

FUNDAMENTAL FLASH

Trump Wins US Election

Prepared by AHAM Asset Management

Trump 2.0 | What To Expect

Donald Trump has won the US 2024 Presidential Election, crossing the pivotal 270 electoral college votes required to claim victory.

His return as President brings expectations of bold policy shifts. But, we think it's dangerous to be reactive to a Trump victory, before his actual policy announcements.

This is because he has an aggressive and unconventional approach to policy making as we have seen. As such, we are not making large sector or stock moves until proven otherwise.

Malaysia | Sector Impact

For Malaysia, our first take based on themes are:

USD Strength: The USD could strengthen on the back of inflationary tax policies leading to slower monetary easing. This is good for exporters, in particular the beaten down tech sector. Hence we are seeing glove, manufacturers and tech names rallying on the back of this.

Slower Global Yield Compression: Yield plays in Malaysia might taper off as relative attractiveness of global yields climb.

Tariffs: Higher US import tariffs are one of Trump's favorite policy tools to either protect American manufacturing, seek trade concessions or encourage US investments to drive jobs.

Flashpoints

- Awaiting further clarity before making any large portfolio positioning.
- Trump's inflationary tax policies are expected to bolster USD strength, benefiting Malaysian exporters like tech and glove manufacturers.
- Similarly, Malaysia poised to benefit from trade diversion theme due to higher US tariffs aimed at China.
- For the rest of Asia, a Trump win could bring regional uncertainty. But factors like an overvalued USD, supportive Fed policies, and low stock valuations may support risk assets.
- We remain cautious, waiting for Trump's specific policy announcements before making significant portfolio moves.

The main target is China, which encourages more supply chain diversification, of which Malaysia and hence exporters will benefit.

Energy Policy Shifts: A resolution to the Ukraine War, paired with Trump's pro-oil exploration and anti-ESG stance, are some of his policy agendas to address the US cost of living—a central voter concern—by strengthening the USD and curbing immigration.

This is clearly negative for oil complex, which is already facing recent weakness. A Ukraine resolution could ease shipping bottlenecks and hence logistic costs, which is again good for exporters. His anti-ESG stance is also negative for Malaysian companies dependent on US solar patronage.

Asia | Different Dynamics

For the rest of the Asia region, a Trump victory does bring about more uncertainty (versus one of continuity under Kamala Harris). The general view of a stronger USD and higher tariffs is a headwind for the region and this was seen at the onset of Trump's first term back in 2016.

However, several key macro factors currently are different from back then:

- **Dollar Overvaluation:** Back in 2016, the USD was just emerging from an undervalued starting point after a prolonged bear market. But now, the dollar has become overvalued after a decade long bull run. On the flip side, most Asian currencies are undervalued on a real effective exchange rate basis.
- **Valuation Palatable:** Secondly on valuations, stocks in most Asian countries are trading at lower multiples than their developed markets counterparts and their own levels 8 years ago.
- **Fed Policy:** Finally, another key difference is the US monetary policy cycle where at the onset of President Trump's first term, the US Federal Reserve (Fed) was just starting its tightening cycle, putting upward pressure on both the USD and interest rates of other Asian countries. In contrast, the Fed is currently at the beginning of its easing cycle, providing room for other Asian central banks to maintain accommodative policies. These offer a more supportive macro environment for Asian assets than 8 years ago.

Specifically on China, where Trump has proposed tariffs of up to 60%, this poses a headwind if implemented. We do note however that the US's share of China exports has been declining over the years with China's exports to other regions including the global south picking up significantly.

We also await the announcements of potential stimulus from the current National People's Congress (NPC) meeting to see if they would put a floor on China's growth and disinflation to boost investor sentiment. For an economy as large as China, domestic policies matter decisively more than global factors.

Awaiting Further Clarity

We conclude as we began. It is dangerous to be reactive to a Trump victory before his actual policy announcements. As such we are not making any significant moves until we have further clarity.

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