



US – Bracing for Trump 2.0

UOB Global Economics & Markets Research
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Trump's policies – Broadly inflationary, uncertain growth outlook

Key takeaways

- Red sweep defied expectations.
- Republican Party won **Presidency, US Senate** and retained the **House**.
- Implication : Easier policy implementation.

Potential impact of Trump's policies						
Impact on each of the indicators	Taxes 	Tariff 	Immigration 	US Fed 	Green policy 	Foreign policy
Real GDP	+	--	---	+/-	+	+
Inflation	+	+++	+/-	+	-	-
Fed funds	+	+++	--	--	-	-
Other impacts	Worsen fiscal deficit	Subject to retaliation from China & others	Negative for domestic spending	Upside risks to UST yields, capital outflow	Greater output for US oil and gas	Lower commodity prices

Source: UOB Global Economics & Markets Research

- +/- mild impact
- ++/-- moderate impact
- +++/- - - major impact

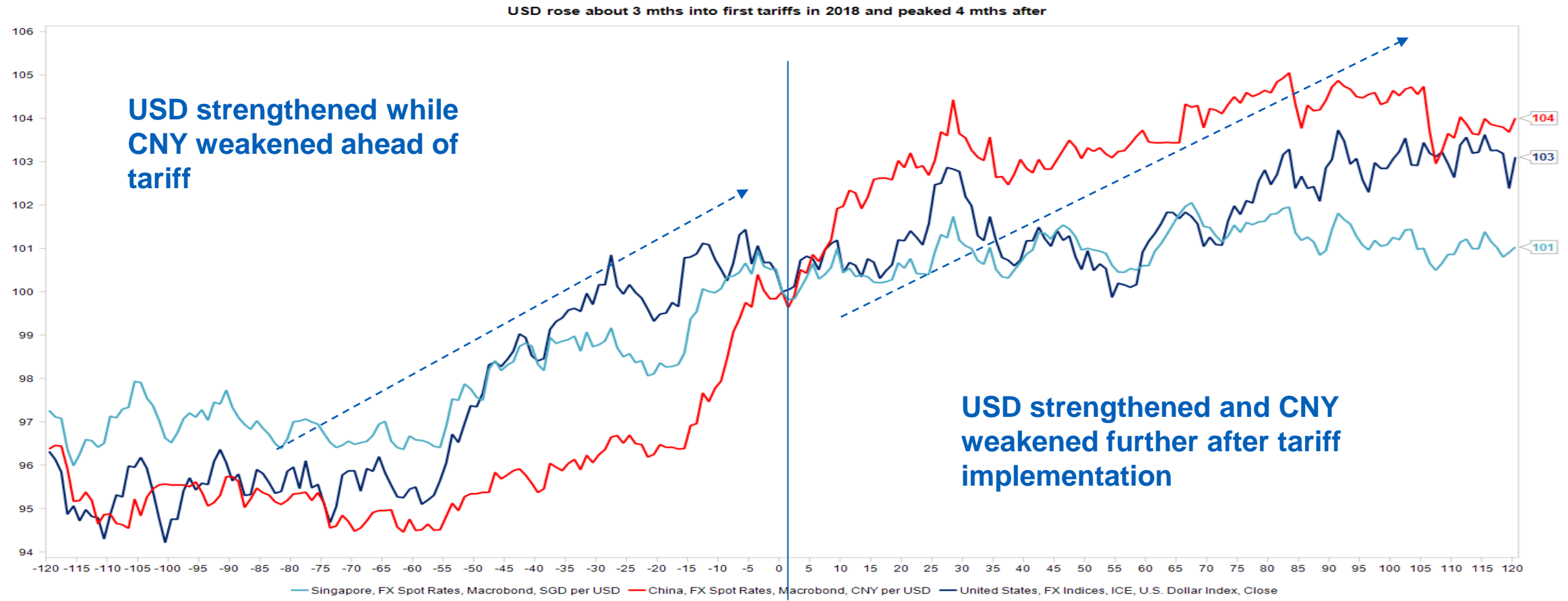
Impact Assessment of Trump's policies –

Lower ST yield, higher LT yield , stronger USD in short term



Rates & FX under Trump 2.0		
Segment	Impact	Rationale
Short-term yields	▼ Lower	<ol style="list-style-type: none"> 1. Trump's preference - looser monetary policy & lower interest rates 2. He may lobby for rate cuts, during signs of slowing.
Long-term yields	▲ Higher	<ol style="list-style-type: none"> 1. Expansionary Fiscal Policy - higher budget deficits and government borrowing. 2. Protectionist Trade Policies - higher inflation expectations & long-term yields. 3. Stronger Growth Expectations - Better future economic conditions, higher inflation.
Yield curve	▲ Steeper	<ol style="list-style-type: none"> 1. Reflects market expectations of looser monetary policy in the near term; higher growth/inflation expectations over longer term. 2. Interpreted as improved economic growth prospects, but concern about long-term fiscal sustainability.
US Dollar	▲ Higher relative to base case	<ol style="list-style-type: none"> 1. Higher yields & wider US-G10 rate differentials. 2. Safe haven flows to USD on risk aversion (tariffs, growth concerns); JPY may appreciate. 3. Risk currencies such as AUD & NZD likely to underperform within Major FX.

USD to strengthen if 2018-2020 trade war playbook repeated



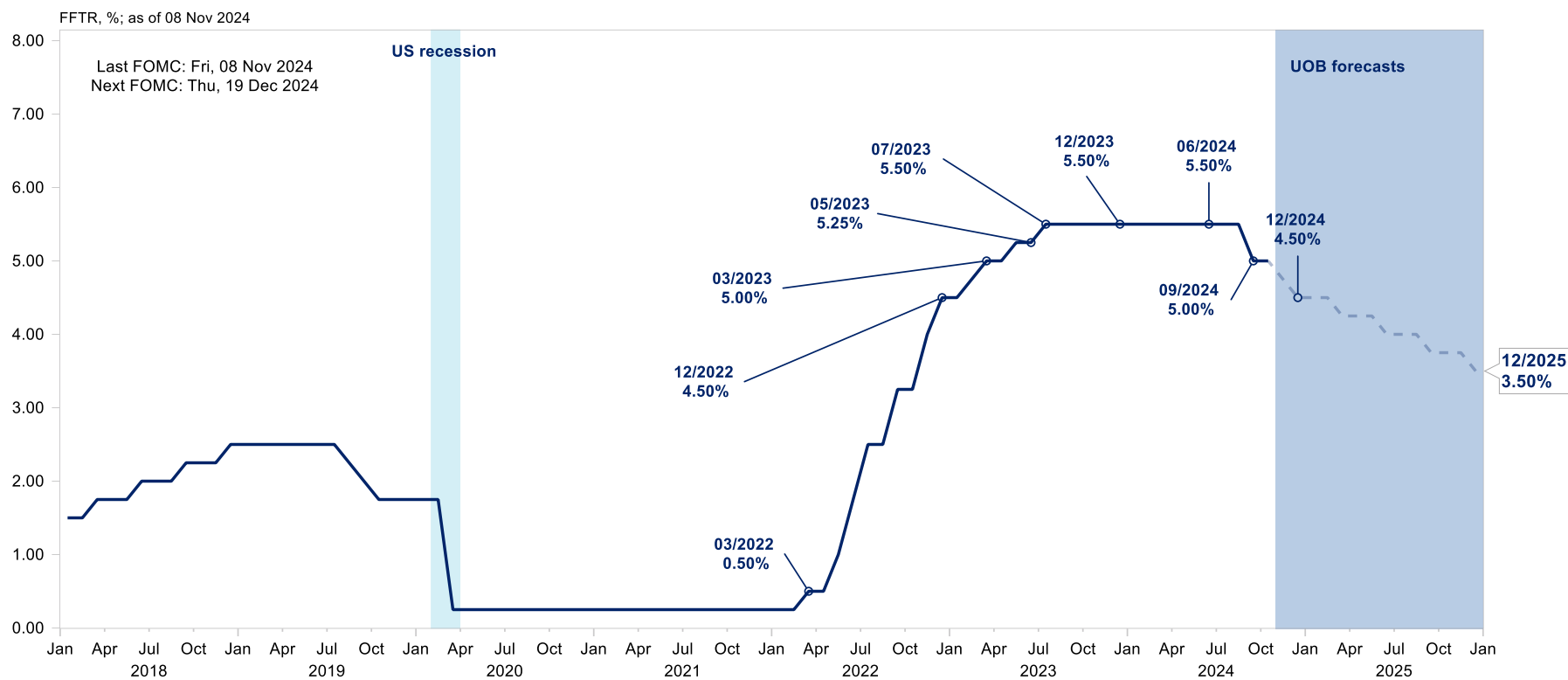
6 Jul 2018 :
Date of Trump tariff
implementation

US Fed: Recap of Fed's rate trajectory



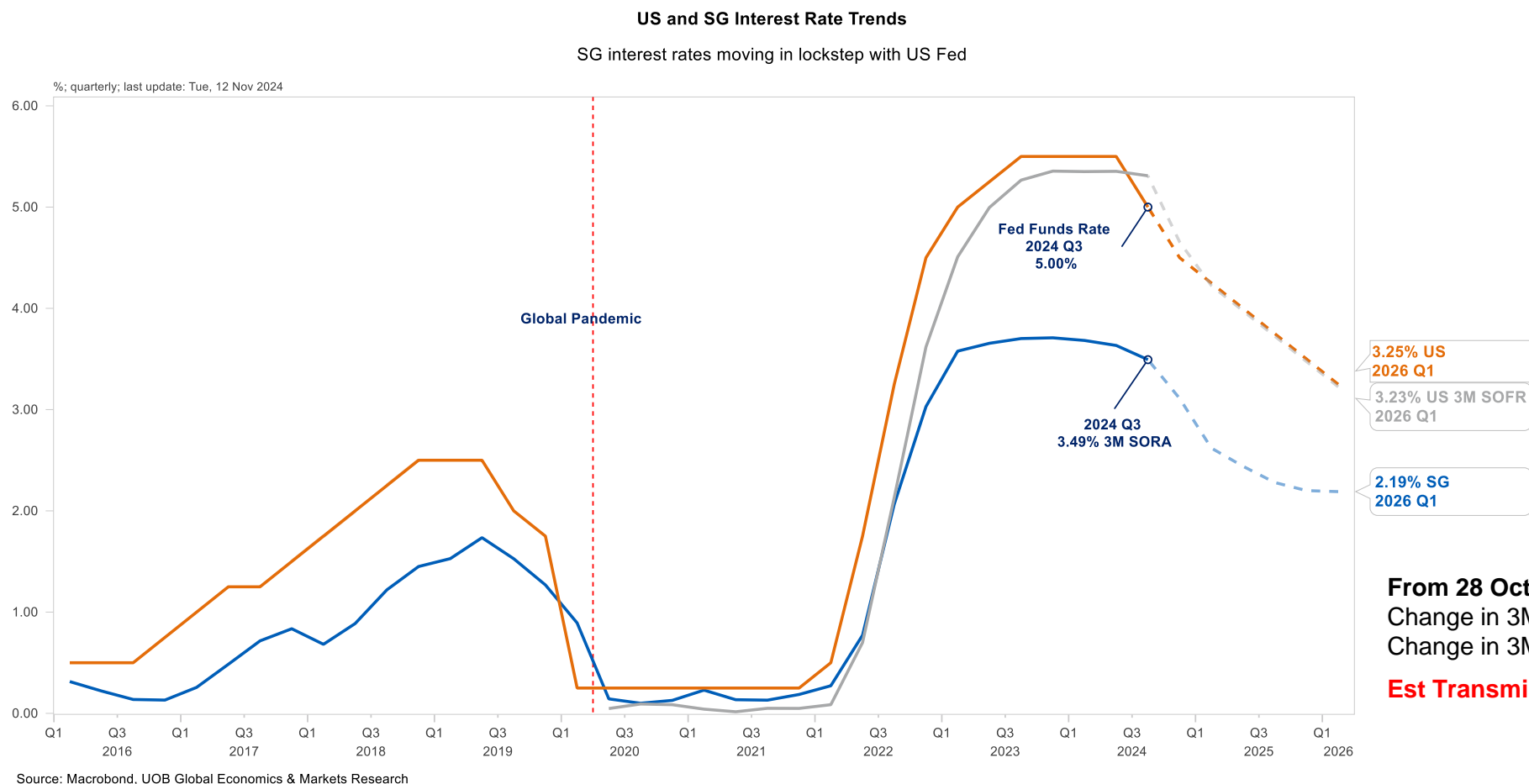
After a strong start to the easing cycle, a dial-down to 25 bps in Nov, we expect another 25-bps in Dec, and then 100bps in 2025, the risk in 2025 is for less cuts

US: Federal Funds Target Rate Trajectory
After a 50bps cut in Sep 2024 (the first cut since 2020) to start the easing cycle, the Fed followed up with a normal 25-bps cut in Nov. We still expect one 25-bps cut in Dec, 100 bps of cuts in 2025



For further details: US Nov 2024 FOMC: Staying on rate cut path with 25-bps move and political defiance
https://www.uobgroup.com/assets/web-resources/research/pdf/MN_241108A.pdf

SG rates to be in lock-step with US rates but lower magnitude

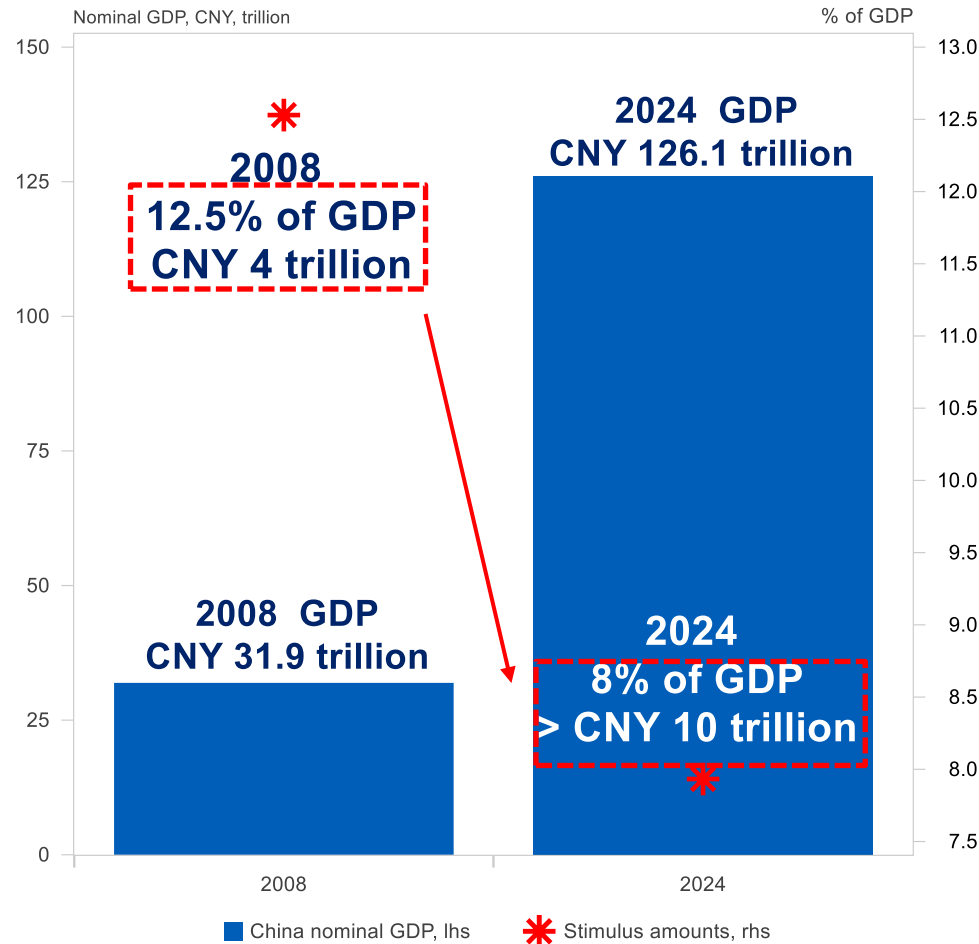


For further details: Monthly FX & Rates Strategy - USD and Treasuries yield firm up heading into the US Election

Tariff – More to come?

China – Stimulus measures insufficient for meaningful turnaround *Trump adds downside challenges to growth*

China: Stimulus Measures 2024 vs 2008



Source: Macrobond, UOB Global Economics & Markets Research

Stimulus measures since Sep 2024

– *very little “new & actual spending”*

- Looks big on quantum, but relatively small compared to 2008 (1/3 lower than 12.5% in 2008).
- **No fresh direct stimulus spending** to raise consumption, long period of debt resolution over 5 years.
- > RMB10 trillion announced but **30% via monetary policy easing, bank recap & facilities for stock purchases.**

Risks to Outlook

Downside risk

- **Residential real estate** - likely to struggle for years due to existing large stock, high home ownership and weak growth momentum.
- **Trade war with US** has **LT negative impact** on China’s growth.

Upside risk

- New fiscal spending, if substantial enough, may turn situation around

China will retaliate to US tariffs, just like in 2018 episode

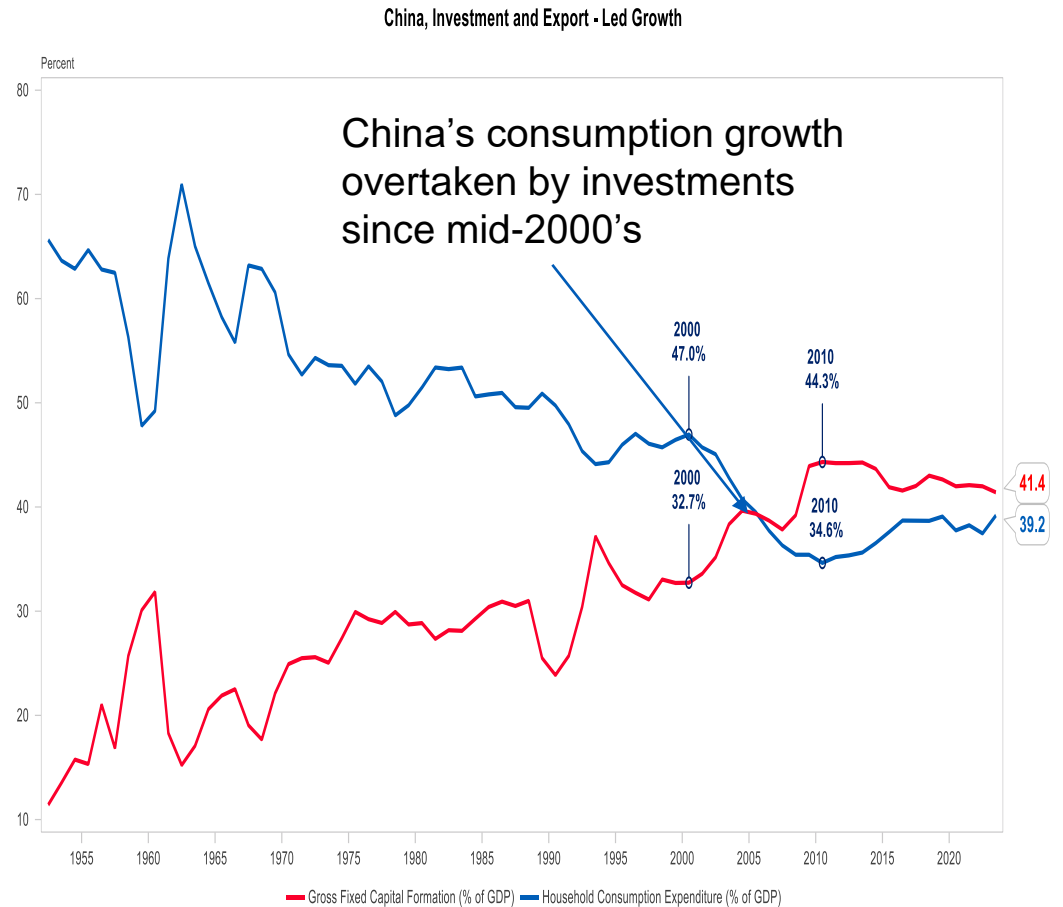
With or without Trump, China needs to fix weak domestic consumption



US-China trade war: Tariff size and timeline 2018-2020

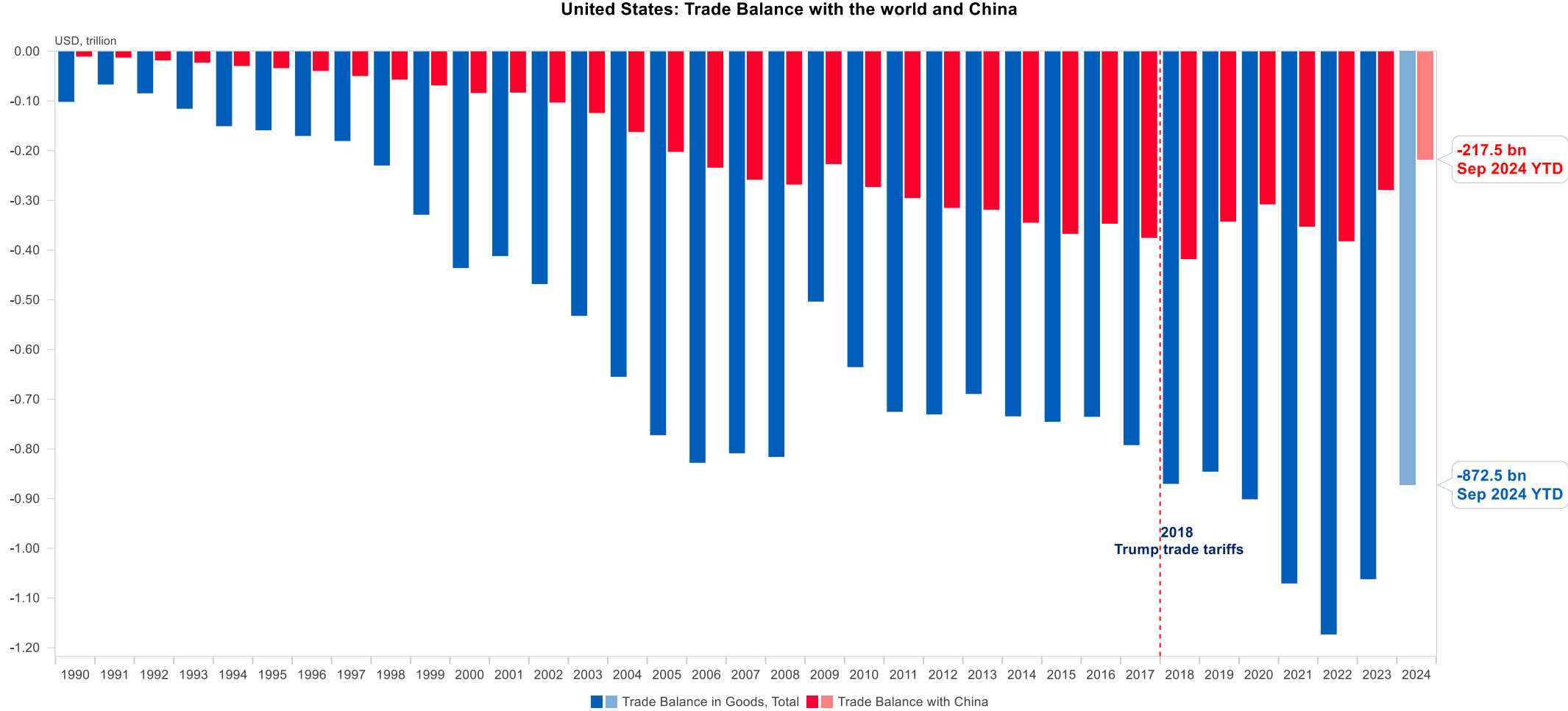
Effective date	Add'l tariff rate	Amount	Goods involved
Implemented by US			
6-Jul-2018	25%	US\$34 bn	machinery, cars, hard disks and aircraft parts
23-Aug-2018	25%	US\$16 bn	semiconductors, iron and steel products, electrical machinery, railway equipment, instruments and apparatus
24-Sep-2018	10% (raised to 25% from 10 May 2019)	US\$200 bn	electronics parts, electric appliances, network equipment, metals, furniture, plastic goods, textiles and leather goods
1-Sep-2019	15% (cut to 7.5% from 14 Feb 2020)	US\$120 bn	some consumer goods but exclude cellphones, laptops, pharmaceutical & medical goods and critical minerals
Implemented by China			
6-Jul-2018	25%	US\$34 bn (some rolled back in Sep 2019-2020)	545 goods including agricultural products, automobiles and aquatic products
23-Aug-2018	25%	US\$16 bn (some rolled back in Dec 2019-2020)	114 goods including motorcycles, bourbon, orange juice, chemicals, medical equipment and energy products such as coal and crude oil
24-Sep-2018	10% (raised to 10-25% from 1 Jun 2019)	US\$60 bn (some were rolled back in 2020)	5,207 goods including food stuff, industrial minerals and chemicals, textiles and clothing, jewellery, metal products, machinery parts, and a wide range of consumer products
23-Aug-2019	5 -10% (halved from 14 Feb 2020)	US\$75 bn	5,078 goods ranging from agricultural products to crude oil

China needs household consumption to drive growth, not relying just on investments



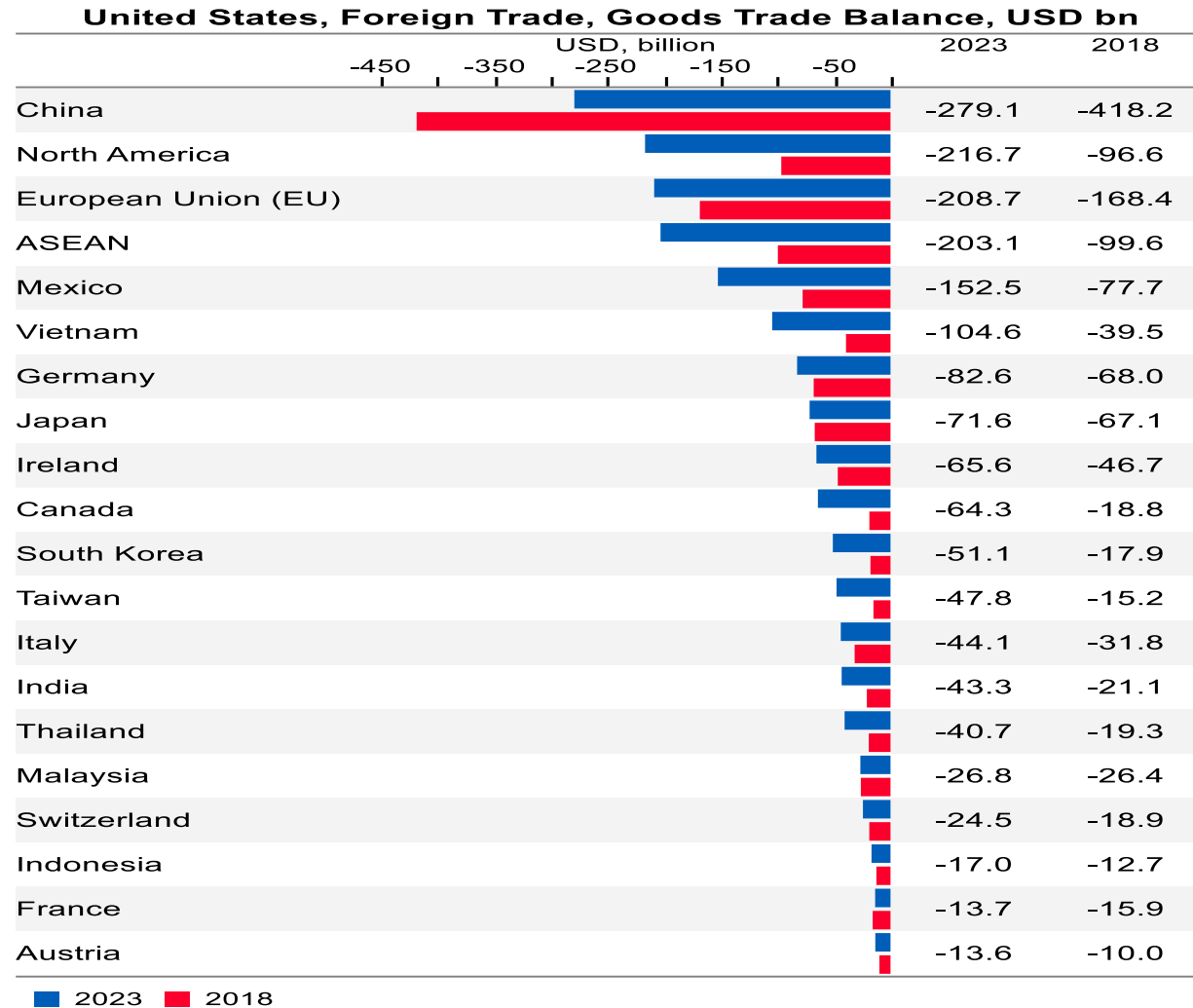
Source: Macrobond, UOB Global Economics & Markets Research

Did Trump Trade Tariffs help to improve US trade balance?



Source: Macrobond, UOB Global Economics & Markets Research

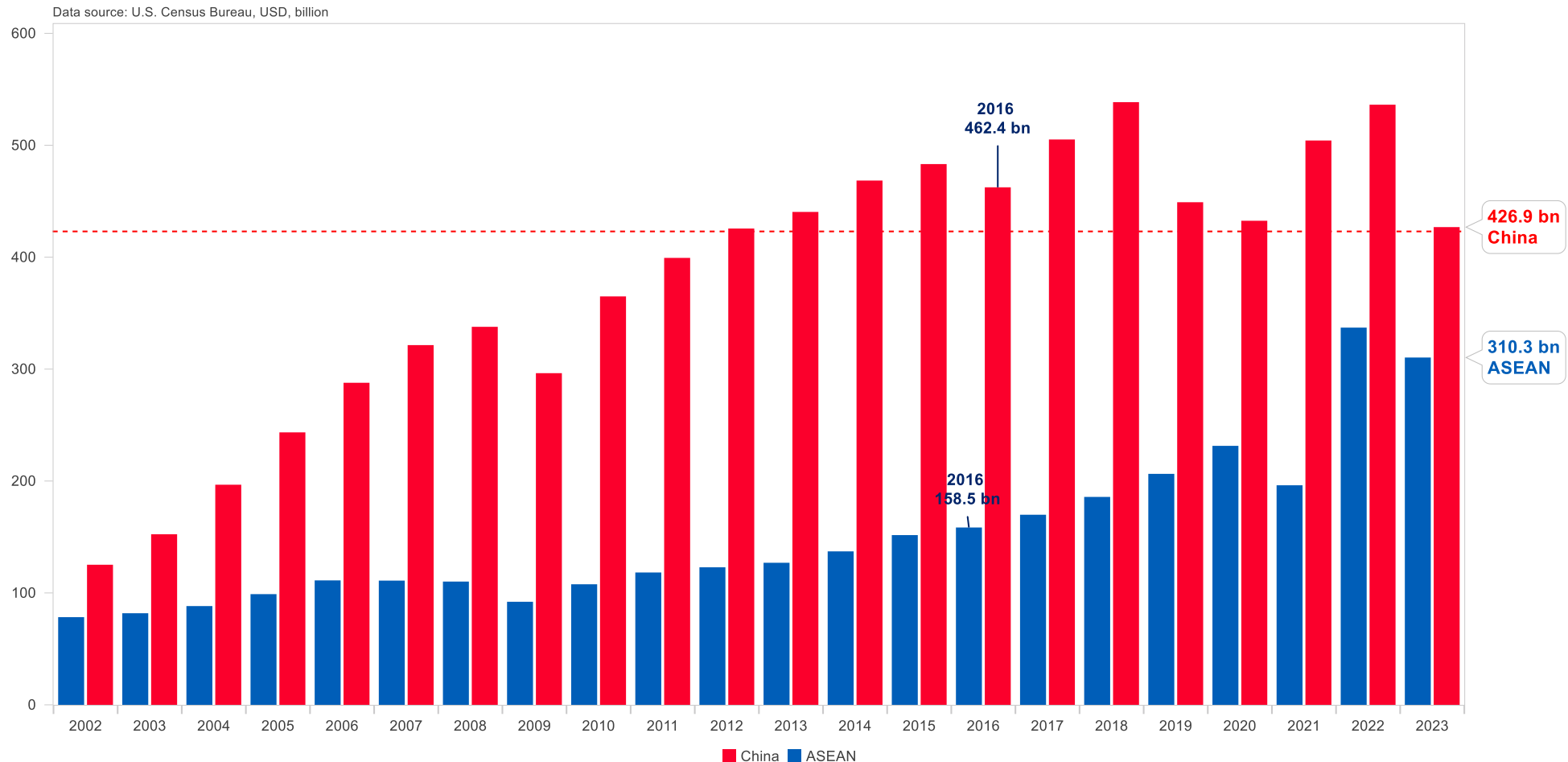
US' goods trade deficits with North America, EU and ASEAN have ballooned since 2018



US: Imports from ASEAN rose significantly while China's plunged to a 14-year low in 2023

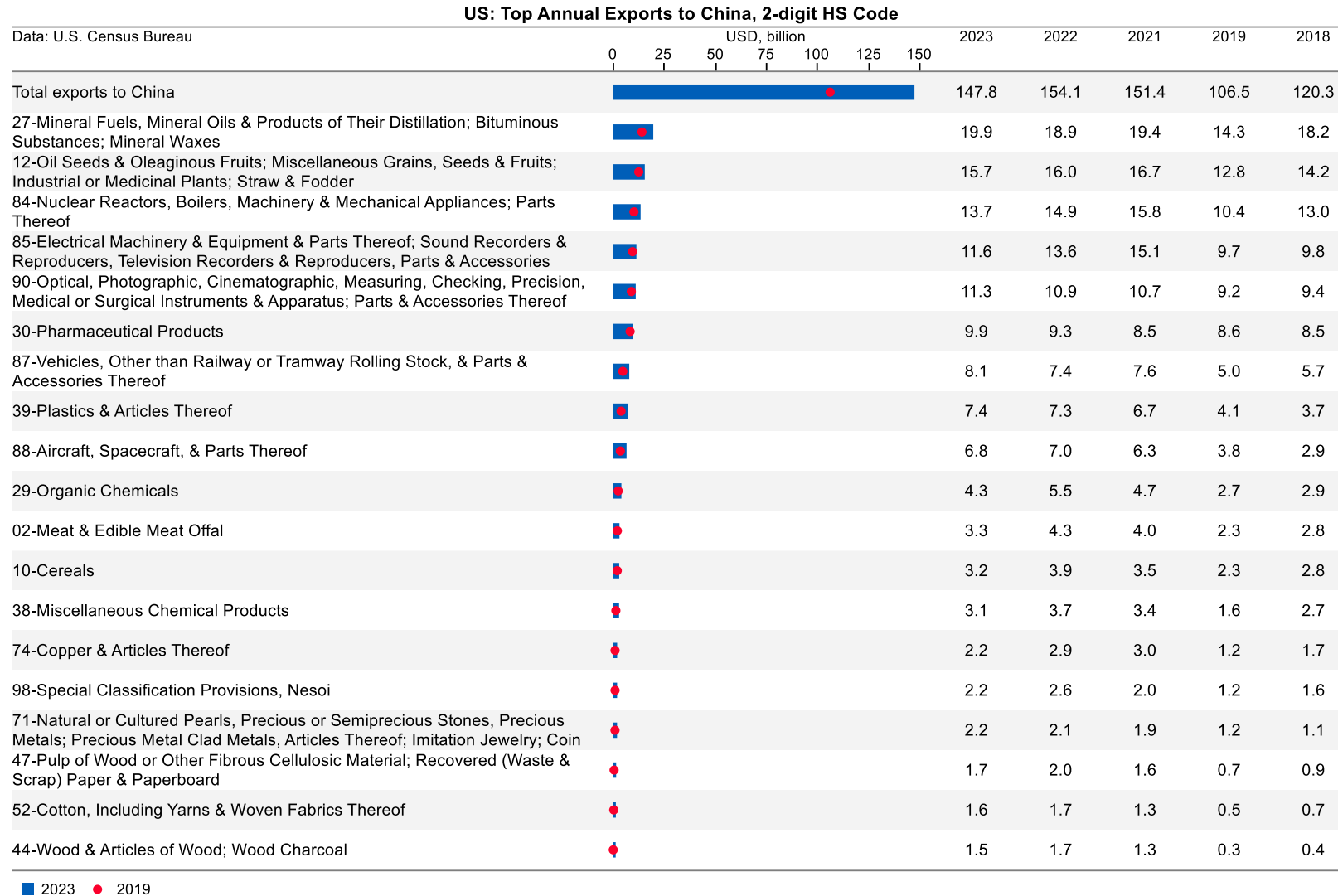


US: Annual Imports from ASEAN, China, USD (Latest: 2023)



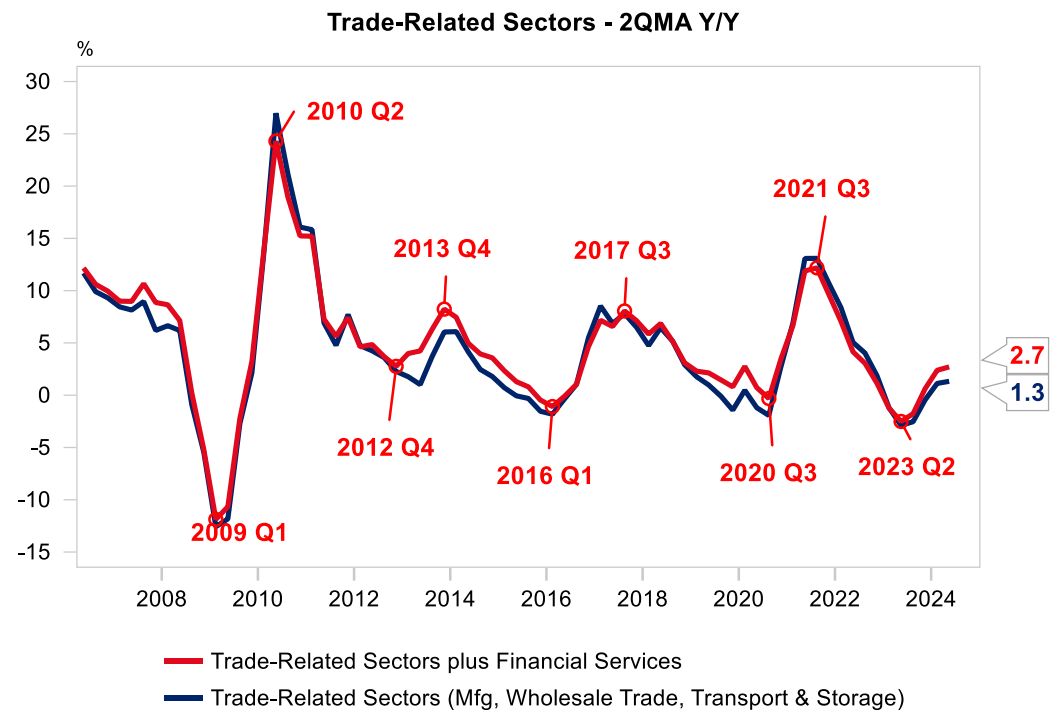
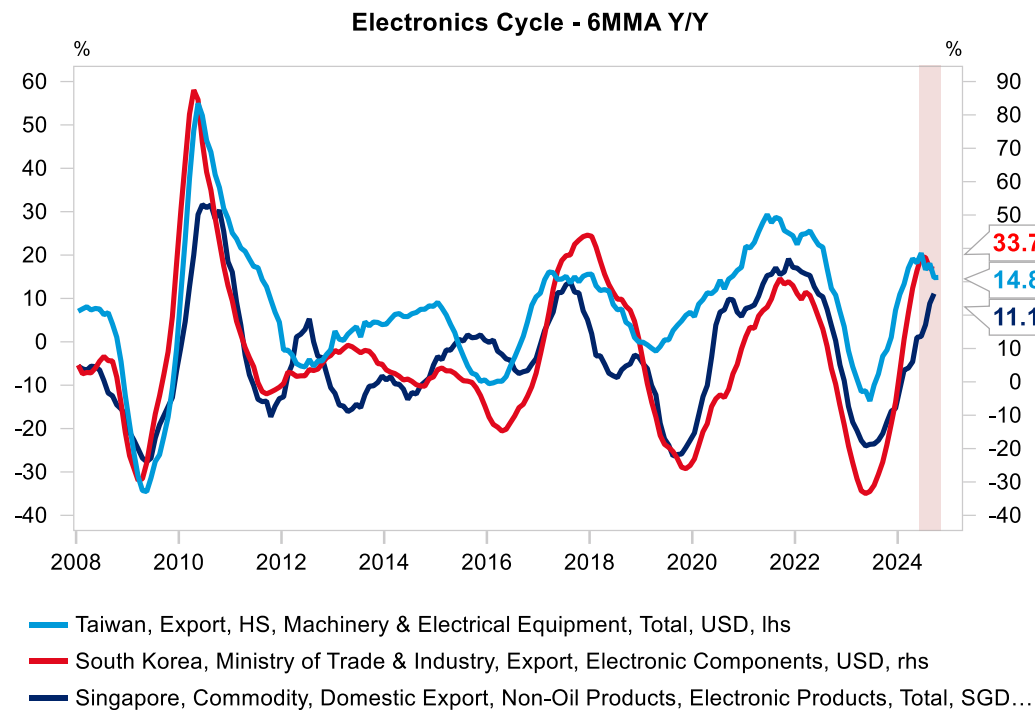
Source: Macrobond, UOB Global Economics & Markets Research

China: US exports rose significantly... Various US industries may be vulnerable to retaliation in the event of 60% tariff (ref: EU's EV tariffs)



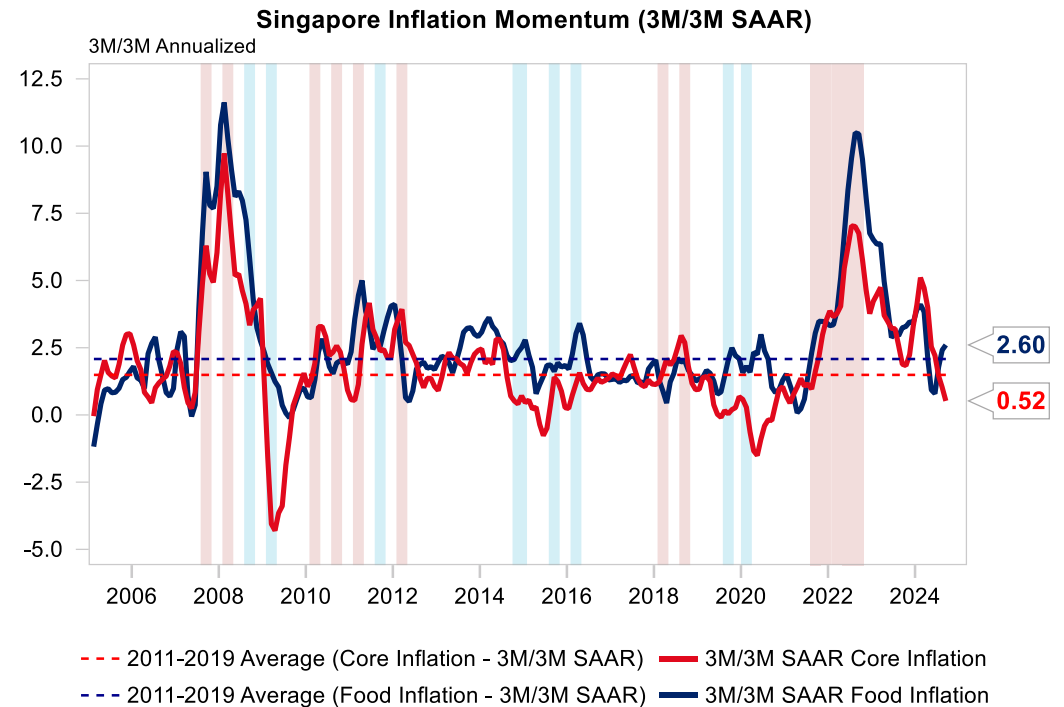
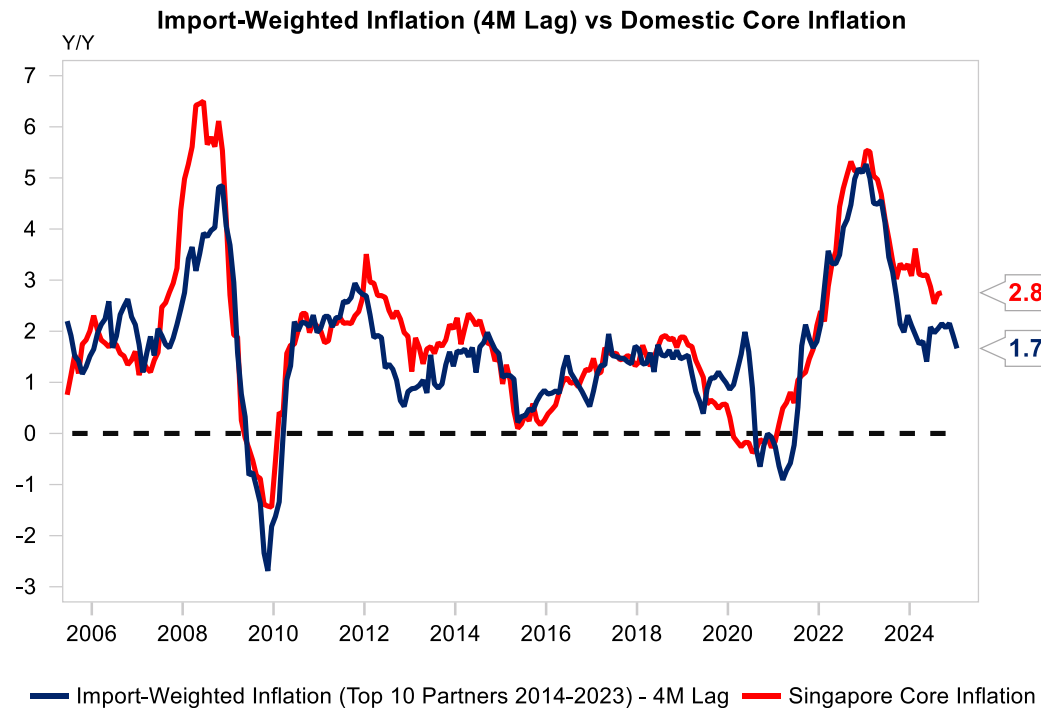
Source: Macrobond, Global Economics & Markets Research

Electronics exports cycle in both South Korea and Taiwan which serves as a bellwether for the region could have peaked in 3Q24; **Singapore:** y/y growth in trade-related sectors could top-out sometime in 1Q25, based on our estimates



Source: Macrobond, UOB Global Economics and Markets Research

Softening of external inflation conditions since the peak in 3Q22 should continue to filter through to domestic prices via the import channel; Singapore's core inflation momentum has softened meaningfully to around historical levels but recent pickup in food inflation momentum warrants close monitoring



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