

7 November 2024

Trump’s US Election Victory: What it could mean for Indian Economy

	Donald Trump Republican Party	295 electoral votes 72,623,882 votes (50.9%)
	Kamala Harris Democratic Party	226 electoral votes 67,927,989 votes (47.6%)

Key Highlights:

- Donald Trump defeats Kamla Harris in the Nov’2024 election to become the 47th president of the United States.
- It was a clean republican red sweep with all the swing states opting for Trump over Harris.
- A red senate and a house of representatives means that Trump will have a clear space to pass regulations in his 4- year tenure as president.
- Equity investors are delighted with the result but with global tariffs being imposed, global growth is likely to slow. Market reaction in the short-term can be different from those in the medium and long- term.
- The key impact of Trump’s victory in US election would be on the India-US bilateral ties in defence and trade, tarrifs, environmental policies, immigration policies, and geopolitics.

Trade Policies and Impact on Indian Markets:

- ❖ Trump may introduce increased tariffs on Chinese commodities which could open opportunities for Indian products benefitting Indian manufacturers in areas like auto parts, solar equipment and chemical production in US markets.
- ❖ India will thus benefit from the China+1 strategy which has shown success in electronic goods (especially mobile phones assembly) and chemicals in last round of tariffs. India is more prepared today having taken export friendly decisions from ‘PLI’ to ‘Make In India’ and from tax holidays to semi conductor programmes.
- ❖ Indian equity market benchmark indices, Sensex and Nifty rose 1% on the day of the final result.

Dollar Index and U.S. Markets:

- ❖ U.S. major indices rose on Wednesday; 06 November 2024 after Trump claimed victory. **The S&P 500 and the tech-rich Nasdaq Composite rose by 2.53% and 2.95%, respectively.**
- ❖ Between the late trade Wednesday and early trade on Thursday, **the 10-year US Treasury yields were at 4.44%.**
- ❖ **The U.S. Dollar Index, which measures the greenback’s strength against a basket of six major currencies surged by 1.9% to 105.30 to its highest level in almost 4 months.**
- ❖ **In Trump’s latest proposal, he wishes to reduce the corporate tax rate for domestic production from 21% to 15% which will strengthen dollar index and boost investment.**

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America First, H-1B Visa:

- ❖ Trump's goal of "His America First" and make "America great again agenda", which emphasises **tighter immigration may affect Indian IT sector which relies heavily on the US H-1B Visa.**
- ❖ Few headwinds such as increased costs and operational challenges may arise if the president- elect chooses to further limit these visas.
- ❖ Trump's policies may **create near-term headwinds for the IT and Pharma but may be beneficial in the longer- run as a stronger dollar will result in better revenues specially for Indian IT firms which are heavily reliant on the geography for earnings reported in US dollar.**

Impact on Gold:

- ❖ Trump's policies are **set to be expansionary, meaning higher government spending which would increase U.S. fiscal deficit and consequently the overall national debt.**
- ❖ The rise in **U.S. debt is anticipated to have a positive impact on gold prices, as heightened debt levels and potential inflationary pressures drive demand for safe-haven assets such as gold.**
- ❖ In the near term the yellow metal may experience a short-term blip, as the commodity has tendency to react to political shifts, with potential declines before long-term rallies **backed by high demand in China.**

Summary:

India-U.S. relations could deteriorate if Trump goes ahead with higher import tariffs, decrease in visa grants and an increase in uncertainty over world trade. However, businesses moving away from China with lot of narratives shifting towards India, it could offer an opportunity to strengthen ties between the two countries.

Investment Approach:**Equity:**

We believe **global equity markets, including the Indian markets may stay volatile in near term, investors may look at Large cap oriented funds along with Multi Asset, Balanced Advantage and Balanced Hybrid categories as these categories shall assist to manage the near term risks.**

Debt:

The debt markets continue to have a favourable outlook in the medium-term. With the market expectation of the U.S. Federal Reserve cutting rates again tonight what has to be seen when RBI will follow the suit.

Investors should not try to time the market and **investors should follow the prescribed asset allocation** to avoid unfavourable portfolio outcomes in case of any volatility that flows in the Indian markets due to tapering.

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