

# How markets are positioning for the US Presidential Elections

DIGITAL ENGAGEMENT TEAM

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## TRADING MATTERS SERIES: NEWS FOCUS

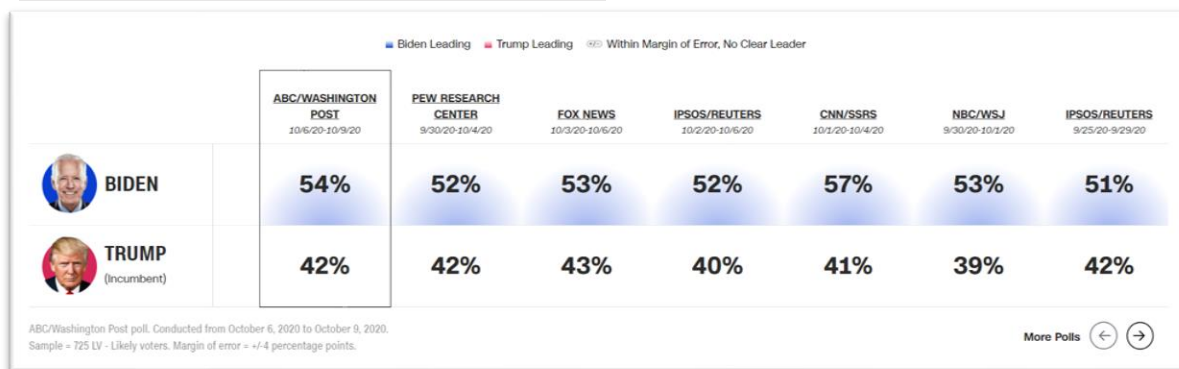
*The summary and impact of a major news event*

### What you need to know about the US Presidential Elections

#### What is happening?

The **2020 United States presidential election** will take place on November 3, 2020. It will be the 59th quadrennial presidential election, where Republican President Donald Trump will be challenged by Democrat Joe Biden, a former Vice President to former President Obama. Along with the presidential election, one-third of the Senate, and the entire House will also be up for election.

#### What do the polls currently suggest?



Source: CNN

According to the latest polls, President Trump is trailing Joe Biden with less than a month to go before election day.

#### What can we expect in terms of impact on the US stock market?

Different sectors stand to win or lose due to major policy differences between Trump and Biden. Here are some sectors to watch:

- Oil & Gas
- Financials
- IT
- Infrastructure
- Clean Energy
- Healthcare

#### What can we expect in terms of the impact on the rest of the world?

Market volatility has steadily been rising ahead of the November elections, seen in indicators such as the Cboe Volatility Index. Investors are divided on how to interpret possible shifts in policy, but are watching closely in areas regarding trade and relations with China and the rest of the world.

## Oil & Gas

Joe Biden's environmental policy against climate change contrasts against the incumbent President Trump's pro-access agenda. Oil & Gas drilling activity, new development opportunities on federal land and in federal waters, and changes to carbon tax policies and incentives are areas that could affect this sector this election.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
Exxon Mobil (XOM US)	144.69 Billion	34.22	45.41	32.70%	10.17%
Chevron Corp (CVX US)	141.30 Billion	73.4	97.36	32.64%	7.03%
ConocoPhillips (COP US)	37.41 Billion	34.88	49.42	41.69%	4.93%

## Financials

The Trump administration's push toward deregulation and proposal to lower capital-gains and dividends taxes faces off against Joe Biden's promise to reinstate Dodd-Frank era financial reforms, policies he himself championed as part of the Obama administration.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
JP Morgan (JPM US)	307.14 Billion	100.78	115.09	14.19%	3.57%
Bank of America (BAC US)	216.17 Billion	24.95	28.02	12.30%	2.89%
Citigroup (C US)	90.94 Billion	43.68	64.26	47.12%	4.67%

Note: Statistics for Market Cap, Last Done Price, Analysts Fair Valuation, Upside/Downside from Analysts Consensus, Dividend Indicated Yields are as of 13<sup>th</sup> October 2020 closing

## Information Technology

A recently released Democratic Congressional Staff Report covering antitrust laws and enforcement recommendations against Big Tech highlights how the sector could be affected by a Biden victory and Democratic sweep of the House and the Senate. Any new U.S. law governing online data would not only raise companies' costs, but more importantly shape expansion efforts and future competition.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
Facebook (FB US)	786.67 Billion	276.14	294.49	6.65%	N/A
Amazon (AMZN US)	1,724.88 Billion	3443.63	3718.74	7.99%	N/A
Alphabet (GOOGL US)	1,067.51 Billion	1567.07	1763.46	12.53%	N/A

Note: Statistics for Market Cap, Last Done Price, Analysts Fair Valuation, Upside/Downside from Analysts Consensus, Dividend Indicated Yields are as of 13<sup>th</sup> October 2020 closing

## Infrastructure

A Joe Biden victory brings with it a proposed US\$2 trillion infrastructure plan targeting everything from roads to water systems and electricity grids. Engineering, construction and building material stocks stand to gain from any such bill. Infrastructure spending largely enjoys bipartisan support, and President Trump had previously focused on this sector during his campaign as well.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
Martin Marietta Materials (MLM US)	16.25 Billion	261.02	256.80	-1.62%	0.87%
MasTec Inc (MTZ US)	3.52 Billion	47.75	54.82	14.80%	N/A
Valmont Industries (VMI US)	2.94 Billion	137.8	143.50	4.14%	1.31%

## Clean Energy

Research by Bloomberg highlights that renewable energy sources could save over US\$10 billion in taxes a year if the Clean Energy for America Act (S.1288) introduced by House Democrats is adopted. With Biden's infrastructure plan also more green-oriented vs Trump's traditional roads and bridges, the sector is one to watch this election.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
Brookfield Renewable Partners LP (BEP US)	16.83 Billion	53.78	47.80	-11.12%	3.23%
Cheniere Energy (LNG US)	12.58 Billion	49.86	65.58	31.53%	N/A
First Solar (FSLR US)	8.79 Billion	82.93	71.76	-13.47%	N/A

Note: Statistics for Market Cap, Last Done Price, Analysts Fair Valuation, Upside/Downside from Analysts Consensus, Dividend Indicated Yields are as of 13<sup>th</sup> October 2020 closing

## Healthcare

The Affordable Care Act (ACA) was the largest overhaul of US healthcare in decades, and places Democrat Joe Biden firmly at odds against Republican President Trump. With Joe Biden pushing for a moderate expansion of Medicare eligibility, but Trump promising to abolish and replace the ACA altogether, this sector is shaping up to be a key battleground this elections. Policy differences, insurance subsidies, and antitrust enforcement aimed at lowering drug prices are other areas to look out for.

Name	Market Cap (in USD)	Last Done Price	Analysts Fair Valuation (12 Month Target)	Upside/Downside from Analysts Consensus	Dividend Indicated Yield
United Health Group (UNH US)	314.96 Billion	331.42	350.85	5.86%	1.51%
CVS Health Corp (CVS US)	77.37 Billion	59.12	79.80	34.98%	3.38%
Johnson & Johnson (JNJ US)	390.61 Billion	148.36	164.63	10.97%	2.72%

Note: Statistics for Market Cap, Last Done Price, Analysts Fair Valuation, Upside/Downside from Analysts Consensus, Dividend Indicated Yields are as of 13<sup>th</sup> October 2020 closing

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