



Biden Policies to Impact Stock Markets – Part I

While presidential policies matter, policies never move markets uniformly

Will the policies of the Biden Administration have a negative or positive impact on the stock market? A prevailing view – by about half of the country – is that a Biden Administration would have a positive impact. Another prevailing view – also by about half of the country – is that it would be negative.

Well, although the stock market has performed well since January 20th, the answer will not be settled for quite some time, as 4 months is a too short a period of time to draw conclusions.

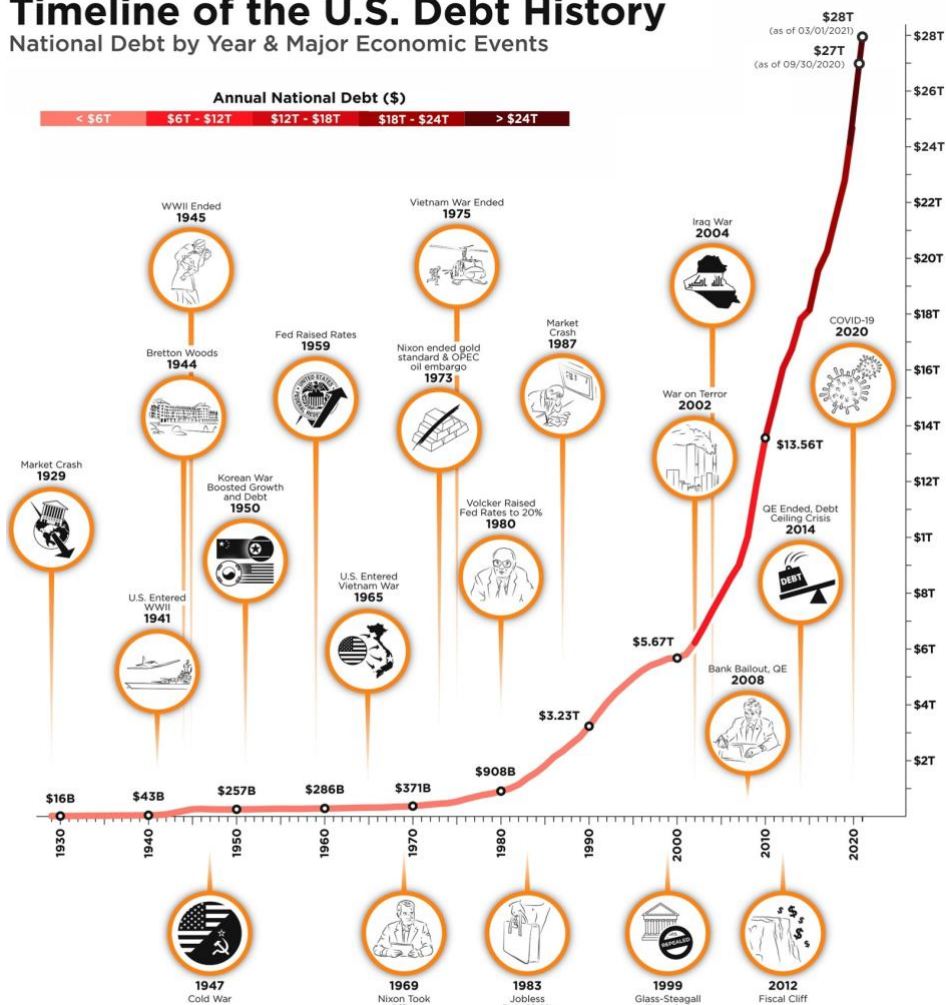
Nevertheless, let's examine a few of President Biden's proposed policies that will likely impact stock markets – being careful not to draw conclusions as to whether the impact will be negative or positive.

Things to Remember

First, remember that no political party has been exclusively great or awful for stock markets. And while many might view Republican presidents as more bullish for markets and Democratic presidents as more bearish, the data doesn't support those views.

Timeline of the U.S. Debt History

National Debt by Year & Major Economic Events



Article & Sources:
<https://howmuch.net/articles/timeline-us-debt-history>
 The Balance - <http://www.thebalance.com>
 Treasury Direct - <https://www.treasurydirect.gov/>
 US Debt Clock - <https://www.usdebtclock.org/#>

howmuch.net

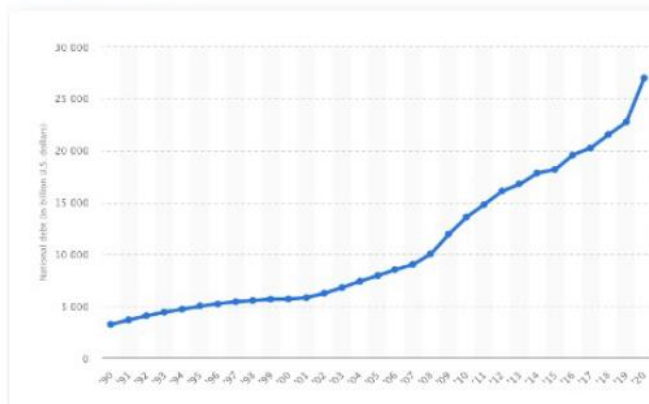
Further, while presidential policies do matter, the reality is that policies will not impact sectors, industries, and markets uniformly. In other words, there will be certain sectors, industries, and markets that emerge stronger and certain ones that emerge weaker.

Government Spending

For a long time, the U.S. government has been spending more than it takes in. Consider that the federal debt has more than doubled in the past decade and now stands at \$28 trillion.

Public debt of the United States from 1990 to 2020

(in billion U.S. dollars)



And all this COVID-relief spending (not all of it can be attributed to the Biden Administration) plus the additional proposed spending for infrastructure, health care and other programs, adds more money into the economy, which could cause inflation to rise.

In fact, in April, the Core Consumer Price Index increased to its highest level in 13 years, to 4.1%, and this was after an increase to 2.6% in March, which was the highest level since 2018.

Infrastructure Policy

The Biden Administration unveiled a \$2 trillion infrastructure spending bill, which calls for one of the most significant and largest investments in the U.S. in generations.

According to White House, the plan is divided across four main areas:

- Quality of life at home (\$650 billion)
- Transportation infrastructure (\$621 billion)
- Research, development and manufacturing (\$480 billion)
- Help for caregivers (\$400 billion)

While many might reasonably argue how to best define infrastructure, the \$621 billion “transportation infrastructure” piece does appear to have more bi-partisan support. And in the bill is:

- \$174 billion for electric vehicles, including a network of 500,000 electric vehicle stations
- \$115 billion for roads and bridges, including 20,000 miles of highways and roads and the 10 most “economically significant” bridges in the U.S. as well as 10,000 smaller bridges
- \$85 billion for modernizing transit systems
- \$80 billion for Amtrak repairs

Such spending will clearly favor construction-related industries and companies within the building products, construction materials, and machinery.

Energy Policy

The Energy industry is one that the Biden Administration will clearly try to reshape. In fact, it started on Day One of the Biden presidency. First, the Keystone XL pipeline was stopped. Then a month later, the U.S. rejoined the Paris Agreement. And how much of the Green New Deal will make into the proposed infrastructure plan remains to be seen.

Healthcare Policy

Many are expecting the Biden Administration to focus heavily on drug pricing control and create a public health insurance option to compete with private companies. And both policies are likely to be negative for pharmaceutical companies and health insurers.

Foreign Policy

The big elephant in the room is geopolitical tension with China as a manufacturer of so many global goods but also as a consumer of American goods. How this unfolds of course remains to be seen, but many suspect that the Biden Administration will attempt to cooperate more with Europe and all of Asia – possibly by easing up on tariffs – and this could bring at least a degree of stability relative to the region's more recent volatility.

Tax Policy

The Biden Administration tax proposals can be summarized into three parts:

- The American Rescue Plan (enacted)
- The American Jobs Plan (proposed)
- The American Family Plan (proposed)

Each of these can have significant implications for the economy, stock and bond markets, and your retirement assets.

Let's look at these proposed tax changes in Part II.