Biden vs Trump

what could it mean for investors?

On 20 August Joe Biden was formally named as the US presidential nominee for the Democratic party, meaning it will be Trump versus Biden in the November election. In this article we look at the potential market impact of either a Trump or Biden victory, and what this could mean for investors.

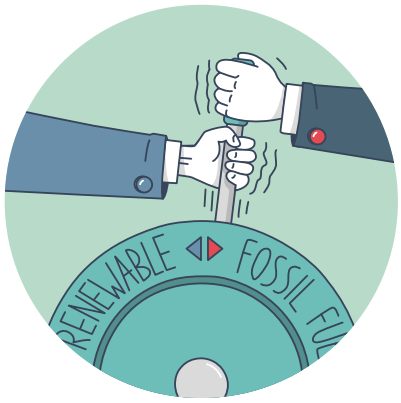
Which candidate is better for businesses?

Donald Trump may claim to be the more business friendly of the candidates. He has cut corporation tax from 35% to 21%, and focused on deregulation across a number of industries including agriculture, autos and financial services. The continuation of these measures is likely to be received positively by domestic US businesses if Trump is victorious.

On the other hand, Joe Biden has already promised to raise corporation tax from 21% to 28%. But, with the economy in turmoil due to Covid-19, this is unlikely to happen any time soon. It's also important to note that Biden's running mate, Kamala Harris, has previously campaigned against big banks and is unlikely to share Trump's enthusiasm for deregulation.

However, Wall Street doesn't appear to be concerned. Biden has been ahead in the polls for many months, with his lead increasing more strongly since June, but we haven't seen a big reaction in the stock markets. In fact, the S&P 500 hit a new all-time high in August.

Spotlight on the energy sector



It is worth highlighting the energy sector for the candidates' polarised views. Trump is supportive of traditional fossil fuel producers, claiming he will "never let the great US oil & gas industry down". He also made the decision to withdraw the US from the 2015 Paris Agreement on climate change.

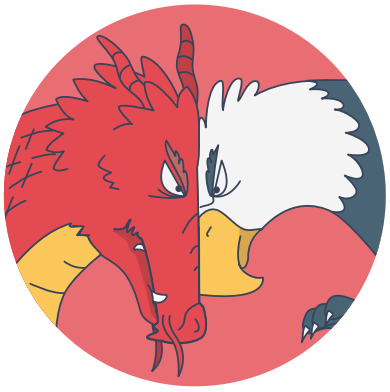
Conversely, Biden has unveiled plans to overhaul the sector. He has pledged to spend around $5 trillion over the next decade, to ensure that the US achieves a 100% clean energy economy and reaches net-zero emissions by 2050.

Whatever the result in November, there are likely to be consequences for both traditional energy companies and those focusing on renewable energy.

Infrastructure spending

Infrastructure spending is another area where the candidates differ. A Democrat presidency is likely to see greater infrastructure spending, and the party has already pushed for higher levels of spending in response to the Covid-19 pandemic. More spending on the likes of roads, telecommunications and sanitation is likely to be positive for a variety of sectors, not least materials and construction.

Global trade



Global trade relationships have dominated headlines since Donald Trump was sworn into the Oval office in January 2017. A Trump victory in November is likely to mean continued

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rhetoric around the US's global trade relationships. China has been Trump's main target, but trade with the likes of Europe and South America has also come under scrutiny. While Trump's push to bring manufacturing back to the US is positive for many US companies, his trade spats have sent ripples of volatility around the global stock markets.

We expect that Joe Biden would continue to push for a trade resolution with China. But he might have less of a focus on protectionism, which would be received positively by Asian and emerging market equities. He is also unlikely to start targeting other regions, such as Europe or Japan, which would again be a boost for the local stock markets.

Social media and uncertainty

Aside from their policies, the way that each candidate carries themselves could also have implications for investors. Trump is an avid Twitter user. He has posted more than 10,000 tweets in the last two years alone and often responds to current affairs or posts official statements through his personal account. His words have historically shown the power to surprise investors and create uncertainty in the markets. Indeed JP Morgan analysts even created an index especially to track the market reactions to Trump's tweets.

Joe Biden appears to be a less enthusiastic social media user, and more of a traditional politician. We expect that this would mean one less potential source of market uncertainty, which could be positive for markets if Biden is successful.

Checks and balances

Whoever is successful in November, it's important to remember that their plans and policies must be passed through Congress before they can come into effect. Each member of Congress – even those within the same party – will have a different view on all of the issues discussed here. This means that bills will inevitably be amended before they are approved, and the process will often take longer than anticipated.

It's important to stay diversified

Nobody knows what will happen when the US public takes to the polls on 3 November. But we are likely to see growing uncertainty over the next few months as both candidates ramp up their efforts to attract voters.

This is why at Architas we believe it is important to stay diversified. Holding a diverse mix of investments can help to soften the highs and lows during times of market volatility, potentially providing smoother investment growth.

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