

US President Biden's exit from the race

23 July 2024

Overview

- President Joe Biden announced his withdrawal from the Presidential race and endorsed Vice-President Kamala Harris as the Democratic nominee
- With this announcement, the race tightens as Trump's odds fell from a peak of 66% to 60%, though he remains as the favoured candidate for now
- Should Harris' candidacy be confirmed, she will likely represent policy continuity from Biden
- The implication of a Trump win could be more tariffs, tax cuts, and potential deregulation particularly in traditional energy
- We continue to advocate a diversification out of the mega-caps into other sectors and geographies

What happened?

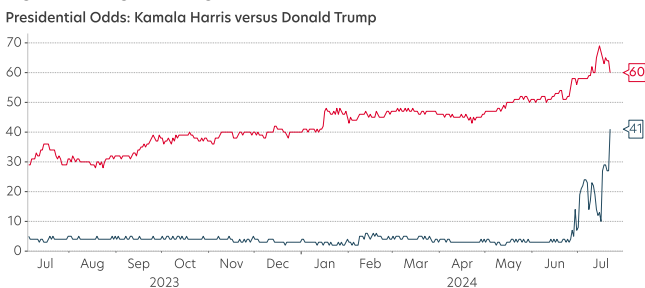
President Joe Biden has announced today that he will drop out of the race and will serve out the remainder of his term. He has endorsed current Vice-President, Kamala Harris, to the top of the ticket. Several prominent Democrats have endorsed her candidacy including former President Barack Obama, President Clinton and senior Democrat leaders such as Nancy Pelosi, which will help to cement her candidacy.

After a disastrous debate performance in June, President Biden was unable to recover due to concerns over age. At the same time, momentum was clearly shifting towards former President Trump, whose popularity surged after the attempted assassination during the RNC.

Prediction markets developments

With this announcement, prediction markets have showed a tightening of the race with Trump's odds having fallen from a peak of 66% to 60% (Figure 1).

Figure 1: Tightening of the presidential race



—US PredictIt 2024 Who will win the 2024 US Presidential Election Donald Trump
 —US PredictIt 2024 Who will win the 2024 US Presidential Election Kamala Harris

Source: Bloomberg, UOB Private Bank

Harris will face an uphill battle as her odds of winning against Trump was no better than President Biden. However, she does have some positive appeal: first Black woman to be President which will appeal to minorities and suburban women, which have been the core supporter of President Biden. At 59, she is young enough to turn the age issue against Trump, who will be 79 next year. Additionally, she could utilise the existing campaign funds raised, estimated to be 97m, which will set her favourably against other Democratic candidates. Her candidacy is likely to be confirmed at the Democratic Convention to be held 19-22 August.

Policy implications

In terms of policy, it is likely a continuation of President's Biden and should not introduce any new surprises. It is still a long way to the general election in November 2024. The odds of a Red sweep (Republicans winning House, Senate and White House) has also declined. While things can change given that election is only held in November, President Trump still appears to be the favoured candidate for now.

Market implications

The implication of a Trump win could be more tariffs, tax cuts, and potential deregulation particularly in traditional energy. Trump's policies are likely to be more USD bullish and may incrementally raise interest rates although based on fundamentals, rates have a downside bias going into 2025. As trade tensions mount, a Trump presidency is likely to be favorable for domestic companies but less so for large international companies highly represented in the S&P 500. Hence, we continue to advocate a diversification out from mega-caps into other sectors and geographies.

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