

Global Macro: Trading the US Election

November 3, 2016

Piers Curran

Head of Trading, Amplify Trading





1 800-525-7082

tellmemore@cqg.com

www.cqg.com

Webinar Recordings:

news.cqg.com



020 3372 8415

piers.curran@amplifytrading.com

www.amplifytrading.com

Disclaimer

Trading and investment carry a high level of risk, and CQG, Inc. does not make any recommendations for buying or selling any financial instruments. We offer educational information on ways to use our sophisticated CQG trading tools, but it is up to our customers and other readers to make their own trading and investment decisions or to consult with a registered investment advisor.

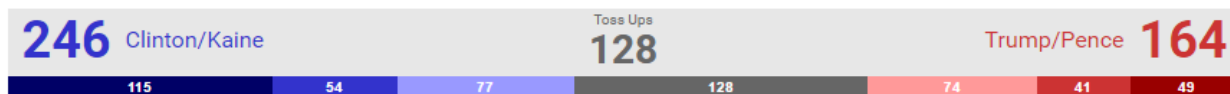
© 2016 CQG, Inc. All rights reserved worldwide.

CQG®, DOMTrader®, TFlow®, and Data Factory™ are trademarks of CQG, Inc.

Political uncertainty ahead...



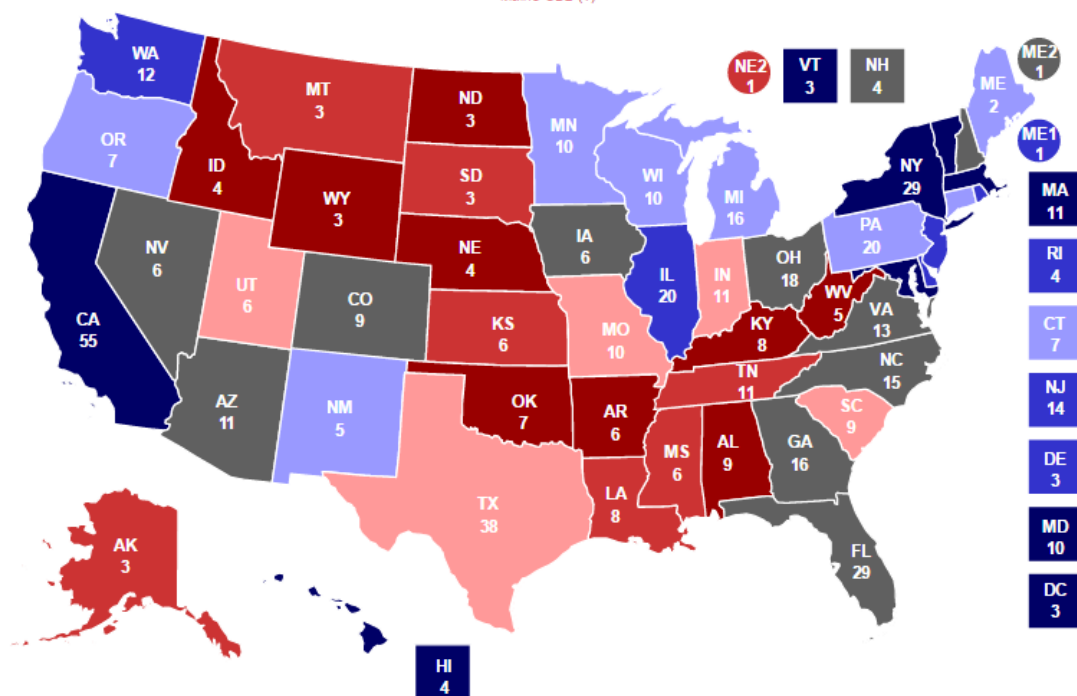
US Election: November 8th 2016



270 Electoral Votes Needed To Win (Create Your Own Map)

Recent Elections: 2012 | 2008 | 2004 | 2000 | 1996 | 1992 | 1988 | 1984 | 1980 | 1976 | 1972

Likely Clinton (54)	Leans Clinton (77)	Toss Up (128)	Leans Trump (74)	Likely Trump (41)
Illinois (20) New Jersey (14) Washington (12) Rhode Island (4) Delaware (3) Maine CD1 (1) Solid Clinton	Maine (2) Pennsylvania (20) Minnesota (10) Wisconsin (10) Michigan (16) New Mexico (5) Oregon (7) Connecticut (7)	Ohio (18) Florida (29) North Carolina (15) Colorado (9) Nevada (6) Iowa (6) New Hampshire (4) Virginia (13) Georgia (16) Arizona (11) Maine CD2 (1)	Indiana (11) Texas (38) Missouri (10) South Carolina (9) Utah (6)	Louisiana (8) Mississippi (6) Montana (3) South Dakota (3) Tennessee (11) Alaska (3) Kansas (6) Nebraska CD2 (1) Solid Trump

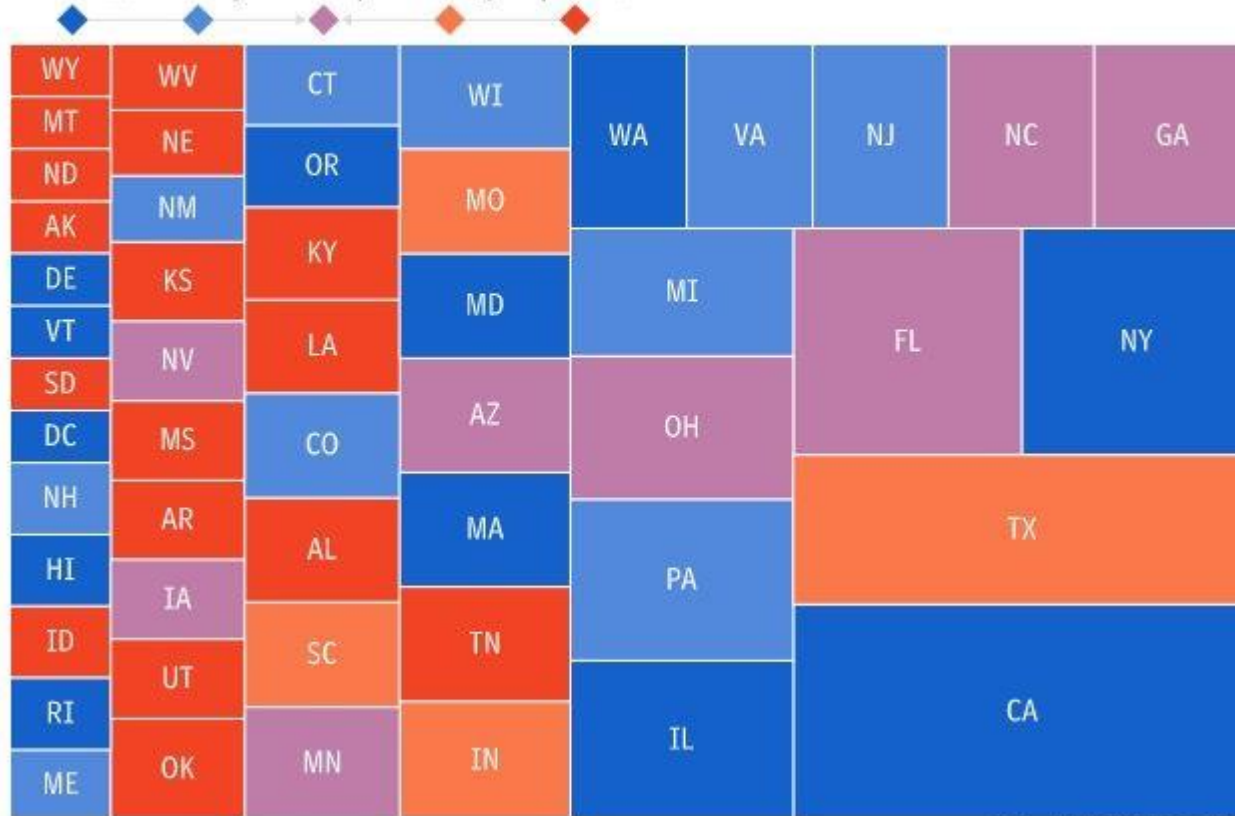


US Election: Electoral College Votes

US Election 2016 predictions

Scale based on state electoral college votes

Democrats Leaning Toss-up Leaning Republican



DATA: REAL CLEAR POLITICS

US Election: Importance of individual states

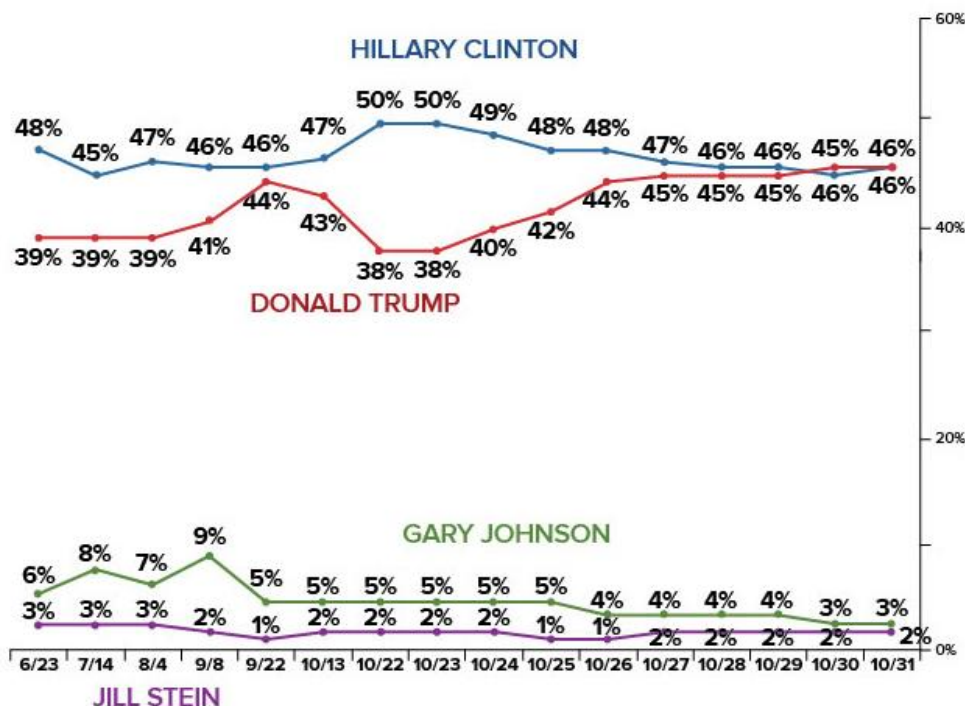
Solid States

CLINTON/KAINE (115)		TRUMP/PENCE (49)	
Massachusetts (11)	New York (29)	Alabama (9)	Arkansas (6)
California (55)	District Of Columbia (3)	Kentucky (8)	Idaho (4)
Hawaii (4)	Maryland (10)	Nebraska (4)	North Dakota (3)
Vermont (3)		Oklahoma (7)	West Virginia (5)
		Wyoming (3)	

STATE	CLINTON	TRUMP	RCP AVERAGE ▾	RCP STATUS	2012	2008	2004
Nevada (6)	44.3	44.8	Trump +0.5	Toss Up	Obama +6.7	Obama +12.5	Bush +2.6
Maine CD2 (1)	41.7	41.0	Clinton +0.7	Toss Up	Obama +8.6	Obama +11.7	Kerry +6.0
North Carolina (15)	46.3	47.0	Trump +0.7	Toss Up	Romney +2.0	Obama +0.3	Bush +12.4
Florida (29)	44.5	45.5	Trump +1.0	Toss Up	Obama +0.9	Obama +2.8	Bush +5.0
Iowa (6)	40.3	41.7	Trump +1.4	Toss Up	Obama +5.8	Obama +9.5	Bush +0.7
Arizona (11)	43.5	45.0	Trump +1.5	Toss Up	Romney +9.1	McCain +8.5	Bush +10.5
Ohio (18)	44.3	46.8	Trump +2.5	Toss Up	Obama +3.0	Obama +4.6	Bush +2.1
Georgia (16)	43.5	47.5	Trump +4.0	Toss Up	Romney +7.8	McCain +5.2	Bush +16.6
Colorado (9)	44.0	40.0	Clinton +4.0	Toss Up	Obama +5.4	Obama +9.0	Bush +4.7
Virginia (13)	48.0	43.3	Clinton +4.7	Toss Up	Obama +3.9	Obama +6.3	Bush +8.2
New Hampshire (4)	46.0	41.3	Clinton +4.7	Toss Up	Obama +5.6	Obama +9.6	Kerry +1.3

US Election: Reaction to polls

2016 GENERAL ELECTION VOTE PREFERENCE AMONG LIKELY VOTERS



SOURCES:
ABC NEWS AND ABC NEWS / WASHINGTON POST POLLS



- Strong enthusiasm for Hillary Clinton has ebbed since the renewal of the FBI's email investigation
- While vote preferences have held essentially steady, Clinton's fell a slim point behind Donald Trump -- a first since May -- in a recent ABC News/Washington Post tracking poll, produced for ABC by Langer Research Associates

US Election: Betting Odds

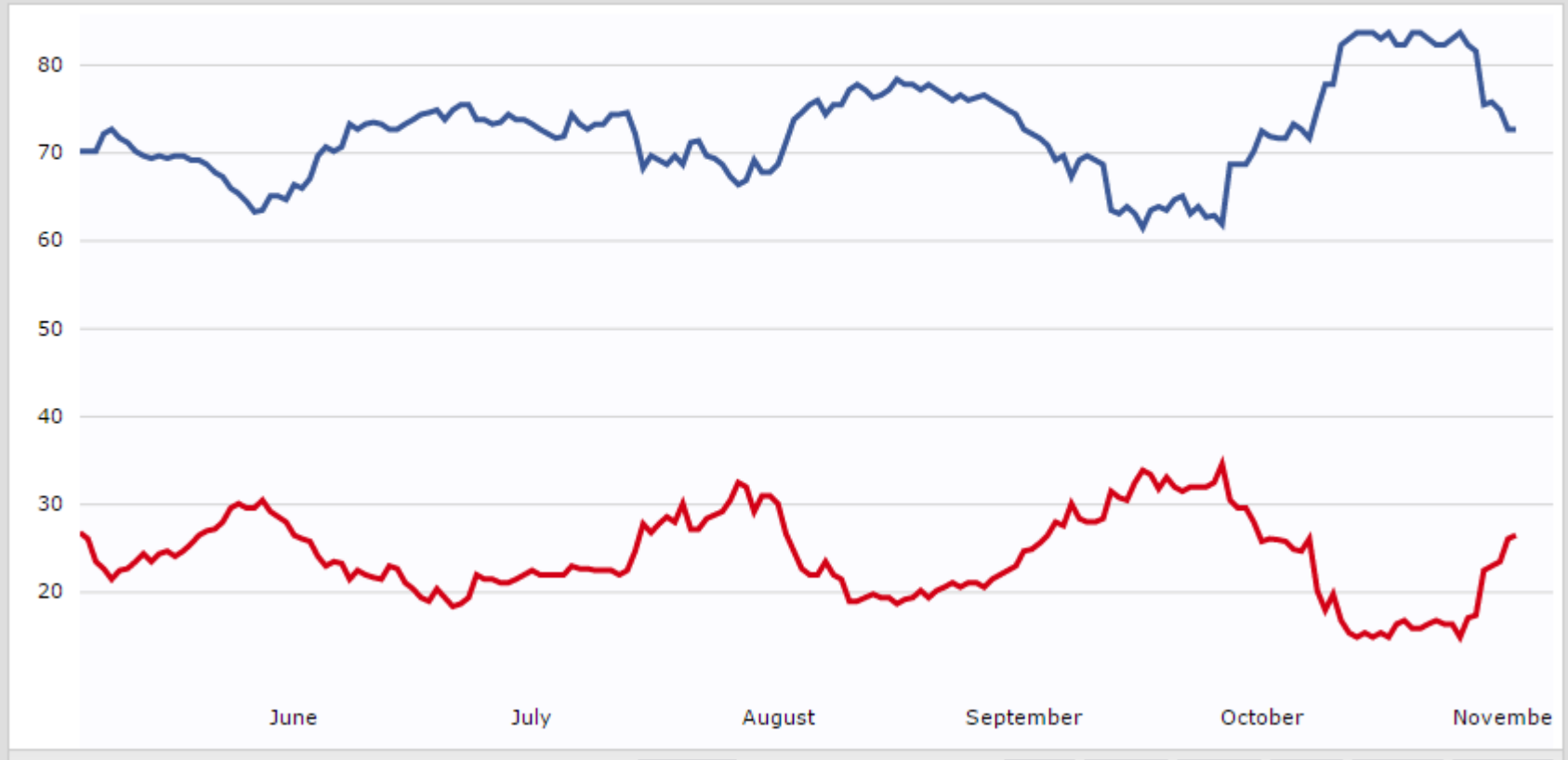
REAL
CLEAR
POLITICS

ELECTIONBETTINGODDS

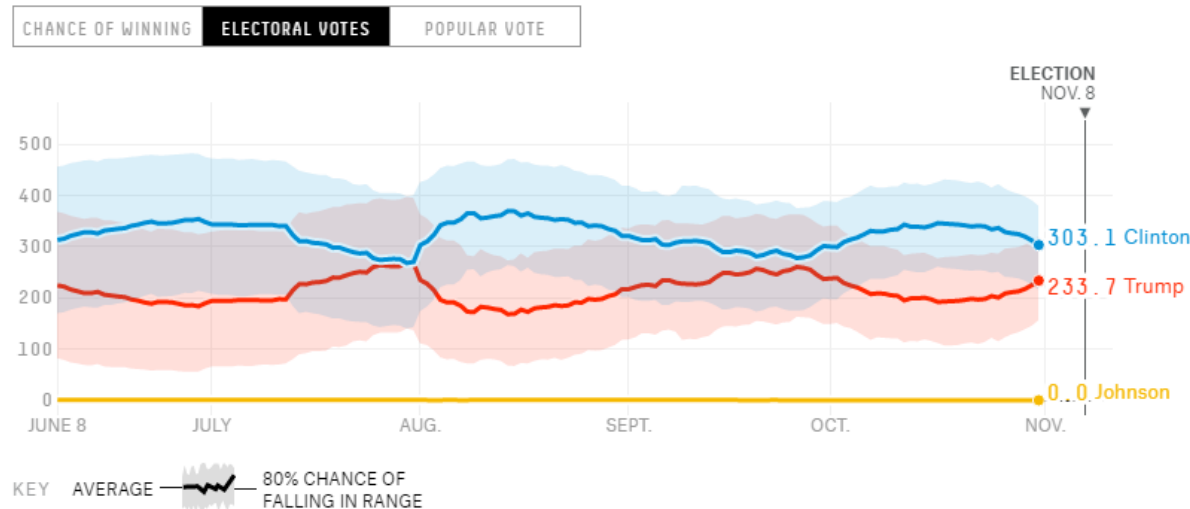
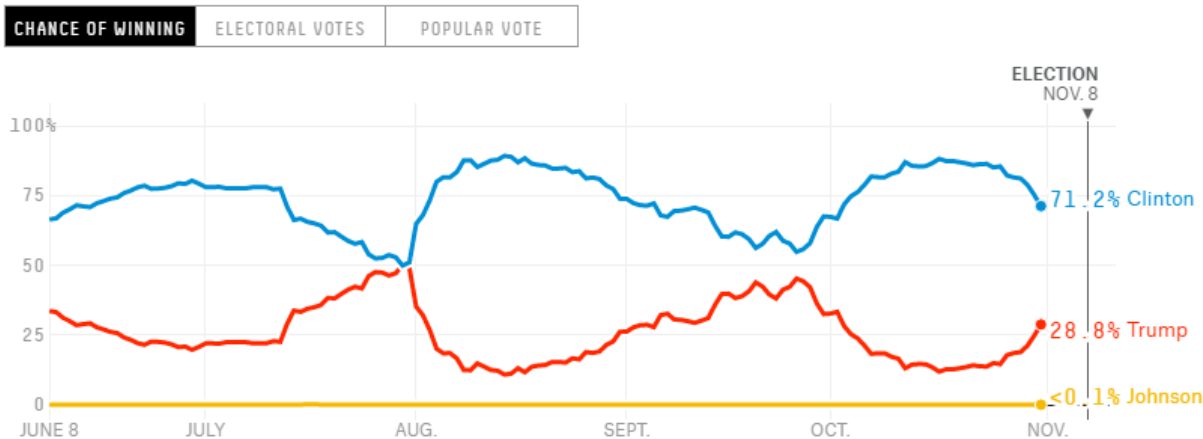
U.S. President - Election Betting Odds

72.7 % Clinton (D)


26.5 % Trump (R)



US Election: What the polls are showing

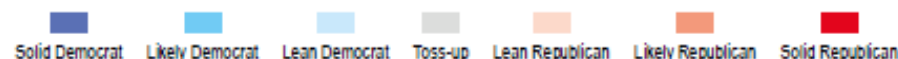


- Forecasts based upon latest polls
- Poll results aggregated from HuffPost Pollster, RealClearPolitics, polling firms and news reports
- Source: fivethirtyeight.com


KEY  — ONE ELECTORAL VOTE

US Election: Timing on the night

HSBC guide to the 2016 US Presidential Election



Voting probabilities according to FiveThirtyEight and New York Times

	Electoral votes	538 model	NYT model
			
D.C.	3	99%	99%
Hawaii	4	99%	99%
Vermont	3	98%	99%
Maryland	10	99%	99%
California	55	99%	99%
New York	29	99%	99%
Massachusetts	11	99%	99%
Illinois	20	99%	99%
Rhode Island	4	97%	99%
New Jersey	14	98%	99%
Delaware	3	95%	99%
Maine (CD 1)*	1	94%	99%
Connecticut	7	98%	99%
Washington	12	97%	99%
Oregon	7	95%	99%
Virginia	13	93%	99%
New Mexico	5	94%	98%
Wisconsin	10	89%	96%
Michigan	16	92%	96%
Pennsylvania	20	88%	95%
Minnesota	10	87%	95%
New Hampshire	4	86%	95%
Maine	2	86%	94%
Colorado	9	88%	92%
Florida	29	74%	81%
Nevada	6	74%	79%

272
Electoral votes

From 24 likely
Democrat states

270 electoral votes
are needed to win

Poll closing times

EST	GMT	State
6pm	11pm	Indiana Kentucky
7pm	12am	Florida Georgia South Carolina Vermont Virginia
7.30pm	12.30am	North Carolina Ohio West Virginia
8pm	1am	Alabama Connecticut Delaware D.C. Illinois Kansas Maine Maryland Massachusetts Mississippi Missouri New Jersey New Hampshire Oklahoma

118
Electoral votes

From 11
competitive
states

North Carolina	15	69%	73%
Nebraska (CD 2)*	1	50%	66%
Ohio	18	59%	58%
Maine (CD 2)*	1	51%	50%
Iowa	6	54%	53%
Arizona	11	54%	57%
Georgia	16	68%	70%
Utah	6	77%	80%
South Carolina	9	89%	82%
Texas	38	82%	87%
Missouri	10	81%	88%
Mississippi	6	95%	89%
Alaska	3	69%	89%
Nebraska (CD 1)*	1	85%	95%
Indiana	11	86%	96%
Louisiana	8	99%	98%
Montana	3	86%	99%
Nebraska	2	95%	99%
Kansas	6	90%	99%
South Dakota	3	87%	99%
Arkansas	6	99%	99%
Tennessee	11	97%	99%
North Dakota	3	92%	99%
Alabama	9	99%	99%
Kentucky	8	95%	99%
Idaho	4	97%	99%
West Virginia	5	99%	99%
Oklahoma	7	99%	99%
Wyoming	3	98%	99%
Nebraska (CD 3)*	1	99%	99%

148
Electoral votes

From 21 likely
Republican states



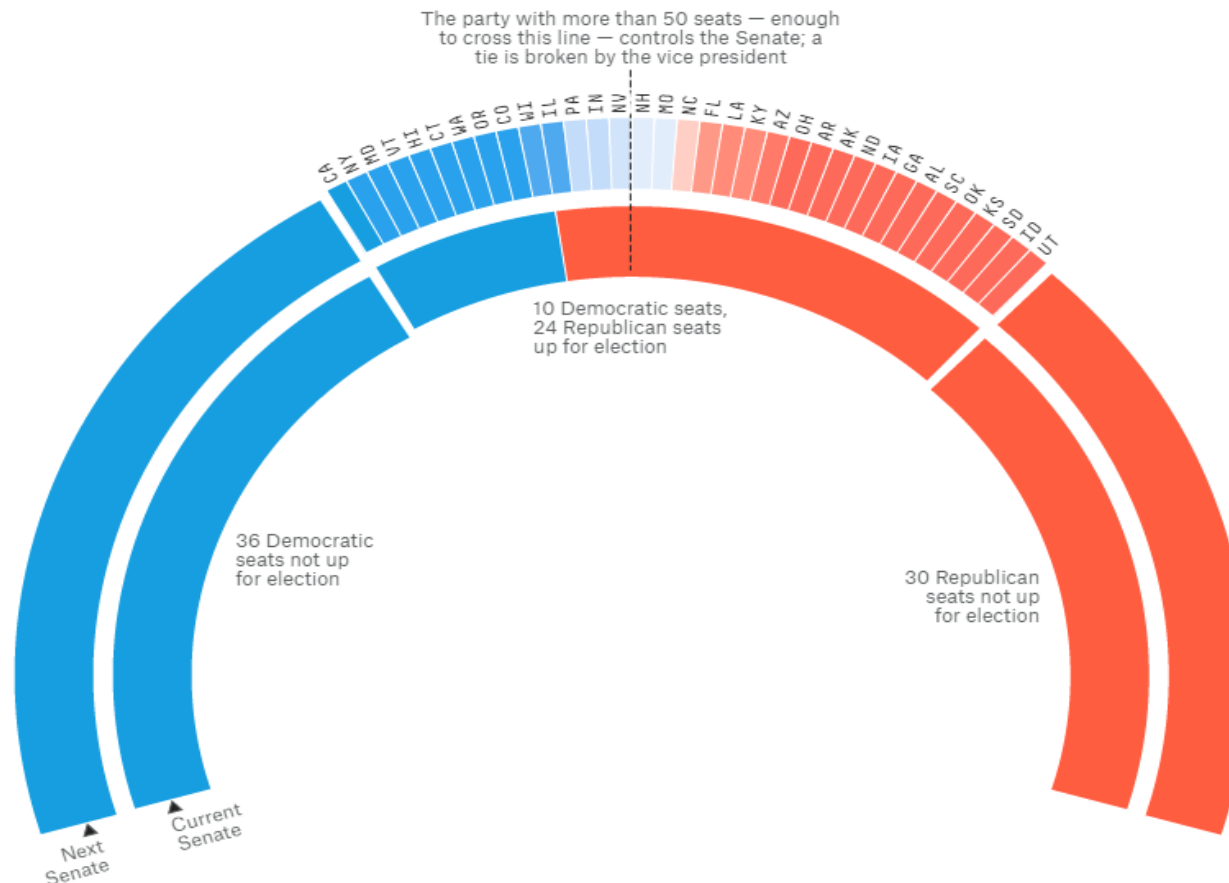
* Maine and Nebraska award two electoral votes to the statewide winner and a single electoral vote to the winner of each Congressional district
Sources: New York Times election model, Five Thirty Eight poll-only election model, data as of 25 October 2016

			Pennsylvania Rhode Island Tennessee
8.30pm	1.30am		Arkansas
9pm	2am		Arizona Colorado Louisiana Minnesota Michigan Nebraska New Mexico New York South Dakota Texas Wisconsin Wyoming
10pm	3am		Iowa Idaho Montana Nevada North Dakota Utah
11pm	4am		California Hawaii Oregon Washington
1am	6am		Alaska

US Election: Composition of the Senate

More than twice as many Republican seats are up for election this year as Democratic seats, giving Democrats more opportunities to build a majority. To win control of the chamber, they'll need to net four additional seats — if they win the presidency. Without the White House, they'll need five.

- 10 Democratic seats, 24 Republican seats up for election
- Democrats need 4 more plus the Presidency to reclaim control
- Pennsylvania, Nevada, New Hampshire, Indiana, Missouri



- The number of Americans casting early, absentee or mail-in ballots could top 50 million this year, up from 46 million in 2012, the Pew Research Centre estimates
- That means about 40 percent of votes could already be in before Nov. 8

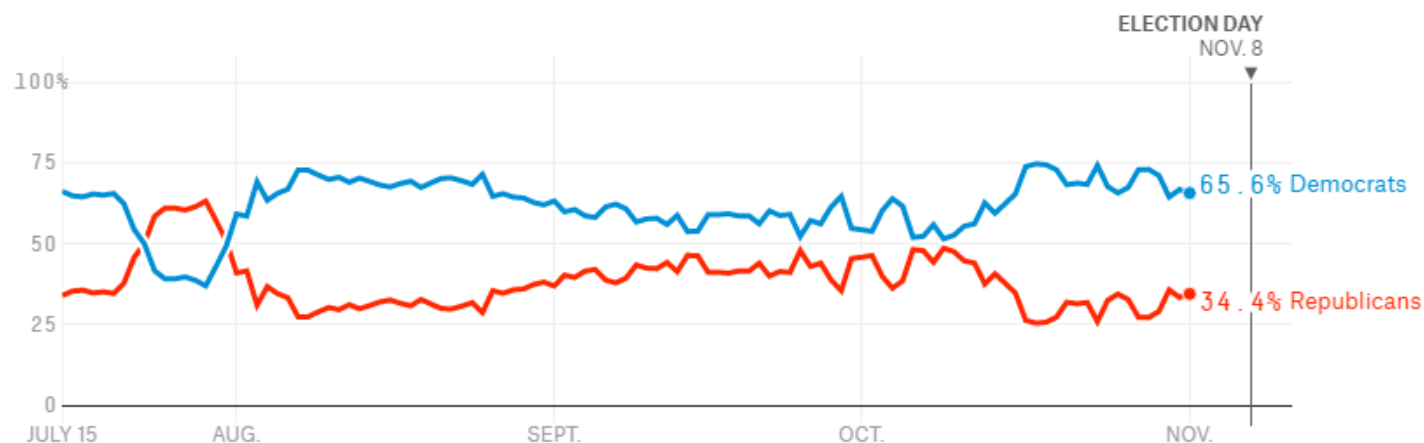
US Election: Potential outcome

Table 1: Probability of different political configurations

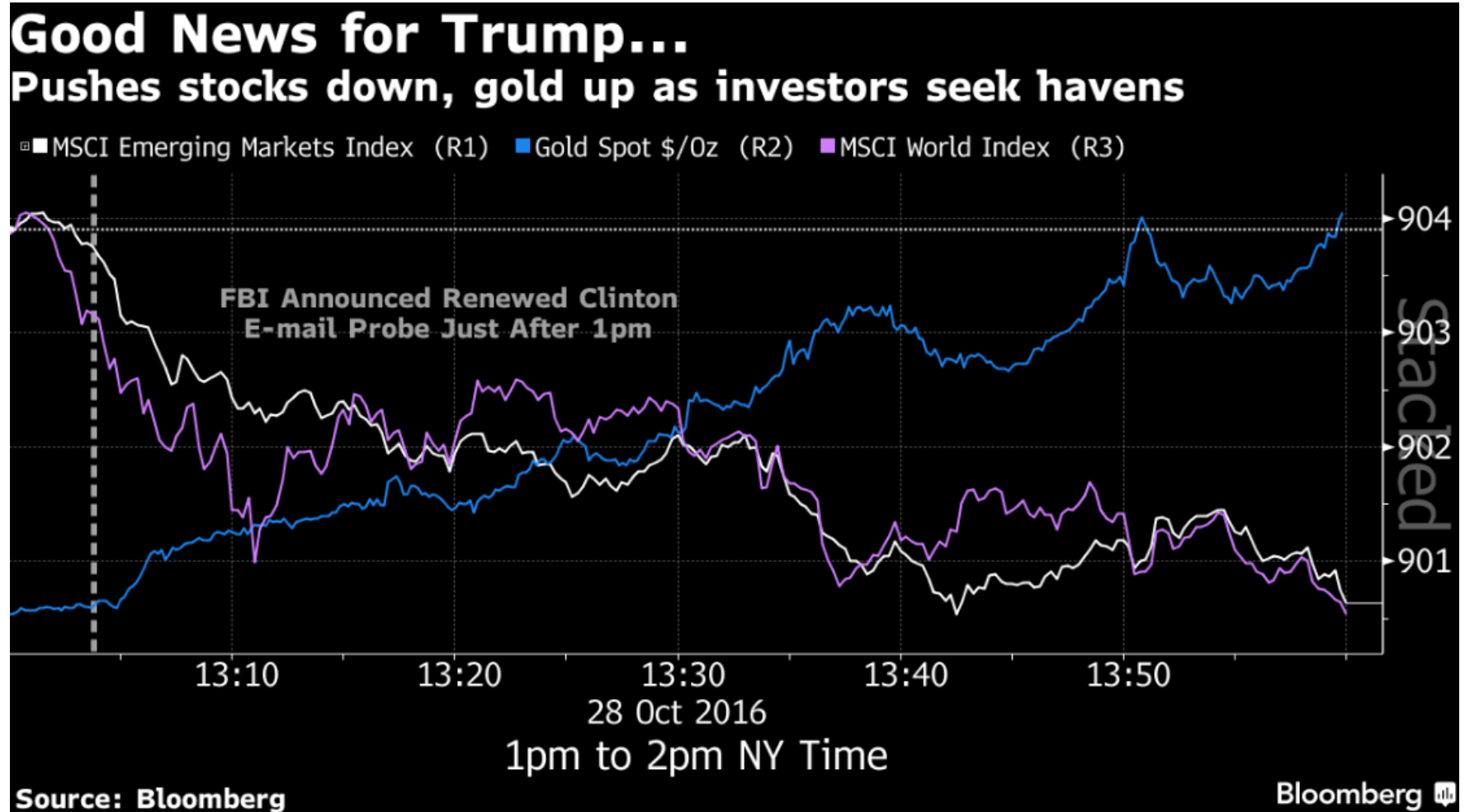
Configuration	Probability ¹	Economic impact
1 H. Clinton + Divided or Republican Congress	70	Political gridlock Risk: slightly positive
2 D. Trump + Divided or Democrat Congress	14	Political gridlock Risk: higher policy uncertainty/Tariffs
3 D. Trump + Republican Congress	8	Tariffs and immigration reforms: negative for growth / higher inflation Tax reform: unclear with a trade-off between tax cuts/higher public debt Tighter monetary policy
4 H. Clinton + Democrat Congress	8	Positive for growth in the short run with higher inflation and tighter monetary policy

¹ Implied by polls as of October 7

Sources: FiveThirtyEight, Ulowa, Natixis



US Election: Market reactions (instant)



US Election: Market reactions (multi-asset)

Three potential US election policy scenarios and their impact

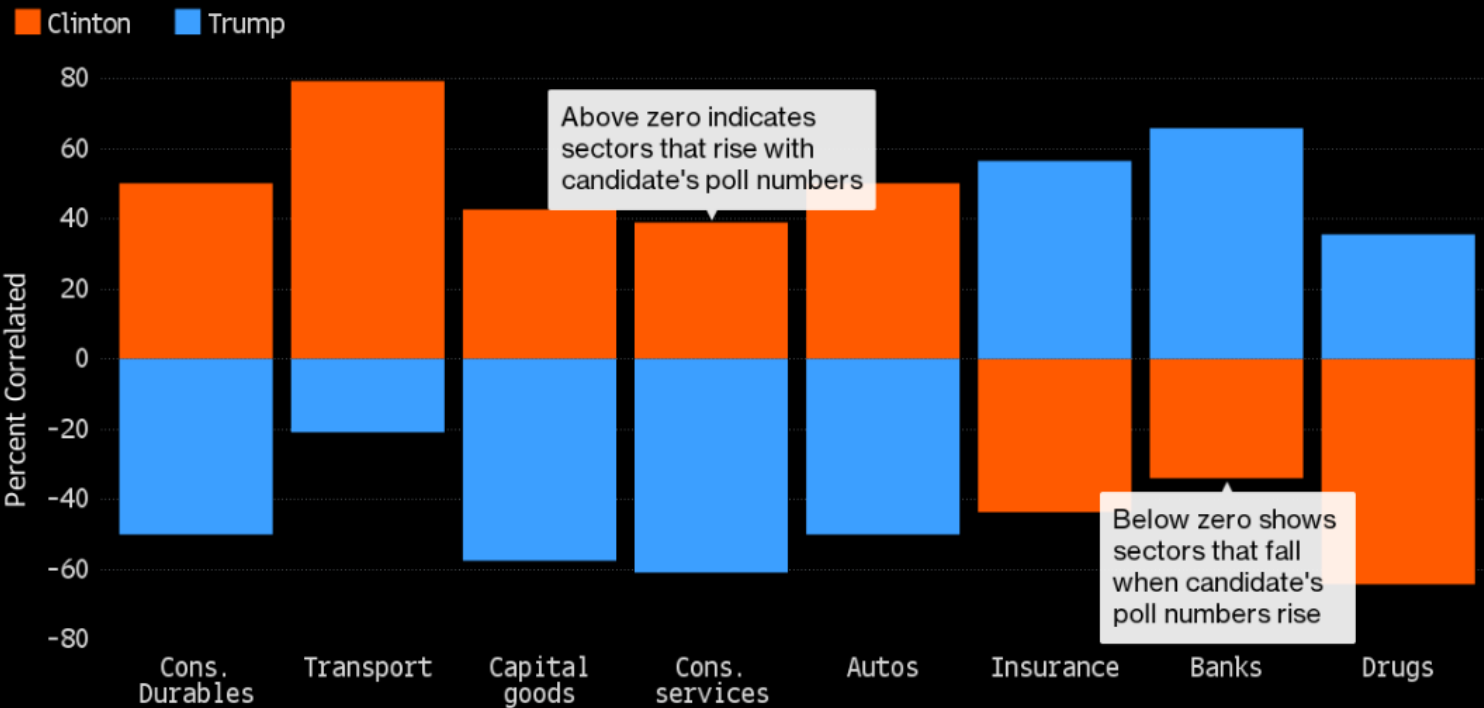
	Clinton win	Clinton 'clean sweep'	Trump win
US ECONOMY	Status quo / gridlock. Trend GDP growth, 2% CPI, low-for-longer Fed. Moderate rise in uncertainty.	Modest near-term GDP and CPI lift with higher policy uncertainty and less accommodative Fed	Near-term GDP boost but recession risk thereafter due to possible trade war, tighter immigration policy and heightened financial uncertainty
FX	Little FX impact within G10. Modest relief rally in EM FX, notably MXN	USD bullish on fiscal stimulus. EM FX could rally on US growth impulse despite more hawkish Fed	USD bearish as negative forces outweigh positive
GOLD	Some limited upside	Higher prices on fiscal easing	Decidedly bullish given protectionism, budget spending and geopolitical risks
US RATES	Moderate front-end steepening. Legislative gridlock keeps yields trapped	Higher rates on expectations of fiscal stimulus	Lower yields on risk aversion and initial focus on possible trade war rather than fiscal stimulus
US CREDIT	Supportive of credit asset class	Neutral to negative for credit spreads	Higher volatility, risk of spread back-up
EQUITIES	Temporary near-term rally but fundamentals still weak	Double-edged sword as higher growth offset by less accommodative Fed	Negative, especially for DM multi-nationals. Commodities and defensives to outperform
EMERGING MARKETS	Continuation of supportive backdrop but focus on NAFTA and TPP	Initial headwind from more hawkish Fed but some support from higher US growth	EM markets hurt via financial market and economic channels

Source: HSBC

US Election: Market reactions (sector specific)

Opposite Reactions

Correlations of stocks to candidates' poll numbers suggest sectors' preferences*



Source: BlackRock Investment Institute

*Based on comparison of RealClearPolitics' 2016 polling data with S&P 500 sectors' daily performance relative to the index

Bloomberg

https://trading-live.talking-forex.com/minimal/live	
16:30	Brazilian Commodity Price Index (May) M/M 1.47% vs. Exp. 0.50% (Prev. 3.09%)
16:30	Brazilian Commodity Price Index (May) Y/Y 9.32% vs. Exp. 8.28% (Prev. 8.56%)
16:27	ECB Sources state that the TLTRO II tender is expected to attract only a few tens of billions of euros in new money at most
15:48	Daily FX Wrap: New lows for the USD as key levels under threat right across the board. EUR/USD finally pierces 1.1400, while USD/JPY is back under 107.00 - The TFX Wrap is now available in the research section of the website.
15:30	US DOE U.S. Crude Oil Inventories (03-Jun) W/W -3226K vs. Exp. -3000K (Prev. -1366K) crude output production rose to 8.745mnb bpd a rise of 0.114%
15:11	USD index pushing lower still; key levels ahead We are seeing new lows on the day in USD/JPY and fresh highs in EUR/USD, with both pairs now within touching distance of some support/resistance levels, where we see 106.35 and 1.1435-45 respectively. This is pressing the USD index to ever new lows, and despite the JOLTS data coming in higher than expected, the downward revision in the March reading is neutralising the effect. USD/CAD has based off the earlier 1.2655 low, but this is largely some caution ahead of the EIA report in around 20 minutes, while AUDUSD is now eyeing a .7500 test, but as already noted, strong offers seen here. NZD/USD pushes up to .7023, and should top out here ahead of the upcoming RBNZ announcement.

[illegible]

Q&A

piers.curran@amplifytrading.com



1 800-525-7082

tellmemore@cqg.com

www.cqg.com

Webinar Recordings:

news.cqg.com



020 3372 8415

piers.curran@amplifytrading.com

www.amplifytrading.com