

UOB Investment Insights

Quick Note

5 November 2020

US Presidential Election: No Clear Result Yet Despite Biden's Odds Rising

- The fight between incumbent President Donald Trump and Democrat candidate Joe Biden remains close as of this morning, with Biden in the lead with 264 electoral votes against Trump's 214 as of 5 November 2020 according to Bloomberg (0900H Singapore time).
- Not all votes have been fully counted, and the outcome is only likely to be known in the days ahead. Equity markets have generally reacted positively to the results so far.
- At the time of writing, the odds of Biden winning have risen. The Democrats are expected to keep a majority in the House, but it remains to be seen which party will win a majority in the Senate. Expect volatility and uncertainty ahead – ensure that you are adequately diversified.

The winner remains to be seen

- Americans and investors all round the world were looking forward to the highly-anticipated November 3 elections, but thus far, not all votes have been counted.
- At the time of writing, incumbent President Donald Trump has garnered 214 electoral votes, while rival Democrat candidate Joe Biden has garnered 264 according to Bloomberg.
- After President Trump defied consensus expectations by securing majority votes in key battleground states such as Texas and Florida, the odds of a Democrat landslide victory (also known as 'Blue Wave') has been reduced.
- As for Democrat candidate Biden, the count on 4 November indicated that he has managed to successfully flip the key battleground state of Arizona from the Republican party. As counting resumed on 4 November, Biden has also managed to narrowly secure the key states of **Wisconsin** and **Michigan**.
- Bloomberg projected Biden would win **Michigan** (which gives him a total of 264 out of 270 votes needed to win). Vote counting continues in the remaining vital battleground states of **Nevada** and **Pennsylvania**.
- Consequently, with Biden leading in electoral votes, his odds of winning the race for presidency have risen. The battle between both Republican and Democrat parties for the House and the Senate remains close.

What is possible next?

- The scenario of a Democrat sweep (Blue Wave) has been diminished. A likely scenario will be a Biden victory but a divided Congress. The Democrats are expected to keep a majority in the House, but it remains to be seen which party will win a majority in the Senate.
- It is entirely possible that recounts can take place, especially for states with very close results. This will add on to delays in terms of the wait for a conclusive result and outcome.
- Investors interested to know the possible market implications of various outcomes can refer to our **US Elections Special [PowerBar release](#)**.

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- Equity markets do not appear to be overly concerned about the results so far. On 4 November, Asian equities closed generally in the black. US markets also closed positively with NASDAQ making strong gains of 3.85%. The USD rallied initially when the gap between President Trump and Biden narrowed, but reversed when Biden took the lead. US Treasury yields rose to as high 0.94% before falling to 0.75%.

Figure 1: Market reactions

	Name	4 Nov 2020
US Equities	S&P 500 Index	2.20%
	NASDAQ Composite Index	3.85%
European Equities	STOXX Europe 600 Index	2.05%
	FTSE 100 Index	1.67%
Asian Equities	Nikkei 225 Index	1.72%
	Shanghai Composite	0.19%
	Straits Times Index	0.75%
US Government Bonds	US Generic Govt 2 Year Yield	-2.16 bps
	US Generic Govt 5 Year Yield	-6.82 bps
	US Generic Govt 10 Year Yield	-13.64 bps
Currencies	US Dollar Index Spot	-0.16%
	USD-JPY Cross-Rate	0.03%
	EUR-USD Cross-Rate	0.09%
	USD-CNY Cross-Rate	-0.38%

Source: Bloomberg, as at 0900H on 5 November 2020.

*Denotes futures price movements as markets have not yet opened at the time of writing.

Equities rallied, two-way bond yield movements, while USD strengthened

Equities: Global equities generally rose as markets did not appear overly concerned about the election results so far.

Government Bonds: Sovereign bond yields initially rose before declining during the European session.

Currencies: The USD rose across the board before reversing south, with the Dollar Index rising to a high of 94.0.

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What should investors do?

- **Avoid speculating on one single outcome.** As shared earlier, it is too early to jump to a conclusion or decisive outcome at this juncture. Greater clarity is likely in the days ahead.
- **Be prepared for uncertainty and volatility.** Market movements so far have been relatively sharp across asset classes. As markets reprice the odds of the various possible outcomes, more volatility could be at hand if unexpected developments occur. Own resilient assets such as Investment Grade bonds and global multi-asset solutions to weather this period of volatility.
- **Ensure adequate diversification in your portfolio.** This means having a sufficient mix of fixed income and equities in your portfolio in view of potential policy uncertainty if a change of government takes place.
- Please speak to your UOB advisor to determine the right solutions for you in light of the latest developments.

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



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