

Bull & Bear's

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Here are the issues that are likely to have the biggest impact

- Corporate Taxes
- Trade With China
- Infrastructure
- Financials
- HealthCare
- Energy and Climate

As we head into election day, investors are understandably wondering – and even anxious – about how the U.S. presidential election will affect the financial markets, note the editors of [Kiplinger's Personal Finance](#). It's important to remember that this year, especially, the election isn't the only market driver, or even the main one. "Clearly there's going to be a market impact from this election, but some of what impacts the market will be decided by a slew of other things beyond who's at the top of the ticket," says Ed Mills, a Washington policy analyst with investment firm Raymond James. "Where are we on the economy?"

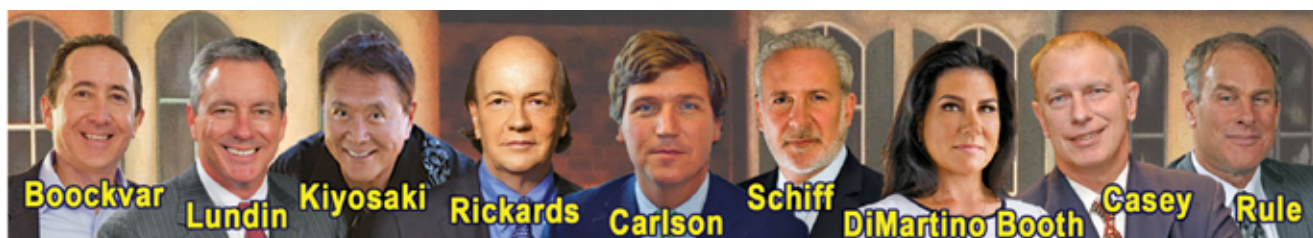
As the answers to those questions unfold, investors can at least look to history for some clues about the stock market. The four-year presidential market cycle is well known on Wall Street. During a presidential term, markets do best in the third and fourth years – elec-

tion year and the year preceding it. Politicians tackle unpleasant tasks – a rate or tax hike, say – early on but prime the pump as the election approaches.

Donald Trump's term has been anything but average. Trump years one and three (2017 and 2019) far outstripped the average price gain in the S&P 500 index for comparable years, going back to Franklin Roosevelt's term beginning in 1941 through Barack Obama's presidency, ending in 2016. Trump years two and four have underperformed the average.

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Where the Candidates Stand on Social Security and Medicare

Given that seniors are a large voting constituency, both President Donald Trump and former Vice President Joe Biden have resolved to protect Medicare and Social Security, note the editors of [Kiplinger's Personal Finance](#). Here's where the candidates stand on Social Security and Medicare.

Social Security. Biden proposes shoring up Social Security by increasing payroll taxes on high-income taxpayers. He would keep the current cap on payroll taxes, which is indexed to wage growth (in 2020, workers pay payroll taxes on earnings up to \$137,700), but would also apply the 12.4% tax – shared by workers and employers – on wages exceeding \$400,000.

But Biden wants to expand benefits, which could put more pressure on the program's finances. He wants to increase survivor benefits for low-income beneficiaries and gradually increase benefits for seniors starting at age 78. Seniors who are 82 would receive a 5% increase over their basic retirement payout.

Biden has also proposed changing the way the annual cost-of-living adjustment is calculated. He wants to use an index that places greater weight on items that account for a larger percentage of seniors' budgets, such as housing and health care.

Trump hasn't issued specific proposals to shore up Social Security, and critics say his proposed payroll tax cut to bolster the economy would further hurt the program. In the past, he has opposed proposals from fiscally conservative Republicans to curb spending on the programs. But as the budget deficit has grown



to more than \$1.8 trillion, he has indicated that changes to Social Security and Medicare could be on the table during a second term.

Medicare. Biden supports lowering the age of Medicare eligibility from 65 to 60. He has also called for repealing legislation that bars Medicare from negotiating drug prices with pharmaceutical manufacturers, which he says would lower drug prices. In addition, pharmaceuticals would be required to limit price increases for most prescription drugs to the rate of inflation in order to be eligible for coverage by Medicare. Biden also wants to allow U.S. citizens to purchase prescription drugs from other countries – where they're often cheaper – as long as the Department of Health and Human Services has determined they're safe.

If reelected, Trump is likely to continue to promote Medicare Advantage plans from private companies. The plans often offer lower premiums than traditional Medicare and cover dental, vision and other services. However,

they usually have a more limited network of providers than traditional Medicare, which can be a problem when beneficiaries develop serious illnesses, critics say. In an executive order issued last October, Trump directed the Department of Health and Human Services to take steps to ensure that traditional Medicare isn't "advantaged or promoted" over Medicare Advantage.

Trump has supported proposed legislation that would limit increases in Medicare prescription drug benefits to the rate of inflation and limit seniors' out-of-pocket drug costs to \$3,100 a year. He also wants to allow U.S. citizens to buy prescription drugs from outside the country. In December, his administration issued a proposed rule that would allow states and other entities to import prescription drugs from Canada, provided certain conditions are met.

Trump's 2021 budget proposes about \$500 billion in net spending cuts. Most of those would come from reducing payments to health care providers, not to beneficiaries.

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2020 Election: The Stock Market Reaction

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The question is whether the market's recent upward trajectory will continue long enough to bring this election year up to average or beyond.

Beware of conventional wisdom that says Wall Street favors business-friendly Republicans at the helm. Since 1928, annualized total returns for the S&P 500 have averaged 13.3% under Democrats, compared with 7.7% under Republicans, according to *InvesTech Research*.

Whoever wins will fill top positions at the Securities and Exchange Commission and the Federal Reserve, important decisions for financial markets. As for the candidates' policies, both party platforms remain sketchy on details in parts. A win by either side could mean different things for different portions of the market. Here are the issues that are likely to have the biggest impact.

- **Corporate Taxes.** In 2017, Trump (and a Republican-controlled Congress) cut corporate tax rates from 35% to 21%, spurring profits. If he wins a second term, corporate tax rates will stay the same and S&P 500 earnings could jump 30% in 2021 from 2020, say Credit Suisse analysts.

Biden would seek to raise the corporate tax rate to 28%, which could reduce earnings per share in the S&P 500 by 8% to 12% in 2021, according to estimates from Northern Trust. "Any tax increase is a negative for the markets, but it's part of a complicated ecosystem," says Northern Trust's chief investment officer, Katie Nixon. Biden might spur growth in certain sectors by spending the extra tax dollars on climate, health care and infrastructure initiatives, among others, which could offset the one-time hit of a higher corporate tax rate. And a Democratic administration would be more robust in fiscal stimulus spending to support the economy, says Mills at Raymond James.

Even so, the impact of any tax hike would vary

across sectors and even within them. The biggest winners of Trump's tax cut in 2017 – financials, consumer-oriented stocks and shares of communication services firms, which surged as earnings expectations rose – stand to get dinged if tax rates rise. At the other end, utilities and real estate firms benefited less from Trump's cuts, which bodes well for these sectors should Biden get his increase to 28%.

Biden has other tax changes on his wish list that could disproportionately hit information technology and health care stocks, says Ron Graziano, head of global accounting and tax research at Credit Suisse. Those changes including a doubling of tax rates, from 10.5% to 21%, that multinational companies pay on earnings from intellectual property held or used by foreign subsidiaries.

Altogether, Biden's tax proposals could weigh heavily on the stock market, given the hit to corporate profits. Firms with strong balance sheets that generate steady cash and profits "have a proven ability to manage, absorb and sidestep potential negative tax issues," says Graziano. High-quality companies such as **Home Depot** (NYSE: HD), **JPMorgan Chase** (NYSE: JPM) and **Nike** (NYSE: NKE) are examples. But Biden may have to wait on tax hikes. "With a soft economy, a big initiative on higher taxes is not how I anticipate things starting off," says Jonathan Golub, chief stock strategist at Credit Suisse.

- **Trade With China.** Everyone wants to level the playing field with China, safeguarding the intellectual property of U.S. companies and boosting competition between nations on manufacturing and trade. Trump has taken an us-against-them approach, levying tariffs, but Biden would likely use diplomatic and political pressure to take on China by forming a united front with Europe and Japan.

No matter the approach, the cold war is here to stay. "China wants to dominate global technology and we don't want them to," says Nixon. "There's no answer to that dilemma." Navigate the divide by making sure your portfolio has exposure to both China and U.S. stocks.

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• **Infrastructure.** Both sides agree that infrastructure spending is needed, and the passage of any plan would be a big win for industrials and materials companies, including **Caterpillar** (NYSE: CAT), **Vulcan Materials** (NYSE: VMC) and **U.S. Concrete** (Nasdaq: USCR).

But the parties disagree on how to pay for it. Trump's 2018 plan called for mostly private-sector funding. (He has a \$1 trillion plan in the works, but funding details are still unclear.) Biden's \$2 trillion plan would be federally funded, in part by higher corporate taxes.

Although repairing crumbling roads and bridges and investing in 5G wireless and rural broadband are on the to-do list of both sides, some of Biden's initiatives – increased mass transit and a high-speed rail network – tilt toward lowering our reliance on fossil fuels. Trump's first-term initiatives, on the other hand, have encouraged fossil-fuel production.

The biggest hurdle for infrastructure initiatives is timing, given the struggling economy. The impact on growth tends to be watered down if a program takes years to play out, says Wells Fargo Investment Institute market strategist Gary Schlossberg. Lawmakers may decide to focus on initiatives that produce instant economic results.

• **Financials.** A Trump win would mean a rally in financial stocks. His campaign website catalogs dozens of regulations eased or removed across sectors, including financials, since taking office. Some moves weakened large parts of the Dodd-Frank Wall Street reform law, enacted after the 2008 financial crisis. Trump, for instance, with bipartisan support, raised the asset threshold for banks that are exempt from some federal oversight – such as stress tests that can help determine whether a bank has the capital to withstand an economic or financial crisis – from \$50 billion to \$250 billion.

A Biden presidency would shore up the Dodd-Frank regulations again. But re-regulation isn't new regulation. Financial services firms have the architecture to adapt. They're "not starting from a

dead stop," says Nixon.

• **HealthCare.** Biden wants to expand coverage of the Affordable Care Act; Trump wants to abolish the health care law. Both positions create uncertainty that could weigh on health care stock prices.

One area of agreement: lowering drug prices. Trump proposed a rule last year to allow Americans to import some prescription drugs at lower prices from Canada. Biden supports lowering drug prices to match those of other nations, among other proposals.

Innovative drug and medical device stocks are less vulnerable to battles over the ACA and drug prices. You'll find examples in exchange-traded funds such as **iShares US Medical Devices** and **SPDR S&P Biotech**. Hospitals, big winners under the ACA, face the most risk with any uncertainty about the health care law.

• **Energy and Climate.** If reelected, Trump would continue to strip away energy regulations and encourage fossil-fuel production. That would lift the energy industry, hobbled this year after a dispute between Saudi Arabia and Russia over limiting oil supply coincided with a pandemic-related fall in demand.

A Biden administration would focus on clean energy and lower emissions standards, among other things, in the name of combating climate change. His \$2 trillion clean-energy and infrastructure plan hopes to achieve an emissions-free power sector by 2035 and invest in game-changing clean-energy technologies. That bodes well for green investing strategies, particularly in renewable energy.

Editor's Note: Sandra Block, Lisa Gerstner, Nellie S. Huang and Anne Smith contributed to this story. For more on this and similar money topics, visit Kiplinger's *Personal Finance* magazine, www.Kiplinger.com.



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Potential Election Outcomes

TD Ameritrade offered the following interesting prediction for investments based on four potential outcomes of the election, observed value investor George C. Fisher, publisher of *Guiding Mast Investments*, a monthly investment newsletter, visit www.GuidingMastInvestments.com.

1. Joe Biden wins the presidency, but the Senate stays Republican. A lame duck executive. It would be very hard for Biden to get anything through. The divisions within government right now, between Republicans

and Democrats, is at a fever pitch. So unlikely to see any bipartisan support. You might see a bit of infrastructure. Net-net, you get a lame duck session. Positive for markets, cynically speaking, because you do not see any policy risk, and therefore we just kind of truck on.

2. Joe Biden wins the presidency, and the Senate goes Democrat. This is where you are going to have tremendous policy uncertainty. Negative side, higher corporate tax rates. Certainly, higher taxes for higher income

earning individuals. Biden has talked about restricting, if not banning, fracking on public lands. And there is a risk that you are going to see much more regulation within financial services, and so a myriad of negatives on that side.

On the positive side, from a market perspective, big infrastructure spends. Biden is talked about decarbonizing the electric grid by 2035. Now that is probably a bit ambitious. But major investments in green energy industries.

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Which is Better for the Stock Market – a Democrat or Republican President?

Which is Better for the Stock Market – a Democrat or Republican President? This is a hotly debated topic, and the answer is...It depends, says James Stack, editor of [InvesTech Research](#) newsletter.

The reason this response is so nebulous is that by carefully selecting the period to be studied, the results can be (and often are) subject to manipulation. When InvesTech Research was started in 1980, it was widely recognized that the market flourished under Democratic Presidents far more than under Republicans (see Chart 1 below).

From 1928 to 1980, the average annualized return when a Democrat held the Presidential office was more than four times greater than under Republican Presidents: 12.0% to 2.6%. This was purportedly because Democrats favored higher government spending, which stimulated the economy.

Then by 1992, after 12 years of superlative stock market performance under Ronald Reagan (R) and George Bush, Sr. (R), the tables had shifted. If one is selective in choosing the starting point (e.g., 1952), it could be argued that the stock market showed a slight preference for Republican Presi-

dents (see chart below).

Which brings us to today...

After the “irrational exuberance” of the 1990s under President Clinton (D), and the unfortunate aftermath of two valuation bubbles (stocks in 2000 and housing in 2007) under President Bush (R), the performance pendulum had swung back in favor of Democrats.

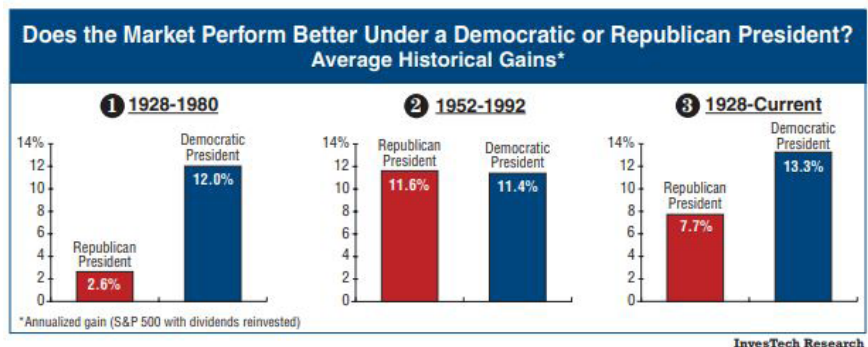
Over the past decade, President Obama (D) presided over 8 years of stock market recovery coming off the most oversold level in 75 years, and President Trump’s 4-year Republican administration has extended that rally.

As a result, the total market performance from 1928 until today, which is shown in Chart 3, has improved for Republican Presidents, but still favors Democratic Presidencies by nearly a 2:1

margin.

Yet, the more one analyzes history and the factors underlying these statistics, the less important they seem. The argument that Wall Street prefers one party over the other can be made either way depending on the time frame studied. As shown over the last decade, the stock market can perform well regardless of which party occupies the White House.

Editor’s Note: [Stack Financial Management](#) of Whitefish, Montana was recently named to *Barron’s* 2020 list of the “Top 100 Independent Financial Advisors” in the United States. Stack Financial Management is an investment and wealth advisory firm, with over \$1.4 billion under management for individuals, was founded in 1994 by James Stack, who also publishes the highly-regarded *InvesTech Research* newsletter which maintains over 100 years of financial and historical market data. For more information visit www.InvesTech.com.



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And so, companies that have gearing or exposure that do very, very well.

As well on the health care front, there is two phases. There is an expansion of ACA. That is probably good for health care providers. However, if Biden goes to health care for all or Medicare for All, which some of the progressive wing of the Democratic party wants, it would be quite negative.

And finally, I think pharma needs to be watched as limits on drug pricing could come in, which would be negative for pharma companies. So, a real kind of smorgasbord of winners and losers if you see a blue sweep across both the executive and the House and Congress.

3. President Trump wins, the Senate stays Republican. We are going to have a similar situation that we have today. Trump's policy has been limited policy. Probably another round of tax cuts, and then likely more removal of US government in many areas. You just see basically a state that does not do a whole lot, with less regulation. From the market's perspective, probably stronger US dollar. In the bond market, I think you see longer term treasury selloff a bit. Likely modestly beneficial for stocks, but I do not think that bump would be sustained. I think it is more – as we started this conversation, more a sense of policy continuity, whatever the policy is. And the markets will grind higher, but not see a major material move.

4. Contested election. Yeah, definitely worst-case outcome for markets. Tons of uncertainty could drag on for weeks. In 2000, the markets sold off 8% when that happened. We would expect anywhere from a 5% to 15% selloff if the markets tried to deal with uncertainty with neither candidate conceding. So definitely, the worst-case outcome for financial markets.

George Fisher on what to do now? "The

current level of short-term and long-term investor anxiety is from A) the upcoming election and B) economic impact of the COVID pandemic. With one of these to be resolved (most likely) over the next 30-45 days, making speculative bets right now is just that – speculation. I have a few outstanding orders to nibble on a selected preferreds and value stocks, but at much lower prices.

"Make sure you have sufficient cash to not only protect your assets against a market downdraft but also to take advantage of opportunities a market decline will create. Establishing trailing stops could be an effective means of riding the market higher while protecting some position profits if/when markets decline," says Fisher.

Editor's Note: *Guiding Mast Investments* newsletter focuses on equities exhibiting the best current longer-term value while minimizing risk by offering mainly dividend paying stocks and an easy tool to determine investment quality. *Guiding Mast Investments* offers both a monthly newsletter and multi-part financial and portfolio education training with the advantage of personal communication. Topics include Assessing Personal Risk, Asset Classification and Diversification, Equity Research, Value Fundamentals, and Portfolio Implementation. For more information visit www.GuidingMastInvestments.com.



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Five Ways the U.S. Elections Could Affect Equity Markets

(Reuters) – The upcoming U.S. presidential election will likely be an important catalyst for stock market moves in coming months as investors gauge the probabilities of a contested vote and the policies a potential winner would enact.

Democratic nominee Joe Biden is ahead in national polls and in betting markets the former vice president is favored to win with an average 59% likelihood, according to RealClearPolitics.

Here are five issues in Washington that investors say will be important for asset prices.

1) An orderly election – Republican President Donald Trump has questioned the validity of mail-in votes, raising concerns that the results of one or more states will be decided in the courts.

Trump again declined to commit to accepting the results during the first presidential debate, repeating his unfounded complaint that mail-in ballots would lead to election fraud. That has bolstered the case for investor betting on markets staying volatile well after Election Day on Nov. 3.

“People would like to have certainty as soon as possible which way it’s going to move forward,” said Esty Dwek, head of global market strategy at Natixis Investment Managers.

A report from BNP Paribas estimated the chances of a contested election result stand at between 7% and 10%, while assigning only a 1% chance to the possibility of a constitutional crisis that the Supreme Court is unable to avert.

2) Tax rates – Fears of rising tax rates under a Biden administration could hit the large technology stocks that have led the market rally this year if investors seek to book gains before the increase takes place, said Eddie Perkin, chief equity investment officer at Eaton Vance.

At the same time, companies could look to issue special onetime dividends to return cash to shareholders before income taxes rise.

“In a normal year you see tax-loss harvesting. This might be a year of tax-gain harvesting,” Perkin said.

Hedge fund manager J. Daniel Platts, who runs Voce Capital Management, expressed concern that higher tax rates would squash economic growth and eat into companies’ after-tax net income, making “an already expensive market appear even pricier.”

“This is simply not the time to engage in such experiments with the economy reeling and the

outlook so uncertain,” he said.

Analysts at Goldman Sachs take a more sanguine view, forecasting that Biden’s plan would likely shave just 4% from the S&P 500’s expected earnings by 2024.

3) U.S.-China tensions – A second Trump term would likely see the president continue confronting China through higher tariffs and restrictions on trade and investment, analysts at Moody’s Analytics wrote.

They assign a 40% probability to Biden gaining the presidency with a Republican Senate and Democratic House, compared with a 35% chance of Trump getting re-elected with the same combination.

Some investors believe Biden’s policies toward China are unlikely to substantially differ from Trump’s.

“There’s a perception that Biden would be better on China, but he could just be different. You wouldn’t have the tweets (from Trump), but you would have a Western coalition trying to manage the rise of China,” said Dwek.

4) Coronavirus response – U.S. deaths linked to the coronavirus are now above 206,000, by far the highest number of any country, according to a Reuters tally.

Trump has said that a vaccine against the virus would be ready in record time, perhaps before the election, raising questions about whether political pressure might result in the deployment of a vaccine before it is safe.

Analysts at Societe Generale put the chances of a coronavirus treatment or vaccine coming sometime in the next three months at around 15%, while reducing the probability of renewed lockdowns to 20% from 30%.

5) Additional fiscal stimulus – The recent death of Supreme Court Justice Ruth Bader Ginsburg has dimmed hopes of Congress passing an economic stimulus bill before the November election, another factor that has weighed on stocks during a volatile September.

Moody’s Analytics believes the economy would return to full employment in the second half of 2022 under Biden compared to the first half of 2024 during a second Trump term, largely because of the challenger’s more expansive fiscal policies.

Editor’s Note: Reuters reporting by David Randall with additional reporting by Svea Herbst-Bayliss; editing by Jonathan Oatis and Nick Zieminski.

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Will the U.S. Election Cycle Theory Hold Up?

The final years of a presidential term – the third and fourth – have frequently been blessed by prosperity and bull markets. This has been especially true of the third year – [Money Reporter](#), a publication of MPL Communications.

Amid all the worries and concerns about the global economy and corporate profits, some market pundits predict that share prices will finish the year higher than they were at the start of 2020 (see below). Usually such pundits rely on economic and corporate-profit data to make their predictions. But a popular stock-market theory also suggests that 2020 will be an up year – at least for the US market, that is. We're talking about the presidential election cycle theory.

At first glance this theory might seem like one of those silly indicators such as the Super Bowl Indicator. But there's data to suggest the presidential election cycle indicator has some substance to it. And it's arguable that its success can at least be attributed to rational explanations.

The indicator goes like this: During the first two years of a president's term in office, markets tend to be relatively weak. Presidents spend less time on the economy and more time on pursuing their favourite policy proposals and satisfying the special interest groups who helped get them elected.

Run-Up to the Election is Good for Stocks

The final years of a presidential term – the third and fourth – have frequently been blessed by prosperity and bull markets. This has been especially true of third, or pre-election, years, but not so much fourth, or election, years.

A study by Charles Schwab in 2016 found that in the 65 years ended 2015, the average gains during presidential cycles were as follows: year one, 6.5 per cent; year two, 7.0 per cent; year three, 16.4 per cent; and year four, 6.6 per cent. These numbers support the notion of a strong third year, but not so much the fourth year, which comes out slightly ahead of the first year and behind the second year.

There are several suggested reasons for why the presidential election cycle indicator works. For one, incumbent administrations have a strong motivation to do everything in their power to improve the

economy close to election time. Similarly, opposition candidates make all sorts of vote-getting promises.

Consequently, markets tend to be buoyed by optimism. After the election, however, euphoria is replaced by reality. Election promises fail to materialize and pessimism returns.

While the presidential election indicator has some rational basis for its track record, we suggest caution whenever you assess recurring market patterns like these. That's especially the case this year, what with the coronavirus and an unpredictable president in office. Recurring market patterns may make useful pointers, but they're no substitute for a long-term investment plan. And the key to long-term investing consists of creating and maintaining a balanced, diversified portfolio, not acting on short-term portents.

So, What Do the Market Pundits Say?

Most strategists think the S&P 500 will end the year down from where it was at the start of the year. According to the CNBC Market Strategist Survey of 16 analysts, the index has an average year-end target of 3,088. That's down 5.2 per cent from where it began the year.

Some analysts, however, are more optimistic. The highest target is 3,435. That works out to a 5.5-per-cent gain for the year. The lowest target is 2,800, down 14.0 per cent from the beginning of the year.

Editor's Note: This is an edited version of an article that appeared in the *Money Reporter*, a publication of Toronto-based MPL Communications. Every two weeks, the *Money Reporter* updates subscribers on the latest developments in every area of income investment – preferred shares, debentures, bonds, Dividend Re-Investment Plans, the best Canadian stocks for conservative investors and much more. The *Money Reporter* is also Canada's leading source of advice on income trusts. The monthly Income Trust Guide provides in-depth analysis and timely reports with specific buy/sell recommendations. Call 1-800-804-8846 for a Special Offer – a six month trial for only \$37 + tax or for more information, please visit the website, www.adviceforinvestors.com.

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Biden Basket vs Trump Trade: Picking a Presidential Stock Portfolio

(Reuters) – The Nov. 3 presidential election between President Donald Trump and former Vice President Joe Biden could have dramatic effects across markets, and investors are already trying to identify potential winners and losers.

Broadly speaking, analysts say Biden's plan to raise corporate taxes could pressure company earnings. But they expect him to support infrastructure projects and renewable energy.

A second Trump term, meanwhile, may bring more tax cuts and extend de-regulation that could benefit the energy and financial sectors, while risking continued tensions with China.

With the Senate majority also at stake, the election could allow one party to control the presidency and Congress, making it easier to enact legislation such as the additional fiscal stimulus currently being held up in a political standoff.

Here is a look at stocks that might fit best in a Biden or Trump portfolio:

Biden Basket

- **Alternative Energy:** A stronger expected "green energy" push under a Biden administration could support alternative energy stocks. For example, tax credit extensions would provide a boost for solar stocks such as **Sunnova Energy International** (NYSE: NOVA), **SunPower Corp** (Nasdaq: SPWR) and **Enphase Energy** (Nasdaq: ENPH), according to Credit Suisse.

- **Electric Vehicles:** **Tesla** (Nasdaq: TSLA) shares already have had a mammoth run during the Trump administration, but some believe a Biden presidency could further fuel the electric vehicle company's shares.

"Biden has proposed new tax incentives, government purchases, and other measures to benefit EVs in particular," CFRA analyst Garrett Nelson said in a report.

Other potential winners from a Biden victory

would be auto suppliers focused on electrification and green, emission-free technologies, such as **Apptiv** (NYSE: APTV), **BorgWarner** (NYSE: BWA) and **Visteon** (Nasdaq: VC), Nelson wrote.

- **Infrastructure:** A large infrastructure spending package "may be an early priority for a Biden administration as it seeks a bipartisan win," according to Ryan Detrick, chief market strategist at LPL Financial.

Biden's plan would boost a broad group of engineering and construction companies, with **AECOM**, **Jacobs Engineering Group** (NYSE: J) and **MasTec** (NYSE: MTZ) among the biggest beneficiaries, according to Citi analyst Andrew Kaplowitz.

- **Tariff Trade:** A Biden administration could see a calming of the U.S.-China tariff war. "Should trade policy be less-focused on the use of tariffs, both importers and exporters may benefit," according to David Joy, chief market strategist at Ameriprise Financial.

JP Morgan in a July report listed **Procter & Gamble** (NYSE: PG), **Thermo Fisher** (NYSE: TMO) and **3M Co** (NYSE: MMM) among a number of stocks that could outperform should a Biden presidency lead to a "de-escalation" in U.S.-China tariff tensions.

Trump Trade

- **Tax Relief:** A Biden loss could spell additional relief for companies that benefited from the president's corporate tax cuts.

In its July report, JP Morgan listed **AT&T** (NYSE: T), **Target** (NYSE: TGT) and **Waste Management** (NYSE: WM) among companies that benefited from Trump's Tax Cuts and Jobs Act that could underperform in a Biden presidency.

- **Banks:** Along with higher corporate taxes, banks could face concerns over more regulations under a Biden administration, particularly if a progressive such as Sen. Elizabeth Warren takes a high-profile role.

Analysts at Keefe, Bruyette & Woods say a Trump win with Republicans retaining the Senate is the best election scenario for banks, noting "the Republican agenda of reduced regulation remains intact." Stocks to own in that scenario include **Wells Fargo** (NYSE: WFC) and **Citigroup** (NYSE: C), KBW wrote.

- **Defense:** Trump would probably "succeed in maintaining large defense spending, despite a Democratic House, given the reality of great power struggle with China and Russia," BCAResearch strategists said in a recent report.

- **Fossil Fuel Companies:** "Support for energy companies and specifically fossil fuels appears to be an ongoing objective for Trump," according to LPL's Detrick. He added that most companies in this sector, excluding those in renewable energy, will likely benefit from a Trump victory.

Reuters reporting by Lewis Krauskopf; Editing by Ira Iosebashvili and Dan Grebler.



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Trump or Biden?

Both to Provide Substantial Tailwinds for the Long Gold Trade – TD Securities

According to TD Securities, whether U.S. President Donald Trump or Democratic candidate Joe Biden wins the election, gold will be all set to rise higher, notes Anna Golubova, [Kitco News](#).

“With the Trump and Biden agendas estimated to cost between nearly \$5.0 trillion and \$5.6 trillion over the next decade, both would provide substantial tailwinds for the long gold trade,” TD Securities commodity strategists write.

“Barring a split government outcome, both administrations are likely to push through a large-scale fiscal deal in no time that would help debottleneck the real rate suppression, lifting precious metals in the process.”

We are seeing risk assets firming amid some hope around stimulus talks.

“House Speaker Pelosi signaled a willingness to provide airline relief as a piecemeal deal, rather than a comprehensive fiscal stimulus package. While tailwinds of the last fiscal deal are fading, raising concerns that the U.S. may lose economic momentum before a new fiscal deal is agreed upon, gold bugs may not need to look too far on the horizon to expect a large-scale deal.”

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