

Presidential Election Impact On The Markets



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Markets



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Assumptions:

- Trump's top priorities are assumed to be anti-China, pro "made in the USA", bringing manufacturing back to the USA, especially pharma manufacturing
- Trump would like an infrastructure spend, but not a top priority and probably wouldn't happen or maybe happen in year 2 (somewhere down the road), especially if Republicans don't win the House
- Biden's top priority is assumed to be a tax increase along with an infrastructure spend, big spending
- Biden: Continued weakening of the US dollar, therefore strengthening of Gold, more inflation, higher rates

Insights on how the Presidential Election will impact the markets:

Industry

Transportation:

Impact Stocks - Boeing, Airlines, Trucking

Trump: Faster recovery, buy airline and car manufacturing companies

Biden: Slower Recovery

Post-Covid: Recovery

Financials:

Impact Stocks - Money center (JPM), regional (Keybank)

Trump: Negative rhetoric, some negative impact because rates remain low and possibly falling making it difficult for banks to make money. Rates remain lower for longer due to monetary policy in US and rest-of-world.

Biden: Negative rhetoric but beneficial due to higher spending, chance for higher inflation, higher rates, easier net interest margins. Rates remain lower for longer due to monetary policy in US and rest-of-world

Post-Covid: Positive – the mortgage and refi boom continues and possibly accelerates. Rates remain lower for longer due to monetary policy in US and rest-of-world

Home Building:

Impact Stocks - LEN, HD, FND, FAST

Trump: Positive impact due to lower interest rates and no inflation

Biden: Positive impact due to big Congressional spending benefiting individual paychecks

Post-Covid: Positive as people move out of big cities into suburbs

Pharma:

Impact Stocks - JNJ, GILD, Vertex, REGN, AZN

Trump: Negative rhetoric, but positive impact as Trump pushes for made in America – possibly pumps money into this sector like the Kodak deal. Possible tax incentives. Some possible actions being taken to lower prices and hurt pharma.

Biden: Negative price rhetoric – positive impact since there seems to be no desire to take action.

Post-Covid: Cheaper drug costs – increased usage. Vaccine is widely available – the search is over. Negative impact. High flyers in the vaccine space: NVAX, MRNA, INO, etc. likely to come back to earth as long term low profitability of vaccine production comes into focus as more of a public good.

Manufacturing:

Impact Stocks - MLM

Trump: Made in the USA – positive impact for final assembly if they get the tax incentives, but negative impact for component parts as their expenses will rise. Infrastructure play.

Biden: Positive for component parts and positive for final assembly as everything can be outsourced and done cheaper to beef up their margins. Infrastructure play.

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Fossil Fuels:

Trump: Positive impact, but still not investable. Avoid.

Biden: Negative impact – avoid this sector.

Post-Covid: Positive impact as people resume moving about, airlines recover.

Solar:

Impact Stocks - SEDG, TAN, FSLR

Trump: No impact – solar positive up-trend continues

Biden: Positive impact – green new deal stimulates solar, Buy TSLA

Post-Covid: No impact - Continues to move forward with a positive trend.

Consumer Discretionary:

Impact Stocks - CMG, H, LUV, LYV, PYPL, V, MA, GPN, HD, AAPL, THO, HD

Trump: Push toward re-opening and returning to “normal” activity as expeditiously as possible given health concerns. Higher economic growth and low taxes will help Consumer Discretionary.

Biden: Higher taxes will hurt Consumer Discretionary. Bias toward opening more slowly, staying hunkered down, remaining in place.

Post-Covid: After Covid they can make-up for the manufacturing they missed during the pandemic – positive for sales. The re-opening of travel, leisure and consumption resumes with some notable changes to venue and behavior (ie, more mobile ordering). The trend toward on-line purchasing has permanently accelerated.

Consumer Staples:

Trump: No actual impact but possibly more food inflation since he forces China to buy corn, soy, pork, etc.

Biden: More food inflation because of weaker dollar resulting in greater demand from overseas which leaves less on our shelves.

Post-Covid: Less alcohol sales, less Clorox sales, less Lysol.

Cannabis:

Impact Stocks - CGC, TLRY, MJ

Trump: No impact – cannabis possibly a little less likely to become legal.

Biden: Big benefit as cannabis becomes legal at the federal level.

Post-Covid: No positive impact during Covid, so probably no negative impact after Covid.

Telecom:

Impact Stocks - VZ, AMT, SBAC, CCI

Trump: US transitions to 5G technology

Biden: US transitions to 5G technology

Post-Covid: US transitions to 5G technology

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Retail:

Post-Covid: The negative trend continues as malls continue to shut down. The trend toward online is positively accelerated.

Fin-tech:

Impact Stocks - PYPL, SQ, V, MA

Trump: No impact – the trend continues

Biden: No impact – the trend continues

Post-Covid: Positive – the trend continues

Big Tech:

Trump: Negative rhetoric but irrelevant

Biden: Negative rhetoric and possible impact as Congress is more likely to pursue breaking up the giant big tech companies.

Post-Covid: Positive – the trend continues

GOLD:

Impact Stocks - GLD

Trump: Stronger dollar means weaker gold – so avoid gold

Biden: Weaker dollar means stronger gold – invest in gold

Post-Covid: Negative impact as gold may fall back after current run-up. The Congressional spending spree may be over, so no more devaluing the currency (which helped drive the price of gold higher).

REITS:

Impact Stocks - EQIX, possibly STOR, AMT, SBAC, CCI

Post-Covid: COVID has changed everything and this space will sort out into winners and losers. Retail shopping malls and retail in general lose. Experiences (eating out, bars, travel, concerts, sporting events) make their way back. Cloud providers win.

Commercial Real Estate:

Trump: push for a cap gains tax cut which would benefit commercial real estate.

Biden: likely eliminate all 1031 exchanges, which would negatively impact commercial real estate.

Post-Covid: Commercial offices in urban areas lose, suburbs win.

Multi-family Real Estate:

Trump: push for a cap gains tax cut would be positive for this sector.

Biden: likely eliminate all 1031 exchanges, which would be negative.

Post-Covid: Multifamily in low tax, “red” states win.

Medical Insurance Industry:

Trump: No impact – Not much change

Biden: No impact - Biden not part of the Medicare-for-all idea. More likely, insurance-for-all.

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In Summary, we’ve tried to highlight some of the longer term effects on various industries as a result of the Presidential election in November. We don’t think this is the time to try to jump-out of investments, then try to jump-back-into investments after the election. Rather this is the time to have eyes wide open to the parties and the candidates and look at the effects beyond just the month of November. In the mean time, for Warren clients we have put together sophisticated hedging capabilities in our private fund, the [Warren Safer-Equity Fund](#), as well as published papers and put together hedging capabilities for assets outside our private fund.

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