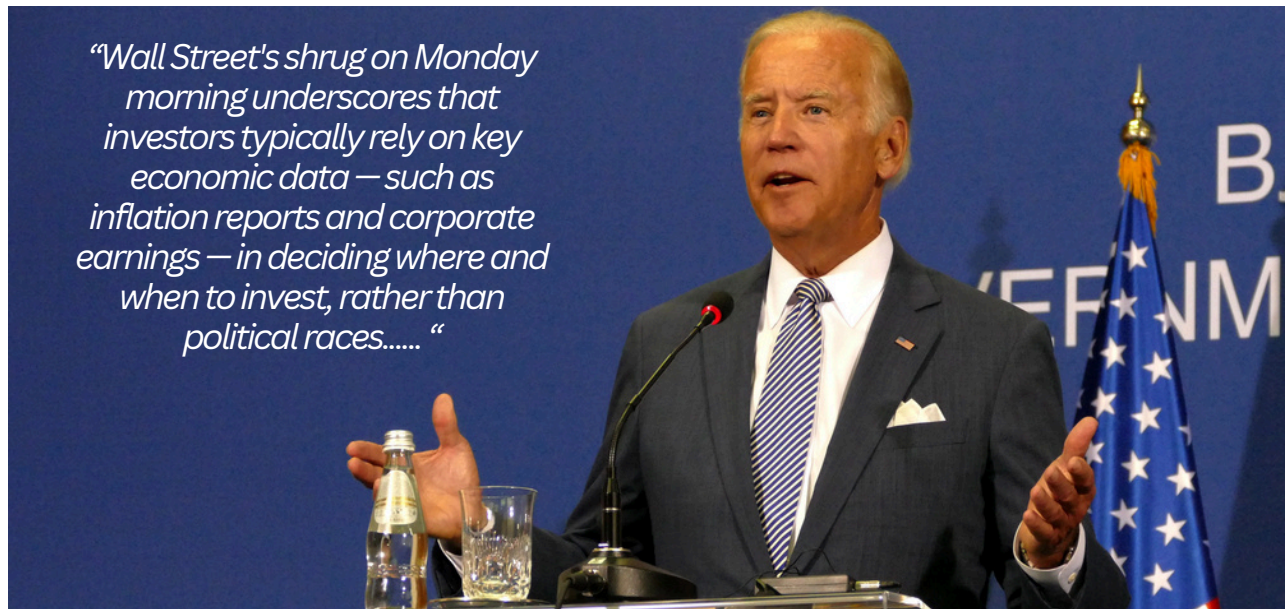


*The following is an excerpt from a CBS News article published July 22nd, examining the impact of President Biden's withdrawal from the presidential race on the markets and investor sentiment. The full report is referenced below.*

**This week, our coverage is centered on the geo-political landscape in the United States and the implications for investors following the decision to replace President Joe Biden as the Democratic presidential candidate later this year. We will explore potential stock market reactions and whether the so-called 'Trump Trade' will remain a key point of interest for investors.**



*“Wall Street's shrug on Monday morning underscores that investors typically rely on key economic data — such as inflation reports and corporate earnings — in deciding where and when to invest, rather than political races..... “*

## **Here's what investors are saying about Biden dropping out.**

**CBS News (2024) reports that President Biden's withdrawal has introduced a degree of unpredictability into the US presidential race. Nonetheless, the market's response this week, coupled with Wall Street's anticipation of Biden's exit, indicates that attention and scrutiny will likely shift to the economic policies of both candidates.**

President Biden's exit from the presidential race and move to endorse Vice President Kamala Harris as the Democratic party's candidate has prompted investors and economists to reassess the campaign's impact on everything from the stock market to the so-called "Trump trade."

So far, U.S. markets are taking Biden's announcement to leave the campaign in stride, with the broad-based S&P 500 index and the tech-focused Nasdaq both rising in Monday trading, partly as Wall Street had already priced in the likelihood of Biden stepping down. But in the near-term, investors caution there could be more volatility in U.S. markets, especially if the race tightens with a new Democratic candidate.

Prior to Biden's Sunday decision, former President Trump had gained an edge in the polls, securing his largest national lead over Biden in the campaign until that point. That tailwind helped spark the Trump trade, which describes a strategy to invest in the assets and stocks that investors believe could profit under a Republican White House, ranging from cryptocurrencies to energy stocks.

But now, Wall Street is sizing up the new landscape and examining the economic policies and views of Harris, who has gained support from leading Democrats to replace Biden atop the ticket. A new Democratic presidential candidate could ultimately result in a tighter race than had been predicted prior to Biden's decision, which could spark more volatility across U.S. markets as investors try to gauge which party — and their economic policies — will win out in November, investors said.

"U.S. politics will be far more unpredictable for at least the next three months than investors had expected — and this heightened uncertainty is bound to be bearish for most assets, especially those priced for perfection, with valuations that assume predictability in a world where we should expect the unexpected," said Anatole Kaletsky, co-founder and chief economist of investment advisory firm Gavekal, in a research note.

CBS News (2024)



**Despite expert opinions predicting potential market volatility due to President Biden stepping down, CBS News (2024) believes that investors will continue to make informed decisions based purely on key economic data, and not the manoeuvrings of the presidential race:**

### **Stock Market Impact.**

Some investors are cautioning that the S&P 500, which has surged 22% in the last 12 months, might face downward pressure due to the fresh unpredictability in the presidential race. "Biden stepping down is a whole new level of political uncertainty. This may be the catalyst for market volatility that is overdue," noted Gina Bolvin, president of Bolvin Wealth Management Group, in an email.

Even so, Wall Street's shrug on Monday morning underscores that investors typically rely on key economic data — such as inflation reports and corporate earnings — in deciding where and when to invest, rather than political races. By many measures, the U.S. economy is expected to remain strong in 2024, with Goldman Sachs on Sunday forecasting GDP growth of 2.5% in the second half of 2024, which would put the U.S. on pace to match 2023's growth.

CBS News (2024)

The Fed is also widely expected to start cutting interest rates at its September meeting, a step that could help ease borrowing costs for homebuyers and businesses, potentially also spurring investment and spending.

"Investors should remember that U.S. political outcomes are far from the largest driver of financial market returns, or even sector performance," said Solita Marcelli, chief investment officer Americas at UBS Global Wealth Management, in an email. "Economic data and Federal Reserve rate-cut expectations remain at least as important."

CBS News (2024)



**CBS News (2024) reports that this week's decision by the Democrats has moved the focus of investors away somewhat from the ' Trump trade'. Their eyes are now firmly focused on the likely new candidate , Vice President Kamala Harris and her economic policies, and whether she will emphasize the environmental agenda over foreign trade. This will become clearer in the coming weeks and months:**

### **Trump Trade.**

To be sure, many institutional investors are still giving Trump the inside track, regardless of if he runs against Harris or another Democratic opponent. Election odds have dipped slightly for Trump, while Harris' odds have jumped 11 percentage points, although she's still trailing Trump, according to prediction market Polymarket. The new odds have shifted some of investors' focus away from the Trump trade, which appears to be fading in the aftermath of Biden's decision. For instance, with Trump viewed as favorable toward cryptocurrencies, bitcoin had surged more than 50% this year so far. But on Monday, bitcoin prices slid 1.5%, while other cryptocurrencies also lost ground.

In recent weeks, "We have seen some rotation toward 'red' sectors and away from 'blue' ones ... as recent momentum has favored the Republican Party," UBS' Marcelli noted. "That could at least partially reverse in the coming days as markets parse the latest developments."

CBS News (2024)

## What are Harris' economic views?

Wall Street is also focusing on Harris' economic views, assessing what her candidacy and a potential White House win could mean for the economy and U.S. markets. She's likely to continue with Biden's policies, including his focus on addressing climate change and scrutinizing anticompetitive practices from big corporations, economists said. Another Democratic administration "would likely continue to support initiatives benefiting green energy, efficiency and electric vehicle makers," Marcelli noted. One major area where Biden and Harris do differ is on trade policy, according to BTIG's Isaac Boltansky in a Monday research report.

"In fact, following our survey of policy proposals and numerous contact conversations, the only area of slight departure we could find was on trade policy," Boltansky wrote.

Harris, for example, voted against the United States-Mexico-Canada Agreement (USMCA) when she served in the Senate. That 2020 trade deal, signed into law by former President Donald Trump, replaced the North American Free Trade Agreement (NAFTA), with Harris opposing it due to climate concerns. She also opposed the Trans-Pacific Partnership, or TPP, a 2016 trade deal, due to similar issues. That could suggest that Harris might prioritize environmental and climate concerns over trade deals, for instance. But "that's what matters most as there are few, if any, policy differences between Biden and Harris," Boltansky noted.

### References:

CBS News (2024). 'Here's what investors are saying about Biden dropping out'. CBS News July 22. Available at: <https://www.cbsnews.com/news/biden-out-kamala-harris-what-it-means-for-economy-trump-trade/>. (Accessed 22 July 2024).

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