BNY

iFlow

WEEK AHEAD

November 10, 2024

Government Money

"Money is power, and in that government which pays all the public officers of the states will all political power be substantially concentrated." – Andrew Jackson
"We have the best government that money can buy." – Mark Twain

Summary:

The key for markets will be on how Trump trades perform – with the Sunday Bitcoin rally to $80k an example, with US shares at another record high despite P/E 25 and with the USD holding its gains. The main trade focus for risk comes from US bonds with $35bn in corporate issuance expected next week coupled with a host of Fed speakers and the Senior Loan Officers survey – all of which reflects against the Fed cut vs. financial conditions and Trump policy with fiscal stimulus and deficits a key fear. The rest of the world will also matter in the debate as COP29 and paying for green policies, the German election timing, the UK Reeves Mansion House speech and ongoing China data and stimulus plans – all focus on governments spending money.

On Monday, many markets are closed in solemn remembrance of the war to end all wars. The role of money and conflict should not be lost in the tears of families whose children, parents and siblings gave their lives to defend their nations. World War I was costly killing 19 million people, wounding another 23 million and through the peace at Versailles imposing draconian measures on Germany – much of which led to the global economic collapse and the rise of Hitler.

The focus for markets in the week ahead will pivot on inflation and on the speculation about US policy on taxes, tariffs and regulation changes under the second Trump Administration. The US CPI report is expected to rise and coupled with easier financial conditions, the 25bps cut from the Fed last week and the expectations of tax cuts from Republicans in 2025, investors are locked in on the risks for rates higher not lower. Germany is the other key focus as the political crisis leads to another election and the uncertainty for the EU's largest economy matters to all markets.

Themes:

- **Trump 2.0** – what is different and what does it mean for markets? The uncertainty for markets ahead will pivot on the actual appointments from Trump for his cabinet. The need for details on deporting immigrants, raising tariffs and cutting taxes will matter significantly to how markets trade globally – but so far, we have just a handful of names. There is a need for speed for Trump and for all new governments. The 2024 elections have been clear, voters have not patience for incumbents to fix economies. Trump and his first 100 days will be critical given the US mid-terms in 2-years likely take away any Republican control of Congress. All of this leaves investors rethinking Trump trades from higher curves to stronger USD to M&A and SME investing with domestic focus.
- **FOMC and soft-landing** – does the fiscal and tariff uncertainty matter for Fed easing? Fed terminal rate is seen at 3.0-3.5% ahead. This is higher than the 2.85% dot plot and history of the central bank, with the analyst community like the Fed itself expecting 2025 to deliver a soft-landing for growth. . Fed pause risks are rising given the uncertainty of government stimulus from Trump fiscal plans.
- **US Exceptionalism** – does the USD and stock market overvaluation risk matter? The US debate about valuation for FX and equities revolves around the terminal rate. Last week, the US productivity data and the surge in US equities make clear that there is risk ahead.

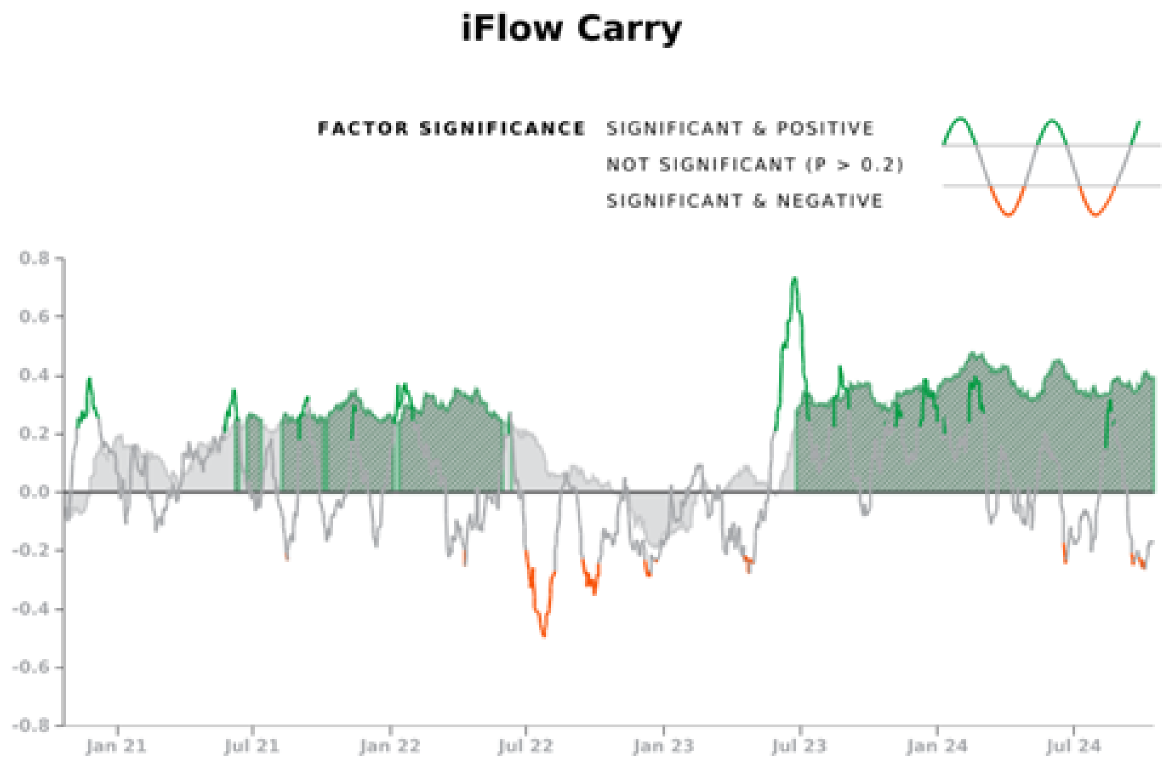
What is iFlow showing us?

- **EQ**: Biggest inflows this last week Israel, Sweden and Australia while UK, US and Norway saw outflows. The Mood index was significantly negative ahead of election and flips to neutral after – holding at -0.096 in 27% percentile, with month and quarter delta still negative. The US sectors with selling and momentum were Energy, Materials, Consumer Discretionary, Consumer Staples, Financials, IT, and Real Estate – notable set up for trouble into US election result which has seasonally led to 6-week rallies.

Globally, APAC saw FOMO (fear of missing out) buying in the Materials, Consumer Discretionary, while EMEA saw it only in Real Estate. The correlation of our equity flows of stocks to USD and bonds were not significant but moved with USD now negative -0.38 and bonds positive +0.39 suggesting risk parity and policy focus.

- **FI:** The week saw New Zealand, US and India lead in bond inflows while Mexico, Colombia, Thailand lost. The price action around the US election was notable, with bond yields jumping 20bps but most of that has settled back post the FOMC 25bps cut. The inflows in the US were notable not just for Treasuries but also MBS, ABS and the ongoing cash rise – reflecting the election uncertainty. The cross-border US bond buying reversed and is negative while the duration chasing also flattens out. Tighter spreads in credit post the election notable as well. Globally, China bond outflows ongoing as was UK both linked to fiscal focus while corporate bond buying in Sweden, Chile, Turkey and Singapore stands out for the week. Most notable shift in curves was 1Y vs. 3Y in US as less Fed cuts are now expected while in Europe the opposite stands out. Europe also dominated the dash for cash story. Correlations in bonds negative to the USD flows while credit and equities remain significantly positive. Notable also is the drop in global bond factor centrality suggesting the rest of the world is no longer just Fed dependent but nothing clearly replaces this factor making us expect volatility ahead.
- **FX:** The FX factors saw a notable drop in the carry trade again as the US election hit EM and JPY and CHF buying rose. The carry index is -0.252 for the second day at 12% percentile and is negative on the week and month as well. The average duration of this is 11 days – so next week will be interesting for MXN, BRL, IDR, TRY accordingly. Also notable is that the trend is back up – though still neutral – its at the 84.5% percentile at +0.196 – worth watching for more washout trades against positioning. On the week, the AUD, JPY and USD saw the biggest inflows while GBP, EUR an NZD the most outflows. Factor centrality of FX is still high – suggesting USD for now is still a safe-haven more than a carry trade and that the election drove a FOMO buying reaction.

Exhibit #1: iFlow Carry negative is warning on risk?



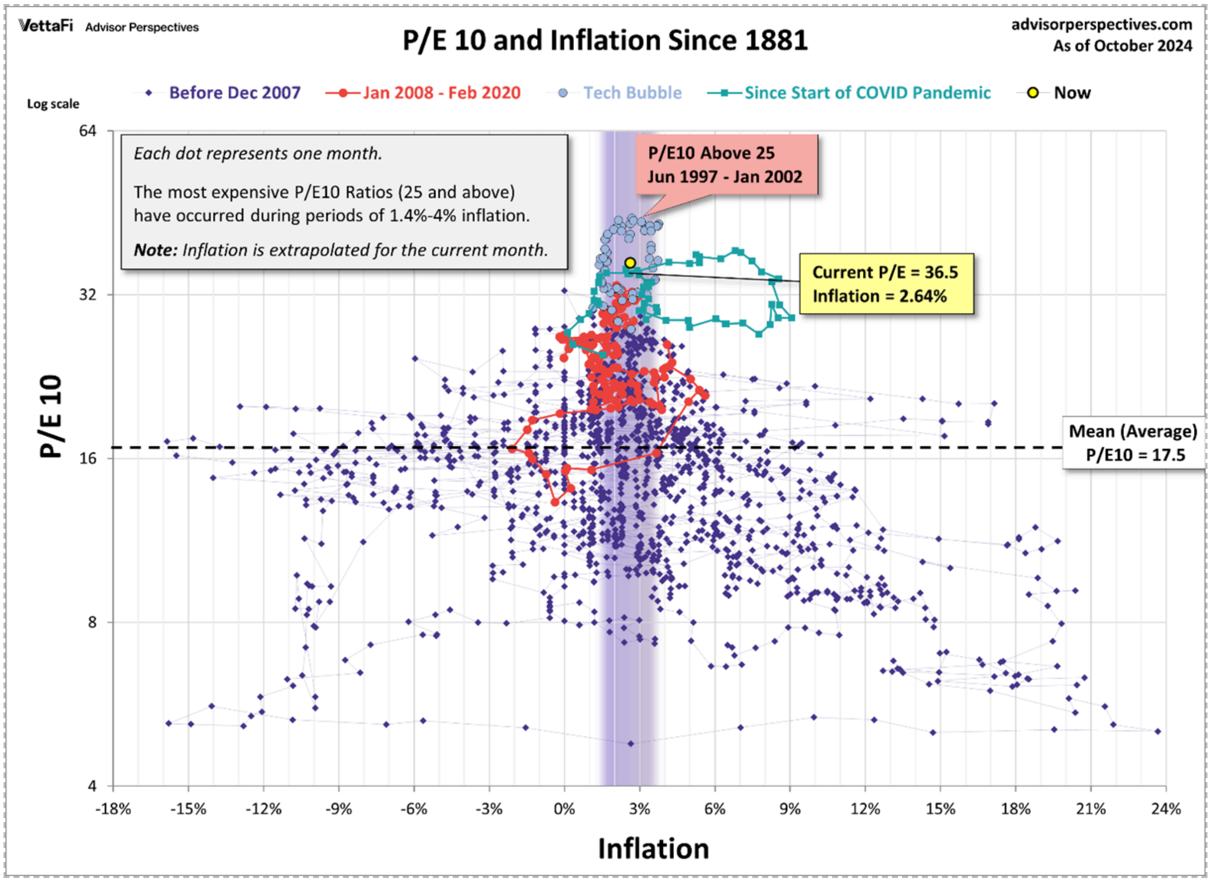
Source: iFlow, BNY

What happened this weekend?

- **China October CPI slows to -0.3% m/m, +0.3% y/y after 0.4% y/y – less than the -0.1% m/m, +0.4% y/y expected.** This marked the ninth straight month of consumer inflation but the lowest reading since June, underscoring rising deflation risks despite Beijing's stimulus measures in late September to support the slowing economy. Non-food prices continued to decline (-0.3% vs -0.2% in September), largely driven by further drops in the cost of transport (-4.8% vs -4.1%) and housing (-0.1% vs -0.1%). In contrast, prices increased for healthcare (1.1% vs. 1.2%) and education (0.8% vs 0.6%). On the food side, prices moderated after experiencing their sharpest rise in 20 months in September (2.9% vs 3.3%). Core consumer prices, excluding food and energy, rose 0.2% yoy after the smallest gain since February 2021 of 0.1% in September.
- **China October PPI fell -0.1% m/m, -2.9% y/y after -0.6% m/m, -2.8% y/y – lower than the -2.5% y/y expected and the 25th consecutive month of declines**. This was also the sharpest contraction since November 2023, reflecting persistently weak domestic demand despite ongoing efforts by Beijing to break the trend. The cost of production materials continued to decrease (-3.3%, -3.3% in September), dragged by further declines in mining (-5.1% vs. -2.5%), raw materials (-4.0% vs. -3.2%), and processing (-2.9% vs. -3.3%). Meanwhile, consumer goods prices remained subdued

(-1.6% vs. -1.3%), with notable weakness in food (-1.6% vs -1.6%), clothing (-0.4% vs. -0.3%), and durable goods (-3.1% vs. -2.1%), although daily-use goods edged up slightly (0.1% vs. -0.3%).

Exhibit #2: US equity valuation stretched



Source: Advisor Perspectives, BNY

What happened last week?

- The US S&P500 and DJIA closed the week at new record highs.
- US consumer sentiment for November rose to 7-month highs –
- The US FOMC cut rates 25bps to 4.50% and keep open the door for another 25bps in December.
- Germany's coalition government breaks, Scholz on board for new elections after firing Finance Minister over budget disagreements.
- Beyond the US election, which surprised with a sweep for Trump and Republicans, the markets had 9-central bank decisions including the Fed – with all slightly more hawkish guidance even in their easing actions. The China NPC delivered a $1.4trn debt swap plan as expected while most of the data was weaker globally given further worries about 2025. As feared, the budget debate blew apart the German coalition and the set up for a snap election follows

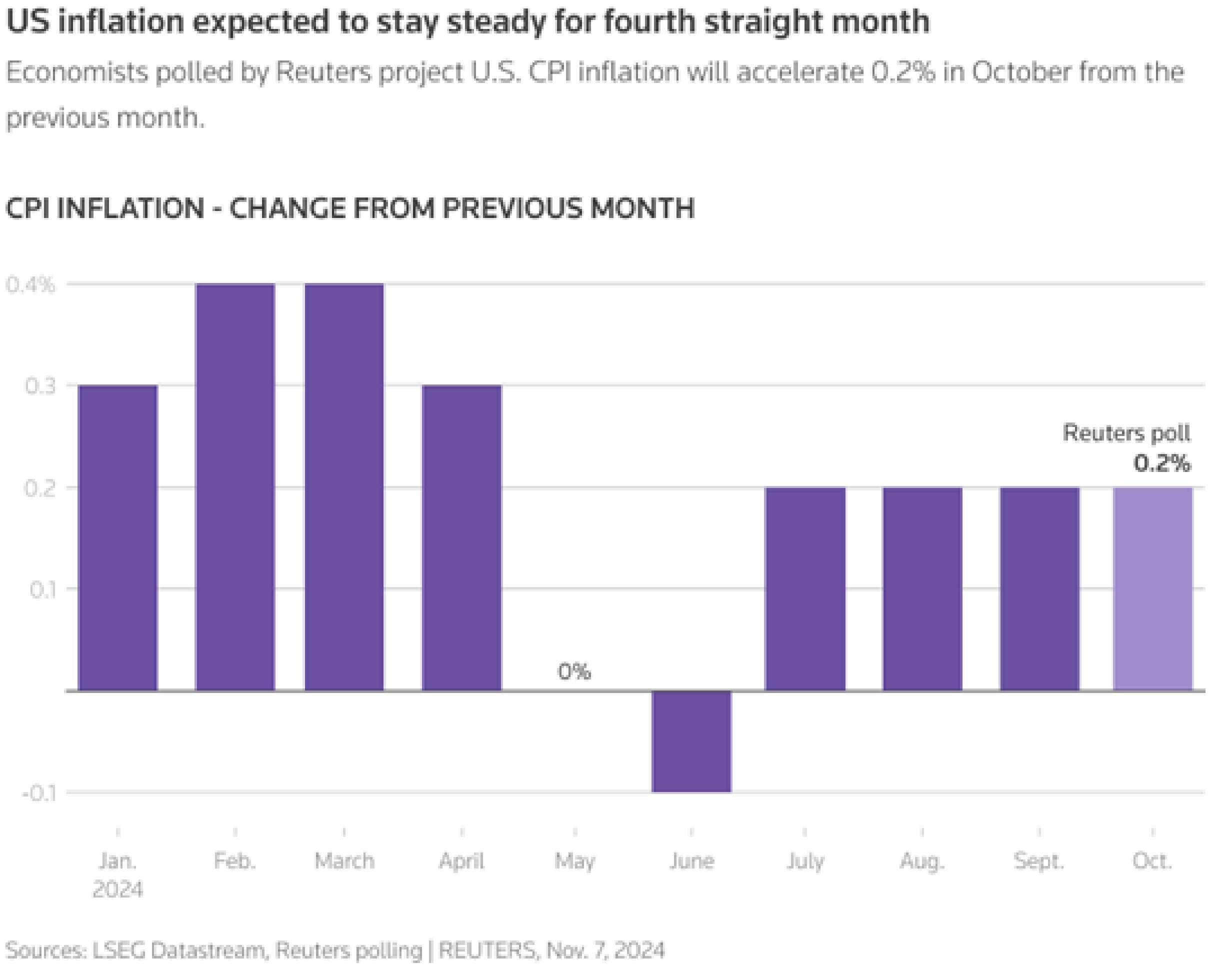
dependent on no confidence vote timing. The volatility in stocks fell sharply, as it did in US bonds, but FX was less clear cut with global worries wrapped around assumed Trump tariffs and taxes. US stocks rallied on deregulation and tax cut hopes while bonds sold off on deficit fears.

News Agenda – US CPI, China retail sales, German election timing, COP 29 in Baku and UK Reeves Mansion House speech

In the United States, all eyes will be on consumer and producer inflation data, retail sales, and speeches by Federal Reserve officials, as investors seek clues on the Fed's monetary policy outlook in the wake of 2nd Trump Presidency. Additionally, updates on industrial production and export and import prices are expected. In China, new yuan loans, fixed asset investment, industrial production, retail sales, and the house price index will be central. Across the Atlantic, the UK will release key indicators, including its unemployment rate, wage growth, Q3 GDP figures, and industrial production data, The UK Chancellor of the Exchequer will serve up her latest plans in the Thursday Mansion House speech with a slew of pension reforms expected. Germany's ZEW Economic Sentiment Index will also be in focus against the uncertainty of its current politics. GDP growth rates for Japan, Russia, the Netherlands, and Poland will be closely monitored. In Australia, the unemployment rate, NAB business confidence, and Westpac consumer confidence indexes are expected. Finally, investors will watch Mexico's interest rate decision, as well as inflation data from India and Russia.

1. US CPI and the Fed. The October CPI report comes Wednesday, November 13 and is expected to show prices rose 0.2% m/m, 2.6% y/y up from 2.4% y/y but with core CPI (ex-food and energy) steady at 3.3% y/y. The risk for investors is in how new Trump policies matter to the Fed outlook. The Powell news conference was clear, that the FOMC can't assume or speculate on policies not yet delivered and so the current levels of CPI flat lining are troubling should there be fiscal policy risks to the upside in 2025. The markets price in 90% chance of a December easing of 25bps – something that could change should the data on Wednesday not be as expected. The risks for December are linked to this data, but also to any clarity on Trump plans into 2025. The dot plot for the FOMC meeting will likely matter significantly as well as show the assumptions for the new Administration. Markets are going to be watching all Trump cabinet appointees and any further spelling out of plans for the year ahead. Investors are also watching whether "Trump trades" - including a stronger dollar and buying shares of banks and small-cap companies - will continue as investors assess the impact of the election result.

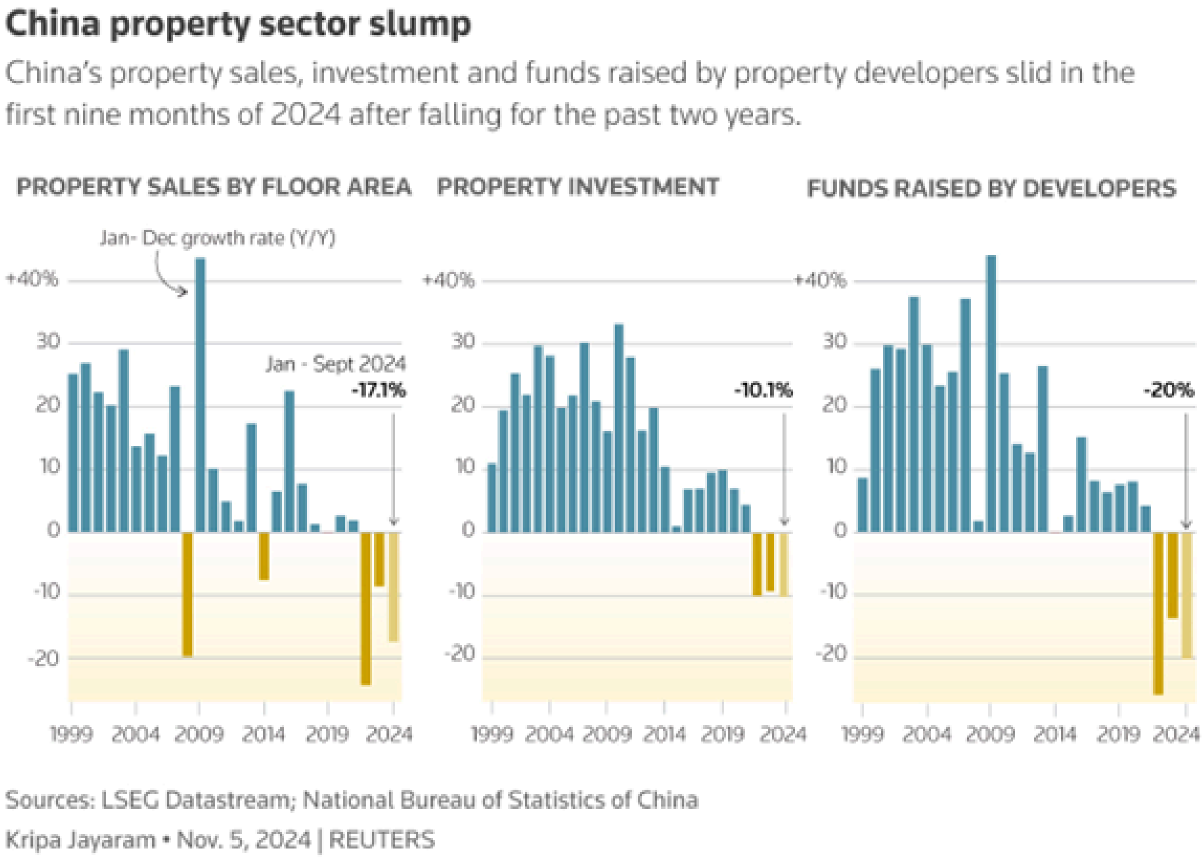
Exhibit #3: FOMC and sticky inflation back for 2025?



Source: Reuters, BNY

2. China and the stimulus. The CNY fixing last week was one tool highlighted by markets for dealing with tariffs, while the bigger action came from the CNY6trn ($837.2bn) spending package from the NPC which aims to clear up local government debt. This was a Friday disappointment, and the weekend PPI makes clear that the corporate pressures on margins and demand remain a problem. The risk for the week ahead rests in how stock markets react to the ongoing Trump 2.0 talk and the less than hoped action for the Chinese consumer – both are headwinds against the 5.5% rally up in Chinese equities last week. The way that markets see China growth and inflation into 2025 will set the tone for APAC allocations into year-end. Much of that will be based on how the property markets stabilize with the Friday industrial production, retail sales and fixed asset investment reports key for setting the tone.

Exhibit #4: China and Property Market focus holds



Source: Reuters, BNY

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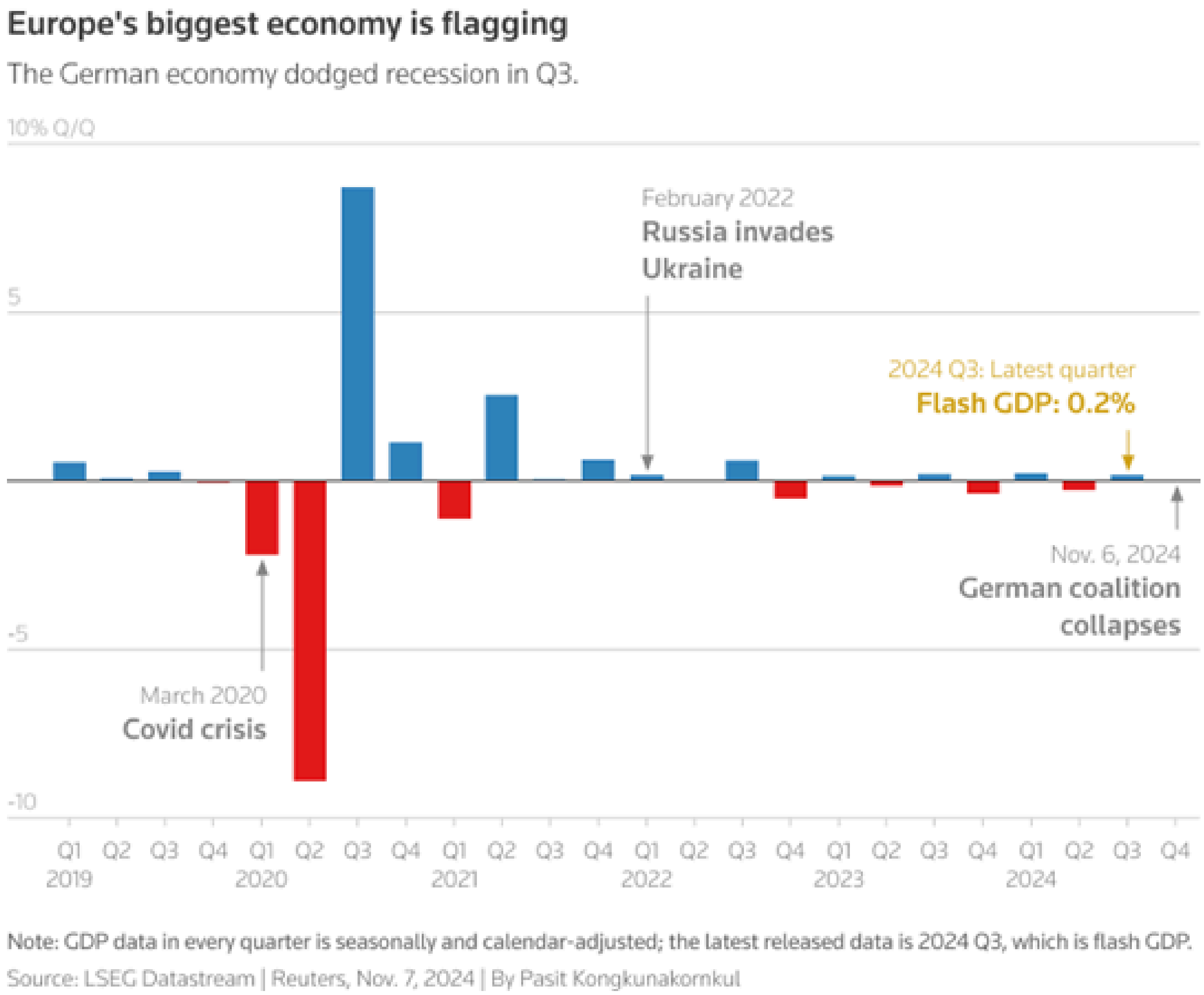
3. German Political Chaos. A collapse in Germany's ruling coalition puts a crisis in Europe's biggest economy in the spotlight just after the election and Trump's win. Chancellor Olaf Scholz's decision to fire his finance minister, from coalition partner the Free Democrats, points to a vote of no confidence and possible snap elections in the months ahead. The timing of the vote matters as much as the outcome. Germany has barely dodged recession after a series of setbacks, while higher tariffs may loom under Trump. Uncertainty could hurt business investment and slow M&A. As an election-packed year globally winds down, Germany could be gearing up to hold a poll of its own. The role of certainty in politics and spending and how the new government will react to Trump 2.0 matters to growth, the EUR and rates globally.

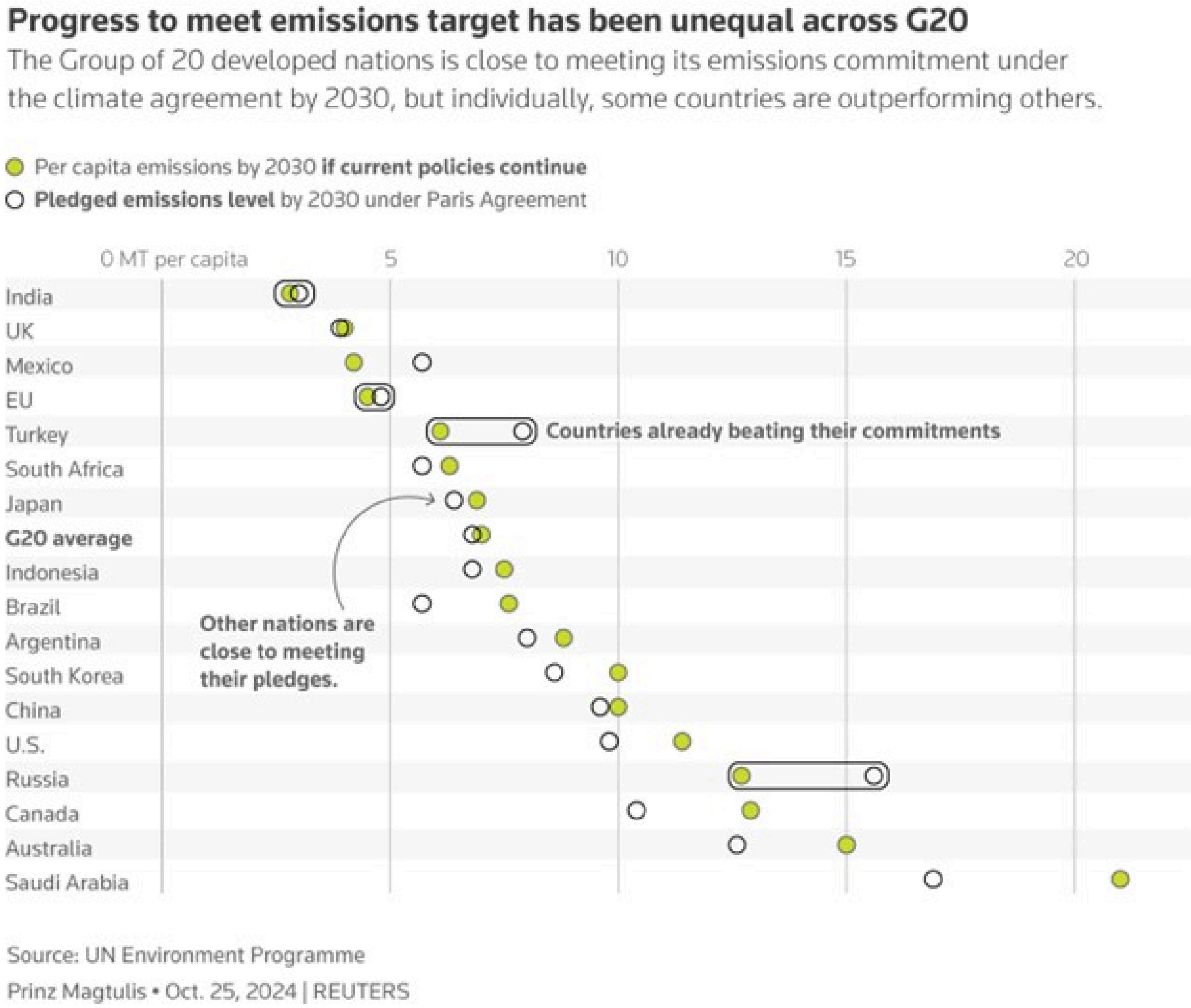
Exhibit #5: Do German politics reflect growth?



Source: Reuters, BNY

4. Green and markets. The focus in the week ahead on the UN 29th annual climate summit in Baku (COP 29) locks in on finance. The focus being how to agree on how much money should go each year to helping developing countries cope with climate-related costs. Governments are also eager to resolve rules for trading carbon credits earned through the preservation of forests and other natural carbon sinks. The problem for the event comes from the election in the US where Trump denies climate change and plans to to ramp up fossil fuel production and pull out of the Paris Climate Accords, a framework for reducing global greenhouse gas emissions. The risk of the event being a divider between US and rest of the world with China leading environmental rules likely adds to concerns about how global markets fracture in the weeks ahead.

Exhibit #6: Do China and US hold keys for climate progress?



Source: Reuters, BNY

Calendar for November 11-15

Central Bank Decision

- **Mexico Banxico (Thursday, November 14) –** The market is broadly expecting another 25bp cut by Banxico but there may be strong arguments for an on-hold decision, or at least some recognition that economic assumptions require some revisiting in the wake of the US election result. MXN was by far the main vehicle through which markets attempted to price in the impact of incoming policies, though the process was relatively benign. Furthermore, there has been material unwinding since so Banxico would not need to materially alter their pass-through risk assessments, but MXN's performance in general this year leaves much to be desired from a policy perspective. Considering Brazil is going in the opposite direction, markets tolerance for a sustained easing cycle in EM could prove limited.

Date	GMT	EST	Country	Event	Period	Cons.	Prior
11/9-11/15			CH	Money Supply M2 YoY	Oct	7.00%	6.80%
11/09/24	01:30	*20:30	CH	PPI YoY	Oct	-2.50%	-2.80%
11/09/24	01:30	*20:30	CH	CPI YoY	Oct	0.40%	0.40%
11/10/24	23:50	18:50	JN	BoP Current Account Balance	Sep	¥3432.5b	¥3803.6b
11/11/24	07:00	02:00	NO	CPI MoM	Oct	--	0.30%
11/11/24	07:00	02:00	NO	CPI YoY	Oct	--	3.00%
11/11/24	08:00	03:00	CZ	CPI MoM	Oct	0.20%	-0.40%
11/11/24	08:00	03:00	CZ	CPI YoY	Oct	2.80%	2.60%
11/12/24	07:00	02:00	GE	CPI YoY	Oct F	2.00%	2.00%
11/12/24	07:00	02:00	GE	CPI MoM	Oct F	0.40%	0.40%
11/12/24	07:00	02:00	TU	Current Account Balance	Sep	2.85b	4.32b
11/12/24	07:00	02:00	UK	ILO Unemployment Rate 3Mths	Sep	4.10%	4.00%
11/12/24	07:00	02:00	UK	Jobless Claims Change	Oct	--	27.9k
11/12/24	07:30	02:30	HU	CPI YoY	Oct	3.60%	3.00%
11/12/24	10:00	05:00	GE	ZEW Survey Expectations	Nov	12.5	13.1
11/12/24	10:00	05:00	GE	ZEW Survey Current Situation	Nov	-85.9	-86.9
11/12/24	11:00	06:00	SA	Manufacturing Prod NSA YoY	Sep	--	-1.20%
11/12/24	12:00	07:00	BZ	Retail Sales YoY	Sep	--	5.10%
11/12/24	23:50	18:50	JN	PPI YoY	Oct	2.90%	2.80%
11/13/24	12:00	07:00	US	MBA Mortgage Applications	Nov-08	--	-10.80%
11/13/24	13:30	08:30	US	CPI MoM	Oct	0.20%	0.20%
11/13/24	13:30	08:30	US	CPI YoY	Oct	2.60%	2.40%
11/13/24	21:45	16:45	NZ	Food Prices MoM	Oct	--	0.50%
11/14/24	00:30	*19:30	AU	Employment Change	Oct	25.0k	64.1k
11/14/24	00:30	*19:30	AU	Unemployment Rate	Oct	4.10%	4.10%
11/14/24	07:00	02:00	SW	CPI MoM	Oct F	--	0.20%
11/14/24	07:00	02:00	SW	CPI YoY	Oct F	1.60%	1.60%
11/14/24	07:00	02:00	SW	CPI Level	Oct	--	414.57
11/14/24	10:00	05:00	EC	GDP SA QoQ	3Q P	0.40%	0.40%
11/14/24	10:00	05:00	EC	GDP SA YoY	3Q P	0.90%	0.90%
11/14/24	13:30	08:30	US	PPI Final Demand MoM	Oct	0.20%	0.00%
11/14/24	13:30	08:30	US	Initial Jobless Claims	Nov-09	--	221k
11/14/24	***19:00***	***14:00***	***MX***	***Overnight Rate***	***Nov-14***	***10.25%***	***10.50%***
11/14/24	21:30	16:30	NZ	BusinessNZ Manufacturing PMI	Oct	--	46.9
11/14/24	23:50	18:50	JN	GDP SA QoQ	3Q P	0.20%	0.70%
11/14/24	23:50	18:50	JN	GDP Annualized SA QoQ	3Q P	0.70%	2.90%
11/14/24	23:50	18:50	JN	GDP Deflator YoY	3Q P	2.80%	3.20%
11/15/24	02:00	21:00	CH	Industrial Production YoY	Oct	5.50%	5.40%
11/15/24	02:00	21:00	CH	Retail Sales YoY	Oct	3.80%	3.20%
11/15/24	04:30	23:30	JN	Tertiary Industry Index MoM	Sep	0.20%	-1.10%
11/15/24	04:30	23:30	JN	Industrial Production MoM	Sep F	--	1.40%
11/15/24	07:00	02:00	UK	Industrial Production MoM	Sep	0.20%	0.50%
11/15/24	07:00	02:00	UK	Manufacturing Production MoM	Sep	0.00%	1.10%
11/15/24	07:00	02:00	UK	GDP QoQ	3Q P	0.20%	0.50%
11/15/24	07:00	02:00	UK	GDP YoY	3Q P	--	0.70%
11/15/24	09:00	04:00	PD	CPI YoY	Oct F	--	5.00%
11/15/24	13:30	08:30	US	Retail Sales Advance MoM	Oct	0.30%	0.40%
11/15/24	14:15	09:15	US	Industrial Production MoM	Oct	-0.20%	-0.30%

Date	GMT	EST	Country	Event
11/09/24	13:45	08:45	EC	ECB's Centeno Speaks at Climate Event
11/09/24	15:25	10:25	EC	ECB's Lagarde, Villeroy, Escriva, BOJ's Ueda Speak
11/10/24	23:50	18:50	JN	BOJ Summary of Opinions (Oct. MPM)
11/12/24	08:00	03:00	EC	ECB's Rehn Speaks
11/12/24	09:00	04:00	EC	ECB's Centeno Speaks
11/12/24	14:00	09:00	EC	ECB's Cipollone Chairs Panel
11/12/24	15:00	10:00	US	Fed's Waller Speaks at Banking Conference
11/12/24	15:15	10:15	US	Fed's Barkin Speaks in Baltimore
11/12/24	19:00	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices
11/12/24	22:00	17:00	US	Fed's Harker Speaks on Fintech, AI
11/12/24	22:30	17:30	US	Fed's Barkin Repeats Speech, followed with Q&A
11/13/24	08:30	03:30	SW	Riksbank minutes from November meeting published
11/13/24	09:45	04:45	UK	BOE's Mann Speaks
11/13/24	14:45	09:45	US	Fed's Logan Gives Opening Remarks at Energy Conference
11/13/24	18:00	13:00	US	Fed's Musalem Speaks on Economy, Monetary Policy
11/13/24	18:30	13:30	US	Fed's Schmid Gives Keynote Remarks at Energy Conference
11/13/24	23:00	18:00	AU	RBA's Bullock-Panel
11/14/24	08:30	03:30	SW	Riksbank Financial Stability Report 2024:2
11/14/24	12:30	07:30	EC	ECB Releases Account of Oct. 16-17 Meeting
11/14/24	14:15	09:15	US	Fed's Barkin Discusses Economy in Fireside Chat
11/14/24	18:30	13:30	EC	ECB's Schnabel Gives Remarks and Joins Panel in Washington
11/14/24	20:00	15:00	US	Powell Speaks at Event in Dallas
11/14/24	21:00	16:00	UK	BOE's Bailey Speaks
11/14/24	21:15	16:15	US	Fed's Williams Speaks at NYFed Event
11/15/24	00:30	*19:30	AU	RBA's Jones-Panel
11/15/24	15:00	10:00	EC	ECB's Lane Moderates Panel

Source: Bloomberg, BNY

Conclusions: How does Trump 2.0 solve the US deficit risks ahead?

The traditional way to bring debt under control is austerity, which means sacrificing the higher public spending leg of the fiscal trilemma. Politically, the austerity push fails, taxes have been a pivotal issue since 1992 and George H Bush. Further, tax and spend policies are seen as insufficient as well – witness the reaction of markets to the UK Labour Budget. Growing your way out of debt hasn't worked either – witness Japan. Fear of stagflation ensues. Higher inflation and lower growth globally remain a worry for 2025. Post the pandemic, the US method of navigating the fiscal trilemma: increase public spending, cut taxes, and hope that financial stability will take care of itself has worked apart for the inflation spike. The drivers of the debt crisis globally are not political but reactions to the great financial crisis and the pandemic. Paring this debt burden back to more manageable levels will require new ideas and significant global growth. Most investors now want to think through what the US new administration will do and what it means for growth everywhere. Here are the key points to consider.

Immigration: There are an estimated 18 million undocumented and illegal immigrants in the nation. Removing them will change the US work force and its output, most economists see this as hurting growth and raising labor costs.

- Trump has said he will employ the National Guard, and, if necessary, federal troops, to achieve his objective, and he has not ruled out setting up internment camps to process people for deportation.
- Trump has said he would seek to end automatic citizenship for children born to immigrants, a move that would run against the long-running interpretation of the U.S. Constitution's 14th Amendment.
- He has also suggested he would revoke protected legal status for some populations such as Haitians or Venezuelans.

Taxes: The Committee for a Responsible Federal Budget reckons, opens new tab that by 2035 President-elect Donald Trump's campaign plans will add up to a further $15.6 trillion to the U.S. public debt. US. Treasury yields have risen sharply testing 4.50% 10Y last week but closing 4.305% on the week overall. The International Monetary Fund calculates that global public debt this year will breach $100 trillion, or 93% of world GDP, and predicts that it will hit 100% by 2030.

- Trump has promised to slash federal regulations that he says limit job creation. He has pledged to keep in place a broad 2017 tax cut that he signed while in office, and his economic team has discussed a further round of individual and corporate tax cuts beyond those enacted in his first term.
- Trump has pledged to reduce the corporate tax rate from 21% to 15% for companies that make their products in the U.S.
- He has said he would seek legislation to end the taxation of tips and overtime wages to aid waiters and other service workers. He has pledged not to tax or cut Social Security benefits.
- Trump also has said that as president he would pressure the Federal Reserve to lower interest rates - but would stop short of demanding

Tariffs: The Tax Foundation, a US thinktank, has estimated a 10% universal tariff would raise $2tn over 10 years, while a 20% tariff would raise $3.3tn – well short of what would be needed to fully offset the revenue losses of making the 2017 tax cuts permanent. The power of the President to impose tariffs could be tested in courts. Section 301 of the Trade Act of 1974 is a case in point and one that Trump 1.0 used. This law requires the US trade representative, a Cabinet-level official appointed by the president, to make certain findings before their power to issue new tariffs is triggered. The power to issue tariffs can be triggered if the trade representative finds that a foreign country is engaged in activity that "is unjustifiable and burdens or restricts United States commerce," or that is "unreasonable or discriminatory and burdens or restricts United States commerce."

- **Raising tariffs on the rest of the world to a 10% bas**e from the current 4% is one move promised in the Trump campaign. He wants to eliminate the US trade deficit via tariffs. Critics argue this will fail and rather deliver higher prices for the US consumer and add to global economic instability.
- **Tit for tat**. The President-elect also suggested he will hike tariffs on nations that already have tariffs on the US. Autos is a key focus with his suggestion of 200% tariffs. In his first administration – steel, washing machines and some technologies were a focus.
- **China**. Trump has targeted China in particular. He proposes phasing out Chinese imports of goods such as electronics, steel and pharmaceuticals over four years. He seeks to prohibit Chinese companies from owning U.S. real estate and infrastructure in the energy and tech sectors.

Bottom Line:

How the Trump policy works and delivers growth into 2025 and beyond matters to the rest of the world. The week ahead will stew over the cabinet choices and the floated ideas from the campaign. Markets also must consider the German situation, the ongoing geopolitical conflicts and how they may end, along with how budgets elsewhere find funding. Economic Data as always matters as will any headlines about Trump policy plans. The next two weeks are the last of 2024 for normal liquidity. Also, the holiday Monday (UK, Canada, US) makes the next week more challenging and a test of how any news in the next 2 months gets absorbed. The list of trades that are now central to judging the mood of markets: 1) Bitcoin – holding over $75k looks important, 2) Oil holding below Brent $75 bbl looks important; 3) S&P500 holding over 5500 looks important; 4) US 10Y notes holding below 4.50% looks important. 5) USD index holding over 104 looks important. Markets have plenty of key indicators now but there is a thin line between US exceptionalism and US isolationism.

Exhibit #7: What about growth and how rest of world performs?

The Trump Plan
(billions, 2026-2035)

Policy Proposals	Low	Central	High
Extend and Modify the Tax Cuts & Jobs Act (TCJA)	-$4,600	-$5,350	-$5,950
Exempt Overtime Income from Taxes	-$500	-$2,000	-$3,000
End Taxation of Social Security Benefits	-$1,200	-$1,300	-$1,450
Exempt Tip Income from Taxes	-$100	-$300	-$550
Lower Corporate Tax Rate to 15% for Domestic Manufacturers	-$150	-$200	-$600
Enact or Expand Other Individual and Small Business Tax Breaks	-$150	-$200	-$350
Strengthen and Modernize the Military	-$100	-$400	-$2,450
Secure the Border and Deport Unauthorized Immigrants	$0	-$350	-$1,000
Enact Housing Reforms, Including Credits for First-Time Homebuyers	-$100	-$150	-$350
Boost Support for Health Care, Long-Term Care, and Caregiving	-$50	-$150	-$300
Subtotal, Tax Cuts and Spending Increases	-$6,950	-$10,400	-$16,000
Establish a Universal Baseline Tariff and Additional Tariffs	$4,300	$2,700	$2,000
Reverse Current Energy/Environment Policies and Expand Production	$750	$700	$550
Reduce Waste, Fraud, and Abuse	$250	$100	$0
End the Department of Education and Support School Choice	$200	$200	$0
Subtotal, Revenue Increases and Spending Reductions	$5,500	$3,700	$2,550
Net Interest	-$200	-$1,050	-$2,100
Total, Net Deficit Impact	-$1,650	-$7,750	-$15,550

Source: CRRB, BNY

Please direct questions or comments to: iFlow@BNY.com

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CONTACT BOB

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