



Trump Tests Positive: 3 Stock Market Takeaways

Description

The news that U.S. president Donald Trump [tested positive for the coronavirus](#) this week sent stocks into a tailspin. Stock futures were down and oil prices took a hit. An unwelcome development for the markets in itself, Friday's shock to the system is also a dry run for the November election. As such, the development gives investors pointers for what to expect from 2020's already frothy fourth quarter.

The markets are allergic to shock

The **S&P/TSX Composite Index** opened down 0.55% Friday on the news. The Dow Jones Industrial Average was down 0.8%. Light sweet crude oil was down by more than 4%. The results shouldn't be too much of a surprise, though; the markets like Trump. What was theoretical before now has some evidence to back it up. And the moves in the markets may even affect the outcome of the U.S. presidential election.

So — presuming Trump is still running — what does the Friday plunge mean for the [November election markets](#)? In short, investors should expect rallies in both the stock markets and in oil prices should Trump secure a second term. The opposite is also plausible: U.S.-weighted companies trading on the TSX might fare badly with a Democrat victory.

Trump joins a growing list of world leaders to have contracted the coronavirus. U.K. prime minister Boris Johnson has survived his own bout of the potentially lethal bug. Brazilian president Jair Bolsonaro also tested positive for the coronavirus back in July. But the response to Trump's illness has had a profound effect on the markets — one that analysts will pore over for days to come.

Expect a near-term market correction

Look at the way in which the markets have dealt with the pandemic of late: bullishness, momentum-chasing, an historical IPO market ... It's almost as though investors took it to heart when Trump said during a recent rally in Ohio that the virus "affects virtually nobody." The messaging will certainly be clearer to his base from now on, and to investors. The threat is real, and the gap between the markets

and the economy is closing. In short, a pre-election correction could be forthcoming.

Corporate stocks could rally in November

New opportunities are arising in freshly IPO'd names, offering post-election growth potential. A recovery in the economy could see high-risk gig economy outfits such as Airbnb hitting the market running. Investors may want to take a look at **American Hotel REIT** if the momentum of such names appeals. This particular REIT has ditched 62% since the start of fall 2019. In terms of a bounce, a full economic recovery could see American Hotel generating mountains of upside.

A key message in the Democrat campaign spearheaded by Joe Biden revolves around corporate taxes. It was one of the few times during this week's debate between the two finalists that actual concrete figures were used. Biden has committed himself to raising the corporate tax rate from 21% to 28%. It's not hard to imagine businesses celebrating if this threat to their bottom lines fails to materialize come November.

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