

# UOB Investment Insights

## Quick Note

10 November 2020

### Joe Biden Wins US Presidency

- Democrat presidential candidate Joe Biden is projected to win in the key states of Pennsylvania and Nevada, leading incumbent President Donald Trump in the race for the White House.
- All eyes are now on the election results of the US Congress. While the Democrats are expected to retain their majority in the House, the contest for the Senate remains tight, and the outcome may only be known as late as early January 2021.
- Biden's victory may herald some policy changes that prioritise climate change, healthcare and political relations during his term in office. The overall degree of changes will ultimately depend on which party holds the Senate majority.

#### Joe Biden to be the 46<sup>th</sup> US President

- On the morning of 8 November 2020 (Singapore time), Democrat presidential candidate Joe Biden was declared the victor following his projected win in the battleground states of Pennsylvania and Nevada. Garnering 290 electoral votes, Biden surpassed the 270-vote threshold.
- Incumbent President Donald Trump has since contested the results of these battleground states, with his campaign team filing lawsuits and ordering vote recounts.
- **One of the key outstanding issues is the composition of the US Congress.** The Democrats are expected to retain their majority in the House, but control of the Senate remains to be decided, with both Democrats and Republicans having won 48 seats each so far (with 50 being the threshold).
- The Republicans are expected to win the Senate majority as they are leading in most of the remaining Senate races (Figure 1), but the final outcome may only be known as late as early January 2021. If this occurs, the gridlock scenario of a Democrat White House and a divided Congress (Republican Senate and Democrat House) will be the final outcome of the election.
- From now until the year's end and possibly even rolling over into January 2021, Biden's victory will be marred by potential Trump lawsuits while the former prepares for inauguration in January 2021.

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Figure 1: Outstanding US Senatorial Races

State	Candidate Name	Latest Exit Polls
Alaska	<b>Dan Sullivan (Republican)</b>	<b>62.4%</b>
	Al Gross (Democrat)	32.1%
North Carolina	<b>Thom Tillis (Republican)</b>	<b>48.7%</b>
	Cal Cunningham (Democrat)	47.0%
Georgia*	<b>David Perdue (Republican)</b>	<b>49.7%</b>
	Jon Ossoff (Democrat)	47.9%
Georgia (Special Election)*	<b>Raphael Warnock (Democrat)</b>	<b>32.9%</b>
	Kelly Loeffler (Republican)	25.9%
	Doug Collins (Republican)	20.0%
	Others	21.2%

\*Both Georgia senatorial races will go into a runoff election on 5 January 2021 as required by state law because no single candidate has garnered >50% of total votes. Source: Bloomberg, 10 November 2020.

### What are the implications of a Biden Presidency?

- In his victory speech over the weekend, President-elect Biden announced that he will focus on combating the COVID-19 pandemic as well as 'healing the divisions and wounds of America'.
- A Biden presidency is likely to see US policymakers prioritising climate-friendly policies, infrastructure renewal and healthcare coverage. It remains to be seen if there will be more regulation on big-tech companies such as Amazon, Google and Facebook. A gridlocked Congress may prevent Biden from pushing for heavier regulation or policies that may impact markets negatively. View our latest UOB Market [PowerBar](#) for the possible implications.
- As for fiscal policy, Biden may not be able to push through his intended USD 3 trillion package if the Republicans win the Senate majority. Nonetheless, an estimated fiscal stimulus package of USD1-2 trillion is still expected to be rolled out to support jobs and the economy.
- In the area of foreign relations, world leaders have welcomed the news of Biden's win. A Biden administration could see improved diplomatic relations with US allies, and a less haphazard political strategy as the US addresses China's rise. A better diplomatic climate will likely result in improved business sentiment, which is positive for risk-assets.
- Financial markets cheered Biden's win and a likely gridlocked Congress, boosted by hopes of a COVID-19 vaccine. As of 9 November, US equity futures have continued their advance from last Friday's gains, while Asian equities clocked strong gains. The USD has broadly weakened against Asian currencies like the Chinese Yuan (CNY).

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Figure 2: Market reactions

	Name	4 – 9 Nov 2020
US Equities	S&P 500 Index	5.38%
	NASDAQ Composite Index	4.96%
European Equities	STOXX Europe 600 Index	7.02%
	FTSE 100 Index	6.90%
Asian Equities	Nikkei 225 Index	6.63%
	Shanghai Composite	3.14%
	Straits Times Index	4.49%
US Government Bonds	US Generic Govt 2 Year Yield	+0.43 bps
	US Generic Govt 5 Year Yield	+3.24 bps
	US Generic Govt 10 Year Yield	+2.43 bps
Currencies	US Dollar Index Spot	-0.89%
	USD-JPY Cross-Rate	0.85%
	EUR-USD Cross-Rate	0.84%
	USD-CNY Cross-Rate	-0.72%

Source: Bloomberg, as at 0800H on 10 November 2020.

### Equities continue to rally, while the USD weakened against Asian currencies

**Equities:** Global equities cheered Biden's victory and a potential COVID-19 vaccine, with gains seen in Asian equities and US index futures.

**Government Bonds:** Sovereign bond yields generally rose slightly on 9 November, with the US 10-Year Treasury Yield rising to 0.92%.

**Currencies:** The US Dollar Index fell slightly, and weakened against Asian currencies like the CNY, but has strengthened against the JPY and EUR.

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### What should investors do?

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- **Avoid speculating on new policy direction as the final political outcome remains to be determined.** The most likely outcome at this juncture is a Biden Presidency and a gridlocked Congress. The overall degree of changes ultimately depends on which party holds the Senate majority. Greater clarity is likely to come in the days ahead.
- **Focus on fundamentals and resilient assets.** Once political uncertainties diminish, markets will be focusing on economic and corporate fundamentals. Countries that have coped well with the COVID-19 situation (like Asia ex-Japan) are likely to outperform those that are weighed down by a resurgence in infections. Look towards resilient assets such as Investment Grade bonds and global multi-asset solutions to help weather any potential market volatility.
- **Ensure adequate diversification and build resilient assets.** In view of potential policy uncertainties once President-elect Biden assembles his administration and a new Congress is sworn in, review your portfolio in accordance with your risk profile and consider a mix of fixed income and equities.
- Please speak to your UOB advisor to determine the right solutions for you in light of these latest developments.

*\*All data are sourced from Bloomberg unless otherwise stated.*



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