Allianz Global Investors

Election Monitor | Our view on the election hotspots in 2024

More than half the world's population is heading to the polls in 2024. The results could have wide-ranging implications for domestic economies and international geopolitics. But what could they mean for markets?

US

Voters will choose between President Joe Biden and former President Donald Trump in a rematch of the 2020 vote.

When: 5 November 2024

What to watch

- Markets are familiar with both men, but Trump's election may stoke more uncertainty.
- Our analysis: the S&P 500 has performed best under Democratic presidents and a divided government or a Republican president and a Republican-controlled Congress.
- Irrespective of the result, we think equities have room to perform if the US economy continues growing steadily.
- If election-related volatility can be avoided, we see potential in fixed income to add duration and yield curve steepeners as the Federal Reserve closes in on lower rates.

UK

Conservative Prime Minister Rishi Sunak will be challenged by Labour's Sir Keir Starmer in what could see the first Labour government in 14 years.

When: likely second half of 2024

What to watch

- Historically, UK investors have largely taken elections in their stride – and we see limited political risk for markets this time.
- The cost of living, health and growth will be key election battlegrounds and market focus will be on the timing of the first Bank of England rate cut.
- Reasons to be optimistic about UK equities in 2024? We see UK politics as less polarised than elsewhere, and equities as undervalued compared to other markets.
- In fixed income, we like gilts and see potential opportunities within duration.

EU

Polls will open in all 27 European Union states for the European Parliament elections, with models suggesting populist parties might make inroads.

When: 6-9 June 2024

What to watch

- Gains for populists could have a bearing on climate change, migration and trade policies, as well as any possible expansion of the bloc to the east.
- We see the path of euro zone markets depending more on interest rates than the election result.
- The election outcome may feed equity market sentiment, but ahead of the vote we see banks, automotives and energy offering potential value.
- In fixed income, we prefer to add duration gradually, given sticky inflation and a cautious stance from the European Central Bank (ECB).

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The outcome of the US vote, especially a Trump win, could have ramifications for the rest of the world, particularly China, Mexico and Ukraine. But many emerging markets also have their own elections.

India

The focal point in one of Asia's fastest-growing economies will be whether the incumbent government led by Narendra Modi can continue for a third term in office.

When: by May 2024

What to watch

- India's engine of growth has been humming thanks to increased bank lending, strong private sector investment and improving business conditions.
- A majority for the ruling Bharatiya Janata Party would imply a continued effort to push through policy reforms.
- In our view, such a result would likely be welcomed by both bond and equity investors given the current promising growth prospects and stable economy.

South Africa

In the most important election since the end of Apartheid, focus will be on whether the ruling African National Congress can maintain its majority.

When: 29 May 2024

What to watch

- Markets were reassured by the government's solid 2024-25 budget and its restrained spending and borrowing plans, despite the upcoming elections.
- In our base case scenario, we expect a limited impact from the election on the country's fixed income assets.
- But we acknowledge the risk of negative fallout for markets if a coalition government emerges with a materially different policy direction.

Mexico

Mexico's next president is almost certain to be a woman, a historic first. But the two leading candidates – Claudia Sheinbaum and Xochitl Galvez – offer different visions of the future.

When: 2 June 2024

What to watch

- Despite the potential for election-related market volatility, we think there are reasons to be optimistic about Mexico's outlook.
- A win for Sheinbaum would probably spell policy continuation, but a Galvez victory would likely see a pivot to a more private-sector presidency.
- Whoever wins will have to grapple with relations with the US on issues like immigration – a likely thornier challenge if Trump wins the US vote.

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