



# US Presidential Election

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Global Treasury



# Introducing the candidates

# A snapshot of the candidates

	<b>Donald Trump</b>	<b>Hillary Clinton</b>
		
Main Slogan	"Make America Great Again"	"Stronger Together"
Party	Republican	Democrat
Birthday	13 June 1946 (age 70)	25 October 1947 (age 68)
Profile	Chairman of Trump Hotels and Casino Resorts, Founder of the Trump Organization	Previous US First Lady, and Secretary of State. Served as an elected official for 8 years
Education	BS Economics & Real Estate, University of Pennsylvania	JD, Yale University (1973) BA Wellesley College (1969)
Running Mate	Mike Pence	Tim Kaine

# A snapshot of the candidates

	Donald Trump	Hillary Clinton	
Income Tax	Cut taxes for all income brackets (12%, 25% and 33%)	The wealthy pay more tax, little change for the 95% bottom income earners	Tax Proposals
Investment Tax	Eliminate net investment income surtax	Raise rates on medium-term capital gains to between 24% to 40%	
Corporate Tax	Cut tax from 35% to 15%	Proposed 'exit tax' on un-repatriated earnings	
Estate Tax	Eliminate estate tax	Increase top tax rate to 45%, lowers estate tax exclusion to \$3.5 million	
Free Trade	"It's not "free trade" with China, its "stupid trade"	"Stop any trade deal that kills jobs or holds down wages"	Trade Proposals
TPP	Opposes the TPP trade deal	Would support the TPP trade deal if the agreement is revised	
NAFTA	"Worst trade deal in history"	Seeks to "enforce trade deals and hold people accountable"	
Tariffs	35% tariff on Mexican goods, 45% tariff on Chinese goods	Proposed "targeted tariffs" on countries which "break rules"	
Immigration	Wants to build a wall on Mexican-US border. Proposed mass deportation for illegal immigrants	The US-Mexican border is the "most secure border we have ever had" Supports immigration reform with a path to citizenship	Social/Immigration
Abortion	Proposed "punishment" for abortion except for legitimate reasons	Supports the right to abortion	
Healthcare	Wants to abolish ObamaCare	Supports government-funded healthcare	
Guns	Armed people with guns could have intervened and save lives	Proposed tighter background checks and a ban on assault weapons	

# Third Party Candidates: An Alternative to ClinTrump?

Gary Johnson



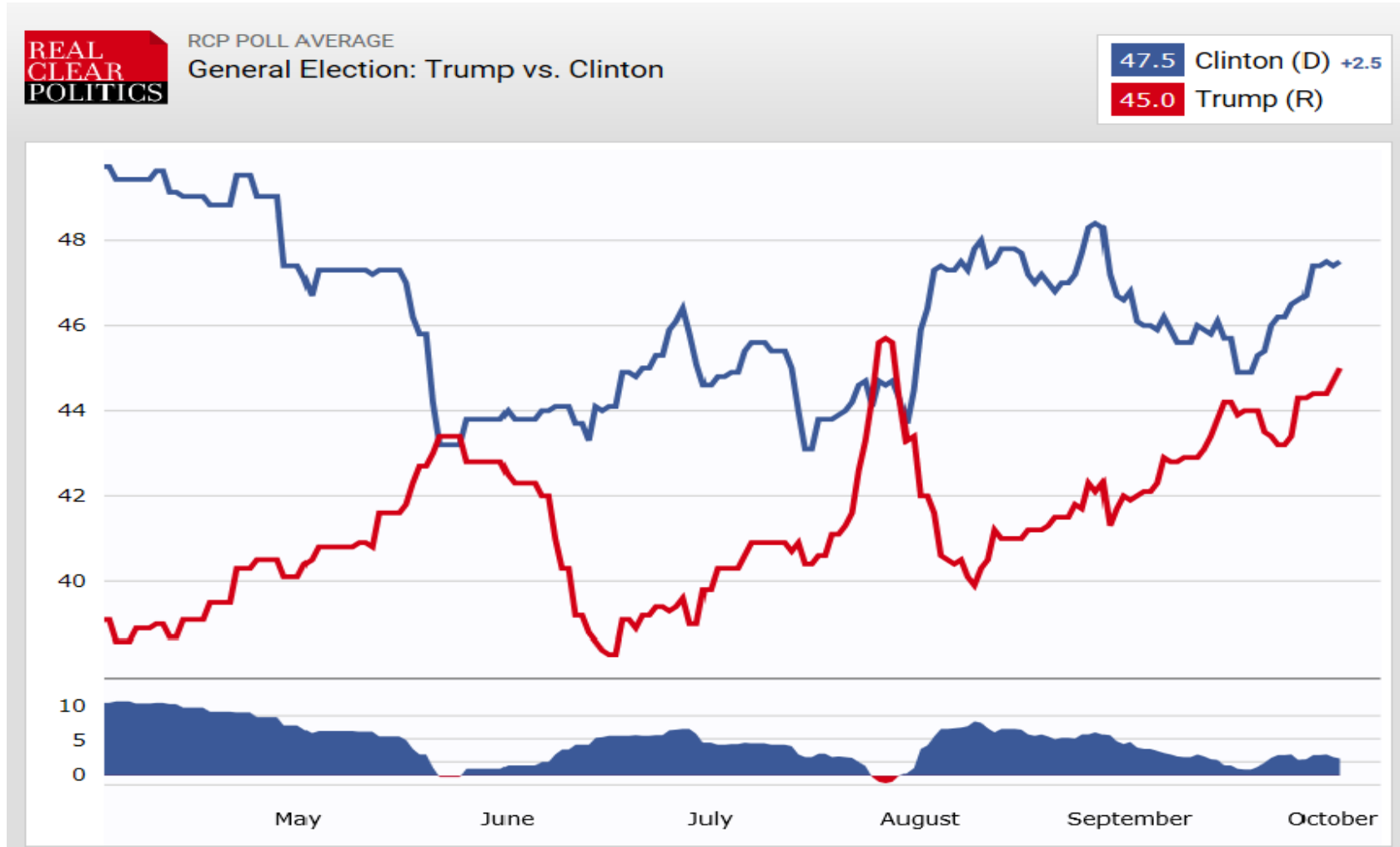
- Libertarian Party Candidate
- Former Governor of New Mexico
- Is likely to steal votes from average Sander's supporters (non- ideological socialists) who have turned to Clinton
- Only candidate that supports free-trade
- Standing at 13% at the latest Quinnipiac poll

Jill Stein



- Green Party Candidate
- Young ideological socialists who have previously supported Sanders are reported to be abandoning Clinton for Stein
- Standing at 4% at the latest Quinnipiac poll

# Polls showing Clinton taking the lead, Trump gaining



# Overview of the 1<sup>st</sup> Presidential Debate

# Snippets of Presidential Debate #1

	Donald Trump	Hillary Clinton
<b>Jobs</b>	"Our jobs are fleeing the country. They're going to Mexico."	Claimed that her plans would "create 10mn jobs and yours (Trump) would lose us (U.S) 3.5mn jobs."
<b>Clinton's Email Scandal</b>	Retaliated that he would only release them if Clinton releases her 30,000 deleted emails.	"I make a mistake using a private e-mail."
<b>Trump's Tax Returns</b>	"That (not paying any federal income tax) makes me smart."	Pressed Trump for his tax return.
<b>Taxes</b>	<ul style="list-style-type: none"> <li>• Reiterated his support for tax cuts, "...my tax cut is the biggest since Ronald Reagan. It's going to be a beautiful thing to watch."</li> <li>• Defend his tax proposal by claiming that "they're (companies), believe it or not, leaving (U.S) because taxes are too high".</li> </ul>	<ul style="list-style-type: none"> <li>• Brought up that independent experts have said that Trump's tax proposal would "blow up the debt by over \$5tn" and cause U.S to lose "3.5mn jobs and maybe have another recession."</li> <li>• Proposed "raising taxes on the wealthy, because they have made all the gains in the economy."</li> </ul>
<b>Trade Policies</b>	Criticized Clinton for showing support for the TPP previously and calling it the "gold standard".	U.S "need to have smart, fair trade deals" as the country is only "5% of the world's population" which needs to "trade with the other 95% (of population)."

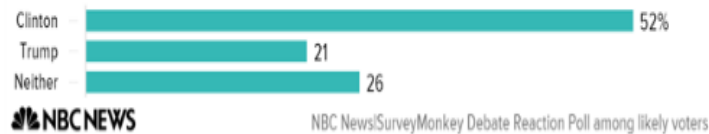


# Who won?

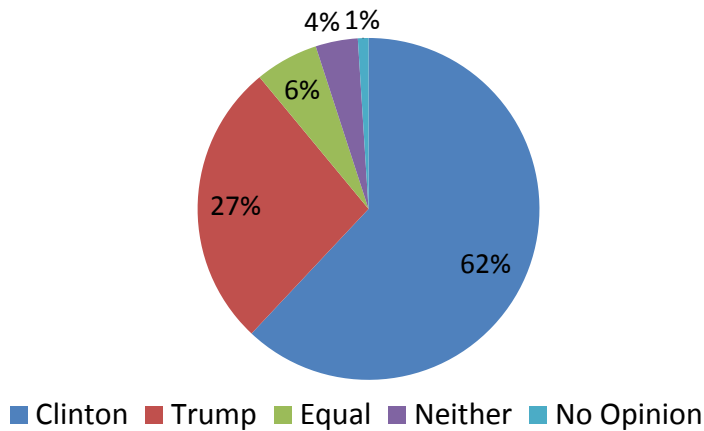
- Trump: Gave a “C plus” grade to Clinton for her performance in the first debate, commenting that “I know I did better than Hillary.”
- Clinton: Told reporters that she had a “great, great time”.

## Clinton won

### Majority of Likely Voters Think Clinton Won First Debate



### CNN - Who did you think did the best job in the debate?



## Trump won

Clinton or Trump: Who do you think won the first presidential debate?

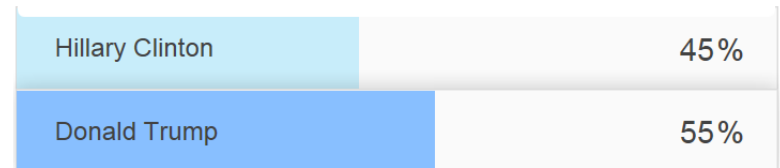


CNBC poll

1,241,825 Votes



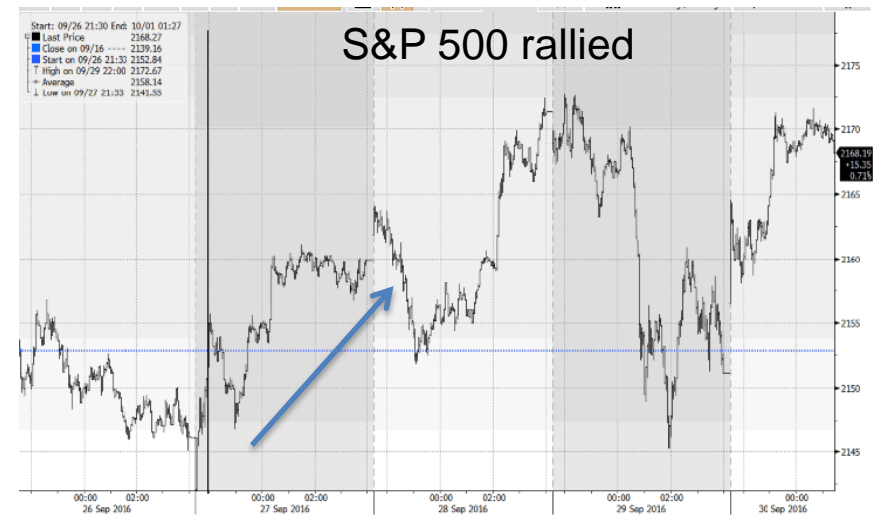
Hillary Clinton and Donald Trump faced off at their first presidential debate Monday. Who do you think won?



Time poll

1,961,202 Votes

# Growth indicators rallied after the debate





# **Policy Implications on Mexico**

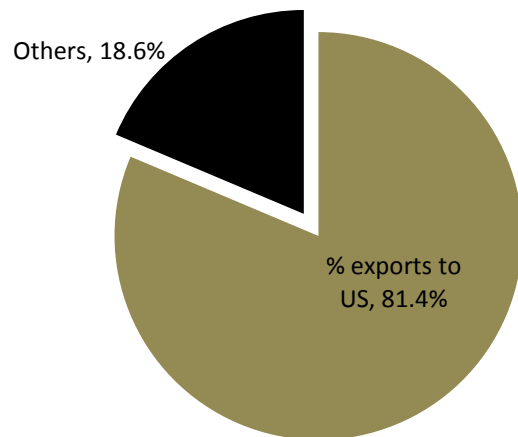
# A President Trump and an average Mexican

- Presidential hopeful Donald Trump's key rhetoric has been to build a US-Mexico wall (and make Mexico pay for it). This proposal, amongst many others, is arguably the proposal that catapulted Trump's popularity.
- Trump's idea of this "impenetrable, physical, tall, powerful, beautiful, southern border wall" is said to cover over 1,000 miles, and about 55 feet high and he claims the cost to be between US\$10 - \$12bn. Other estimates point to as high as \$25bn, excluding maintenance. Empirically, the current fence (not wall) of about 650 miles has cost the US government more than US\$7 billion.
- Trump however, is seen to have increasingly moved away from raising the US-Mexico wall issue, thus raising speculation of Trump's empty promise. Interesting, Trump has not mentioned any issues even remotely related to the building of this wall in his recent Presidential debate with Hillary Clinton.
- On trade issues: Trump has proposed a 35% tariff on Mexican imports, including on US companies which outsourced their production to the South.
- On immigration issues: Trump accused Mexico for using illegal immigration to export crime and poverty to America. Mexican immigrants has been accused to sending billions of dollars in remittances out of America.

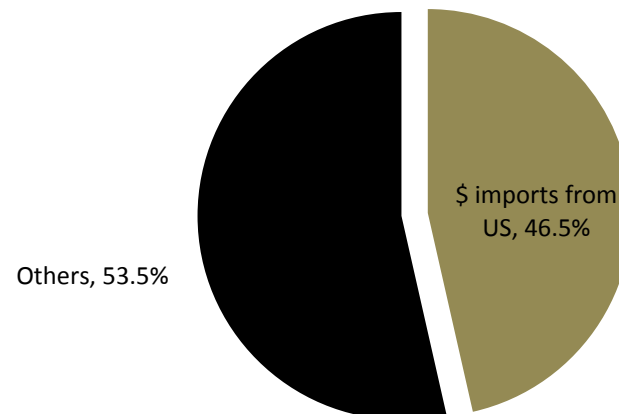
# Mexico, a likely casualty should Trump 'trump'

- Trade and immigration restrictions would be the two key avenues that stifle Mexico from potential growth prospects into the coming year.
- Empirically, Mexican exports to the US accounted for 28% of its GDP in 1H16. More starkly perhaps, is Mexico's heavy reliance on the US market for its exports (81.2% of total exports goes to the US). Conversely, Mexico is US' second largest export market (15.7% of total exports) after Canada.
- As such, Trump's 35% tariff on Mexico would have double-edged consequences, first on Mexico, and second on the US. Mexico would face stiffer competition given the hefty import tax, but the onus may be borne by the US companies who outsource their production.

**Mexico exports most of its goods to the US**  
(Jan 2016 - YTD)



**Mexico imports a sizable portion from the US**  
(Jan 2016 - YTD)

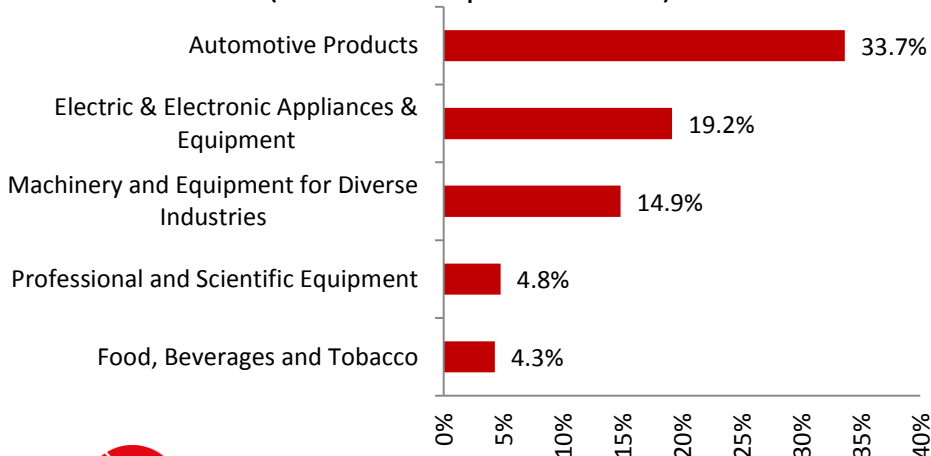


# Adverse effects on manufacturing and its automobile industry

- Mexico has key advantages for the global automotive supply sector. For instance, manufacturing costs in this industry run 10 per cent below costs in the US, and are below China's, according to the National Auto Parts Manufacturing Association in Mexico.
- To emphasize the importance of Mexico's automobile supply industry, 90 per cent of the top 100 global suppliers have presence in Mexico, including well-known names like BMW, Audi and Honda.
- Statistically, the automobile sector accounts for 6% of GDP, and 18% of manufacturing production. In 2012, it commanded 20.8% of total foreign direct investment into Mexico. US is by far the largest source of FDI in Mexico (53% of total inflows).

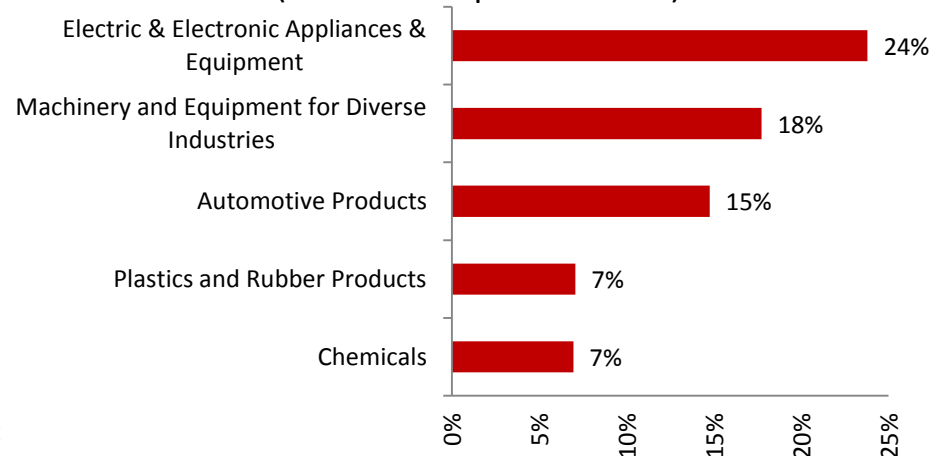
## Mexico's top exports by products

(% of total exports - 7M16)



## Mexico's top imports by products

(% of total imports - 7M16)



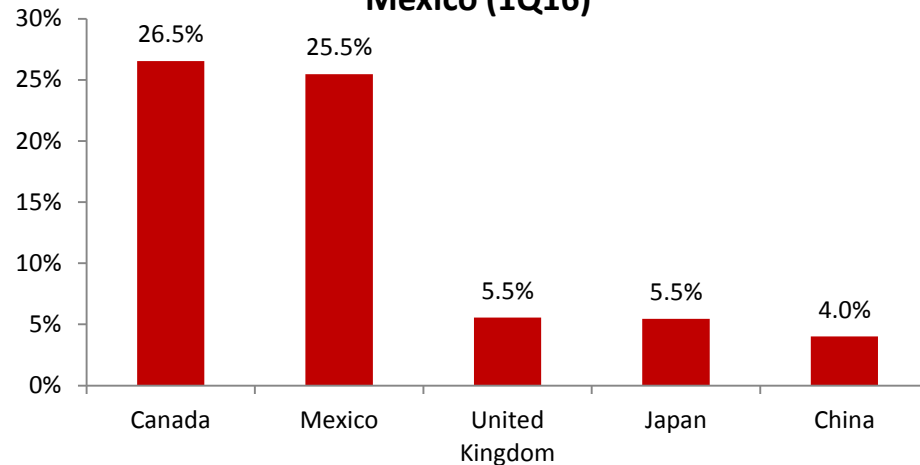
**OCBC Bank**

Source: CEIC, OCBC Bank

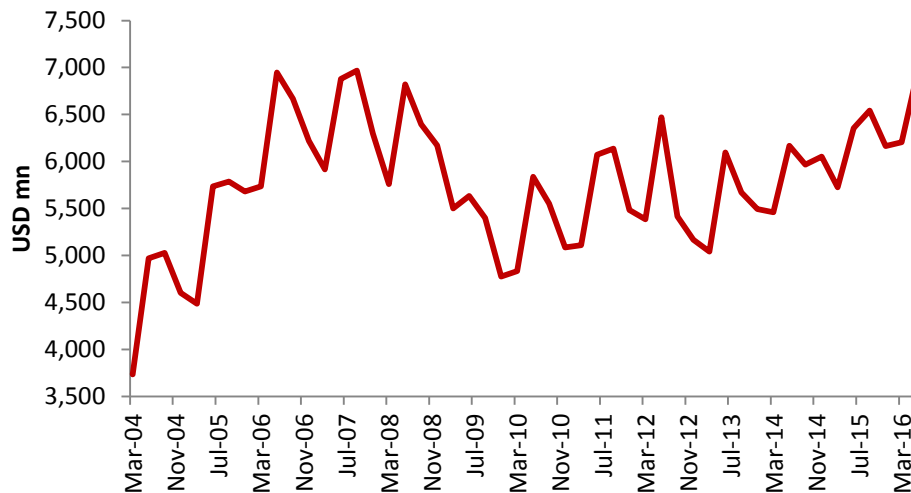
# Adverse effects on immigration and tourism

- Trump's purported immigration proposals, which includes the deportation of illegal immigrants, will have negative economic consequences for Mexico as well.
- For instance, workers remittances into Mexico has been increasing since the 2008/9 Lehman crisis. However, it only accounts for 2.65% of Mexico's GDP.
- Would a label of Mexicans as crime-bringers deter Mexican tourists?

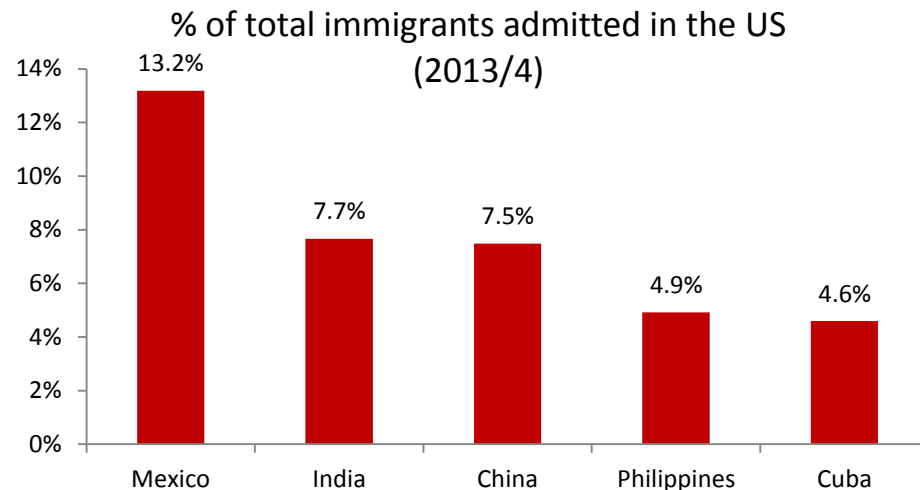
**A quarter of US tourist arrivals come from Mexico (1Q16)**



**Mexico: Workers Remittances**



**The Mexicans love the US:**

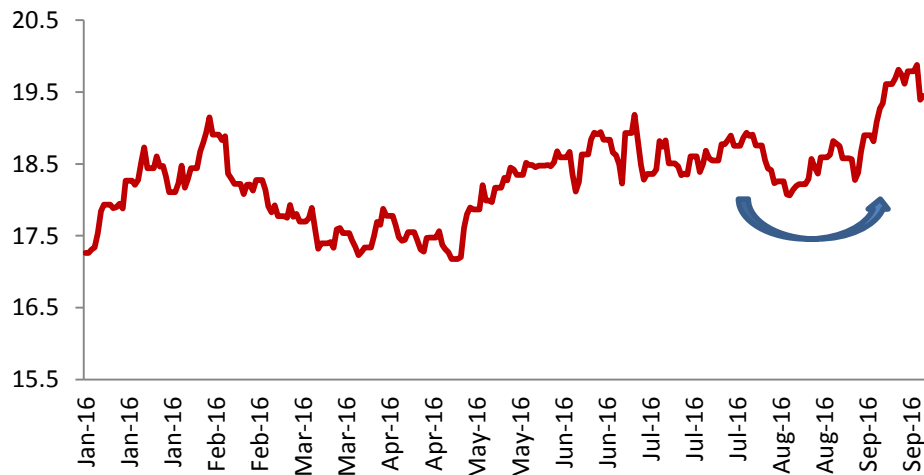


**OCBC Bank**

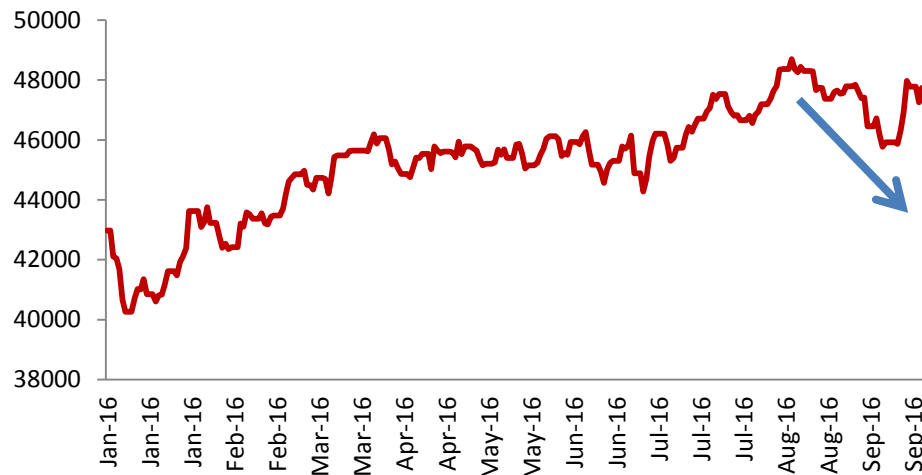
Source: CEIC, OCBC Bank

# Market reacts adversely when Trump is popular

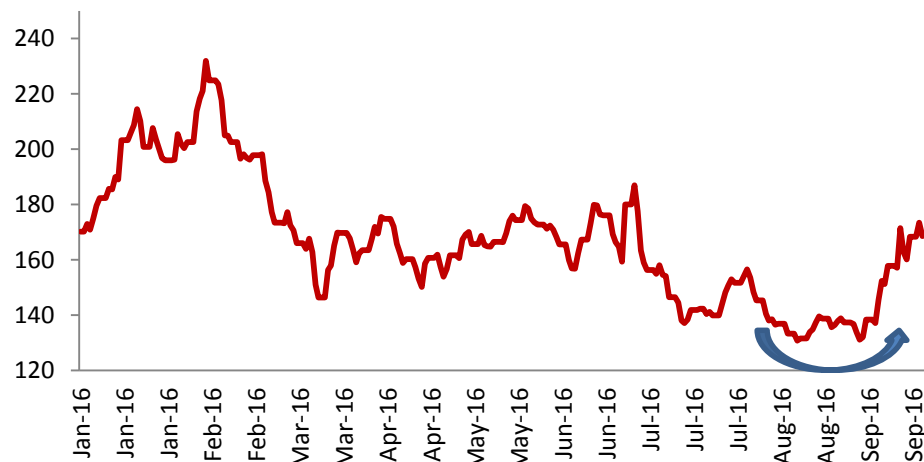
USD-MXN



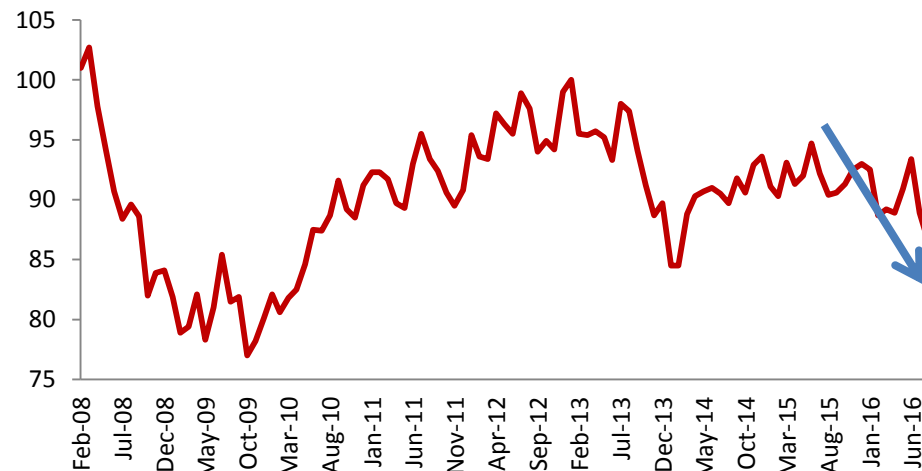
Mexican Stock Exchange IPC



Mexico 5Y CDS



Consumer Confidence



**OCBC Bank**

Source: Bloomberg, OCBC Bank





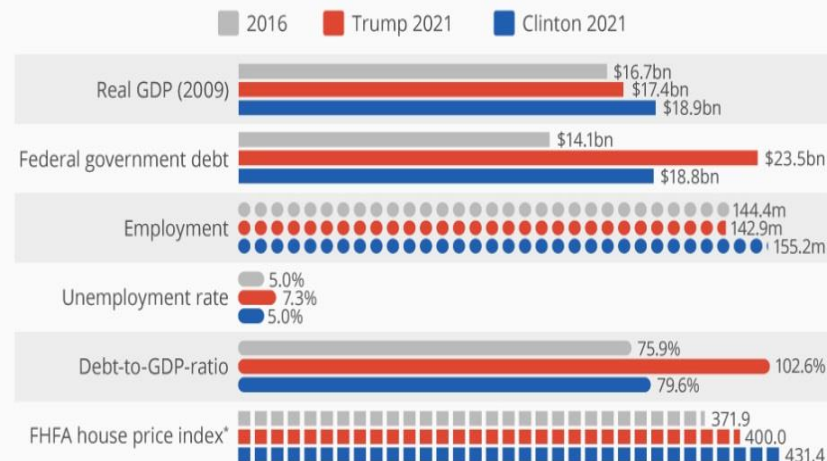
# Policy Implications on US

# A show of market (in)confidence in Trump?

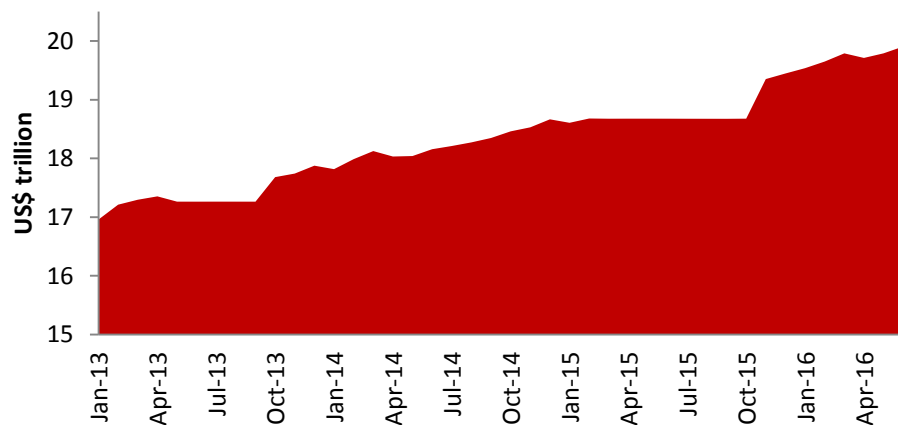
- According to Moody's Analytics, Trump's economic policies is seen to fare worse when compared to Clinton's, across US key indicators including GDP, Federal debt, Employment.
- Spill-over risks including slower foreign investment flows, incurring of more debt and overall risk of an economic slowdown in the US becomes apparent.

## How Trump & Clinton's Economic Policies Might Pan Out

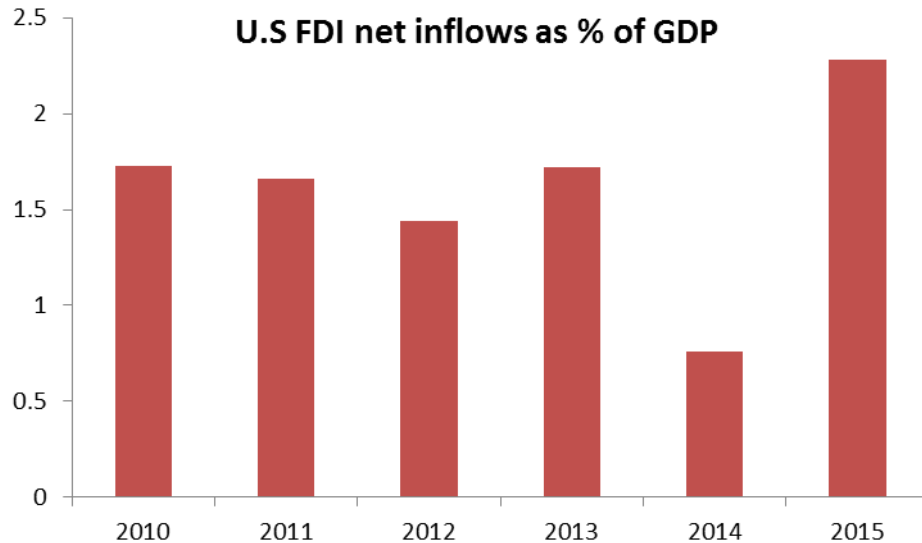
Predicted impact of Trump & Clinton's proposed economic policies



**Debt is always a touchy subject:**  
US National Debt tops US\$19 trillion



## U.S FDI net inflows as % of GDP



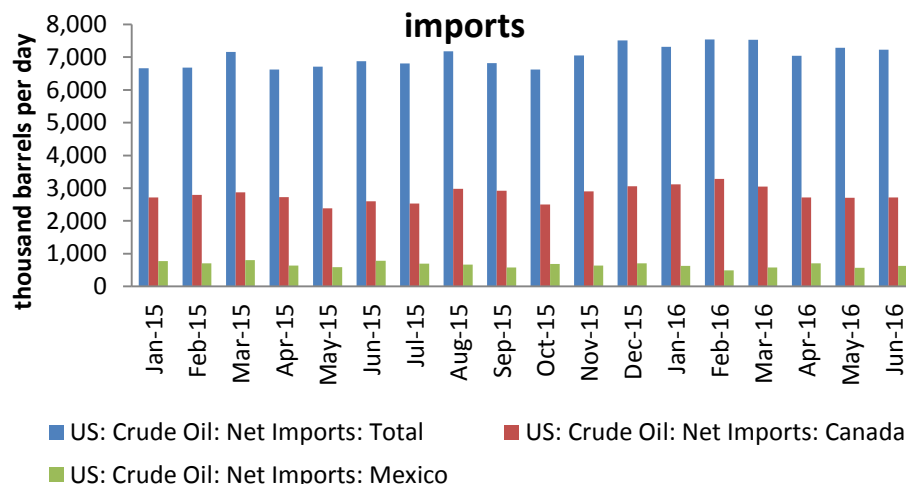
**OCBC Bank**

Source: Bloomberg, Moody's Analytics, Forbes

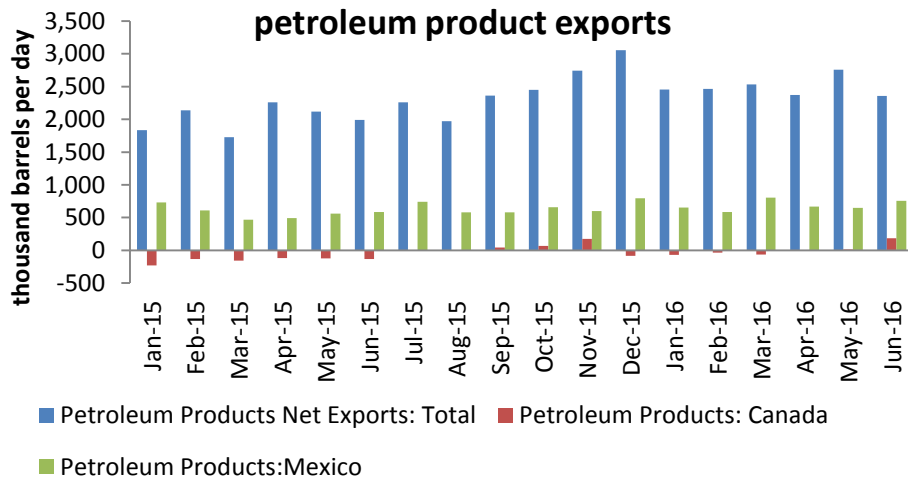
# US reliance on Mexico's energy sector

- Given territorial proximity and Mexico's dominant energy sector, it is unsurprising to see strong economic ties between these two nations.
- It is apparent especially in US' reliance on Mexico's energy sector, where 32% and 13% of US' petroleum and liquified petroleum gas, respectively, flows to Mexico.

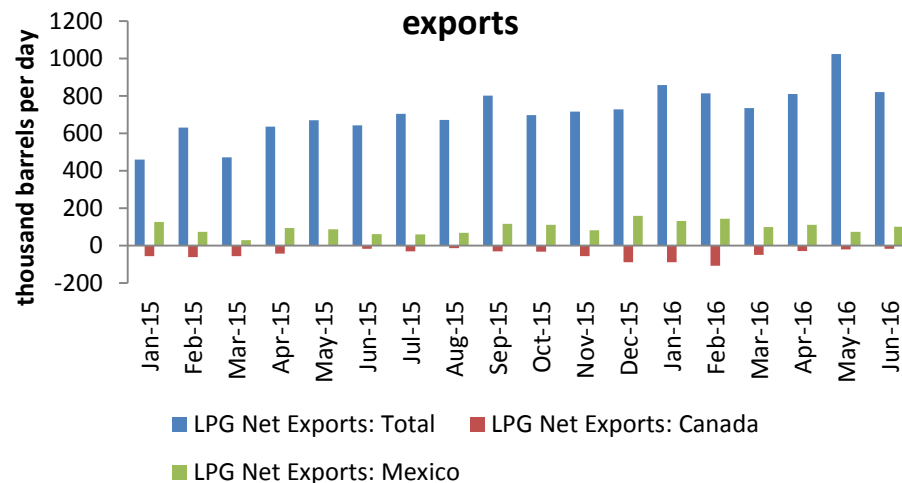
**Mexico commands 8.6% of total US net crude oil imports**



**Mexico accounts for 32% of total US net petroleum product exports**



**Mexico commands 13% of total US net LPG exports**

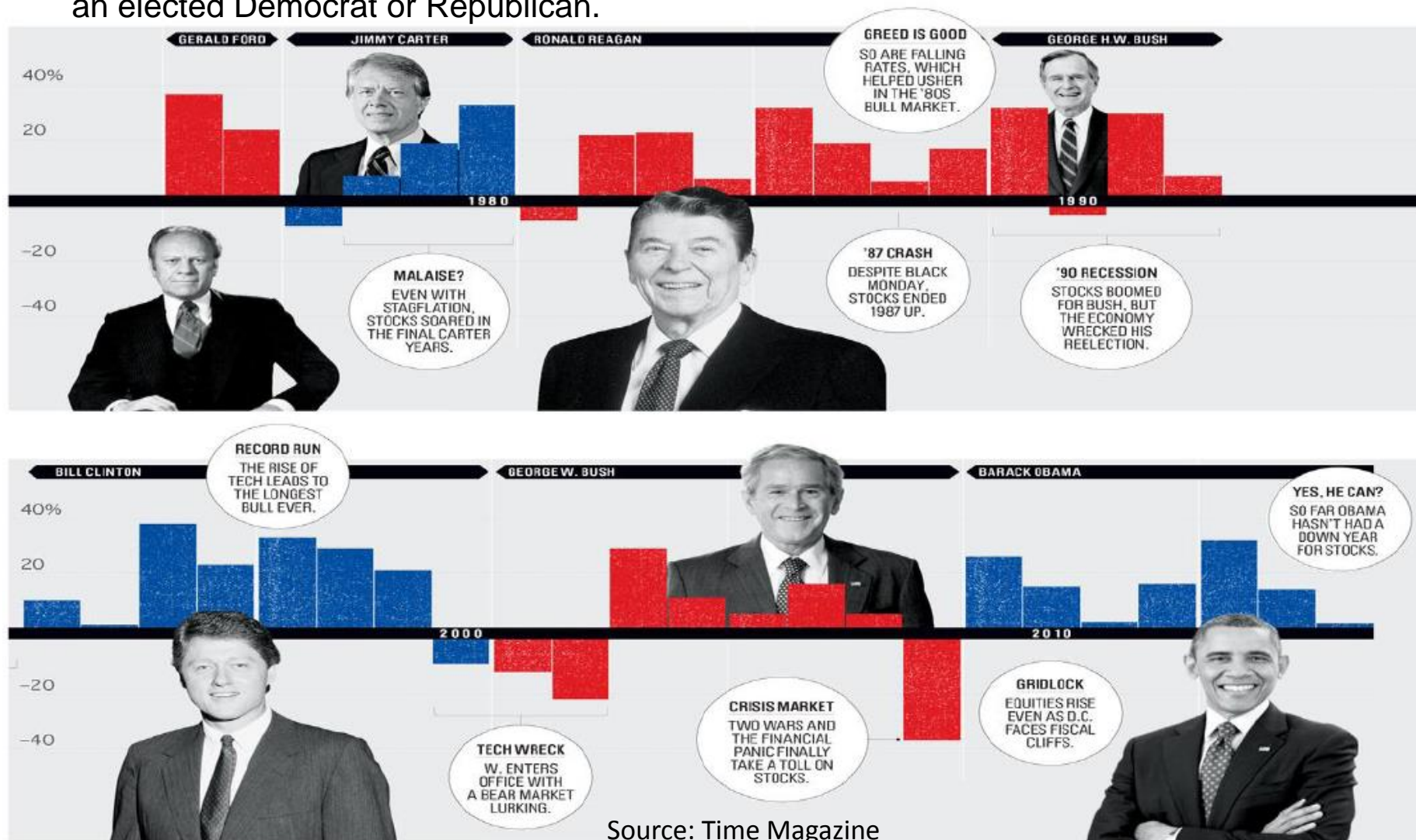


**OCBC Bank**

Source: Bloomberg, CEIC, OCBC Bank

# Investment trends during US presidency

- It is natural to assume that specific policies made by the candidates would have diverse effects on the US economy. However, history shows that the S&P 500 index normally rises (on average 6.5% in fact across) during the first year of the presidential term, regardless of an elected Democrat or Republican.



Source: Time Magazine

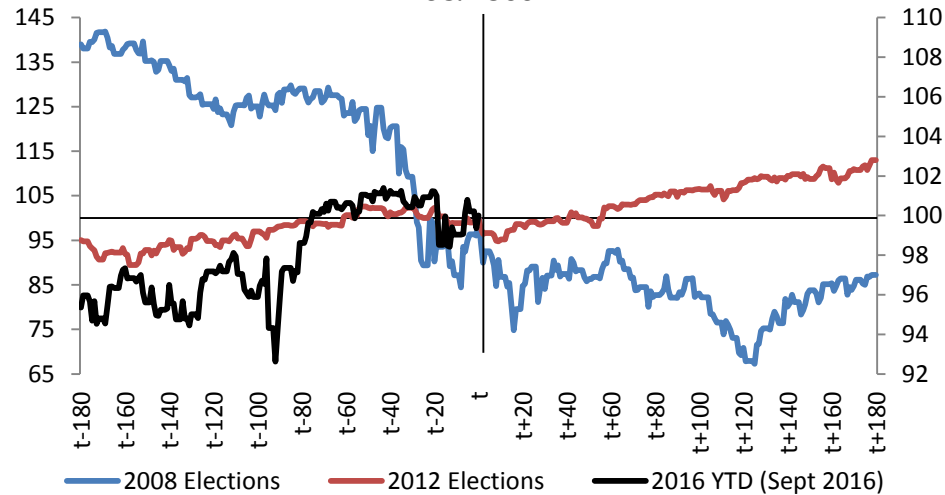
# S&P performance across sectors

## S&P 500 performance from 1992 to 2014

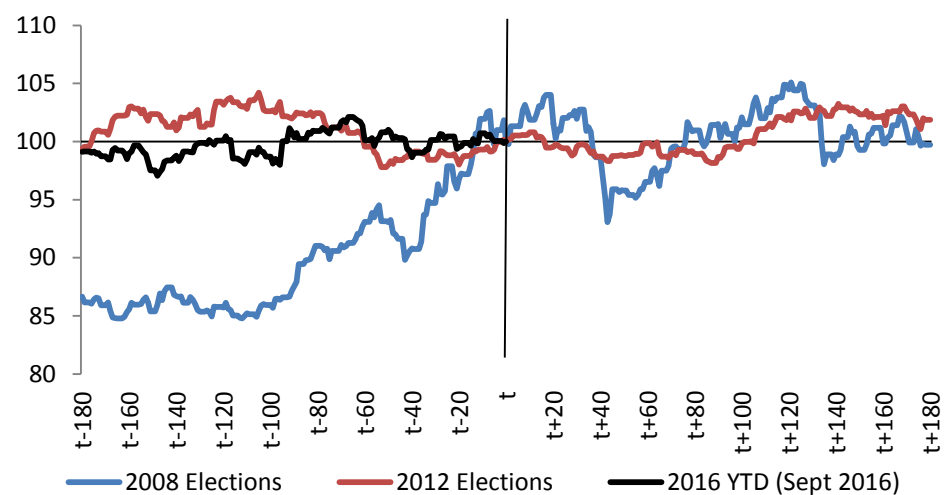
	Election Year	Year + 1	Year + 2	Year + 3
Financials	8.80%	15.70%	4.50%	8.10%
Utilities	6.20%	3.70%	0.30%	12.80%
Consumer staples	6.10%	8.50%	8.30%	10.20%
Energy	4.60%	13.90%	2.40%	19.90%
Health Care	4.50%	13.10%	10.40%	14.30%
Industrials	3.50%	14.90%	3.20%	18.50%
Consumer Discretionary	1.10%	19.90%	9.40%	13.70%
Materials	-3.50%	14.70%	4.70%	16.70%
Information Tech	-4.30%	18.30%	15.70%	36.10%
Tele-communications	-6.00%	5.70%	7.90%	13.50%

# What may happen as we approach November?

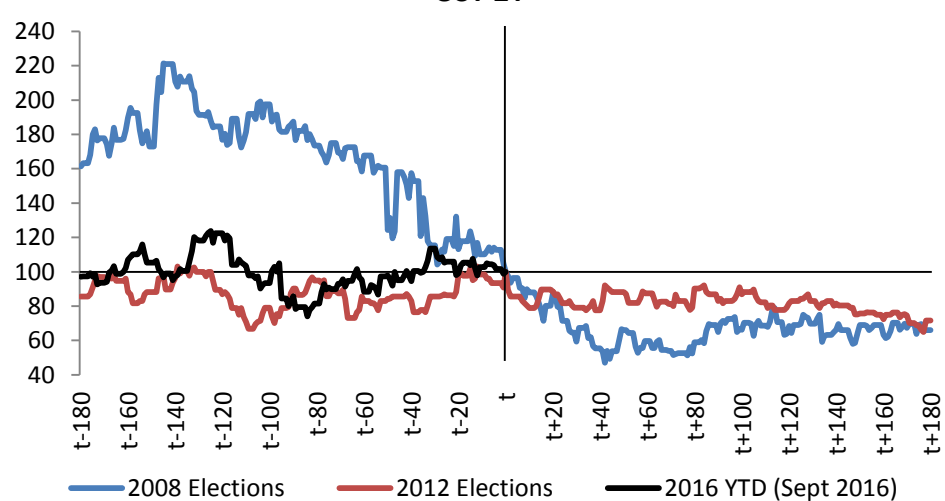
S&P 500



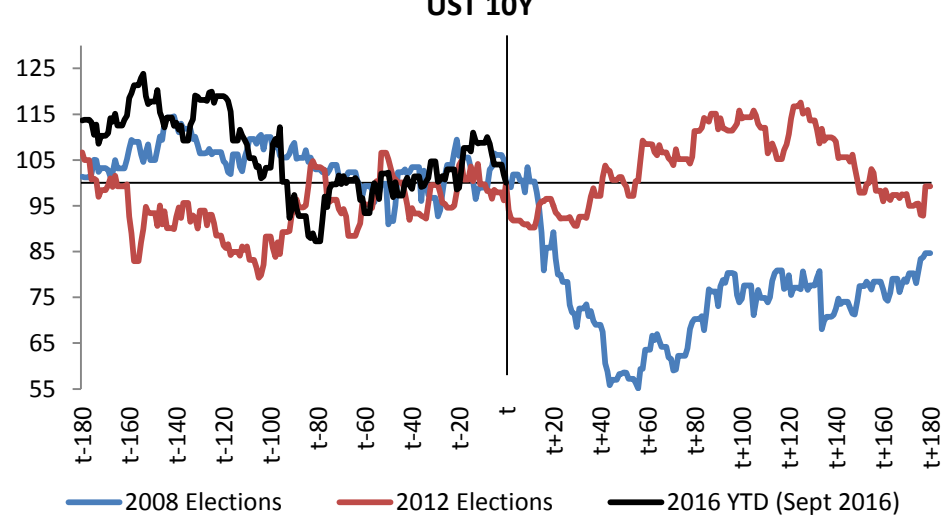
DX



UST 2Y



UST 10Y



**OCBC Bank**

Source: Bloomberg, OCBC Bank

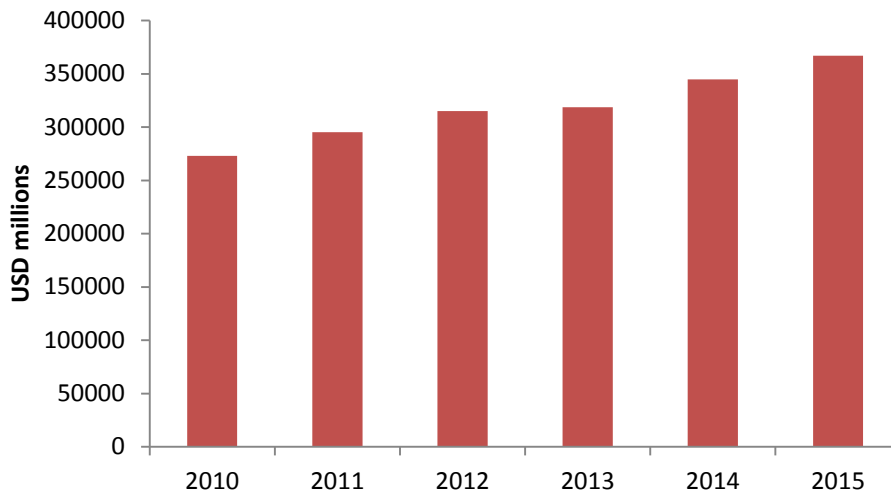


# **Policy Implications on Asia**

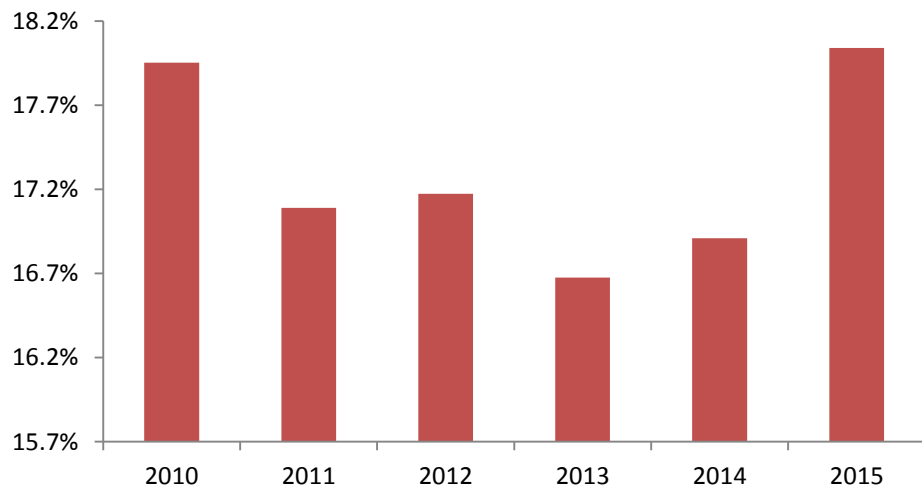
# What will this mean for China?

- Both candidates have supported a more restrictive American trade policy, particularly towards China, as trade gap worsens between the two countries. Hence, they are both looking to label China as a currency manipulator.
- Should stricter trade policies be imposed and if the TPP is scrapped, China may see declining exports to the U.S.

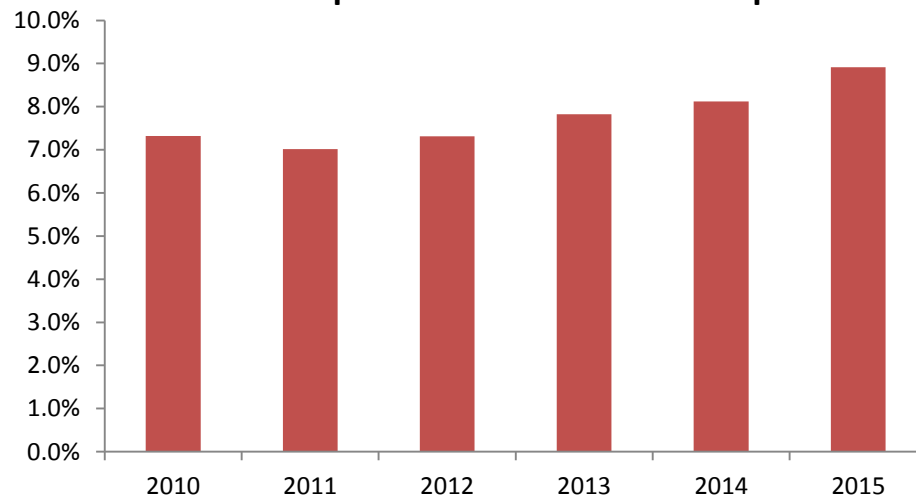
**US trade deficit with China**



**China's exports to US as % of total exports**



**China's imports to US as % of total imports**

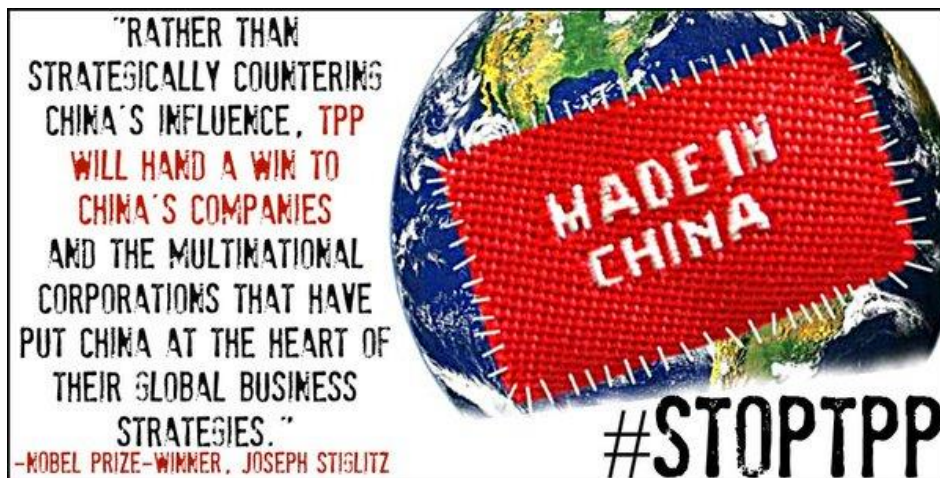




# China may benefit from an unsuccessful TPP?

- Recent market chatter points to China's possible benefit if the Trans-Pacific Partnership (TPP) is scrapped should Donald Trump takes office.
- China in fact has been moving ahead with its own trade deal, coined the "Regional Comprehensive Economic Partnership (RCEP)", a plan that is aimed to boost its exports. The RCEP is then seen as a competition against the 12-member TPP which aims to bring more jobs, higher wages, and above all, lower trade barriers and investment opportunities.
- Market implication for China seems to be two-way. Time will tell.

## China set up a Weibo fan page for Trump

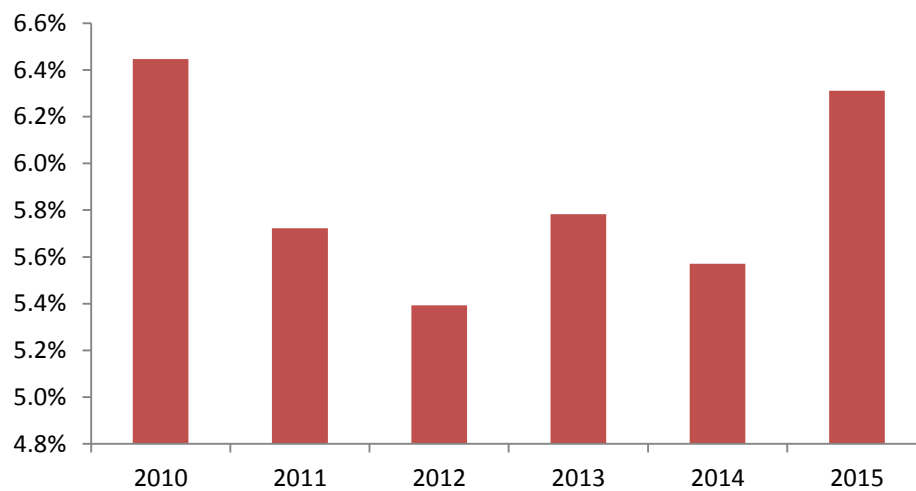


# What will this mean for SG?

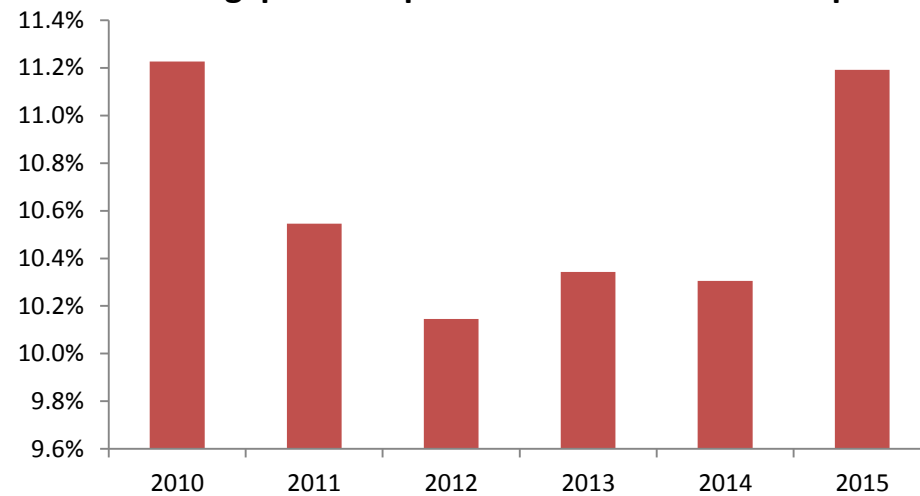
- Singapore is currently one of the 12 countries involved in TPP, a free trade agreement which covers 40% of the world economy.
- With the TPP, Singapore will be able to enjoy lower tariff and non-tariff barriers for both goods and services.
- Still, Singapore has close trade ties with the US, given that the nation-state's exports and imports as a total of trade is 6.3% and 11.2%, respectively.

If Trump is elected	If Clinton is elected
Should Trump's "America First" stance lead the US towards isolationism, Singapore's diplomatic ties with US may be affected	Has advocated for a stronger US' presence around the world
Could spell a setback for the TPP, which Singapore has signed in February 2016	

Singapore's exports to US as % of total exports



Singapore's imports to US as % of total imports



**OCBC Bank**

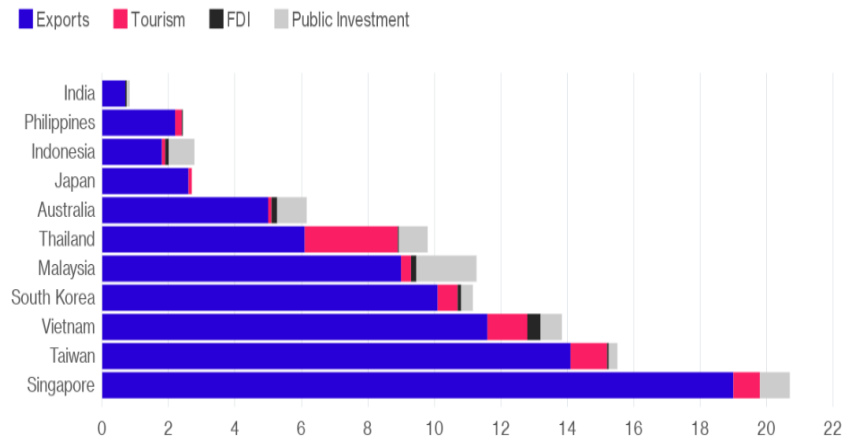
Source: Bloomberg, OCBC Bank

# What will this mean for SG?

- Conversely, Singapore's trade ties with China is far more sizable when compared to the US. In fact, Singapore's exposure to China is more than 20% of its GDP, above that of Taiwan, Malaysia and Indonesia.
- Should China's economic growth be negatively affected by the new policies made by the elected US president, Singapore will face negative spill-over consequences.

## The China Effect

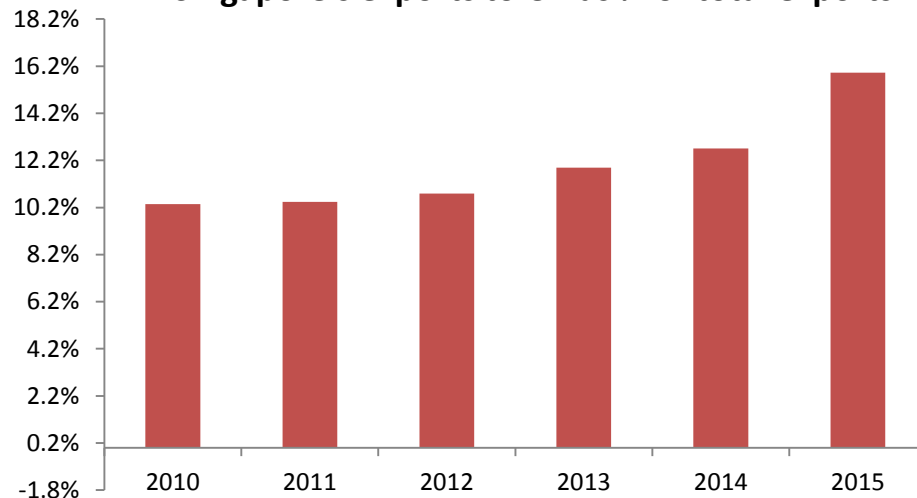
A summary of Asia's exposure to China (% of GDP)



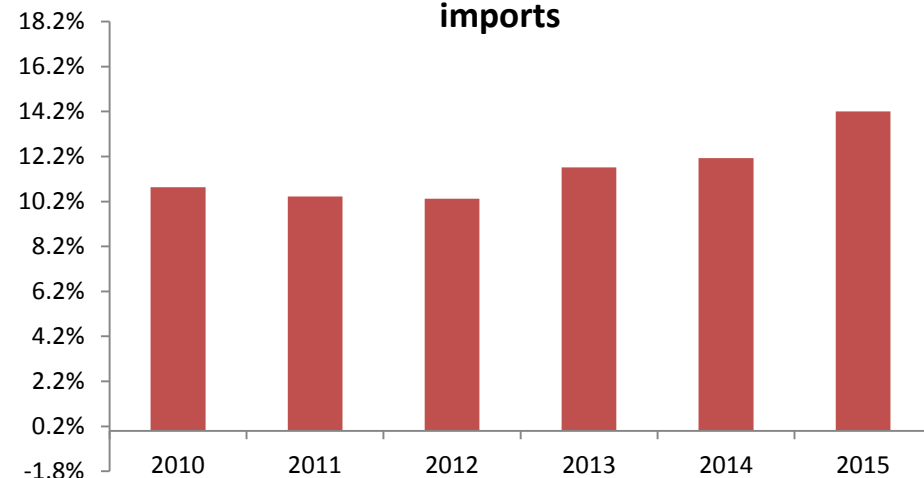
Natixis, Bloomberg

Bloomberg

## Singapore's exports to CN as % of total exports



## Singapore's imports from CN as % of total imports



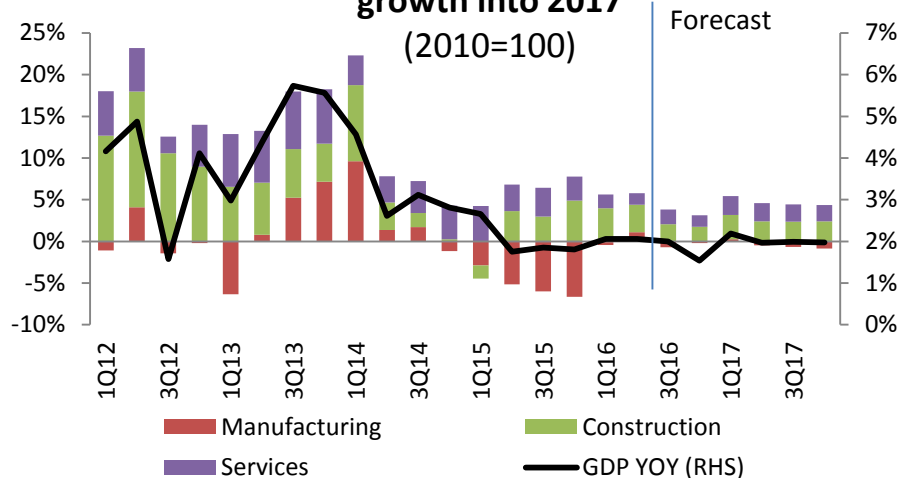
**OCBC Bank**

Source: Bloomberg, OCBC Bank

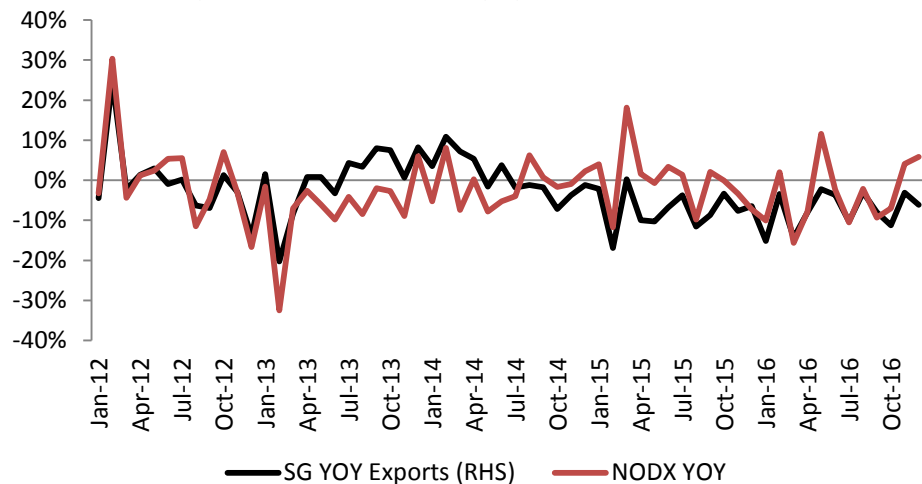
# What will this mean for SG?

- In a nut-shell, the strong trade ties between Singapore and China & US exposes the nation-state to greater sense of uncertainty especially if trade protectionism is enforced. The downside risks are exacerbated especially when Singapore is already facing a lackluster manufacturing sector and weaker-than-usual trade numbers.
- The rise in trade protectionism in the US give rise to downside risk to Singapore's headline growth as well. At this juncture, we look for GDP to print 1.9% and 2.0% in 2016 and 2017, respectively. **Should protectionism reign into 2017, especially when TPP may be scrapped while China faces higher trade barriers, we foresee a potential growth downgrade to below 1.5% yoy in 2017 (from 2.0%).**

Singapore should see sustained subdued growth into 2017  
(2010=100)



Little growth seen in Singapore's trade numbers



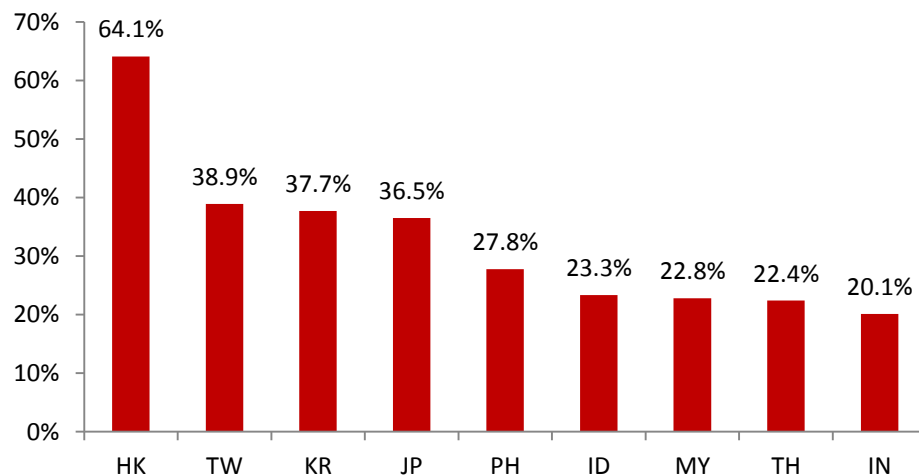
OCBC Bank

Source: Bloomberg, OCBC Bank

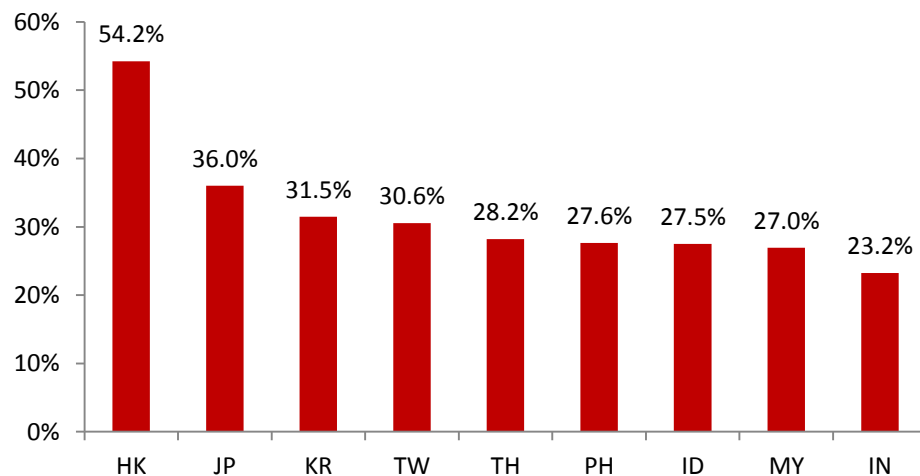
# Rest of Asia – Trade Exposures

- Assuming the rise of trade protectionism and negative spillover effects to China, it is important to gauge trade exposures of Asian economies to both the US and China.
- Empirically, Hong Kong has the highest exposure to both the US and China in terms of exports (64.1%) and imports (54.2%). This follows by Taiwan and Korea, which are traditionally strong trading partners with the US and China.
- This suggests that these economies may see higher negative beta effect should trade protectionism is enforced. Conversely, economies like Indonesia, Malaysia, Thailand and India may be less adversely affected when compared to their regional peers.

Exports to US and China as % total exports



Imports from US and China as % total imports





# Forecasts

# USD interest rate forecast:

USD Interest Rates	Q4 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	2018
Fed Funds Target Rate	0.75%	0.75%	1.00%	1.00%	1.25%	1.75%
Overnight rate	0.65%	0.70%	0.90%	1.10%	1.30%	1.80%
1-month LIBOR	0.70%	0.75%	0.97%	1.18%	1.40%	1.95%
2-month LIBOR	0.85%	1.00%	1.15%	1.30%	1.45%	2.03%
3-month LIBOR	1.00%	1.10%	1.23%	1.37%	1.50%	2.10%
6-month LIBOR	1.35%	1.45%	1.48%	1.52%	1.55%	2.20%
12-month LIBOR	1.55%	1.60%	1.62%	1.63%	1.65%	2.30%
1-year swap rate	1.10%	1.25%	1.40%	1.55%	1.70%	2.55%
2-year swap rate	1.15%	1.30%	1.45%	1.60%	1.75%	2.60%
3-year swap rate	1.20%	1.35%	1.50%	1.65%	1.80%	2.70%
5-year swap rate	1.30%	1.45%	1.63%	1.82%	2.00%	2.80%
10-year swap rate	1.55%	1.70%	1.87%	2.03%	2.20%	3.00%
15-year swap rate	1.70%	1.85%	2.00%	2.15%	2.30%	3.20%
20-year swap rate	1.80%	1.95%	2.10%	2.25%	2.40%	3.30%
30-year swap rate	1.85%	2.00%	2.17%	2.33%	2.50%	3.40%

# SGD interest rate forecast:

SGD Interest Rates	2016 Q4	1Q 2017	2Q 2017	3Q 2017	4Q 2017	2018
1M SIBOR	0.70%	0.78%	0.85%	0.93%	1.00%	1.40%
1M SOR	0.25%	0.46%	0.68%	0.89%	1.10%	1.50%
3-month SIBOR	0.95%	1.01%	1.08%	1.14%	1.20%	1.60%
3M SOR	0.65%	0.81%	0.98%	1.14%	1.30%	1.70%
6-month SIBOR	1.22%	1.27%	1.31%	1.36%	1.40%	1.80%
6M SOR	1.10%	1.19%	1.28%	1.36%	1.45%	1.90%
12-month SIBOR	1.35%	1.39%	1.43%	1.46%	1.50%	2.00%
1-year swap rate	1.30%	1.38%	1.45%	1.53%	1.60%	2.10%
2-year swap rate	1.45%	1.50%	1.55%	1.60%	1.65%	2.20%
3-year swap rate	1.55%	1.61%	1.67%	1.72%	1.78%	2.28%
5-year swap rate	1.75%	1.80%	1.85%	1.89%	1.94%	2.44%
10-year swap rate	2.05%	2.09%	2.13%	2.16%	2.20%	2.85%
15-year swap rate	2.20%	2.23%	2.25%	2.28%	2.30%	3.05%
20-year swap rate	2.25%	2.29%	2.33%	2.36%	2.40%	3.15%
30-year swap rate	2.30%	2.35%	2.40%	2.45%	2.50%	3.20%



# FX central tendency forecasts:

	Spot	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
USD-JPY	102.22	103.35	103.83	106.33	108.83	111.33
EUR-USD	1.1167	1.1085	1.1028	1.0961	1.0894	1.0828
GBP-USD	1.3073	1.3190	1.2360	1.2075	1.1790	1.1505
AUD-USD	0.7564	0.7510	0.7562	0.7389	0.7216	0.7042
NZD-USD	0.7246	0.7185	0.7320	0.7125	0.6930	0.6735
USD-CAD	1.3031	1.3140	1.3065	1.3260	1.3455	1.3650
USD-CHF	0.9810	0.9890	0.9892	0.9989	1.0086	1.0182
USD-SGD	1.3622	1.3695	1.3707	1.3817	1.3927	1.4037
USD-CNY	6.6782	6.8015	6.9415	6.9022	6.8628	6.8350
USD-THB	34.584	34.40	34.37	34.72	35.07	35.42
USD-IDR	13259	13330	13372	13484	13596	13707
USD-MYR	4.0532	4.0750	4.0700	4.1300	4.1900	4.2500
USD-KRW	1119.12	1130.00	1100.00	1130.00	1160.00	1190.00
USD-TWD	31.709	31.950	31.500	31.950	32.400	32.850
USD-HKD	7.7563	7.7550	7.7611	7.7644	7.7678	7.7711
USD-PHP	46.46	46.45	46.28	46.83	47.38	47.93
USD-INR	67.09	67.25	66.92	67.29	67.66	68.02
EUR-JPY	114.15	114.56	114.51	116.55	118.57	120.55
EUR-GBP	0.8542	0.8404	0.8922	0.9078	0.9240	0.9411
EUR-CHF	1.0955	1.0963	1.0909	1.0949	1.0988	1.1025
EUR-SGD	1.5212	1.5181	1.5115	1.5145	1.5172	1.5199
GBP-SGD	1.7808	1.8064	1.6941	1.6684	1.6420	1.6149
AUD-SGD	1.0304	1.0285	1.0365	1.0209	1.0049	0.9885
NZD-SGD	0.9871	0.9840	1.0033	0.9844	0.9651	0.9454
CHF-SGD	1.3886	1.3847	1.3856	1.3832	1.3809	1.3785
JPY-SGD	1.3326	1.3251	1.3201	1.2994	1.2796	1.2608
SGD-MYR	2.9755	2.9755	2.9694	2.9891	3.0086	3.0278
SGD-CNY	4.9025	4.9664	5.0643	4.9955	4.9278	4.8694

# Commodities Overview

As of June 30, 2016

	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3F	Q4F
<b>Energy</b>								
WTI (\$/bbl)	48.6	58.0	46.5	42.2	33.6	45.7	47.8	50.0
Brent (\$/bbl)	55.1	63.5	51.3	44.7	35.2	47.0	48.5	50.0
Gasoline (\$/gallon)	1.60	2.00	1.64	1.31	1.18	1.54	1.71	1.56
Natural Gas (\$/mmbtu)	2.81	2.74	2.74	2.24	1.98	2.25	2.81	2.50
<b>Precious Metals</b>								
Gold (\$/oz)	1,217	1,193	1,124	1,105	1,185	1,260	1,315	1,350
Silver (\$/oz)	16.7	16.4	14.9	14.8	14.9	16.8	18.3	18.8
Platinum (\$/oz)	1,192	1,128	991	911	919	1,006	1,096	1,227
Palladium (\$/oz)	785	758	616	606	526	569	626	711
<b>Base Metals</b>								
Copper (\$/MT)	5,805	6,047	5,274	4,882	4,669	4,726	4,838	5,000
Tin (\$/MT)	18,369	15,581	15,224	15,093	15,465	16,910	17,279	17,857
Nickel (\$/MT)	14,388	13,046	10,605	9,443	8,514	8,825	9,304	9,804
Zinc (\$/MT)	2,090	2,191	1,854	1,634	1,684	1,924	1,967	2,000
Aluminum (\$/MT)	1,814	1,788	1,623	1,507	1,515	1,582	1,581	1,613
<b>Asian Commodities</b>								
Crude Palm Oil (MYR/MT)	2,270	2,196	2,082	2,220	2,467	2,467	2,450	2,800

## Source:

Historical Data - Bloomberg

Forecasts - OCBC Bank

Note: Data reflects average price

# Disclaimer

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