



Portfolio construction is best treated as an apolitical exercise. With uncertainty still high, investors can consider strategies to manage potential market and policy risks. (UBS)

How should investors prepare for the US election?

24 June 2024, 9:46 pm EDT, written by US Editorial Team

The US election campaign is heating up. President Joe Biden and former president Donald Trump hold the first of two debates this week. But while investors may feel tempted to take positions based on their expectations for the outcome, we advise caution. Given continued uncertainty so far ahead of the vote, we favor expressing views with only a portion of a portfolio. Meanwhile, hedges in both equities and currencies can help manage risks.

The first of two presidential debates will take place on 27 June between Joe Biden and Donald Trump.

What you need to know about CIO's House View

The outcome of the election could create waves in markets, especially if one party secures a clean sweep.

- A Trump administration, particularly if supported by Republican majorities in Congress, would likely focus on trimming regulation and cementing prior tax cuts.
- Primary beneficiaries could include fossil fuel stocks and financial services, while higher tariffs on imports could harm US companies with global supply chains.
- A second Biden administration would likely continue to support initiatives benefiting green energy, efficiency, and electric vehicle makers.

But taking large positions so far from the vote would be a risky strategy.

- Polls have historically been unreliable guide to the outcome so far from the vote, which is still more than four months away. Candidates with an early advantage failed to take the White House in 1980, 1988, and 1992.
- It is important to remember the principle that investors should vote at the ballot box, and not with their portfolio.

So, instead we favor positions that could mitigate volatility.

- To help manage the potential volatility associated with the outcome, investors can employ structured investments with capital preservation or yield generating features, for single stocks or for cyclical sectors like energy, industrials, and financials.
- In currencies, we think investors should consider hedging their Chinese yuan exposure, and managing their Mexican peso holdings.

Investment view

As the election outcome is highly uncertain, we do not advise investors make any substantial changes to strategic portfolio allocations, with other factors including inflation, economic, and corporate profit growth also affecting markets. It is, however, prudent to consider near-term election risk management.

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Read full article [UBS House View Briefcase: How should investors prepare for the US election?](#) 24 June 2024

For more on the election, see [ElectionWatch 2024](#).

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