

2020 U.S. ELECTIONS – PART 2

REIMAGINING THE INVESTMENT LANDSCAPE



Webinar Summary



ED CAMPBELL, CFA
Managing Director &
Portfolio Manager,
QMA



NATHAN SHEETS, PHD
Chief Economist, Head of Global
Macroeconomic Research,
PGIM Fixed Income



KATHARINE NEISS, PHD
Principal and Chief
European Economist,
PGIM Fixed Income



STEPHANIE FLANDERS
Head of Bloomberg
Economics
(Moderator)

It wasn't necessarily pretty but the US election is, by most accounts, over. On the heels of our day-after webinar where we looked at the outcome and some potential implications, PGIM experts have extended the discussion to take a deeper dive into what the results mean for financial markets, fiscal and monetary policy, and trade. Following are a few highlights of the webinar, which can be watched in its entirety [here](#).

- **Bridging the gap to a vaccine:** The re-opening of the world's economies will ultimately depend on the success of a COVID-19 vaccine, but more fiscal stimulus remains vital in bridging the gap until we get there. In the absence of the "blue wave" scenario, where stimulus in the range of \$2-3 trillion was envisioned, a package of \$1 trillion is still possible. While the risk of "stimulus fatigue" among some politicians is real - particularly in light of positive vaccine news and ballooning government debt - the lack of stimulus over the next several months could usher in difficult times for both financial markets and many individuals and families.
 - **Where will the stimulus go?:** The ideal scenario would include aid for states and local governments, for small businesses to address the damage done in that sector, and for further expansion of unemployment benefits. The economic impact of the pandemic has fallen disproportionately on those in lower-income households, and directing assistance there not only helps that group but is an added benefit for the economy as that money would be spent.
 - **Stocks still look relatively good:** Equities appear expensive on an absolute basis but in a world of very low rates and an environment where the global economy continues to recover, they remain an attractive option. Third-quarter earnings came in better than expected and the 2020 shortfall in corporate profits is likely to be smaller than projected when the pandemic started. The downside risk to equities is the possibility of a double-dip recession, perhaps if a vaccine is further off than expected or if there are challenges in production and distribution.
 - **China, trade and tariffs:** It's unlikely that President-elect Biden will take the same approach to China as did President Trump, and the likelihood of an escalation of the trade war is low. The new administration will be tough on China, but in a more multilateral way, particularly with allies in Europe, who would welcome the chance to work with the US to gain more access to the Chinese market. The US is likely to rely less on tariffs, but not propose an immediate rollback.
 - **If inflation jumps, it's probably temporary:** The low-inflation environment of the past decade or so is likely to remain in place, reflecting structural factors like aging demographics, higher debt levels and the impact of automation. One short-term risk to that outlook, however, would be temporary production bottlenecks as economies move back to their full potential. While that could lead to supply shortages and upward pressure on inflation, it would likely be a short-lived spike.
- To see all of PGIM's election coverage, including our November 4 discussion with PGIM CEO David Hunt and Eurasia Group founder Ian Bremmer, visit our [2020 US Elections page](#).

For Professional Investors only. All investments involve risk, including the possible loss of capital.

These materials represent the views, opinions and recommendations of the author(s) regarding the economic conditions, asset classes, securities, issuers or financial instruments referenced herein, and are subject to change without notice. The information contained herein is provided by PGIM, Inc., the principal asset management business of Prudential Financial, Inc. (PFI), and an investment adviser registered with the US Securities and Exchange Commission. Registration with the SEC does not imply a certain level of skill or training.

In the United Kingdom and various European Economic Area jurisdictions, information is issued by PGIM Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR. PGIM Limited is authorised and regulated by the Financial Conduct Authority of the United Kingdom (registration number 193418) and duly passported in various jurisdictions in the EEA. These materials are issued by PGIM Limited to persons who are professional clients or eligible counterparties as defined in Directive 2014/65/EU (MiFID II), investing for their own account, for fund of funds, or discretionary clients. In certain countries in Asia, information is presented by PGIM (Singapore) Pte. Ltd., a Singapore investment manager registered with and licensed by the Monetary Authority of Singapore. In Japan, information is presented by PGIM Japan Co. Ltd., registered investment adviser with the Japanese Financial Services Agency. In South Korea, information is issued by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean qualified institutional investors on a cross-border basis. In Hong Kong, information is provided by PGIM (Hong Kong) Limited, a regulated entity with the Securities & Futures Commission in Hong Kong to professional investors as defined in Section 1 of Part 1 of Schedule 1 (paragraph (a) to (i) of the Securities and Futures Ordinance (Cap.571). In Australia, this information is presented by PGIM (Australia) Pty Ltd. ("PGIM Australia") for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). PGIM Australia is a representative of PGIM Limited, which is exempt from the requirement to hold an Australian Financial Services License under the Australian Corporations Act 2001 in respect of financial services. PGIM Limited is exempt by virtue of its regulation by the Financial Conduct Authority (Reg: 193418) under the laws of the United Kingdom and the application of ASIC Class Order 03/1099. The laws of the United Kingdom differ from Australian laws.

Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom.

©2020 PFI and its related entities. PGIM, the PGIM logo, the Rock symbol, are service marks of Prudential Financial Inc., and its related entities, registered in many jurisdictions worldwide.