

## Would a Biden or Trump victory boost US shares more?



**Despite the fact that most of us expats are not American, and therefore don't have a vote, postal or otherwise, we can't help but watch from afar, and think about the impact of the election result on our portfolios.**

The 2020 US presidential election is turning into a messy street brawl, and it's hard for US and global investors to ignore.



I would suggest long-term investors follow conventional wisdom and stay put.

In the longer term, it seems unlikely that portfolios will be beaten up badly, regardless of the winner on 3rd November.

At the moment, Joe Biden looks set to beat Trump easily, according to the latest polls, and even retake the Senate for the Democrats, so this could turn into a vicious court battle lasting several weeks.

A contested result and Republican President Donald Trump following through on his threat to reject any outcome where he doesn't win, could well stir up some anxiety, and might present a few weeks of buying opportunity for those with available cash.

This year, the ballot is complicated by Covid-19, making postal voting both crucial and controversial, and it's still possible that Trump could come from behind and hold onto the presidency. His 2016 win from Hilary Clinton followed a campaign where he was the trailing candidate for months.

Given that typically, markets are upset by uncertainty, but don't really care who POTUS is, it doesn't make much sense for investors to try to predict the outcome. As the result is ultimately 'binary', and even a good call may not mean markets behave the way you would expect, it is simply not worth guessing.

I suspect the market simply wants to get the election out of the way cleanly, and without a drawn-out period of legal disputes post-election.



It certainly seems to be the most volatile and antagonistic presidential election in decades, but will probably look like a 'bit of a short-term wobble' on market charts in the long term.

This may seem 'a bit relaxed' but it is what history suggests.

Having said that, there are more immediate issues investors should bear in mind. Trump plans to maintain or extend corporate tax cuts, reduce red tape for businesses, and protect the oil and gas industry if he wins. He also seems likely to maintain his 'less than cordial' approach to Beijing.

Biden has discussed green jobs and infrastructure programmes, specially if he gets a Democrat Senate to help him, imposing limits on big tech companies, reversing Trumps corporate tax cuts, and he wants to resolve the trade war with China.



A massive economic stimulus package to help people and businesses stricken by Covid-19 is probable from either man, and is in line with Bidens infrastructure programme, and Trumps corporate tax cuts and red tape reduction, so the Democrat/Republican differential for the wider market is marginal at best.

The Federal Reserve is expected to continue its supportive approach to the economy and markets, which have bounced back since the pandemic crash earlier this year.

## **What should investors consider?**

The S&P 500 is dominated by a few large tech companies, with five tech giants - Amazon, Alphabet, Apple, Facebook and Microsoft - now making up 20 to 25% of the index.

This has resulted in their share prices significantly influencing the whole index- fine on the way up, but if their values fall, the S&P500 will be dramatically impacted.

That said, with the huge amount of stimulus expected in 2021, regardless of who the president is, those smaller companies making up 75% of the S&P500 are generally expected to do well.



There is the prospect of the big tech companies being broken up, particularly by a Democrat administration, though that does not really alter their overall value.

Smaller companies are cheaper and hold potential:

They are still pretty large by British standards and have been recipients of financial support during the crisis. Their shares tend to begin to perform when investors can see the end of the recession and as recovery is in sight.

A depreciating US dollar is negative for global non-USD investors. The dollar is weakening as Government spending has increased and is likely to continue under a new presidential administration, but this is largely offset by the increased spending of many governments around the world.

The bottom line is, as so often, that the best action for your portfolio is probably inaction. (see also <https://www.strategic-expat.com/post/what-premier-league-goalkeepers-can-teach-us-about-managing-our-investments>).

Whilst there may be a US stock-buying opportunity in the aftermath of a messy election result, it seems unlikely to me that the broader US equity market will be heavily influenced by either a Biden or Trump win.