



Donald Trump vs. Joe Biden: Will the Stock Market Care?

Description

By now, you've probably read several news headlines saying things like "stocks [rise/fall] as Trump-Biden debate rattles investor confidence." In financial media, it's common to ascribe market movements to the most noteworthy events happening at the same time. People like to feel like there's a clear reason for the markets to behave the way they do. Headlines that attribute stock market performance to political events can provide the sense that such a "reason" is readily available.

The truth is that there's rarely much basis for making such connections. Sometimes, a correlation is obvious, like when stocks fall 10% immediately after news with obvious financial implications. But most of the time, these inferences are pure conjecture. To really know whether an event caused the stock market to move, you'd have to do a statistical study that proved a strong correlation. That's not an easy thing to do.

With all that being said, it seems likely that the Donald Trump vs. Joe Biden election will have *some* impact on the stock market. The two candidates have varying policies on economics and trade, which will impact business in different ways. We'd expect stocks to react to their different policies — though we may never know exactly how.

U.S. stocks, obviously, will be impacted by the economic policies of the U.S. election winner. For example, if Trump wins, then companies that rely heavily on imports from China will be negatively impacted. Trump has pursued a policy of heavy tariffs on Chinese exporters, and that may continue if he gets a second term.

As for the impact on global stocks — including Canadian stocks — that's harder to say. Being the world's largest economy, the U.S. affects most other countries. In Canada's case, the impact is pretty direct. The U.S. is [Canada's largest trading partner by far](#), so growth in that country impacts Canadian businesses. If U.S. growth stalls, then Canadian companies that export to the U.S. will see less sales growth than would otherwise be the case. So, it's not unreasonable to say that the U.S. election outcome would have an impact on Canadian stocks.

Consider a stock like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)), for example. It's a railway

company that moves a lot of Canadian exports into the United States. The company has grown phenomenally over the past decade, thanks in no small part to all the goods it ships south of the border. Thanks to its [unique three-coast network](#), CNR is able to ship more goods more broadly than almost any other North American railroad.

But imagine if Trump slapped a 10% tariff on Canadian oil, grain, and coal. Immediately, that would have a negative impact on CNR. It would lower demand for these Canadian exports — since it would effectively make them more expensive. Exports would tank, and along with them, CNR's shipping fees.

Unfortunately, CNR is just one example among many. A great many Canadian banks, retailers, and energy companies depend on access to the U.S. market. If the U.S. follows a protectionist trade policy with increased tariffs, then those companies could be in trouble. In that respect, the U.S. election has a very real impact on the Canadian economy — and, by extension, Canadian stocks.

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Author
andrewbutton

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