

Biden Wins - Economic View

[Soft Music]

[Avery Shenfeld, Chief Economist CIBC World Markets]

So, we certainly had an eventful election period, and there's still a hair of doubt given legal challenges on the result, but it looks like we're headed for Joe Biden being president of the United States.

[A Whitehouse portrait photograph of Joe Biden. A time-lapse of the Capitol Building.]

But the Republicans, by a hair, continuing to run the Senate. And what that means is that, we will get some flavour of a Biden presidency.

[An American flag waves on the Capitol Building. Representatives talk on the Senate floor. A wide shot of the senate floor. A time-lapse of the Capitol Building.]

But those who watch U.S. politics will understand that the Senate has a lot of power to block and prevent some of the more dramatic changes in U.S. policy.

[Impact on investors]

For investors, that means that we will likely still get a stimulus bill.

[A slow zoom out on the Treasury Department building.]

In fact, we may even see one in December before the new president takes office. But it could be a bit scaled down from the two trillion or so that the Democrats were seeking, perhaps somewhere in that one to one and a half trillion range. And that's why we've seen bond yields actually drift a little bit softer on anticipation that perhaps government financing needs won't be as strong.

[Computer-generated images of stock market data.]

The equity market actually may like this combination because, if we get that stimulus package, it is good for the economy. But what looks less obvious is that we're going to get some other items in the Biden agenda that weren't as favorable for equity markets.

[A Whitehouse portrait photograph of Joe Biden.]

And in particular, I'm speaking about the plan to raise corporate taxes.

[The door to the Senate floor.]

That's something that a Republican Senate is likely to block, as well as perhaps some of the personal tax increases on high income individuals that the Biden administration might have otherwise pressed for.

[Energy policy and climate change]

[Aerial views of wind farms. An aerial view of flooding in a city.]

Even on other policy files, things like energy policy, climate change, while we will still see a drift in that direction, because some of that is in the hands of states.

[The exterior of the Utah state senate. The doorway to the Utah governor's office. President Donald Trump and First Lady Melania Trump wave to the camera on the steps to Air Force One.]

And as we saw under the Trump administration, the president can do a lot in terms of regulatory policy changes that affect things like the energy sector. On other matters, you do need legislation. And again, we're expecting a slower turn there.

[A time-lapse of the Capitol Building. Aerial views of wind farms and solar panels. Oil derricks at dusk. An aerial view of an oil refinery.]

And so, a bit less drama on the public policy front for individual equity sectors like alternative energy that we've seen, for example, as a winner had the Democrats swept this election and perhaps U.S. oil companies being less concerned politically.

[A tracking shot along a gas pipeline. A timeline of the Canadian Parliament building at dawn.]

For Canada's energy sector. We have to remember that Biden was an opponent to the Keystone XL pipeline, but there's not necessarily a clear blocking of that yet.

[An aerial view of a natural gas production facility.]

On the other side of that, tougher regulations on U.S. shale oil production is actually a little bit of a positive for Canada, by leveling the playing field in the oil and gas sector. And perhaps reducing the competitive threat to Canadian oil producers from a return of more shale oil production as the global economy recovers.

[COVID-19 response]

We're still going to be watching now for how the new administration responds on the other key issue, and that's the coronavirus.

[A man getting tested for COVID-19. An aerial view of an empty highway in a city. A woman in a mask outside walks towards the camera holding paper towels.]

It's still true that the virus is the number one threat to economic growth globally and in the U.S.

[Two officials talk at a desk in a medical lab. A scientist tests blood samples.]

And we can hope that a more concerted effort to centrally manage some of the response to that virus and contain it can help the U.S. avoid what we're seeing now in Europe, which is the need for a deeper economic shutdown again, to bring things under control.

[An aerial view of an empty Berlin by the Brandenburg Gate.]

So, those are the files worth watching most closely. The stimulus bill coming up, which we do expect we'll still see one, as well as, can, when the new administration takes over, can they do a better job containing the coronavirus that we've seen so far?

[Rows of vials. A hand puts down a clear vial labeled "COVID-19 Vaccine".]

And further down the road, of course, managing that all important process of getting the vaccine out and into American arms, because that will be the shot in the arm for the U.S. economy and by extension, the Canadian economy as well.

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