






Market outlook– U.S. presidential election

Democratic sweep? The potential implications for equity markets

A Democratic sweep–broad market considerations

- _ Policy status quo is typically the least impactful to broader markets. This election brings three plausible outcomes, a Democratic sweep; a gridlock scenario, Democratic control of congress and a Donald Trump reelection; or the status quo.
- _ A Democratic sweep poses the largest potential policy shifts and therefore this paper will largely focus on the potential market implications of this scenario.
- _ Below, we highlight the potential impact on equity markets under a “Democratic Sweep” scenario – Joe Biden wins and Democrats take the Senate. We then dive deeper into possible ramifications for real asset classes, specifically infrastructure, real estate, and commodities.

Joe Biden	<ul style="list-style-type: none"> _ Clean energy policy, immigration and tax reform expected to be a key focus _ Potential for healthcare overhaul and expanding Obamacare. _ Military spending cuts, higher corporate taxes, policy for low income communities
Donald Trump	<ul style="list-style-type: none"> _ Expect pro-growth, pro-business agenda to remain _ Low taxes and relaxed regulation to support business and consumer activity _ Continued protectionist policies, geopolitical uncertainty, and strict immigration policy

Joe Biden – Political Agenda		–	+/=
	Tax Policy could dampen corporate earnings; may not pass if Democrats fail to take Senate.	Financials, Cyclicals	Staples, REITs, Telecom
	Restrictive Regulatory Policy could hurt energy sector for project permits and drilling.	Energy, Technology	Utilities
	Income Inequality initiatives for affordable housing, lending, and minimum wage.	Consumer Discretionary	Retailers
	COVID-19 may amplify Healthcare Reform through new public insurance options.	Hospitals, Pharmaceuticals	Managed Care, Medical Devices
	Reduce carbon emissions and modernize economy through Infrastructure Spending .	Energy (oil & gas)	Renewables, Industrials

Source: DWS Group, Bloomberg. August 2020.

Global infrastructure–U.S. election impact

We believe the upcoming U.S. presidential election could potentially create uncertainty and a long-lasting impact on infrastructure investors and citizens. Stable, “pure-play” infrastructure companies that own physical economic assets may prove to be winners over the long-term.

Joe Biden – Democrat

- _ “Clean Energy” a key campaign pillar to produce jobs that combat climate change.
- _ Expedite transition to low-carbon vehicles; tax incentives; \$5 billion in battery and energy storage technology over 5 years.
- _ Biden could enforce higher corporate taxes in '22; a “Carbon tax” could pose risks for energy sector.
- _ Plan to go Carbon-free by 2035; promote state and private sector collaboration for renewables.
- _ Reduce emissions through public transit, electric car acceptance, modernize electric grid systems.

Donald Trump – Republican

- _ Energy policy supportive of existing energy landscape; more gradual transition to clean energy.
- _ Unlikely to see roll back of tax cuts; we do not expect changes to corporate taxes in either '21 or '22.
- _ Less regulation and environmental protection policy compared to Biden.
- _ We anticipate Trump to offer more friendly policies towards fracking and to also open federal land for new drilling projects; Democrats look to be more supportive of ending new federal and offshore drilling.

A Democratic sweep?

Potential Impact on Infrastructure Investing



Energy & Utilities: Potentially good for electric utilities, dry-gas midstream, and gas transmission pipelines; likely increases risks for gas utilities and oil pipelines; goal for 100% zero emissions by 2050; enhance power grid to distribute clean energy.



Transportation: Repair roads with \$50 billion in first year; expedite permitting; broad electric vehicle usage; could provide opportunity for private investment in these roads.



Water: Invest in energy efficient technology and replace old pipes where every citizen has clean drinking water; this could boost growth rates of U.S. water utilities.



Communications: Aim to provide broadband internet to every household; \$20 billion investment in rural infrastructure; creates new opportunities to boost growth for U.S. tower companies.

Global real estate–U.S. election impact

Over the coming months and years, the impact of the 2020 election on U.S. real estate will likely hinge on two main factors – the impact on economic growth and the impact of policies on property types and regions.

Joe Biden – Democrat

- _ We believe listed real estate should remain mostly insulated from the election, though Biden announced potential policy that could impact certain property types and regions.
- _ Proposed policy that could eliminate a tax-deferral program (i.e. 1031 exchange) where companies benefit from lower taxes when disposing of an asset and using equity to acquire new property.
- _ In general, we expect minimal impact on the real estate market, though potential risks include slowing transaction volumes, pressure on asset values, and higher taxes on property dispositions.

Donald Trump – Republican

- _ Economic impact from tax and regulatory relief may support demand for real estate.
- _ Stricter immigration policies may weigh on residential and student housing demand, especially in larger gateway cities.
- _ Reduced trade could dampen warehouse demand in major ports (Los Angeles, Seattle, Oakland, New York, Houston, and Miami) if not offset by higher demand.
- _ Lower capital gains and income taxes may prove beneficial for REIT investors overall.

A Democratic sweep?

Potential Impact on Real Estate Investing



Residential: We anticipate minimal impact on the apartment sector. However, immigration reform and subsidized college expenses may prove supportive of demand for apartments and student housing.



Office & Industrial: A Biden win may weigh on the banking industry which could dampen office demand in financial districts. Industrial may benefit if tensions with China ease which could help economic activity and increase demand for industrial space.



Healthcare: We would view a Democrat sweep as negative, though the degree of the impact will likely vary. Any significant movement away from private pay towards Medicare/Medicaid rates could test profitability and solvency for many skilled nursing facilities and hospitals.



Retail: A higher minimum wage may help support retail sales, but, in general, the election is unlikely to have a direct or meaningful impact on retail and mall property owners.



Other: Data Centers and Cell Towers should continue to benefit from long-term secular tailwinds and are likely to see minimal impact from the election outcome. The elimination of the aforementioned 1031 exchange could weigh on smaller-cap net lease properties where asset exchanges are commonplace.

Commodities–U.S. election impact

We expect fundamentals to drive performance as external factors subside. Assuming a Democratic sweep, we highlight potential considerations within the commodities and natural resource equities market.

Joe Biden – Democrat

- _ The election has the potential to elevate equity market volatility, which could provide a boost for gold prices in an already favorable backdrop of low bond yields and loose monetary policy.
- _ Potential for sweeping changes to domestic and international energy policy that could hamper U.S. oil and gas production growth.
- _ However, rising deficits and very easy monetary policy may put pressure on the U.S. dollar which could support oil prices.
- _ Carbon emissions appear likely to have a greater influence on any new agriculture related policies.
- _ Infrastructure projects to promote alternative energy sources could create greater consumption of copper and nickel.

Donald Trump – Republican

- _ Geopolitical and trade tension may detract from cyclical commodities, such as base metals.
- _ Energy policy supportive of existing landscape; more gradual transition to clean energy.
- _ Less regulation on U.S. drilling should provide support across the energy complex value chain.
- _ Unlikely to impose major energy policy changes, but may tighten U.S. oil exports.
- _ Pro-growth agenda supported by streamlined project permitting for new projects, thus faster realization of cash flows.
- _ Trump administration has close ties with major oil producers globally which could prove advantageous in the current climate.

A Democratic sweep?

Potential Impact on Commodities Investing



Metals & Mining: Given the historically uncorrelated nature to equity markets, precious metals are likely beneficiaries of a Biden sweep, supporting commodity prices as well as mining stocks. Conversely, industrial metals may lag precious metals though may see increased demand from advancing technology.



Energy: The trajectory of oil prices remains uncertain, though a Biden win may initially be perceived negative for oil and energy-related equities given the clean energy agenda and potential changes to the Iran deal.



Agriculture: Under a Biden administration, we expect continued funding programs to support farm businesses, though the focus may shift towards small and medium sized farms. Regardless of the election outcome, agriculture commodities may be likely to remain under pressure.

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