

## ***Biden Presidency is the Best Outcome for the Market*** **Monday, 9/11/2020**



*Jeremy Schwartz, Global Head of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.*

Last week's Behind the Markets podcast reflected on the market environment following the election and what lessons can be learned from the polls that were conducted ahead of the election.

The current election call is Biden wins the Presidency, while Republicans retain control of the Senate, and this divided government is the ultimate best case for the equity markets to Professor Siegel.

A radical left agenda is off the table and, most importantly, the negatives for the equity markets—higher corporate taxes and a hike in capital gains taxes—are off the table while Republicans keep the Senate. Biden is apt to lower uncertainty around global trade dynamics and Professor Siegel believes Biden will reach out and collaborate with Mitch McConnell in the Senate better than Trump did. So, this outcome was very positive for equities.

The Senate is still not a 100% lock for the Republicans—there is going to be a run-off for two seats. On Friday, the odds markets put it at just under 80% the Republicans keep the Senate and that potentially Republicans keep both Senate seats, if not 1 of the 2 that will be decided in the January 5th run-off.

In another read of the election outcome, in which Republicans picked up 10 seats in the House and kept the Senate, the electorate voted to ensure there would be no radical changes in policy with no Green New Deal, no Medicare for all, and no big tax hike. But the electorate also wanted some peace and quiet with no tweets at 3 am.

Importantly, for the re-opening of the economy, Professor Siegel thinks we will have positive developments in vaccines over the coming weeks. Siegel believes this latest surge in the virus is going to be the 'last surge' and that we'll have a stronger economy in 2021.

While everyone was focused on the election on Friday, we had a blockbuster employment report with private payrolls coming in 300,000 better than expected and an unemployment rate that ticked down to 6.9%. While this is still high, employment is trending well.

Where did pollsters go wrong?

Most pollsters expected a 'blue wave' with even further gains than Biden looks to have won by. We talked about the challenges of polling with pollster John Zogby. One of the challenges is how 2/3 of people would answer phone calls and take surveys back in 1980s. That number has declined to 15% today and is likely to continue falling. So, getting the right sample for polls is getting increasingly complex.

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