



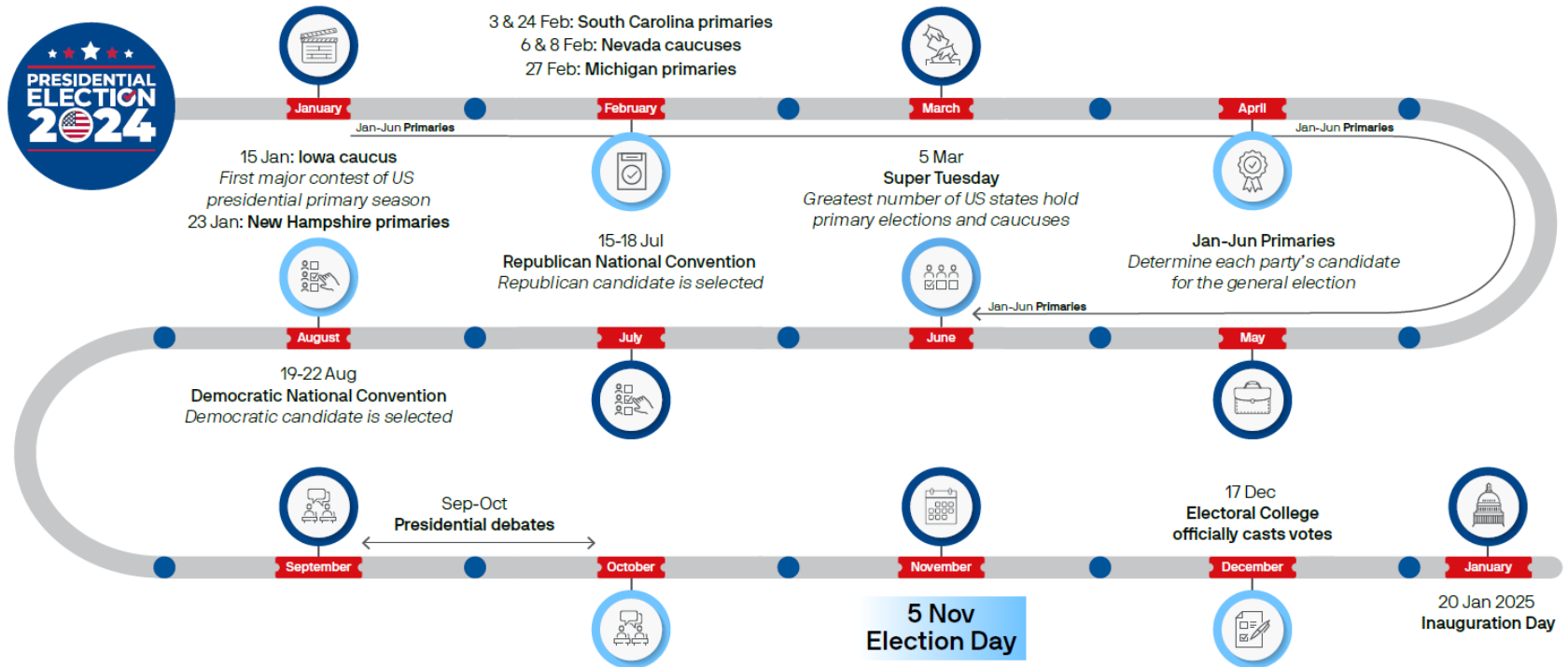
Investing in an election year

July 22, 2024





The 2024 Election timeline



Source: 270twin, National Conference of State Legislatures, J.P. Morgan Asset Management. Data are as of July 22, 2024.

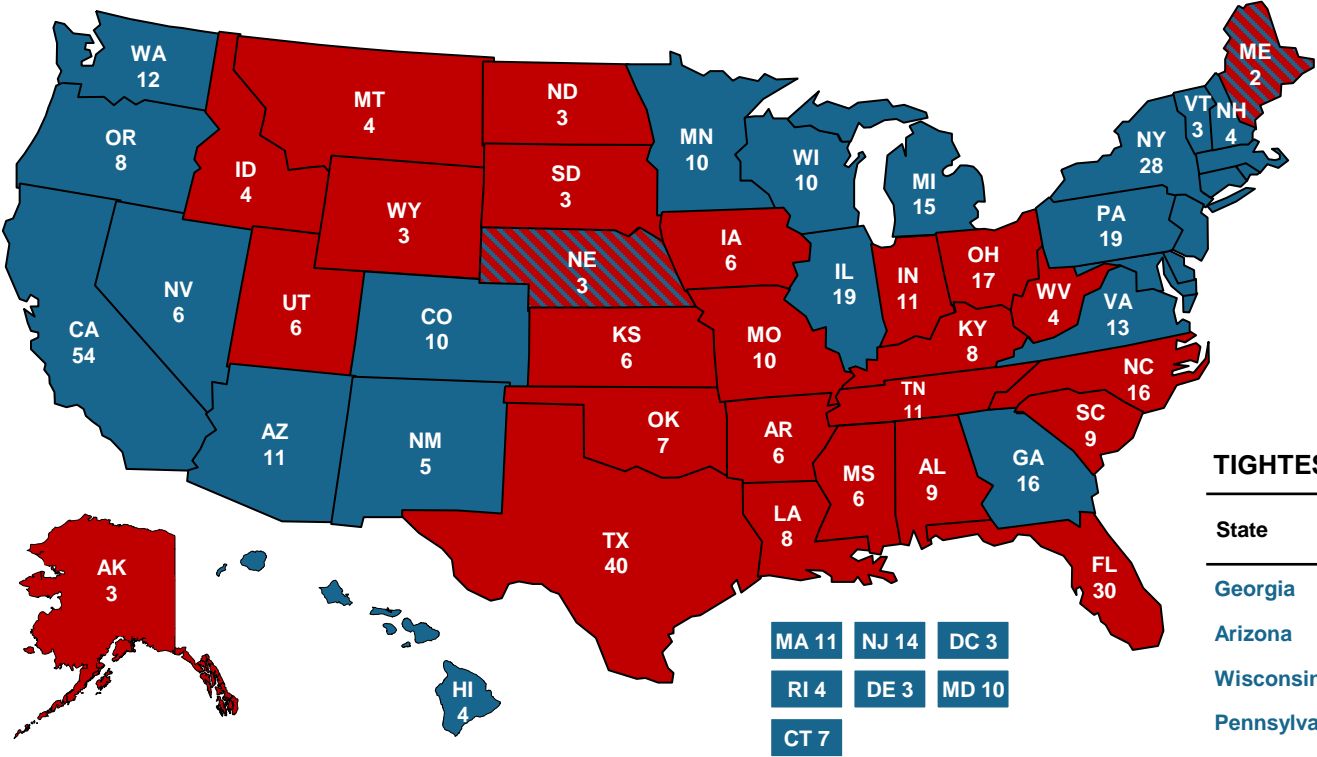


Only a few states typically determine the presidency.

2020 Electoral College

232 Republicans

306 Democrats



TIGHTEST RACES OF 2020

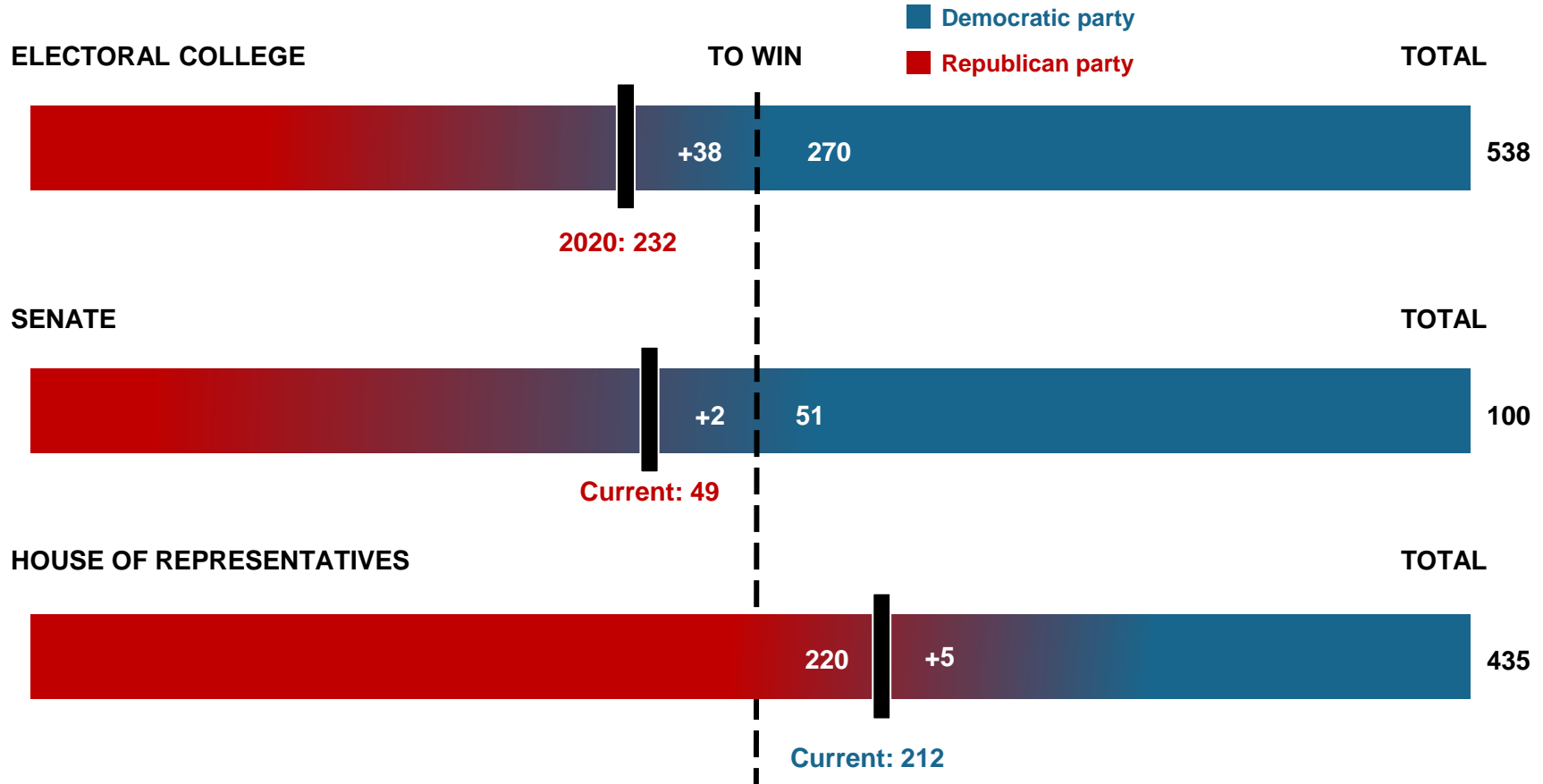
State	Spread (%)	Spread (votes)	Electoral votes
Georgia	0.24%	11,779	16
Arizona	0.30%	10,457	11
Wisconsin	0.63%	20,682	10
Pennsylvania	1.17%	80,555	20
North Carolina	1.34%	74,483	15

Source: 270towin, CNN, Politico, J.P. Morgan Asset Management. Maine and Nebraska allocate electoral votes based on the popular vote attained by each candidate. Colors refer to winner of 2020 election, but numbers represented 2024 electoral college votes available. Data are as of July 22, 2024.



The battle for both houses of Congress will be tight.

Votes or seats in the Electoral College, Senate, and House of Representatives



Source: 270towin, J.P. Morgan Asset Management. The Senate currently consists of 48 Democrats, 49 Republicans, and 3 Independents that vote with the Democrats. Currently, the House of Representatives consists of 220 Republicans, 212 Democrats, and 3 vacant seats due to retirement. Data are as of July 22, 2024.



Assessing potential policy proposals



Potential Democratic stance

Potential Republican stance

	Potential Democratic stance	Potential Republican stance
Taxes	Partial extension of the 2017 tax cuts but allowing cuts to expire for households making \$400K+. Potential tax hikes for wealthy individuals and corporations.	Make the expiring provisions permanent. Consider replacing personal income taxes with increased tariffs.
Trade	Maintain status quo of “tough on China”, with an emphasis on protecting U.S. intellectual property.	Impose a universal baseline tariff on all U.S. imports. Impose a 60% tariff on U.S. imports from China.
Immigration	Continue to pair legal pathways for migrants with some stricter deterrence measures.	Much stricter immigration measures, including an effort to deport asylum seekers to other countries.
Energy	Continue to invest in clean energy manufacturing, reduce emissions and increase energy efficiency. Consider raising taxes on fossil fuel industry.	Bolster U.S. energy independence with greater domestic production of oil and gas. Roll back some IRA incentives.
Defense	Steady emphasis on alliances and multilateralism.	Push for more self-reliance from NATO. Increase pressure on allies to bolster defense spending.
Healthcare	Protect and build on the Affordable Care Act (ACA). Continued focus on lowering drug prices with Medicare enabled to negotiate more.	Consider replacements to the ACA.
Monetary Policy	Hands off approach to the Federal Reserve.	More interventionist approach to the Federal Reserve.
Regulation	Heightened regulation of energy, technology and financial services	Aim to reduce regulation of energy and financial services. May support antitrust efforts and scrutiny on Big Tech.

Source: Tax Foundation, WSJ, J.P. Morgan Asset Management. Commentary is for illustrative purposes only and policy guidance is subject to change.
Data are as of July 22, 2024.



Taxes will be the key fiscal policy issue.

The 2017 Tax Cuts and Jobs Act (TCJA) is set to expire at the end of 2025.

Permanent provisions

- **Corporate tax rate** reduced to 21% from 35%
- Eliminated corporate alternative minimum tax
 - 2022 “Inflation Reduction Act” (IRA) revised this to a 15% min. tax for companies with \$1bn+ in income
- Expanded depreciation deductions

Expiring provisions

- Reduced **federal income tax rates**, with top tax rate decreasing to 37% from 39.6%
- Raised **alternative minimum tax exemption** to \$70,300 for single filers and \$109,400 for joint filers
- Increased **child tax credit** to \$2,000 per qualifying child and expanded eligible income level
- Doubled **estate tax exemption** to \$11.2 million from \$5.6 million*
- Expanded **standard deductions**

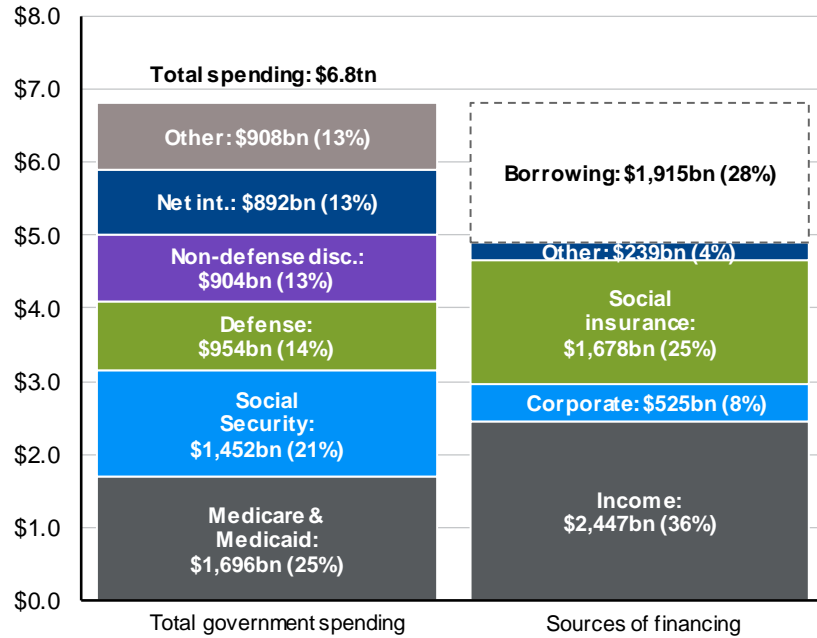
Source: Congressional Budget Office, J.P. Morgan Asset Management.
*Estate tax exemption is indexed to inflation and as a result is currently \$13.6 million.
Data are as of July 22, 2024.



In either election outcome, deficits will widen.

The 2024 federal budget

USD trillions

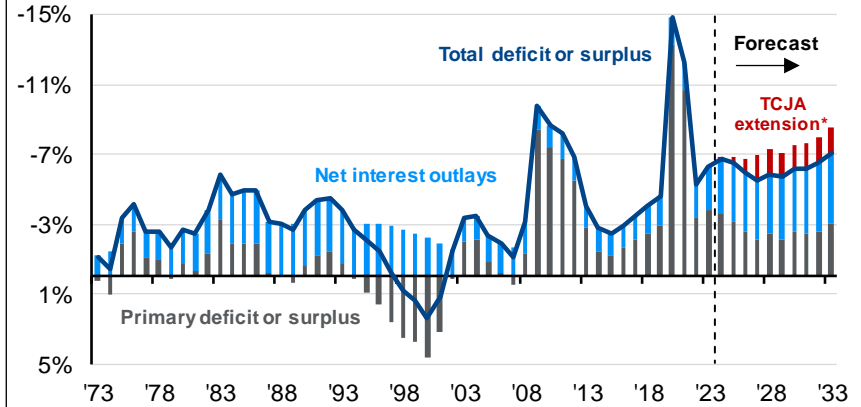


CBO's Baseline economic assumptions

	2024	'25-'26	'27-'28	'29-'34
Real GDP growth	2.9%	2.0%	1.7%	1.8%
10-year Treasury	4.5%	4.0%	3.6%	4.0%
Headline inflation (CPI)	3.2%	2.4%	2.2%	2.2%
Unemployment	3.8%	4.0%	4.3%	4.5%

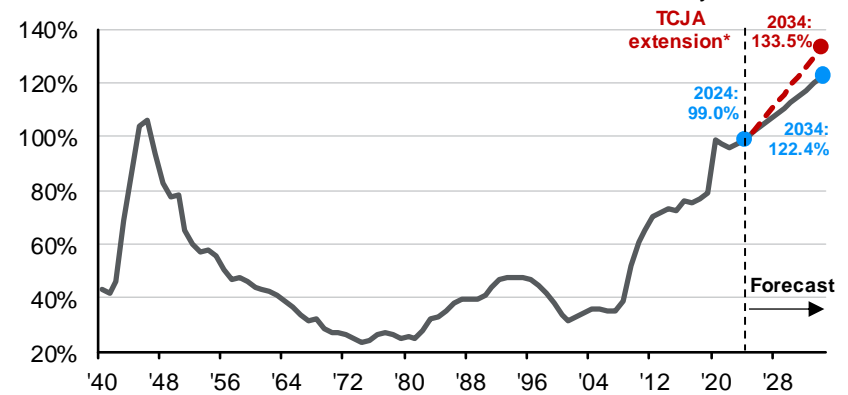
Federal deficit and net interest outlays

% of GDP, 1973-2034, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



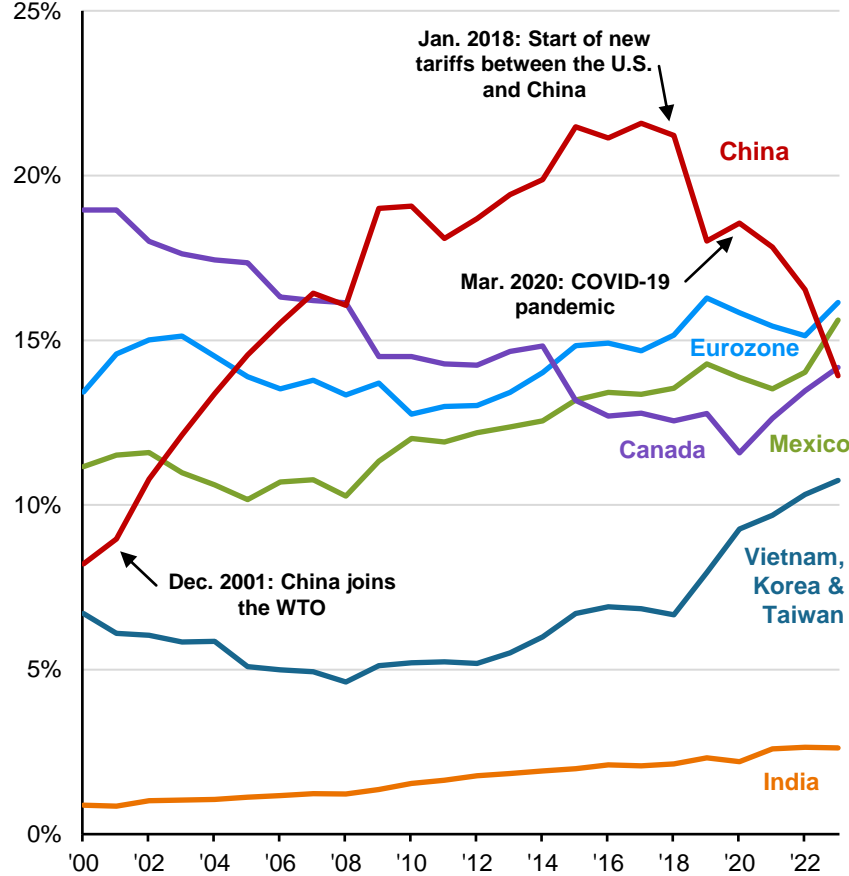
Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of July 22, 2024.



Supply chain reorganization will continue.

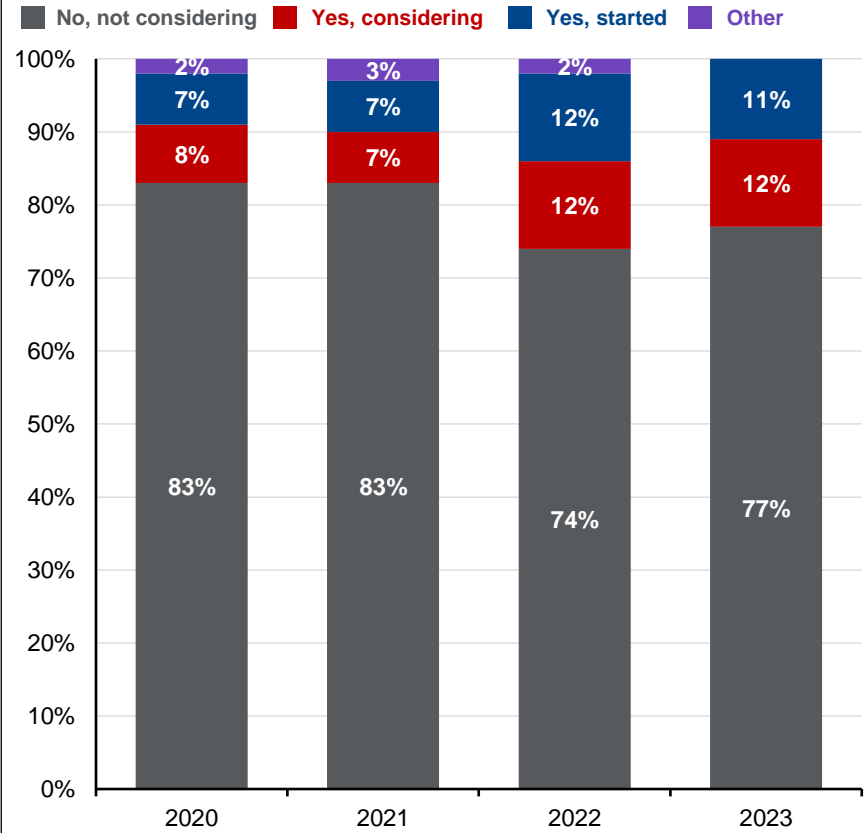
U.S. goods imports by location

% of total imports, yearly



Plans to relocate out of China

Is your company considering, or has it already begun relocating manufacturing or sourcing outside of China?*



Source: J.P. Morgan Asset Management; (Left) FactSet, U.S. Census Bureau. WTO = World Trade Organization. (Right) The American Chamber of Commerce in China 2024 China Business Climate Survey Report. *Survey conducted yearly between 2020-2023. Extended answers: 1) No, we are not considering relocating manufacturing or sourcing out of China, 2) Yes, we are considering relocating but have not taken active steps to relocate manufacturing or sourcing outside China yet, 3) Yes, we have started the process of relocating manufacturing or sourcing outside of China, 4) Other.

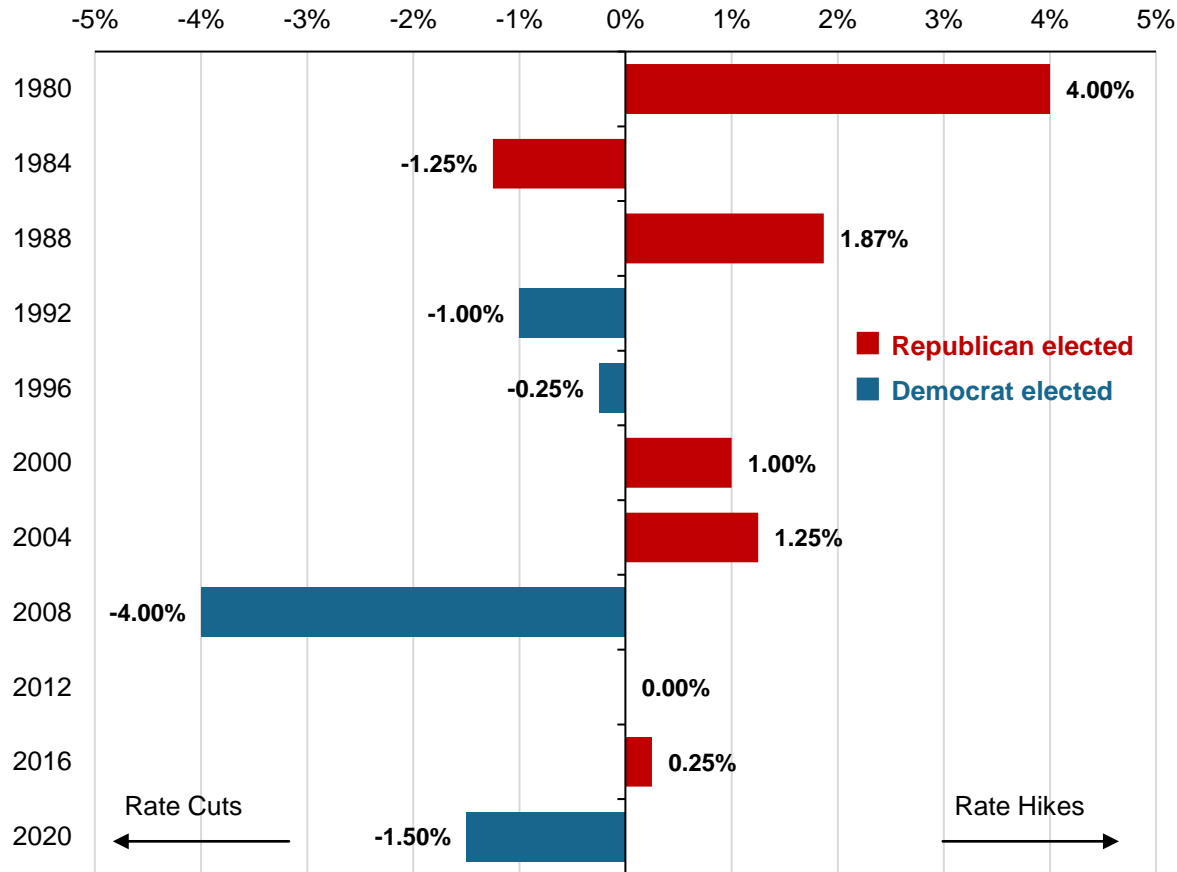
Guide to Investing in Asia. Data are as of July 22, 2024.



The Federal Reserve continues to pursue its dual mandate during election years.

Monetary policy changes in an election year

Net change in federal funds rate, %



Reason for policy action

1980	Volcker tightening
1984	Inflation steadying
1988	Elevated inflation and strong growth
1992	Continued recession cuts
1996	Slower growth, soft landing
2000	Rising inflation
2004	Rising inflation
2008	Global financial crisis
2012	Weak growth
2016	Improved growth, inching above zero-lower bound
2020	Covid-19 Pandemic

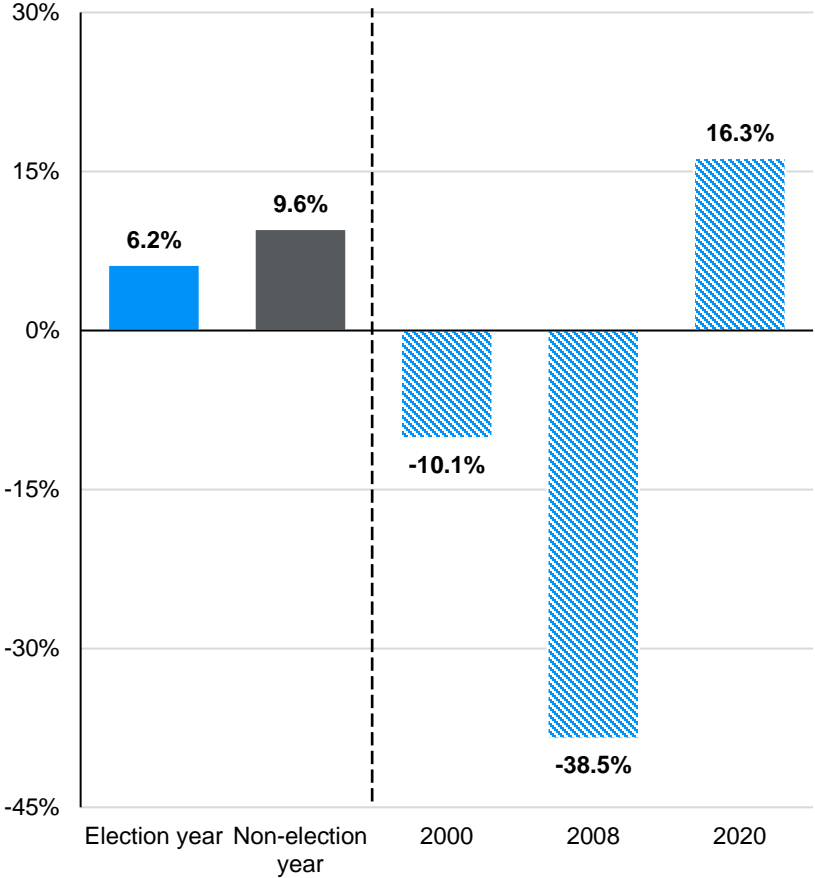
Source: Federal Reserve, J.P. Morgan Asset Management. Data are as of July 22, 2024.



Past performance indicates little about future results.

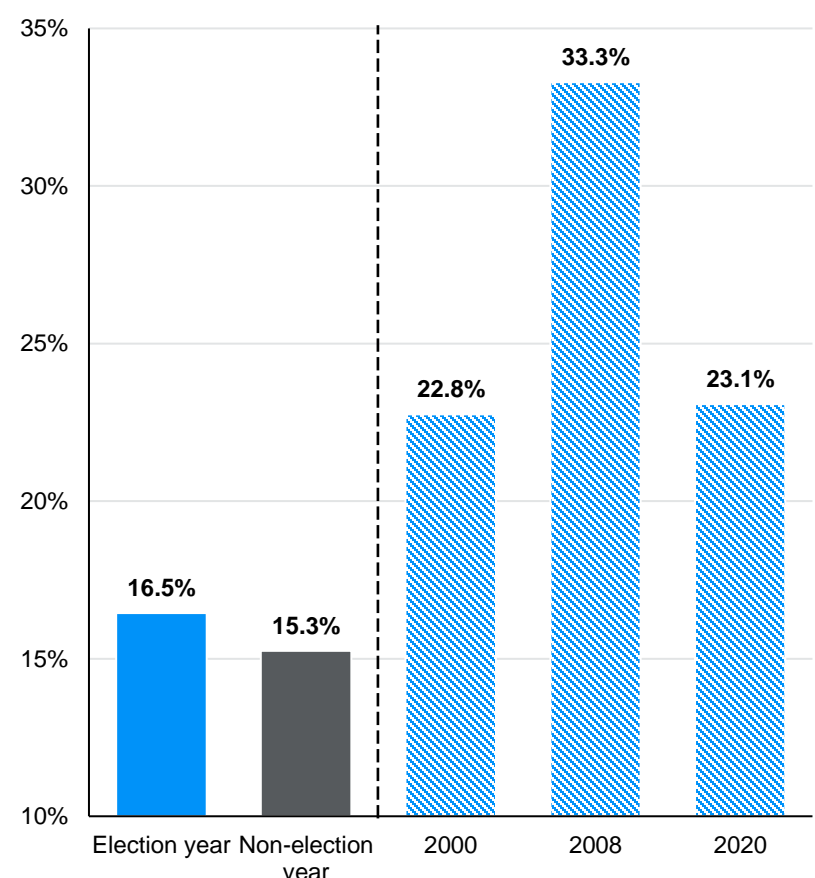
Returns during election, non-election years

S&P 500 price index, average return, 1932 – 2023



S&P 500 realized volatility

S&P 500 price index, 52-week standard deviation, 1932 – 2023



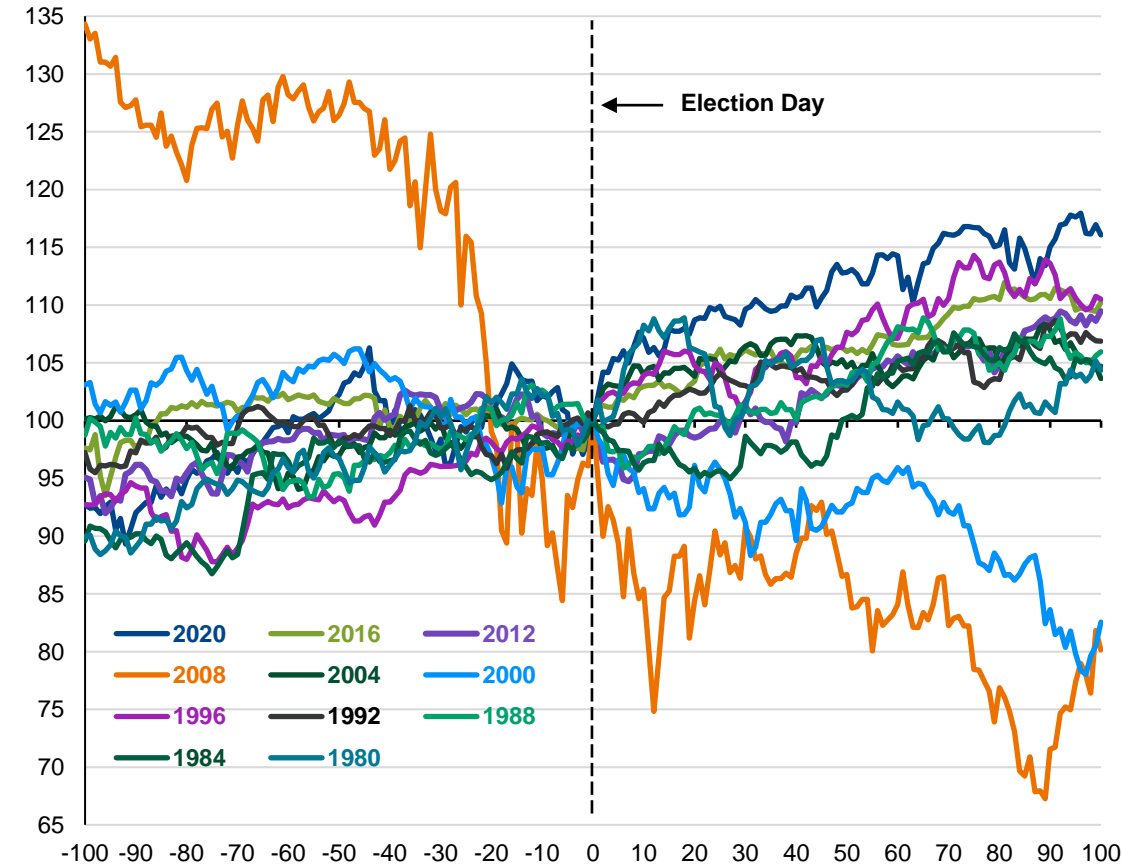
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management. Election years are presidential election years. Data are as of July 22, 2024.



Markets don't like uncertainty; elections almost always reduce it.

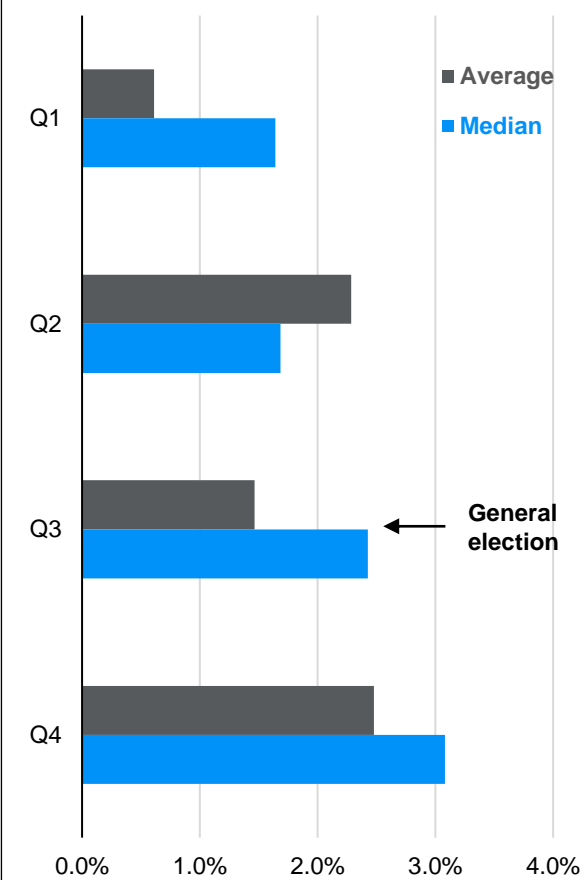
S&P 500 Price index 100 days prior to and following a presidential election

Election Day = 0, 1980-2020



Quarterly returns during election years

S&P 500 price index, 1936-2020*



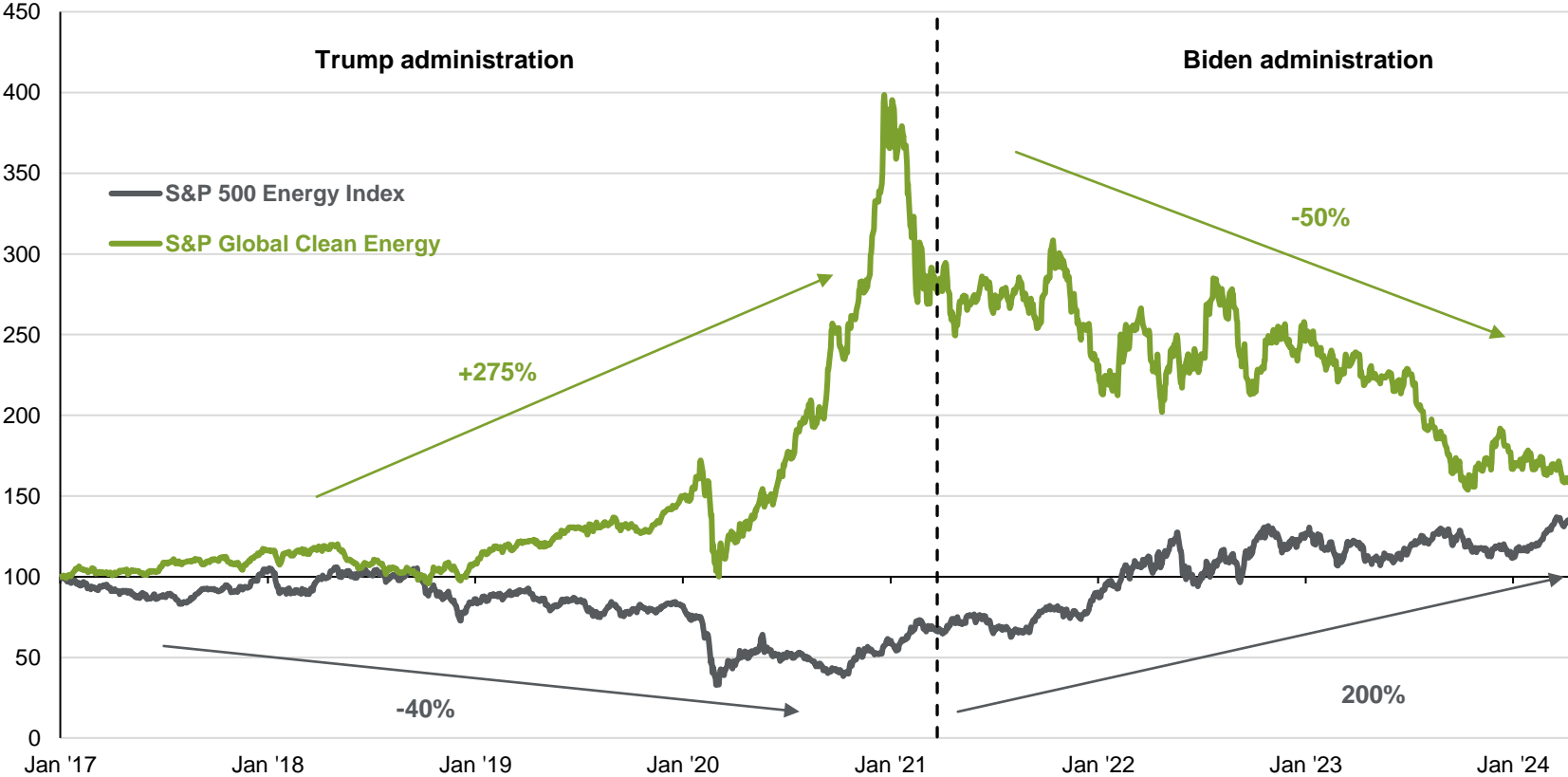
Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management. *Average and median quarterly returns for the S&P 500 across the 22 presidential election years from 1936 through 2020. Data are as of July 22, 2024.



Policy agendas can have little bearing on sector performance.

Traditional and renewable energy performance

Indexed to 100 on 1/20/2017

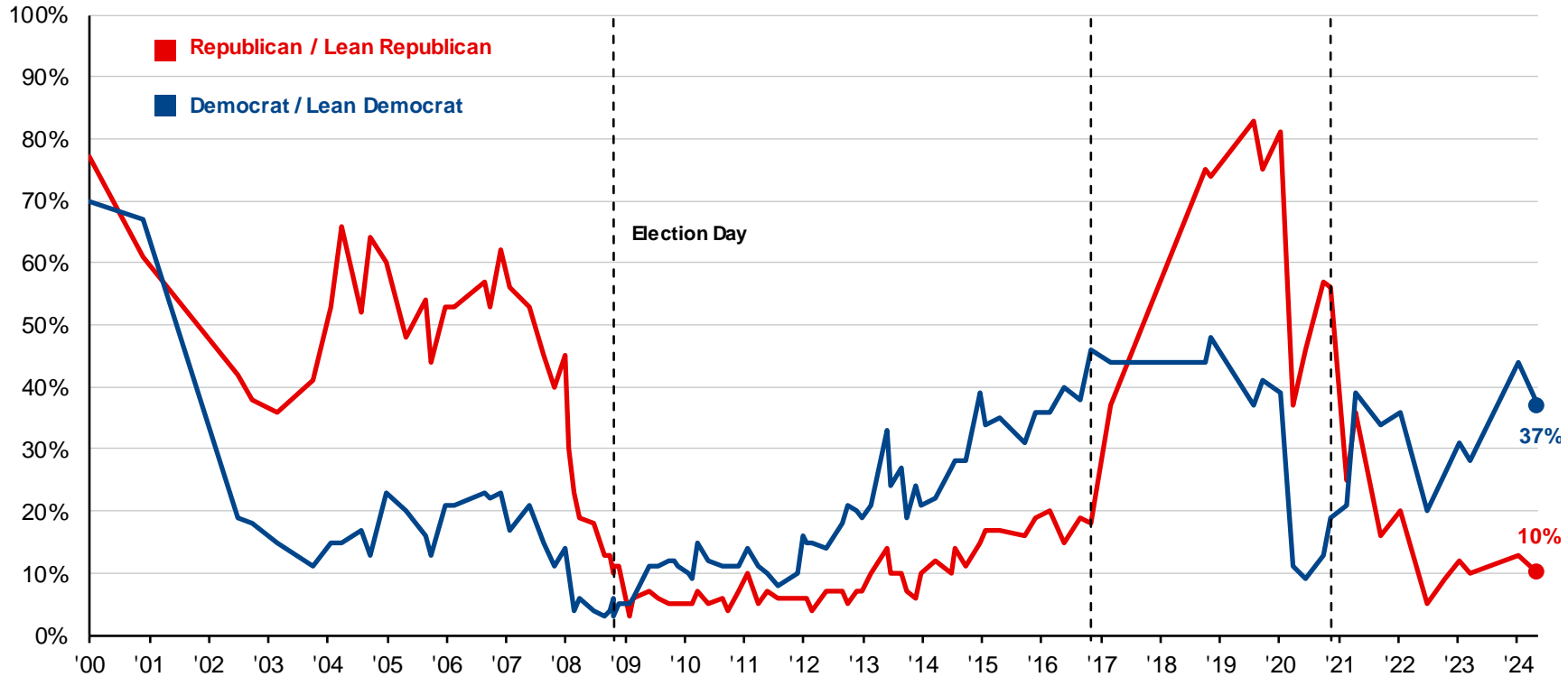


Source: FactSet, J.P. Morgan Asset Management. Data are as of July 22, 2024.



Don't let how you feel about politics overrule how you think about investing.

Percentage of Republicans and Democrats who rate national economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.4%
Real GDP growth	1.9%	2.2%	1.8%	2.7%

Investing Principles

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in May 2024, "Public's Positive Economic Ratings Slip; Inflation Still Widely Viewed as Major Problem." Pew Research Center asks the question: "Thinking about the nation's economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?". S&P 500 returns are average annualized total returns between presidential inauguration dates and are updated monthly. Real GDP growth are average annualized GDP growth rates. *Guide to the Markets – U.S.* Data are as of July 22, 2024.



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