

OCTOBER 2024



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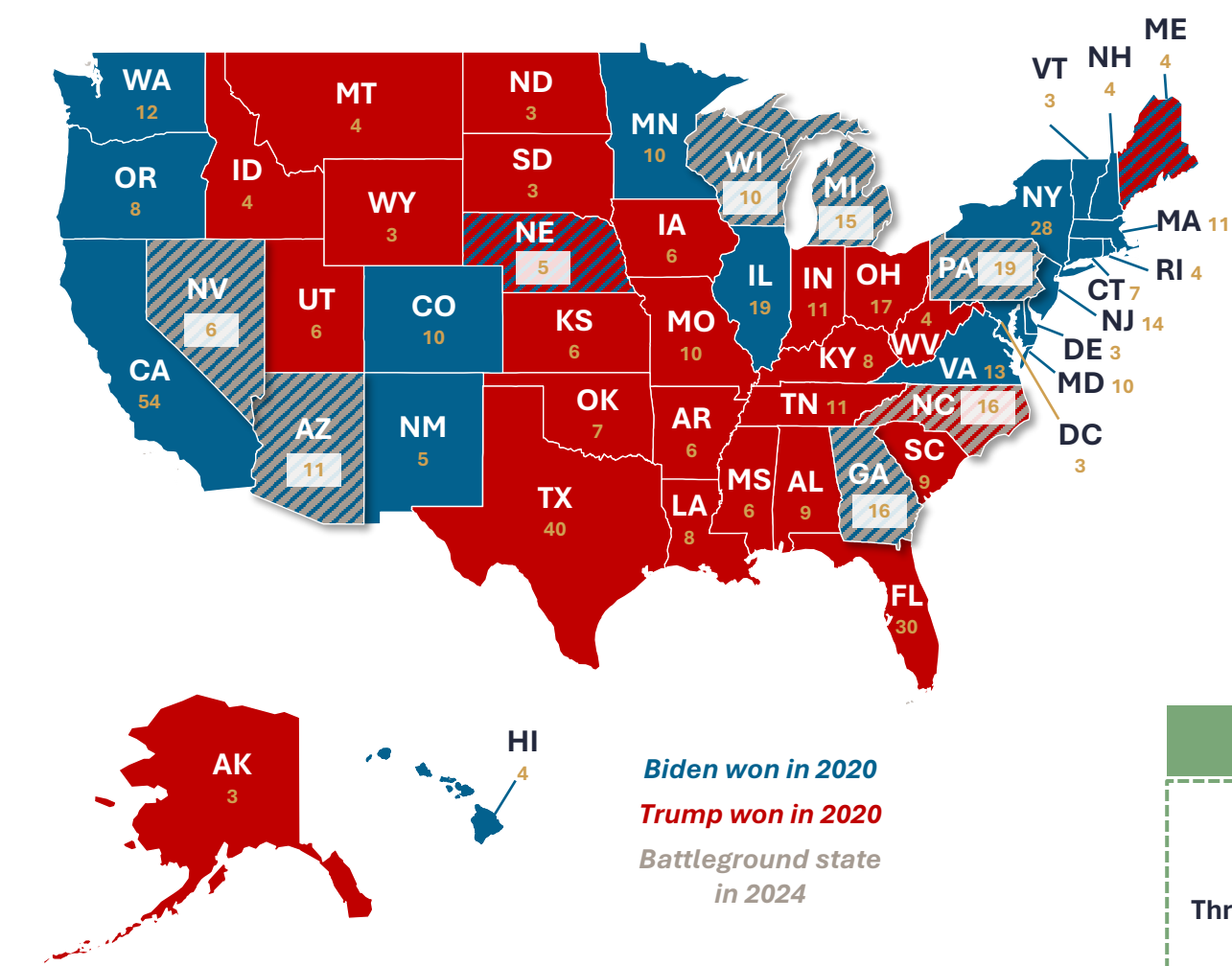
RONALD TEMPLE, CHIEF MARKET STRATEGIST

US Election Outlook

The Vote Distribution of the Electoral College Creates a “Race to 270”

The electoral college is comprised of 538 votes, which are cast by electors appointed by the winning political party from each state based on each state’s popular vote

Electoral College Votes by State



The US’ Electoral College Explained

- Electoral votes are allocated among the states based on the latest census (i.e., 2020 census data)
- Every state is allocated a number of votes equal to the number of Senators and Representatives in its US Congressional delegation—two votes for its Senators in the US Senate plus a number of votes equal to the number of its Congressional districts
- All states, except for Maine and Nebraska, have a winner-take-all policy where the state looks only at the overall winner of the state-wide popular vote
- Presidential candidates must secure a simple majority of electoral votes (270 votes) to win the election. If neither candidate gets a majority of the 538 electoral college votes, the election for President is decided in the House of Representatives, with each state delegation having one vote

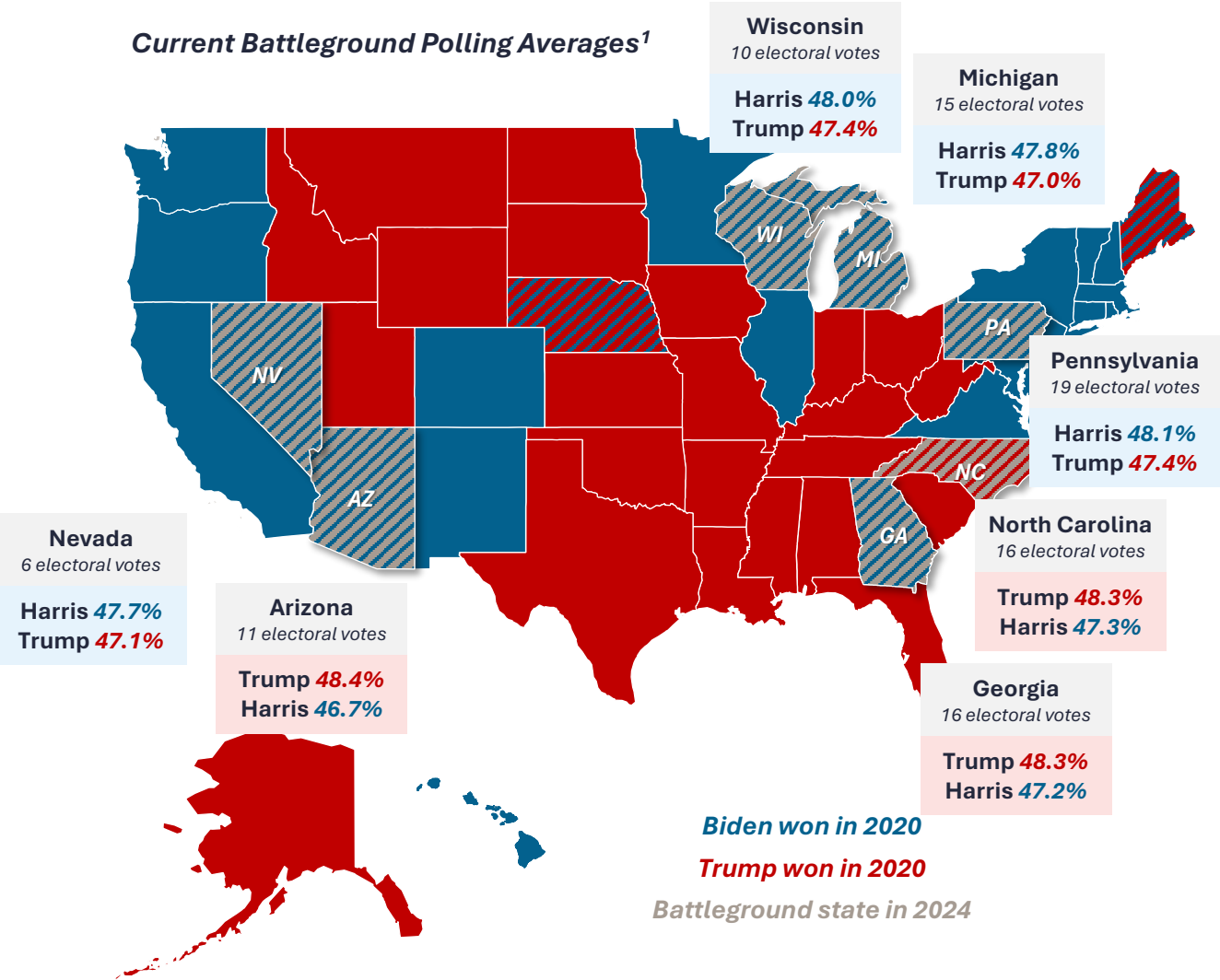
Potential Pathways to 270¹

Harris’ direct path to victory: Through the Great Lakes (PA, MI, WI)	Trump’s direct path to victory: Through the Sun Belt (AZ, GA, and either MI/PA/WI)	Electoral tie: Trump with AZ, GA, NC, and NV Harris with PA, MI, WI
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1. NBC’s Road to 270.

Harris Has a Narrow Lead over Trump Nationally and in Most Battleground States

The House will likely go the way of the presidency (Democrat or Republican) while the Senate will likely go Republican no matter who wins the presidency; this could create a divided government for Harris, while Trump would more likely have a unified government



Polling Averages & Expert Forecasts

	Presidential Race	Congressional Races	
		Senate	House
270 to WIN Electorate Polling Average ¹	Harris 48.5% Trump 46.1%	Lean Republican	Toss-Up
AMERICA VOTES Probability of Victory ²	Lean Democrat	Lean Republican	Lean Republican
GOOD JUDGMENT Probability of Victory ³	Harris 58% Trump 41%	Lean Republican	Toss-Up

1. FiveThirtyEight averages of major national and battleground state polls using custom aggregation models for the presidential race; 270 to Win national polling aggregates for congressional races as of October 14, 2024. Note that Nebraska and Maine allow electoral votes to be split between different candidates. Polling may not add to 100% due to other candidates excluded from this analysis or toss-up races.
2. Sabato's Crystal Ball probability of victory forecast based on the University of Virginia's Center for Politics expert assessments of electoral history, polling, candidate quality, modeling, and reporting as of October 14, 2024.
3. Good Judgment Inc probability of victory forecast based on assessments by Good Judgment's set of superforecasting experts as of October 14, 2024.

The Most Consequential Market-Moving Differences Relate to Taxes, Trade, and Regulation



Tax



Trade



Energy /
Climate



Harris

- **Corporate rates:** raise from 21% to 28%, but unlikely to pass given a likely Republican-controlled Senate
- **Child tax credit:** expand from \$2k to up to \$3.6k-\$6k per child
- **Tips:** exempt from taxation
- **Other:** small business tax breaks & extension of Trump-era tax cuts for individuals making <\$400k per year

- **Continued focus on reshoring critical tech and materials supply chains**
- **Focused on coupling environmental provisions with trade;** was one of only 10 senators to vote against the USMCA,¹ noting “by not addressing climate change, the USMCA fails to meet the crises of this moment”²

- **Harris sponsored expansive climate bill** as a Senator (Green New Deal)
- **Walz signed a law mandating utilities use 100% carbon-free sources of generation by 2040**³



Trump

- **Corporate rates:** reduce from 21% to as low as 15%
- **Child tax credit:** no formal proposals but likely to support maintaining the current \$2k per child credit
- **Tips:** exempt from taxation
- **Other:** Make expiring 2017 tax cuts permanent

- **Has promised to significantly expand tariffs on allies and adversaries alike, including** a 10-20% tariff on all imports and a 60% tariff on Chinese imports
- This could increase the US’ effective tariff rate to levels not seen since the 1940s, which could push up inflation and hurt household incomes⁴

- **Cutting back environmental regulation to encourage domestic extraction of oil and gas**
- **Pressure on clean energy credits / EV subsidies**



China

- **Both parties have indicated a continued willingness to scrutinize Chinese investment in US, along with continued appetite to regulate exports of critical technologies (e.g., semiconductors and biotech) and shore up associated materials supply chains**
- **However, Trump’s China agenda would likely be more ambitious and disruptive, with less lead time for the market to adjust** (e.g., Trump has proposed a plan to phase out all Chinese imports of essential goods like steel and pharmaceuticals within four years)

1. United States–Mexico–Canada Agreement (USMCA) replaced the North American Free Trade Agreement in 2020 to provide an agreement between the US, Canada, and Mexico.
2. Statement by then-Senator Kamala Harris in January 2020 as reported by the New York Times.
3. Bill HF7 Signed into Law February 7, 2023.
4. US International Trade Commission via the Pew Research Center, Peterson Institute for International Economics, and Penn Wharton Budget Model as of August 26, 2024.

Potential Trump 2.0 “Tail Scenarios”

A GOP sweep combined with a conservative Supreme Court could lead to more significant policy outcomes but could also lead to Democrats regaining control of Congress in 2026 when 23 GOP senators are up for reelection versus only 10 Democrats.

Trade • Severe decoupling with China: 60% tariff, ban on all essential goods imports over 4 years • Escalating trade war with Europe • Impact: Likely significant negative economic consequences	Foreign • Reneging directly or indirectly on treaty commitments, including by damaging credibility of NATO’s Article V and attempts to withdraw US troops from Japan and South Korea • Impact: Rising global instability with Russia, China, and North Korea feeling empowered to take strategic risks	Fiscal • Corporate tax rate lowered to 15% from 21% • Impact: Higher near-term corporate profits but worsening fiscal outlook over the long run. Extending Trump-era tax cuts 10 years could add \$4.6tr to the federal deficit²
Federal Bureaucracy • Aggressive replacement of civil servants via Schedule F. Could result in firing of as many as 50,000 career bureaucrats • Impact: Administrative bottlenecks, policy and regulatory uncertainty, and sharp reduction in governing capacity	Immigration • Mass deportation program along with major restrictions to legal immigration paths • Impact: Potentially significant increase in inflation, business disruption, social backlash, legal challenges, and growing domestic political instability	Monetary • Removal of Fed Chair alongside overt pressure to accelerate rate cuts and interference with Fed independence • Impact: Diminished market confidence in the Fed, greater global pressure to find alternatives to the dollar, and higher Treasury borrowing costs, even if unsuccessful in the short run

Project 2025

PRESIDENTIAL TRANSITION PROJECT

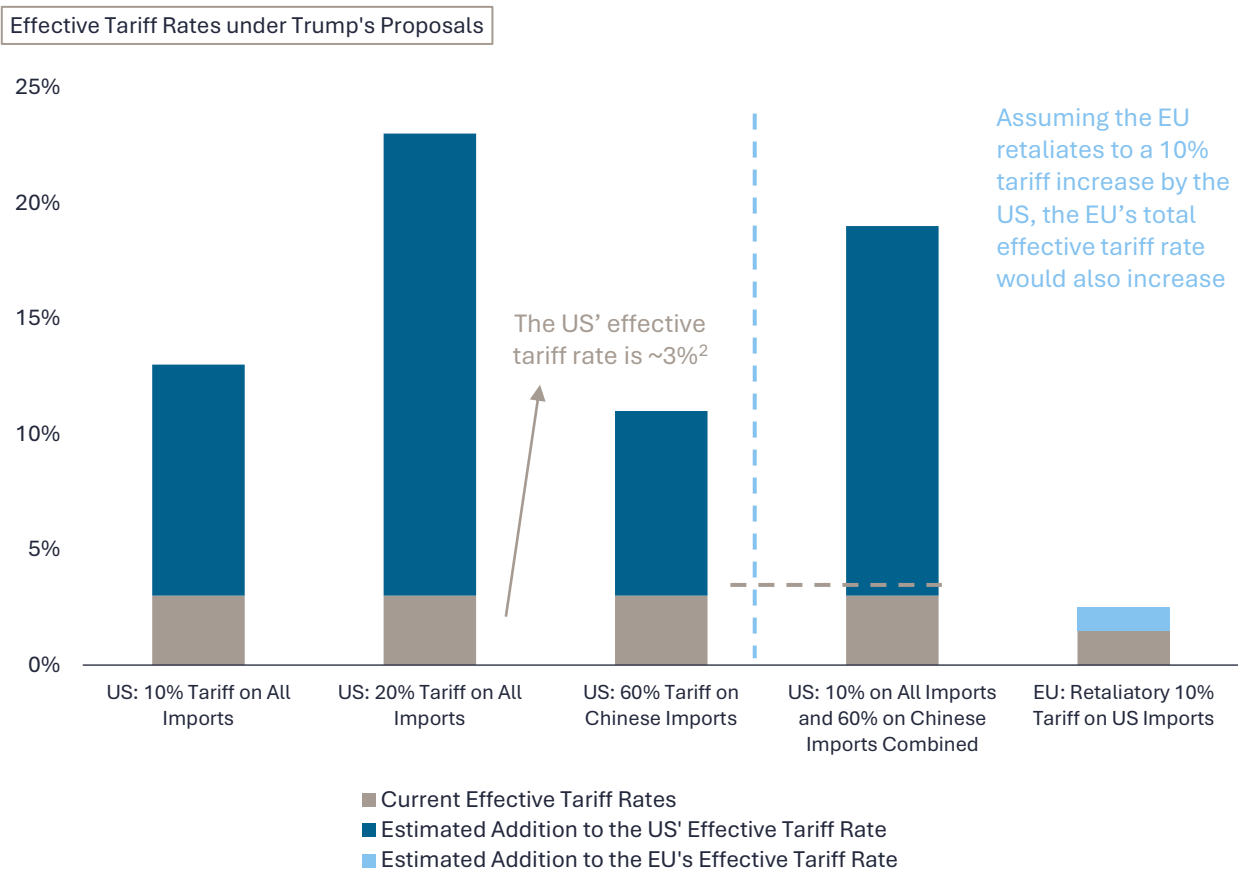
The most significant proposals are outlined in “Project 2025.” While Trump has tried to distance himself from the report, it is built by dozens of former Trump officials who will likely be influential advisors in a potential second term. Proposals include:

- Shuttering several agencies (e.g., Commerce, Education) and putting others under direct presidential control (e.g., Justice, FTC)
- Curtailing the Federal Reserve and replacing it with “free banking” (e.g., no government control of interest rates)
- Mass deportation of illegal immigrants, and the bypassing of legal steps that slow deportation processes (e.g., hearings)

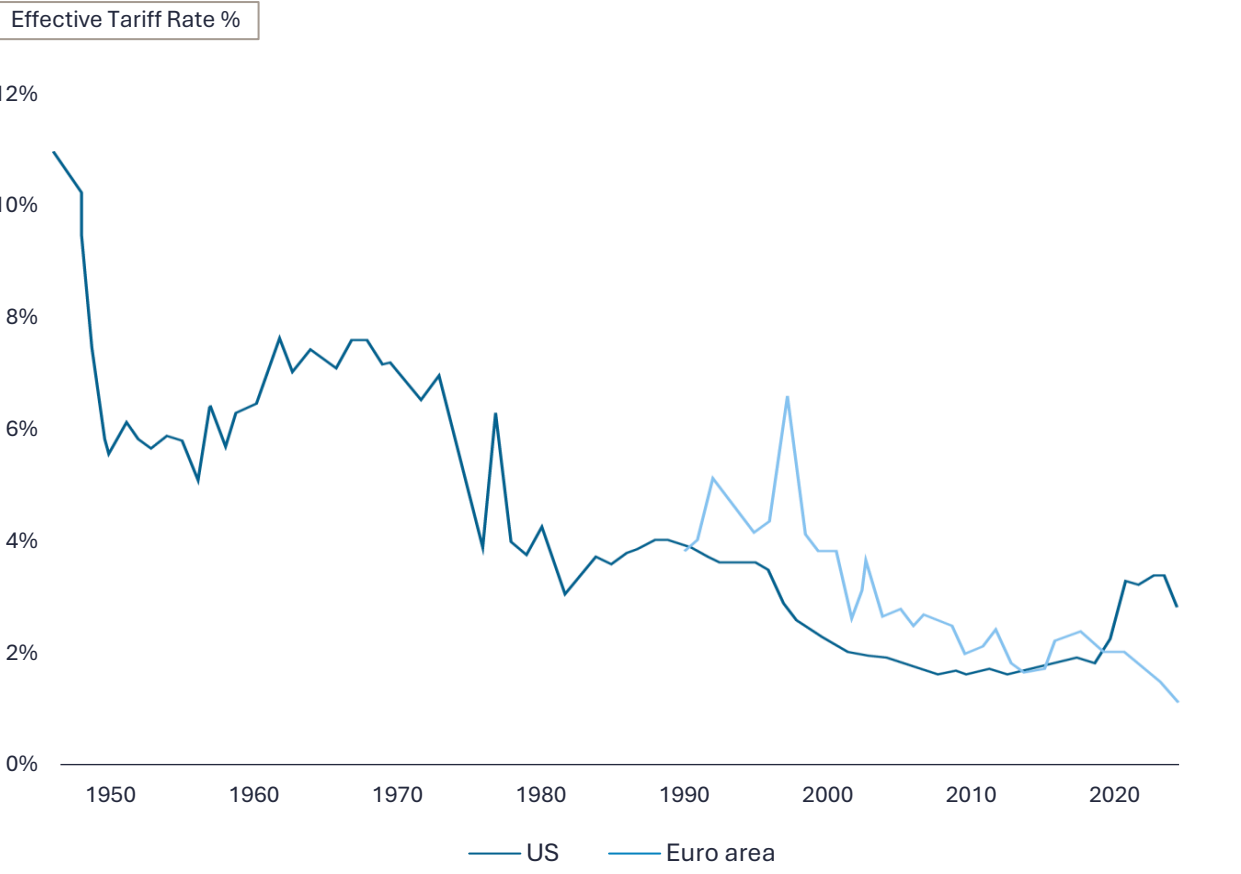
1. Goldman Sachs Global Investment Research.
2. Congressional Budget Office as of May 2024.

Trump’s Proposed Trade Policies Could Increase Inflation, Reduce Growth, and Cut Corporate Margins

A 10% Tariff on All Imports Could Risk a Global Trade War⁽¹⁾



The US’ Effective Tariff Rate Could Rise Past Levels Not Seen in Several Decades¹



Economists have warned that Trump’s proposed 60% tariff on Chinese imports and 10-20% tariff on all other foreign imports could cost the average US middle-income household \$1,700-\$2,600 per year³

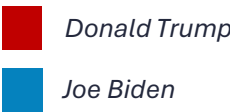
1. Goldman Sachs Global Investment Research.
2. Latest estimates from the WTO reflecting data from 2022.
3. Peterson Institute for International Economics. Note that this estimate is for an average middle-income US household per year and does not include possible costs from secondary effects such as possible foreign retaliatory tariffs, a depressed job market, higher inflation, or lower domestic output.

Climate Spending Would Likely Decline Under Trump, but Complete IRA Repeal Is Unlikely

Under Trump, the IRA clean energy subsidies and spending will likely be restricted or slowed, and environmental regulations lowered, but a full repeal is unlikely given political realities and likely pushback from business leaders close to Trump

A Large Majority of IRA Funding Is Flowing to Republican-Led States⁽¹⁾

Boxes represent the relative size of expected IRA clean energy investment funding and are colored based on states won in 2020 by:



1. Bloomberg and CNN as of February 2024.



I Appendix

Biography

Ron Temple, CFA, Chief Market Strategist



Ronald Temple is the Chief Market Strategist for Lazard's Financial Advisory and Asset Management businesses. In this role, Ron provides macroeconomic and market perspectives to Lazard's investment teams on a firmwide basis and works closely with Lazard's Geopolitical Advisory group to assess economic and market implications of key geopolitical issues globally. Ron also advises clients of Lazard's Asset Management businesses regarding macroeconomic and market considerations that are important to achieving their objectives. Previously, Ron was the Head of US Equity and Co-Head of Multi-Asset Investing for Lazard Asset Management. In this role, Ron was responsible for overseeing the firm's US equity strategies, Multi-Asset investing, as well as several global equity strategies. He was also a Portfolio Manager/Analyst on various US and global equity teams. Ron joined Lazard in 2001 as an equity analyst with ten years of global experience including fixed-income derivative trading, risk management, corporate

finance and corporate strategy in roles at Deutsche Bank AG, Bank of America NT & SA, and Fleet Financial Group in London, New York, Singapore, San Francisco, and Boston. Ron has an MPP from Harvard University and graduated magna cum laude with a BA in Economics & Public Policy from Duke University. He is a member of the Council on Foreign Relations, the Economic Club of New York, the CFA Society New York, is the chair of Duke University's Graduate School Board of Visitors.

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