CAPSTONE



Harris vs Trump



2024 Presidential Election Scenario Analysis

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Introduction

The 2024 presidential race can be split into two eras: before July 21st and after July 21st.

Before July 21st, President Joe Biden consistently trailed former President Donald Trump in the polls. The 81-year-old President's challenges were accelerated by his disastrous June debate performance. But then, on July 21st, President Biden succumbed to growing pressure from his party and removed himself from the race, endorsing Vice President Kamala Harris for president. It's a new race: Harris vs. Trump. And all of a sudden, it's wide open.

As of late August 2024, Harris leads Trump by three percentage points in national polls (47% to 44%), according to an average by polling firm FiveThirtyEight. Harris has closed the gap with Trump, or even taken a polling lead, in many battleground states. Betting markets view the candidates' odds as even (49%-49%, per a RealClearPolitics average).

As election day nears, our analysts are forecasting the impactful themes in US regulatory policy that would evolve under either a Harris or Trump administration in the following sectors: global resources and sustainability; financial services; health; communications, media, and technology; and public services.

In some areas, we do not expect much daylight between a Harris administration and the current Biden administration. We believe a Harris administration would focus on implementation, as several of the Biden administration's regulatory shifts wouldn't begin to bite until at least 2025. In many areas her administration would be emboldened, pushing for even more sweeping regulatory (and, when possible, legislative) changes. A wave of litigation would likely follow, as industry and political interests challenge her administration's increasingly ambitious rulemakings.

Harris's policy views do sometimes vary from Biden's, though, and throughout this report we highlight those areas.

If Trump wins the election, two themes would resonate across the sectors: deregulation and "personnel is policy." Regulatory agencies would pursue a pro-business, deregulatory agenda consistent with Trump's first term – though there is growing concern among business interests that his second term could veer more populist than his first. Trump's pick for advisors and appointees would give insight into this agenda. Leadership in Trump's first term included a mix of pro-business, establishment Republicans, and right-wing populists, which created an environment of jostling and hostility that drove—and sometimes hampered—policy developments. Personnel is policy, and in no regime is that truer than in a Trump White House.

In either outcome, control of Congress will play an important role in defining the administration's policy objectives. Democrats face an uphill battle to maintain control of the Senate in 2024, with several vulnerable states. If Trump wins the White House, he may very well have unified control of the House and Senate, allowing the administration to shape a more ambitious tax, regulatory, and legislative agenda. A Harris administration might have to grapple with split control of Congress. In such a scenario, Harris would have to lean on administrative reforms through the regulatory agencies, as has often been the strategy under Biden's leadership. Many of these rules would face legal challenges.

Trump and Harris's vice-presidential picks are now locked. In mid-July, Trump announced Senator JD Vance (R-OH) as his pick. Vance, who rose to fame through his 2016 best-selling book *Hillbilly Elegy*

before joining former AOL executive Steve Case's venture capital firm, was elected to the U.S. Senate in 2022. At age 40, he would become the third-youngest VP in U.S. history. Vance is a self-described right-wing populist whose social views align with the Republican Party, foreign policy views veer toward isolationism, and domestic policy views are often less-than-friendly toward large corporations. Trump's selection of Vance as a running mate suggests he not only wants to lock down the Rust Belt, but that the present and future of the Republican Party favors a Trumpian view on Presidential power and populism.

On the other hand, in early August, Harris announced Minnesota Governor Tim Walz (D) as her running mate. Walz, a long-time schoolteacher and football coach who later served in Congress from 2007 to 2019, brings to the ticket another Midwestern voice who Democrats hope can not only lock down Minnesota, but combat Trump and Vance in the Rust Belt. Walz has been in politics for close to two decades, but he is less well-known to the American public. As a congressman, his policy views were firmly in line with the Democratic Party with some exceptions – for instance, representing a rural district in Minnesota, he was a firm supporter of gun rights. As governor, he has promoted labor interests, gun control, abortion rights, and policy positions generally aligned with today's Democratic Party.

We caution against placing too much weight on VP picks, as these are driven by electoral map calculus and personal relationships as much as anything else. Overall, we expect Harris to promote traditional Democratic views, balancing the interests of the party, consistent with Biden's presidency. Trump may be emboldened in a second term, testing the limits of Presidential power and appointing more populist personalities to powerful roles in his administration. And the choice of Vance indeed makes that clear.

Global Resources and Sustainability

In the global resources & sustainability sector, Harris would focus on implementing and finalizing Biden-era climate and energy provisions that are positive for low-carbon and renewable energy projects, pursuing stringent environmental regulations for fossil fuels, and championing environmental justice initiatives. On trade, Harris has said she is "not a protectionist Democrat," and we expect few new tariffs but the maintenance of Section 301 tariffs that were introduced by Trump and maintained by Biden.

Even under Trump the Inflation Reduction Act would stay in place. Any action by a Republican Congress on the IRA would likely chip at tax credits and programs instead of targeting a wholesale repeal. Republicans would likely have more success weakening, maybe scrapping, the EPA's Power Plan Rule—a move that would benefit fossil generation owners and delay the energy transition. As the self-proclaimed "tariff man," Trump would likely bring benefits to domestic manufacturers but turbulence for many others. States would try to pick up the slack on federal environmental policy under Trump.

Financial Services

Under Harris, the financial services sector would see tighter bank regulation, a revamped consumer protection agenda, and efforts to reduce mortgage closing costs. Most notably for large banks, a Harris victory would mean the Basel III endgame, a proposed rule to tighten capital requirements, would likely be implemented, though with a more manageable impact than initially proposed.

Under Trump, deregulation would dominate financial services policy. The CFPB would be gutted, benefitting credit card issuers and other companies that the Biden administration has targeted. In banking, the Basel III endgame would face delays or revisions amid strong opposition. And after a quiet four years, discussion around GSE reform—releasing Fannie Mae and Freddie Mac, the two mortgage giants, from conservatorship—would return.

Health

On healthcare policy, a Harris administration would largely reflect continuity from the Biden administration. Regulators would keep pressure

on providers. We foresee more pain for Medicare Advantage insurers, implementation and expansion of the drug pricing provisions in the IRA, and extension or enhancement of ACA subsidies. We expect a greater focus on areas such as women's health and abortion.

A Trump administration would bring a resurgence for behavioral health, as it sits at the rare nexus of bipartisan support and border security. But as in Trump's first term, the administration would likely expand nontraditional health insurance at the expense of ACA insurers. We believe hospitals would benefit from large uncompensated care waivers.

Communication, Media, and Technology

In the communication, media, and technology sector, we believe a Harris administration would differ from the Biden administration in several ways. We expect an easing view on antitrust matters, an increased focus on artificial intelligence (AI) regulation, and an incrementally positive outlook for highest-skilled immigration.

Under a second Trump presidency, we believe his administration would keep the heat on big tech, states would drive AI regulation in the absence of federal regulation, and the federal government will further escalate the US-China Tech Cold War.

Public Services

In either a Harris or Trump presidency, the public services sector would face repercussions. Expect shifts in funding sources and state and local infrastructure. State-level energy funding, semiconductors, and education would face notable opportunities and risks depending on the election outcome

In both administrations, defense spending would likely increase. Under Harris, we foresee an emphasis on supporting allies and advanced capabilities – though Harris has been more critical of Israel than Biden. On the other hand, under Trump, we foresee deepening doubt in the US' commitment to European defense.

A few notes about the structure of this report:

This report is structured by sector to align with the following Accenture practice areas: global resources and sustainability; financial services; health and public services; and communications, media, and technology.

The report is categorized into top unexpected themes across a Harris presidency and a Trump presidency. Therefore, the Harris themes do not mirror the issues covered by the Trump themes, and vice versa.

The set of issues covered in this report is not comprehensive. The report does not substantively analyze how the world of geopolitics may be affected by the election – for example, a potential conflict involving Taiwan or the future of Russia's invasion of Ukraine. Capstone's sector teams can discuss these issues with Accenture separately.

Global Resources and Sustainability under Harris

Capstone believes a Harris presidency would have several underappreciated implications for global resources and sustainability policy, including implementing and finalizing Biden-era climate and energy provisions to support low-carbon and renewable energy projects, pursuing stringent environmental regulations for fossil fuels, and championing environmental justice initiatives.





Top issues where Harris would differ from Biden as president:

1. Unlike Biden, Harris has said she is "not a protectionist Democrat." Harris opposed two major free trade agreements that Biden supported—USMCA and TPP—and would likely emphasize environmental issues in the review of USCMA in July 2026, and new free trade agreements will continue to be unlikely.

2. A Harris administration would be under immense pressure to better balance the energy transition with grid reliability and consumer costs, which will likely lead to changing FERC market constructs that may adversely impact consumers, re-evaluating incentives for utilities, and providing increased flexibility to regional transmission organizations and independent system operators to bring renewable resources online to meet growing demand.

3. As a well-known advocate for environmental justice (EJ), we expect a Harris administration to push harder than Biden to infuse EJ considerations into agencies' policy actions and direct more funding to federal government clean energy and infrastructure investments in disadvantaged communities.

“Not a Protectionist Democrat” But Existing Tariffs Likely to Remain

Winners	Domestic manufacturers
Losers	Import-exposed industries

Unlike Biden, Harris said during a 2019 debate that she is “not a protectionist Democrat.” Harris believes in the importance of pursing trade policies that create export markets for US products rather than broad-based tariffs that isolate the US economy. It is unlikely a Harris administration introduces new tariffs, but we do not expect her administration to significantly reduce the duty rates or total volume of imports subject to the Section 301 tariffs that Trump implemented by Trump and Biden upheld.

The Harris administration would prioritize finding a way to achieve national decarbonization goals while reducing US reliance on China for clean energy products. The administration would likely maintain existing tariffs against China, but unlike the Biden administration, her administration could prioritize the clean energy transition by reducing Section 301 tariffs on products such as lithium-ion batteries and semiconductors.

Harris opposed two major free trade agreements that Biden supported—the US-Mexico-Canada Agreement (USMCA) and the Trans-Pacific Partnership (TPP). Her opposition stemmed from concerns that neither agreement sufficiently protected the environment or labor rights. Harris was one of ten senators to vote against the USMCA. If Harris wins, the US will likely emphasize environmental issues in the review of USCMA in July 2026, and new free trade agreements will continue to be unlikely.



Harris Would Push Harder To Support Environmental Justice

Winners	Community solar, wastewater treatment facilities
Losers	Industries operating in disadvantaged communities

Harris is a well-known environmental justice advocate. In 2005, as San Francisco district attorney, she created one of the first dedicated EJ units in the country focused on environmental crimes. In 2018, Harris introduced the Environmental Justice Right to Know Act, which sought to infuse EJ considerations into agency examinations of pesticides and cosmetics. Harris also introduced the Senate's Environmental Justice for All Act in 2020, which sought to address "disproportionate adverse human health or environmental effects of federal laws and programs" on communities around the country. A Harris administration would likely support communities near heavy-industrial emissions by emphasizing the Justice40 Initiative to where 40% of certain benefits of the federal government's clean energy investments go to disadvantaged communities. Focus areas include investments in drinking water and sanitation infrastructure.

FERC Likely to Focus on Grid Reliability, Minor Changes to Interconnection Reforms

Winners	Renewable developers, transmission developers, nuclear plants
Losers	Coal, electric utilities

The Federal Energy Regulatory Commission (FERC) would be under immense pressure to better balance the energy transition with grid reliability and consumer costs. While FERC under Biden took major steps through transmission planning and interconnection rules to accelerate renewable deployment, FERC under Harris would focus on changes to market constructs that may adversely impact consumers, including PJM's capacity market rules and data center co-location. We believe this renewed focus on cost and reliability would materialize through rulemakings on interregional planning to enhance power transfer capability between regions, re-evaluating incentives for utilities, revisiting return on equity (ROE) methodology, and providing increased flexibility to regional transmission organizations and independent system operators to quickly bring renewable resources online to meet growing demand.

EPA Likely to Continue Implementing Emission Standards for Fossil Plants, Albeit with Renewed Focus on Reliability and Cost

Winners	Renewable power, nuclear generators
Losers	Coal and gas plants

The Environmental Protection Agency (EPA) would continue efforts to accelerate fossil retirements by imposing increasingly stringent emissions requirements for coal and gas peaker plants. Under President Biden, the EPA imposed its toughest power plant rulemakings to date, including its new carbon standards rule requiring emissions reductions commensurate with utilizing carbon capture technology at existing coal and new gas plants and the expansion of the Cross-State Air Pollution Rule (CSAPR) to new states and additional industries. However, both of these rules are in the Supreme Court's crosshairs, with the court issuing an emergency stay the CSAPR revision. Additionally, given increased press on electric grid reliability—particularly following record-breaking clearing prices in PJM's capacity auction—we expect a Harris administration would be somewhat constrained in how aggressively it tackles power sector emissions at risk of being accused of increasing costs for consumers, particularly low-income ratepayers.



Harris Admin Would Advance Standards Limiting PFAS Chemicals in the Environment, but Superfund Designation Unlikely

Winners	Wastewater remediation companies, filtration companies
Losers	PFAS manufacturers

We believe the Harris administration would focus on implementing drinking water standards for per- and polyfluoroalkyl substances (PFAS) and the Superfund designation for sites containing PFAS chemicals PFOA and PFOS. PFAS are a class of thousands of chemicals that have been widely used in commerce since the mid-20th century, some of which have attracted regulatory attention due to their links to cancer and non-cancer health effects as well as persistence in the environment.

Finalized PFAS industrial discharge limits are likely for the organic chemicals, plastics, and synthetic fibers as well as the metal finishing and electroplating industrial categories, while a rulemaking to limit PFAS in landfill leachate would likely reach at least the proposed rule stage. In the meantime, Harris' EPA would continue to scrutinize industrial sources of PFAS for further regulation.

However, the Harris administration likely would not finalize Superfund hazardous substance designations for further PFAS chemicals. Congress enacted the federal Superfund program to authorize the EPA to clean up sites contaminated with specific hazardous chemicals. The EPA added PFOA and PFOS to its list of hazardous substances under Superfund in the first use of its authority to address chemicals "substantial danger" to public health in May 2024.



Administration Would Prioritize Industrial Decarbonization through a "Carrot" Approach

Winners	Petrochemical manufacturers/ other industrial emitters
Losers	N/A

The Harris administration would continue to prioritize industrial decarbonization at chemical production facilities and other infrastructure through grants, loans, and tax credits. The Department of Energy's (DOE) Loan Program Office has $250 billion in IRA funding authority through Section 1706, which enables DOE to provide reinvestment financing to both operational and non-operational energy infrastructure assets in the US to sequester, avoid, reduce, or use GHGs or air pollutants. The DOE formally opened the program in late 2023, and we expect it would prioritize processing applications and issuing financing orders under a Harris administration. Additionally, the DOE's Office of Clean Energy Demonstration recently provided over $300 million in federal cost-sharing for pilot programs involving carbon capture at refineries, power plants, and other industrial facilities.

Harris Administration Would Seek Middle Ground on Critical Minerals

Winners	Critical mineral producers
Losers	New mining developments

The Harris administration would attempt to strike a balance between critical mineral development and domestic environmental concerns. The administration would emphasize collaboration with allies through programs like the Mineral Security Partnership (MSP) and other enhanced diplomatic efforts to create a coalition around global critical mineral development. Funding for critical minerals through the IRA, DOE, and other governmental related programs would remain a focus area.

The Harris administration would be open to permitting reform, which could accelerate domestic critical mineral production. However, we believe the administration would not push for judicial reform in the permitting process, leaving litigation as a threat to mine development. Furthermore, Harris would increase the emphasis on public comment and tribal concerns, which could lengthen timelines. Finally, Harris might push for royalties on federal land use.



DOE Unlikely to Change LNG Export Authorizations Drastically

Winners	LNG export projects
Losers	N/A

The DOE would continue to find that liquefied natural gas (LNG) exports are in the public interest following additional studies on the environmental impacts of LNG exports to countries without Free Trade Agreements (FTA) with the US. The DOE's moratorium on non-FTA export authorizations pending the completion of the new study is primarily a political tactic ahead of the 2024 election. There are several reasons the DOE is unlikely to change course.

First, the DOE would need to contradict past studies that found LNG exports are in the public interest, and the department would face significant legal scrutiny if it takes an outcome-driven approach to future decisions on applications. Additionally, a federal court in Louisiana found that the DOE exceeded its authority in pausing authorizations, so any meaningful change to the permitting process to incorporate climate impacts into public interest assessments would likely face significant risk. The Supreme Court's decision overturning the Chevron doctrine—coupled with the court's decision to review the role of NEPA analysis for infrastructure projects—magnifies the risk for a Harris administration to change course on LNG permitting. Importantly, the ongoing moratorium would not impact the extension request process for LNG projects with existing non-FTA export licenses.



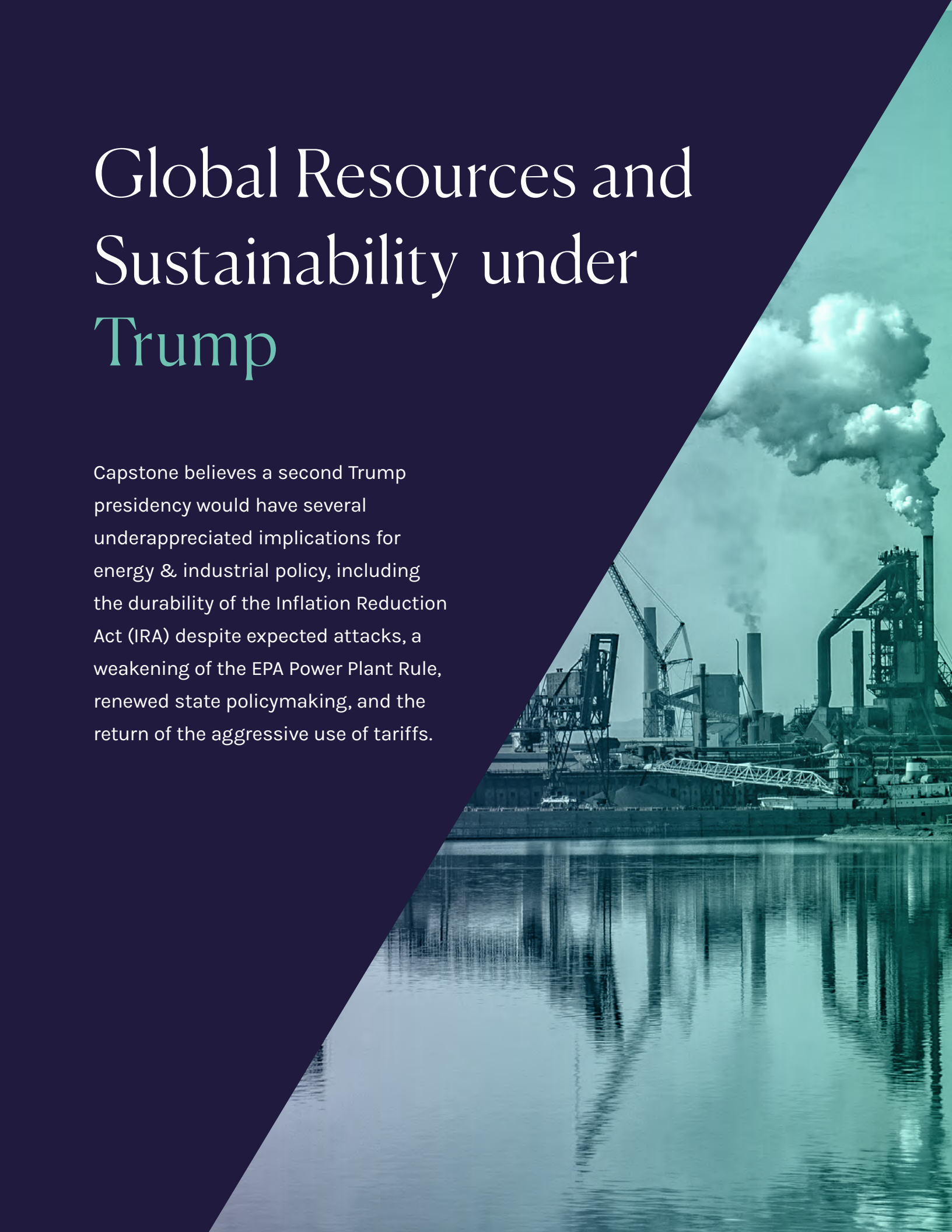
Renewed Push on Permitting Reform to Maximize IRA Benefits

Winners	Renewable developers, transmission developers, energy infrastructure projects
Losers	N/A

The Harris administration would re-prioritize permitting reform as part of its legislative agenda to maximize the tax credits for clean energy deployment. While the administration would likely focus on expediting electric transmission as part of this push, any legislative package would need buy-in from Republicans and likely accelerate permitting for mining, pipelines, and other forms of energy infrastructure, similar to the framework laid out by the bipartisan Energy Permitting Reform Act of 2024 introduced in July. We believe the Harris administration would continue the pragmatic approach in permitting reform negotiations that we saw in 2023 as part of debt ceiling negotiations.

Global Resources and Sustainability under Trump

Capstone believes a second Trump presidency would have several underappreciated implications for energy & industrial policy, including the durability of the Inflation Reduction Act (IRA) despite expected attacks, a weakening of the EPA Power Plant Rule, renewed state policymaking, and the return of the aggressive use of tariffs.



The IRA Is Here to Stay but Unspent Funds and DOE Loan Office Would Be at Risk

Capstone believes it is unlikely that a Trump presidency, even with a Republican Congress, would be able to fully repeal key tax credits included in the Inflation Reduction Act (IRA). We believe any action a Republican Congress takes against the IRA would target narrow changes to tax credits and programs rather than wholesale repeal, particularly given the IRA's economic contribution to Republican states.

Tax credits for consumer-facing clean energy products like rooftop solar and electric vehicles likely would be at a higher risk under Republicans. We believe tax credits for biofuels, carbon capture, hydrogen, nuclear energy, and domestic manufacturing are unlikely to be targets of a Republican Congress. Notably, biofuels tax credits were omitted from a House Republican Debt Ceiling bill passed in late April to win the Iowa delegation's votes, highlighting stiff opposition even in a bill that was viewed as symbolic with little chance of passage.

Trump's pick for vice president, JD Vance, has been a visible critic of the IRA during his time in the Senate, having cosponsored a bill that would roll back the methane emissions and introducing a bill that would eliminate the Clean Vehicle Credit (30D) and create a new tax credit of $7,500 for internal combustion engine vehicles produced in the US. While Vance wouldn't be able to directly repeal portions of the IRA as vice president, he would match Trump's negative sentiment toward renewable and clean energy subsidies.

While we do not expect any legislative changes to the IRA, we do expect a Trump administration would attempt to alter implementation rules for various tax credits—particularly credits based on carbon intensity—to provide more favorable treatment to fuels with higher emission profiles like crop-based fuels and methane-based hydrogen.

Winners	Plug Power (PLUG), Darling Ingredients (DAR), First Solar (FSLR), Constellation (CEG), Green Plains (GPRE), Clean Energy Fuels (CLNE)
Losers	Sunrun (RUN), Tesla (TSLA)

Outside of the IRA, a Trump administration would look for ways to target the unspent, congressionally appropriated funds from the Infrastructure Investment and Jobs Act, CHIPS and Science Act, and American Rescue Plan. Out of the total $1 trillion outlined for energy and climate provisions, the Biden administration has announced tentative funding decisions for $564 billion and spent less than $208 billion—leaving an opening for a second Trump term. On the campaign trail, Trump has promised to immediately pause the flow of funds to assess the recipients and relevant project stages. Likely targets could include the $7.5 billion for EV charging stations and $1.7 billion in DOE grants to retool auto facilities to produce EVs. Additionally, Trump would target the DOE's Loan Programs Office which has more than $200 billion in remaining funds for emerging, clean energy technologies. Trump and Republicans would likely redirect this money toward infrastructure projects in "friendly" states, and some Republican representatives have mentioned nuclear power demonstration projects.



The EPA Power Plant Rule Would Be Weakened or Scrapped Altogether

EPA policy establishing carbon standards for new and existing fossil plants would likely be weakened or scrapped altogether in a Trump presidency. The rule, proposed in May 2023, would set stringent carbon emissions standards for fossil plants, including emissions limits commensurate with utilization of carbon capture and hydrogen co-firing technology.

This is the third iteration of the EPA's attempt to promulgate a carbon rule for power plants. Prior iterations under the Trump administration (the ACE rule) and the Obama administration (the Clean Power Plan) were overturned through political and legal actions. Given the lack of legal precedent, we believe the vulnerability of this EPA rule is underappreciated, as it is more susceptible to repeal under a new administration than the EPA's other existing and updated power plant rulemakings.

Winners	NRG Energy (NRG), Vistra Energy (VST), American Electric Power Company (AEP), Calpine Corp., LS Power
Losers	NextEra Energy (NEE), Constellation Energy (CEG)

We expect that the lack of strong political and legal precedent, coupled with the strong stakeholder pushback from the fossil industry and Republican lawmakers, would motivate a Trump EPA to roll back many of the provisions in this rule. We believe Trump's EPA policies would be favorable to fossil generation owners, delaying the energy transition and reducing incentives for new renewables and existing nuclear.

States Would Try to Pick Up the Slack on Environmental Policy

Winners	Utilities (PG&E [PCG] and Public Service Enterprise Group [PEG]), electric vehicle manufacturers (Tesla [TSLA] and Rivian Automotive [RIVN]), clean energy/hydrogen producers (NextEra Energy [NEE] and Plug Power [PLUG])
Losers	Heritage Power, GenOn Energy, Competitive Power Ventures

Capstone believes that Democratic state governments would seek to implement more aggressive climate policies to make up for a perceived lack of action at the federal level. President Trump's first term saw an unprecedented wave of climate policies implemented at the state and local level, including many of the nation's 100% renewable energy targets.

We believe a second Trump term would reignite this trend, with states accelerating existing goals, strengthening existing regulations, and expanding climate policy in high-emitting sectors that, up until this point, have taken a back seat to the power sector from a policy perspective such as transportation and heavy industry.



The "Tariff Man" Would Return

Winners	Domestic manufacturers (US Steel [X], Cleveland-Cliffs [CLF])
Losers	Retailers (Walmart [WMT] and Amazon [AMZN]), downstream industries, and high-profile US companies impacted by retaliatory actions (Levi Strauss [LEVI], Brown Forman [BF.B])

Capstone believes a second Trump term would once again see the aggressive use of the president's executive authority to increase tariffs on a wide range of industries. Trump's running mate Senator Vance is firmly aligned with Trump on trade policy. Vance approaches trade with similar focus on combatting Chinese dominance and protecting American manufacturers and would likely be supportive of any tariff increases Trump pursues.

Trump, a self-proclaimed "tariff man," has proposed a blanket 10% tariff on all US imports. While implementing a true all-encompassing tariff might prove tricky, Trump could easily expand existing tariffs that remain in place from his first term or apply new sector-specific tariffs.

If Trump is re-elected, we would expect him to raise Section 301 tariffs early in his term. Trump argues that Biden May 2024 announcement to increase Section 301 tariffs on $18 billion imports did not go far enough. The Biden administration delayed the effective date of tariff increases on certain products the US relies on. For example, the tariff rate for batteries will not increase to 25% until 2026. Trump could eliminate the grace period provided by the Biden administration by implementing tariff increases in 2025 and raise the tariff higher than the Biden administration has planned. Trump has also expressed interest in raising all Section 301 tariffs to 60% and expanding them to all Chinese imports. Trump would be able to accomplish this without congressional approval but may need to initiate a new Section 301 investigation to establish the statutory authority needed to expand the products covered under Section 301.

Sectors the Trump administration scrutinized are at risk of being targeted again:

- **Metals:** During his first term, Trump sought to protect domestic steel and aluminum producers with Section 232 tariffs. Using his authority under Section 232, he imposed a 25% tariff on steel and 10% on aluminum imports. In a second term, Trump could revise those tariffs or seek to reapply them to trading partners that have been exempted from them under the Biden administration (such as the EU).
- **Autos:** Trump could once again consider imposing Section 232 tariffs on foreign-made cars and auto imports as he did in his first term.

Financial Services under Harris

Capstone believes a Harris presidency would have several underappreciated implications for financial services policy, including a more accommodating attitude toward new technologies, although the administration would maintain its focus on “junk fees” and affordable housing.





Top issues where Harris would differ from Biden as president:

1. A Harris administration is likely to take a more moderate approach to bank mergers and acquisitions than a Biden administration, although Harris would not be as industry friendly as Trump.

2. Harris would be more open to technological innovation, creating opportunities for emergent fintech solutions.

3. Harris could further elevate the Biden administration's concerns on affordable housing, especially with another four years to push new policies and fight legal challenges.

Harris Presidency Ensures Basel III Endgame Rules Are Finalized, Middle Ground Likely Between Proposal and Republican Approach

Winners	None
Losers	JPMorgan Chase & Co. (JPM), Bank of America Corp. (BAC), Wells Fargo & Co. (WFC), Citigroup Inc. (C), Goldman Sachs Group Inc. (GS), Morgan Stanley (MS), Bank of New York Mellon Corp. (BK), State Street Corp. (STT)

Capstone believes that, regardless of the electoral outcome in November, banks have secured some measure of victory on the Basel III Endgame rules. The form of any final Basel III rule, however, would likely be more penal under Harris than Trump. There is some measure of consensus within the Federal Reserve that the Basel III Endgame proposal, which was estimated to increase capital requirements for large banks by as much as 10-20%, is overly calibrated and should be partially or fully re-proposed. Capstone believes that the more progressive agency leadership at the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Commission (FDIC) have pushed back against the degree to which the Fed has recommended watering down the initial proposal. A Harris administration would likely continue to empower OCC and FDIC leadership, giving them additional leverage to push for a version of Basel III Endgame that, while softened, still creates modest regulatory capital headwinds for covered banks. Further, a Harris presidency insulates a final Basel III Endgame rule from a Congressional Review Act challenge from a unified Republican Congress.

The Basel III Endgame proposal initially was expected to be finalized in mid-2024. However, the comment period for the rule was extended, and Federal Reserve Vice Chair for Supervision Michael Barr has committed to providing an additional comment period on the Federal Reserve's quantitative analysis of the rule. Fed Chair Jerome Powell has suggested that a full or partial re-proposal could even be appropriate given the volume of comments on the rule and the degree to which elements of the proposal may be adjusted. Recent reporting suggests that the Federal Reserve has floated a revised version of the rule that would create modest 3-5% capital increases for covered institutions. We believe that leadership at the FDIC and OCC are reticent to roll back the Basel III endgame proposal that significantly, slowing the rulemaking process.

A Harris victory in November helps ensure some measure of ideological continuity in banking regulation. Vice Chair Barr, OCC Comptroller Michael Hsu, and FDIC Chair Martin Gruenberg have all clearly signaled their support for a sweeping and progressive banking regulatory agenda. A presidential transition would almost certainly result in leadership changes at the OCC and FDIC and a reduced willingness to move forward either with finalizing or implementing the Basel III Endgame proposal. While a final rule under a Harris



administration will be watered down relative to the original proposal, it is likely to be more challenging for banks than a version released under a Trump administration with conservative leadership at the OCC and FDIC (if a rule were finalized at all).

Republicans, who staunchly opposed the proposal on grounds that it will slow banks' ability to lend to individuals and businesses and harm liquidity in capital markets, have promised to initiate a Congressional Review Act challenge to the rule if it is not fully re-proposed. Even if Republicans take control of the House and the Senate in November, a Harris presidency essentially nullifies any Republican majority's ability to challenge the final rule. Capstone believes that the elimination of any threat to repeal the rule using the Congressional Review Act might further empower progressive rulemakers at the OCC and FDIC to resist the most dramatic changes to the original Basel III Endgame proposal.

A Harris election, however, would not stave off possible industry challenges to the Basel III proposal. Banking industry leadership has signaled a potential willingness to challenge the rules on procedural grounds, and this would be more likely if Harris wins the election. We believe the specter of 20% increases to regulatory capital requirements from Basel III Endgame has receded, no matter the election outcome in November. On balance, however, a Harris presidency would be negative for large regional banks and US G-SIBs as it increases the likelihood that the Basel III Endgame rule would be finalized in a form that more closely resembles the original proposal than what banks would prefer.

Harris Administration Would Maintain Aggressive Bank Supervision but Could Ease Bank Merger Scrutiny

Winners	None
Losers	US Banks

Capstone believes a Harris administration would result in continued ideological and personnel continuity among banking regulators. As such, banks would face new and more stringent liquidity rules, and an aggressive supervisory posture. There could be daylight between the current Biden administration and a future Harris administration on anti-trust concerns, potentially thawing the bank merger environment

During the past several years, OCC and FDIC leadership have expressed significant skepticism about continued consolidation in the banking industry, particularly among large banks. Most recently, OCC Comptroller Hsu proposed new rules regarding bank merger approvals and released a policy statement outlining key factors the office considers during merger reviews. Notably, the policy statement identified multiple merger review factors that it deems inconsistent with approval, including any merger that creates an institution with more than $50 billion in assets or is between two firms of equal size. The OCC's asset threshold for approvals was viewed as more aggressive than anticipated given a previous focus on limiting the creation of new $100 billion institutions. While Harris advertised her "tough on banks" stance as the attorney general in California, she may depart from the Biden administration's aggressiveness on antitrust issues. That could extend to the banking sector, providing more opportunities for mid-size and regional banks to consider business combinations.

Comptroller Hsu and other regulators also have signaled their intention to propose new liquidity rules in response to the rapid bank runs that precipitated the failures of multiple regional banks in the spring of 2023. While the details of a future rule are not yet defined, they would likely increase the liquidity thresholds of larger banks, potentially resulting in more punitive treatment for uninsured deposits.

Finally, we expect that a Harris administration would allow banking regulators to continue their aggressive supervisory stance toward banks. In the review of the Silicon Valley Bank failure in March 2023, the Federal Reserve noted that regulators were lax in their supervision, which partially enabled the bank's mismanagement. Capstone believes supervisors have been more aggressive in overseeing banks and encouraging corrective action when they identify potential areas of concern. Supervisory manuals also have been revised to emphasize examiner focus on uninsured deposit and commercial real estate concentrations.



Harris Administration Would Bolster Efforts to Support Housing Affordability

Winners	Companies offering title insurance alternatives, including UWM Holdings Corp. (UWMC), Voxtur Analytics Corp. (VXTR), and SingleSource Property Solutions
Losers	Title insurers, including Fidelity National Financial Inc. (FNF), First American Financial Corp. (FAF), Old Republic International Corp. (ORI), and Stewart Information Services Corp. (STC) Real estate brokerages including Redfin Corp. (RDFN), eXp World Holdings Inc. (EXPI), and Re/Max Holdings Inc. (RMAX), Anywhere Real Estate Inc. (HOUS), and Compass Inc. (COMP) Property managers including AvalonBay Communities Inc. (AVB), Camden Property Trust (CPT), Essex Property Trust Inc. (ESS), Equity Residential (EQR), and UDR Inc. (UDR)

Capstone believes another Democratic administration under Harris would continue the focus on addressing housing affordability concerns given housing's central role in driving overall inflation. To date, the Biden administration has done this by allocating administrative resources towards scrutinizing business models across the housing market that it perceives are inflating consumer housing costs. With a divided Congress unable to resolve housing affordability and supply issues, the Biden administration has deployed its regulators to tackle costs on the margins (closing costs—including title insurance, credit scoring, and real estate brokerage commissions—in the single-family residential market, and rental rates in the multifamily market).

We believe Harris has been involved in adopting many of these priorities. In February 2023, she visited Bowie State University in Maryland to announce the administration's plans to cut mortgage insurance costs on Federal Housing Administration (FHA) insured loans. In her speech she stated, "Homeownership is an essential part of the American dream. For so many people, a home is more than a house, it is community." In June 2023, Harris unveiled new plans to prevent

racial bias in home appraisals. The actions came as the result of an interagency task force set up by the Biden administration to study and implement reforms within the home appraisal industry. We believe these types of housing initiatives will continue to be political "winners" for Harris if she is elected president.

In the single-family market, current DOJ leadership has set its sights on a real estate brokerage commission structure—largely facilitated by a powerhouse industry trade association, the National Association of Realtors (NAR)—that for several decades has maintained commissions between 5% and 6%. We believe DOJ is seeking to force a decline in commissions by litigating certain practices facilitated by NAR and upheld by most real estate brokerages in the market. In March 2024, the NAR reached an agreement with home seller plaintiffs in nationwide class action lawsuits over industry commission-setting practices. In it, the NAR agreed to make substantive rule changes designed to eliminate antitrust concerns in the industry and lower commission costs. The DOJ has signaled it is watching industry compliance with the settlement closely—and may not be done taking its own actions to facilitate market competition. The DOJ under Harris would likely support this stance and maintain pressure on the real estate brokerage industry.

At the direction of the Federal Housing Finance Administration (FHFA), government-sponsored entities (GSEs) Fannie Mae and Freddie Mac have become hyper-focused on reducing closing costs for borrowers to make home ownership more attainable in an increasingly expensive market. They aim to do this by supporting alternatives to traditional title insurance—which can cost borrowers 0.5–1% of a home sale price upon closing. On a $300,000 home, that would mean estimated title costs would be around $2,250. Title insurers have attracted scrutiny from regulators and consumer advocates for title products' relatively low loss ratios and high commission rates relative to other insurance products. In March 2024, FHFA announced that it approved a new Fannie Mae "Title Acceptance Pilot" that will allow participating lenders to bypass the GSEs' title insurance requirement on certain low-risk refinances. In May 2024, the CFPB, as part of its "junk fee" initiative, announced it is requesting information on practices that are increasing mortgage costs, including title insurance costs. While Harris has not spoken directly yet about her stance on these initiatives, she did note at a recent campaign event in Atlanta, Georgia, that on "day one," she will "take on price gouging and bring down costs…[and] ban more of those hidden fees and surprise late charges that banks and other companies use to pad their profits." Further action that curtails title insurance profits could have potentially existential risks for the title insurance industry.

In the rental housing market, the Biden administration has targeted property manager practices that inflate rental rates and exacerbate supply shortages. In a campaign speech on July 16th in Nevada, President Biden reiterated the administration's focus on "cracking down on corporate landlords to lower rents." This is a reference to ongoing private litigation and a DOJ investigation into RealPage and other property managers for price fixing. The president also announced during the event that he has called on Congress to enact legislation that would institute a federal rent cap. In her Atlanta campaign speech, Harris confirmed that this will be a continued priority under her leadership. She stated, "We will take on corporate landlords and cap unfair rent increases." We continue to believe the DOJ is poised to take its own action against RealPage that could affect property managers' ability to use tech platforms to set rents and, ultimately, hit their bottom lines. Harris seems to be in lockstep with President Biden regarding this initiative and we expect it would be part of the administrations broader housing agenda if Harris is elected.

Aggressive Consumer Finance Agenda Would Be Maintained

We believe a Harris administration would continue with the "junk fee" initiative that the Biden administration views as a political winner for the Consumer Financial Protection Bureau (CFPB). The CFPB has taken an expansive view of junk fees, especially targeting fees in which costs to consumers are significantly higher than those incurred by the financial service provider. The bureau has proposed two major rules to address these concerns: one that would lower the credit card late fee safe harbor to $8 from $30 for the first missed payment and $41 for subsequent violations; and a second that would subject overdraft charges that generate profits for financial institutions with more than $10 billion to the Truth in Lending Act.

Winners	None
Losers	TransUnion (TRU), Credit Acceptance Corp. (CACC), MoneyGram International Inc., Populus Financial Group Inc., Upbound Group Inc. (UPBD), PROG Holdings Inc. (PRG), Synchrony Financial (SYF), Bread Financial Holdings Inc. (BFH)



We expect the first year of a Harris administration would focus on completing the current CFPB rulemaking agenda, as the CFPB will struggle to put many rules into effect before the end of President Biden's term. The overdraft rule was proposed on January 17th and the bureau indicated at the time that it expects it will go into effect in October 2025. We believe that if Harris is elected, the rule will likely be finalized in the first quarter of 2025, but then it is likely to face a legal challenge. Similarly, the CFPB credit card late-fee rule is subject to a stay of implementation, which we anticipate will shift the effective date into at least 2025.

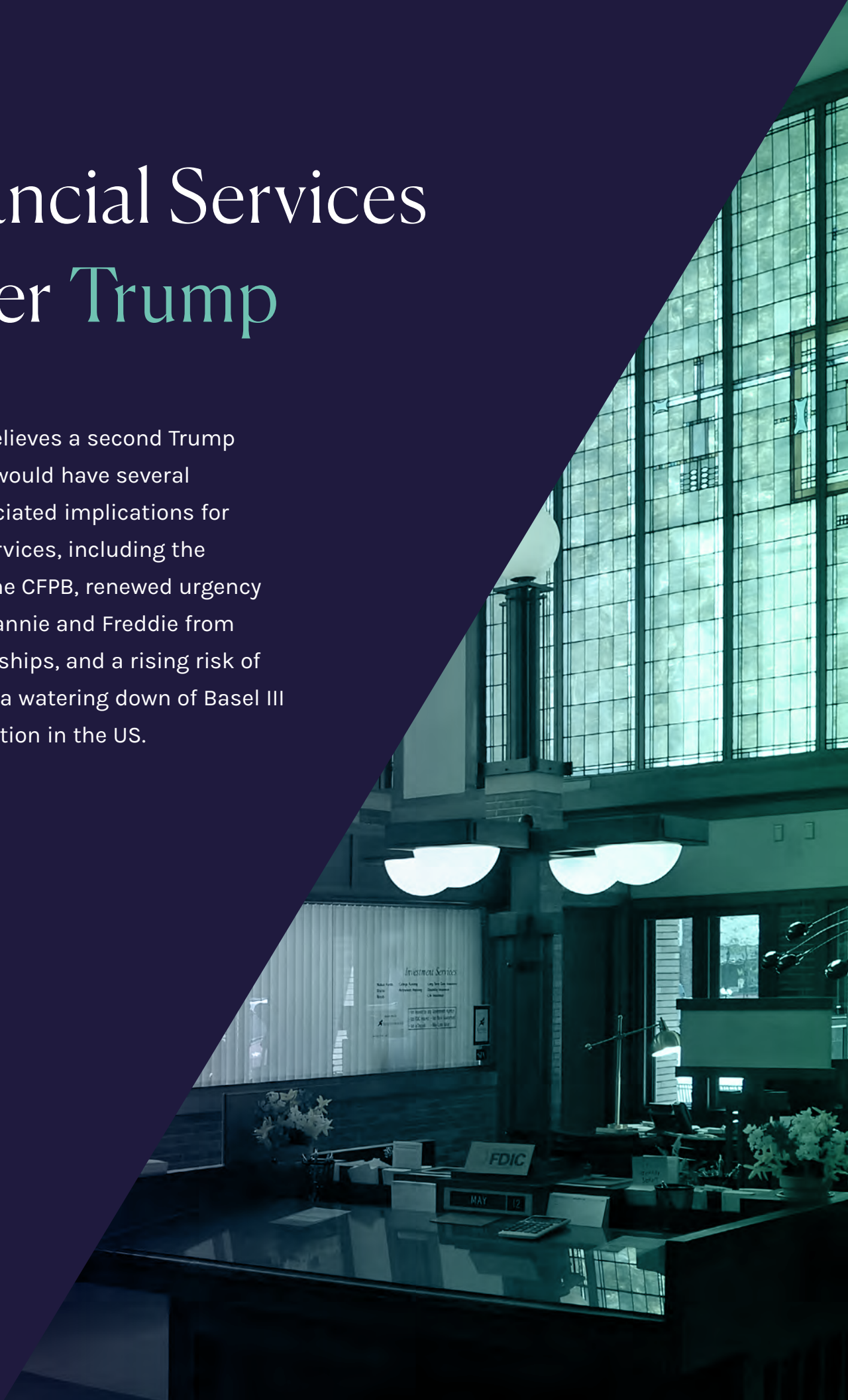
The CFPB would have time to litigate challenges to the credit card late fee and overdraft rules under a Harris administration, an underappreciated factor as we believe most stakeholders assume the rules will not go into effect after being blocked by the courts. A strong defense of the CFPB from the presidential administration will also be important as financial services industry participants pursue new challenges related to the bureau's authority, particularly around funding by the "earnings" of the Federal Reserve.

In addition to implementing these proposed rules, we expect the CFPB would take a similarly aggressive enforcement agenda under a Harris presidency. The CFPB has pursued significant financial penalties and behavioral remedies in its enforcement actions, leading more companies to defend themselves in court rather than settle. A number of these cases were stayed pending the May Supreme Court opinion in *CFPB v. Community Financial Services Association of America, Ltd.* (CFSA), which has delayed any resolution. Even as the CFSA case has been resolved, we do not believe the CFPB will be able to fully litigate these court cases by the end of 2024. However, a Harris administration would pursue precedent-setting legal action against TransUnion, Credit Acceptance, and Populus Financial Group, among others, which would have implications for credit reporting, auto finance, and small dollar loans, respectively.

Finally, the CFPB would need another Democratic administration to pursue rulemaking that potentially expands its overview, such as its rulemaking process on the Fair Credit Reporting Act (FCRA). While the CFPB proposed a rule eliminating medical debt from credit reports in 2024, it has delayed efforts to address underappreciated portions of the rulemaking that would capture more "data brokers" under the FCRA. Aspects of the CFPB's Small Business Regulatory Enforcement Fairness Act outline suggest that any company selling consumer data typically used for credit and employment eligibility determinations, such as payment history, income, and criminal records, would be selling a consumer report subject to the FCRA. A final rule adopting this stance would create new regulatory requirements and restrictions on providers of background checks, fraud detection, and advertising or marketing services. Similar to other CFPB rulemaking agenda items, we anticipate this effort would be met with a legal challenge, especially as Chevron deference has been overturned, but it would be defended by the Harris administration.

Financial Services under Trump

Capstone believes a second Trump presidency would have several underappreciated implications for financial services, including the gutting of the CFPB, renewed urgency to release Fannie and Freddie from conservatorships, and a rising risk of the delay or a watering down of Basel III implementation in the US.



The Consumer Financial Protection Bureau Would be Gutted, but Administration Would Focus on Anticompetitive Behavior Increasing Consumer Costs

Capstone believes a second Trump administration would likely further weaken the CFPB—to a greater extent than even the first Trump administration. After Richard Cordray resigned as the CFPB director in November 2017, Trump initially appointed Mick Mulvaney, a CFPB critic, as interim director. Mulvaney dropped some ongoing litigation, made statements indicating the CFPB would have a narrow focus only on activities explicitly approved by Congress, and announced a review of the bureau's Payday Lending rule. However, Mulvaney was replaced by Kathy Kraninger, a career civil servant, in December 2018. In her two years leading the CFPB, the bureau took an average of 35 enforcement actions, below the average of 39 under Cordray but well above the 11 from Mulvaney in 2018 and the 18.3 per year to date under current director Rohit Chopra, although consumer advocacy groups criticized Kraninger for extracting relatively small financial penalties.

Following the Supreme Court's Seila Law opinion in 2020, the president can replace the CFPB director at will. This would allow President Trump to install a new director for a full four years, and we would expect a more ideological selection. Such a choice would likely begin by reversing Director Chopra's agenda. This could include dropping ongoing litigation or agreeing to a manageable settlement with companies including TransUnion, Credit Acceptance Corp., MoneyGram Intl. Inc., and Populus Financial Group (doing business as Ace Cash Express). New leadership would likely also roll back any rulemaking that has not gone into effect, including the proposed lower credit card late fee safe harbor and the small business lending disclosure rules.

Winners	TransUnion (TRU), Credit Acceptance Corp. (CACC), MoneyGram International Inc. (MGI), Populus Financial Group, Upbound Group Inc (UPBD), PROG Holdings Inc (PRG), Synchrony Financial (SYF), Bread Financial Holdings Inc (BFH)
Losers	Fair Isaac Corp (FICO), Visa Inc (V), Mastercard Inc (MA)



While Republicans have been calling for more limitations, or even elimination of, the CFPB, we believe that populist groups within the party, including Trump's running mate, Sen. JD Vance (R-OH), will maintain scrutiny on alleged anticompetitive behavior that could raise costs for consumers. Vance is a cosponsor of the Credit Card Competition Act, which would require additional routing options for Visa and Mastercard credit card issuers. We believe similar concerns may cause the administration to maintain the current CFPB leadership scrutiny of credit reporting pricing, including FICO royalties and market power of the three national credit reporting agencies.

Administration Would Resume Efforts to Release Fannie, Freddie from Conservatorship, but Success Will Depend on Treasury, FHFA Leadership

Capstone believes a Trump victory in 2024 would reignite administrative urgency to release Fannie Mae (FNMA) and Freddie Mac (FMCC)—the government-sponsored enterprises (GSEs)—from conservatorship. Momentum to recapitalize and release the GSEs from conservatorship stalled under the Biden administration, with Federal Housing Finance Agency (FHFA) Director Sandra Thompson deferring to Congress. We believe inaction was partly driven by the Biden administration's desire to further its housing policy agenda despite a divided Congress. Retaining control of the GSEs through its conservator, FHFA, has given the administration an avenue to enact housing policy that furthers its agenda.

In contrast, the prior administration under former President Trump took several actions to bring the GSEs closer to exiting conservatorship—including amending the GSEs' Preferred Stock Purchase Agreements to allow the GSEs to retain earnings and permitting them to execute a capital raise to stabilize their financial capital positions at a future date. Since leaving office, Trump has indicated he would have taken more steps to release the GSEs if he had more time to do so. Trump sent a letter on November 11, 2021, to Sen. Rand Paul (R-KY) indicating that if the FHFA director had been fireable by the president before the Supreme Court's June 2021 decision in *Collins v. Yellen*, he would have "… fired former Democrat Congressman and political

Winners	Federal National Mortgage Assoc. (FNMA), Federal Home Loan Mortgage Corp. (FMCC)
Losers	None



hack Mel Watt from his position as Director and… ordered FHFA to release these companies from conservatorship…[and] would have also sold the government's common stock in these companies at a huge profit and fully privatized the companies."

Despite the former president's rhetoric, we believe actions taken under his administration to release the GSEs from conservatorship were largely driven by then-FHFA Director Calabria and then-Treasury Secretary Steven Mnuchin—who, together, had a unique combination of housing policy reform and financial markets expertise that was necessary to construct and execute a GSE reform plan. Calabria had previously worked as senior aid to the US Senate Banking Committee and was instrumental in drafting the Housing and Economic Recovery Act of 2008, which reformed the GSE regulatory framework. Prior to assuming the role of Treasury Secretary, Mnuchin had built a career as a global financial markets expert serving in many C-suite positions, including as Partner and Chief Information Officer of Goldman Sachs Group, Inc. Calabria and Mnuchin's combined experience and drive to bring the GSEs out of conservatorship was unique, and in our view, the reason why the administration was able to make strides toward GSE reform. We believe a Trump 2.0 administration's ability to accomplish GSE reform would largely depend on who is appointed to lead FHFA and Treasury. We believe any incremental steps taken by a second Trump administration to release the GSEs from conservatorship would benefit common and preferred shares of Fannie Mae and Freddie Mac.

A Trump Administration Would Move to Slow or Block the Basel III Endgame

Capstone believes a second Trump term would decrease the likelihood that federal bank regulators will implement a finalized Basel III Endgame rule, anywhere close to the version that was recently proposed. Republicans and some Democrats have publicly complained about the proposed Basel III Endgame rules, which, as proposed, would increase capital requirements for globally systemically important banks (G-SIBs) by as much as 20%. A Republican administration opposed to the heightened capital requirements for banks could meaningfully delay, weaken, and ultimately derail rule implementation.

Winners	JPMorgan Chase & Co. (JPM), Bank of America Corp. (BAC), Wells Fargo & Co. (WFC), Citigroup Inc. (C), Goldman Sachs Group Inc. (GS), Morgan Stanley (MS), BNY Mellon (BK), State Street Corporation (STT)
Losers	None

The Basel III Endgame rule is expected to be finalized sometime in mid-to-late 2024, before the Presidential election. The previous Trump administration demonstrated a greater willingness than previous administrations to utilize the Congressional Review Act (CRA) to reverse regulations. Were the rule finalized with less than 60 legislative days left in the 118th Congress, the Trump administration would have license to work with the House and Senate to nullify the rules utilizing the CRA. Rule recission using CRA would also substantially limit federal regulators' ability to soften and re-propose a rule due to the CRA's statutory limitation on agencies' reissuance of a rule that is substantially the same as a rule that was subject to the CRA process.

Beyond full rule recission, a Trump administration could exert pressure on the rulemaking implementation and roll-out process through appointments at the FDIC and OCC, who are jointly tasked with the Federal Reserve in developing and implementing the Basel rules. The Comptroller of the Currency serves at the direction of the President and is not afforded "for-cause" removal protections that are provided for Federal Reserve Governors. President Trump would have the authority to immediately appoint a Comptroller who could take steps to slow down the rule implementation process. The five-member FDIC board also includes the OCC Comptroller and the CFPB Director, so a shift at the White House could tilt the balance of power at the Federal Deposit Insurance Corporation (FDIC) towards Republicans. While Chair Martin Gruenberg could remain in place, Republicans appointed to the FDIC would outnumber Democrats and could take steps to slow, delay, or challenge a finalized rule. Additionally, while the current Governors at the Federal Reserve have all been confirmed for terms that extend into 2026 or beyond, any departure from a Democrat-appointed Governor would give the administration an opportunity to appoint leadership interested in challenging the Basel Endgame.

Beyond possible executive branch-led challenges to the Basel rules, Capstone believes that the rules will likely have to survive a legal challenge brought

forth by industry. We believe that industry leaders are prepared to file suit to challenge the rules on grounds that regulators have not sufficiently adhered to procedural rulemaking requirements and have failed to adequately justify the rule's capital increases. Any softening or recission of Basel rules would be significantly beneficial for the G-SIBS and other large regional banks that would face heightened capital requirements under the new rules.



Health and public services under Harris

Capstone believes a Harris presidency would have several underappreciated implications for health and public services policy, including women's health, Medicare Advantage, and increased labor union deference. In terms of foreign policy and national security, Harris would emphasize continuity from Biden and seek to establish her own legacy as a champion of America's relationships with its partners and allies.



Top issues where Harris would differ from Biden as president:

1. Women's health and access to abortion and fertility services would become a larger focus on the national level.
2. Harris may be even more deferential to labor unions, increasing the likelihood of anti-hospital/provider policymaking.
3. Media coverage may suggest that Harris would meaningfully revisit single-payor healthcare. We do not expect this would occur.
4. Harris has been more critical of Israel than Biden. This is likely a campaigning strategy, and we do not expect her administration's actions to differ from Biden's significantly.
5. Harris is notably less vocally supportive of Taiwan than Biden.

Women's Health to Take Center Stage; Harris to Campaign on National-Level Protections

Capstone believes Harris will most differ from Biden in terms of her willingness to make women's health a top issue. Harris led the Biden administration's response to the overturning of *Roe v. Wade* as well as the Alabama Supreme Court's decision earlier this year to effectively prohibit in vitro fertilization (IVF) in the state. While Biden has been a strong supporter of abortion and women's health access, he was far less comfortable speaking on the issue. We expect Harris to lean into this, particularly during the campaign as a top "winning" issue for Democratic policymakers. While we ultimately believe presidential control likely has a minimal impact on the industry itself, with decisions being left up to the states in most scenarios, it's possible that a Harris win combined with greater Democratic control in Congress could result in national-level protections or coverage mandates for fertility services, which would meaningfully increase access and therefore demand.

Winners	Organon & Co. (OGN), fertility providers, pharmaceutical manufacturers with exposure to IVF or other women's health-related services
Losers	Insurers, if national coverage mandates are enacted

Harris May be Even More Deferential to Labor Unions, Paving the Way for More Anti-Hospital/ Provider Rulemaking

Harris may be even more deferential to labor unions than notoriously pro-union Biden. During her time as California attorney general (AG), Harris was reliant on the largest healthcare labor union in the country, SEIU-West. At the time, Harris was even accused of abusing her power as AG to advance the union's own goals. Since announcing her intent to run for election, Harris has once again leaned into union voters. Despite Biden's own reputation as a pro-union president, Harris carried out many of his union agenda items. For example, Harris, not Biden, released and promoted the "80/20" rule released earlier this year that will institute a profit margin cap for home and community-based services. We believe Harris may continue this trend, looking to enact similar profit caps for other provider types or continuing recent noncompete efforts that benefit unions while harming large healthcare providers, namely hospitals and post-acute care.

Winners	Humana Inc. (HUM), Cigna (CI), UnitedHealth Group Inc. (UNH), Elevance Health (ELV), and CVS Health (CVS)
Losers	Providers

Medicare Advantage Pressure Likely Continues, Potentially With Modest Relief Over Biden

Capstone believes a Harris administration likely means more pain for Medicare Advantage (MA) insurers. However, Harris has previously campaigned on a version of Medicare for All that would have allowed individuals under 65 to opt into Medicare Advantage, which signals more support for the program than we've seen under Biden.

Winners	N/A
Losers	Humana Inc. (HUM), UnitedHealth Group Inc. (UNH), Elevance Health (ELV), CVS Health (CVS), Centene (CNC), and Molina (MOH)

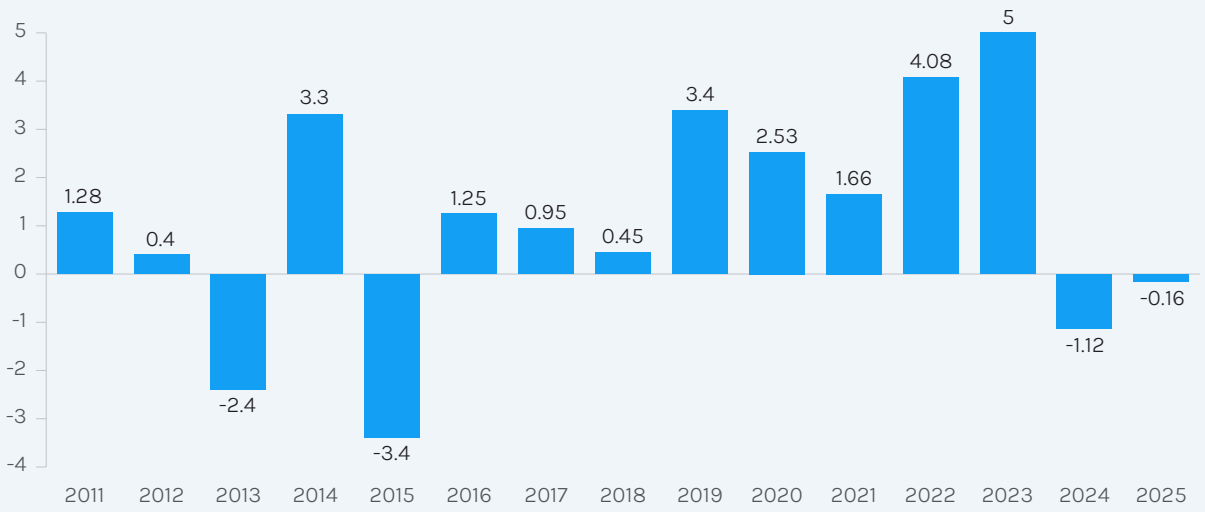
MA plans faced the first negative rate update since 2015 in 2024. While 2025 rates have yet to be finalized, we believe they will likely be flat to modestly positive at best, a far cry from the mid-single digit boosts plans had become accustomed to in years prior. The 2024 and 2025 updates are reminiscent of the rate volatility experienced during the Obama administration, though Affordable Care Act implementation exacerbated cuts during that time.

On one hand, the latest iteration (version 28) of risk score reform and finalization of the long-awaited risk adjustment data validation (RADV) audit rule in 2023 lessen the appetite for regulatory MA reform near-term. On the other hand, mounting political scrutiny of MA combined with the eventual insolvency of the Medicare Trust Fund likely pressure Harris to continue with less favorable updates. If Republican lawmakers gain control in Congress following the election, we believe this pressure will increase with the White House unable to defer action to Congress.

Conversely, Democratic control combined with a Harris election may put congressional reform back on the table, most likely in the realm of risk adjustment. The last time lawmakers seriously considered risk adjustment reform, the Congressional Budget Office (CBO) projected that increasing the minimum coding intensity adjustment from 5.9% to 8.0% would generate a substantial $47 billion over just seven years. These savings could be reinvested back into other Democratic healthcare priorities, including adding benefits to Medicare, or shoring up Affordable Care Act subsidies.

Ultimately, we believe Harris' take on Medicare Advantage will likely depend on how much of a role the recent MA cuts play in the election. The Biden administration's quick reaction to rectify Part D bids in early August signals that it understands how recent reforms could come back to bite them during the campaign. However, it will be up to the MA lobby to make the case that Biden cuts will equate to benefit cuts for seniors. If this argument is made successfully, we'd expect Harris to be much more sympathetic to the program, potentially blunting continued pressure.

OVERALL PAYMENT UPDATE FOR MEDICARE ADVANTAGE, 2011-2025 PROJECTED



Source: Capstone analysis, CMS,
Note: overall payment update reflects the sum of rate notice factors excluding risk trend predicted by CMS to project upcoding

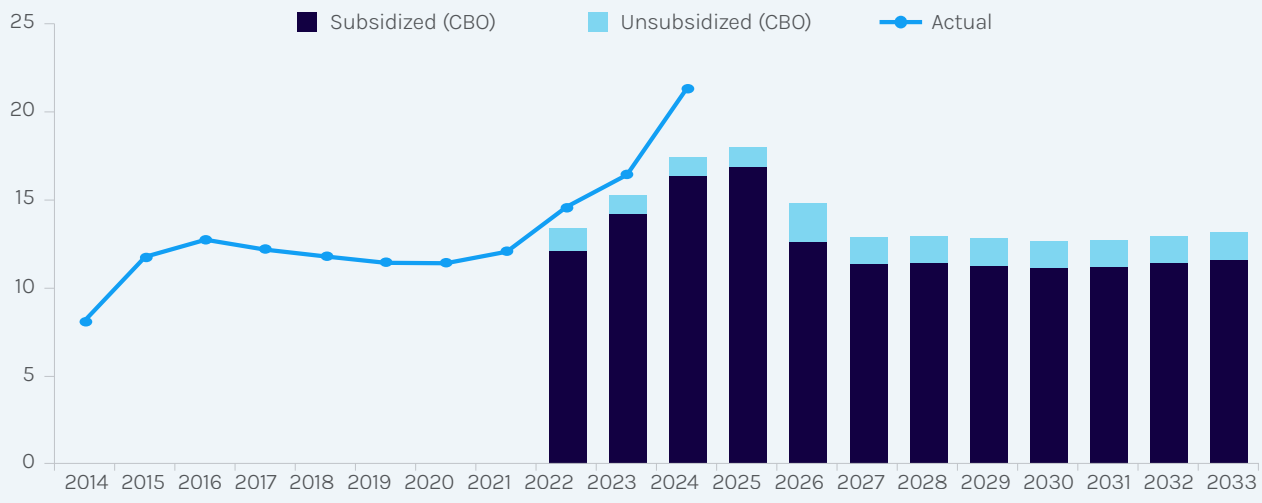
ACA Subsidies Likely Would Be Extended and/or Enhanced

Capstone believes a Harris administration would look follow in Biden's footsteps to continue its accomplishments with the Affordable Care Act (ACA) exchanges by extending and/or enhancing its subsidies. COVID-19 era enhanced subsidies—passed initially in the American Recovery Plan Act and then extended in the IRA—are set to expire at the end of 2025 without congressional intervention. While extension depends on the level of Democratic control in Congress, a Harris White House would increase the odds of a successful package.

The Biden-Harris administration has consistently touted the ACA's success under its watch while deriding the previous administration. Earlier in 2024, the exchanges surpassed 20 million enrollees, far above the CBO's previous projections of 16 million. We expect this success to be a key talking point during the upcoming election. Even in a divided or all-Republican Congress, we expect Harris to defend the ACA and attempt to find a compromise with Republicans over the future and generosity of ACA subsidies. Without an extension of subsidies, enrollment would likely decline after 2025, potentially substantially.

Winners	Centene Corp. (CNC), Elevance Health Inc. (ELV), UnitedHealth Group Inc. (UNH), CVS Health Corp. (CVS), Cigna Group (CI)
Losers	None

ACA ACTUAL AND CBO PROJECTED ENROLLMENT, MILLIONS



Source: Capstone analysis, KFF, Congressional Budget Office



Harris Foreign Policy and the Commitment to International Partnerships

Democrats will continue to embrace their role as defenders of the international order amid Trump and the Republican party's pivot towards a more isolationist stance. Indications are that President Harris would continue Biden's policy of selectively challenging China on strategically relevant issues but seek to avoid a zero-sum trade or broader kinetic war.

With regards to Taiwan, Harris has not taken as vocal a pro-Taiwan stance as Biden, who informally promised to come to Taiwan's aid in a break with longstanding US policy and tradition. Harris would also likely continue a policy of investing in US military capabilities to deter China from taking action against Taiwan, as well as investing in Taiwanese sovereign capabilities.

Russian President Putin appears to be waiting for a new administration before deciding his next move, as the degree of US and NATO support for Ukraine will be a hugely determinative factor for the outcome of the war. President Harris's continued support for NATO could push Putin to begin negotiations with more modest goals than would be envisioned should Trump win the election, as the Russian Army has been taking heavy losses for minor territorial gains. In this circumstance, a realistic view of Russian objectives could be securing territorial concessions in Crimea and the Donbass with an agreement blocking Ukraine from joining NATO less likely.

One area where Vice President Harris has differentiated herself, at least in tone, from President Biden is regarding Israel and Palestine. While not substantively differing from Biden in terms of specific policy, Harris has criticized Israeli Prime Minister Netanyahu and expressed greater concern for Palestinian civilian casualties. There is likely an electoral strategy to this—helping to mitigate political risk from the progressive flank of the Democratic party. But should she become president, we would not expect a significantly material change from the Biden administration.

Democratic Support for Defense Spending Remains Strong

Foreign aid to Ukraine and Israel has provided a windfall for the defense industry, but has also challenged the defense industrial base in terms of production capacity. With the geopolitical temperature continuing to rise, military modernization will continue with great urgency. There is an ongoing debate about striking the right balance between systems that would be ready by 2027 and ones with an outlook in the 2030s. The overall balance of modernization would be weighed more heavily in terms of naval and air forces due to the focus on operations in the IndoPacific.

There has been a focus on "anti-fragility" and resilience in the defense industrial base to ensure that the US can sustain its warfighting capability while disconnected from Chinese supply chains. Capstone expects these efforts to continue and the DoD will look to leverage private capital and coax commercial players into the defense space. While Harris will likely support growing the defense budget, the traditional Democratic call to reduce defense spending in favor of other priorities might force her to make some uncomfortable calls depending on the makeup of Congress as well as the fiscal environment.

In terms of major defense spending categories, Capstone does not anticipate a dramatic shift in force structure, outside of some emphasis on naval and air forces due to the focus on operations in the IndoPacific. However, there is an outside chance that some major defense programs could be canceled to serve as billpayers for higher priority programs, as the Pentagon wrestles with a multitude of concurrent modernization programs. As it stands, there seems to be strong support for maintaining the nuclear triad, but the cost of nuclear modernization might make it an attractive target for cuts.

Winners	Large US defense companies, Suppliers in the defense industrial base
Losers	None



Health and public Services under Trump

Capstone believes a second Trump presidency would usher in the resurgence of behavioral health and momentum in Medicaid waivers, but it would blunt the ACA. Keeping an eye on appointees and agency heads would be key to staying on top of healthcare action. Trump would increase defense spending as a show of American strength while looking to extract concessions and sow seeds of doubt regarding security commitments to allies.



Behavioral Health, Substance Use Treatment, Institutionalization, Payer Parity Reform Would Gain Prominence

Capstone believes that behavioral health would see a resurgence in attention under a Trump administration. Besides benefiting from bipartisan support- a rarity in this political climate- behavioral health is likely to gain from implication in border control and immigration reform, a priority for Trump. The former President blames drug cartels and lack of border security for the rise of the opioid epidemic in the US, and has supported bipartisan Congressional efforts expanding access to opioid use disorder (OUD) treatment. Trump plans to reintroduce institutionalization and treatment for mental health disorders, which could drive up demand for inpatient OUD treatment services, including Acadia Healthcare and Universal Health Systems.

More significant behavioral health reform – such as coverage parity for insurance payers still relies on Congressional action. New regulations in 2024 for the Affordable Care Act (ACA) and Medicare Advantage (MA) plans will expand mental healthcare provider networks, but true parity reform will require additional legislation.

This year's Congress has failed to build on 2022's burst of behavioral health legislation thus far but is likely to pursue stronger parity reform in 2024 through a combination of oversight tools, including increased plan transparency and reporting, and funding for states to pursue healthcare plans out of compliance.

Winners	Acadia Healthcare (ACHC), Universal Health Systems (UHS)
Losers	Insurers, namely UnitedHealth Group Inc. (UNH), Humana Inc. (HUM), Elevance Health Inc. (ELV)



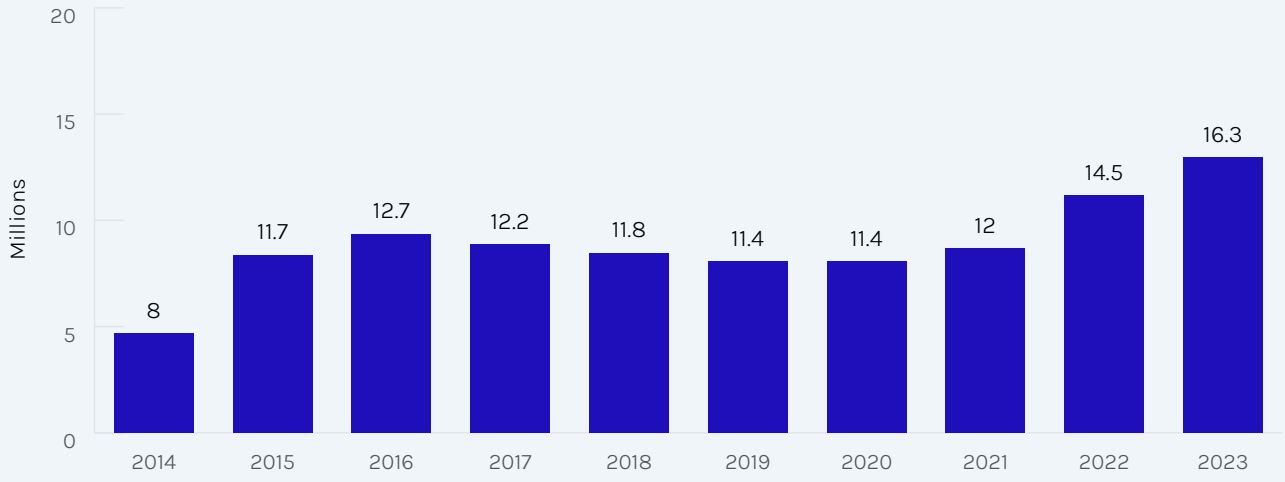
Resurgence of Nontraditional Insurance Plans Would Blunt ACA Enrollment

Winners	Non-traditional health insurers, namely insurers focusing on short-term and fixed indemnity policies
Losers	Affordable Care Act (ACA) insurers, namely UnitedHealth Group Inc. (UNH), Aetna (CVS), Elevance Health Inv. (ELV), Oscar Health Inc. (OSCR), Cigna Health Group (CI)

Capstone believes nontraditional health insurance types, including short-term limited-duration and fixed indemnity plans, would benefit from a Trump administration. Viewed as one of the primary ways to cannibalize ACA enrollment, nontraditional health insurance has historically been expanded under Republican administrations and restricted under Democratic regimes. This trend held true for the first Trump Presidential term.

In April 2018, the Trump administration HHS issued a rule expanding short-term limited-duration insurance from 3 months to 12 months and allowing

ACA ENROLLMENT



Source:
Capstone analysis, US Department of Health and Human Services

policy renewals for up to 36 months. This past summer, the Biden administration reversed the expansion, restoring the limit to the Obama-era 3 months and restricting renewals.

Capstone believes this flip-flop of 3 to 12 months will continue to occur as administrations switch political parties, creating volatility in the nontraditional insurance market and the ACA exchanges, namely UnitedHealth Group, Aetna, Elevance, Oscar, and Cigna. Private carriers and brokers of nontraditional policy types- who are largely privately held- would benefit from increased enrollment. Conversely, insurers with significant ACA footprints would face membership losses.

Enhanced COVID-19-era subsidies for individuals on the ACA are also set to expire at the end of 2025. Democratic lawmakers are expected to try and make a deal with their Republican counterparts who want to extend tax cuts in the Tax Cuts and Jobs Act (TCJA), but a Trump presidency could complicate this, further harming ACA insurers if the subsidies are not extended.

Resurgence in Medicaid Waivers Would Benefit Hospitals, Harm Managed Care Organizations

Winners	Tenet Healthcare Corp. (THC), HCA Healthcare Inc. (HCA), Community Health Systems Inc. (CYH), Universal Health Services Inc. (UHS)
Losers	Medicaid managed care organizations (MCOs), namely Centene (CNC) and Molina (MOH)

Capstone believes that hospitals, including Tenet, HCA, Community, and Universal, will benefit from large, uncompensated care waivers favored by the Trump Administration.

During Trump's final weeks in office, the Centers for Medicare & Medicaid Services (CMS) approved significant uncompensated care (UCC) waivers in Florida, Texas, and Tennessee, three non-Medicaid expansion states. UCC waivers provide hospitals with additional funds for treating uninsured individuals. While waivers are considered 'demonstrations,' and therefore are often only approved short a few years at a time, the states received approval for 10 years, an intentional move designed to avoid funding reductions during future Democratic administrations as a punishment for not expanding Medicaid.

Capstone believes that more states, including non-expansion ones, could receive similar approvals under a Trump administration, boosting funding for hospitals with significant uninsured patient populations.

Additionally, Capstone believes Medicaid work requirement waivers could reemerge under a Trump administration. In January 2018, CMS sent a letter to state Medicaid directors inviting waiver applications to implement work requirements,



primarily targeting the Medicaid expansion population. In the years following, the Trump administration approved 13 state work requirement waivers and left nine pending approvals. Only Arkansas, however, was able to implement its work requirement due to legal challenges in other states.

A second Trump Administration is likely to approve more work requirement waivers; however, legal challenges would likely prevent broad implementation. If implemented, however, many individuals will become uninsured, decreasing MCO revenue and increasing uncompensated care in hospitals.

Appointees Would Have Significant Underappreciated Authority

Trump was not a healthcare president. Despite constant campaign-trail calls for repealing and replacing the Affordable Care Act (ACA), the topic all-but died once Trump entered office. The President never even attempted to vocalize what exactly he wanted to replace the ACA with. Even now, Trump's Presidential archives page leaves healthcare entirely off, instead touting wins in foreign policy, immigration, national security, and energy.

In office, Trump's apathy towards healthcare took shape in the form of the President delegating nearly all healthcare decisions and priorities to his cabinet appointees and agency heads. The administration became a champion for kidney care because then-Secretary of Health and Human Services (HHS) Alex Azar's father had suffered on dialysis for years. The monumental Direct Contracting Model – now ACO REACH – was launched under the Trump administration not because of Trump himself being passionate about risk-bearing primary care, but because of lifelong staffers in the innovation center.

If a Trump 2.0 presidency is anything like his first, the appointees and agency heads are what to watch, not Trump himself. Depending on who fills these positions, a Trump 2.0 healthcare agenda could look vastly different from what we saw 4 years ago.

Trump's Foreign Policy Emphasizes Strength While Reducing International Presence

The selection of JD Vance as running mate highlights Trump's more isolationist tendencies. Trump and Vance both emphasize China as the United States' biggest threat, particularly China's role in hollowing out American manufacturing and the opioid crisis. However, and despite being "tough" on China in terms of tariffs, he did express reservations of coming to Taiwan's defense during a potential conflict scenario unless Taiwan pays the US for its defense. Additionally, it's unclear to what extent Taiwan could be a negotiating chip if Trump seeks a grand deal with China.

Like Trump, Vance has been very critical of providing aid to Ukraine. A Trump presidency would likely curtail this aid and seek to a diplomatic solution that would involve significant concessions from Ukraine. In addition to seeking territory up to the left bank of the Dnieper River, Putin would likely secure promises keeping Ukraine out of Western alliances like NATO.

Further, President Trump would continue to sow doubt as to US defense commitments, particularly vis-à-vis NATO, although Capstone believes that a withdrawal from the alliance is highly unlikely irrespective of Trump's public statements, both in the past and those that he may make in the future.

The reverberations of a second Trump presidency would more intensely animate European defense planners around the need to invest in their own national defense more deeply. We expect more NATO member states to meet their respective 2% of GDP defense spending targets—a trend that accelerated during the first Trump presidency and further accelerated after Russia's invasion of Ukraine. Indeed, Trump's comments on the campaign trail in 2024 regarding the creation of a two-tiered NATO alliance where Article 5, which asserts the principle of collective defense, would only apply to those member states that met their 2% defense spending targets, would encourage efforts to meet those thresholds.



Defense Industry Would Benefit from Rising Toplines, but also Would Be Open to Disruption

Winners	US defense companies, European defense companies, defense tech companies/startups, non-traditional defense contractors
Losers	Defense firms with risky developmental programs that could attract presidential scrutiny

Capstone believes that a second Trump administration would embrace high defense spending to demonstrate American military power and support domestic manufacturing. Trump and his defense planners would focus on a broad modernization of US capabilities, including the nuclear arsenal, and preparing the US military to fight China in the Indo-Pacific. While the topline of the budget could prove a boon to aerospace and defense (A&D), there could be risk to individual firms as Trump demonstrated a willingness to publicly call out underperforming contractors and seek concessions to bolster his reputation as a dealmaker during his first administration.

Trump's isolationist bend could have a negative impact on US defense primes, as a visible lack of commitment to US allies could trigger a global shift towards strategic autonomy, reviving the trend from the first Trump administration. Developing indigenous capabilities would be a major goal for countries seeking to distance themselves from the US, and international arms sales could suffer as a result. This is particularly impactful for defense firms as international sales generally have better profit margins.

Depending on the composition of Trump's national security team, procurement priorities could shift dramatically. Pentagon outsiders in Trump's orbit could have a negative view of traditional Department of Defense acquisition programs, opting for solutions offered by new defense entrants. Military reform advocates have often discussed using emerging technology to accomplish missions cheaper and that could be appealing to Trump's defense team who are looking to leave a legacy. Of note, JD Vance has connections with the defense venture capital scene and could seek to facilitate the growth of their business with the Pentagon at the expense of incumbent suppliers.

Communications, Media, and Technology under Harris

Capstone believes a Harris presidency would have several underappreciated implications for the communications, media, and technology industries, including an easing view on antitrust matters, an increased focus on artificial intelligence (AI) regulation, and an incrementally positive outlook for highest-skilled immigration.





Top issues where Harris would differ from Biden as president:

1. Appointees for antitrust enforcement would be less progressive
2. Artificial Intelligence policy would shift to the forefront of the administration's approach to tech regulation
3. Large tech companies would likely see more support for hiring additional AI talent from other countries.

Progressive Antitrust Enforcers Unlikely to Remain Under Harris

A Harris administration would likely take a different course with nominations and appointments than the Biden administration. Biden's courtship of progressives started during the 2020 presidential campaign when he pledged to back progressive policy agendas in his administration, including climate change. Progressives expected President Biden to thank them for their support with some political appointments at key agencies, which is what happened. The Senate confirmed enough appointees to help steer the administration in a more progressive direction. Lina Khan's nomination as commissioner at the Federal Trade Commission (FTC) and elevation to chair is one of the most noteworthy positions where Biden successfully got a progressive confirmed even though Republicans controlled the Senate at the time.

Harris would be less beholden to the progressive wing of the Democratic Party. We believe the run for progressives will likely come to a halt in 2025 if the Senate ends up under Republican control. Republicans learned from the Khan appointment and confirmation when they failed to act in unison to block a nominee they viewed as too progressive. Republicans changed course after this and successfully stalled Gigi Sohn's nomination to fill the fifth seat on the Federal Communications Commission (FCC) until she voluntarily withdrew.

Winners	Big tech, telecom
Losers	N/A

FCC Chair Jessica Rosenworcel's term ends in June 2025, and she could decide to leave the commission after serving on it since 2012. Given the FCC's proactive role in approving transactions in the broadcast media and telecommunications industry and the importance of the chair in setting the agenda for the commission, we view this position as critical in setting competition policy for companies under its authority, including SES SA (SESG on Euronext Paris) and Intelsat SA.

There also is speculation that Jonathan Kanter, assistant attorney general for antitrust, could leave his post for the private sector at the end of the Biden administration. Kanter has been running antitrust for the Department of Justice (DOJ) since 2021, which is longer than the division head of antitrust typically serves. Capstone will continue to monitor developments with this agency.



AI Policy Would Likely Take a Front Seat, Extend to Impacts on Individuals

Capstone believes a Harris administration would shift AI policy to the forefront of its approach to tech regulation, with generally positive impacts for the largest model developers such as OpenAI and its partner Microsoft (MSFT), Google (GOOGL), and chipmaker Nvidia (NVDA). Open-weight model developers like Meta Platforms Inc. (META) would also benefit, but with the caveat that future AI safety regulations may place additional controls on that approach.

Harris' office was heavily involved in developing the administration's approach to AI, resulting in Biden's executive order (EO). The EO uses the Defense Production Act (DPA) to mandate that foundation model developers, such as Google, Meta, and OpenAI, to notify the federal government when training models over a certain size and report adversarial testing ("red-teaming") results. Harris was also critical in securing voluntary commitments from the largest developers of foundation models to further invest in security testing, develop standards for identifying AI-generated content, and publicly report models' capabilities and limitations.

Winners	Microsoft Corp. (MSFT), Alphabet, Inc. (GOOGL), Nvidia Corp. (NVDA)
Losers	N/A

We believe Harris would follow through on the mandates in the EO and extend that policy focus to the implications of AI decisions for individuals. At the UK-hosted Global Summit on AI, Harris highlighted algorithmic discrimination and deepfakes as serious personal risks, comparable to AI-enabled cyberattacks and advanced weapons development. Without overarching AI legislation, those policy concerns will be addressed through consumer-oriented agency rulemakings by the FTC, CFPB, and others.

In addition, the Harris administration's focus on AI is likely to result in more government demand for AI computing power, both through cloud providers like Microsoft and with the building of in-house compute with Nvidia hardware.

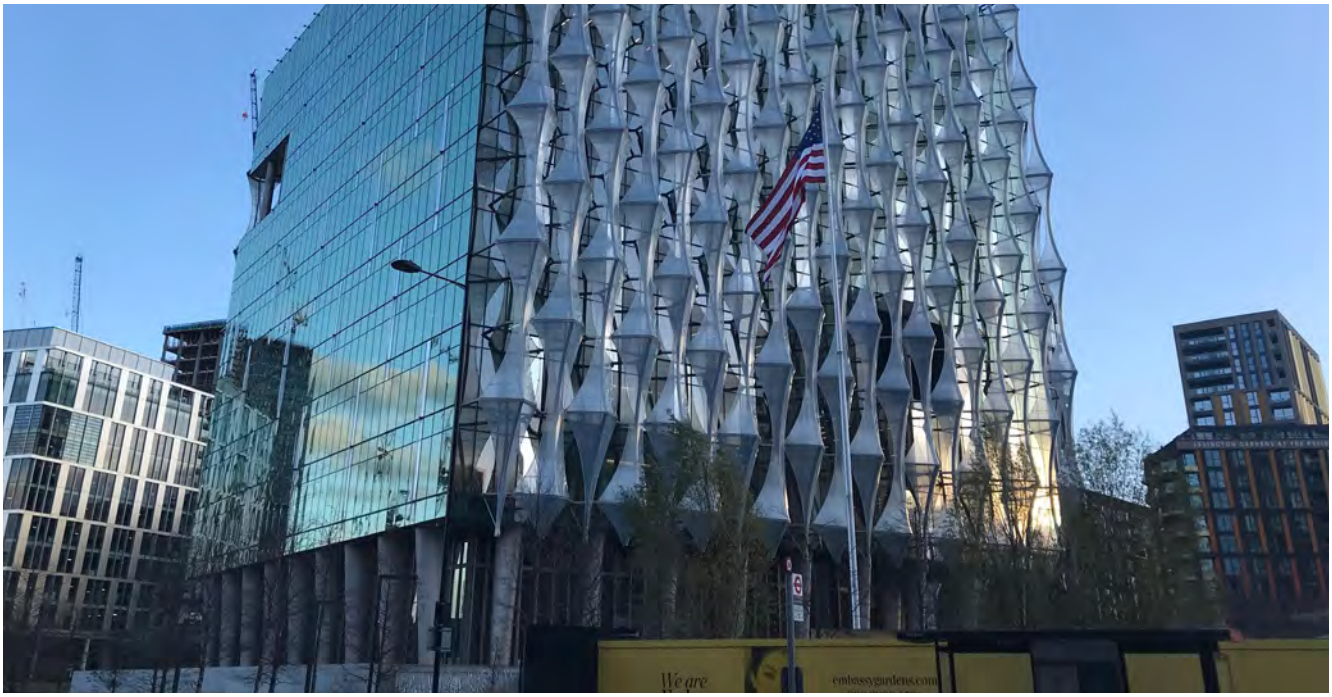
Potential Improvements for Highly Skilled Immigration

The Harris administration may engage in reforms that would improve the largest tech companies' ability to hire foreign workers with the most advanced qualifications. With the focus on AI policy and the continuation of Biden and Trump's efforts to reform the H1B visa program, the need for additional AI talent could be seen as a national security imperative.

As Senator, Harris introduced a bill to remove per-country caps for employment-based green cards to address the more than a decade-long backlog of applications from H1B and other work visa holders. Harris has been silent on H1B reform, but we anticipate her favorable stance towards big tech suggests support for increasing visa grants for highly skilled applicants in top categories.

Simultaneously, she is likely to continue the Biden administration's reforms targeting "gaming" of the H1B system. An October 2023 notice of proposed rulemaking (NPRM) issued by the Department of Homeland Security (DHS) would make it more difficult for large outsourcers like Infosys, Tata, and Wipro to game the H1B system. The outsourcers primarily win H1B visas for lower-skilled tech workers, and any improvement on that front would create room under existing visa caps for big tech players to hire additional AI talent.

Winners	Big Tech
Losers	Infosys Ltd. (INFY), Tata Consultancy Services, Wipro Ltd. (WIT)



Enforcement of Export Controls Would Accelerate Amid Uphill Battle to Attract Multilateralism

Capstone believes a Harris administration would maintain the direction of travel on technology-related US-China policy and would not deviate too far from the overall strategy for "managed competition." This posture means Harris would try to avoid inflaming tensions through blanket decoupling implicating legacy chips or expansive commercial bans on Chinese-based services like ByteDance Ltd.'s TikTok. Instead, national security officials would likely keep their target on human rights and military modernization efforts. However, China's advancements in leading-edge semiconductor fabrication could inject new pressure for a tougher approach.

Agencies like the Commerce Department and DOJ are likely to further build out capabilities to screen transactions involving foreign-based entities outside of the investment context (i.e., greenfield), potentially sweeping in business activity that is not within the scope for other mechanisms of review (i.e., the Committee on Foreign Investments in the US [CFIUS] screening). However, as witnessed during Biden's presidency, these programs will take some time to implement and could face legal challenges, especially where questions relating to speech arise.

Winners	ByteDance Ltd., Intel Corp. (INTC), Micron Corp. (MU)
Losers	Semiconductor Manufacturing International Corp. (0981 on the Hong Kong stock exchange)

Harris has been relatively silent on semiconductor issues, but has made some constructive comments on TikTok. Harris has made efforts to distinguish between US national security concerns about China-based tech firms like TikTok and her views on the app itself. Harris noted on the TikTok bill that, while there are national security concerns about the company's owner, there is no intention of banning TikTok.



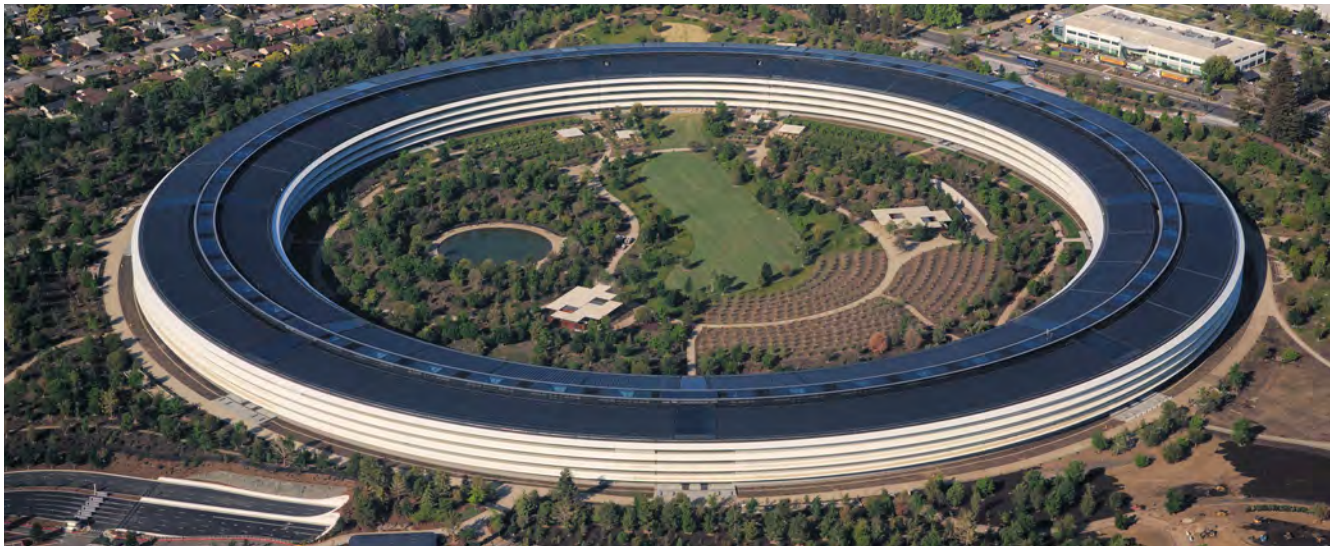
Finding Paths to Hold Tech Platforms Accountable for Misuse

Harris would maintain pressure on social media platforms to address children's privacy and wellness on their platforms, as well as misuses like distributing non-consensual explicit imagery and other online harassment of adults. The latter was a signature issue for her as California attorney general, during which she secured the first criminal prosecution for such imagery. We think that focus would spur momentum for state-level enforcement action and litigation under the Kids Online Safety Act (KOSA), if passed, as well as SESTA-FOSTA.

Because Apple has distinguished itself from other tech platforms in terms of data security and privacy, it stands to benefit if its App Store is seen as a way to screen controversial content. However, this opportunity would likely add compliance challenges, such as if the idea that Meta CEO Mark Zuckerberg shared during the recent Senate hearing of offloading age verification to mobile application distribution marketplaces takes flight.

Winners	Apple Inc. (AAPL)
Losers	Alphabet Inc. (GOOGL), Meta Platforms Inc. (META), Snap Inc. (SNAP)

In the interim, state attorneys general will continue their investigations and legal proceedings against social media companies. While they have only targeted Meta so far, a case against TikTok appears not far behind. In late 2023, Judge Yvonne Gonzalez Rogers ruled that social media firms could not rely on Section 230 for blanket immunity, paving the way for litigation to ascertain the liability these companies are culpable for various alleged harms to minors.



Communications, Media, and Technology under Trump

Capstone believes that in a second Trump presidency, we would see the administration keep the heat on big tech, states drive regulation of artificial intelligence in the absence of federal action, and the federal government further escalate the US-China Tech Cold War.



Tech Antitrust Environment Would Remain Fraught

Capstone believes a second Trump administration would keep the pressure on the technology industry, as the antitrust enforcement outlook is unlikely to improve in the first years of a Trump administration. Any improvements would come from small adjustments by the Department of Justice (DOJ) under a new assistant attorney general for the antitrust division. Vice presidential nominee JD Vance is a fan of current FTC chair Khan's approach, saying in February that Khan is "…one of the few people in the Biden administration that I think is doing a pretty good job."

The FTC term structure would allow Democrats to maintain control of the agency until at least September 2026, when Alvaro Bedoya's term ends. To do so, the Senate would need to re-confirm Rebecca Slaughter and Chair Khan before the end of the 118th Congress on January 3, 2025. Of the two, Chair Khan's re-appointment is more fraught. Her term ends in September 2024, leaving only three months for the Senate to push her re-nomination through committee and a floor vote against what is likely to be a volatile legislative environment. That said, FTC commissioners can stay in place past the end of their terms indefinitely if a replacement is not confirmed. We do not expect a Democratic-majority Senate would cooperate with a Trump administration on FTC appointments, raising the likelihood of a "zombie" FTC for as long as Democrats retain the Senate.

Winners	Non-tech acquisitions
Losers	Alphabet (GOOGL), Amazon (AMZN), Meta (META), Microsoft (MSFT)

Trump would likely replace DOJ appointees on a faster timetable, which could result in the resumption of DOJ's granting of early terminations of the Hart-Scott-Rodino Act review process after a halt in 2021 or a derailment of the effort to update merger guidelines used by the antitrust enforcers. However, we think incremental tailwinds from early terminations are likely to accrue outside of tech mergers. The tech giants remain popular bipartisan targets, and we do not expect that would change in the event of Trump's re-election.



AI Providers Would Face Challenging Multistate Regulatory Regime

Capstone believes artificial intelligence (AI) regulation under Trump would follow the direction set by Biden's Executive Order 14110, signed in October, which directs the National Institute of Standards and Technology (NIST) to develop registration and safety testing thresholds for AIs trained with a certain amount of computation power. The EO takes a "light touch" regulatory approach for all but the most powerful models privacy regulation's path, and builds on Trump's own Executive Order (EO) 13960 on the use of AI in federal agencies.

Congress would be unlikely to introduce, much less pass, legislation creating an AI regulatory framework despite the broad bipartisan consensus on the principles that should drive regulation. This consensus is counterbalanced by concerns about national security and US companies retaining market leadership. Against that backdrop, we expect states to legislate individually on issues like model fairness and disparate impact, the use of personal data in model training, and the legal status of customer service decisions made by an AI.

Winners	RegTech providers
Losers	Alphabet (GOOGL), Amazon (AMZN), Meta (META), Microsoft (MSFT)

Without preemptive federal efforts, AI providers will face a challenging multistate regulatory regime with compliance and enforcement risks. Vance has advocated for AI deregulation, but it is unclear how that preference would be balanced with his antagonism

Tech Policy Would Get Tough(er) on China

Capstone believes that US tech policy would continue to be hostile to China in a second Trump term. While the Biden administration avoided the spectacle of a commodities trade war, its approach to export controls, sanctions, and decoupling all continued policy trends that the first Trump administration began. We believe Trump would follow through on the August 2020 EO requiring ByteDance to divest TikTok as a result of a CFIUS determination. Upon divestiture, TikTok's recommendation algorithm—and thus its competitive advantage—would remain relatively static, providing an opportunity for Meta's Instagram Reels and other short-form video products to catch up.

We expect similar follow-through on export controls and the attempt to halt China's development of advanced semiconductors. In the Trump worldview, Biden's success in completing negotiations over third countries' (Netherlands, Japan) imposition of similar export controls that Trump started likely requires a bigger and bolder redux.

Winners	Meta (Meta), Snap (SNAP), Oracle (ORCL)
Losers	Nvidia (NVDA), Intel (INTC), Qualcomm (QCOM), Temu (PDD), Bytedance







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