

Club TAC ECONOMICS

**Le monde après les élections
américaines:
Quels impacts économiques,
financiers et géopolitiques ?**

21 Novembre 2024



1. Knowns and unknowns of Trump 2.0
2. Implications for 2025 world economic scenario
 - Plausible US scenarios: from disruptive to MAGA Dream
 - Oil market in a “drill, baby, drill” context
 - Economic projections for the US and Eurozone
 - Implications on rates and FX
3. A glance at consequences for Emerging Markets

1. Known unknowns and implications for the global outlook



The Known Knowns

- **Pragmatist more than ideologue**, with mid-term elections in sight.
- **Unpredictability, threats and direct interference as policy Instruments**, fostering volatility.
- **Assertive neoliberal agenda for domestic issues**, based on dominant focus on supply side.
- **Transactional isolationism**, prioritizing U.S. immediate gains with rough accounting principles.
- **Urgent transformative agenda**, likely to focus more on societal issues and control (administration, media, justice)

The Known Unknowns and Emerging Questions

- **Institutional dereliction**, market stability and global repricing of US risk in a drift scenario.
- **Scope, timing and sequence** of the program, notably with expected implications on mid-term elections.
- **Partners' reactions** to economic, political, geopolitical developments in a perceived vacuum of world leadership.

1. Clear Adversaries: Trump identifies China and Iran as primary "enemies," signaling heightened tensions, particularly around Taiwan and potential support for Israeli actions against Iranian nuclear facilities. Conversely, Russia is not positioned as an adversary, suggesting potential pressure on Ukraine for territorial concessions and conflict resolution by 2025.

2. Power-Based Diplomacy: Emphasis on force and intimidation as tools for negotiation increases risks of localized conflict, alongside a return to isolationist tendencies. This, coupled with NATO uncertainties and European challenges, raises security risks for Europe, with Russia likely to exploit its role as a disruptive force.

3. Realignment of Alliances: A shift towards a "Populist Club" approach prioritizes shared political methods over democratic values, with stronger ties to Russia, potential outreach to India, and weakened European unity. Persistent U.S.–China tensions remain central, affecting businesses, technology flows, and geopolitical friction in contested regions (e.g., Taiwan, South China Sea, and Latin America).

2. Plausible US macro/market scenario



Scenario and Assumptions associated with a Second Trump Term

3 scenarios modeled by TAC ECONOMICS:

Scenario	Tariffs	Labor market	Corporate tax
Disruptive	60% China and 10% rest of the world from 2025	-15 millions workers from 2025	-6pps from 2025
Pragmatic	30% China and 5% rest of the world from 2026	-8 millions workers from 2025	-6pps from 2025
Maga dream	Global 10% hike from 2026	Labor workforce substitution	-6pps from 2025

Scenario and Assumptions associated with a Second Trump Term

Real GDP growth supplement compared to baseline
In pps

	Disruptive	Pragmatic	Maga dream
2025	-0.7	-0.1	0.4
2026	-6.1	-0.9	0.6

Inflation supplement compared to baseline
In pps

	Disruptive	Pragmatic	Maga dream
2025	2.5	-0.1	0.1
2026	-0.6	0.7	1.9

Fed funds supplement compared to baseline
In bps

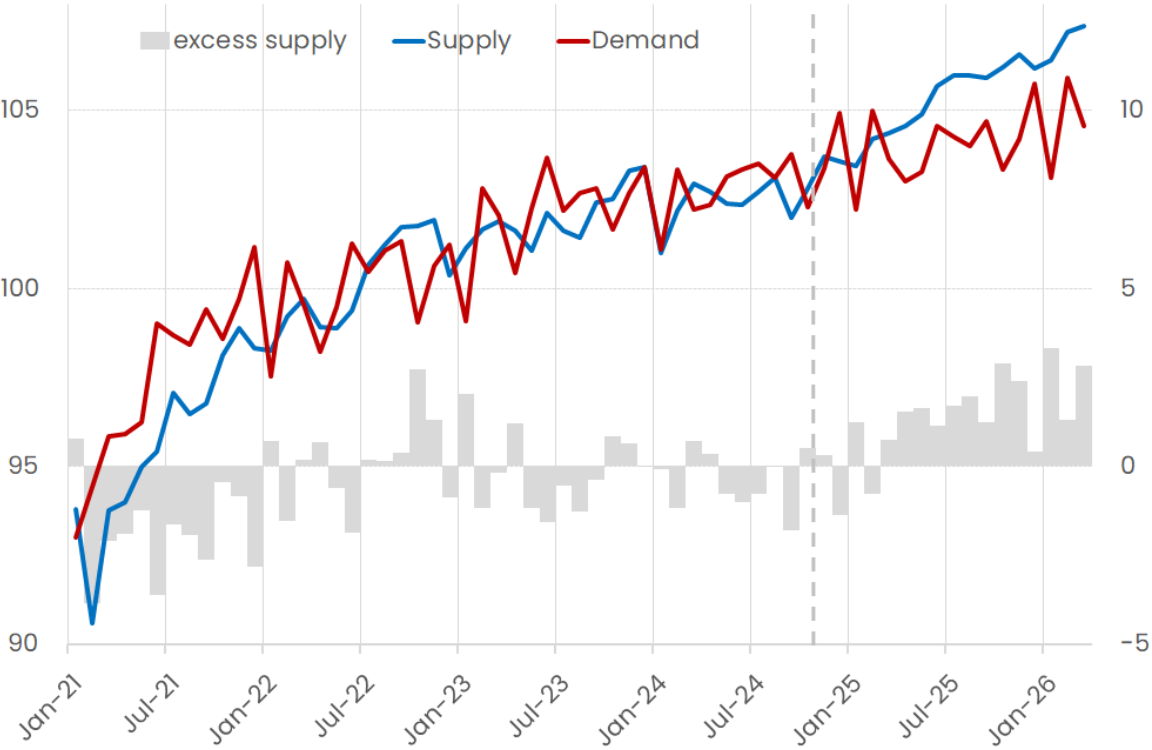
	Disruptive	Pragmatic	Maga dream
2025	93	-13	11
2026	-159	-49	124

US 10y bond yield supplement compared to baseline
In bps

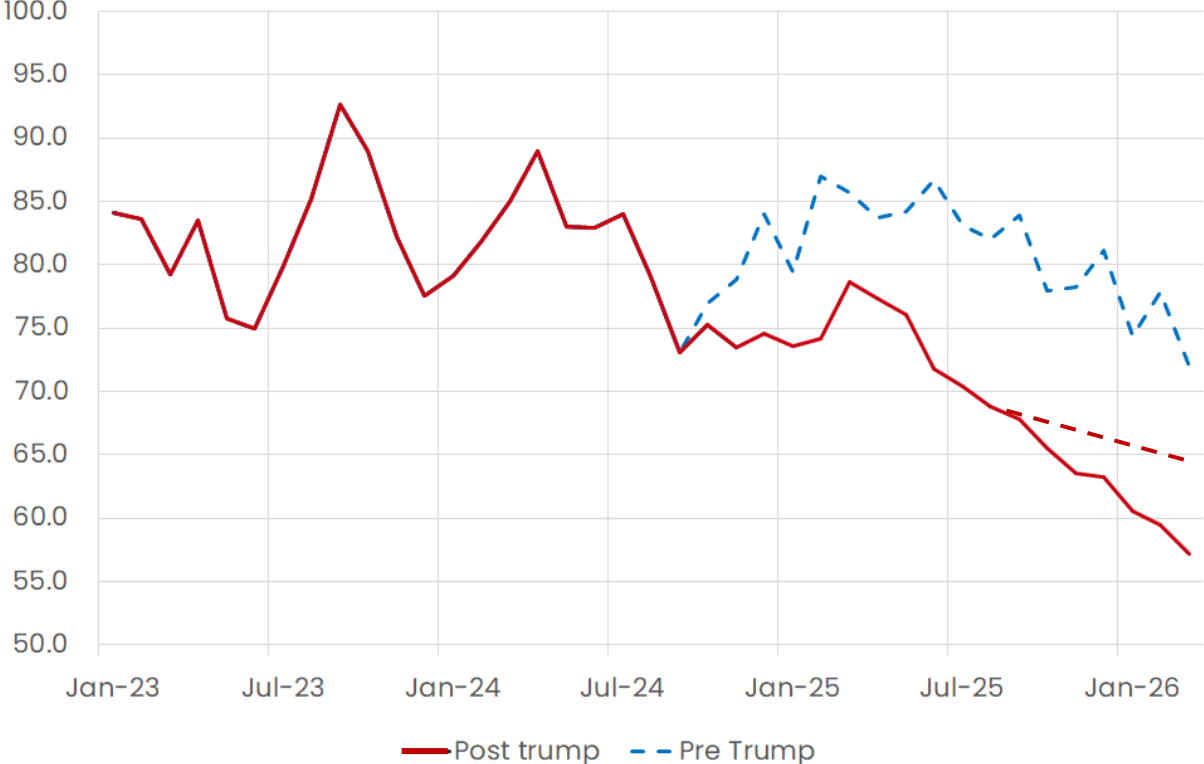
	Disruptive	Pragmatic	Maga dream
2025	78	-12	17
2026	-121	-29	111

Oil market: lower Chinese demand, higher US production and plausible increase in Russian output would lead to significant price downturn

Oil market demand and supply with rising US output mbd



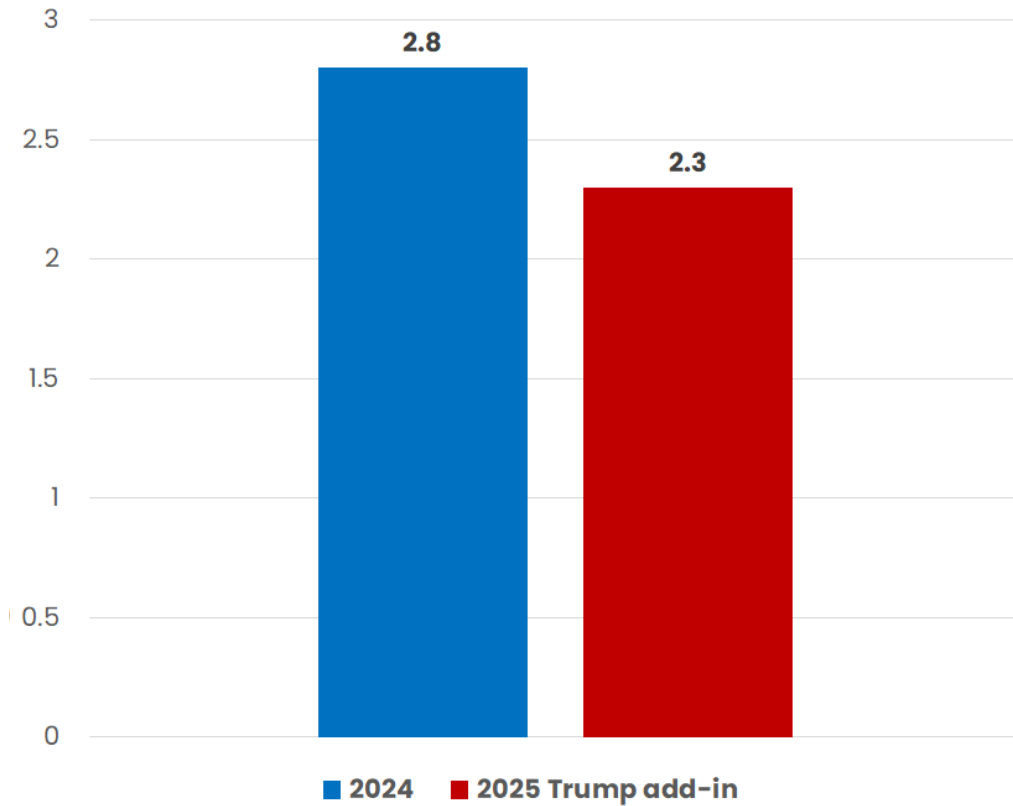
Brent prices projections USD/bl



US Scenario 2025: Sustained growth support in 2025, inflation pressures looming by 2026

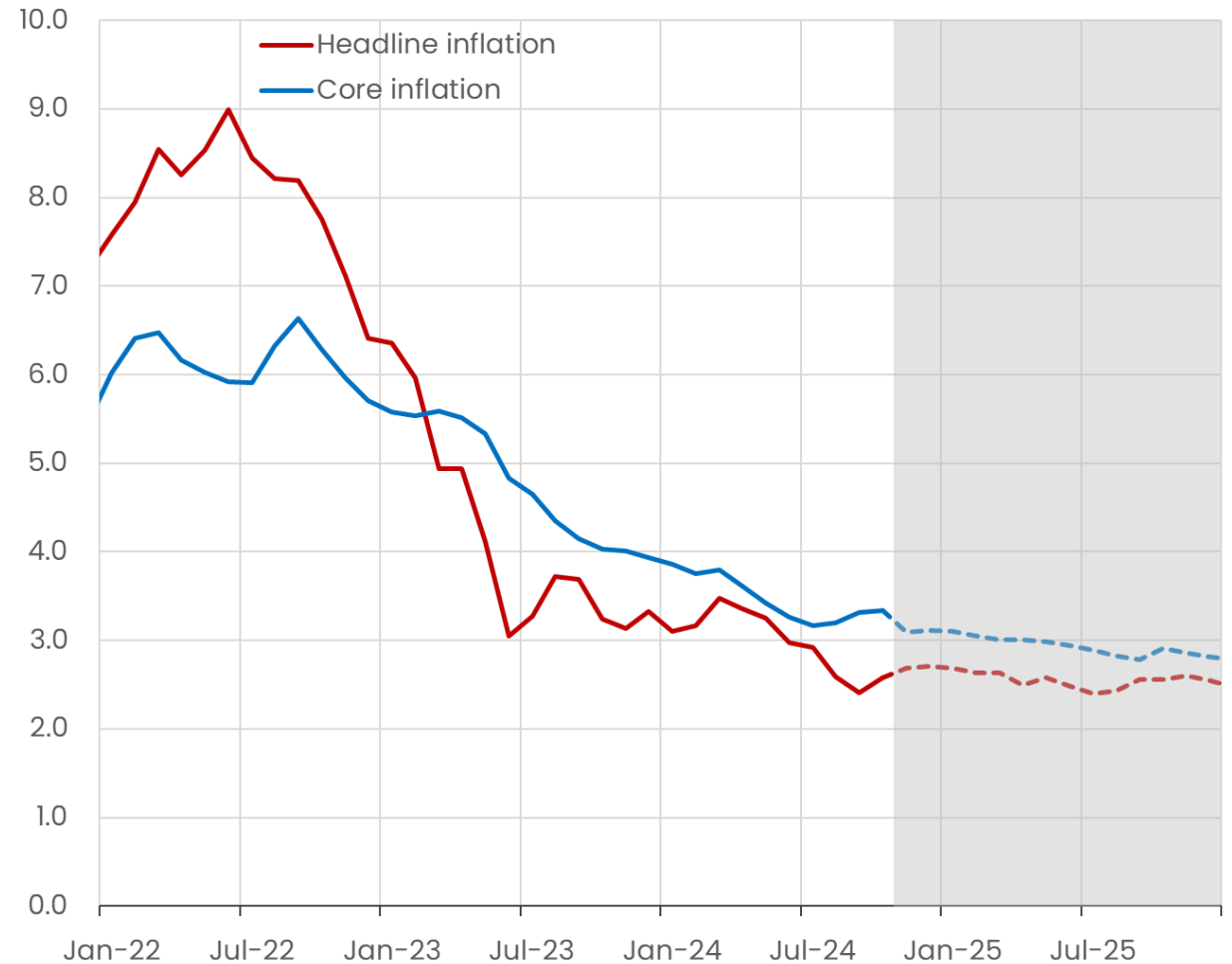
US GDP growth Scenario

In %



US inflation Scenario

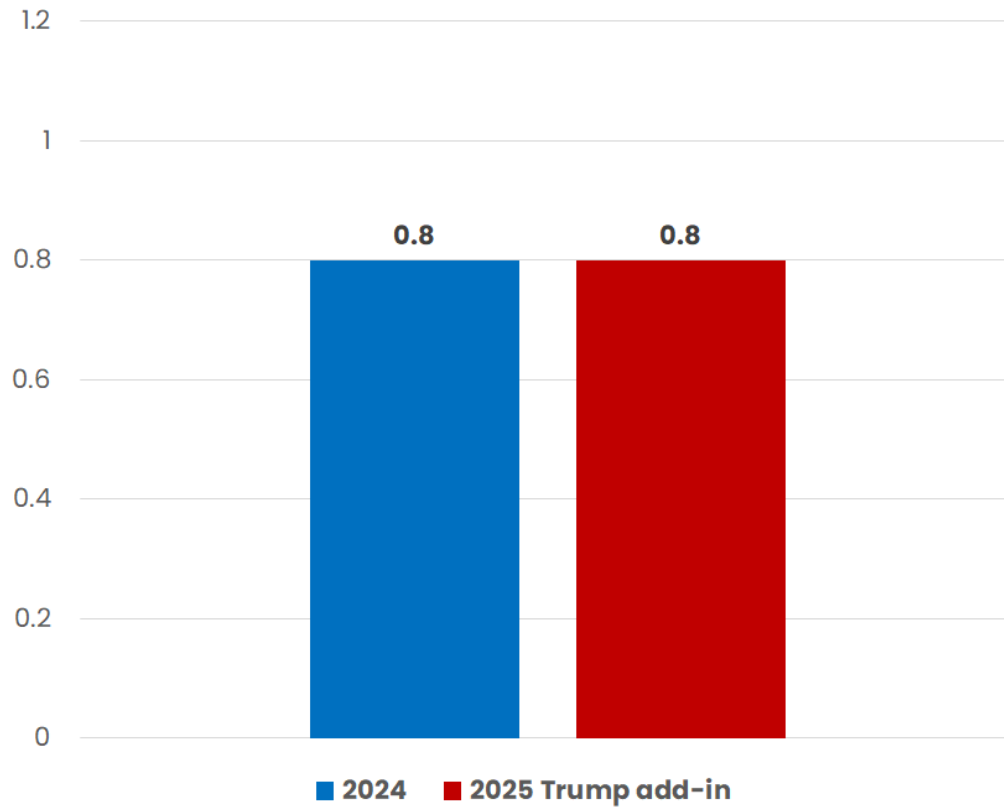
In %



EUZ Scenario 2025: Anemic growth and inflation below target amid high uncertainty over Trump's global economic impact

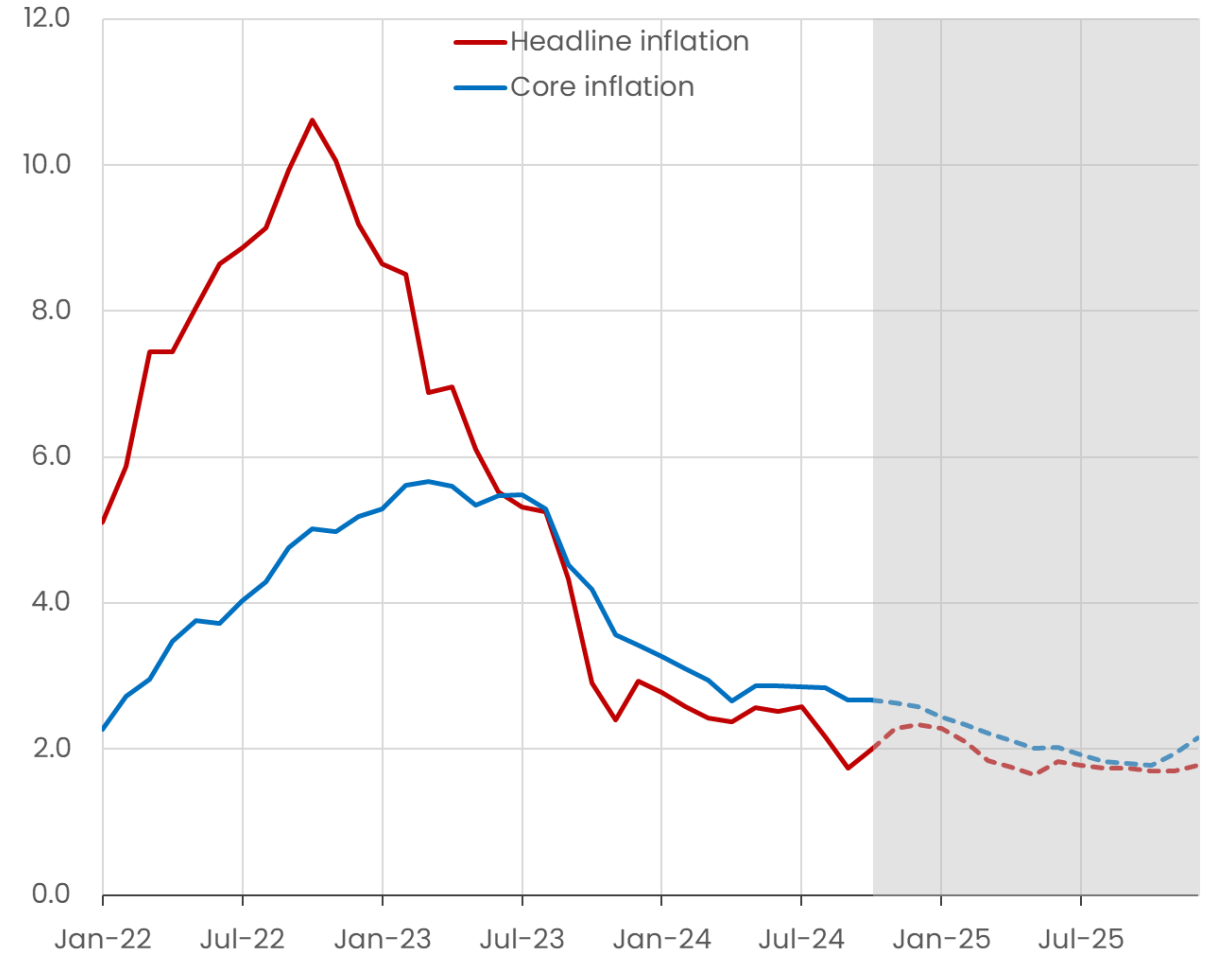
EUZ GDP growth Scenario

In %



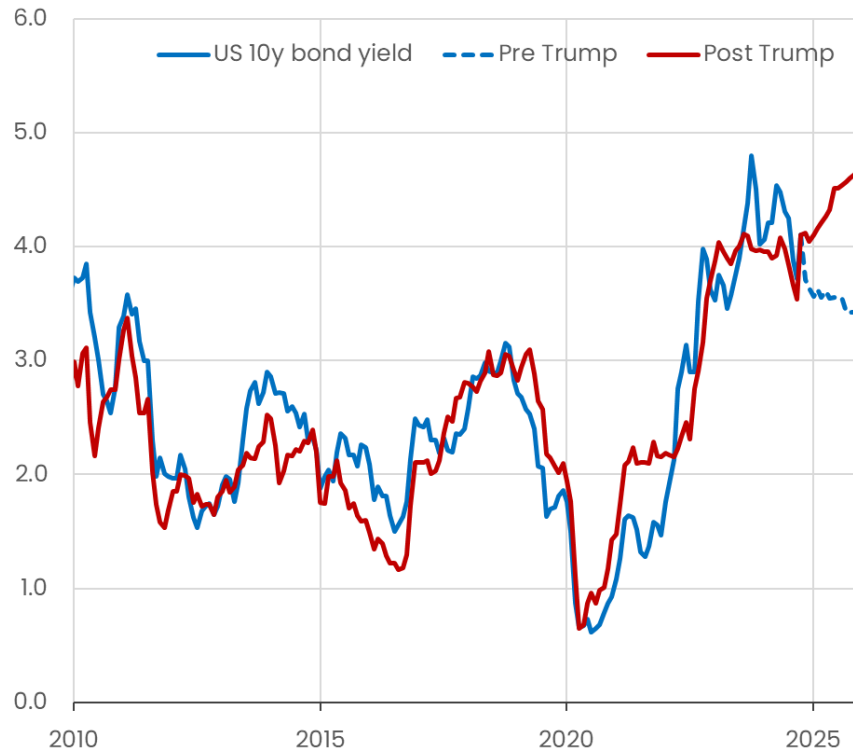
EUZ inflation Scenario

In %



A new paradigm: Higher US bond yields, with spillovers of lesser magnitude to other economies due to domestic constraints

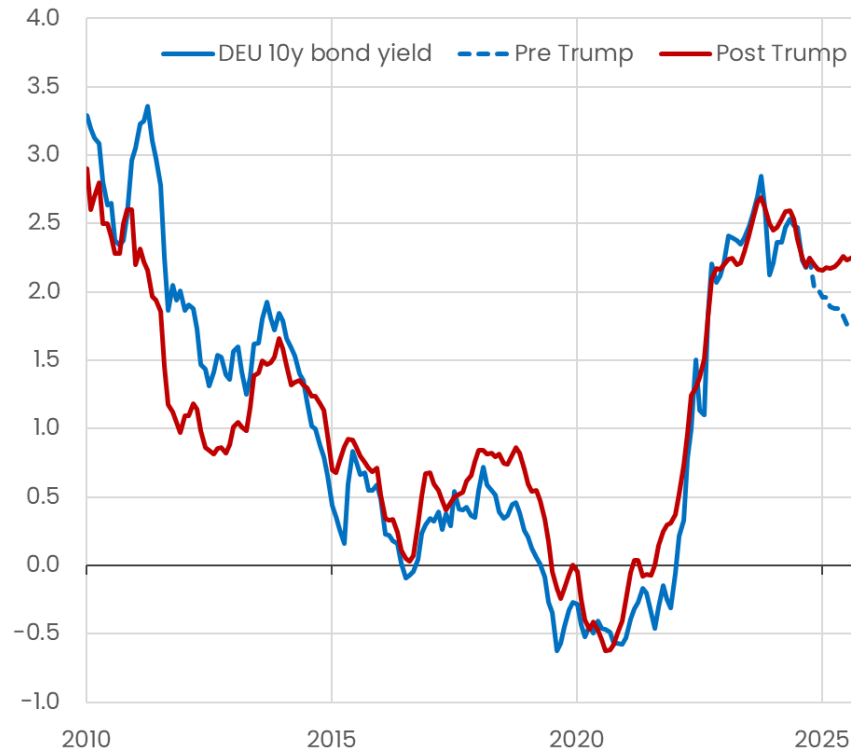
US 10y bond yield projection
In %



	2025Q1	2025Q2	2025Q3	2025Q4
Fed Funds	4.0	4.0	4.0	4.0

November 2024: 4.75%

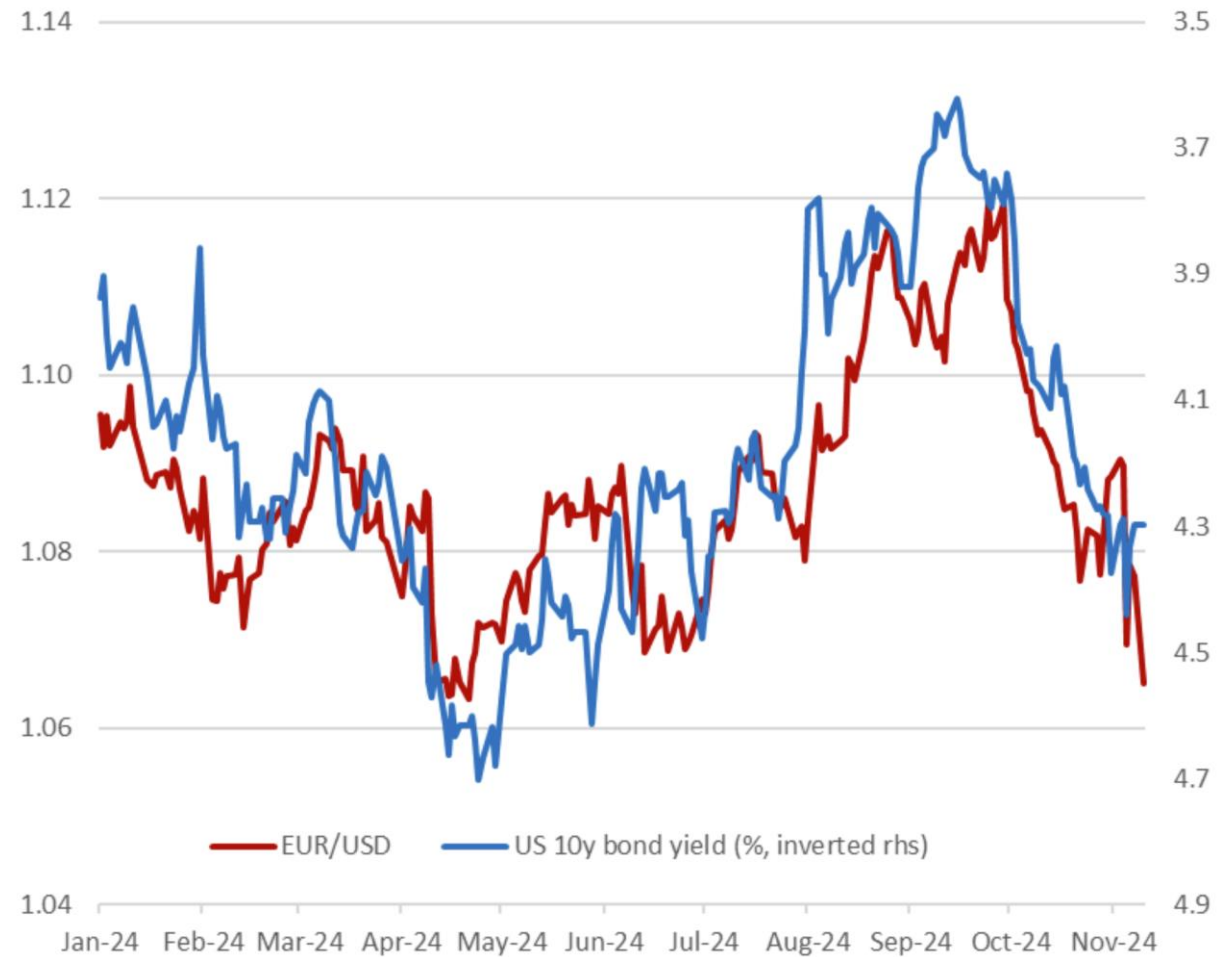
German 10y bond yield projection
In %



	2025Q1	2025Q2	2025Q3	2025Q4
ECB Deposit	2.75	2.25	2.0	2.0

November 2024: 3.25%

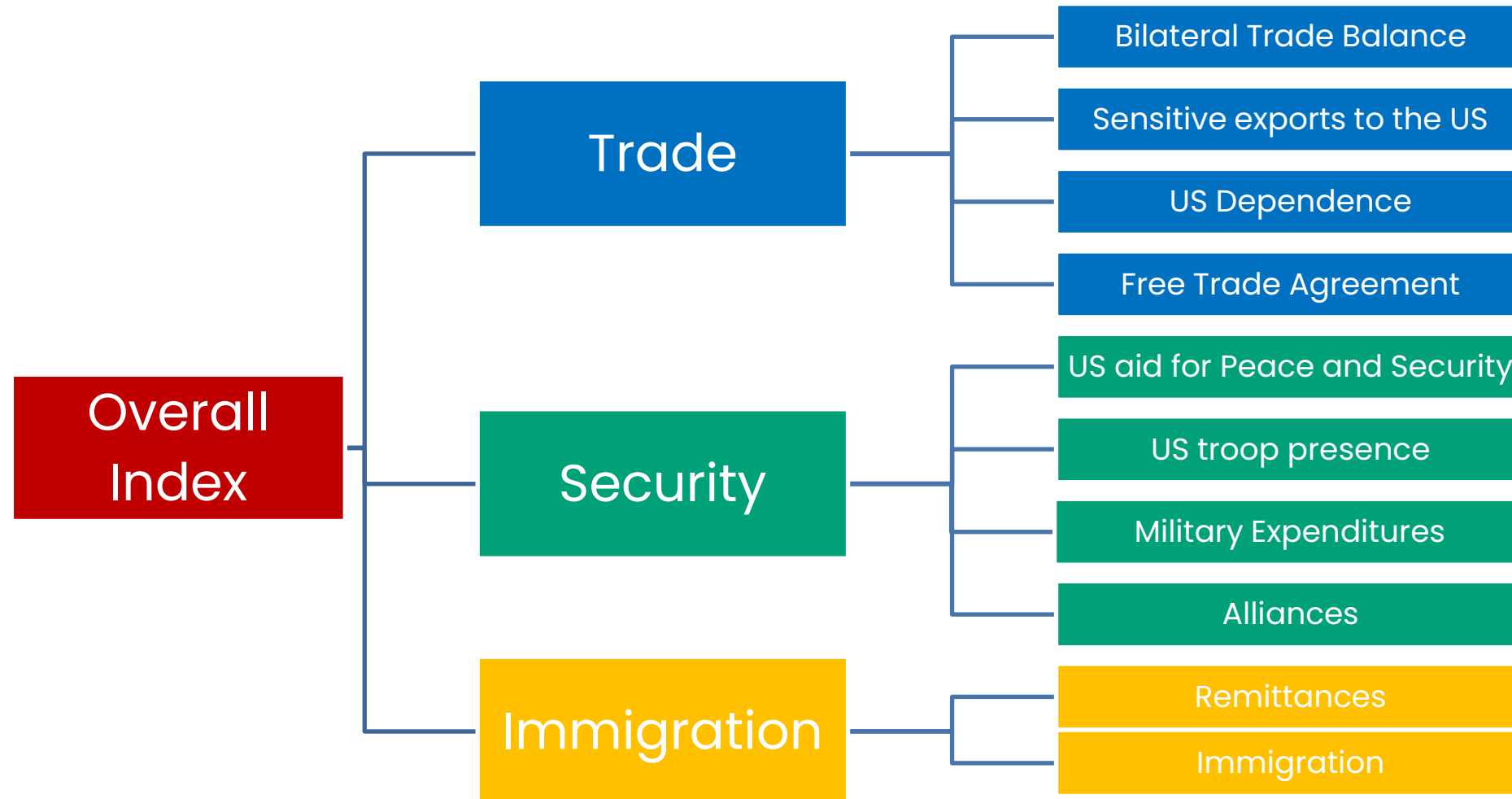
EUR/USD: Pointing to stronger USD



3. Geopolitical implications and vulnerabilities to a Trump mandate



Scoring of countries' vulnerabilities to a Trump mandate



Scoring of countries vulnerabilities to a Trump mandate

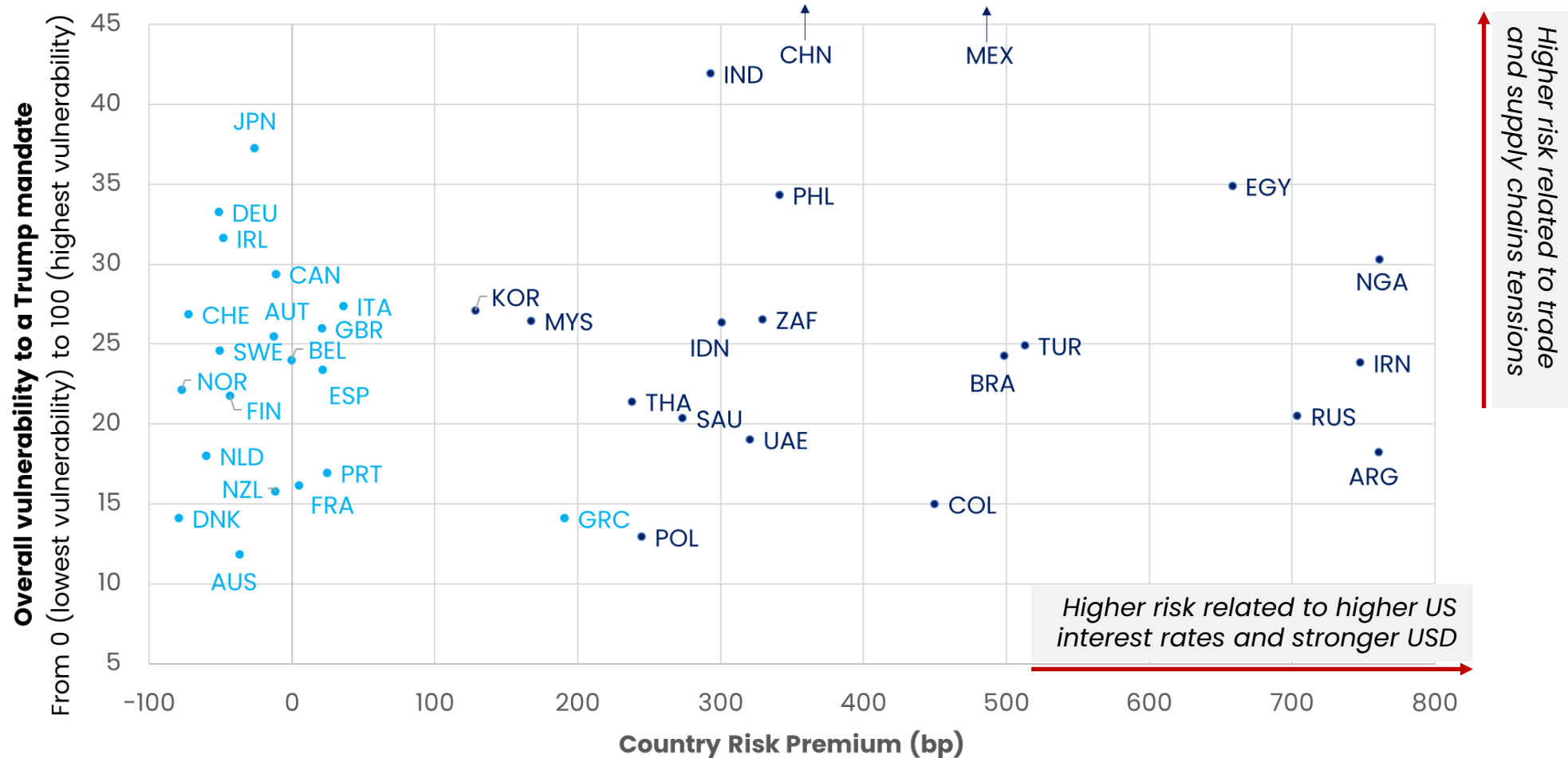
Top Overall Vulnerability Score

Among 20KeyEM and mature economies, rank/121 countries

Rank	ISO3	Country	Trade	Security	Immigration	Overall vulnerability
1	MEX	Mexico	74.9	48.2	63.4	62.1
2	CHN	China	56.1	41.2	50.2	49.2
3	IND	India	37.8	36.4	51.7	41.9
6	JPN	Japan	65.0	42.5	4.3	37.3
10	EGY	Egypt	26.6	68.3	9.8	34.9
11	PHL	Philippines	30.6	25.6	46.9	34.3
14	DEU	Germany	55.0	40.5	4.3	33.3
15	IRL	Ireland	44.6	49.0	1.4	31.6
17	NGA	Nigeria	28.4	45.9	16.7	30.3
18	CAN	Canada	56.1	20.7	11.4	29.4
25	ITA	Italy	38.6	39.9	3.6	27.4
27	KOR	Korea	32.1	32.4	16.9	27.1
28	CHE	Switzerland	33.8	46.2	0.7	26.9
32	ZAF	South Africa	29.5	46.6	3.6	26.6
34	MYS	Malaysia	33.0	44.8	1.6	26.5
35	IDN	Indonesia	30.6	46.7	1.8	26.4
37	GBR	United Kingdom	32.9	35.9	9.2	26.0
40	AUT	Austria	30.6	45.3	0.5	25.5
48	TUR	Türkiye	27.1	40.6	7.0	24.9
53	SWE	Sweden	31.4	41.3	1.0	24.6

Scoring of countries vulnerabilities to a Trump mandate

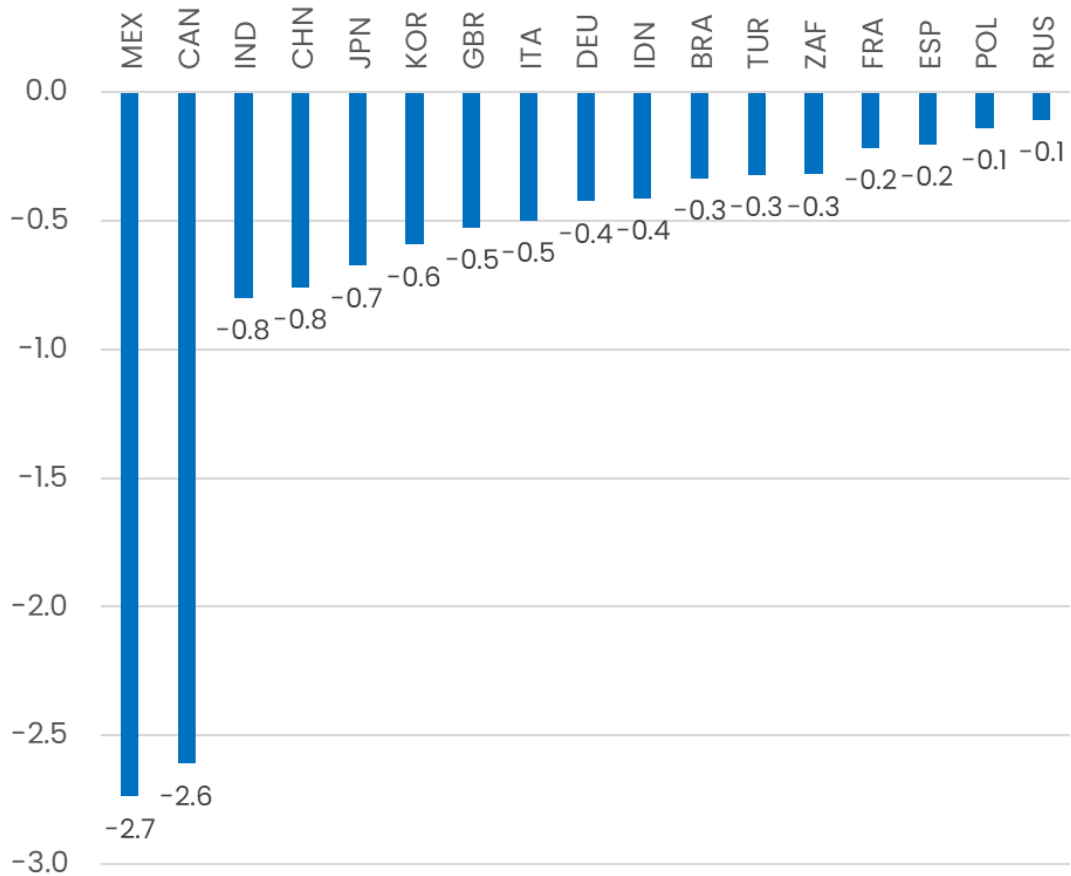
Country Risk Premium versus Vulnerability to a Trump mandate



Quantifying effects of tariffs hikes to assess countries vulnerability

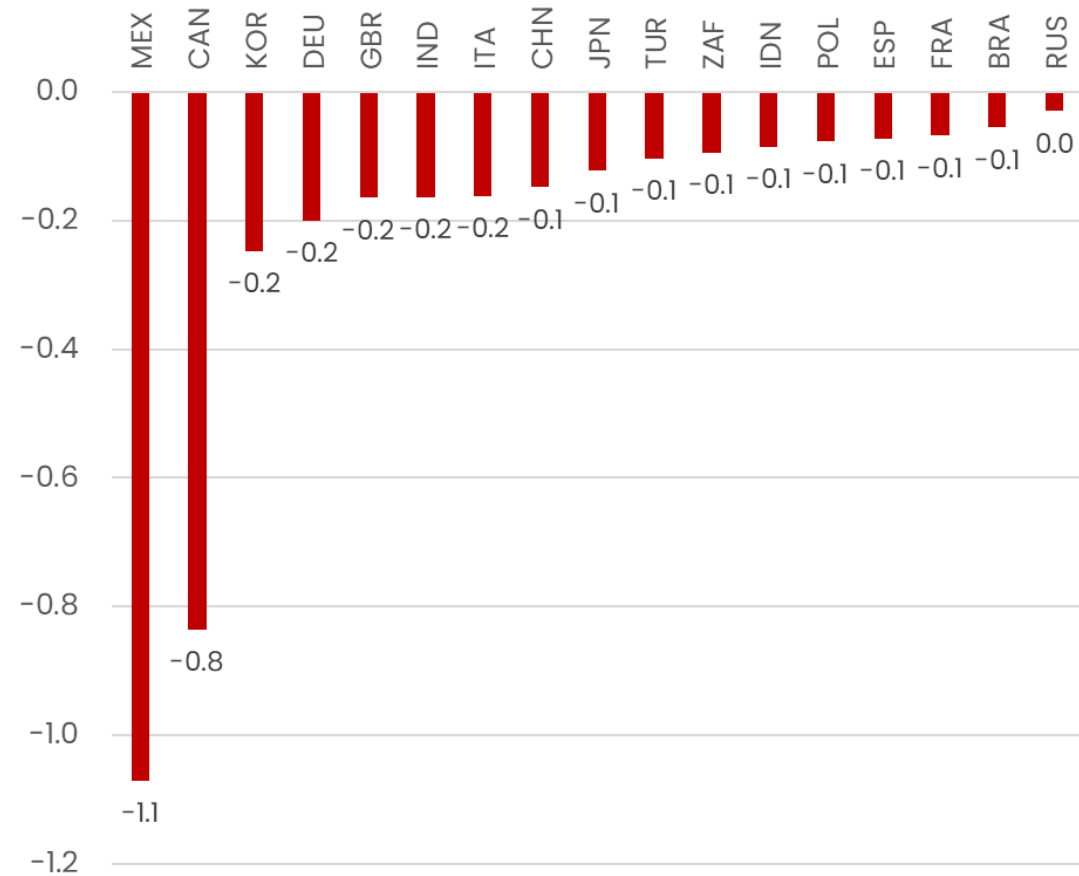
Exports response to a 1% increase in tariffs

PP deviation from baseline



GDP response to a 1% increase in tariffs

PP deviation from baseline



1. **Pragmatic Approach Likely:** Implementing a full Trump agenda would be disruptive, prompting a shift towards a more pragmatic, intermediate scenario.
2. **Limited Immediate Macro Impact:** While the policies are pro-growth, significant economic effects are unlikely to materialize before late 2025 or 2026 due to the time required for implementation.
 - **Near-term growth** is expected to remain **on trend**, supported by resilient consumer spending and moderate fiscal momentum.
 - Inflationary pressures will persist, but structural constraints (housing and labor market issues) are expected to keep **inflation near current levels**.
3. **Monetary Policy and Long-Term Rates:** Higher terminal rate for the Fed than previously expected, bias toward higher long-term rates.
4. **K-Shaped Economy Risks:** with the wealthier 50% benefiting from asset gains and low debt costs, while rising essentials costs strain lower-income households. A slowdown in wealth-driven spending could pressure margins and labor market stability, though Fed rate cuts offer some relief.
5. **Policy Uncertainty:** While Trump's policies may support growth, the lack of clarity around their design and implementation makes forecasts for growth and inflation largely unchanged in the near term.

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