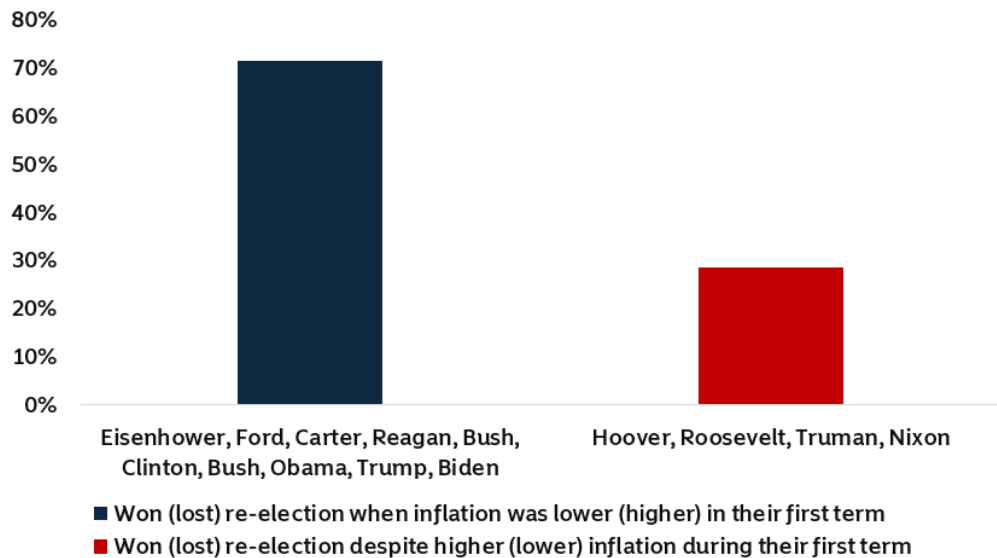


## Inflation kills US administrations

Richard Stutley, CFA, Portfolio Manager

### Chart of the Week



Sources: Bloomberg Finance L.P., 26 November 2024. Microsoft Copilot (Wikipedia, Britannica, 270 to Win)

### What this chart shows

Using US inflation data going back to 1914 we can see whether inflation may have had a bearing on election results over the past century and a bit. Our prediction is that an incumbent president seeking re-election will be shown the door by voters if inflation during their term has been higher than compared to the previous term, and vice versa. It is a simple test for what is, of course, a very complex question – What determines US election results? – but nonetheless the results are interesting. An incumbent president has sought re-election on 14 occasions since 1914 and on 10 of those occasions, or 71% of the time, the result has conformed to our prediction. In the chart you can see the elections that followed the rule, and the four that didn't (Hoover in 1932; Roosevelt in 1936; Truman in 1948; and Nixon in 1972). The rule has now held nine times in a row since 1976.

### Why this is important

President-elect Trump has been talking up tariffs this week, pledging to impose an additional 10% tariff on Chinese imports as well as 25% on Mexico and Canada. Alongside his immigration policies and looser fiscal policy, markets are rightly concerned about the inflationary impact of Trump 2.0, and two-year inflation expectations implied by relative Treasury/TIPS pricing\* have risen by 17bps to 2.54% since November 5 (as at the time of writing). Despite some eyebrow-raising nominations, it won't be lost on Trump and his inner circle that inflation tends to be the end for US administrations – it was a factor highlighted time and time again by voters in the most recent election campaign. That should then serve to temper their more inflationary preferences. Now one could argue this is a moot point, as Trump cannot run again for president under the two-term limit imposed by the 22nd amendment, but it will still be something the Republican party pays close attention to as it seeks to retain control for the long term. Consequently, while we should be prepared for somewhat higher inflation, a return to the really troublesome inflation that followed the pandemic is still unlikely.



# Global Matters Weekly

01 December 2024

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited  
研富投資服務有限公司  
9th Floor, Centre Mark II  
305-313 Queen's Road Central  
Sheung Wan, Hong Kong

Tel +852 2827 1199  
Fax +852 2827 0270  
belvest@bis.hk  
[www.bis.hk](http://www.bis.hk)

## Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefor Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.