

# US Elections 2024

Navigating the Impact on the  
Dollar, Gold & Market Volatility

October 2024



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**Published by:**  
**Sucden Financial Limited**  
Thursday, 10 October 2024

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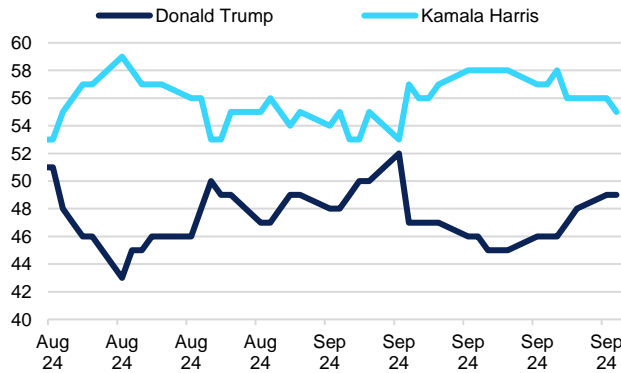
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# US Elections 2024

The US elections, a pivotal event for the global political landscape, are fast approaching. This year, the political scene has been shaken by an unprecedented series of events: an assassination attempt on former President Trump, President Biden’s unexpected withdrawal from the race, and the rapid rise of Kamala Harris as the new Democratic frontrunner. With only weeks remaining, polls show a fiercely tight race between the two parties, heightening market uncertainty.

## Probability of Trump vs Harris Win

The Presidential race has been tight since Harris’s nomination on the 5<sup>th</sup> of August.



Source: PredictIt

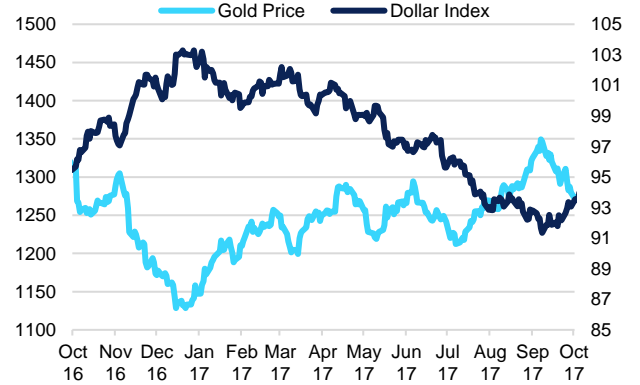
Financial markets, historically sensitive to election results, are bracing for potential shifts in sentiment and policy direction. While drastic changes seem unlikely, subtle economic adjustments could ripple through depending on who wins the election. In this analysis, we explore the possible impacts on the dollar, gold, and market volatility.

## Dollar Movements and Election Outcomes

The dollar's trajectory is closely linked to election outcomes. Historical data suggests distinct reactions depending on who secures victory. In 2016, Donald Trump’s win initially strengthened the dollar as his promises of tax cuts and deregulation spurred expectations of stronger economic growth. However, this dollar strength proved short-lived. As Trump’s aggressive trade policies, particularly tariffs on China, took centre stage, the dollar experienced significant volatility before weakening. A similar pattern is likely in 2024: a Trump victory could push the dollar higher initially, driven by expectations of pro-growth measures. However, trade tensions and market uncertainties could later contribute to a reversal, pushing the dollar lower in the medium term.

## Gold vs Dollar Trends Post-2016 Elections

After Trump's 2016 election win, the dollar initially strengthened but gradually weakened over the following year.

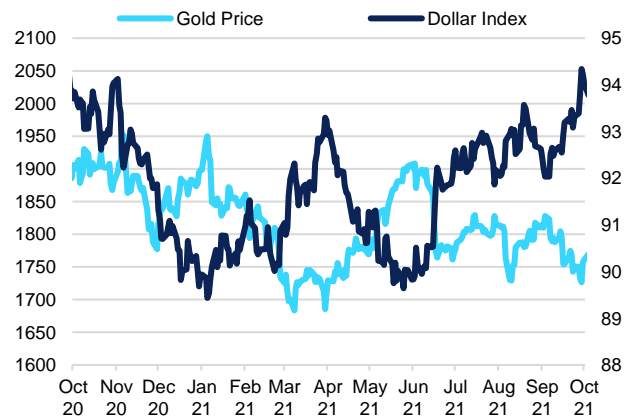


Source: Sucden Financial

If Kamala Harris wins, the dollar may follow a different path. Harris’s platform emphasizes increased fiscal spending, consumer support, and regulation—policies similar to Joe Biden’s in 2020. After Biden’s victory, the dollar weakened as markets anticipated higher government spending, which fuelled concerns about inflation and widening deficits. A Harris victory would likely lead to an initial decline in the dollar for similar reasons. However, as her policies stabilize growth, the dollar could recover, although it may settle at a slightly lower level due to the expected Fed interest rate cuts later in the year.

## Gold vs Dollar Trends Post-2020 Elections

After Biden's win in the 2020 election, the dollar initially weakened but strengthened in the following months.



Source: Sucden Financial

## Gold’s Limited Election Impact

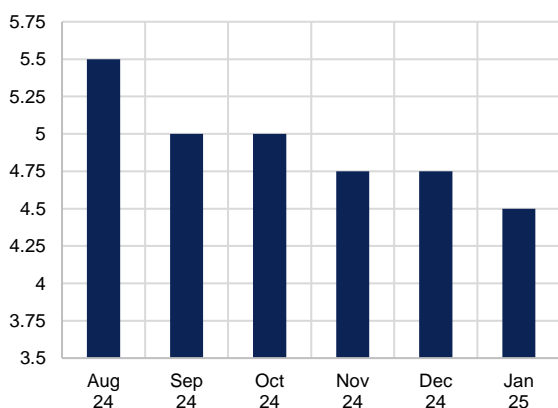
Unlike the dollar, gold has historically been less reactive to US elections. Broader macroeconomic factors such as inflation expectations, interest rates, and geopolitical uncertainty tend to drive gold prices. However, the 2024 post-election environment may still support gold, particularly given expectations of further monetary easing by the Fed.

Gold has already shown strong performance in 2023, rising nearly 30% YTD and hitting a high of \$2,685/oz in September. While election-related uncertainty could offer some support, the more decisive factor is the Fed’s monetary policy. The central bank has initiated a rate-cutting cycle, and additional cuts are expected in the coming months. We anticipate two more rate cuts over the next three Federal Reserve meetings, with the highest likelihood being a 25bps cut in December followed by a 50bps cut in January. Historically, gold performs well during periods of falling interest rates, as lower rates reduce the opportunity cost of holding non-yielding assets like gold. Should the Fed continue easing, especially more aggressively than anticipated, gold could see further gains.

Neither Trump nor Harris is expected to push for fiscal austerity, which raises inflation risks and could further support gold. Trump’s proposed tax cuts and Harris’s plans to expand Biden’s fiscal programs would both likely increase the deficit, particularly if the economy slows. Ultimately, however, gold’s trajectory will be most influenced by the Fed’s actions, with lower interest rates making gold more attractive to investors.

### Our Expectations of Fed Interest Rates

We anticipate a 25bps rate cut at each of the next three Federal Reserve meetings.



Source: Sucden Financial

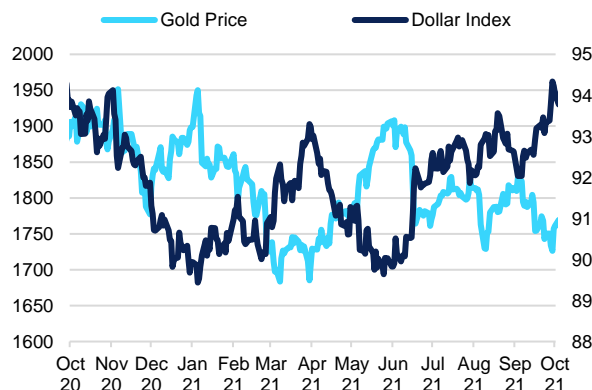
## VIX and Market Volatility: Election-Driven Spikes

In addition to potential movements in the dollar and gold, market volatility—as measured by the VIX—is expected to rise as the election approaches. The VIX surged in both the 2016 and 2020 elections, as markets reacted to uncertainty over potential policy shifts and trade tensions. The 2024 election is likely to follow a similar pattern, with investors hedging against potential market swings as election day nears.

Historically, the VIX tends to increase during periods of political uncertainty, even when the economic policies of the candidates show only minor differences. In 2024, both Trump and Harris favour fiscal spending and protectionist trade policies. Yet, the uncertainty surrounding their policy implementation is expected to drive short-term volatility. A Trump victory could keep the VIX elevated longer, reflecting concerns over his unpredictable policy moves, especially on international trade and his history of pressuring the Federal Reserve. If Harris wins, the VIX may spike initially, but it could stabilize more quickly as markets gain clarity on her economic strategy.

### 2020 Elections: Dollar Index and VIX Movements

Post-2020 election, volatility surged briefly before declining over the following weeks.



Source: Sucden Financial

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