How the Election Could Affect Fixed Income Markets

Although bipartisanship is possible in a few areas, the impact of the November election will be felt in a wide range of policy areas, including income taxes, health care, infrastructure and education finance. For certain sectors of the fixed income market, the implications could be consequential.

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2020 ELECTION SCORECARD: Fixed Income

ISSUE	IF THEY WIN ...	POSSIBLE IMPLICATIONS
Taxes	**Republicans** Huge deficits or no, U.S. tax rates likely stay the same **Democrats:** Some likelihood of higher rates	**Corporate Bonds:** Current low-rate tax regime has aided corporate profitability; higher rates may have a negative impact **Munis:** Current tax rates favorable for demand; higher rates could potentially make munis even more attractive
Health Care	**Republicans:** Likely changes to Affordable Care Act (ACA), although overall plan is unclear **Democrats:** Possible restoration of prior ACA features and expansion of coverage **Bipartisan Bonus:** Efforts to keep drug price increases in check	**Leveraged Credit/Corporate Bonds:** Drug-price focus may be a negative for pharma issuers; health-care providers and tech firms may be more favorably positioned **Munis:** Enhanced coverage under ACA could potentially benefit hospitals, health-care systems
Infrastructure	**Republicans:** Possible refocus on infrastructure legislation **Democrats:** Increased spending, including a significant green energy component **Bipartisan Bonus:** Both parties likely to come to some agreement on increased spending	**Leveraged Credit:** Infrastructure companies may be more favorably positioned whoever wins; green infrastructure could benefit under Democrats **Munis:** More spending likely means more muni bond issuance, though market appears capable of absorbing new supply
Education Finance	**Republicans:** Little prospective change in policy **Democrats:** Potential increase in refinancing of FFELP (Federal Family Education Loan) student loans into Federal Direct Loans; possible loan modifications based on financial need	**Asset-Backed Securities (ABS):** Refinancing, modification plans may potentially create both prepayment and extension risks for parts of the student loan ABS market

Talk to your financial professional about your long-term financial goals and how to best navigate market ups and downs during and after Election

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How the Election Could Affect Equity Markets

Though no clear historical pattern indicates how markets will perform after the November election, the outcome could affect corporate taxes, regulation and infrastructure spending. Health care and "Big Tech" could receive special attention, and developments affecting growth, value and income investing also bear watching.

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2020 ELECTION SCORECARD: Equities

EQUITY SEGMENT	WHAT OUR EXPERTS ARE WATCHING	POSSIBLE IMPLICATIONS
Innovation Growth	▪ Pace of U.S. rebound from deep COVID-led recession ▪ Rapid adoption of work-from-home (WFH) products, services, and technologies	▪ Possible short-term shift to cyclical stocks with a Republican victory ▪ Continued intermediate- and long-term strength in Innovation paced by WFH companies
Durable Growth	▪ Developments in U.S. tax policy ▪ Increased scrutiny of "Big Tech" ▪ U.S. relationship with China ▪ Potential healthcare, infrastructure, education finance initiatives	▪ Less favorable backdrop for certain healthcare services companies ▪ Potential headwinds for banks with exposure to student lending
Health Care	▪ Funding for any significant changes to U.S. healthcare system ▪ Affordability for consumers ▪ Level of consumer access to features of new or amended plans	▪ More favorable view of biotechnology and tools/diagnostics ▪ Neutral on medical devices ▪ More challenging environment for healthcare providers/services, and pharmaceuticals
Dividend	▪ Potential for rollback of corporate tax break from 2017 tax reform bill ▪ Infrastructure initiatives ▪ Developments in U.S.-China relationship ▪ Healthcare and environmental legislation	▪ Scrutiny of companies that may face potential challenges to profitability given election developments ▪ Focus on quality companies with favorable long-term earnings and dividend payment histories
Value	▪ In a Republican victory, status quo for lower corporate tax rates from 2017 and a continued emphasis on deregulation ▪ If the Democrats win, expanded health care coverage, increased corporate taxes, and heavier regulation	▪ Focus on post-election positioning of financials, materials, and energy ▪ Selective approach to health care, especially names that could potentially benefit from greater consumer access to insurance and those that may face challenges from greater government role in the market

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