

## Markets don't like one-party control of Congress - Relief at the US election result



**The 2020 U.S. presidential election result is still not finalised as I write, but it is essentially assured that Democrat Joe Biden has won the presidency, though any chance of a Democratic-controlled Senate have faded.**

Republicans seem almost certain to hold the Senate once the Georgia seats are decided in January.



It is reasonable at this point to consider the question 'Do I really care?' (And it seems Melania doesn't care either!)

After all, I am not American, so I didn't have a vote. I'm English, and as an expat of more than 20 years, I don't even get to vote in British elections or referenda, though that is probably not a great loss.

People who know me are aware that my view of politicians generally is one of disdain, and that really seems (to me at least), a good starting point from which to judge the great and the good of modern-day political elites of all persuasions!

However, the markets really do care, and are relieved, as they really don't like a single party having control over the executive branch and the legislative branches of US government, (the Whitehouse, the Senate and Congress).



Joe Biden has pledged to raise the U.S. corporate tax rate to 28%, which is higher than the current 21% rate but lower than the 35% before Trump took office. Under Biden's tax plan, US companies would see federal taxes increase.

That said, a Republican controlled Senate is likely to temper tax increases.

But even if the Democrats acquire a small Senate majority, there are moderates among them who won't vote for large tax rises, and this would be a relief for markets.

The October stock market pullback in the run-up to the election was probably triggered by concern about Biden's tax plans, particularly when polls suggested he would 'romp' into the White House, and have a big majority Democrat Senate in support. There was a huge sign of relief as the Democrats lost seats, leaving closer balance with a slightly Republican Senate.

If Republicans retain a Senate majority, that would prevent Democrats from passing much of the legislation they pledged, including healthcare reform, economic stimulus, and green infrastructure policy. Political stalemate means the Federal Reserve may become involved in fiscal policy measures, either by lending, or more open market bond purchases.



On a more basic note, and regardless of political views, it is generally recognised that as POTUS, Donald Trump has tended to tweet his thoughts in their rawest form, directly to the world.

It is probably also fair to suggest that, even for true Red Republicans, Donald Trump's character tends to the combative, rather than amicable.

This has, at times, left foreign leaders, (and more importantly for investors), global markets, confused and bemused, and has introduced unnecessary volatility.

For us non-American international onlookers, a more consistent and coordinated style (regardless of political aims) would be appreciated! This, combined with a more balanced House, able to offer up some opposition to any of the more dramatic whiles of the White House, probably offers the stability that global markets love.

Interestingly, as of 14<sup>th</sup> November, 'Donald Trump still has a 10pc chance of a second term in the White House according to Betfair, an online exchange matching opposing wagers by punters. That's up from 3pc – after Trump last week launched a legal challenge of the US election result' - from UK's Daily Telegraph.

