



## CIO Special

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# U.S. Election: America goes to the polls

## Key takeaways

- The economy, inflation, geopolitical concerns, reproductive rights and immigration controls are the leading issues that will decide the outcome of this election.
- Despite short-term volatility in markets around election season, the performance of the S&P 500 is agnostic to whichever party takes control of the White House and has never declined during a presidential re-election year.
- Highly regulated industries such as healthcare, energy and financials may experience more volatility during election season; policies surrounding tax cuts and increased child tax credits can positively impact consumer discretionary and technology sectors; a climate and green energy focused agenda and complementary policies could be tailwinds for the renewables sector.

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01 Setting the stage: Where are we now?

On both the Democratic and Republican fronts, there have been a significant number of developments over the last couple of months. On the Democratic side, President Biden dropped out of the race and Vice-President Harris is now at the forefront of the Democratic ticket with Tim Walz as the VP pick. On the Republican side, we have former President Trump as the presidential nominee and JD Vance as the Vice President. With less than 40 days remaining on the lead up to election day, both parties have doubled down on their campaign efforts as they race to cement their support especially in the closely contested swing states. Key takes surrounding inflation, fiscal deficit, cultural ideologies and foreign affairs will continue to shape the narrative for the race.

Figure 1: Preview of the political calendar

Key Dates (2024-2025)	Event
October 1 <sup>st</sup>	Vice-President Debate in NYC
November 5 <sup>th</sup>	Election Day
December 11 <sup>th</sup>	States issue Certificates of Ascertainment for election results
December 17 <sup>th</sup>	Electors meet in state capitols and vote for President, VP
January 3 <sup>rd</sup>	New Congress sworn-in
January 6 <sup>th</sup>	Congress certifies Presidential election
January 20 <sup>th</sup>	Presidential Inauguration

Source: RealClearPolitics. Data as of September 2024.



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Figure 2: Issues most important to U.S. voters

Issues	% Breakdown
The Economy	22.0%
Abortion	15.0%
Immigration	12.0%
State of Democracy/Corruption	8.0%
Inflation and living cost	6.0%
Character/competence of candidate	6.0%
Foreign policy	3.0%
The Middle East	2.0%

**Looking ahead to the 119th congress in 2025**

The base expectation is for a divided government (i.e. when one party does not control both the White House and one or both houses of Congress) with 50-50 odds for a Trump-Harris victory. The odds for a Republican sweep in congress stands at around a 25% with a lower probability for a democratic sweep. We are unlikely to see major transformative legislations passed under a divided congress but issues that require bipartisan negotiations and agreements (i.e. immigration, energy permitting reform, China and supply chain issues) would benefit from a divided congress.

Given that the U.S. federal budget deficit has been growing, the presidential candidates would need to effectively address their plans for managing the budget. Going into 2025, if elected for President, Trump may support a full extension of the 2017 Tax Cuts and Jobs Act with partial fiscal offsets while Harris may preserve tax cuts to the middle class while putting additional tax on the wealthy and reverting back to a higher corporate tax rate. Ultimately, the economic policies and proposed measures of both candidates are likely to add to the widening fiscal deficit although a higher deficit is expected under a Trump presidency (appendix, figure 9).

Looking at the house and senate – out of the 435 house seats that are available, current consensus forecast points to 206 being allocated to Democrats, 207 to Republicans with 22 seats being a toss-up (out of which 9 are Democratic seats and 13 are Republican seats). Coming down to the Senate, 34 out of the 100 seats are up for re-election. Currently, the Democrats control the Senate 51-49 and 28 of the Democrat and 38 of the Republican seats are not up for re-election (appendix, figure 12).

Figure 3: Implied probabilities for Congress

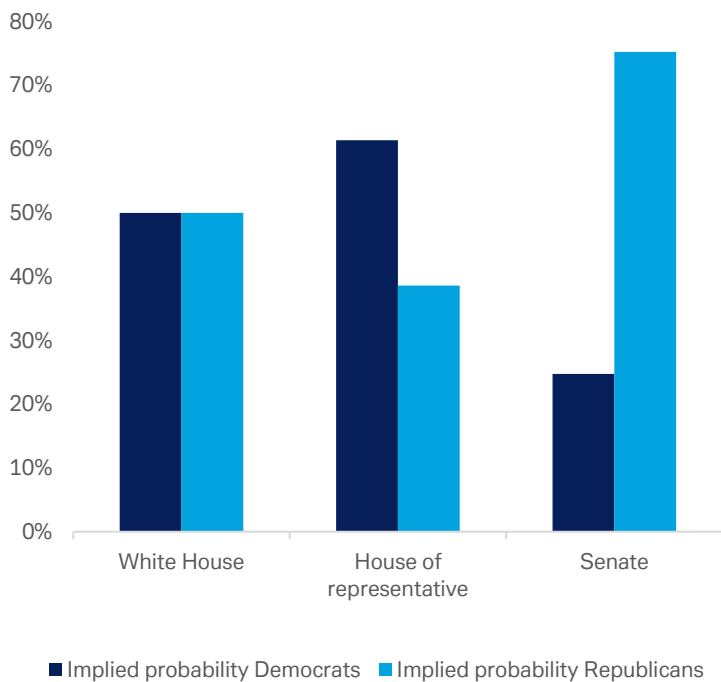
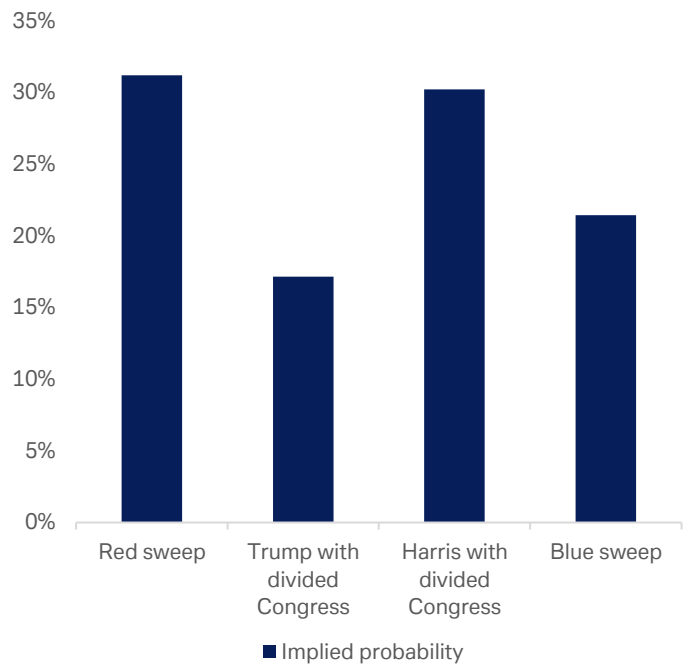


Figure 4: Government breakdown probabilities



Source: Consensus Polls, New York Times/Siena college polls of 1,695 voters, Polymarket, Deutsche Bank AG. Data as of September 2024.



## 02 Introducing the Democratic and Republican candidates

### The Democratic Ticket: Harris-Walz

There has been higher enthusiasm and greater consolidation of the Democratic base ever since Kamala Harris had been nominated as the presidential nominee. With Tim Walz as the Vice-President pick, there is a greater chance of a bipartisan appeal helping consolidate the base even further. Walz' pragmatic and liberal views along with his government expertise would be helpful in the blue wall swing states across Michigan, Wisconsin and Pennsylvania.

Despite the positive momentum and traction that the Harris campaign has gained so far, many challenges still remain from now leading into election season. Recently nominated to the race, Vice President Harris would need to clearly clarify her position on domestic and foreign policies and create clear boundaries between her past experiences as a liberal senator to now supporting more moderate policies.

Overall, the Harris-Walz ticket is based on creating a 'Care' economy (appendix, figure 10) from 'Day one' and extending many of Biden's Build Back Better plan initiatives

**Democratic Key policy levers:** Reproductive rights, project 2025, message of 'hope' and 'joy', choice election

### The Republican Ticket: Trump-Vance

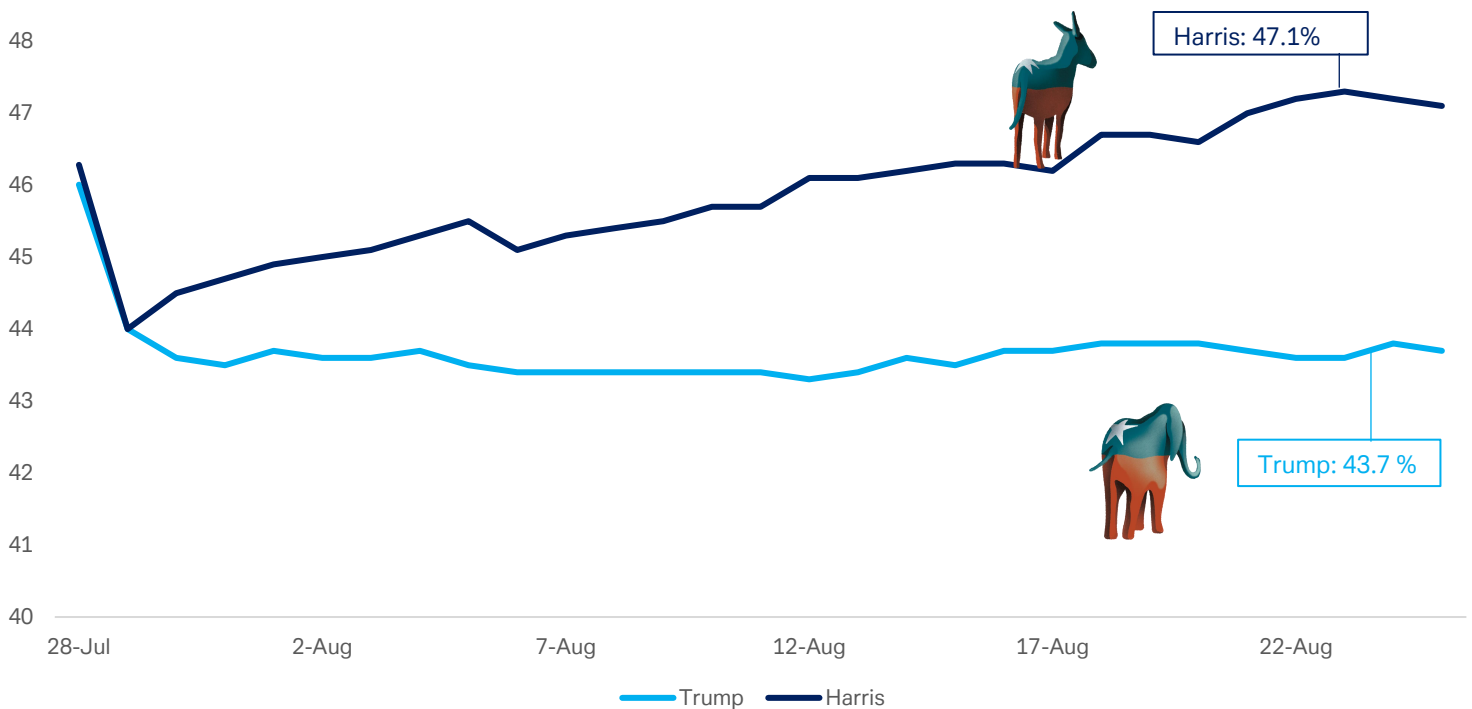
From former President Trump's most recent speech at the Republican National Convention, there has been a noticeable shift from a 'divide' based stance to a 'unity' based stance. Given that JD Vance mirrors a lot of Trump's policies, the 'America First' approach is further reinforced with the Trump-Vance ticket. However, Vance does not bring a key swing state advantage as Trump has already had a strong foothold in many of the key swing states. However, Vance's appeal to the younger millennial voters on issues such as housing and upward mobility may create further momentum for the Republican ticket.

Trump's intended extension of individual tax cuts and his policies surrounding eliminating taxes on social security benefits poses the risk of higher deficit and adding more debt – despite his announced intentions to reduce federal debt.

Overall, the Trump-Vance ticket is expected to create stricter control on illegal immigration, use deregulation and focus on imposing tariffs to maintain domestic competitiveness.

**Republican Key policy levers:** Immigration control, revive American middle class (rural/industrial regions) economy, 'America First' agendas, referendum election.

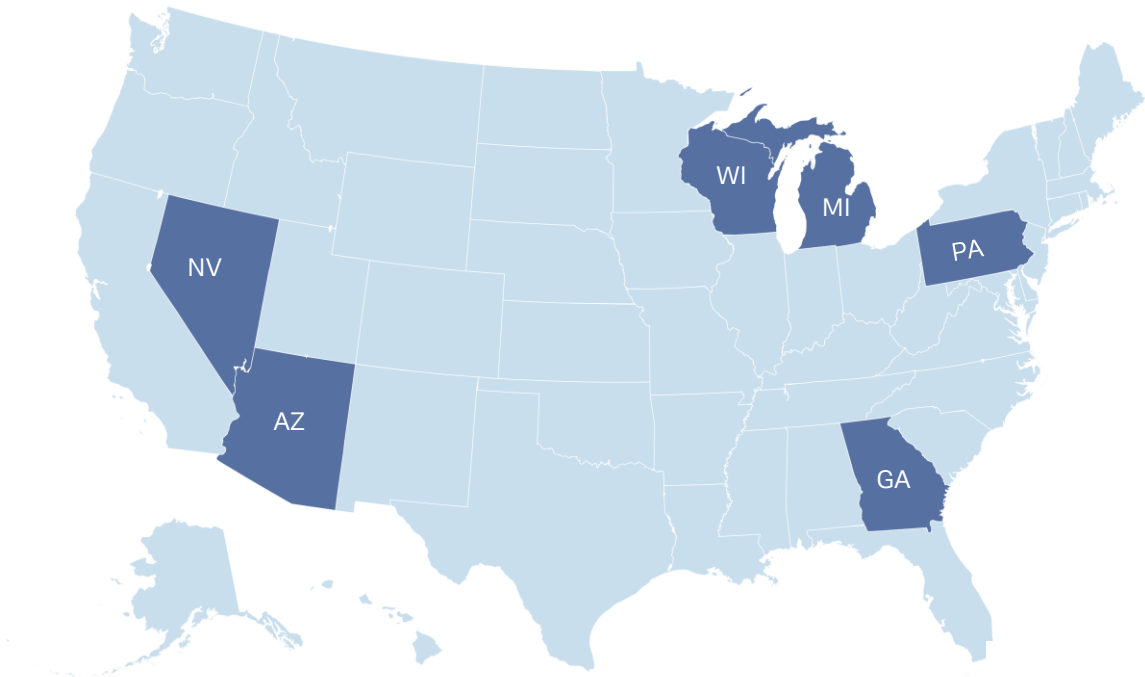
Figure 5: Recent Polls between Harris and Trump



Source: FiveThirtyEight. Data as of September 26, 2024.



## 03 A closer look into the six key swing states



### Nevada (NV)

6 seats, **Harris +0.2%**

High unemployment rate (>5.1%), lesser regulations under Trump seen as appealing and affordable housing is a key lever. Latino voters to be a key demographic.



### Michigan (MI)

15 seats, **Harris: 1.7%**

Key issues surrounding the Israel-Gaza conflict weigh heavily on the sentiment of voters. Arab-American and working-class white voters are a key demographic.



### Arizona (AZ)

11 seats, **Trump: +1.6%**

Immigration rights and abortion access take center stage in Arizona as it is a border state. Diverse group of voters given the notable population growth in AZ.



### Wisconsin (WI)

10 seats, **Harris: +1.0%**

Third-party candidates, independent voters can sway voting in Wisconsin and economy and abortion rights are seen as key issues. Working class white voters to be a key demographic.



### Georgia (GA)

16 seats, **Trump: +1.7%**

Preserving demography, reducing inflation and immigration are key issues in this state. African-American voters to be a key demographic in the state.



### Pennsylvania (PA)

19 seats, **Harris: +0.7%**

Prices of groceries in PA have risen faster than any other state and the state of the economy continues to be a major concern in PA. Working class white voters to be a key demographic.

Source: Deutsche Bank AG. Data as of September 26, 2024



# 04 Market performance: What is the crystal ball saying?

## Recessions

Recessions (or the lack of one) have usually defined presidential election winners in the past. If there is no recession two years before an election, the incumbent president goes on to win the election. If there was a recession two years before the election (with the most recent example being under former President Trump), the incumbent president does not get re-elected (appendix, figure 11).

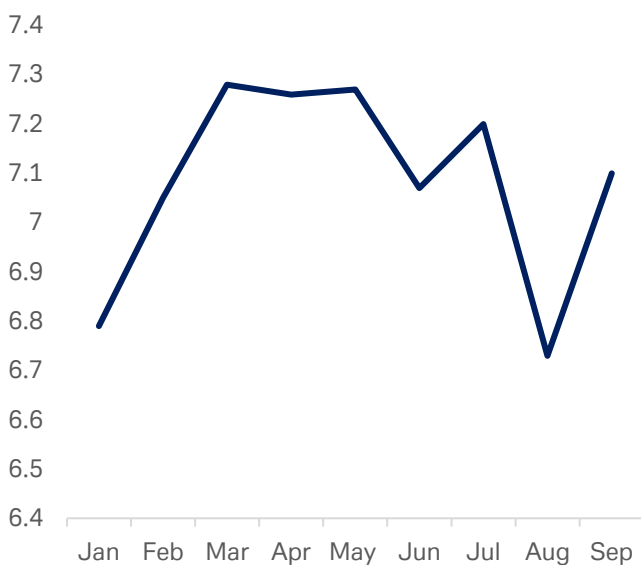
The current administration has taken a number of actions to keep the U.S. out of a recession. There has been accelerated fiscal spending on IRA related infrastructure to spur economic activity and tranches of student loan cuts to increase disposable income leading to higher consumer discretionary spending. The Biden administration has also been making efforts towards keeping gasoline prices low by releasing oil from strategic petroleum reserves. Additionally, there have been efforts to minimize liquidity drain by creating more borrowing on the short-end of the treasury curve.

## Misery Index

Inflation and unemployment rates tend to be key predictors of election outcomes, with the index predicting 15 out of the 16 presidential election winners in the past. Based on historical election outcomes since 1980, if the Misery Index is below 7.353 in October prior to the election, the incumbent president (in our case, Kamala Harris) has a good chance of winning. The misery index currently stands below the threshold level.

The next key data points to monitor for the misery index prior to the election would be the CPI report from October 10<sup>th</sup> (inflation read for September) and the Nonfarm Payroll report from Nov 1<sup>st</sup> (unemployment rate for October).

Figure 6: U.S. Misery Index 2024



Source: LSEG Datastream. Data as of September 2024.

## VIX Index

Steeper VIX index readings are seen around election season fluctuating in line with the Economic Policy Uncertainty Index. When the VIX peaks in July or August prior to election in November, the incumbent party has usually gone on to win the election. However, post election, the VIX has always moved lower regardless of election outcome.

Figure 7: VIX Index

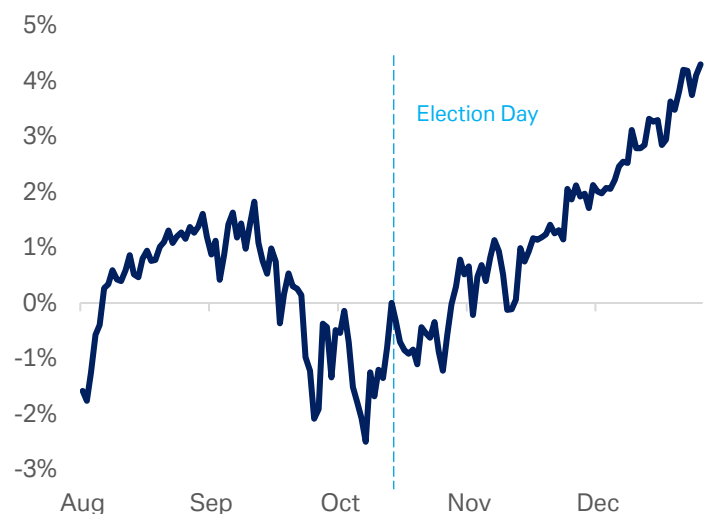


Source: LSEG Datastream. Data as of September 2024.

## Equity Market Performance Index

On average, the S&P 500 gains an average of 2.5 ppts lower in the year leading up to the presidential election, registering a slight underperformance compared to a non-election year. Historically, based on election year market returns data between 1980 – 2020, markets rally post election leading into inauguration day after the notable pre-election underperformance arising from market uncertainties.

Figure 8: Election year equities markets performance



Source: FactSet. Data as of September 2024.



## 05 Policy Levers

### Macroeconomic

**Republicans:** Republicans would focus on deregulating the economy and creating a positive fiscal impulse from tax extensions. Trump would potentially replace Powell which may lead to unpredictable Fed policy shifts.

**Democrats:** Democrats would potentially create a negative fiscal impulse from tax cut expirations and maintain the status quo on Fed policies. President Harris is likely to build upon Biden's Build Back Better plan and there would be extended support for Child Tax Credits, etc.

### Fiscal Policy

**Republicans:** Full extension(USD3.3tn) of 2017 Tax Cuts and Jobs Act (TCJA) with partial fiscal offsets under the Republican administration. A Trump presidency could lead to further extension of tax cuts which could contribute to a widening of the existing fiscal deficit. However, there would be checks and balances in place to make sure that taxes would still be constrained to a specific budget.

**Democrats:** There could be partial extension of the tax cuts and partial offsets from modest high-end taxes. Similar to Biden's tax policies, Harris is most likely to focus on preserving tax cuts to the middle class while putting additional taxes on corporations and the wealthy. However, this would depend on the divide of Congress – even if Democrats were able to win both House and Senate, they would need to gain traction in the heavily conservative states in order to be able to enact these policies.

### Trade and Tariffs

**Republicans:** There could be higher risk of increased tariffs against China and modest risks against global tariffs. If Trump were to become president, India might benefit more from the migration of supply chains out of China. Mega-cap stocks may be impacted with higher tariffs given the extra costs that would arise from relocation and Chinese retaliation against these control measures.

**Democrats:** Vice-President Harris is more likely to maintain current tariffs against China while orchestrating further targeted export controls on select Chinese sectors. In her most recent address, Harris stated that 'America – not China- wins the competition for the 21<sup>st</sup> century' and re-iterated America's commitment to global leadership in AI and other emerging technologies.

Overall, regardless of a Democratic or Republican president, there could be a reversal in long-held minimal restriction focused trade in an effort to pivot towards establishing and upholding a competitive U.S. position in global technology developments. While a Democratic and Republican president may differ in the amount of tariffs they may impose, it is likely that we will see more strategic tariffs to strengthen the domestic economy.

### Cultural Ideologies

**Republicans:** Core Republican party ideologies revolve around individual freedom, free market economics and lower taxes. There is potential for renewed focus on illegal immigration and undocumented border crossings under Trump. There would be a more conservative take on key issues surrounding abortion and gender ideologies.

**Democrats:** Under a Democratic administration, there would be further advancement of reproductive rights, right to vote and overall, a more liberal approach to social matters. They are more likely to support immigration reform and electoral reform given that social equality, civil liberties and a mixed capitalist economies are key pillars of the democrats' ideology.

### Foreign Policy

**Republicans:** Under a Trump presidency, there would potentially be more of a "America first" unilateralism focus which would entail more resources being directed towards domestic job growth as opposed to foreign outsourcing. There might be lesser funding available to Ukraine and lesser support for NATO. There could be a potential for higher military funding available to Israel and continued diplomatic alliances with the country.

**Democrats:** If Democrats retain control of the White House, they are expected to build upon their existing multilateralism co-operation with other nations and there would be continued support for Ukraine and Taiwan. Vice-president Harris is likely to follow in Biden's footsteps and continue to support Israel by providing arms while requesting for a ceasefire in the Middle East. Additionally, there would be ongoing support for NATO to upkeep America's 'defense' and 'security ideals' in the global economy.

### In summary...



#### Trump 2.0

- Deregulation of the economy
- Positive fiscal impulse from tax extension
- Unpredictable Fed policy shift from Powell potentially being replaced



#### Kamalanomics

- 'Care' based opportunistic economy: consumers, housing, pharmaceuticals
- Negative fiscal impulse from tax cut expiration and status quo Fed Policy



## 06 Sector implications

### Republican leaning

Given the high inflation and increased cost of living over the last few years, the **Republican** party is expected to focus on policies and issues that will be targeted at bringing down these burdens. Under a Trump presidency, the 2017 TCJA tax cuts could be extended and income taxes on social security benefits for seniors could be eliminated.



#### Financials

- Due to lower corporate taxes and potential rollback of regulatory measures surrounding Basel III and CET requirements, the Financials sector could be a beneficiary under a Trump Presidency.
- Under a Democratic administration, Harris would be more likely to continue to advance Dodd-Frank regulations to maintain liquidity and long-term debt requirements.
- Harris would also potentially continue the Consumer Financial Protection Bureau's (CFPB) scrutiny of fees and consumer lending practices while it might not get renewed scrutiny under Trump.



#### Technology

- Lower corporate tax rates would lead to a higher spend on Research & Development and other innovation initiatives surround AI and cloud data management capabilities which could help boost the Technology sector.
- Trump may work towards repealing Biden's Executive Order surrounding the safe, secure and trustworthy development of Artificial Intelligence and develop plans to increase military-related investments in AI which may enable further growth for the sector.
- Harris will most likely work under Biden's current Executive Order to lay further ground rules for regulations.



#### Telecommunications

- For the Telecommunications sector, the Republican party may not support expanded broadband funding and may also reverse rules on Net Neutrality.
- This would help major cable providers better compete against telecom companies as they are able to expand their coverage into rural areas.



#### Energy

- One of the Republican parties' main agendas has been to make the U.S. the largest oil and gas producer in order to lower costs of energy.
- Fewer restrictions on oil and gas exploration and increased investments into exploratory infrastructure will prove to be a major tailwind for the Energy sector.
- Additionally, Trump could increase leasing for federal lands and reduce royalties to boost domestic oil and gas production.
- Trump's tariff plans may pose additional risks on supply chain infrastructure that supports oil and gas.
- Overall, regardless of the party in power, market forces will remain the primary driver of the sector.





## Democratic leaning

A second consecutive **Democratic** presidency would likely see a continuation of many of President Biden's policies over his first term. Higher social spend and a focus on supporting the middle class would come into renewed focus.



### Consumer Discretionary

- Increasing the child tax credit and cutting taxes for those in the lower income brackets could increase disposable income for families' which would allow for further spending.
- Potential for additional student loan forgiveness proposals.
- Status quo on tariffs.



### Renewable Energy

- As part of continuing Biden's Inflation Reduction Act (IRA) initiatives, there would be higher investments into renewable energy, green infrastructure and the CHIPS act (which creates incentives for producing semiconductors).
- Near-shoring and onshoring initiatives through the IRA will boost domestic manufacturing and production surrounding the Green Energy and Renewables sectors.



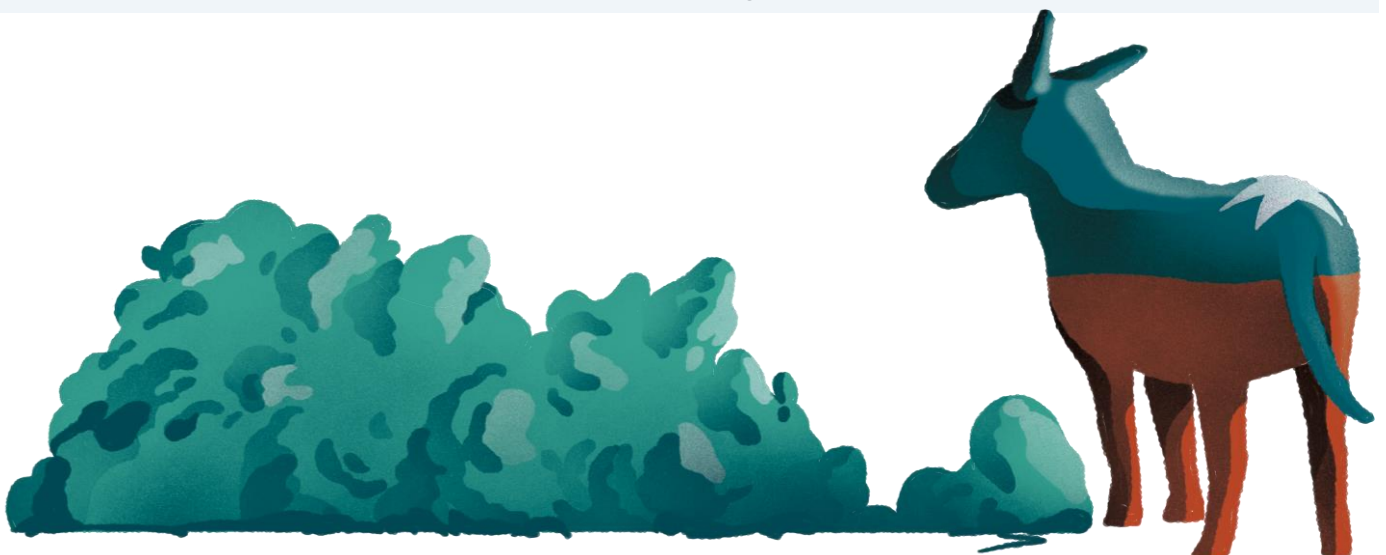
### Electric Vehicles

- In the first year since the Inflation Reduction Act was signed into effect, more than USD70bn out of the USD110bn of investments announcements were directed towards Electric Vehicle (EV) based initiatives.
- Tax credits from the IRA for EV vehicle and battery manufacturing would prove to be significant for the growth of the Electric Vehicle sector under a Democratic presidency.
- Under a republican presidency, Trump may modify IRA based EV tax credits and change EPA rules which may negatively affect the sector.



### Healthcare

- On the Healthcare front, it is unlikely that that repealing ACA would occur under either a Trump or a Harris presidency.
- Under a Harris presidency, there would be continuing efforts to boost Medicaid enrollment and enhancements of the ACA premium subsidies (which are currently set to expire by the end of 2025).
- While the pharmaceutical and biotech industries within healthcare could benefit more under a Republican administration given the lower taxes and regulation, a democratic win may be more favorable for healthcare providers given the lower percentage of the uninsured population.
- Enrollment in ACA and/or Medicaid may be lower under a Trump presidency.
- Trump's ACA and Medicaid policies could raise uninsurance rates as there is a greater potential for lower revenue for Medicaid and ACA managed insurers and uncompensated care for hospitals.
- On the other hand, the medical technology and life sciences sectors could see lesser impact from policy and election outcomes except if taxes were to increase significantly.







## Party agnostic

Sector performance of critical industries such as Healthcare, Agriculture, Defense, Protectionist Trade and Utilities are rather **agnostic** to election season even if they may experience some short-term volatility due to the highly regulated nature of their industries.



### Defense and Protectionist Trade

- The potential for escalating U.S.-China tension and resulting naval and submarine buildup is a common issue for both Democrats and the Republicans.
- Moreover, both Harris and Trump would potentially focus on placing import tariffs against China and Europe to boost competitive manufacturing.
- The Defense and Protectionist Trade industries are set to benefit regardless of who occupies the White House.



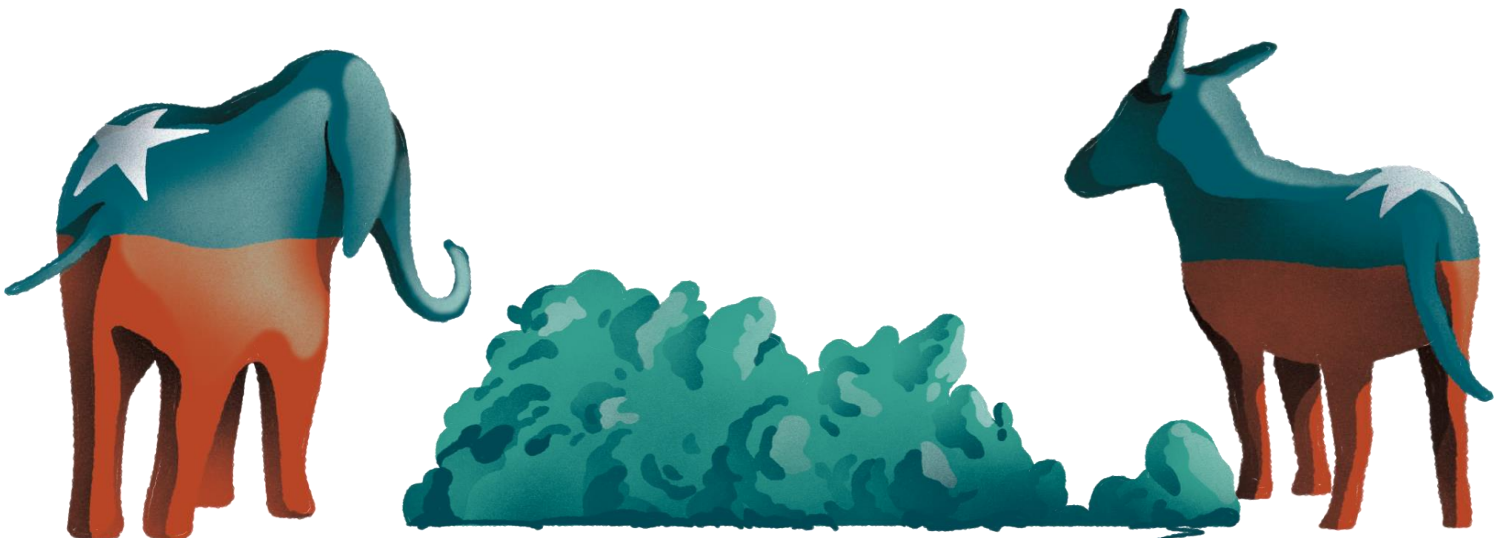
### Utilities

- State level regulatory and political actions surrounding clean energy and infrastructure investments will stand to affect the movement of this sector over the outcome of the presidential election.



### Agriculture/Farming

- The Agriculture and farming industries are set to benefit, regardless of who wins the presidency, as both parties are in support of funding for research programs, conservation measures and use of high-precision technology in agriculture.
- Even if there may be variations in the farm bill, which is a legislation that covers programs covering crop insurance, low-income family healthy food access and sustainable farming practices, both Trump and Harris would be in support of advancing this industry.





## 07 Conclusion

The 2024 U.S. election will be a costly and highly contested race. Similar to 2020, the race yet again comes down to then 77 electoral college votes that span the six key swing states – Arizona, Georgia, Nevada, Pennsylvania, Michigan and Wisconsin.

The predictive value of polling increases the closer we are to the election date and with around two months remaining for the Presidential election, polls may be more significant in the upcoming couple of weeks. However, the likelihood of predicting election outcomes is becoming increasingly difficult given that Congressional and Presidential contests are being won by slim margins.

While short-term volatility is common in markets leading up to election season, it is important to separate the noise from the long-term drivers of equity market performance which depend on sound fundamentals. Retrospectively, stock markets appear rather unimpressed in the medium term by who moves into the White House, which confirms the old stock market wisdom that political bourses do have short legs.

Elections have little impact on current and immediate macro environments but can have a serious impact on the future economic environment. Although meaningful tactical calls can be generated to create a playbook strategically, investment portfolios should be constructed to outlast an election cycle. In most cases, a well-diversified, multi-asset portfolio is the best way to navigate political and macroeconomic events and investment strategy should continue to be tailored towards personal timelines, liquidity needs and risk tolerance levels.



## Appendix

Figure 9: Trump and Harris Fiscal Proposals

Trump Proposals (\$BN, 10-year cost)		Harris Fiscal Proposal (\$BN, 10-year cost)	
Extending Expiring Tax Cuts	4,800	Extending Expiring Tax Cuts Under USD400k	3,600
No Tax on social security Benefits	1,700	Care Economy	1,750
No Tax on Tips	200	Housing	200
1% Corporate Rate Cut	100	No Tax on Tips	200
<b>Trump Total</b>	<b>6,800</b>	<b>Harris Total</b>	<b>5,750</b>

Unclear if any offsets get traction		Harris pay-fors challenging to enact	
Tariffs	10% across-the-board tariff could raise USD2-3T over 10 years	Only possible if Democratic Sweep, low probability	Raise Corporate Rate to 28%
	Would face Congressional resistance and legal challenges		Tighten Multinational Tax Regime
	Some revenue might have to be rebated to those impacted		Treat Cap Gains as Ordinary Income Above USD1mm
		Sen. Schumer promises to end SALT deduction cap, would add ~USD1T to cost	Raise Medicare Tax Above USD400k
			End "Stepped-Up Basis"

Source: CBO, Evercore ISI, Deutsche Bank AG. Data as of September 2024.

Figure 10: Harris 'Care' based economy pillars

Area	Policies
Consumer	<ul style="list-style-type: none"> <li>Federal Ban on grocery price gouging, with new authorities FTC and state AGs to impose penalties</li> <li>Support for small businesses</li> <li>Continue Biden-era scrutiny of consolidation in food industry</li> <li>Continue efforts by FTC, CFPB, and others on "junk fees"</li> </ul>
Housing	<ul style="list-style-type: none"> <li>USD40bn federal housing construction fund</li> <li>Tax incentive for building starter homes</li> <li>Downpayment assistance tax credit of up to USD25,000</li> <li>Legislation to constrain investors from buying rental homes in bulk and increasing antitrust scrutiny around how landlords set rents</li> <li>Support for Biden "rent cap" proposal tying landlords' depreciation tax benefits to 5% rent increase limit*</li> </ul>
Prescription Drugs	<ul style="list-style-type: none"> <li>Cap insulin at USD35/month</li> <li>Cap out-of-pocket Rx drug costs at USD2000/year</li> <li>Continue antitrust scrutiny of PBMs</li> </ul>

Source: Evercore ISI, Deutsche Bank AG, Data as of September 2024.



## Appendix

Figure 11: Presidential election and recession outcomes

President	Recession?	Re-elected?
Obama	No	Yes
Bush II	No	Yes
Clinton	No	Yes
Reagon	No	Yes
Nixon	No	Yes
LBJ	No	Yes
Eisenhower	No	Yes
Truman	No	Yes
FDR	No	Yes
FDR	No	Yes
FDR	No	Yes

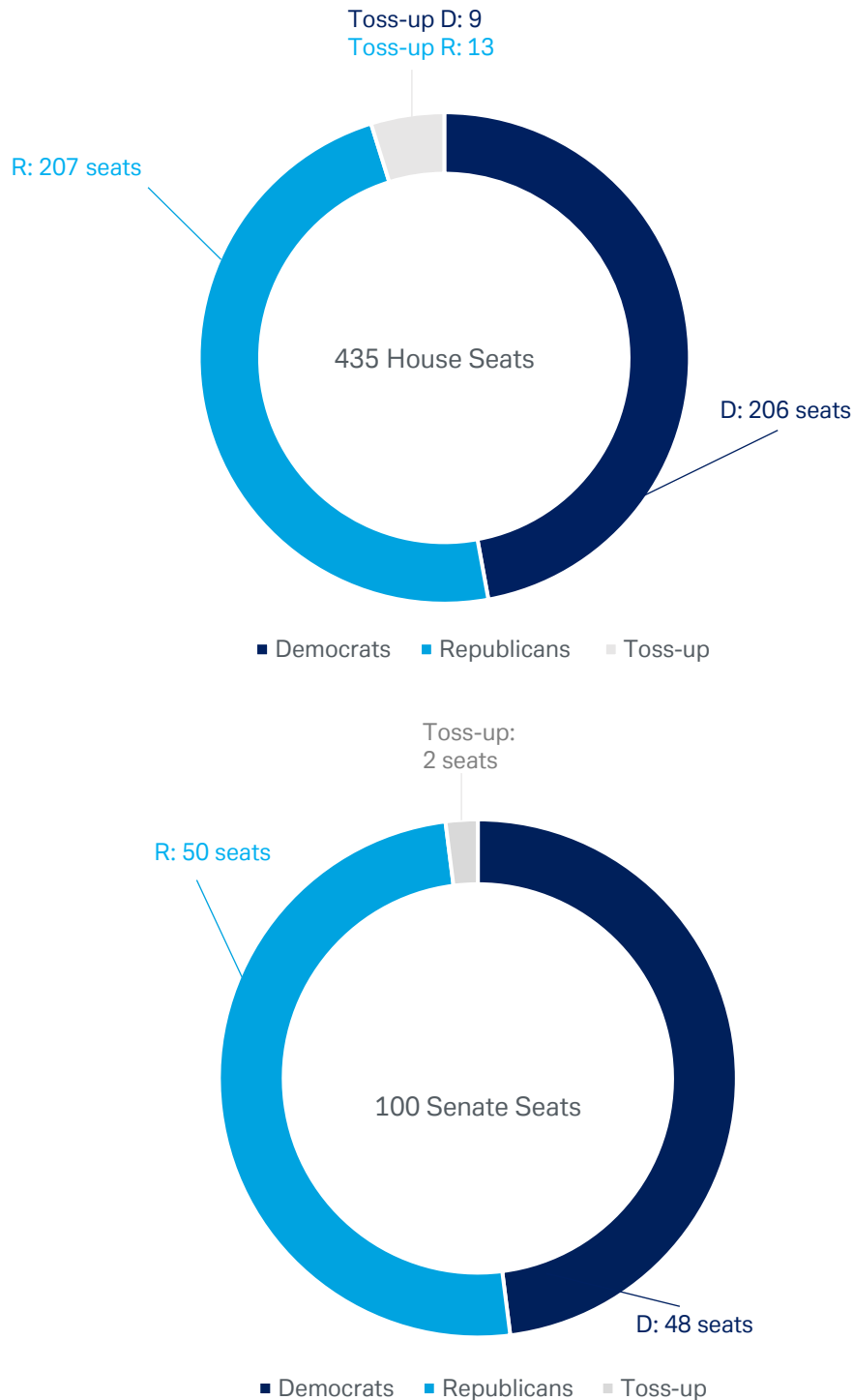
President	Recession?	Re-elected?
Trump	Yes	No
Bush I	Yes	No
Carter	Yes	No
Ford	Yes	No
Hoover	Yes	No
Taft	Yes	No

Source: Deutsche Bank AG. Data as of September 2024.



## Appendix

Figure 12: House and Senate seat projections for 119<sup>th</sup> congress



Source: 270toWin Consensus Polls, Deutsche Bank AG. Data as of September 2024.



## Appendix

Performance	9.26.2019 - 9.26.2020	9.26.2020 - 9.26.2021	9.26.2021 - 9.26.2022	9.26.2022 - 9.26.2023	9.26.2023 - 9.26.2024
S&P 500	12.9%	37.1%	-16.7%	18.9%	35.9%
NASDAQ	35.9%	37.9%	-28.2%	20.9%	39.2%
2-Year U.S. Treasury	3.6%	-0.1%	-5.1%	1.5%	6.8%
10-Year U.S. Treasury	11.5%	-5.7%	-16.3%	-3.5%	-10.5%

Source: LSEG Datastream, Deutsche Bank AG. Data as of September 26, 2024.

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## Glossary

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The **consumer price index (CPI)** measures the price of a basket of products and services that is based on the typical consumption of a private household.

**Congress** is the bicameral federal legislature of the United States.

**Democrats** is short for the Democratic Party in the U.S., one of the two major parties.

The **Federal Reserve (Fed)** is the central bank of the United States. Its Federal Open Market Committee (FOMC) meets to determine interest rate policy.

The **House of Representatives** is one house in the bicameral U.S. Congress with some exclusive powers e.g. to initiate revenue bills.

**Republicans** is short for the Republican Party, one of the two major parties in the U.S.

The **Senate** is the smaller house in the bicameral U.S. Congress, with a more deliberative function.

The **S&P 500** Index includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

**Treasuries** are bonds issued by the U.S. government.

**USD** is the currency code for the U.S. Dollar.

**VIX** or the CBOE Volatility Index is an index representing the market's expectation of volatility in the upcoming 30 days.

The **Misery Index** is a measure of economic distress of the U.S. economy – measured by adding the seasonally adjusted unemployment rate to the inflation rate.

The **TCJA** or the Tax Cuts and Jobs Act was signed into effect by President Donald Trump on Jan 1, 2018, which included significant changes to tax legislation.

The **FTC** or the Federal Trade Commission is a bipartisan federal agency that uses law enforcement, advocacy, research and education to protect the public from deceptive or unfair business practices and unfair methods of competition.

The **CFPB** or the Consumer Financial Protection Bureau is a U.S. government agency that ensures that consumers are treated fairly by lenders, banks and other financial institutions.

**PBMs** are Pharmacy Benefit Managers who act as a third party between health insurance providers and drug manufacturers to help negotiate costs and payments between insurance providers, drug manufacturers and pharmacies.

The Affordable Care Act or the **ACA** is a 2010 reform law that increases health insurance coverage for the uninsured and implements additional reforms to the health insurance market.

The Inflation Reduction Act of 2022 or the **IRA** is a federal law designed to reduce the federal government's budget deficit, invest in clean energy initiatives and lower prescription drug prices.

The U.S. Environmental Protection Agency or the **EPA** is an independent U.S. agency that is responsible for the protection of human health and the environment.

**NATO** or the North Atlantic Treaty Organization is an intergovernmental political and military alliance comprised of 32 member states – 30 of which are European and 2 North American.



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