

# focus



Although not said with the same conviction as the former *The Apprentice* star, it appears President Trump will likely be removed from office. But, in the highest turnout election since 1900, the results were closer than betting odds and many polls predicted. It's been a roller-coaster few days, with both parties claiming victory and President Trump spreading (or more accurately, tweeting) accusations of voter fraud.

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**When will we know?**

By the time you read this, the final results may be in. At the time of writing we're still waiting on firm results out of Pennsylvania, Arizona, Nevada and Georgia as "absentee" votes continue to be counted.

Even once the numbers are in, between lawsuits and tweets, we don't expect Trump to go down without a fight. With a number of tightly contested states, we could see recounts and lawsuits drawing out the process. Any disputes need to be settled by the "safe harbour" deadline of December 8. After this, on December 14, Electors of the Electoral College will cast ballots for president and vice president. The winning candidate will then be sworn in as the next President of the United States in January.

**No Blue Wave**

It also appears the Senate results have confounded pollsters and gamblers. As expected, Democrats have retained control of the House of Representatives, but, against predictions, the Republicans look to have held the majority in the Senate (albeit there is still a low risk we won't know for sure until January). The Democrats look to have fallen short of securing a "Blue Wave", sweeping the Presidency, Senate and House of Representatives, which would have provided a platform for significant policy reform.

**What would a split government mean?**

Under a split government, we expect Republicans will block many Democrat proposals (for the next two years at least). In two years' time, voters will have another opportunity to unite Congress.



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Senators serve six year terms, with elections for a third of the Senate are held every two years. So in two years there'll be another election for a third of the Senate, as well as the House of Representatives, where all seats are up for election every two years.

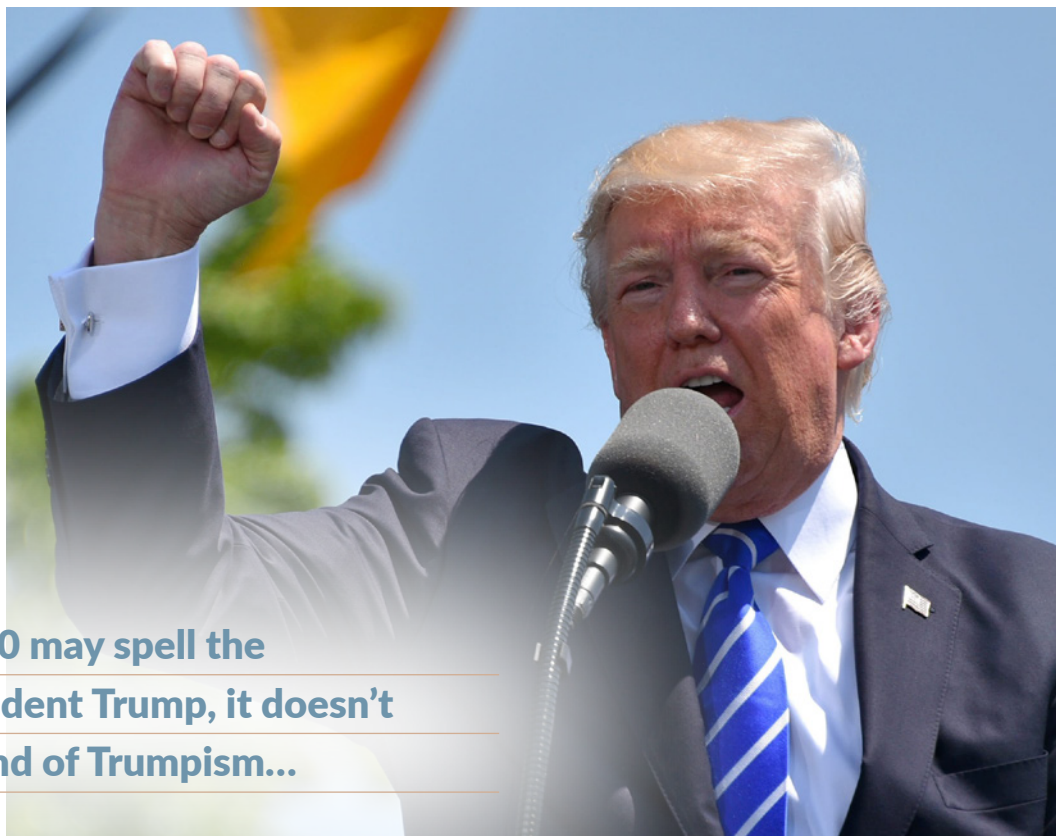
A phrase often thrown around by investors is "markets don't like uncertainty". It has surprised many then that equity markets have responded positively to the US election despite not knowing the result for certain. It appears markets are happy to look through the short-term turbulence and reflect on what a President Biden with a Republican-dominated Senate may mean for businesses.

A Republican Senate would acutely limit Biden's policy agenda including reducing the likelihood of

higher corporate taxes and greater regulation on the likes of the tech and healthcare industries. It also means government fiscal stimulus is likely to be lower, requiring more of the support for the economy to come from the Federal Reserve (the US central bank).

Lower interest rates for even longer and more "quantitative easing" (literally digitally printing money) is positive for the valuation of long-term growth stocks (including Big Tech) which dominate the US market. Less fiscal stimulus support is a headwind for more cyclical companies whose earnings are tied to economic activity.

More broadly, many countries may be breathing a collective sigh of relief. We expect a much calmer approach to international relations, with



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Biden looking to rekindle relationships with allies. On China, we don't expect a materially different approach, with tariffs and the embargo on Huawei to remain in place. But risk of a further escalation in tensions may be less.

While 2020 may spell the end of President Trump, it doesn't mean the end of Trumpism, populism and divisiveness in US politics. The US remains deeply partisan, with each side highly distrustful of the other's agenda. Although Joe Biden is seen by some as a "consensus builder", achieving meaningful reform that will address the causes of this divide will be highly challenging. We do expect US politics will be less hot-blooded under a Biden Presidency, but tension will remain, simmering beneath the surface and likely rise again in the years ahead. It will remain an issue investors need to navigate.



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