



Monthly Market Update

October - November 2020

The U.S. elections have recently concluded with a win for the Democrats. How will the Biden victory affect the stock market? In this market update, we'll discuss the possible implications of the U.S. presidential election and its results on your investments.

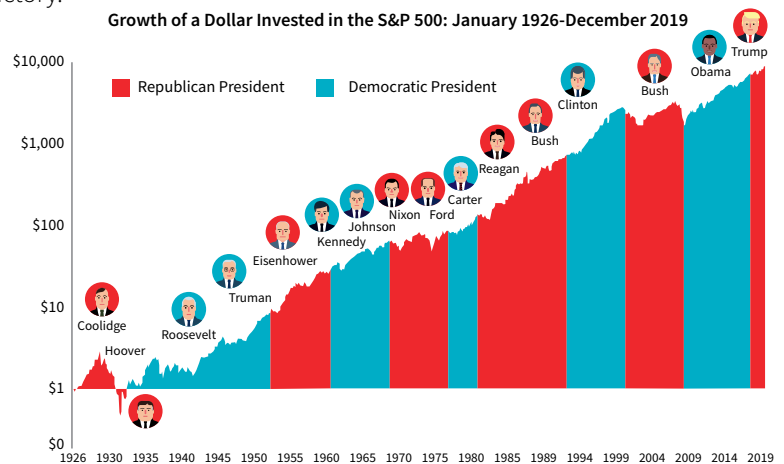


U.S. elections and markets

You may have seen all the headlines pointing out the volatility in the U.S. stock market leading up to the elections. Market volatility or wide price fluctuations in the months before an election is typical as markets tend to dislike uncertainty of any kind. While stock prices quickly go up and down, it doesn't necessarily mean that dark days are ahead for your investments. In fact, the U.S. stock market saw a gain of 5.2% in the first five days following U.S. President-elect Biden's victory.

However, you should not focus on the returns leading up to an election or even the short-term effects after. When investing, you should look at markets from the long-term perspective.

Historically, the returns of the S&P 500 index, a stock market index measuring the performance of 500 large U.S. companies, tend to trend upwards in the long term despite varying degrees of returns during different presidential terms.



The possible implications of the Biden victory

Aside from the presidency, the seats in the U.S. Senate and Congress are also up for grabs in this election. Majority of the seats in the House of Representatives or Congress were won by the Democrats. The Senate election, on the other hand, is still currently in a neck-and-neck race.

Let's take a look at what a Biden presidency could mean for the market:



Fiscal spending

- Fiscal spending, or government spending, provides liquidity to markets amidst the large economic downturn.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act will expire by the end 2020. A second fiscal stimulus is very important to aid the U.S. economy.
- President-elect Biden plans to aggressively spend more to support those affected by the crisis.



Taxation

- President-elect Biden aims to increase corporate tax rates from 21% to 28%.
- The market rally or consistent increase in stock prices we saw from Trump's previous tax cuts might be reversed once the tax is hiked.
- Take note that this policy will have to pass the Senate, where the opposition may be present.



Response to COVID-19

- President-elect Biden plans to mount an effective crisis response, elevating the voices of scientists and public health experts.
- This may mean increased restrictions (slows down economy), which is why more fiscal stimulus is also important.



Trade

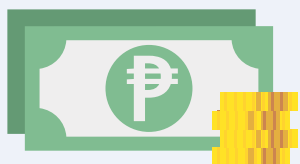
- Though not exactly pro-China, president-elect Biden is much more open when it comes to US-China relations than Trump.
- Recall the 2018 trade war that triggered corrections in stock markets?
- Imagine the reverse as these relationships starts to mend back again.

Our recommendations

Biden's fiscal stance and approach to COVID-19 should be beneficial to funds with U.S. equity exposure such as Global Advantage Fund and Global Dynamic Allocation Fund: Growth and Multi-Asset. This is because of the higher fiscal and monetary support to U.S. consumers. However, Biden's plans for taxation may also negatively affect the funds mentioned.

It is still best to continue practicing cautious optimism in investing. Always refer to your long-term goal when making decisions about your investments. Ride out short-term drops by having a diversified asset allocation or putting your funds in different assets. To achieve this, the following are our suggestions:

For PHP investors



We encourage you to top up on your account value.

- We recommend **Wealth Equity Fund**, as the portion of your investment that will help with long-term growth potential.
- **Wealth Bond Fund** can be the portion of your investment that protects your capital from market drops.

For USD investors



If you are able to invest in USD, we encourage you to top up on either:

- **Global Advantage Fund.** While this tech-focused index has reached its all-time high, don't put all your eggs in one basket and take caution in case a sell-off or sale of assets suddenly happens.
- **Global Dynamic Allocation Fund: Multi-Asset.** This is for a balanced investment in safety assets through the bond exposure and growth assets through the equity exposure.

Call your AXA financial partner for a more in-depth discussion on how you can apply these recommendations.

Sources for information and data

Sources:

<https://www.ubs.com/global/en/wealth-management/chief-investment-office/market-insights/regional-outlook/us-elections/2020/election-impact-on-investments.html>
<https://www.spglobal.com/ratings/en/research/articles/201019-economic-research-u-s-election-promises-policy-and-the-potential-effects-on-the-economy-and-corporate-cre-11699276>
<https://www.kiplinger.com/investing/stocks/601629/how-presidential-elections-affect-the-stock-market>
<https://www.forbes.com/sites/kristinmckenna/2020/08/18/heres-how-the-stock-market-has-performed-before-during-and-after-presidential-elections/#5eb997564f86>

Disclaimer: All information and opinions provided are of a general nature and are for information purposes only. These information and any opinions herein are based upon sources believed to be reliable. AXA Philippines, Metrobank, PSBank, its officers and directors make no representations or warranty, express or implied, with respect to the correctness, completeness of the information and opinions in this document. Investment or participation in the Fund is subject to risk and possible loss of principal. Please carefully read the policy and endorsements and consider the investment objectives, risks, charges and expenses before investing. You should seek professional advice from your financial, tax, accounting or legal consultant before buying. **Past performance is not indicative of future performance.**