

US Election Impact on Foreign Exchange

Economic experts share insights into the impact of the US elections on currency exchange and volatility.



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Current Macro-economic Environment



US inflation is now at **2.63%**, headed to the Federal Reserve goal of **2%**.



The US economy is growing. It's currently at **3.25%**, higher than most other countries.



Productivity gain has doubled in the last year, increased from **2.2%** to **2.3%**.



As a result, businesses are **working smarter**.



Wages are increasing, and **equities** are improving.

Tariff Risks



Current tariff rates on **\$250 billion** worth of imports coming from China is **8.5%**.



Companies are paying **5 times** higher for shipping now than in pre-pandemic times.



According to the Tax Foundation, the burden of tariffs falls on **US households**, not on exporting nations.



Additionally, higher tariffs lead to job loss. If tariffs are placed on all imported goods, **700,000 jobs** could be lost.

USA's National Debt Impact

- Currently the national debt of the US is **\$35.6 trillion**.
- Interest on that debt is currently **\$964 billion**, which is greater than the amount spent on US defense.
- Any and all federal debt will have an adverse effect on inflation, leading to higher mortgage rates and credit card bills.

7.5 trillion



If Trump becomes president, his campaign proposals could add **\$7.5 trillion** to US debt.

3.5 trillion



If Harris becomes president, her campaign proposals could add **\$3.5 trillion** to US debt.

Source: Committee for a Responsible Federal Budget

US-Mexico Relations



The US dollar remains the world's reserve currency but with renewable energies and electric vehicles from China overtaking oil and gasses, the dollar could lose strength.



The Mexican peso has defied economic expectations and is growing against the US dollar. If the country can withstand political changes in the US, the peso could improve.



The recent decoupling between the US and countries like China and Russia emphasizes Mexico's position as a preferred partner to the US.



The US and Mexico have historically relied on each other for success and Mexico acts as a bridge between two massive continents.



There will be foreign exchange volatility in the coming months. If importing from Mexico now, users should put in stop-loss or profit-taking orders.

Preparing for FX Volatility

1

Take into consideration that there is a bullish scenario in the market concerning the US dollar

2

Potential Trump victory will lead to an uptrend for USD-CAD, USD-EUR, USD-GBP.

3

The US dollar to Mexican pesos will be very volatile if Trump becomes president.

4

Expect foreign exchange volatility in the three months following the elections.

5

To protect against FX volatility, businesses should hedge themselves now through the rest of the year.

Any questions? Reach us at hello@monexusa.com.

Contact us