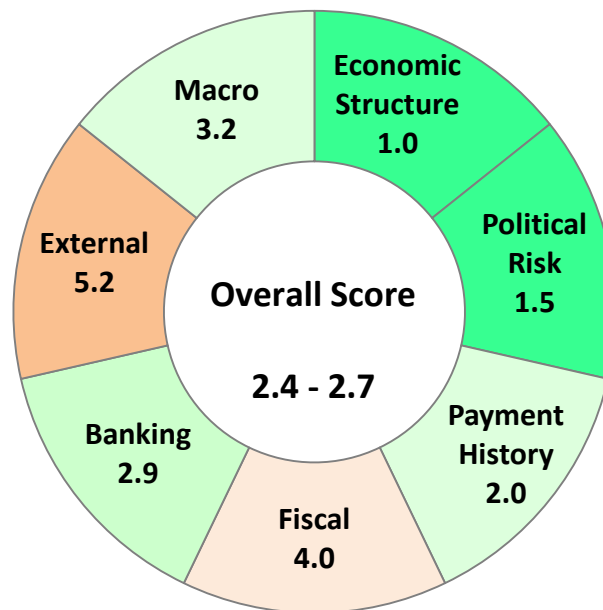


USA Risk Scores



USA Trend Risk

The election of incoming President Trump has created an inflection point in American economic policy. Rejecting recent policy consensus, the new Administration advocates broad tax cuts and supply-side measures, based on a vision that US potential growth is far higher than most economists believe. By mid-to-late 2017, the economy will receive a major stimulus from tax reductions and infrastructure spending which could sustain GDP growth above 2.5% p.a. Unemployment will drop to full employment levels, creating modest inflationary pressures. This will encourage the Fed to hike interest rates and to lean against the growing asset price bubble.

Trade will be a focal point of the incoming Administration as it seeks to renegotiate major trade accords. This, coupled with anti-immigration measures, will fuel foreign policy conflicts.

Banking legislation will also be carefully reviewed. Despite virulent attacks on the Dodd-Frank law, new legislators may move cautiously as memories of the financial crisis are still strong.

The US faces serious long-term structural issues. Stagnant wages, a shrinking middle class, low skill levels, job outsourcing and rising income inequality are core concerns that must be addressed if the US hopes to maintain its values and stature in the global economy.