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Obama effect may lift US economy

UNITED STATES
by **Charlotte Adlung**

The excitement surrounding Barack Obama's election as US president has been subdued by the current economic situation facing the country and the globe at large, according to Thesis Asset Management.

However, Michael Lally, director of investment management at Thesis, said the opportunity to harness the feel-good factor in the wake of the American elections is unprecedented.

The power of the consumer and the influence of the US economy should not be underestimated, he added.

The current credit crisis has presented Mr Obama with a far-reaching challenge, the director said, but the president-elect possesses qualities and policies in the critical areas of taxes and foreign affairs.

More liberal policies will empower lower-income families, according to Mr Lally. In his view, America's fortunes are directly correlated to the spending habits of the consumer and

these monies are very likely to be spent immediately.

Although plans to increase capital gains tax rates may not be so welcome, a rate rise from 15 to 20 per cent could see plenty of profit-taking before December, followed by reinvestment. Another positive aspect is the likely deferment of the restoration of the top rate of income tax to 39.5 per cent.

In terms of government spending, the director did not expect Mr Obama's proposed plans for the healthcare, infrastructure and alternative energy sectors to pose significant problems.

Projections for government-sponsored healthcare were likely in his opinion to make a big dent in the federal deficit without reducing the cash flow into the sector, while many individual quoted companies were bound to benefit from a \$60bn (£40bn) infrastructure spend over 10 years.

A promised \$150bn outlay on wind and energy initiatives will filter through, but may trigger resistance from the larger oil companies, Mr Lally observed.