GlobalData. TS Lombard

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Global Watch | US Election Grid

US ELECTION: SHOCK OR SNOOZE? RoW IMPACT MATRIX

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- Two visions of America are on the ballot, with fraught ramifications for RoW
- No matter which presidential candidate wins, global fractures will grow; bifurcation is likely under Harris vs more fragmentation under Trump
- Trump 1.0 re-run or full Trump 2.0 additions? If the latter, market shocks are coming, yet new opportunities too, if policymakers (big if) can grasp the nettle of bold action
- We update our aggregated US Election Grid here, with individual country pages for our key coverage regions; under full Trump 2.0, relative losers = China, Mexico, S. Korea

Key judgments

- EM will face further US-China decoupling regardless of Trump or Harris
- Trump 2.0 proposals are a risk for all EM, but China, Mexico, South Korea most of all
- India and Brazil appear least vulnerable but not immune from US election risk
- The election outcome may not affect the ultimate degree of risks stemming from Ukraine/Middle East wars– but matter more instead for *timing*
- With a Trump return, the course of the two wars might shift more abruptly, potentially precipitating risk outcomes – whether negative or positive

Trump vs Harris: RoW impact

TRUMP

	Trade	Investment & Energy transition	Fiscal policy	Monetary policy	Geopolitics
EU	-2	+1	+2	-1	-2
China	-2	+1	+1	-1	+1
UK	-1	0	0	-1	-1
Saudi Arabia	0	+1	-1	-1	-1
Mexico	-2	-1	-2	-2	-2
Taiwan	-1	0	0	-1	-2
South Korea	-1	0	-1	-1	-1
India	-1	0	0	-1	+1
Brazil	+1	+1	-1	-1	0

HARRIS

	Trade	Investment & Energy transition	Fiscal policy	Monetary policy	Geopolitics	
EU	+1	+2	+1	-1	+2	EU
China	-1	0	0	+1	-1	China
UK	0	+2	0	-1	+2	UK
Saudi Arabia	+1	0	+1	+1	+1	Saudi Arabia
Mexico	0	0	+1	+1	+1	Mexico
Taiwan	+1	+1	0	0	-1	Taiwan
South Korea	+1	+1	0	+1	0	South Korea
India	+1	0	0	+1	-1	India
Brazil	0	0	0	0	+1	Brazil

	Good		Status quo		Bad
Scale	+2	+1	0	-1	-2

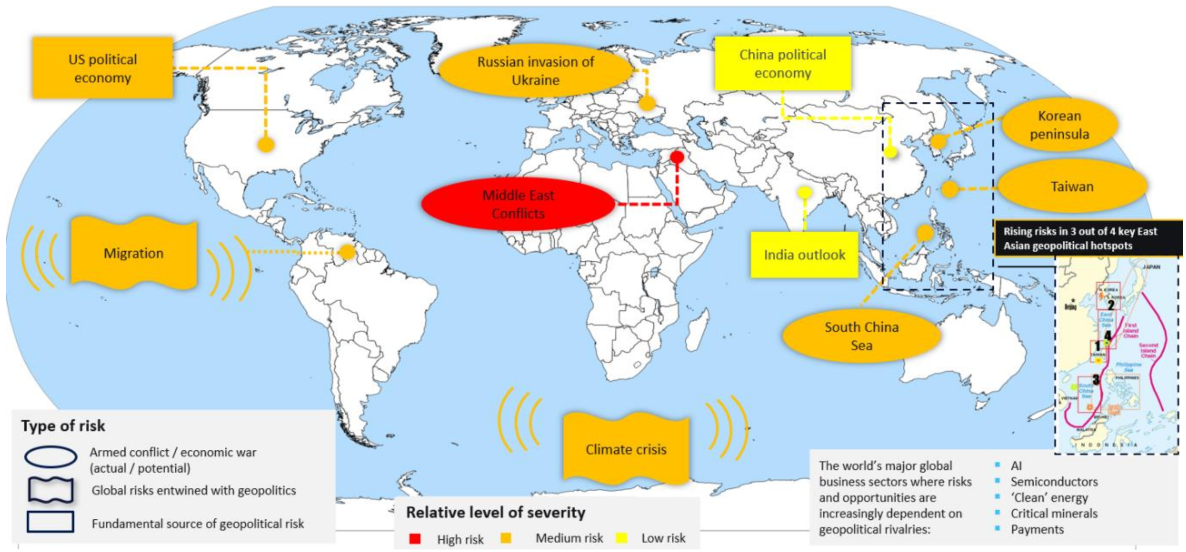
Source: GlobalData TS Lombard.

Two roads diverging

No matter who wins the US 2024 presidential election, America is at a crossroads, with global trade and geopolitics to 2030 and beyond irrevocably shaped by the election results ahead. In our Global Watch from earlier this month, our chief economist Freya Beamish laid out our view of the impact of the different outcomes of the 2024 elections (presidential and legislative) on the US economy. In another recent Global Watch assessing US-China decoupling in the Trump 1.0-Biden era, we concluded that irrespective of a Trump or Harris presidency, a more protectionist US is here to stay, with rampant proliferation of the tech war (and more) in view. In this third part of our trio of notes, we lay out **our analysis of the likely impact of the US election results for RoW – with our aggregated and updated US Election Grid plus heat map** (see above) of our key coverage regions now presented all in one document.

Geopolitical risk map: Amid two live wars, US-China rivalry looms as the core investment risk to 2030 and beyond

East Asia – home to three-quarters of global semiconductor output – is the vital theatre for new flashpoints to materialize



Source: GlobalData TS Lombard.

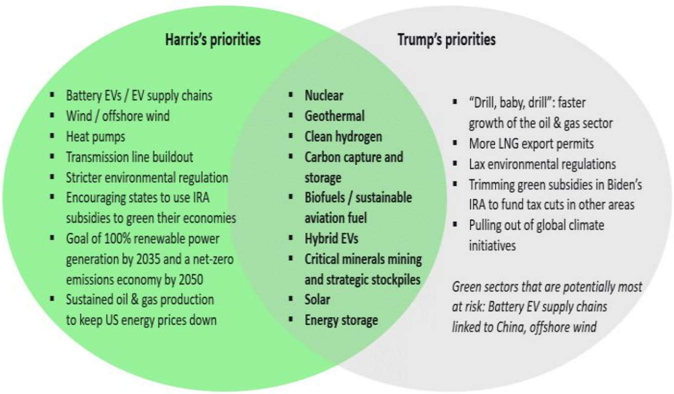
Trump 1.0 re-run or full Trump 2.0 additions? Perhaps the biggest question facing RoW today is which version of Trump will ultimately show up should he return to the White House. We map these two potential poles for a majority of our coverage regions, with the expectation that in a second Trump term, reality is more likely than not to fall somewhere in between (if not surprise in new directions). We nonetheless present the exercise here as useful to investors for two reasons:

- **In the first scenario**, we ground Trump's potential actions in past 2017-20 developments, which varied by country and region despite common threads binding them all. As with any returning President, Trump is both likely to build on what came before while borrowing from his 1.0 playbook, even if he ultimately chooses to reject his past approach. Mexico's NAFTA renegotiation and the China Phase 1 deal presents classic illustrative examples of Trump the disruptor-turned-dealmaker.
- **In the second scenario**, we assess the likely intensity of market reactions across our RoW universe should Trump make good on his most commonly repeated campaign pledges – starting with his plan to upend global trade with a 10-20% baseline global tariff and 60% or higher tariff on Chinese imported goods. Although market shocks are

both likely and widely expected should Trump touch off a new global trade war, in some cases – as we underlined in our 1 October 2024 Europe Watch – such shocks (including the Ukraine war endgame) could even be salutary, as in the case of the EU after a painful initial adjustment period. In crisis lies new opportunities for policymakers ready to grasp the nettle of bold action. Yet for this to materialize, crisis – (or at least the perception of a crisis) – must strike, causing sufficient market turmoil to overcome the initial and inertial policymaking paralysis that would otherwise ensue.

By contrast, a Harris administration promises 'relative' continuity – with key differences vs Trump in strategic sectors likely to come from sustained energy transition investments, for starters. In her campaign to date, Harris has shown an unwillingness to break with the Biden administration, even on electorally fraught topics (e.g., border/immigration, Ukraine, Israel). Still, policy tweaks are to be expected from a new President, especially as eventual crises arrive (see the "Conflicts" section below). More importantly, with 77% of American voters today expressing unfavourable views on China, hawkish bipartisan consensus is here to stay, even if we do not rule out temporary détentes with China under both Harris or Trump. One positive is that, with the overhang of potential Trumpian rollbacks removed from Biden's Inflation Reduction Act (IRA), private sector investments can go full steam ahead – benefitting both DMs (EU/UK) and EMs as disparate as South Korea and Saudi Arabia, even if investments could pale next to the industrial renaissance set to take place in the US.

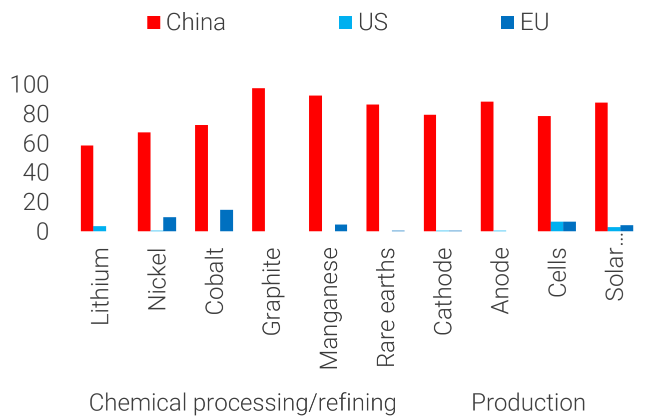
Decarbonization will continue no matter who wins but the shape of the green transition may change



Source: GlobalData TS Lombard.

Tit-for-tat: China's critical mineral stranglehold on key green inputs now on the front burner

% of total

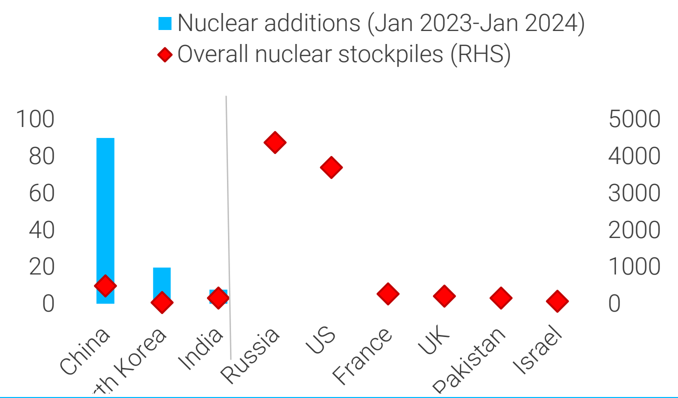


Sources: IEA, BCG, Benchmark Mineral Intelligence, GlobalData TS Lombard, local press reports.

Yet, for all of the aforementioned policy continuity, the winds of change will still blow strongly in a Harris government. We are still in the very early innings of the **AI revolution**, but it is already clear that a few core elements will drive the next 'great game' of superpower rivalry. These include advanced microchips, data centres, the energy to power the data centres and the trillions of dollars in capital flows to make this vision possible. That – plus the critical minerals required to produce these inputs. Yet with old economic models breaking apart but new ones not yet fully materialized, with an unsustainable US fiscal deficit ballooning at the same time that immigration is likely to be curtailed in some form under both candidates, it is an open question which vision will prevail – that of a more positive vision of 'running faster' vs the negative one of 'tripping your opponent' – and whether more armed conflicts ahead can be avoided.

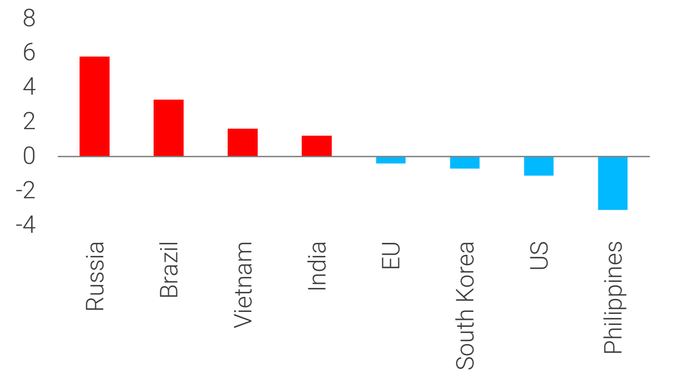
For the RoW writ large, global fractures have been multiplying since hyper-globalization peaked in the 2008-09 Global Financial Crisis. In the ensuing 15 years, none of the myriad successive blows (whether Trump's trade war, Brexit, Covid-19, Putin's 2022 invasion of Ukraine to the latest Middle East conflict) have been, in and of themselves, decisive. Instead, each shock has led to other fractures emanating across the global trading system and global geoeconomics. But perhaps the greatest 'shock' of all to the US-led global order has been no shock at all, simply the grey rhino slowly but surely coming into view: **Beijing's massive military modernization drive**, the greatest in peacetime since WWII, with the CCP's explicit intent of changing the balance of power in East Asia.

The new age of nuclear rearmament: China's reshaping of the balance of power in East Asia
No. of nuclear weapons



Sources: SIPRI, Pentagon, GlobalData TS Lombard.

As tensions with the West brew, China's trade ties have grown with BRICS and other EMs
(Four quarters to Q1/24)



Sources: UNCTAD, GlobalData TS Lombard.

Global bifurcation or fragmentation is the likely result. Under Harris in our view, the most likely scenario is bifurcation, while under Trump, the concern is that the West itself will fracture, with Trump targeting traditional allies as well as foes in his tariff proposals. Still, with one out of three manufactured goods today produced in China, global investors can be forgiven for preferring continuity to rupture and for lobbying intensively for the status quo, even as the sands of change shift beneath their feet. But as Putin's invasion of Ukraine in 2022 heralded, ideological conviction can trump economic rationality. It is this spectre of growing superpower clashes– most visibly in and around the Taiwan Strait and broader Indo-Pacific – that the next US administration must grapple with, however Trump or Harris deign (or fail) to answer this challenge. In turn, it is up to the RoW to respond in kind, starting with Beijing and its growing coalition of like-minded allies, with the concurrent economic and geopolitical reverberations set to rock the world ahead – no matter who wins the 2024 US election.

Emerging Markets: Trade and security losers

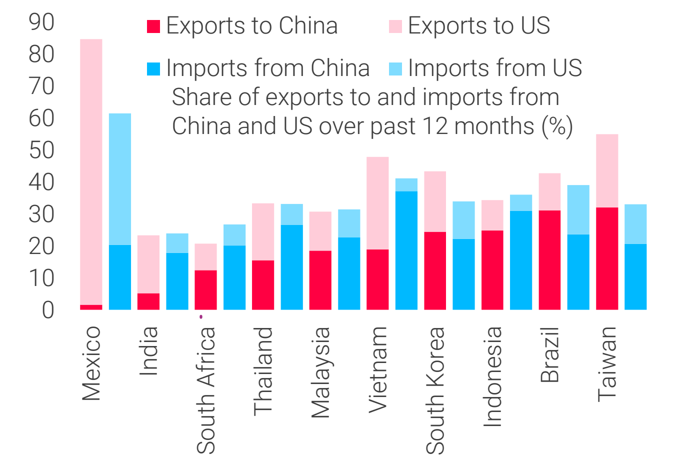
- EM will face further US-China decoupling regardless of Trump or Harris
- The US election is a risk for all EM, but China, Mexico, South Korea most of all
- India and Brazil appear least vulnerable but not immune from US election risk

Trade and security losers. The US election brings a risk of increased US-China tensions, changes of emphasis in US relations with Russia and the Middle East, and potential disruption to global trade and security relationships. Many EM economies are increasingly dependent on the US as an export destination, while simultaneously maintaining strong trade and political links with China (see Chart 1). Mexico, of course, is the most dependent on exports to the US, while Taiwan and South Korea depend on both the US and China, and Brazil and Indonesia rely more on China. At the same time, Taiwan and South Korea depend on the US security umbrella, while India maintains strong ties with Russia but shares US security concerns about China. Elsewhere, much of Southeast Asia benefits from growing investment and trade links with China while aiming to maintain ties with the US and navigate security risks in the South China Sea.

The bottom line is that global trade and security relationships will continue to evolve even under the relative continuity of a Harris administration, bringing risks and opportunities for EM, but would likely face greater and potentially more damaging disruption under Trump. **The inevitable escalation of US-China tensions and greater scrutiny of supply chains amid multiple geopolitical flashpoints, under either Harris or Trump, suggests that overall risks to EM are to the downside**.

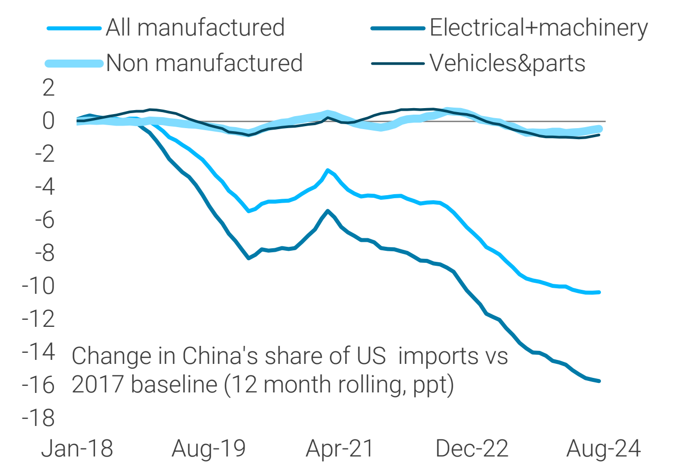
US-China decoupling will continue regardless of Trump or Harris but could accelerate more quickly under Trump. The first Trump administration initiated a trade war in 2018 that has escalated into a broader US-China decoupling. President Biden extended the tariffs introduced by Trump and intensified scrutiny of supply chains with the Uyghur Forced Labor Prevention Act as well as planning to increase the use of foreign direct product rules to restrict the export of US technology to China by third parties. The proportion of global trade disrupted by supply chain measures, as distinct from tariffs on imports, remains relatively small, but there is a solid bipartisan consensus to tighten restrictions further. Either Trump or Harris would likely increase the use of restrictions on supply chains containing Chinese products, but Trump's preference for

Chart 1: EM export to both US and China



Source: CEIC, GlobalData TS Lombard.

Chart 2: China's exports to the US collapse



Source: US Census Bureau, GlobalData TS Lombard.

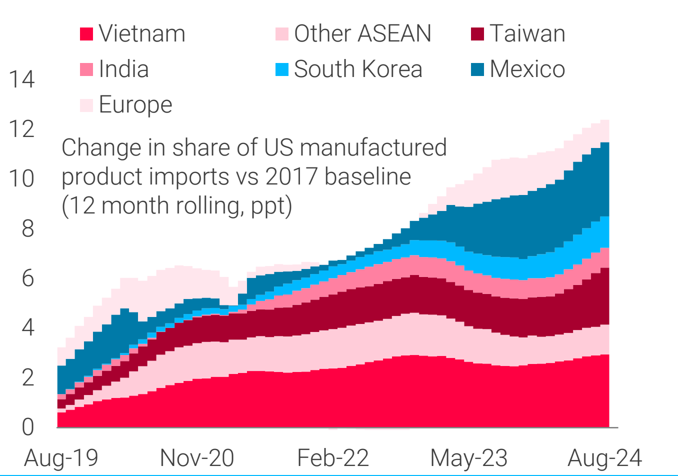
sweeping tariffs (if implemented partially or fully) would accelerate decoupling and increase the trade disruption for EM ex-China.

Many EM economies have so far been net beneficiaries of decoupling. China's direct exports to the US have collapsed (see Chart 2), but decoupling has forced a reconfiguration of global supply chains as international companies try to circumvent trade barriers. Mexico has been the biggest winner of US import share, while Taiwan, Vietnam and South Korea have also increased their shares (see Chart 3). Taiwan continues to extend its share of US imports driven by demand for AI chips, but Vietnam is losing momentum. Mexico and South Korea are still growing their share of US auto sector imports but are falling behind Taiwan in electronics (see our decoupling tracker heatmaps in our 22 October EM in Charts). India has made tentative inroads into US imports of manufactured products amid talk of China+1 strategies. Uniquely among EM ex-China, India has the scale and potential to become a global manufacturing superpower, but progress is slow and the country's manufacturing share of GDP remains relatively modest (see our 7 August 2023 report Winning a piece of the new world order).

Decoupling will test China's growth model. Despite the collapse of its exports to the US and facing an increasingly protectionist Europe, China has so far managed to grow its global export share relative to 2017. Exports are a crucial part of Beijing's growth strategy (see our 7 December 2023 China Watch: China's emerging growth model will shake the world). Export growth has come in part by seeking out new markets including the Middle East, Africa and LatAm, but these are much smaller than the US and Europe and China's competition with local manufacturers is not always welcome. Brazil, for example, has raised tariffs against China's EVs to support local production, spurring both Chinese EV makers such as BYD as well as incumbent legacy automakers to localize more of their production. China's struggle to maintain export growth would continue under a Harris administration but likely be more challenging still under Trump, with the potential for a 60% tariff on all Chinese imports to the US to knock 2pp off from potential GDP growth of ~4.8%. In the EV sector, this is likely to force massive Chinese EV sector consolidation with the Darwinian struggle for survival benefitting the fittest companies. At the same time, the jury is out today on whether the coming US ban on Chinese connected car technologies (likely no matter who is President) would isolate China or rather the US instead.

Supply chain scrutiny will curb EM ex-China decoupling benefits. The US has become ever more important as a source of demand for EM ex-China exporters. At the same time, many EM economies have increased the share of their imports sourced from China, especially Vietnam,

Chart 3: Mexico among net decoupling winners



Source: US Census Bureau, GlobalData TS Lombard.

Chart 4: EM increasingly depend in US demand

Source: CEIC, GlobalData TS Lombard.

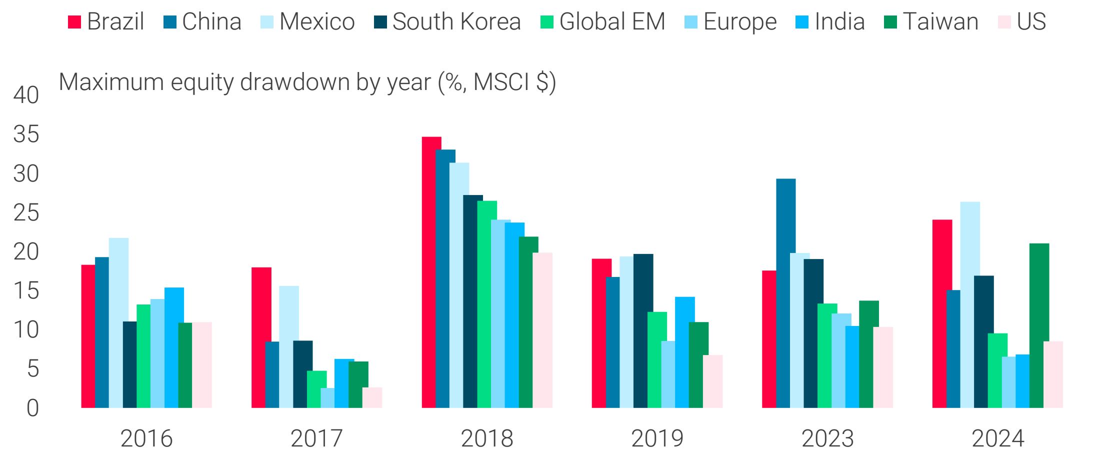
other ASEAN, Mexico and to a lesser extent South Korea, suggesting that China's exports are to an extent being redirected to the US via these countries (see Chart 4). In addition, there has been an increasing discrepancy between the imports reported by the US from China and some EM ex-China and the exports reported by those countries. This misreporting tends to overstate US imports from EM ex-China and understate those from China, and is especially marked for ASEAN countries (see our 11 March EM Watch: Decoupling challenge set to intensify). Greater supply chain scrutiny by the US will test the limits of export redirection and misreporting, curbing the benefits of US-China decoupling to EM ex-China.

Supply chain measures pose a further threat to China's current growth model, while **Mexico, South Korea and ASEAN manufacturing economies are the most vulnerable among EM ex-China**. Taiwan and India stand out in that they have increased their share of exports to the US but their imports from China are unchanged, suggesting little or no redirection or misreporting in their trade numbers. **Brazil and Indonesia are the greatest beneficiaries of strategic non-alignment in trade**, having markedly increased their trade with China while maintaining exports to the US (see Chart 4). Still, reports that Brazil has delayed an official announcement of the Lula administration's intention to join China's Belt and Road Initiative until after the US election highlight how even big EMs eager to play both sides would likely face new constraints under an eventual Trump win.

A Harris victory could accelerate EM ex-China energy transition. Paradoxically, if Trump were to trim clean energy tax credits available under the Inflation Reduction Act it could mean that key EMs alongside Europe will be able to attract more investment in energy transition themselves. Brazil stands out in this respect given its significant competitive advantages in biofuels and green hydrogen plus critical minerals. In general, however, a Harris administration could create a more favourable global environment for investment in energy transition, although much of this investment would be destined for the US itself. Among EM, South Korea is the largest source of FDI to the US (ranking top in the world for most US project commitments in 2023, surpassing Taiwan which led in 2022). Under Harris, Korean firms could benefit from a more favourable investment environment.

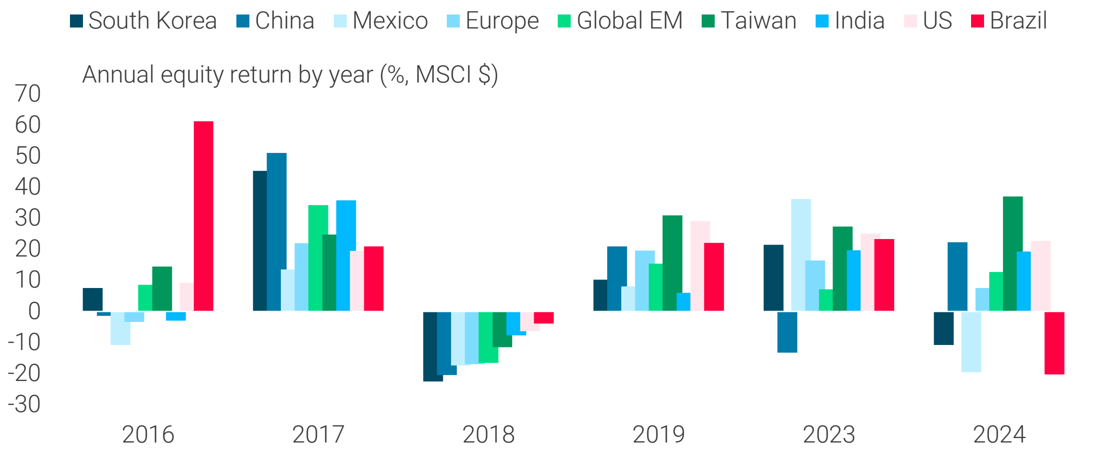
The US election raises challenges for all EM: equities in China, Mexico, South Korea are most at risk, while India and Brazil appear least vulnerable. The escalation of US trade relations with China and other countries into a trade war is a potential worst-case scenario for EM, while even a continuation of the gradual ratchet of US-China decoupling raises trade and geopolitical challenges for both China and EM ex-China. The experience of 2018 provides an insight into the potential scale of equity market impact of a severe dislocation to global trade. It is not possible to disaggregate the effect of trade disruptions from other external and domestic drivers, but there were nonetheless outsize drawdowns in most EM country indices during 2018 compared with neighbouring years (see Chart 5), while net equity returns for the year were negative for many EM (see Chart 6). China will be directly in the firing line of the next US administration (see our upcoming China Watch on this topic), while among other EM, Mexico and South Korea appear most at risk. In addition to trade, Mexico faces tensions with the US on migration, cartel activity and workers' remittances (see our 7 October report Mexico: Beyond US election blues), while South Korea is exposed to geopolitical risks.

Chart 5: EM equities suffered material drawdowns during the 2018 trade war



Source: Bloomberg, GlobalData TS Lombard.

Chart 6: Brazil, India equities proved less vulnerable to 2018 trade disruptions



Source: Bloomberg, GlobalData TS Lombard.

Taiwan may be among the least vulnerable to trade disruption given the strategic importance of its exports, but faces rising tensions with China that will be a challenge for the incoming US President (see our 14 October Quick Insight). India and Brazil appear least vulnerable. India will continue to benefit from its strategic importance and shared security concerns regarding China, but has a trade surplus with the US, while its good relationship with Russia could complicate matters (see our 8 October report US election: India and Trump vs Harris). Brazil has less export exposure to the US than most larger EM, but could still face risks from sweeping tariffs, while its growing closeness with China could prove less sustainable (see our 13 September report Does Brazil win or lose under Trump vs Harris?).

Conflict risks: Trump a catalyst rather than a driver

- The election outcome may not affect the ultimate degree of risks stemming from Ukraine/Middle East wars– but matter more instead for *timing*
- With Trump back, the course of the two wars might shift more abruptly, potentially precipitating risk outcomes – whether negative or positive

It's all about timing and lags

The live conflicts in Ukraine and the Middle East are not the only source of new (or repeated) geopolitical shocks to the global economy and financial markets. Their humanitarian and economic costs might yet be dwarfed by something even worse – for example, the rumours of war from Pyongyang translating into reality. But in contrast to the lead times and warning signals involved in the outbreak of any such new conflicts, wars-in-progress have the potential to cause shocks that can play out in the near term – and also be anticipated. The US election outcome could affect the outlook for such shocks given Trump and Harris's contrasting policies on these conflicts against the backdrop of America's important, and potentially decisive, role in each conflict in its capacity as arms supplier (to Ukraine and Israel).

The two candidates' positions are symmetrical opposites:

- **Harris** has reaffirmed the Biden administration's commitments to 'as-long-as-it-takes' support for Ukraine and to the principle that resupplying Israel depends on the Netanyahu government refraining from actions deemed to carry unacceptable humanitarian costs.
- **Trump** asserts his intention and ability to put a rapid end to the war in Ukraine while, in the Middle East theatre, urging Israel to "finish the job" on all fronts – even to the extent of striking at nuclear power facilities in Iran.

It follows from this snapshot of continuity under Harris vs different directions under Trump that it would take a Trump victory for the US elections to have a near-term impact on the course of the conflicts themselves and the economic and market drivers coming out of them. But the unchanged US policies to be expected after a Harris victory may postpone rather than eliminate the dangers inherent in both wars.

To start with the Ukraine case, the Biden administration's consistent approach – which Harris may be expected to continue – has had two main components:

1. **Equip Ukraine** to foil Russia's land grabs and resist Russia's strategic demands (that Ukraine should be a neutral state with limited armed forces and so on).
2. **Avoid a direct conflict** between nuclear-armed Russia and the US/NATO.

To date, this combination has prevented a Russian victory, while also ruling out the conditions in which a decisive military defeat might be inflicted on Russia. The only outcome consistent with those twin US policy aims would be an internal Russian collapse. It could happen. In this war of attrition and heavy casualties where the stakes are too high for either side to cut their losses and settle for some compromise, the logical end point is that one or another side becomes unable and/or unwilling to continue fighting. As things stand, however, Ukraine – with its increasingly serious shortages of fighting-fit personnel, equipment and electricity – looks considerably closer to such a collapse than Russia. Unchanged US policies (continued arms supplies to Ukraine, tightening sanctions on Russia) offer no grounds for changing that assessment.

A Harris administration would therefore end up facing some kind of crunch point as regards its Ukraine policy. As and when Ukraine's war effort appeared close to the brink, Harris would have to choose between raising the military stakes or cutting a deal with Putin – or simply looking on while Russia dictated terms to whoever was in charge in Kyiv at that point, likely triggering violent internal destabilization in Ukraine. Such dangers surrounding the end of this war might not necessarily cause a repeat of the stagflation impulse from threats to energy and grain supplies as experienced in the first months after the Russian invasion in 2022. The consequences might be limited to little more than some fattening of great power conflict tail risk. One way or the other, however, **markets would likely face an intensified geopolitically-driven risk-off squall during the endgame of the present intense phase of the Russia-Ukraine war** that began in February 2022. Harris's continuity approach would tend to stave off that moment rather than avoid it.

Trump's approach, by contrast, could accelerate matters. He has boasted that he would put a rapid end to this war "that should never have been allowed to start". His plan on how to make good on this boast that may be inferred from his vague public remarks would involve the US using its leverage as Ukraine's main weapons supplier to force Kyiv to compromise and threatening dire consequences for Russia should Putin reject that compromise. (In an interview last month, Trump's running mate J D Vance suggested the substance of such a compromise, consisting of: **1)** a ceasefire at the present front line, **2)** a fortified demilitarized zone around that ceasefire line, **3)** Ukraine to be neutral rather than a NATO country and **4)** "Germany" to pay for Ukrainian reconstruction.)

The consequences of all this are unpredictable to say the least: but the range of possibilities – Russia achieving its core stated war aims, threat of escalation to direct US-Russia armed clash, Ukrainian internal breakdown with spillovers – resembles the 'crunch options' which, as just argued, would await the more cautious Harris further down the road.

The contrast between the impact of a Trump or Harris win on the Middle East war may likewise come down to timing. The Biden administration supports Israel's goals of neutralizing its armed foes, from Hamas in the Gaza Strip to Hezbollah in Lebanon, the Houthi fighters in Yemen. and other members of the Iran-led 'Axis of Resistance'. While urging Israel to pursue military solutions with restraint, Biden has reaffirmed its unconditional support for Israel's security when the war blows back into Israel itself. Following the latest such episode, in which Israel's assault on Hezbollah in Lebanon led (for the second time this year) to a wave of Iranian missile strikes on Israel, the US response has been to deploy a THAAD missile-defence battery with a hundred US military personnel on the ground in Israel to operate that system.

The incentives at work in this framework point to escalating direct clashes between Iran and Israel – unless the Iranian regime were ever to decide to abandon its regional influence agenda. The fact that Israel's retaliation against the Iranian salvoes of 1 October remains pending might result from the Netanyahu government ultimately preferring not to rock the boat during the sensitive period of the last few weeks before the US elections (with the Israeli military meanwhile fully occupied in any case with its Lebanese campaign). After 5 November, the Israeli government's incentives might shift. In the event of a Harris victory, Netanyahu's war cabinet may still hesitate to ignore the Biden administration's publicly stated wish that Israel should not strike nuclear or oil industry facilities in Iran. But with Trump heading back to the White House, any such restraints would be removed.

Sooner or later the US will have to decide on its response to escalating Israel-Iran clashes. As we have argued, it would take full-scale US military involvement in such a conflict for the world to face the risk of a true – meaning 1970s-style – oil shock, as opposed to a 2022-style stagflation impulse (fleeting, albeit nasty for markets while it lasted). Despite Trump's unqualified support for Israel and militant anti-Iran stance (earlier this month he urged Israel to "strike Iran's nukes"), the risk of a full-scale oil shock would be mitigated by Trump's boast of being the "only" president who does not get America into new wars. In any event, the conclusion is the same as in the Ukraine war case: **the Middle East conflict is set to produce a risk-off squall – and this would likely come sooner if Trump wins the election**.

US Election Grid

We present the summary of our views on relative winners and losers from a Trump vs Harris presidency. We assign scores on a scale from -2 to + 2 in order to indicate the direction of the expected impact on core areas and the degree of conviction. The summary page is followed by one page for each of our coverage regions explaining our views in detail. At the end of the publication, we highlight our market views with links to the relevant publications describing those views in more detail.

Trump vs Harris: Impact on RoW

TRUMP

	Trade	Investment & Energy transition	Fiscal policy	Monetary policy	Geopolitics
EU	-2	+1	+2	-1	-2
China	-2	+1	+1	-1	+1
UK	-1	0	0	-1	-1
Saudi Arabia	0	+1	-1	-1	-1
Mexico	-2	-1	-2	-2	-2
Taiwan	-1	0	0	-1	-2
South Korea	-1	0	-1	-1	-1
India	-1	0	0	-1	+1
Brazil	+1	+1	-1	-1	0

HARRIS

	Trade	Investment & Energy transition	Fiscal policy	Monetary policy	Geopolitics	
EU	+1	+2	+1	-1	+2	EU
China	-1	0	0	+1	-1	China
UK	0	+2	0	-1	+2	UK
Saudi Arabia	+1	0	+1	+1	+1	Saudi Arabia
Mexico	0	0	+1	+1	+1	Mexico
Taiwan	+1	+1	0	0	-1	Taiwan
South Korea	+1	+1	0	+1	0	South Korea
India	+1	0	0	+1	-1	India
Brazil	0	0	0	0	+1	Brazil

	Good		Status quo		Bad
Scale	+2	+1	0	-1	-2

Source: GlobalData TS Lombard.

DM: EU/UK

For more details, see Europe Watch: US Election: Salutary shock to Europe (1 Oct 2024)

	Trump		Harris
	Trump 1.0 rerun	Trump 2.0 additions*	
Trade	• First term (aluminium and steel) tariffs treated by Washington as non-negotiable • Possible different treatment of UK vs EU on divide-and-rule principle • Likely EU stance: reactive/tit-for-tat (similar to China)	• Blanket 10-20% "base" tariff on all imports from EU • EU/UK will design retaliation to be asymmetrical but commensurate • Standard WTO recourse unavailable in practice	• Steady-state US protectionism • Shared transatlantic strategic concern on China could facilitate discussions on easing Trump 1.0-legacy trade tensions and deepening bilateral trade relationships • But dim prospects of serious progress
Investment and energy transition	• Whether or not Trump re-withdraws from the COP ("Paris") framework, his willing retreat from US global leadership on climate change could push the EU and UK towards closer	• Trump's anti-climate policies could result in more US imports being caught in the EU's CBAM net – in force	• Full steam ahead with Biden's Inflation Reduction Act to aid the global energy transition, but could siphon more investments away from EU/UK

	cooperation with China, balancing competition and security concerns (e.g. Draghi recommendation on exploiting cheap Chinese PV supply while protecting the wind generation sector where Europe retains some comparative advantages)	from 2026 – further enflaming tensions. • UK may not follow suit on "special relationship" grounds • EU may benefit from some Trump tweaks of Biden's Inflation Reduction Act tax credits	• Active cooperation with the US-led Mineral Security Partnership
Fiscal policy	• US isolationism and climate-scepticism should spur EU/UK fiscal spending on rearmament and energy transition	• Shifting the burden of support for Ukraine onto Europe and leaving European powers to face Russia alone might trigger additional public investment in UK – • . . . and, in the EU a 'Hamiltonian moment' #2, focused on rearmament	• No transatlantic political driver for increased public investment in the UK/EU might contribute to missed opportunities in Europe.
Monetary policy	• Meaningful EUR/GBP weakness vs USD resulting from US tariff fears could complicate the cutting cycle	• Full-on tariff storm with international inflationary spillovers would inject a medium-term hawkish bias into the policy stance	• ECB/BOE easing unaffected, but the pace could slow further down road as a result of demand-pull US inflation (as opposed to cost-push from Trump tariffs)
Geopolitics	• 2%/GDP defence spend condition for US/NATO security umbrella will reinforce the rearmament theme • Although already meeting this test the UK will strive anyway to expand defence procurement despite tight fiscal headroom • Efforts to reduce spend on US defence equipment (though UK may be an exception here)	• In addition to the fiscal policy impact of a radical shift in transatlantic security relationship, this could also trigger EU/UK détente with China	• Closer, Cold War 1.0-style, transatlantic cooperation to contain China-Russia 'axis'.

*Includes most commonly repeated Trump 2.0 proposals; does not include key Project 2025 policy ideas.

EM: Brazil

Does Brazil win or lose under Trump vs Harris? (13 Sep 2024)

	Trump		Harris
	Trump 1.0 re-run	Trump 2.0 additions*	
Trade	● The Lula government would implement retaliatory tariffs on US products, but would be careful not to impose the import tariffs on items that could push up inflation, such as diesel, gasoline or LNG; tariffs on petrochemicals are possible	● Lula would likely escalate tariffs ● Brazil could also be forced to boost protective tariffs on selected Chinese goods to protect domestic industries from a flood of imports	● Although free-trade agreements would be off the table, some sector-based agreements could advance under Harris, including an invitation to join the Mineral Security Partnership, which could boost Brazilian exports of lithium and other critical minerals to the US
Investment & Energy transition	● Brazil could become a more attractive destination for investments in green hydrogen, HVO and SAF if Trump rolls back the IRA ● Brazil would continue to receive substantial investment from China	● Brazil would become increasingly dependent on China as a trading partner and for investments ● Slower global growth could reduce investment in Brazil	● Brazil and the US would continue to seek to find at least some common ground for energy transition investments and to support protection of the Amazon forest ● Brazil's lack of subsidies for the energy transition could mean that global investors favour the US
Fiscal policy	● Brazil would continue to pursue its current fiscal targets, with the goal of reaching a balanced primary budget in 2025 and posting a modest surplus from 2026 onwards	● Lula would be under more pressure to abandon the current fiscal targets amid concerns about the 2026 presidential election	● Brazil would continue to pursue the current fiscal targets, with the goal of reaching a balanced primary budget in 2025 and posting a modest surplus from 2026 onwards ● Stronger growth would potentially reduce fiscal pressures
Monetary policy	● FX volatility and a weaker BRL would add pressure on Banco Central to stay more hawkish ● Inflation would remain an issue, especially if BRL weakness lasted for an extended period	● Higher interest rates would place further strain on growth during the remainder of the Lula administration, with potential implications for the 2026 presidential race	● A stronger BRL would make it easier for Banco Central to keep inflation under control ● Banco Central would begin its easing cycle as early as H2/25 if the Fed continued to ease and global inflation remained under control
Geopolitics	● Brazil would seek to find common ground with Trump, but would unlikely maintain its position as liaison between the US and countries that do not have direct relations with the US ● Brazil would avoid taking sides in disputes between the Trump and China ● Brazil would remain independent regarding the Russia/Ukraine and Israel/Gaza dispute	● If the Trump administration made aggressive moves in the region, including military action, Brazil would be unlikely to take unilateral measures but would instead rely on multilateral organizations like the UN or OAS	● Brazil would seek to continue its role as liaison between the US and countries in the region such as Venezuela ● Brazil would remain independent from the US with regard to the Russia-Ukraine conflict and continue to criticize Israel's military operations in Gaza ● Brazil would continue to pursue its own interests regarding trade with Iran, Russia and China

China

	Trump	Harris
Market reaction	RMB and equities sell off Bond yields decline Gold purchases increase	Slight positive for equities and RMB Upward pressure on China yields
Trade	● Tariff hikes hit Chinese exports. 60% tariffs on all exports to US could knock 2 ppts from potential GDP growth of ~4.8%. Absent stimulus, growth could fall to 2.8%. ● Inflationary pressure of tariffs on US prices may moderate aggressive trade restrictions ● Greater scrutiny of trade re-routing and intermediate goods to reduce China's ability to avoid tariffs via third countries ● Potential economic damage higher than first Trade War, as China global export market share today is near all-time high	● Biden continuity; strategic tariffs maintained. Escalation of technology export controls especially AI/chip related ● Will aim for stricter regional content rules for autos and maintain Biden's connected car ban on Chinese tech
Investment	● Uncertainty around Trump tariffs reduces inbound FDI ● Potential for a "deal" on Chinese manufacturing investment into the US, but US-China tech decoupling to continue ● Greater scrutiny of financial investment into Chinese companies ● Pressure on government related funds holding China/HK equities ● Review of Chinese ADRs via Holding Foreign Companies Accountable Act	● FDI flows remain under pressure from US and allied nations ● Greater scrutiny of financial investment into Chinese companies
Fiscal policy	● Damage to exports and consumer/business confidence is likely to push Beijing towards more aggressive fiscal policy ● Trump tariffs will bring a larger stimulus, but his victory and resulting trade policy uncertainty may delay fiscal announcements in China	● Policy largely unchanged under Harris victory ● Beijing will continue path of gradually rising fiscal stimulus to support growth ● TSL's base case is a RMB 2-4 trn package announced around the US election
Monetary policy	● RMB to come under immediate strong selling pressure. PBoC will intervene to limit pace of decline Spread between CNY and CNH to widen ● FX volatility and a weaker RMB will limit PBoC ability to ease rates ● Quantity measures (RRR cuts, relending programs) to be favoured over rate cuts	● Soft to stable US$ to provide greater room for monetary easing ● PBoC has shown clear easing bias and will welcome opportunity to expand stimulus measures
Energy transition	● **China will continue with strong energy transition efforts irrespective of White House occupant** ● Respective trade and investment policies under Trump/Harris may limit scope of Chinese firms' outbound investment (Mexico) and access to US and European markets ● Weaker domestic activity following Trump tariffs may drive Beijing to spend funds on green energy and grid investment as a stimulus measure	
Geopolitics	● Friction among "democratic alliance" welcomed in Beijing ● Potential Trump disputes over allied military funding for NATO, Ukraine, Taiwan, Korea and Japan, will improve China's geopolitical position	● Status-quo continues. Coalition of allies maintains gradual ratchet on China access to developed markets and advanced semiconductors ● Harris moving from "small yard high fence" to large yard and higher fence

	● Prospective tariffs on all US imports helps efforts at RMB internationalization	● Taiwan remains the principal point of friction; Beijing to test Harris early in her tenure with expansive military operations

India

India and Trump vs Harris (7 Oct 2024)

	Trump		**Harris**
	Trump 1.0 rerun	**Trump 2.0 additions***	
Trade	● Trade tensions are higher than under Biden. ● Trump 1.0 made it harder to get H-1B work visas which go predominantly to Indians ● He ended favourable tariffs under the Generalised System of Preferences for India ● India retaliated by putting 10-25% tariffs on 28 US products	● A generalised tariff of 10-20% would seriously damage Indian exports; the US is India's largest export market and the only one in its Top 10 with whom it has a material trade surplus ● Indian retaliation will be broad and proportional. ● India could benefit from higher tariffs on China on some industries like toys, garments, electronics ● But India will also have to raise tariffs against China, which is inflationary	● Expect broad continuity with Biden and a low profile approach to trade disputes ● However India's rising trade surplus with the US may contribute to tension
Investment and energy transition	● US investments in India's green transition will reduce, India will slow transition pace ● Ending of EV incentives in the US could drive investment to India	● Higher inflation and slower GDP growth will damage domestic investment	● Continuing support for India's energy transition goals ● Mineral Security Partnership improves strategic and technological cooperation
Fiscal policy	● Higher inflation will reduce the real value of the stock of debt in the economy	● Disruption of global trade will reduce the volume of trade and therefore customs revenues, even though tariffs on the US and China will rise	● Status quo - India remains on the path to gradual fiscal consolidation including a FY25 fiscal deficit target of 4.9% of GDP
Monetary policy	● The RBI's rate cuts – which we expect to be up to 50 bp by April 2025 – are endangered by FX volatility and inflation ● A hoped for private investment cycle becomes less likely	● RBI is forced to raise rates to defend INR and combat inflation ● Investment recovery fizzles out	● RBI modestly cuts rates up to 50 bp by April 2025
Geopolitics	● Favourable environment for India's balancing act between NATO and Russia ● India and US will continue to coordinate against China	● Same as Trump 1.0	● India will find it more difficult to navigate the conflict between NATO and Russia ● India and US will continue to coordinate against China

Source: GlobalData TS Lombard

*Includes most commonly repeated Trump 2.0 proposals; does not include key Project 2025 policy ideas.

Korea

	Trump	Harris
Market reaction	KRW and equities sell off IRA exposed exporters are biggest losers	Slight positive for equities and KRW
Trade	● Any reduction to and/or uncertainty around IRA funding will damage Korean exports to US ● Increased tariffs on Chinese products will hand Korea greater market share in US. Competition in rest of the world to intensify	● Pressure on Seoul to limit tech trade with China to increase ● Continuation of IRA and higher tariffs on Chinese EVs/batteries/clean energy highly positive for Samsung, Hyundai and LG
Investment	● Korea Inc's efforts to re-globalise to intensify. More investment in Vietnam, Mexico and to a lesser extent the US ● Domestic focus on tech, nuclear and defence industry to rise as Seoul looks to "self reliance"	● Greater clarity on US industrial policy will increase Korean investment into US ● Stalled semiconductor projects to re-start as Chips Act and IRA confirmed ● Non-union states will remain preferred investment destinations
Fiscal policy	● President Yoon is hamstrung by minority position in the National Assembly ● Scope for modest fiscal stimulus, industrial policy change and defence spending, but only if trade and geopolitical pressure rises significantly	
Monetary policy	● FX volatility and a weaker KRW will limit BoK ability to ease rates ● BoK may only cut rates by 50bps this cycle	● Soft to stable US$ to provide greater room for monetary easing ● BoK to cut by 75 bps
Energy transition	● Nuclear power to remain favoured by Seoul for potential civilian military dual use application	● Korean push into EVs and battery technology to accelerate as US market develops and China is locked-oit
Geopolitics	● Dispute over military burden sharing could resurface despite new deal agreed in past weeks ● Questions over US commitment to Asian allies will undermine South Korean security ● North Korean wild card is even wilder with DPRK soldiers in Ukraine and Trump willing to engage with Kim	● Status-quo. South Korea continues to play the middle-ground with an increasing economic and military tilt towards America ● President Yoon will push for trilateral engagement with US and Japan

Mexico

LatAm: Mexico: Beyond US election blues, USMCA clouds loom (7 Oct 2024)

	Trump		Harris
	Trump 1.0 re-run	Trump 2.0 additions*	
Trade	● Trump tariff threats used to extract new concessions ahead of July 2026 USMCA joint review ● Border shutdown threats to compel action on migration/ drugs/China ● Goals include higher regional content rules for autos and locking out China	● Implementation of 10-20% tariff blows up USMCA, putting future of North American trade integration at risk ● Heavy reliance on US natural gas limits Mexico retaliation to largely farm tariffs ● Auto sector big loser	● Likely Biden continuity includes pressing Mexico to close "back door" loopholes for key Chinese goods (e.g., EVs, tech/electronics, green inputs) ● Focal points of USMCA 2026 review includes stricter labour rights, green standards, judicial guarantees ● Will aim for stricter regional content rules for autos and maintain Biden's connected car ban on Chinese tech
Investment	● Lower FDI inflows likely as US onshoring is prioritized ● Investor uncertainty rises if Trump/GOP interest in military action south of border (to fight Mexican cartels/crime) grows	● FDI + domestic investments to plunge on initial tariff shock ● As nearshoring dries up, US onshoring + AI/robotics plays get an even bigger boost	● Nearshoring interest stays high, but FDI capped until judicial reform uncertainty is mitigated and there is greater USMCA clarity ● Near-term energy/grid bottlenecks and water scarcity in key northern states will also delay greater FDI inflows in 2025
Fiscal policy	● Higher interest rates as a result of FX volatility will add to cost of debt servicing ● Already depleted budget stabilization funds means Hacienda has less margin for error ● Sheinbaum's vow not to enact fiscal reform adds to market doubts in a context of moderate Trump headwinds	● Tariffs and mass deportations to reduce trade, add inflation and roil the peso – slashing fiscal revenues ● Recession + ratings downgrades likely ● A crisis could force some watered down fiscal reform but at a political cost	● In 2024, Mexico is already set to post its biggest fiscal deficit in 3 decades (5.9% of GDP), followed by 3.5% in 2025 ● Ongoing federal transfers to Pemex at 1-1.5% of GDP will weigh on government finances ● Greater investor interest in Mexico under a Harris presidency could aid tax revenues, but market-friendly rules and regulatory certainty is needed
Monetary policy	● FX volatility and a weaker peso will add pressure on Banxico to stay more hawkish. ● Under Trump 1.0, the peso in five sustained bouts of FX weakness depreciated an average of 15% each time. ● Higher US inflation to pass through to Mexico's CPI too.	● If the peso weakens too quickly, Banxico is likely to jack up rates to support the FX ● Should recession hit, it could lower rates but will still have to weigh higher inflation with a weak peso	● A stronger peso is likely under Harris, aiding Banxico's ability to keep inflation in check. ● Historically lower GDP growth in the first year of a Mexican leader's *sexenio* could tip Banxico to more dovish policy if core inflation keeps falling. ● This will be aided by the Fed's current easing cycle.
Energy transition	● **Fossil fuels:** Trump's ability to slow US EV sales via executive action would aid the medium term outlook of oil & gas producers including Pemex	Trump could weaponize Mexico's huge reliance on US natural gas (at 70-75% of domestic consumption)	Continuity with Biden would usher in a faster energy transition; but Mexico could also attract more LNG export projects if Harris decides to slow-walk new LNG export permits in the US

	● **Renewables:** No matter Trump or Harris, Sheinbaum will prioritize renewables buildout after it spluttered under AMLO, bolstered by her new renewables target of 45% of the total energy mix by 2030 (vs Mexico's past goal of 35% renewables by 2024 which the AMLO government failed to meet). In 2023, renewables accounted for 24.3% of the power generation mix. A Harris win could speed green bilateral deals (including partnerships on green hydrogen), while a Trump win may galvanize more local renewables buildout to diversify away from Mexico's overreliance on US natural gas. Both Trump and Harris will dissuade attempts by Chinese firms to triangulate Chinese-linked solar/wind imports via Mexico.		
	● **EVs/EV batteries:** Slow or stalled FDI in Mexico's EV supply chain is the likely result of Trump's expected closure of some IRA EV loopholes. But given Trump's broad antipathy towards new auto plants in Mexico of any kind, this will not be relegated to EVs.	Trump has proposed: 1) a 100-200% tariff on Chinese autos sent from Mexico; and 2) a 100-200% tariff on autos from Mexico. The first would have little impact; the second may speed a USMCA review or lead to its dissolution	Higher FDI in Mexico's auto sector is likely under Harris; but we expect intensive negotiations in the USMCA mid-2026 review about capping the amount of Chinese-linked EV/auto inputs into USMCA (above and beyond the IRA criteria for EV batteries). Assuming Tesla's stalled Monterrey Gigafactory project is restarted, more Chinese suppliers will follow, barring new limits in the USMCA.
	● **Critical minerals:** Little additional sector downside expected from Trump, as FDI already wobbled under AMLO's state-first policies (e.g., cancelled lithium concessions)		Nearshoring of critical minerals will be encouraged, but hinges on Sheinbaum's ability to attract FDI to Mexican mines
Geopolitics	As evident under Trump 1.0, Mexico has little choice but to align with the US and away from China, given its geographical proximity to the US and its dependence on exports to the US (+80% of total exports).	Maximal Trump pressure (e.g., too many sticks, too few carrots) would stoke Mexican nationalism, adding new fractures and eroding North America's ability to compete with China	A Harris presidency is likely to find new points of convergence with a Sheinbaum administration – from the energy transition to aligning digital/AI regulations. Still, negotiators will need to grapple with the thorny issue of how best, if at all, to formalize trade diversification away from China in North American supply chains
Other (water)	So long as key US reservoir levels are near historical lows, a water conflict between Mexico and US Western states will add to tensions	An already politicized fight could get ugly on both sides of the border if Trump were to wade into the fight with big guns	Talks to renegotiate the 1944 water treaty, with an eye to better sustainability practices, are likely to advance

*Includes most commonly repeated Trump 2.0 proposals; does not include key Project 2025 policy ideas.

US Middle East policy post-election

Global Political Drivers: Middle East blowback via US elections (18 Oct 2024)

Global Political Drivers: Saudi key to Trump oil trade (19 Jul 2024)

	Middle East Conflict	Middle East Power Dynamic
Trump	• Trump to provide Israel with carte blanche to "finish the job" on both Hamas and Hezbollah fronts (pending changes in operations in Gaza due to Sinwar assassination) • Trump's desire to eradicate the Iran threat will collide with his desire to avoid getting the US entangled in new wars • Regional radicalization blocks any realistic prospect of Trump reviving his "Abrahams Accords" strategy • No clear or effective plan to end hostilities presented to date	• Extremely hardline stance against Iran, especially on nuclear capabilities and sponsorship of "axis of resistance" • Likely to impose tariffs, aid restrictions, or other forms of punishment for countries not "falling in line" • Likely continuity with Biden's chip restrictions so as to weaken Saudi-China relations, usage of RMB and de-dollarization • Growing US oil & gas production to clash with Saudi need for higher oil prices to finance Vision 2030 • Supports nuclear technology transfers to the Saudis with fewer guardrails on non-proliferation
Harris	• Strong support of Israel balanced by a focus on humanitarian situation in Gaza, which could lead to conditions being imposed on future military aid • Very unlikely to engage in any "boots on the ground" approach • Sinwar's death opens the door for an end to the Gaza war but a long arduous road still lies ahead, given little clarity on the next generation of Hamas leadership • No clear or effective plan to end hostilities presented to date	• Called Iran America's "greatest adversary" on the campaign trail but could potentially be open to renegotiating a return to the 2015 Nuclear accords • Does not have the formal baggage of Biden's rocky relationship with Saudi Arabia, allowing for more pragmatism in her approach at the outset • Continuing focus on human rights could strain the US-Saudi relationship • Support for a faster energy transition could lead to more Chinese-Saudi partnerships in clean energy • Expected continuity with Biden's AI chip restrictions to Gulf countries to nudge allies away from Chinese tech

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