



# 2024 US Presidential Election:

## Assessing the stock market implications

Major global equity markets have posted strong returns to date in 2024, with the S&P 500 and the Dow Jones Industrial Average hitting fresh record highs in September. However, investor trepidation surrounding the 2024 US Presidential Election, to be held on Tuesday November 5, is growing.

How will the election result impact your global equities portfolio?

There are various pundit predictions and expert insights on this topic. These crystal ball observations can be seductive, but often miss the mark.

Remember the concerns that Trump's tariff policies would tank iPhone sales by 8 million units? Those who heeded this advice missed out on Apple's 160% return over the following year. Similarly, fears of Biden destroying the oil and gas industry proved unfounded. Energy has been the top-performing U.S. sector during Biden's presidency.

Instead of relying on pundits, whose views are often tinted with red or blue, we have applied a more objective approach.

## Follow the money

“The data shows that if you want a single, reliable predictor... the best source of insight into elections is the prediction (betting) markets.”

- Rutgers Professor, Harry Crane.

The Crane quote makes perfect sense: bettors constantly synthesise all available information, including real-time polling data, and have a financial incentive to get it right.

As the famous line from *All the President's Men* goes, “Follow the money.”

To develop an understanding about the impacts the election could have on stocks, Plato has analysed over three years of data linking global betting markets and developed markets equities.

This quantitative analysis examines the correlation between daily betting market movements and daily stock price movements of the largest 10,000 companies in developed markets.

We think this provides one of the most explicit unbiased gauge of how stocks could react to either a Trump or Harris victory.

## The twist and turns so far

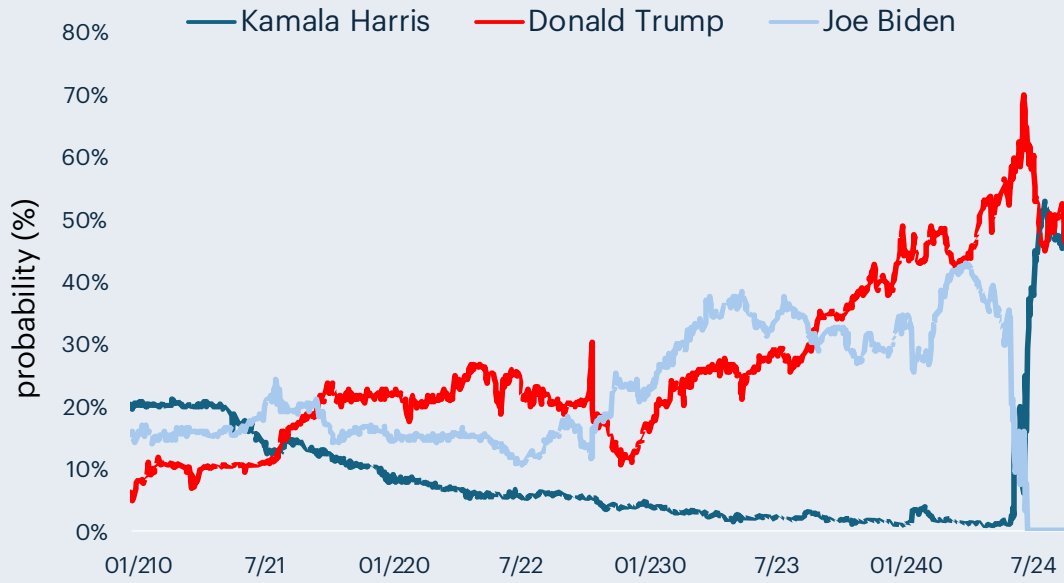
At the start of 2021, Kamala Harris was the frontrunner with a 20% probability of winning, while Donald Trump was seen as a long shot, with 20-to-1 odds.

However, Harris's chances steadily declined, hitting a nadir in January of this year with just a 1% probability.

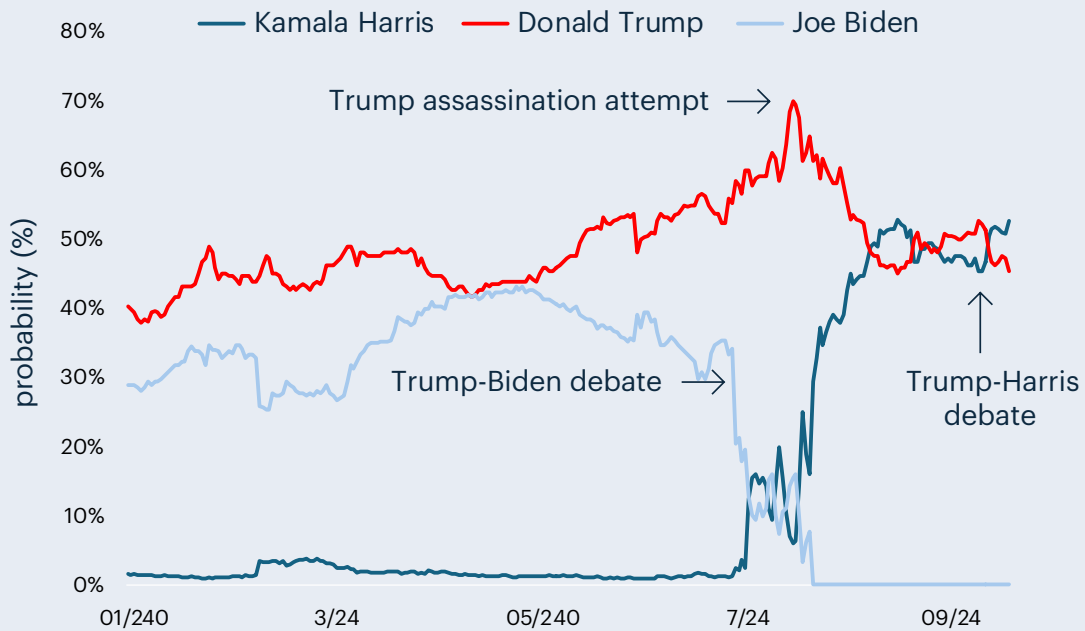
Fast forward to June 27 2024, Joe Biden's disastrous debate performance led his win probability to drop to around 10%. Two weeks later, after Trump survived an assassination attempt, his odds skyrocketed to a record high of 70%.

The Democratic Party then made the decision to replace Biden. Since then, the race has been neck-and-neck, with Harris gaining an edge following an impressive debate performance on September 11.

## PRESIDENTIAL BETTING MARKET INFERRED WIN PROBABILITY 2021-2024



## PRESIDENTIAL BETTING MARKET INFERRED WIN PROBABILITY, 2024



While these twist and turns make for lively conversation, they rarely make profitable trades. However, close analysis of market reactions to these moves provides some very valuable data for investors.

## Stocks to avoid for outsized losses should Trump be re-elected to the presidency

These stocks have had the strongest **negative** price moves during instances when betting markets have recorded a 30% increase in the probability of a Trump presidential win.

### Bottom ten global performers from a 30% increase in the Trump presidential win probability

Company name	Country	Sub industry
B2Gold Corp.	CAN	Gold
De Grey Mining Ltd	AUS	Gold
Novagold Resources Inc	CAN	Gold
Mineral Resources Limited	AUS	Diversified Metals & Mining
DexCom, Inc.	USA	Health Care Equipment
Wesdome Gold Mines Ltd.	CAN	Gold
St. Barbara Ltd.	AUS	Gold
Warner Bros. Discovery, Inc. Series A	USA	Movies & Entertainment
NextEra Energy Partners LP	USA	Renewable Electricity
Brookfield Renewable Corp. Class A	CAN	Renewable Electricity

Notably, several Australian gold companies are on the list. A Trump presidency, characterized by deregulation and tax cuts, could spur economic growth, creating a headwind for gold, traditionally a safe-haven asset. It's also no surprise to see renewable energy companies on the list, given Trump's well-known opposition to green energy. The appearance of Warner Bros. Discovery can be attributed to its parent company owning CNN, a long-time Trump antagonist.

## Stock likely to surge should Trump be re-elected to the presidency

These stocks have had the strongest **positive** price moves during instances when betting markets have recorded a 30% increase in the probability of a Trump presidential win.

### Top ten global performers from a 30% increase in the Trump presidential win probability

Company name	Country	Sub industry
Helix Energy Solutions Group, Inc.	USA	Oil & Gas Equipment & Services
Western Alliance Bancorp	USA	Regional Banks
Micron Technology, Inc.	USA	Semiconductors
Marvell Technology, Inc.	USA	Semiconductors
Broadcom Inc.	USA	Semiconductors
Heartland Financial USA, Inc.	USA	Regional Banks
Oceaneering International, Inc.	USA	Oil & Gas Equipment & Services
Halliburton Company	USA	Oil & Gas Equipment & Services
Baker Hughes Company Class A	USA	Oil & Gas Equipment & Services
NVIDIA Corporation	USA	Semiconductors

U.S. deep cyclical energy companies and regional banks are likely to thrive under a Trump presidency, benefiting from reduced regulation and lower interest rates.

The inclusion of several semiconductor companies might be surprising, given Trump's mixed stance on Taiwan and potential trade restrictions. However, these companies have a high "beta," meaning they tend to outperform the market when it rises. If Trump's policies boost market sentiment, semiconductor stocks could see substantial gains assuming he refrains from punitive trade restrictions.

The above lists can also be applied conversely in the result of a Harris win, however our internal analysis has shown some variance.

## Applying betting market analysis to portfolio construction

You might have heard terms such as 'The Trump Trade'. We believe trying to trade elections is a futile undertaking. But for active investors focussed on alpha generation and capital preservation, elections can't be ignored. The stakes are high for significant portions of the market.

In January this year, we wrote an investor letter outlining Plato Investment Management's approach to guarding client capital against macroeconomic and geopolitical shocks. We re-iterate our core philosophy; we don't attempt to predict shocks, we attempt to ensure portfolios will not suffer excessive declines when shocks inevitably occur.

We are continually considering scenarios that could impact stock markets (not predicting when or even if they'll happen at all) and ensuring our client's downside exposure to these events is limited. This happens both on the long and short side of the Plato Global Alpha portfolio.

Our approach to exposure to the 2024 US Presidential Election outcome is no different.

Rather than spending endless hours trying to anticipate inherently unpredictable events, we feel this is the most prudent approach to ensure your portfolio will not be significantly impacted whoever wins on November 5 – it's about protecting, not predicting.



### **DR DAVID ALLEN** **Head of Long Short Strategies**

Formerly, Dr. Allen was Managing Director and Head of Research at JP Morgan Asset Management in London. In 2014, Dr. Allen won the EuroHedge UCITS Fund of the Year. He also managed the JPM Europe Equity Plus (€5bn) and JPM Europe Equity Absolute Alpha (€1bn.) funds.

# Plato Global Alpha Fund

## NET PERFORMANCE AS AT 31 AUGUST 2024

NET PERFORMANCE (%)	1 MONTH	3 MONTHS	12 MONTHS	FULL HISTORY % P.A. <sup>3</sup>
<b>Fund<sup>1</sup></b>	-0.3	7.8	33.6	19.8
<b>Benchmark<sup>2</sup></b>	-1.2	4.5	18.8	9.8
<b>Value added</b>	1.0	3.3	14.9	10.1

<sup>1</sup> Plato Global Alpha Fund. Fund returns are after applicable fees, costs and taxes. Past performance is not a reliable indicator of future performance. <sup>2</sup> Benchmark is the MSCI World Net Returns Unhedged Index. <sup>3</sup> Inception is 1st September 2021.

## FUND FACTS:

CLASS LIST	APIR	ARSN	INCEPTION	INVESTMENT MINIMUM	MANAGEMENT FEE	PERFORMANCE FEE
CLASS A	WHT1465AU	654 914 048	1 SEP 2021	\$15,000	0.85%	15%

Performance fee is 15% of the Fund's outperformance (net of management fees), relative to its Benchmark Return, multiplied by the NAV of the Fund.

Management Fee is 0.85% p.a. of the NAV of the Fund.

### PLATFORM AVAILABILITY:



### FUND RATINGS:



## DISCLAIMER

This communication is prepared by Plato Investment Management Limited ('Plato') (ABN 77 120 730 136, AFSL 504616) as the investment manager of the Plato Global Alpha Fund (ARSN 654 914 048) ('the Fund'). Pinnacle Fund Services Limited ('PFSL') (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

Link to the **Product Disclosure Statement**

Link to the **Target Market Determination**

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com)

This communication is for general information only. It is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is for illustrative purposes only and is not indicative of future performance.

Whilst Plato, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Plato, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication.

Any opinions and forecasts reflect the judgment and assumptions of Plato and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future.

Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Plato. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.

The Lonsec Rating (Plato Global Alpha Fund assigned May 2024) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Plato product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: [www.lonsec.com.au/investment-product-ratings](http://www.lonsec.com.au/investment-product-ratings).

The Zenith Investment Partners ('Zenith') (ABN 27 103 132 672, AFSL 226872) rating (assigned September 2023) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.