

## **The week ahead: US election: A changing of the guard**

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After a tumultuous election process in the United States, Democrat Joe Biden has been chosen by the American people to succeed Donald J. Trump as the 46<sup>th</sup> President. Biden has already begun preparing for his term which will begin 20 January 2021. So what does the changing of the guard mean?

President-elect Biden is expected to take a series of measures in the first 100 days of his term.

### **First, he plans to effectively re-open the US economy.**

He has taken an important step in this direction by establishing a Public Health Advisory Committee. He also plans to reverse America's exit from the World Health Organization. As part of his "Build Back Better" initiative, he plans to boost infrastructure to the tune of USD 700 billion and to "mobilize American ingenuity to build a modern infrastructure and an equitable, clean energy future." These funds are likely to be focused on old infrastructure such as bridges, data centers, decarbonization and renewable energy. Another USD 2 trillion package earmarked for a "clean air revolution" aims to make the economy net zero emission by 2050.

### **Biden also plans to re-establish US alliances.**

America's international diplomacy under President Trump has been badly shaken. Biden will work to reverse this by repairing relations with NATO, rejoining the Paris Climate Accord, and strengthening relations with China.

On the home front, Biden plans a bipartisan commission to review the judiciary and encourage less incarceration. He has reached across the aisle before and has intimated that he will work with Senate Majority Leader Mitch McConnell to produce results.

The important point from a European point of view is that the status quo returns to some extent. However, the President is by definition especially sensitive to Trump voters that changed side given his narrow margin of victory.

### **What does it mean?**

A change of administration is likely quite good news for investments in Chinese equities and fixed income as the unpredictability disappears and the CNY most likely has a tendency to appreciate. Although the status quo remains, to some extent, the President-elect is quite sensitive to the 70 million voters who preferred Trump. This suggests pressure on China, and to a lesser extent Russia, could intensify, though not one tweet at a time. As the Renminbi is extremely weak, the odds are that China will let it appreciate to avoid coordinated retaliations.

We remain focused on a China-led rebound spreading to Asia Pacific with a focus on the middle class and the IT sector. One should note though that the positive impact on new energy and emerging technologies is likely to be considerable as it will be supported by the initiatives of the EU and US. We are also cognizant that some of these fiscal measures will be a challenge to pass with a Republican Senate.

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