

## Joe's stock market is very green

Green stocks and infrastructure to be promoted if the Democrats win

by **Gabriele Petrucciani**

Infrastructure and, above all, green stocks. These sectors could benefit more than most if Democratic candidate Joe Biden (right now the favourite over Donald Trump) makes it to the White House, especially if the Democrats also take control of the Senate. Luca Riboldi, CIO of Banor Sim, is convinced of it. He points out that "green" stocks have been on a roll for the last six months, "as if Biden had already won the election". But the Banor Sim expert also advises caution towards the technology sector, "especially in view of the Democratic drive to raise corporation taxes".

### Overview

In this final push for the White House, Biden is currently 17 points ahead of Trump. This is the outcome of an Opinion and Guardian poll, with 57% of respondents supporting the former vice president and 40% siding with the current president. That gap is slightly wider than the one reported by CNN, with Biden at 57% and Trump at 41%, which, should it remain until the election, could result in a double win for the Democrats, both in the House and the Senate. Riboldi adds, "This is what the markets are counting on, as witnessed not only by the green tide, but also by a weakening dollar and rising rates in 30-year treasury bonds since last July". That said, however, Riboldi urges caution because the polls should not be given full credence. "In 2016, Hillary Clinton was also ahead of Trump, but in the end the tycoon pipped her at the post, winning the state of Pennsylvania by a margin of just 44,000 votes", and delivering an epic fail for the pollsters. "In our opinion, a Biden victory is very likely," adds the Banor Sim analyst, "but there is still a high risk of a head-to-head, also as a result of the mail-in ballots already coming in. The outcome could be an unclear victory for either side. And this would create strong tensions".

### The after effects

"A total victory for the Democrats, with a Presidency, House and Senate triple score, would mean pursuing a series of policies that go against what the Republicans have done in recent years. We would expect pressure from the left of the party to reduce the inequalities of the American system", argues Riboldi. "A Democratic victory will mean more welfare and education for all, and therefore an increase in government spending, funded by higher business taxes", but it will also involve a plan for the Federal Reserve to buy government bonds. And then there's the whole issue of infrastructure and sustainability, which is very dear to Biden – as evidenced by his \$2 trillion super plan for clean energy and the climate crisis.

### Watch out for tech

"But we are convinced that, regardless of who wins the Senate, the green issue will go ahead anyway, as will the corporation tax increases, which would have a very strong impact, especially on the technology sector," says Riboldi. In particular (*in addition to a corporation tax increase from 21% to 28% – editor's note*), the Biden administration intends to increase GILTI (Global Intangible Low-taxed Income), a tax on corporate profits generated outside the United States, which would rise from the current 11% to 21%. Information technology is the sector that would be hit hardest by

such a move, assuming Biden wins the election. Although he is behind in the polls, Trump is in fact working hard on tactics, especially with regard to the new fiscal stimulus package, which could be approved near the elections with a bigger budget than that voted by the Democrats. And who knows if, as in 2016, he won't edge his way to victory at the last minute.

**The markets at the ballot box**

The possible effects of the US elections

	<b>Trump President</b>	<b>Biden President</b>
<b>Democratic Senate</b>	Stable dollar Rates slightly higher Positive actions	Negative actions (purchase option?) Rates higher Weak dollar
<b>Republican Senate</b>	Strong dollar Rates stable/ falling Positive actions (defence, energy, finance)	Substantial stability

**Analysis** Luca Riboldi,  
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