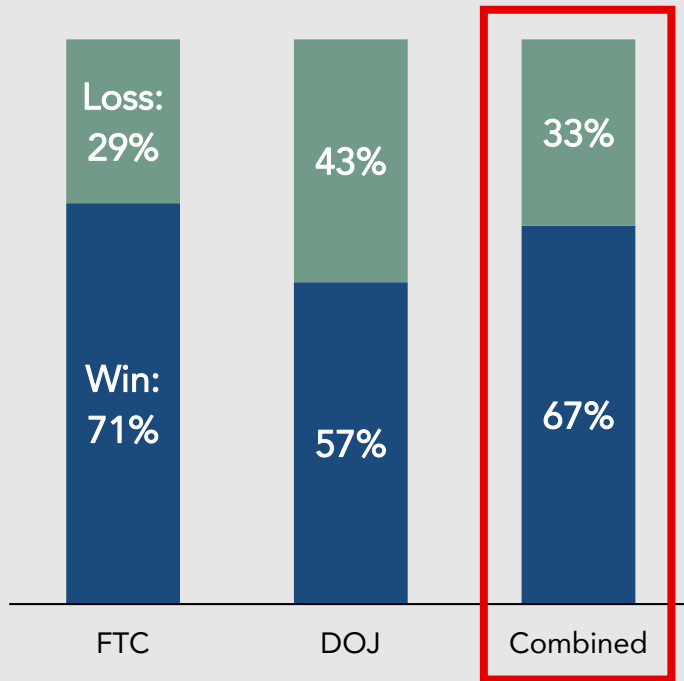
Outcomes of US agency complaints under current leadership
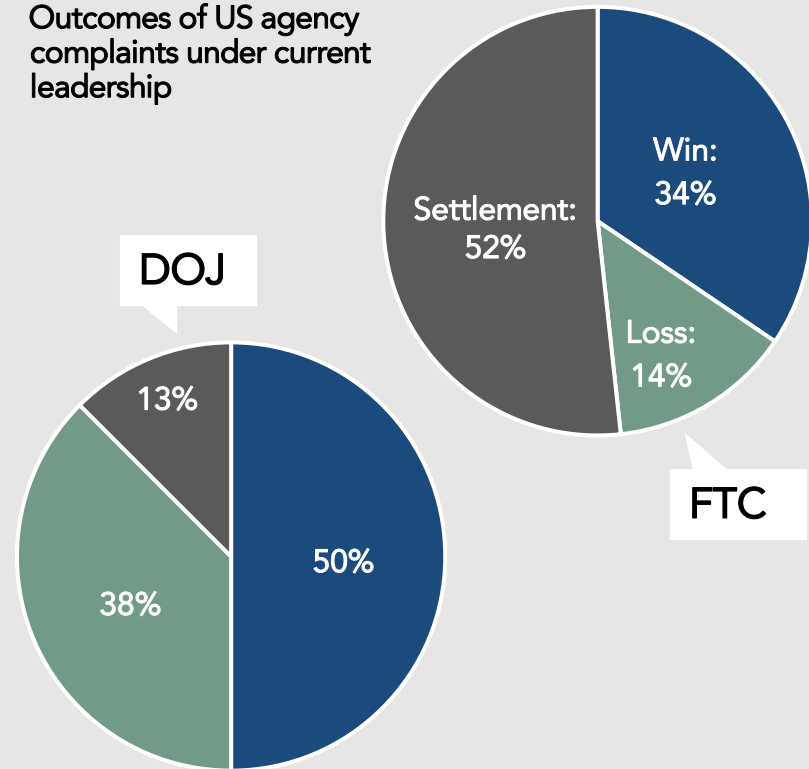
Source: (1-3) A&O Shearman, "Global trends in merger control enforcement." Three transactions were formally prohibited. In Illumina/GRAIL, the FTC won on appeal, with Illumina then agreeing to sell off GRAIL in light of the court's ruling and the EC's order to unwind the deal. Each agency also secured a permanent injunction – Jet Blue/American Airlines (DOJ) and a healthcare technology transaction (FTC). A further seven deals were abandoned due to US antitrust concerns.

15 *Tax Policy*

"I apologize for the inequities in the practical applications of the tax, but if we should wait before collecting tax to adjust the taxes upon each man in exact proportion with every other, we shall never collect any tax at all."

Abraham Lincoln, 16th President of the United States & Founder of the IRS in 1962 to pay for the Civil War
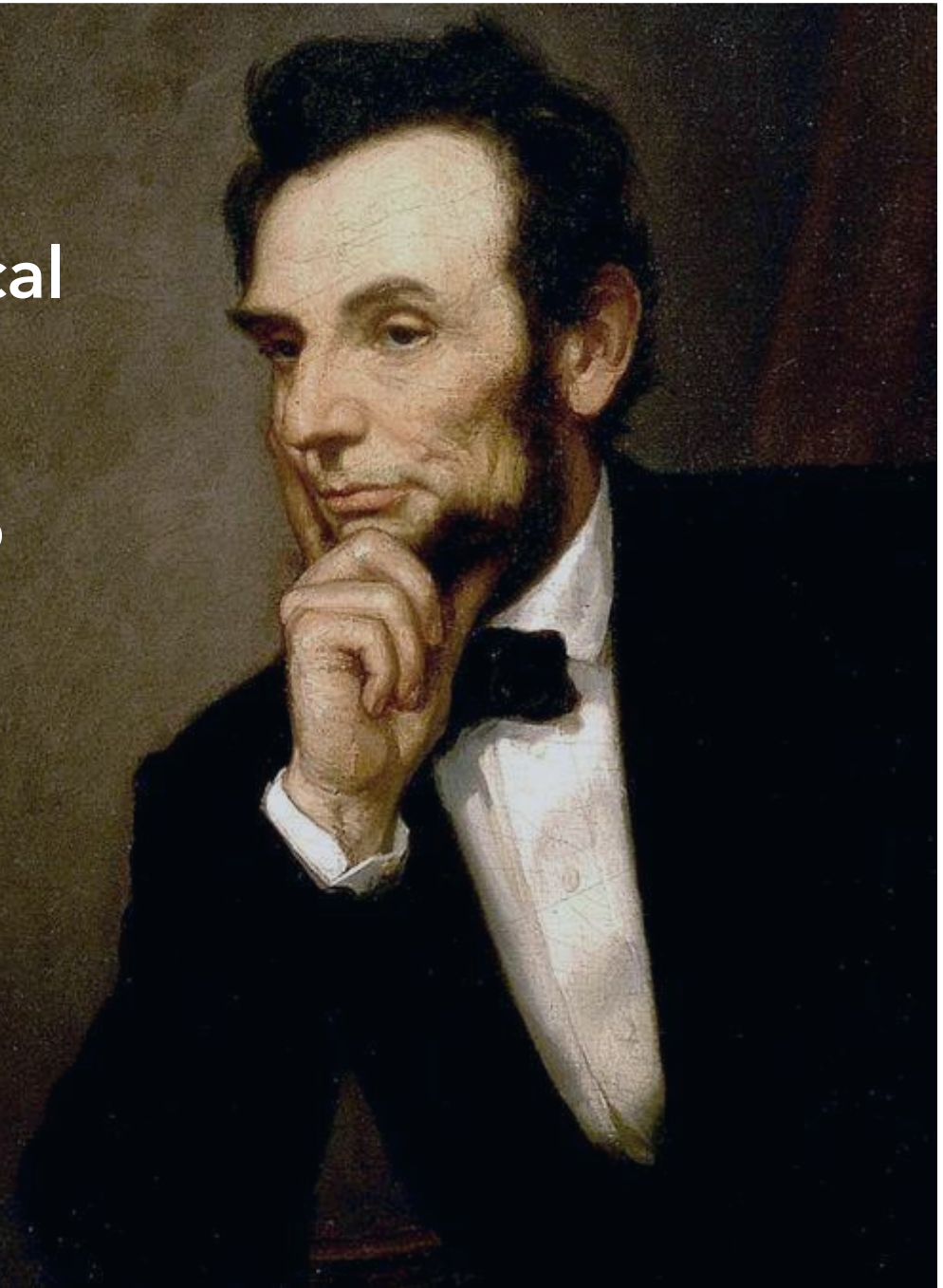
Extending the 2017 US Tax Cuts Would Cost $4.6 Trillion

Without an extension, many of President Trump's TCJA tax cuts from 2017 will expire and revert to pre-TCJA levels after 2025. According to the CBO's latest scoring, the cost of extending the expiring TCJA tax cuts would be nearly $5 trillion over 10 years.

Budgetary cost of extending 2017 tax cuts

Total:
$4.6 trillion

Individual tax brackets:
$3.3 trillion

Higher estate & gift tax exemptions:
$167 bn

Investment treatment:
$378 bn

Corporate tax provisions:
$172 bn

Increased interest expense:
$605 bn
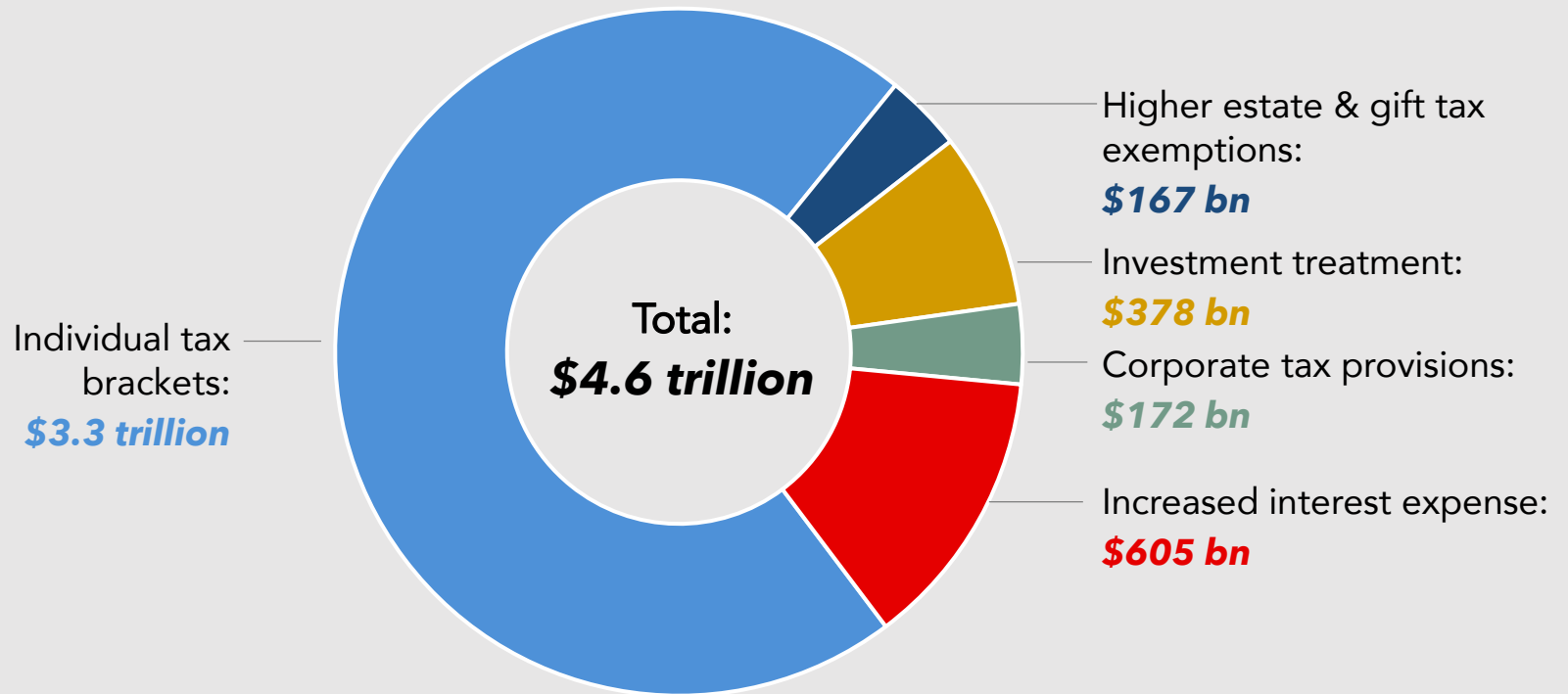
Key question: If the US extends ~$5 trillion of deficit financed tax cuts, will the US Treasury market have a "Liz Truss" moment?

Fiscal Impact of Policy Proposals

By virtue of their proposed tax and spend policy proposals, neither Trump nor Harris are "bond market friendly" candidates. Depending on White House and US Senate election outcomes in particular, it also remains unclear how much of current proposals can actually be enacted into law. In addition, neither Trump or Harris are likely to veto a tax bill authored by Congress that would extend parts of the expiring TCJA provisions. In either case, a reasonably significant divergence has begun to emerge on the deficit impact of Trump and Harris policy proposals to date, which we expect to evolve further in the weeks ahead.

Change in budget deficit

Trump campaign proposal

+$3.4tn — Extend individual tax cuts
+$1.2tn — Eliminate social security taxes
+$623bn — Business tax cuts
+$595bn — Lower corp tax rate to 15%
Total: +$5.8tn
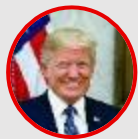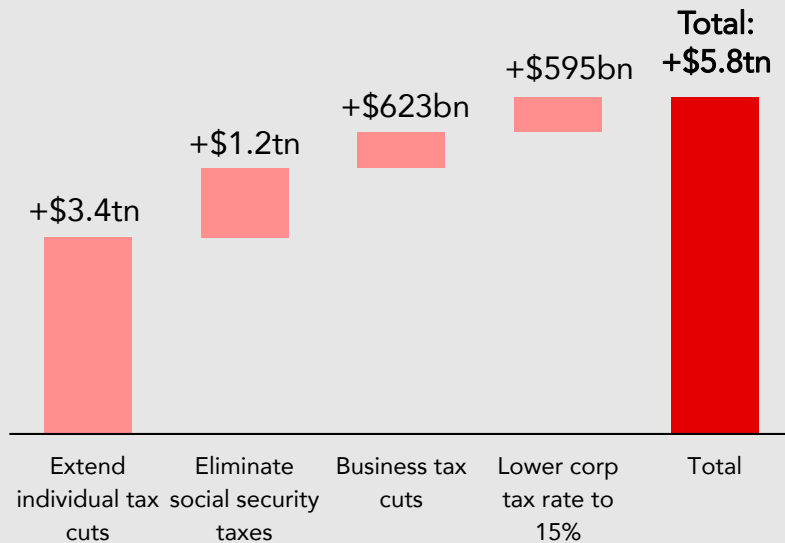
Harris campaign proposal
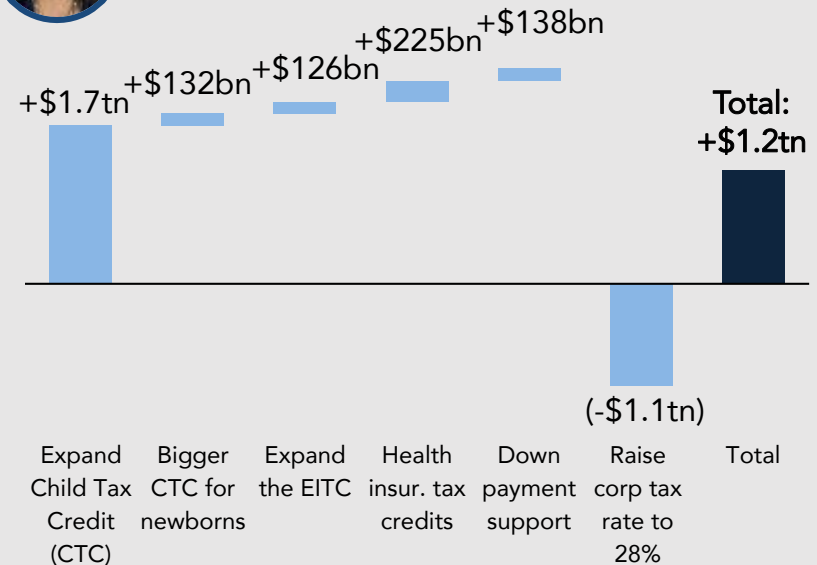
+$1.7tn — Expand Child Tax Credit (CTC)
+$132bn — Bigger CTC for newborns
+$126bn — Expand the EITC
+$225bn — Health insur. tax credits
+$138bn — Down payment support
(-$1.1tn) — Raise corp tax rate to 28%
Total: +$1.2tn

Corporate Tax Policy Platforms

While legislation typically requires a 60 vote threshold in the US Senate, tax policy can be passed through the annual budget process with 50 votes. Since Republicans are highly likely to retain the US Senate (> 80%), a victorious VP Harris is unlikely to be able to implement many of her proposed tax code changes and increases (i.e., 28% corp rate). Similarly, while a victorious President Trump may be well positioned to extend many of the TCJA provisions, the cost of reducing further may be prohibitive (i.e., 15% corp rate). Generally speaking, each 1 point reduction in the corp rate costs $150 bn over 10 years.

Selected components of Trump and Harris tax policy agenda	Harris	Trump
Corporate tax rate	28% (possibly raise corporate AMT)	15%
TCJA business tax provisions	TBD; 1-2 year extension of selected provisions expected	Permanent extension of TCJA provisions
Foreign earnings	Expand GILTI tax from 10.5% to 21%	Permanent extension of TCJA provisions (GILTI, BEAT)
Small business taxes	Expand $5k deduction for startups to $50k	Extend TCJA provisions
Green energy credits	Expand	Phase down
Carried interest	Tax at higher ordinary rate, instead of cap gains rate	No change
Excise taxes	Possibly expand stock buyback tax to 4%	Tax large university endowments

Individual Tax Policy Platforms

Given the required 50 vote threshold for passing tax policy via budget reconciliation, the US Senate elections may matter as much for tax policy as the Presidential election.

Selected components of Trump and Harris tax policy agenda	Harris	Trump
Individual tax rates	Allow TCJA expiry for those > $400k	Extend all individual TCJA rates (repeal AMT)
SALT deduction	Raise existing $10k cap	Unclear Recently pledged to eliminate $10k cap
Capital gains	28% (for income > $1mn); tax unrealized gains at death	20% (no change)
Earned income tax credit (EITC)	Expand on permanent basis	No change
Estate / wealth tax	25% min tax on realized & unrealized income of high net worth households (> $100mm)	Make expiring TCJA estate tax reductions permanent
Childcare tax credit (CTC)	Expand to $6k (age < 1); $3.6k (age 2-5) and $3k (age > 5)	Remain at $2k (possible universal expansion to $5k)
Housing tax credits	Expand existing low-income tax credits; limit deductions for large property investors	No change
Service/ hospitality sector tips	Exempt from tax	Exempt from tax

Source: Tax Foundation, "Tracking 2024 Tax Plans." Oxford Economics, "After the presidential debate, the election remains a toss-up" "How Kamala Harris' corporate tax plan compares to Trump's". Harris for President, Republican Party Platforms, "2024 Republican Party Platform".

Corporate Tax Provisions (Expiring)

To offset the costs of making the 21% corporate tax rate permanent, the TCJA introduced requirements to amortize R&D expenses over five years (domestic) and 15 years (foreign), limit the deductibility of interest expenses from EBITDA to EBIT, and the phase out of the 100% bonus depreciation.

Corporate and international provisions

Expires	TCJA Provision	Post-Expiry
After 2021	Immediate upfront expensing for R&D costs	Expensed over 5 years (domestic) and 15 years (foreign)
	Business net interest expense deduction capped at 30% of EBITDA	Business net interest expense deduction capped at 30% of EBIT
After 2022	100% bonus depreciation for short-life business investments	Phase out of 100% bonus depreciation (fully expires at end of 2026)
After 2025	10.5% global minimum tax (on intangible income)	13.125% rate after 2025
	10% Base Erosion and Anti-Abuse Tax (BEAT)	12.5% rate after 2025
	13.125% effective tax rate for income from Foreign Derived Intangible Income (FDII)	16.406% rate after 2025
Not Expiring	Corporate tax rate at 21%	

Individual Tax Provisions (Expiring)

The Tax Cuts and Jobs Act (TCJA) was passed through the reconciliation process, which requires legislation to be budget-related and deficit neutral outside the 10 year budget window. In order to comply with the "Byrd Rule," most individual provisions are set expire after 2025.

Individual provisions

Expires	TCJA Provision	Post-Expiry
After 2025	Reduction and adjustment of individual income tax rates	Individual tax rates and brackets revert to pre-2017 levels (inflation adj.)
	Pass through business income (199A) deduction	199A deduction expires, passthrough business income taxed according to ordinary individual income tax rates
	Standard deduction nearly doubled	Standard deduction reverts back to pre-2017 levels
	Elimination of the personal exemption	Personal exemptions revert back to pre-2017 levels
	Doubling of child tax credit	Child tax credit reverts back to pre-2017 levels
	$10K limit on SALT deduction	SALT deduction cap removed
	$750K cap on mortgage interest deduction	Cap reverts to $1 million on mortgage interest deduction
	No itemized deduction for certain miscellaneous expenses	Itemized deductions to miscellaneous expenses that exceed 2% of AGI
	AMT exemption and phase-out thresholds increased	AMT exemption and phase-out thresholds revert back to pre-2017 levels
	Estate and gift tax exclusion rate of $10 million per descendent, adjusted annually for inflation	Estate and gift tax exclusion amount reduced to $5 million per descendent and then annually adjusted for inflation
Not expiring	7.5% of adjusted gross income (AGI) floor for medical expense deductions	

Source: (1) Tax Foundation, "Options for Navigating the 2025 Tax Cuts and Jobs Act Expirations" (May 2024). Congressional Research Service, "Reference Table: Expiring Provisions in the Tax Cuts and Jobs Act." Tax Policy Center, "How Did The Tax Cuts and Jobs Act Change Personal Taxes?"

Policy Implications

16 *Foreign Policy*

"Americans will always be counted on to do the right thing…

…After they have exhausted all the other possibilities."

Winston Churchill,
Prime Minister of the UK (1874 – 1965)

Foreign Policy & Global Security

Legend:
- 🟩 Accelerates
- 🟢 Continues
- 🟧 Slows
- 🟥 Stops/Reverses

	Kamala Harris	Donald Trump
Global Alliances / NATO	Multilateral cooperation on global security challenges	U.S. policy more unilateral and / or bilateral, focus on cost-sharing
China Policy	Multi-lateral approach; maintain existing tariffs; tech restrictions	Bilateral approach; sharply higher new tariffs (60%); possibly revoke MFN status; tech restrictions; tax incentives for domestic US production
Taiwan	Multinational, traditional diplomatic engagement	Unilateral engagement, less predictable
Ukraine	Consistent support and additional military funding	Linked to concessions on GOP priorities, limited duration (e.g., border security)
Middle East / Israel	Continues with bipartisan support, focus on diplomatic solution	Unequivocal support, robust commitment to Israel's security
US – Japan	Key ally, multilateral, aligned around shared regional concerns	Bilateral, dialogue re: defense Spending & cost-sharing

"Whole of Gov't Approach" to China Continues

The US has adopted a "whole of government approach" to China policy, a rare arena of general agreement among Democrats and Republicans. Notably, US-China policy is emanating from a plethora of US institutions with varying levels of power and China expertise. We expect a "tough on China" foreign policy to continue under Trump or Harris, albeit with key differences in the focus of the policy toolkit and approach (bilateral vs. multi-lateral, sticks vs. carrots).

Selected branches and agencies of the US government driving China policy

NATO Defense Spending Commitments

NATO defense spending declined sharply after the Soviet Union's dissolution in 1991, but began to rise sharply following Russia's 2014 and 2022 invasions of Ukraine. 22 NATO members are expected to meet the 2% of GDP military defense spending targets in 2024, up from 10 countries today and just three in 2014. Look for NATO to be a key focus of Trump 2.0 foreign policy.

NATO country defense expenditure as a share of GDP, 2024E

2% defense spending target
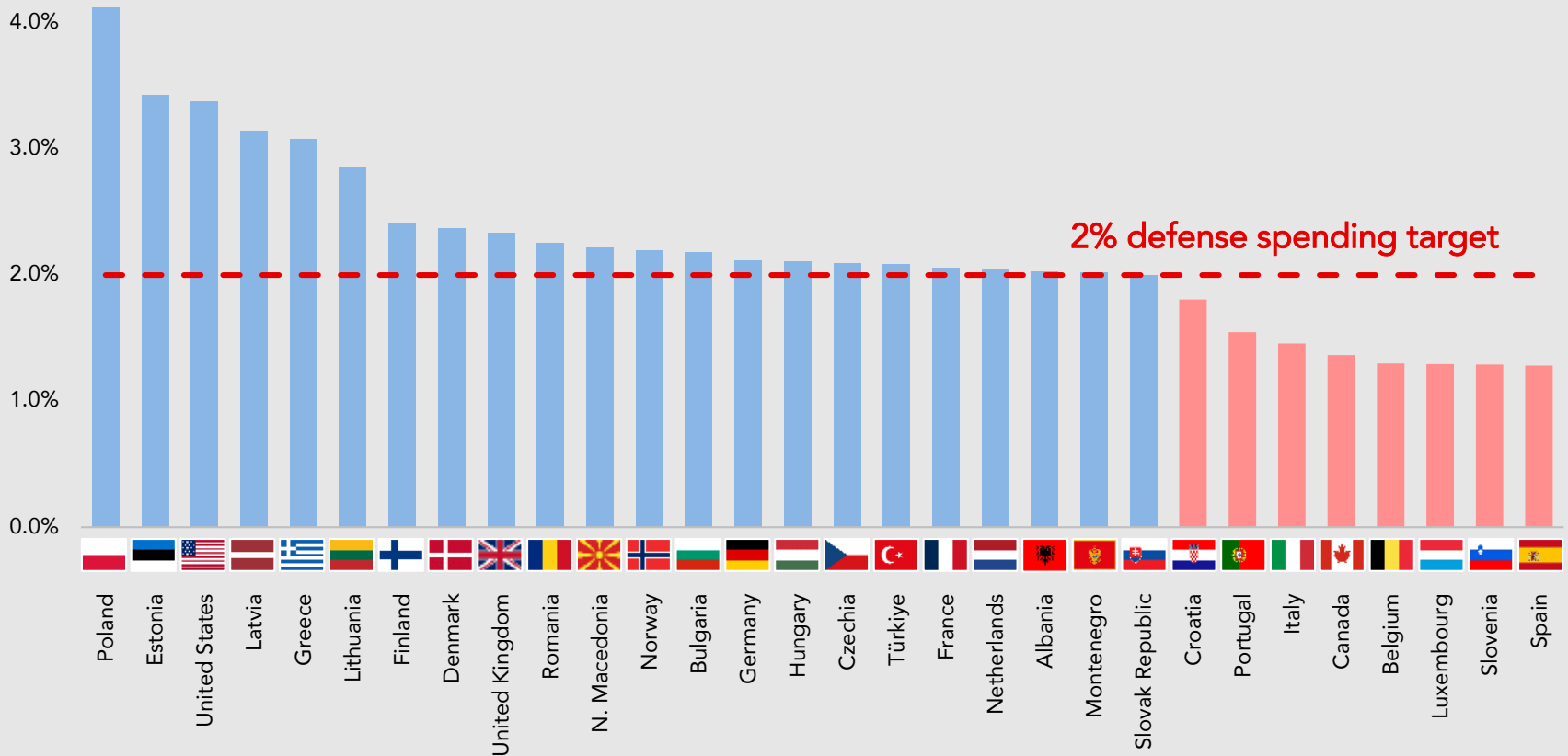
Source: (1) Data based on information provided on NATO's website, calculated as of June 18, 2024. Defense expenditure for 2024 is an estimate. Bloomberg Economics.

Military & Financial Aid to Ukraine

With its economy devastated by war, Ukraine has become entirely dependent on Western financial and military support that becomes more complicated with time. In the US, political support for large financial outlays have become more divisive, while Europe's capacity for military support (i.e., ex-financial) has substantive physical limitations. We expect sharply divergent Ukraine policy positions between a Trump and Harris Presidency.

Commitments to Ukraine, USD bn

Country	Amount
United States	$81 bn
EU Institutions	$42 bn
Others	$25 bn
Germany	$16 bn
United Kingdom	$14 bn
Japan	$10 bn
Canada	$8 bn
Denmark	$7 bn
Netherlands	$6 bn
Sweden	$5 bn
France	$5 bn
Poland	$5 bn

Legend:
- Financial
- Humanitarian
- Military
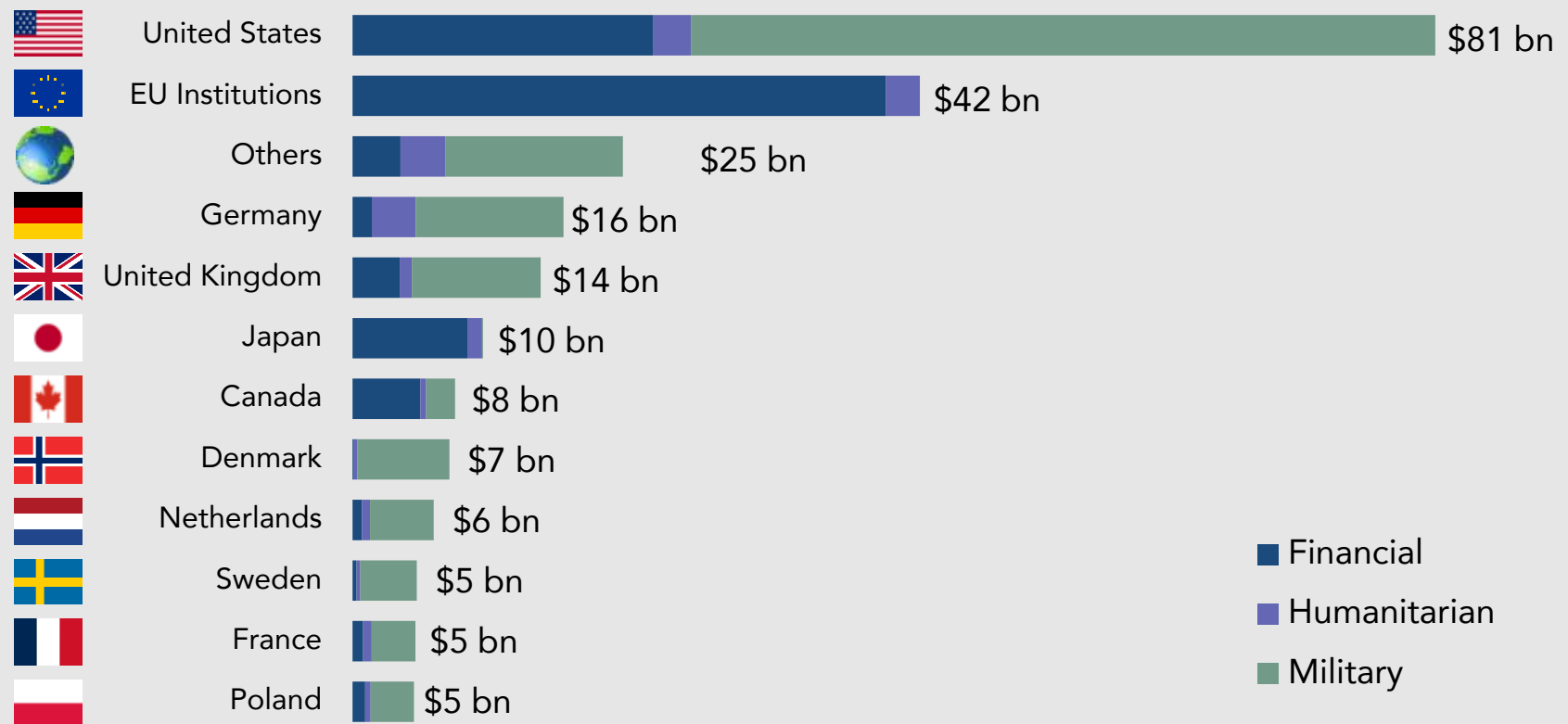
Source: (1) Kiel Institute for the World Economy. Note: Includes commitments from January 24, 2022 through June 30, 2024.

17 Bond Markets

"This country and this people seem to have been made for each other, and it appears as if it was the design of Providence, that an inheritance so proper and convenient for a band of brethren, united to each other by the strongest ties, should never be split into a number of unsocial, jealous and alien sovereignties."

John Jay, American Founding Father, First Chief Justice, and Co-Author of the Federalist Papers (1745 - 1829)

UST Yields Rally in Months Preceding Presidential Elections

The US economy, Fed policy and market structure dynamics are the primary drivers of US Treasury yields through the various stages of the economic cycle. However, looking back at US elections over the last 35 years (since 1988), 10 year UST yields have generally declined in the six months preceding US elections as investors reduce risk until election uncertainty is resolved.

UST yield moves (bps), average across 9 US election years (1988 – 2020)

2 year UST	10 year UST

Election

Months prior to election
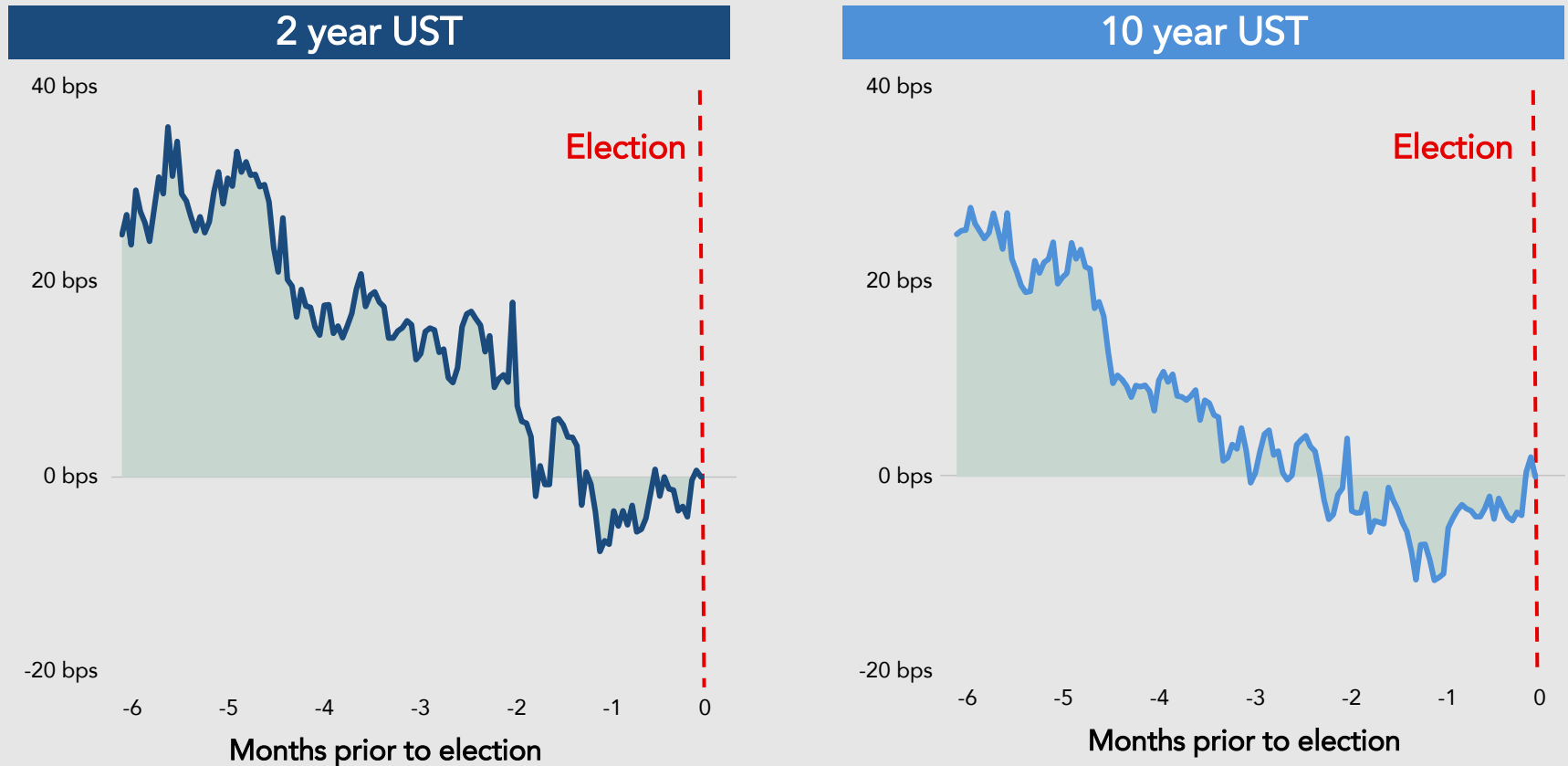
Source: (1-2) Bloomberg. Election years included in average are from 1988 – 2020. Election is time 0.

Expansionary Fiscal Policy is <u>Not</u> Bond Market Friendly

For decades now, Washington has not been adequately focused on fiscal discipline, on either side of the aisle. By virtue of their expansionary fiscal policies, neither the Trump nor Biden / Harris Administrations have been bond market friendly. Looking ahead, the magnitude of expansionary fiscal policy would likely be much larger in the "Republican sweep" scenario (White House, Senate and House) than it would be under "divided Government," which is the more likely scenario if Harris wins the Presidency.

Federal government deficit (or surplus), % of GDP

Not Bond Market Friendly

2.5%

-15%

2.3%

(-2.6%)
(-3.0%)
(-4.5%)
(-3.1%)
(-3.2%)
(-6.7%)
(-14.9%)

| REAGAN (1981-89) | BUSH (1989-93) | CLINTON (1993-2001) | G.W. BUSH (2001-09) | OBAMA (2009-17) | TRUMP (2017-21) | BIDEN (2021-24) |
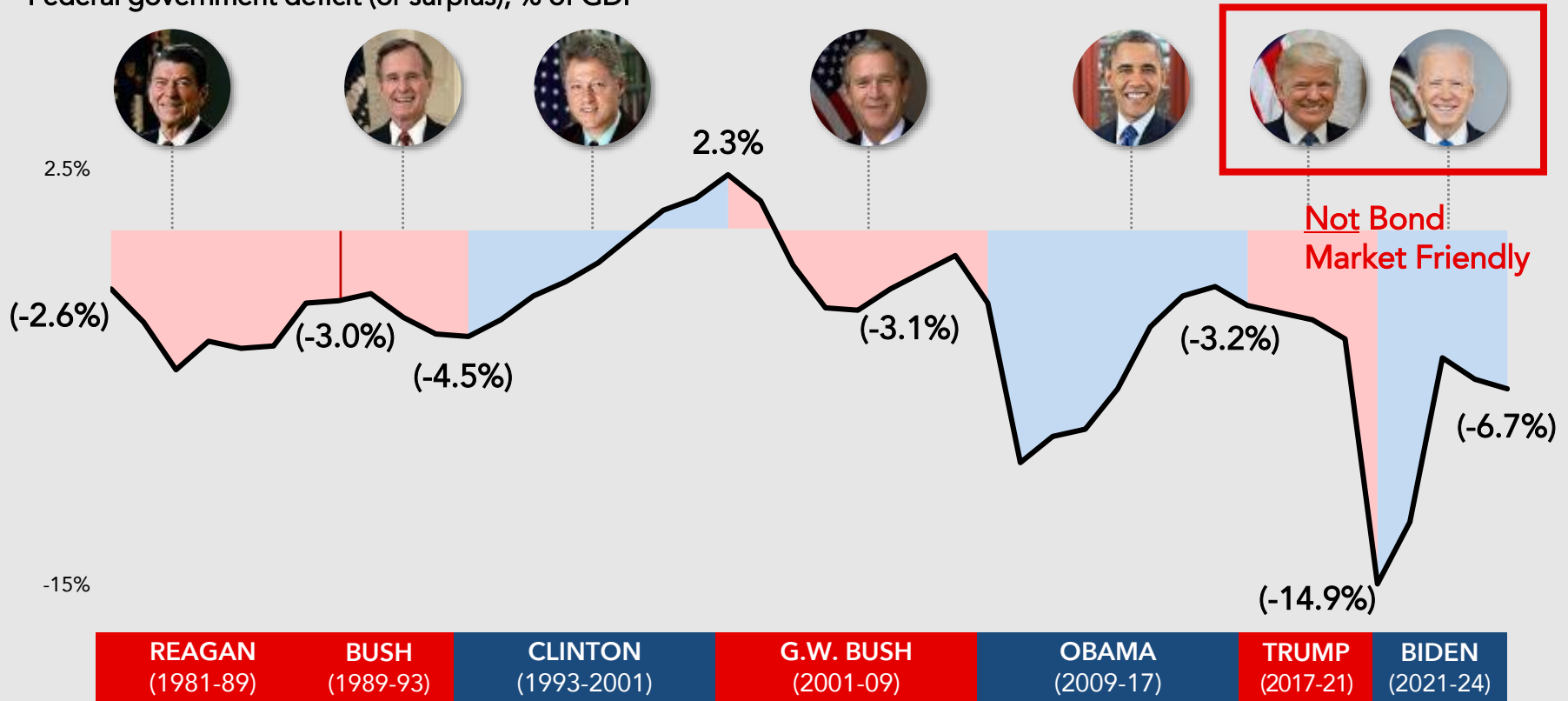
Source: (1) Congressional Budget Office. Long-Term Budget Outlook 2024 to 2054. Historical Data on federal Debt Held by the Public. 2023 FY deficit is actual. 2024 is CBO forecast as of June 2024.

Higher Structural Deficits Will be Hard to Reduce

Approximately 70% of US gov't spending is effectively "mandatory" insofar as Congress is "politically" either unwilling or unable to reduce. The three major entitlement programs - Social Security, Medicare and Medicaid – have become a "political 3rd rail" and account for 45% of total outlays. Defense spending, which Congress is unlikely to reduce amidst heightened geopolitical risk, accounts for an additional 15%. In the years ahead, net interest expense on government debt is expected to rise from 12% of total spending to become the US government's largest individual outlay.

US federal budget in fiscal year 2024, USD bn

Net Interest
$635 bn
12%

Social Security
$905
17%

Medicaid*
$734 bn
13%

Other
$848
15%

Medicare
$888
16%

Transp.
$70
1%

Veteran
Benefits
$211 bn
4%

Income
Security
Programs
$448 bn
8%

Defense
$762
14%

~70% of spending:
Largely mandatory spending that Congress is either unwilling or unable to reduce **(entitlements, defense & net interest)**

~30% of spending:
Smaller discretionary buckets not easy to sufficiently cut path to debt sustainability

Total outlays:
$5.5 trillion

*Source: (1) Fiscal Data. US Treasury. *Medicaid includes Medicaid as well as health care related research grants and other healthcare related expenses. Data as of April 2024.*

$11 Tn of UST Issuance Over the Next 12 Months

With over $9 trillion of maturities and nearly $2 trillion of deficits to finance in the year ahead, the US Treasury will have to issue approximately $11 trillion of securities (1/3 of GDP) during a period of economic and policy transition. At the same time, the investor profile for USTs has shifted markedly in recent years. Domestic buyers now account for approximately 70% of UST purchases. Among foreign buyers, private sector purchases currently outpace public sector demand by a wide margin.

UST issuance needs over the next 12 months

UST maturities	~$9 trillion
Estimated US deficits	~$1.9 trillion
Impact of Fed QT	~$300 billion
Total	**$11.4 trillion** (~1/3 of US GDP)
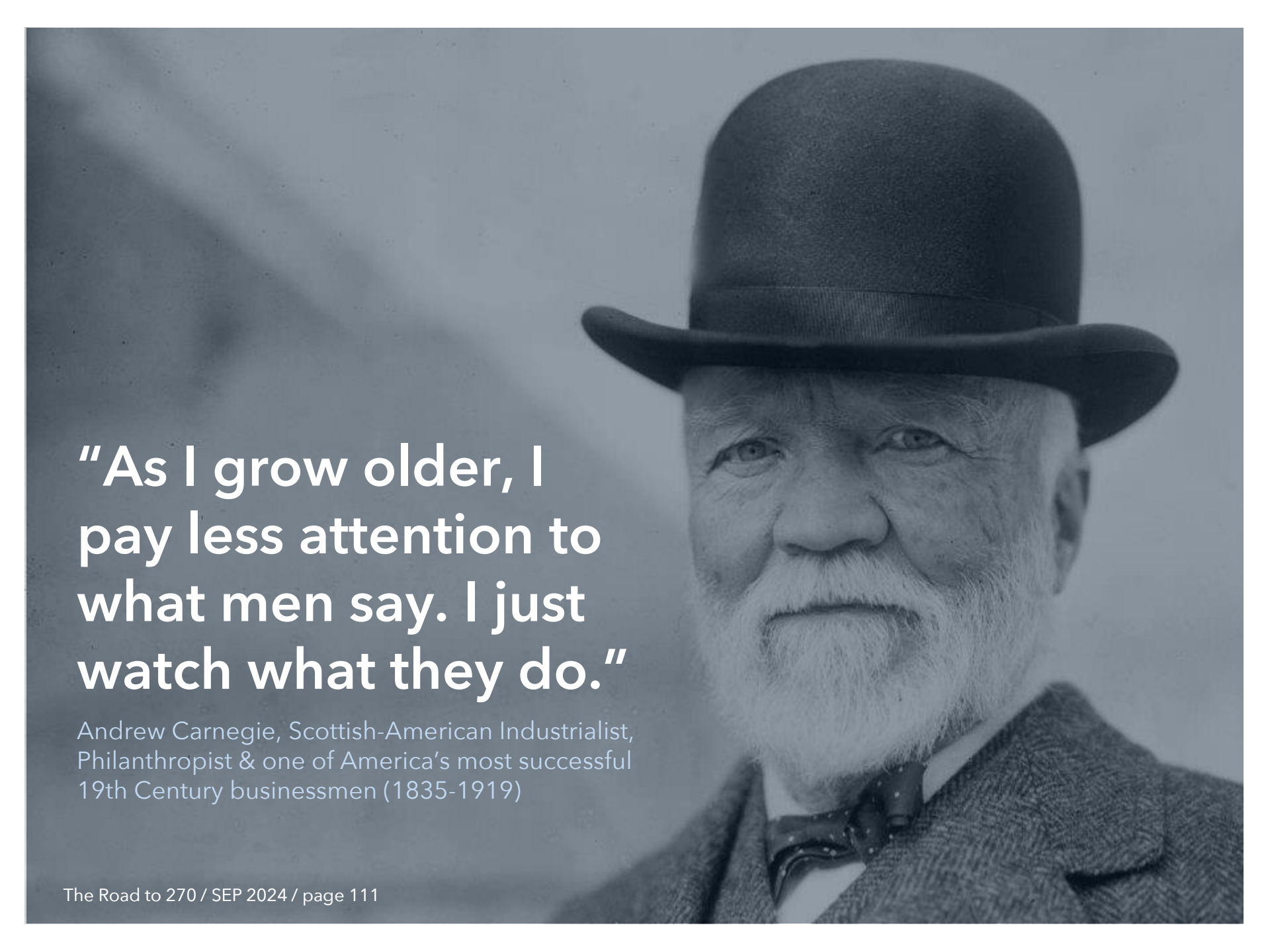
Source: (1) Bloomberg. Data as of August 14, 2024.

18 *Equity Markets*

"As I grow older, I pay less attention to what men say. I just watch what they do."

Andrew Carnegie, Scottish-American Industrialist, Philanthropist & one of America's most successful 19th Century businessmen (1835-1919)

VIX Elevated in Presidential Election Years

In Presidential elections dating back to the early 1990s, US equity market volatility increases in the two – three months ahead of the election and decline as the market gains "certainty" on who the winner will be. Notably, while volatility tends to decline into year-end, futures pricing this year suggests volatility may rebound ahead of the inauguration in January.

Average VIX during election years since 1992
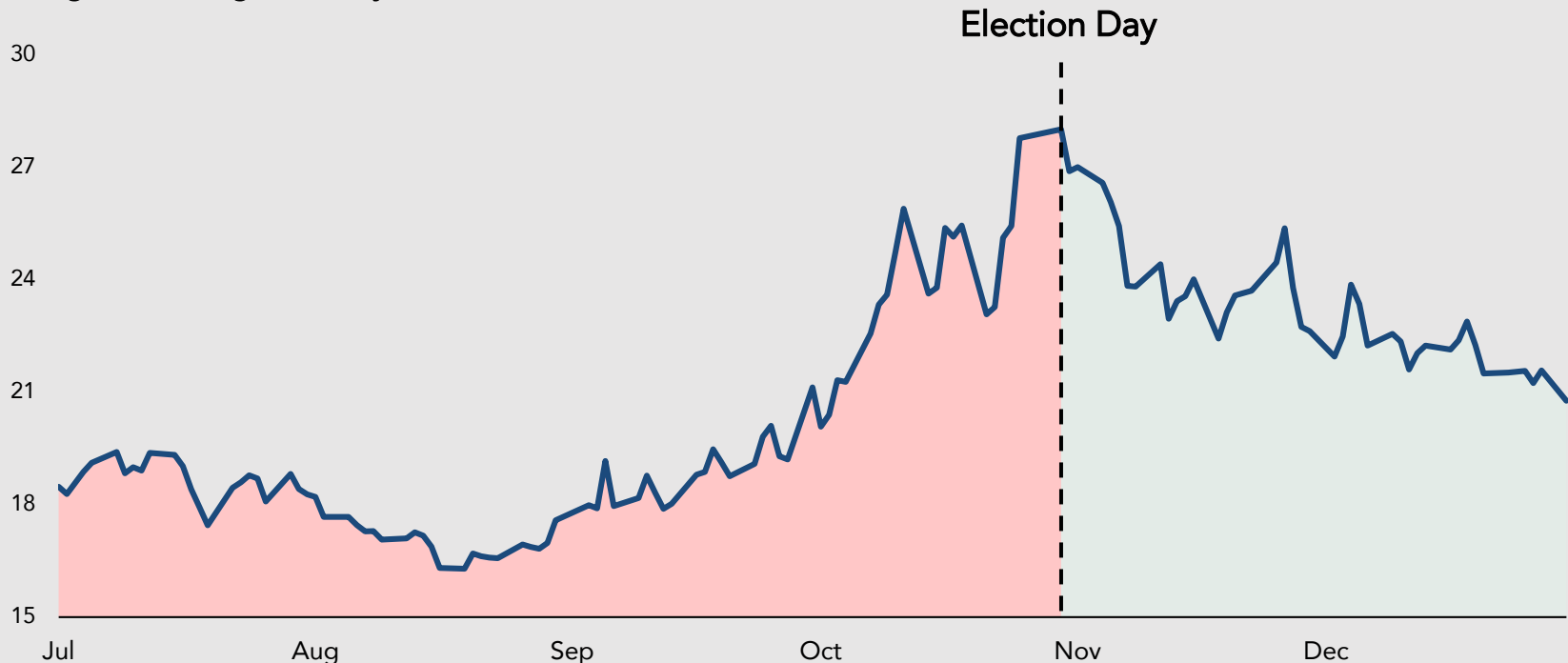
Election Day

Unlike prior election cycles, volatility could remain high post election depending on policy prescriptions

Equity Markets Underperform Pre-Election

Historically, markets have tended to underperform during the period of pre-election uncertainty, with the post election rallies on higher certainty typically beginning immediately after the election (regardless of political party gaining or losing control).

Average S&P 500 performance during election years since 1952

June – August	September - October	November - December
Election summer rally	Pre-election underperformance	Post-election rally
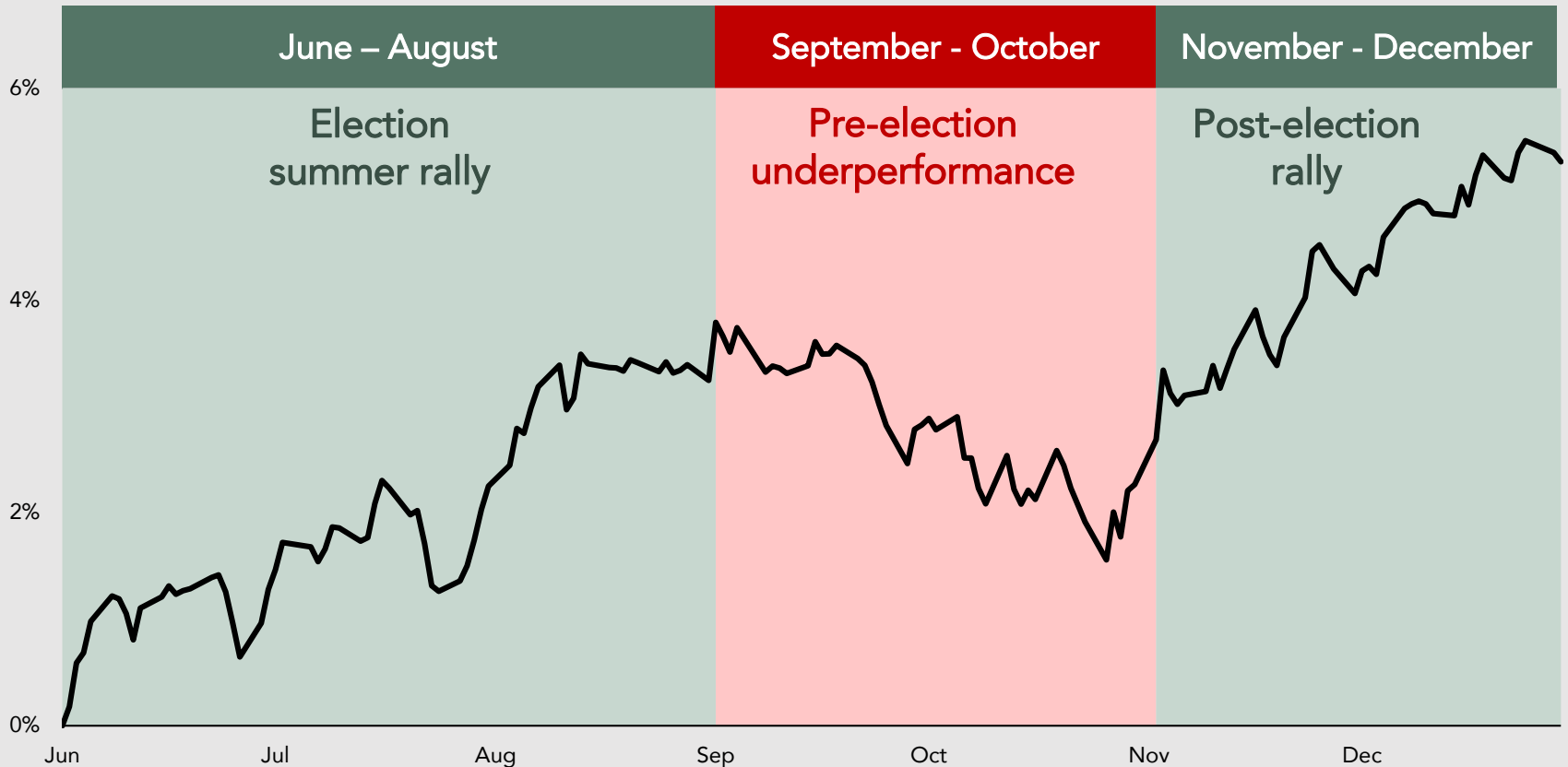
Source: (1) Bloomberg. S&P 500 performance for presidential election years starting in June from 1952 – 2020.

Business & Economic Cycle Matter More than Election Cycle

Historically, the private sector, more so than the public sector, has been the prevailing driver of US equity markets. While policy prescriptions have a critically important impact at a sector level, US equities have continued their historic rise in recent decades under both Republican and Democratic leadership. Over time, the business and economic cycle (macro, fundamentals, valuations) will matter more for earnings and stock prices than the election cycle.

S&P 500, by political party of President

1981   1993   2001   2009   2017   2021   2024
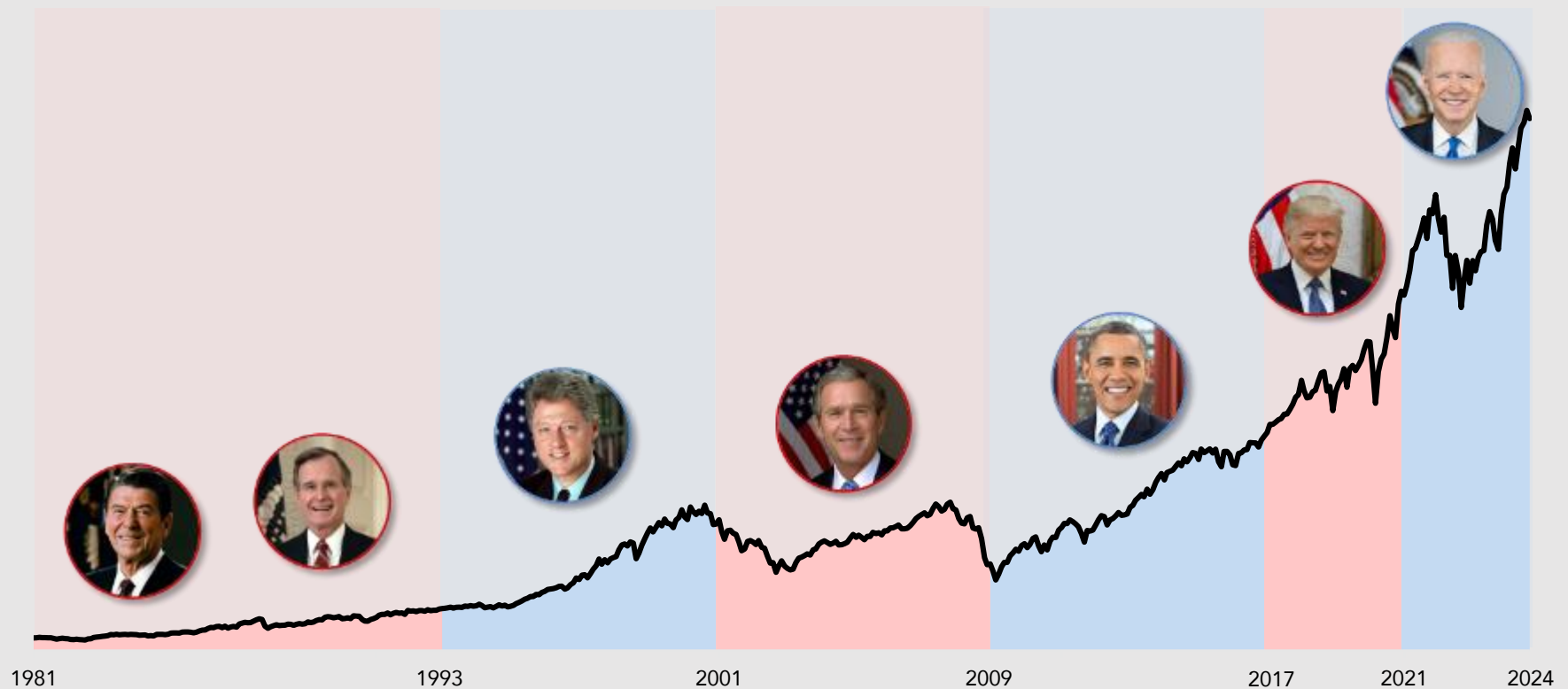
Source: (1) Bloomberg. Data as of September 12, 2024. Date of party control based on inauguration dates.

Stocks Outperform Under Divided Government

Markets tend to outperform under divided government as periods with the party controlling the White House and both chambers of Congress can bring about larger policy changes. However, with razor thin majorities and a challenging economic backdrop, market returns may not follow their historical trend.

Average S&P 500 annual returns based on Congress makeup
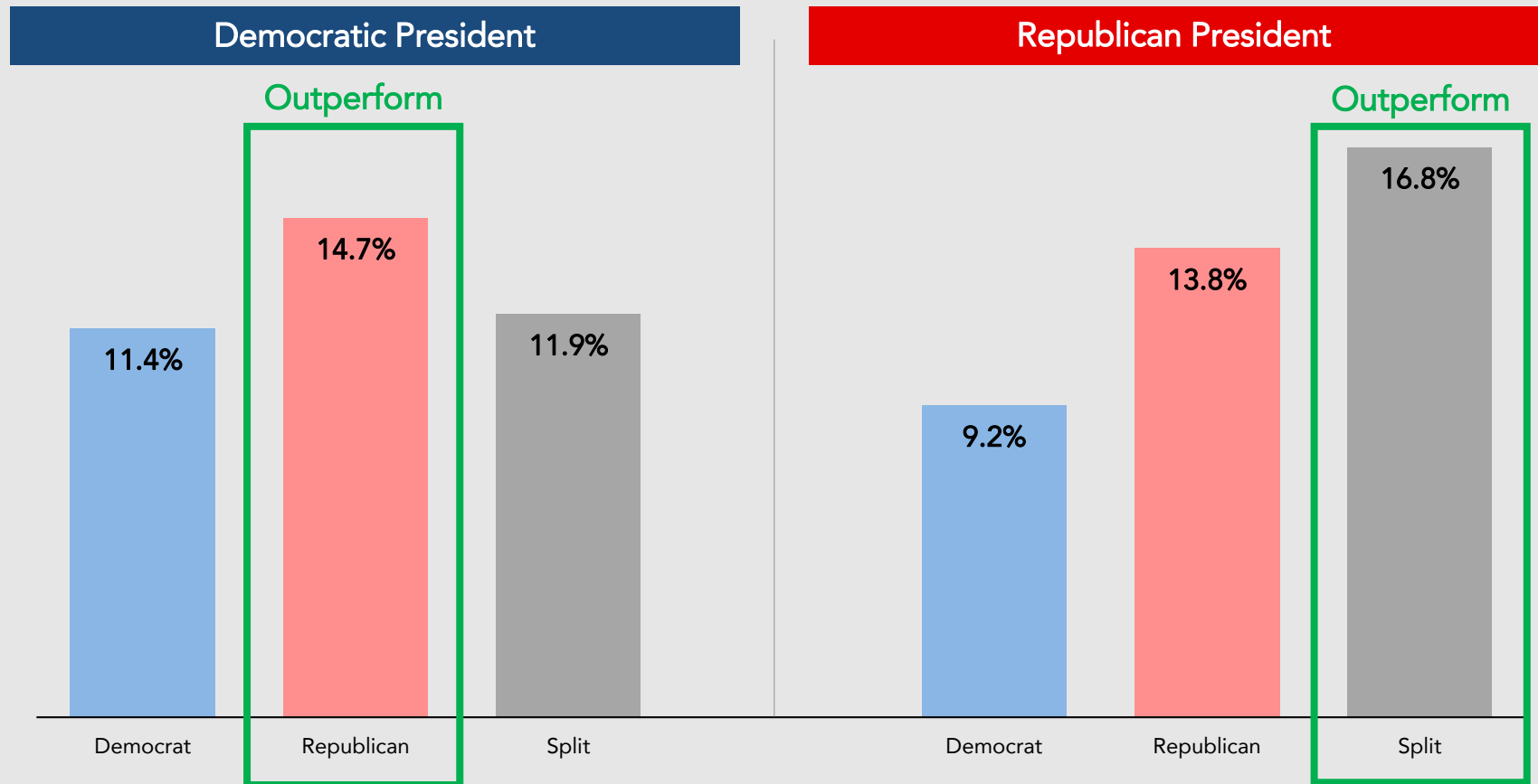
Source: (1) Bloomberg. Data through December 2023. Election data starts one day prior to US election and end date is 366 days later.

The Road to 270 / SEP 2024 / page 115

Market Implications

19 *Currency Markets*

"I had crossed the line. I was free; but there was no one to welcome me to the land of freedom. I was a stranger in a strange land."

Harriet Tubman, Abolitionist, Women's Suffrage Movement Activist, and Pioneering Leader of the Underground Railroad (1822 – 1913)
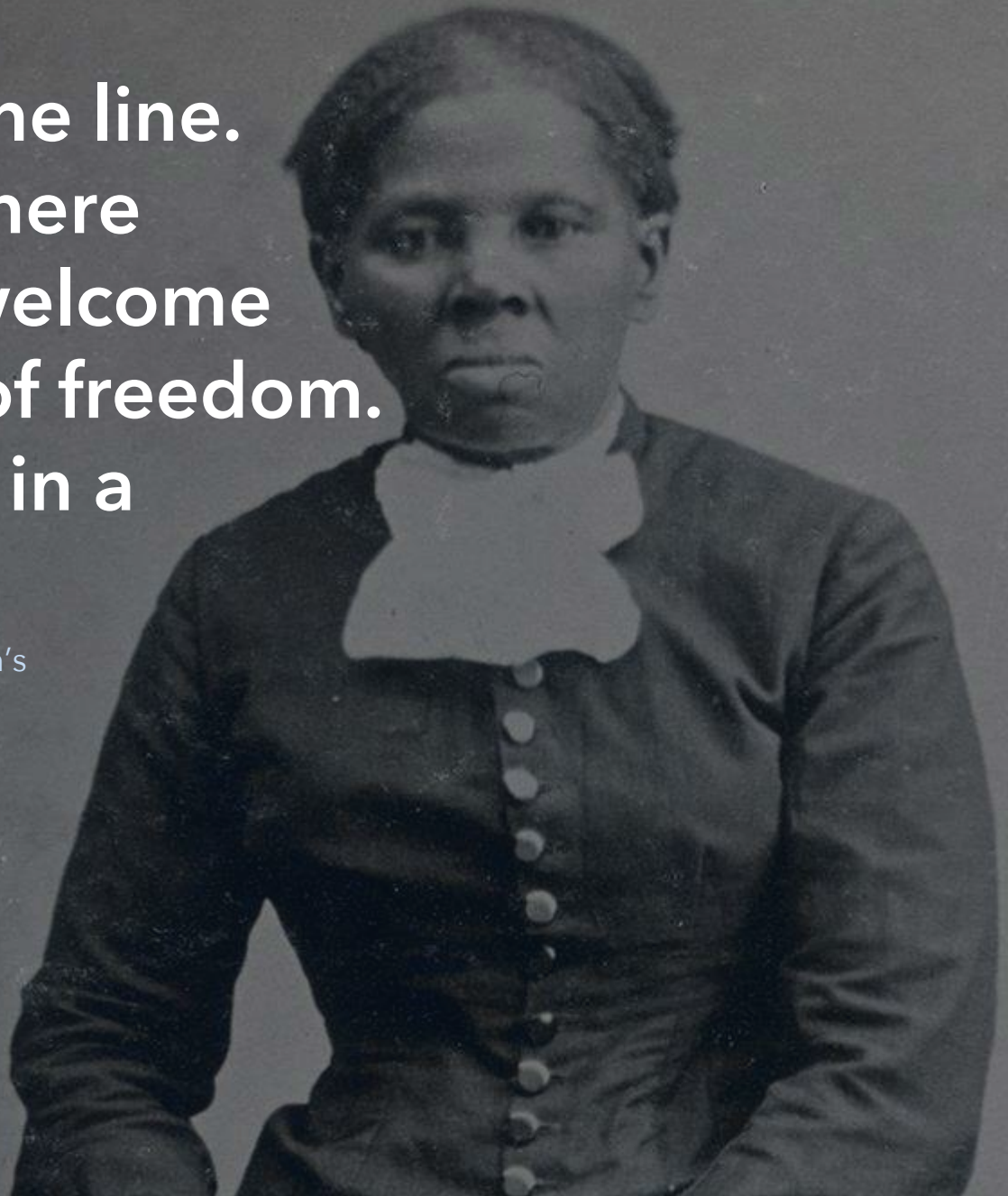
US Dollar Strength Pre & Post Elections

MUFG's Global Head of FX Strategy, Derek Halpenny, notes that the US Dollar has demonstrated a bias for strength in both the six months **before AND after** US Presidential elections, likely due to the higher fiscal impulse during those periods. Importantly, there are numerous variables more important than the election driving the US Dollar in each cycle. To this end, and similar to other markets, the business and economic cycle will generally matter more for the US Dollar and global FX than the election.

USD performance 6 months prior & 6 months after US presidential elections
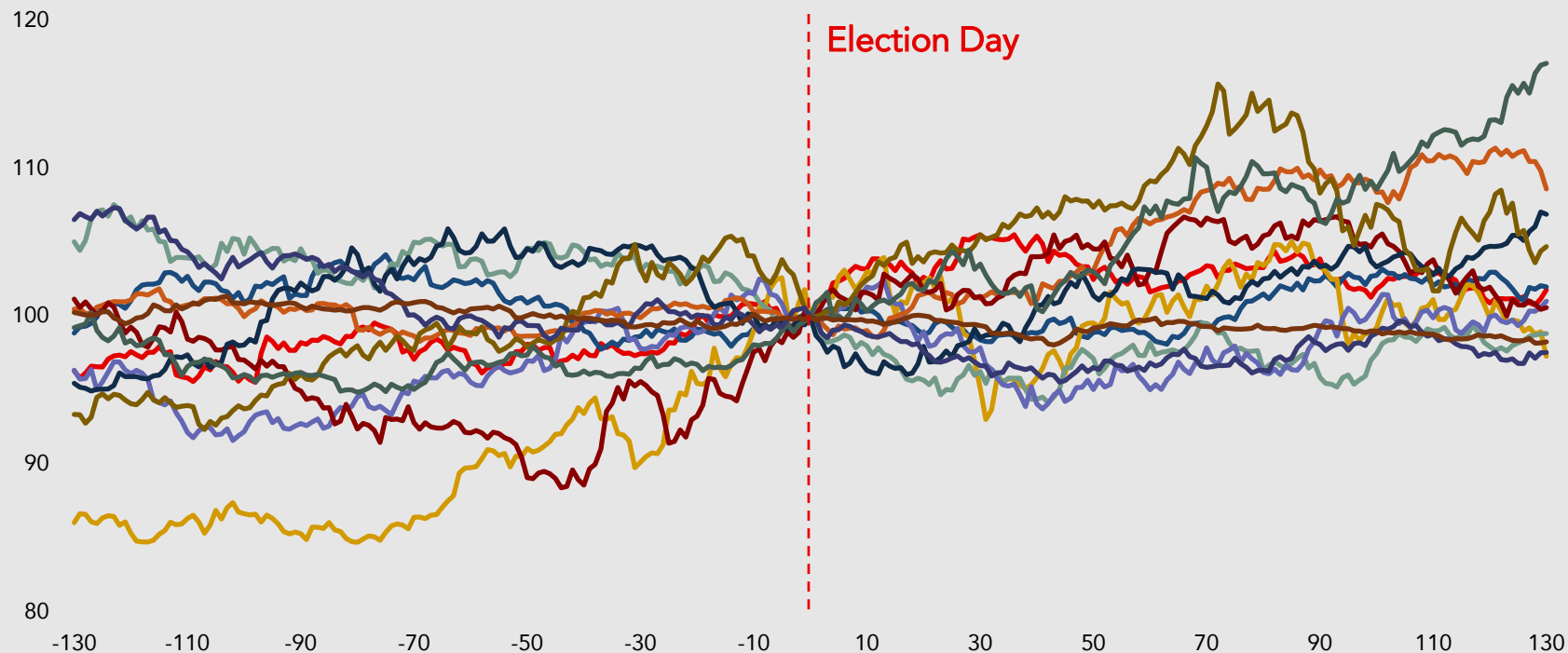
Source: (1) MUFG Global Markets Research (Derek Halpenny).

Policy Implications for the US Dollar

Expansionary fiscal policy, trade wars and rising geopolitical uncertainty are likely to be inflationary, placing upward pressure on the US Dollar that would likely outweigh, on a net basis, potential attempts to intervene and weaken the Dollar – which itself, would be difficult to execute.

- 🔴 Dollar strengthening
- ⚪ Dollar neutral
- 🟢 Dollar weakening

	Marginal inflation impact	Trump	Harris
Formally targeting weaker USD	⬆	🟢	
Less Fed independence	⬆	🔴	
Neutral Fed policy	▬		⚪
Expansionary fiscal policy	⬆	🔴	🔴
Higher corp & individual taxes	⬇		🟢
Restructuring / challenging post WWII geopolitical institutional architecture	⬆	🔴	
More protectionism	⬆	🔴	⚪
More regulation	⬇		⚪
Less regulation	⬆	🔴	
Curbing immigration	⬆	🔴	
Net impact of the US dollar		**USD strength**	**USD neutral**

Source: (1) MUFG CMS. Trump scenario if Republicans are controlling Congress.

Notable Observations on Post-Election US Dollar Policy

A "Republican Sweep" (White House, Senate, House) would likely be the most fiscally expansive, and USD strengthening, among US election scenarios.

1   **Foreign central banks:** Likely to depreciate their currencies vs. USD in response to tariffs

2   **US economy:** As in 2018-19, likely to be less impacted by "trade wars" than Europe/Japan/EM/China by virtue of being a more "closed economy" (exports only 11% of GDP)

3   **Euro & Yen:** More scope for depreciation in 2025 trade wars, vs. 2018-19 trade wars when policy rates were at 0% (or lower)

4   **Risk-sensitive currencies:** AUD, CAD, IDR, MXN and ZAR notably vulnerable, as in 2018-19

5   **Other EM currencies:** Notably vulnerable to potential 2025 trade wars, as they were in 2018-19

6   **Regulatory activism:** A more stringent regulatory regime under Harris (compared to Trump) may have a more muted impact on US Dollar given implementation headwinds post SCOTUS Chevron Ruling

7   **Fiscal expansion:** Would drive higher pace of capital flows into USD

8   **USD intervention (devaluation):** Very difficult to execute and likely to be outweighed by other policies
- **Verbal intervention:** Limited impact
- **Coordinated intervention:** Difficult to execute (legal, political, legislative)
- **Pressure on Fed:** Pushback likely given inflationary forces
- **UST ESF purchases:** Significant scalability, with political obstacles (Fed cooperation, Congressional borrowing authority)

Trump More Likely to Intervene in FX Markets

According to a Bloomberg survey, the majority of respondents believe Donald Trump is more likely to intervene in an effort to weaken the dollar if he wins the election. Almost a fifth of respondents see a concentrated, multilateral effort as likely along with 41% of respondents who think the US would act unilaterally.

Bloomberg MLIV Pulse Survey:
Would you expect another Trump administration to intervene in an attempt to weaken the dollar?

Yes, unilaterally	Yes, multilaterally	No
41%	19%	40%
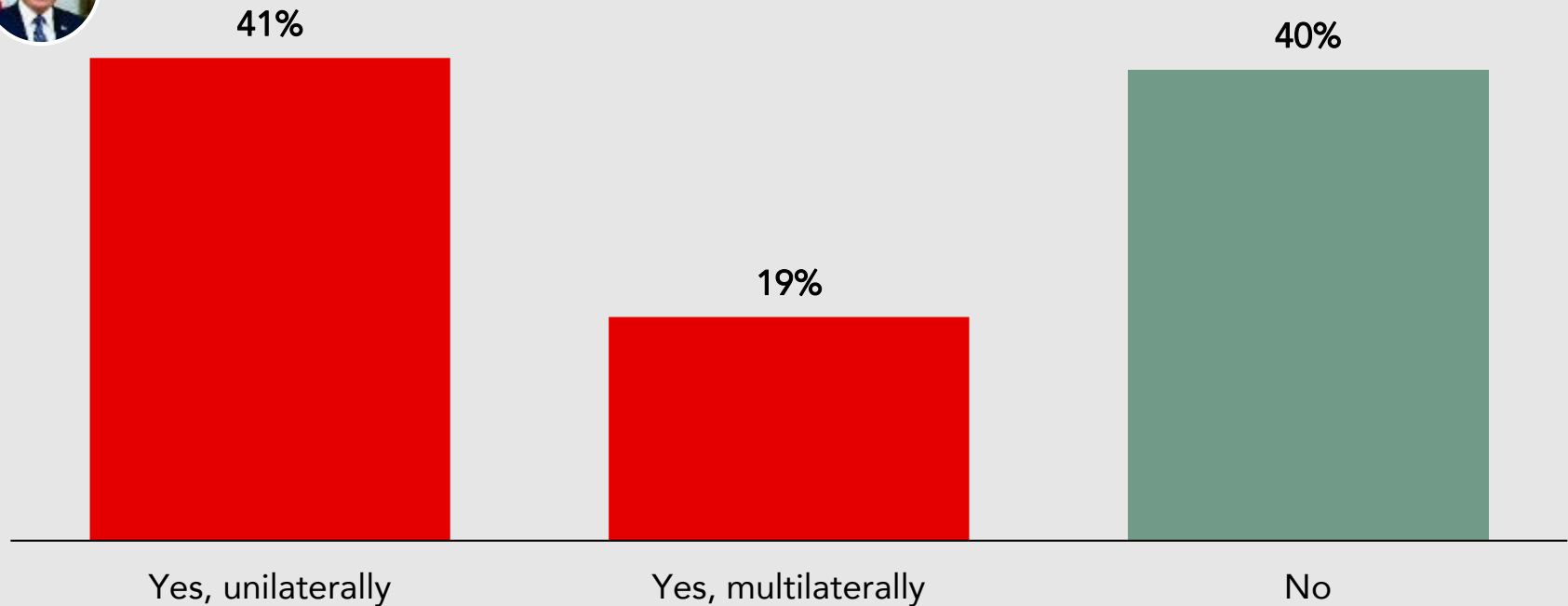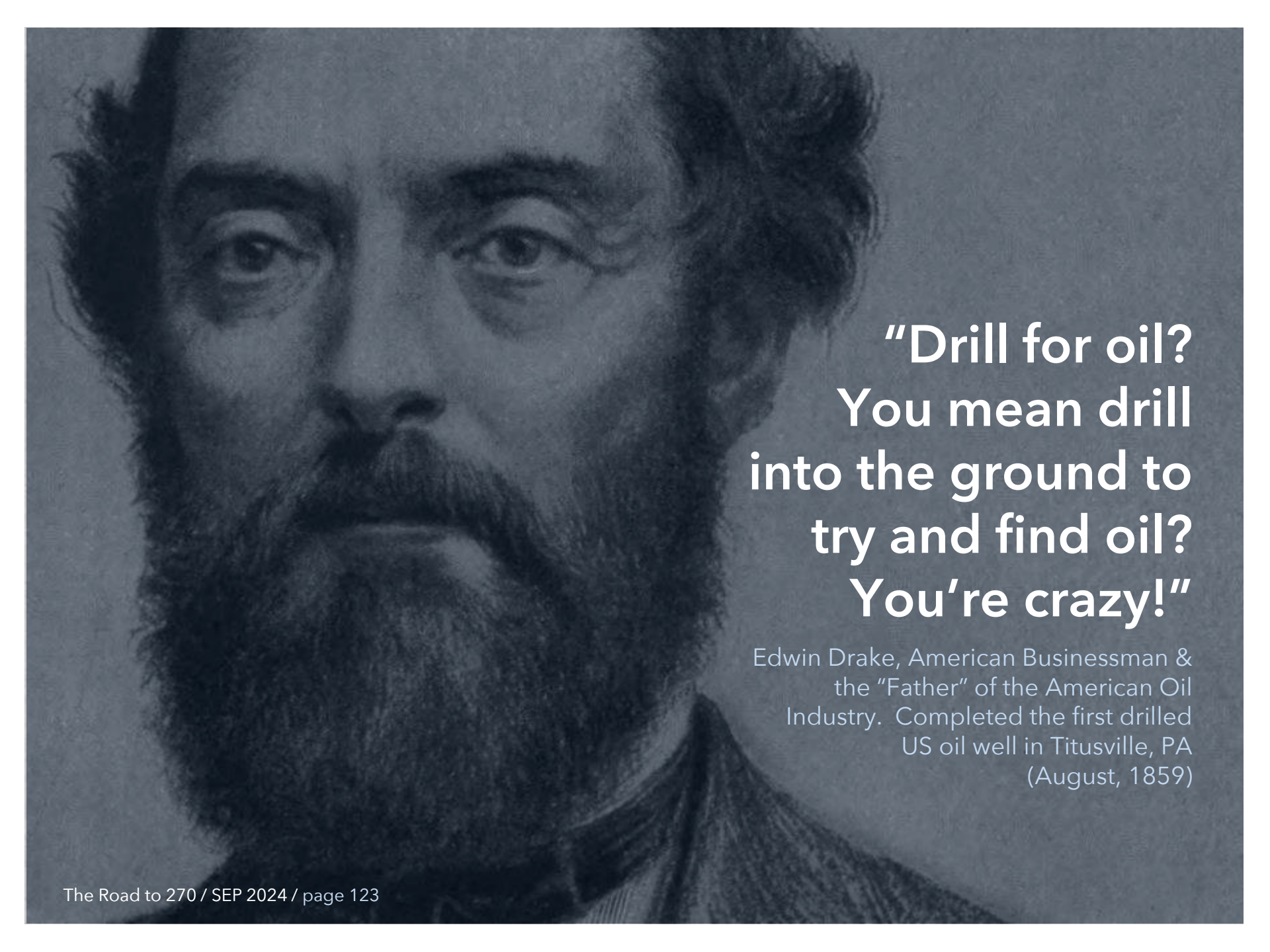
Source: (1) Bloomberg MLIV Pulse Survey. Survey of 480 respondents conducted July 22-26, 2024.

Market Implications

20 *Energy Markets*

"Drill for oil? You mean drill into the ground to try and find oil? You're crazy!"

Edwin Drake, American Businessman & the "Father" of the American Oil Industry. Completed the first drilled US oil well in Titusville, PA (August, 1859)

Impact on US Oil Production

Since the shale revolution began 20 years ago, the United States has emerged as the world's #1 oil producer, surpassing Saudi Arabia and Russia. Generally speaking, a Harris victory would likely be more <u>neutral</u> for energy prices, while Trump's more deregulatory approach to increase production by 3 m/b/d is likely to be more <u>bearish</u> for prices.

US oil production as % of world total

US shale production begins (2003)

8%
5.8 m/b/d

7%
5.1 m/b/d

11%
8.9 m/b/d

15%
11.2 m/b/d

16%
13.2 m/b/d

(-0.7) m/b/d

+3.8 m/b/d

+2.3 m/b/d

+2.0 m/b/d

| G.W. BUSH (2001-09) | OBAMA (2009-17) | TRUMP (2017-21) | BIDEN (2021-24) |
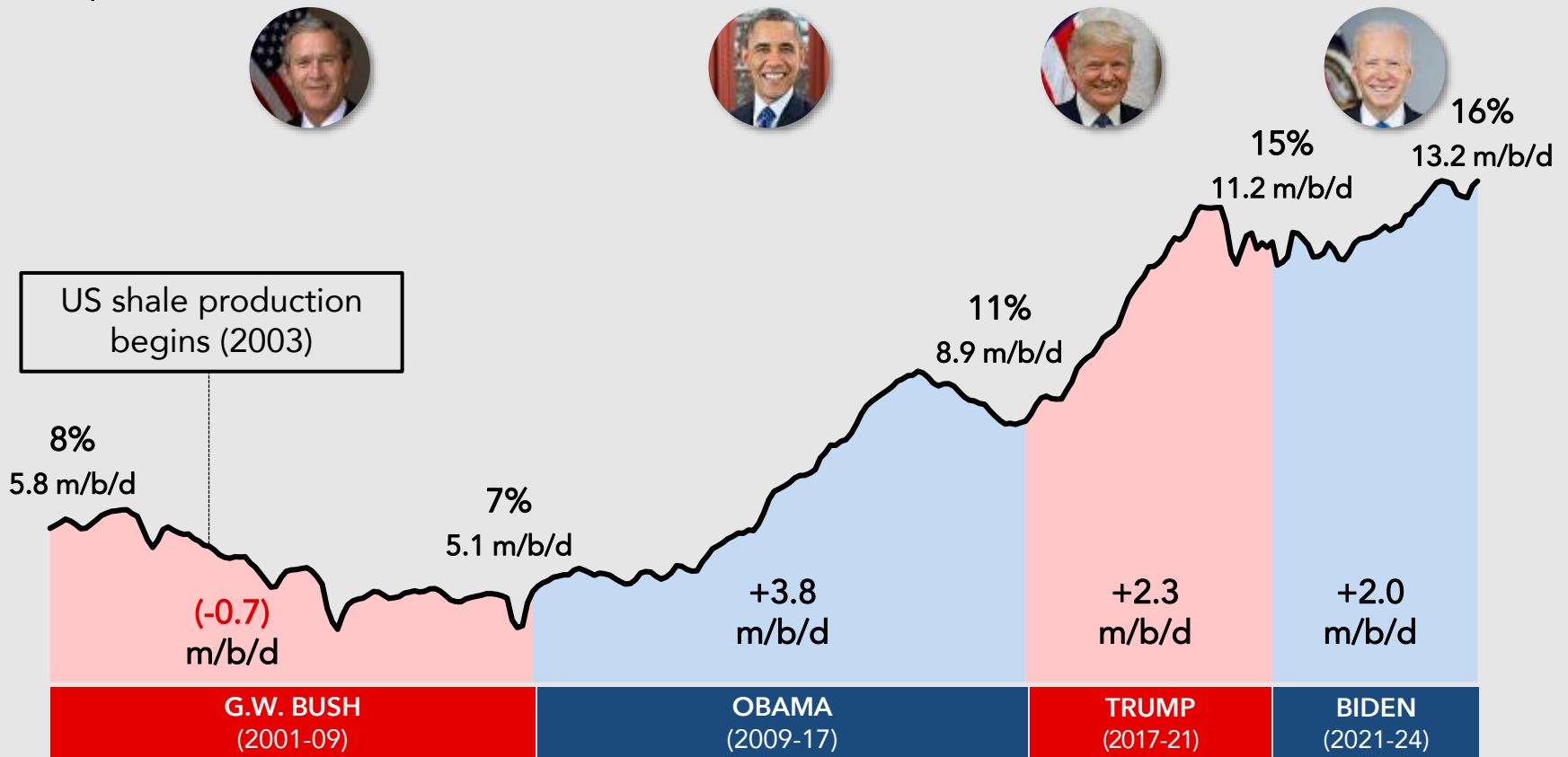
Source: (1) Bloomberg. Data through December 2023. EIA. 3 month moving average.

IRA Investment Factsheet: Mapping the IRA to Date

As noted by MUFG's Head of Commodities Research, Ehsan Khoman, the Inflation Reduction Act (IRA) passed in August 2022 has been transformative for US clean energy investment.

Investment

Announced	Invested
$500 bn in investment	$75bn invested in clean power build

Manufacturing

Announced	Key sectors
542 facilities or facility expansions	Batteries and solar lead with 395 facilities

Jobs

Announced	Today
100,000+ manufacturing jobs	460,000+ employed in clean energy

Clean Energy

Announced	Installed
300+ GW of clean power capacity	55+ GW of clean power capacity

- 🔴 Batteries
- 🟤 Wind - offshore
- 🌸 Electric vehicles
- 🟢 Wind - onshore
- 🔵 Nuclear
- 🟡 Solar
- 🔵 Heat pumps & clean HVAC
- 🟠 Hydrogen – electrolyzers / fuel cells

US Election Impact on IRA: <u>Augmented</u> vs. <u>Diluted</u>

While President Trump has campaigned against the IRA, he would face formidable obstacles in repealing or unwinding the legislation. However, as noted by MUFG's Ehsan Khoman, VP Harris is more likely to expand the IRA in the event of an election victory.

Harris Victory: Augmented IRA

- Tax credits, grants and loans remain core to IRA's legislative structure

- If control Congress, tax credits could be expanded a decade or longer

- Lifespan of other subsidies and incentives may also be extended

- Range of potential buyback and oil sector targeted taxes to finance expansion

Trump Victory: Diluted IRA

- 60 US Senate votes needed for repeal (unlikely)

- Majority of IRA investments domiciled in "red" states

- Selected loan guarantees and consumer tax credits could be scaled back (i.e., EV purchases)

- Increase regulatory friction and new Executive Orders

- Potential rollback of numerous IRA "revenue provisions" (i.e., oil tax, minimum tax, buyback tax)

Source: (1) MUFG Research, "ESG Series; US Inflation Reduction Act (IRA) Two Years On (Ehsan Khoman)

Most IRA Investments in Republican Districts

The Inflation Reduction Act passed by a razor-thin majority over the opposition of Republicans. Yet, MUFG's Ehsan Khoman shows, the vast majority of investments and jobs are going to Republican-led states and congressional districts.

Scale company investments into US clean energy investments post-IRA by states, USD bn

Republican-led districts: *$91 bn*
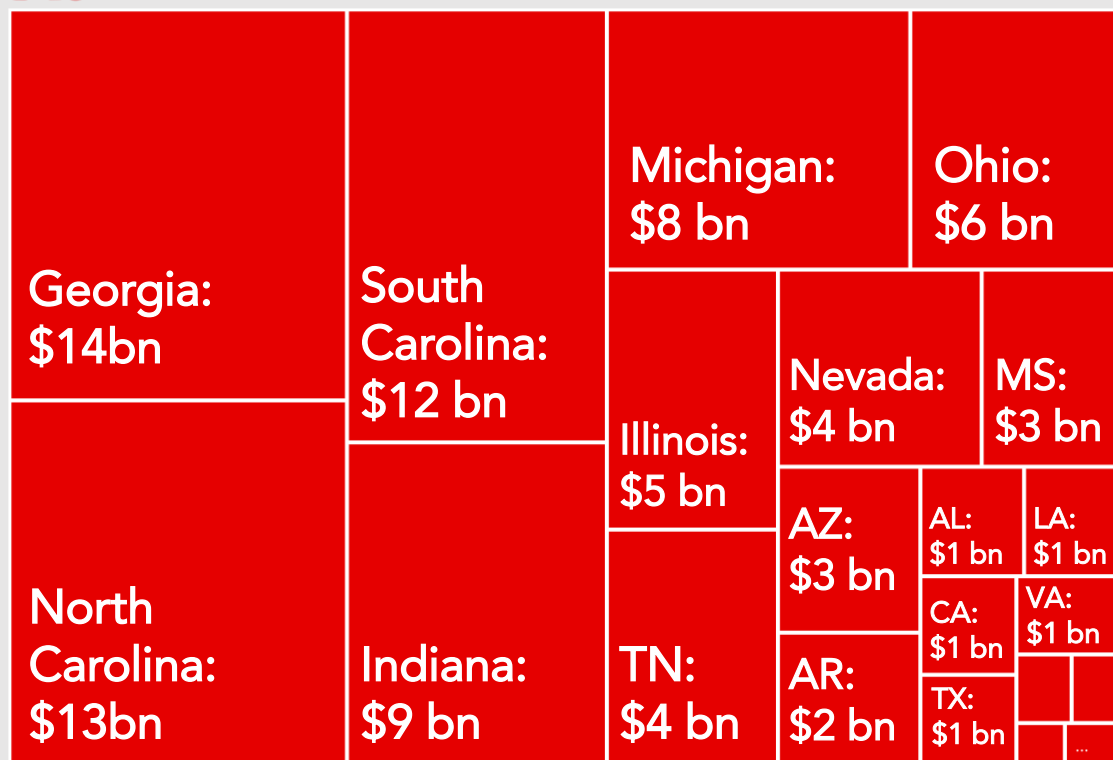
Democrat-led districts: *$22 bn*

Georgia: $14bn

North Carolina: $13bn

South Carolina: $12 bn

Indiana: $9 bn

Michigan: $8 bn

Ohio: $6 bn

Illinois: $5 bn

TN: $4 bn

Nevada: $4 bn

MS: $3 bn

AZ: $3 bn

AR: $2 bn

AL: $1 bn

CA: $1 bn

TX: $1 bn

LA: $1 bn

VA: $1 bn

...

Michigan: $8 bn

Illinois: $4 bn

Arizona: $3 bn

New Mexico: $3 bn

NY: $1 bn

GA: $1 bn

OH: $1 bn

SC

LA

NC

AL

TX

MD

CO

NV

CA

MA

PA

Source: (1) MUFG Research, "ESG Series; US Inflation Reduction Act (IRA) Two Years On (Ehsan Khoman). Bloomberg. Clean Investment Monitor. Colombia Climate School. Rhodium Group. MIT Center for Energy and Environmental Policy Research. The Big Green Machine. US Department of Energy. Excluding congressional district codes that compartmentalize the individual states into districts (which may comprise bipartisan representation).

Most IRA Investments in Lower Income Jurisdictions

Based on census data where projects are located, IRA projects are more likely to be located in lower income and higher unemployment communities. 66% of post-IRA investments are going to communities with below average median household incomes. 67% of post-IRA investments are going to communities with higher unemployment.

US capital investment and
median household incomes, USD bn
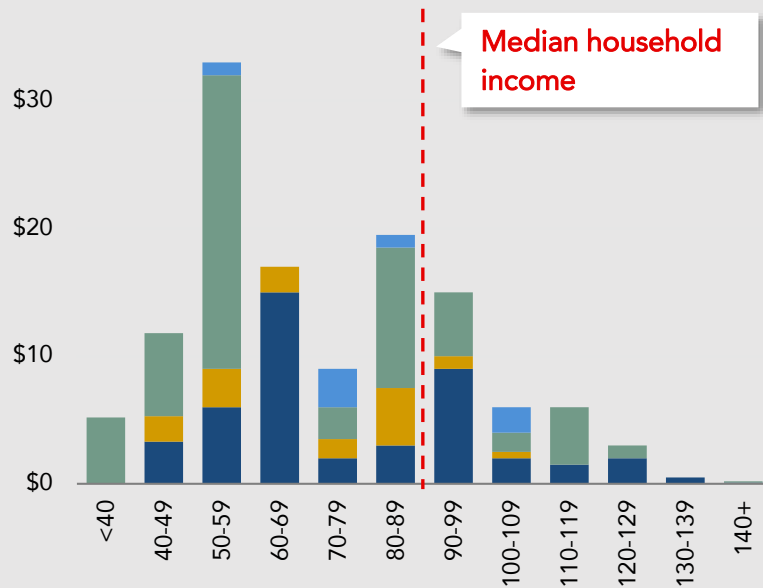
US capital investment and
average employment population ratio

Legend:
- Wind
- Solar
- EVs
- Batteries

Median household income

US average employment population ratio
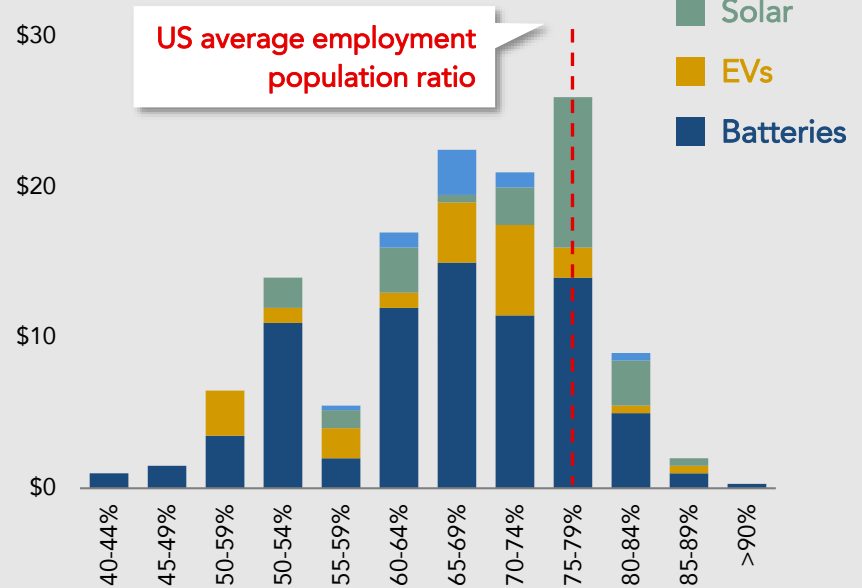
Treasury data suggests that not only are US households saving from IRA consumer tax credits on home energy technologies, the distributional direction of the investments are being pledged to lower income households – a testament of the fair representation of the IRA.

Higher unemployment (lower employment-population ratio) areas of the US are benefitting most from the investments into clean energy supply chains with the IRA creating more than 100,000 manufacturing jobs in nearly every US state.

Source: (1-2) Bloomberg. US Department of Energy. US Treasury. MUFG Research, "ESG Series; US Inflation Reduction Act (IRA) Two Years On (Ehsan Khoman). The analysis is based on the socioeconomic indicators for the census tract where a project is located. It does not factor in indicators from surrounding census tracts or the larger metropolitan region. Model based on Nostrand and Ashenfarb, "The Inflation Reduction Act: A Placed-Based Analysis"

APAC Dominates US IRA Investments

Where are the companies investing in the US clean energy supply chain based? As noted by MUFG's Ehsan Khoman, the largest investments have come from South Korea, which has invested heavily in both battery and EV manufacturing, followed by Japan, Canada, Germany and China.

Scale company investments into US clean energy investments post-IRA by headquarter location, USD bn

South Korea: $31 bn

Japan: $20 bn

Others: $14 bn

Germany: $9 bn

Canada: $5 bn

China: $5 bn

Australia: $3 bn

Vietnam: $3 bn

India: $3 bn

Norway: $2 bn

Netherlands: $3 bn

$2 bn

Belgium: $1 bn

Italy: $1 bn

US Electoral College Maps Since 1960

The Road to 270: 2008 – 2020 Elections

Electoral maps

The 2020 Election:
Biden Defeats Trump
Biden wins
306 electoral votes

The 2016 Election:
Trump Defeats Clinton
Trump wins
304 electoral votes

The 2012 Election:
Obama Defeats Romney
Obama wins
332 electoral votes

The 2008 Election:
Obama Defeats McCain
Obama wins
365 electoral votes
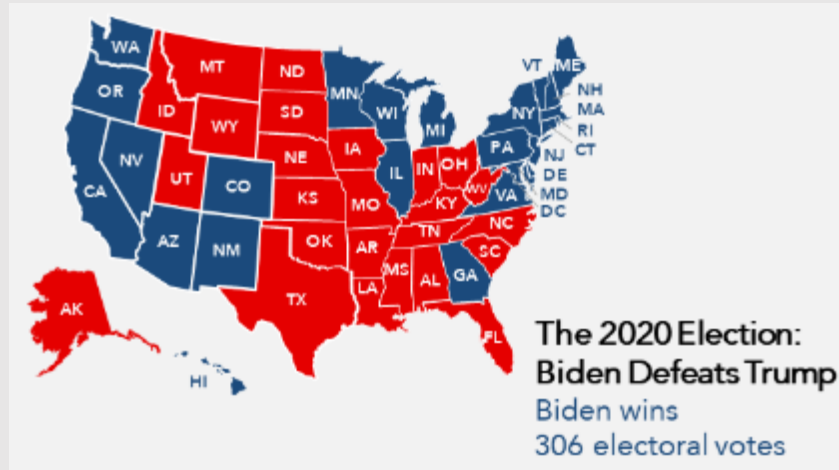
● Republican ● Democrat ● Independent

The Road to 270: 1992 – 2004 Elections

Electoral maps, cont'd

The 2004 Election:
Bush Defeats Kerry
Bush wins
286 electoral votes

The 2000 Election:
Bush Defeats Gore
Bush wins
271 electoral votes

The 1996 Election:
Clinton Defeats Dole
Clinton wins
379 electoral votes

The 1992 Election:
Clinton Defeats Bush
Clinton wins
370 electoral votes

● Republican ● Democrat ● Independent

The Road to 270: 1976 – 1988 Elections

Electoral maps, cont'd

The 1988 Election:
Bush Defeats Dukakis
Bush wins
426 electoral votes

The 1984 Election:
Reagan Defeats Mondale
Reagan wins
525 electoral votes

The 1980 Election:
Reagan Defeats Carter
Reagan wins
489 electoral votes

The 1976 Election:
Carter Defeats Ford
Carter wins
297 electoral votes

● Republican   ● Democrat   ● Independent

The Road to 270: 1960 – 1972 Elections

Electoral maps, cont'd

The 1972 Election: Nixon Defeats McGovern
Nixon wins
520 electoral votes

The 1968 Election: Nixon Defeats Humphrey and Wallace
Nixon wins
301 electoral votes

The 1964 Election: Johnson Defeats Goldwater
Johnson wins
486 electoral votes

The 1960 Election: Kennedy Defeats Nixon
Kennedy wins
303 electoral votes

● Republican ● Democrat ● Independent

About the Authors

Roger Hollingsworth

Managing Director
Head of US Government Affairs
Washington, DC

RHollingsworth@us.mufg.jp
(202) 463-2234

Role

Roger Hollingsworth is Managing Director and Head of Government, External Affairs and Corporate Responsibility. Roger leads MUFG's public policy and advocacy functions, its engagement and outreach before government and regulatory agencies, and manages MUFG's enterprise-wide sustainability strategy. He and his team advise MUFG's Tokyo and U.S.-based executives, business units, and relevant SMEs on policy and public affairs matters impacting MUFG's strategic corporate objectives, regulation, and regional and international customers and clients.

Experience

Roger joined MUFG in 2020, bringing over two decades of public and private sector experience in public policy, strategy, and financial sector regulation. He spent over a decade working in the United States Senate as a senior aide to current U.S. Senate Majority Leader Charles E. Schumer and as deputy staff director for then-Senate Banking Committee Chairman Christopher J. Dodd. During his time in the Senate, Roger was involved in the development of landmark financial services legislation, including the Gramm-Leach-Bliley Act and Dodd-Frank.

Education

Roger received his Bachelor of Arts degree from the University at Albany. He studied at the University of Maryland-College Park and Wilmington University, where he received his Master's (M.S.) Degree.

Personal

A native of New York City, Roger resides in Washington, D.C., and serves on the Boards of the Global Business Alliance (GBA) and the Washington, D.C. First Tee program.

Alex Anderson

Vice President
U.S. Government Affairs
Washington, DC

AlAnderson@us.mufg.jp
(202) 463-2226

Role

Alex Anderson is Vice President of Government Affairs as part of MUFG's Government Affairs, External Affairs & Corporate Responsibility office in Washington, DC. In this role, Alex helps lead MUFG's public policy and advocacy activities within the U.S. and advises MUFG's Tokyo leadership, U.S. executives, and customers and clients on policy initiatives impacting MUFG's global, regional, strategic, and corporate objectives.

Experience

Alex joined MUFG in 2023 after six years as a public policy analyst as part of the Global Equities and Investment Banking division of a diversified financial services firm, where he specialized in translating the financial market impact of public policy and macro developments across financial services, energy, tech, defense, global affairs, and elections for institutional investor clients. Alex also previously worked on global banking regulatory policy issues at the Institute of International Finance (IIF).

Education

Alex holds a Master of Business Administration (MBA) degree from Johns Hopkins University and a Bachelor of Arts in International Affairs from the George Washington University's Elliott School of International Affairs.

About the Authors

Tom Joyce
Managing Director
Capital Markets Strategist
New York, NY

Tom.Joyce@mufgsecurities.com
(212) 405-7472

Role

Tom Joyce is a Managing Director and Capital Markets Strategist within MUFG's global capital markets and investment banking business. Based in New York, Tom heads a team that creates customized analytical content for multi-national S&P 500 companies. His team provides in depth analysis on the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Tom has nearly 30 years of Investment Banking experience in New York, London, Hong Kong, and San Francisco. Over the last 15 years, Tom created and built the Capital Markets Strategy role, advising corporate C-Suite executives (Boards, CEOs, CFOs, and Treasurers) on the pervasive macro forces driving markets. Tom also presents at dozens of corporate events each year including Board meetings, CEO ExCo sessions, CFO and Treasury off-sites, corporate leadership events and conferences.

Education

Tom's educational background includes a year of study at Oxford University from 1991 - 1992, a Bachelor of Arts in Political Science from Holy Cross College in 1993, and a MBA from Kellogg Business School, Northwestern University in 2000.

Personal

Tom resides in New Canaan, CT with his wife and four sons, where he serves on the Board of Trustees of the New Canaan Library as well as the Holy Cross College President's Council.

Hailey Orr

Managing Director
Capital Markets Strategist
New York, NY

Hailey.Orr@mufgsecurities.com
(212) 405-7429

Role

Hailey Orr is a Managing Director in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Hailey has over a decade of Wall Street experience, including three years as a Consumer Sector Specialist in Equity Sales and ten years as a Capital Markets Strategist. Hailey is also the co-chair of MUFG's Women's Initiative Network (WIN) has devoted years to participating in and developing Wall Street recruiting programs.

Education

Hailey graduated with honors from the University of Michigan's Ross School of Business with a BBA and a minor in International Studies.

Personal

In March 2020, Crain's New York Business Magazine named Hailey one of the "Rising Stars in Banking and Finance".

About the Authors

Stephanie Kendal

Vice President
Capital Markets Strategist
New York, NY

Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

Role

Stephanie Kendal is a Vice President in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Stephanie has spent nearly seven years as a Capital Markets Strategist. She is an active member of the University of Michigan recruiting team and is focused on the diversity recruiting effort at MUFG. Stephanie is also a part of MUFG's DEI, Culture & Philanthropy (DCP) Council.

Education

Stephanie graduated with honors from the University of Michigan's Ross School of Business with a BBA .

Personal

Stephanie is actively involved in NYC's iMentor program, mentoring high school students with their journey to college graduation. She also volunteers at Experience Camps, a free summer camp program for grieving children.

Angela Sun

Analyst
Capital Markets Strategist
New York, NY

Angela.Sun@mufgsecurities.com
(212) 405-6952

Role

Angela Sun is an Analyst in MUFG's Capital Markets Strategy group within the global capital markets and investment banking business. The team provides market based content for corporate clients to assist in strategic decision making. Focus areas include the impact of economic, political, public policy and regulatory dynamics on the US credit, foreign exchange, rates and commodities markets.

Experience

Angela previously interned at MUFG working in Capital Markets within the Equity Capital Markets and Leveraged Finance divisions. She is also an active member of the Carnegie Mellon University recruiting team.

Education

Angela graduated with honors from Carnegie Mellon University's Tepper School of Business with a BS in Business Administration with an additional major in Statistics and a minor in Media Design. She was a member of Alpha Kappa Psi business fraternity and the Undergraduate Entrepreneurship Association.

**Click or scan the QR code
to view past reports,
policy notes and more.**
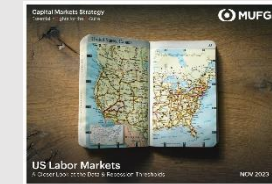
Disclaimer

The information herein provided is for information purposes only, and is not to be used or considered as investment research, a proposal or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. Neither this nor any other communication prepared by MUFG Bank, Ltd. ("MUFG Bank"), MUFG Securities Americas Inc. ("MUFG Securities"), or other MUFG Group Company (collectively, "MUFG") is or should be construed as investment advice, a recommendation or proposal to enter into a particular transaction or pursue a particular strategy, or any statement as to the likelihood that a particular transaction or strategy will be effective in light of your business objectives or operations. Before entering into any particular transaction, you are advised to obtain such independent financial, legal, accounting and other advice as may be appropriate under the circumstances. In any event, any decision to enter into a transaction will be yours alone, not based on information prepared or provided by MUFG. MUFG hereby disclaims any responsibility to you concerning the characterization or identification of terms, conditions, and legal or accounting or other issues or risks that may arise in connection with any particular transaction or business strategy. MUFG is not acting and does not purport to act in any way as an advisor or in a fiduciary capacity.

Certain information contained in this presentation has been obtained or derived from third party sources and such information is believed to be correct and reliable but has not been independently verified. While MUFG believes that factual statements herein and any assumptions on which information herein are based, are in each case accurate, MUFG makes no representation or warranty regarding such accuracy and shall not be responsible for any inaccuracy in such statements or assumptions. Note that MUFG may have issued, and may in the future issue, other reports that are inconsistent with or that reach conclusions different from the information set forth herein. Such other reports, if any, reflect the different assumptions, views and/or analytical methods of the analysts who prepared them, and MUFG is under no obligation to ensure that such other reports are brought to your attention. Furthermore, the information may not be current due to, among other things, changes in the financial markets or economic environment and MUFG has no obligation to update any such information contained in this presentation. This presentation is not intended to forecast or predict future events. Past performance is not a guarantee or indication of future results. Any prices provided herein (other than those identified as being historical) are indicative only and do not represent firm quotes as to either price or size. This presentation has been prepared by members of our capital markets strategy team and does not necessarily represent the MUFG "house" view.

This presentation is proprietary to MUFG Securities and may not be quoted, circulated or otherwise referred to without our prior written consent. Notwithstanding this, MUFG Securities shall not be liable in any manner whatsoever for any consequences or loss (including but not limited to any direct, indirect or consequential loss, loss of profits and damages) arising from any reliance on or usage of this presentation and accepts no legal responsibility to any investor who directly or indirectly receives this material.

IRS Circular 230 Disclosure: MUFG Securities does not provide tax advice. Accordingly, any discussion of U.S. tax matters included herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone not affiliated with MUFG Securities of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

The MUFG logo and name is a service mark of Mitsubishi UFJ Financial Group, Inc., and may be used by it or other Group companies for branding or marketing purposes. Group companies include MUFG Bank, MUFG Americas Capital Leasing & Finance, LLC, Mitsubishi UFJ Trust and Banking Corporation, and MUFG Securities Americas Inc. Corporate or commercial lending or deposit activities are performed by banking affiliates of MUFG, including, in the United States, MUFG Bank.

FLOES™ is a service mark of MUFG Securities Americas Inc.

© 2024 Mitsubishi UFJ Financial Group Inc. All rights reserved.