

# Markets rally, pivoting to the prospect of a Biden presidency and a GOP Senate

By: Eric Stein, CFA | November 4, 2020

**Boston** - Much like what we saw during the 2016 US presidential election and the initial Brexit vote in the UK, financial markets had to quickly adjust their outlook to the message delivered by voters, though the surprise last night was a much smaller one.

Markets had been anticipating a Blue Wave that would capture the White House and Senate — a scenario that entailed more stimulus from Washington, and corresponding upward pressure on US Treasury yields. Instead, the market now appears to be expecting a Biden win coupled with continued GOP control of the Senate. This was reflected in falling Treasury yields this morning, with the 10-year 14 basis points lower, as the potential for a very large fiscal stimulus package has been greatly reduced.

The equity markets are viewing the prospect of divided government favorably. Tech stocks are leading today's rally, apparently believing that a Biden presidency will have less geopolitical risk and uncertainty, while a Republican Senate lowers the probability of higher taxes.

The prospect for the US dollar is a little less clear — it had strengthened last night when President Trump won Ohio and, presumably, reelection. But as the picture shifted back toward Biden, the dollar weakened. One view is that a friendlier Biden foreign policy towards Asia would be a boon for Asian currencies and equities.

**Bottom line:** It's fair to say that the financial markets have reacted well to the US presidential election — thus far, there doesn't appear to be much concern over delays and legal battles that may ensue in the current environment. But one relatively safe prediction is that the longer the outcome remains unsettled, the more volatility we may be likely to experience in the markets.

Picture of  
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