

US Midterm Election: How would it affect the markets?

DIGITAL ENGAGEMENT TEAM

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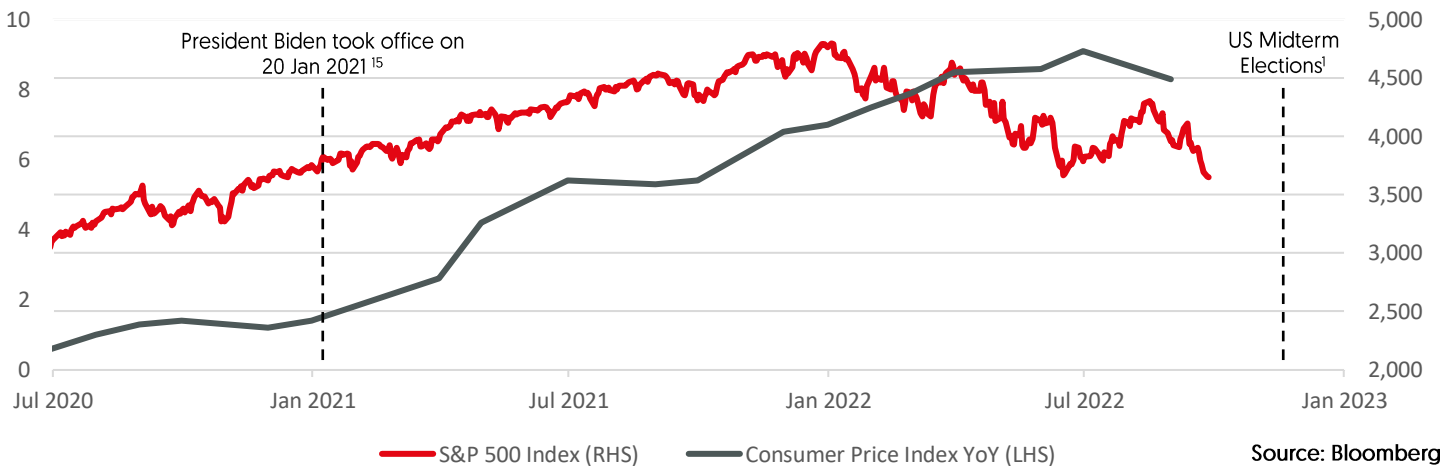
TRADING MATTERS SERIES: NEWS FOCUS

The summary and impact of a major news event

What is it about?

The US Midterm Elections, or the general election at the midpoint of a president's four-year term of office, will be held on 08 Nov 2022.^{1,2} At stake is the US Congress, represented by 535 lawmakers (Democratic or Republican) and made up of two chambers – the Senate (100 seats) and the House of Representatives (435 seats).² The upcoming elections will determine which political party controls the Congress to enact laws.³ Once the midterm elections end, all eyes will then turn to the 2024 presidential election.¹

US stock market and inflation since President Joe Biden took office



What if Democrats win the race?

In the 2020 Elections, the Democrats gained a majority in the House of Representatives.⁴ Democrat voters remain energized for this midterm elections, but inflation has now become a key concern for voters and financial markets alike, with US inflation for August 2022 at 8.3%.^{5,6} Attention has turned to recent legislations supported by the Biden administration such as the Inflation Reduction Act, the Chips and Science Act and the Bipartisan Infrastructure Bill which may cool consumer prices over the short term and attract investment over the long term.⁷ The Inflation Reduction Act in particular, a US\$430B bill seen as the biggest climate change package in US history,¹⁶ serves as an opportunity for Democrats to tout drug price caps, electric vehicle grants and a minimum corporate tax.⁸ The Biden administration has also unveiled a roadmap to clean up emissions from air travel, laying out production targets and climate goals in a way that builds on the aviation sector's emissions-cutting efforts centered around new aircraft technology.⁹

What if Republicans win the race?

Historical data shows that the party in power typically loses House seats during the first four-year term of a new president.^{10,13} Republicans are expected to gain votes, setting up a scenario favoured by many investors¹¹ as it would split the legislative branch of government¹² currently also controlled by President Joe Biden's Democratic Party.¹¹ With China controlling most of the US supply chain, Republicans plan to modernise outdated regulations to expand American manufacturing, strengthen supply chains and end the dependence on China for critical goods.¹⁴ Republicans have also signaled a focus on increasing fossil fuel production in 2023 with the promise to maximise production of reliable American-made energy and halve the permitting process time, reducing US dependence on the fossil fuel on other foreign countries.¹⁴

United States

Below are some of the largest **Electric Vehicle** companies based on Market Cap listed in the United States

Tesla Inc (TSLA US)

- Tesla recalls nearly 1.1 million US vehicles to update window reversing software [Reuters, 23 Sep 2022]
- Joe Biden's Climate Bill has the US battery industry revved up [Bloomberg, 23 Sep 2022]
- Tesla battery fire at PG&E site shuts iconic California highway [Bloomberg, 21 Sep 2022]
- Tesla says China sales channel expansion is proceeding at a normal pace [Reuters, 19 Sep 2022]

Market Cap [USD]	886.58 Billion
Current Price	282.94
Analysts' 12M Target Price	301.58
Upside/Downside from Analyst Consensus [%]	6.59%
Indicated Yield	N/A

Rivian Automotive Inc (RIVN US)

- Sterling Infrastructure unit secured a US\$45M site development contract for Rivian Automotive's new electric vehicle facility in Georgia [MT Newswires, 22 Sep 2022]
- Rivian Automotive's planned joint venture with Mercedes-Benz to make electric vans is a smart strategic move by the former to penetrate Europe while ramping production of its Electric Delivery Vehicle platform amid strong demand [MT Newswires, 13 Sep 2022]

Market Cap [USD]	30.96 Billion
Current Price	33.79
Analysts' 12M Target Price	50.00
Upside/Downside from Analyst Consensus [%]	47.97%
Indicated Yield	N/A

Lucid Motors Inc (LCID US)

- Luxury electric vehicle maker Lucid is constructing a factory in Saudi Arabia which eventually aims to build up to 150,000 electric vehicles a year [Reuters, 06 Sep 2022]
- Lucid Group filed a shelf registration statement for the potential sale of up to US\$8B of its securities [MT Newswires, 30 Aug 2022]

Market Cap [USD]	24.18 Billion
Current Price	14.41
Analysts' 12M Target Price	23.83
Upside/Downside from Analyst Consensus [%]	65.39%
Indicated Yield	N/A

Fisker Inc (FSR US)

- Fisker to sell electric SUV in India with a view to local production [Reuters, 24 Sep 2022]
- Fisker's production of the Fisker Ocean electric vehicle may increase in 2024 beyond the current production of 50,000 per year due to an increase in demand [MT Newswires, 19 Aug 2022]

Market Cap [USD]	2.38 Billion
Current Price	7.98
Analysts' 12M Target Price	15.50
Upside/Downside from Analyst Consensus [%]	94.24%
Indicated Yield	N/A

United States

Below are some of the largest **Aircraft Manufacturing** companies based on Market Cap listed in the United States

Lockheed Martin Corp (LMT US)

- Lockheed Martin and other US defense-related shares advanced after Russian President Vladimir Putin warned the West that he was serious when he said he would be willing to deploy nuclear weapons to defend his country [MT Newswires, 21 Sep 2022]
- The Swiss parliament gave final approval to buy 36 Lockheed Martin F-35A Lightning II fighter jets, pressing ahead without waiting for a referendum on the US\$5.5B deal [Reuters, 15 Sep 2022]

Market Cap [USD]	105.99 Billion
Current Price	399.74
Analysts' 12M Target Price	457.58
Upside/Downside from Analyst Consensus [%]	14.47%
Indicated Yield	2.80%

Boeing Co (BA US)

- Boeing to pay US\$200M to settle SEC investigation related to 737 MAX crashes [The Wall Street Journal, 24 Sep 2022]
- Boeing and Red 6 will work together to develop aerial dogfighting technology and fighter pilot training using augmented reality [MT Newswires, 21 Sep 2022]
- China's aviation regulator held a meeting with Boeing about the return of the 737 MAX to China [Reuters, 20 Sep 2022]

Market Cap [USD]	75.72 Billion
Current Price	127.51
Analysts' 12M Target Price	217.05
Upside/Downside from Analyst Consensus [%]	70.22%
Indicated Yield	N/A

Eve Air Mobility (EVEX US)

- Eve shares surged after the company secured a US\$15M investment for its Eve Air Mobility unit from United Airlines and signed a deal to sell electric aircraft to the airline [MT Newswires, 10 Sep 2022]
- Eve will conduct an urban air mobility simulation in Chicago, Illinois with the use of helicopters powered by Blade Air Mobility [MT Newswires, 23 Aug 2022]

Market Cap [USD]	2.65 Billion
Current Price	10.02
Analysts' 12M Target Price	12.00
Upside/Downside from Analyst Consensus [%]	19.76%
Indicated Yield	N/A

Joby Aviation Inc (JOBY US)

- Joby Aviation net loss narrows in 2022 Q2 and lowers 2022 spending guidance [MT Newswires, 12 Aug 2022]

Market Cap [USD]	2.95 Billion
Current Price	4.86
Analysts' 12M Target Price	8.60
Upside/Downside from Analyst Consensus [%]	76.95%
Indicated Yield	N/A

United States

Below are some of the largest **Oil & Gas** companies based on Market Cap listed in the United States

Exxon Mobil Corp (XOM)

- Exxon Mobil temporarily halted maintenance at an East Texas oil drilling facility after a fatality, which was at least the second death this year of a contractor at one of its Texas production sites [The Business Times, 24 Sep 2022]
- ExxonMobil is gradually shutting down its 235,000 barrel per day Fos-Sur-Mer refinery in France as a result of ongoing strike action [Reuters, 22 Sep 2022]

Market Cap [USD]	357.33 Billion
Current Price	85.74
Analysts' 12M Target Price	105.40
Upside/Downside from Analyst Consensus [%]	22.93%
Indicated Yield	4.11%

Chevron Corp (CVX US)

- Oil stocks were down after the West Texas Intermediate crude fell below US\$80 per barrel [MT Newswires, 23 Sep 2022]
- The partners in the Aphrodite gas field in Cypriot waters have approved a US\$192M investment to begin drilling and to cover other development costs for the offshore project. Chevron has a 35% share [Reuters, 18 Sep 2022]
- Chevron Australia affiliate is part of three joint ventures that were granted an interest in three greenhouse gas assessment permits offshore Australia [MT Newswires, 09 Sep 2022]

Market Cap [USD]	276.04 Billion
Current Price	141.02
Analysts' 12M Target Price	179.52
Upside/Downside from Analyst Consensus [%]	27.30%
Indicated Yield	4.03%

ConocoPhillips Co (COP US)

- ConocoPhillips are among the 26 companies that applied for production licenses with Norway's Ministry of Petroleum and Energy [MT Newswires, 13 Aug 2022]
- ConocoPhillips and JERA are working together to develop a hydrogen production plant in the US to supply zero-carbon fuels to the US, Europe, Japan, and greater Asia, the Japanese utility company [MT Newswires, 06 Sep 2022]

Market Cap [USD]	125.72 Billion
Current Price	98.76
Analysts' 12M Target Price	124.59
Upside/Downside from Analyst Consensus [%]	26.16%
Indicated Yield	1.86%

Duke Energy Corp (DUK US)

- Duke Energy unit has requested the Public Service Commission of South Carolina to review its proposed rate increases over two years as it continues to invest in the Pee Dee region of the state [MT Newswires, 02 Sep 2022]
- Duke Energy and Ford Motor plan to expand vehicle-to-grid charging using the new F-150 Lightning electric truck's rugged batteries as a workhorse at home and on the electric grid [MT Newswires, 16 Aug 2022]

Market Cap [USD]	75.71 Billion
Current Price	98.32
Analysts' 12M Target Price	113.82
Upside/Downside from Analyst Consensus [%]	15.77%
Indicated Yield	4.09%

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