



Trump or Biden: How the U.S. Election Will Impact Canadian Stocks

Description

The United States presidential election has global consequences. However, the result may have a deeper impact on Canada than any other foreign nation. This is why Canadian investors should be watching the showdown between Donald Trump and Joe Biden closely.

Here's what the election matters and what the outcome could do to Canadian stocks.

Why does this matter?

Canada's economy is unbelievably exposed to the politics of our southern neighbour. Roughly 75% of our exports flow to the United States. U.S.-based companies employ a significant number of Canadians. Meanwhile, the U.S.'s tight immigration policy has helped Canada attract more migrants (and thus more economic growth) in recent years.

Some of the largest banks and technology companies in Canada derive a significant portion of their earnings from the states.

This year, the exposure to the U.S. economy has been magnified. With over 8.5 million COVID cases, the U.S. is clearly the epicentre of this pandemic. The next president will have to negotiate with our prime minister to determine border restrictions in 2021, which could have an impact on our own caseload.

These are just some of the reasons investors should be watching the election closely. While predicting the outcome is nearly impossible, I believe investors can prepare for either outcome. Here's what you can do.

If Trump wins

A Trump victory would imply a continuation of the policies we've seen over the past four years. That means aggressive stimulus, low interest rates, low taxation, and a pro-energy policy. These policies enhance the prospects of Canadian energy and private equity stocks.

Brookfield Asset Management, for example, should have an easier time finding U.S. assets to add to its immense portfolio. With a strong U.S. dollar and low interest rates, they should also find it easier to finance these deals.

Meanwhile, energy infrastructure companies like **Enbridge** should find it easier to have their pipelines approved by a Trump administration. Trump's support was a critical element for the company's Line 3 pipeline this year. If he wins re-election, future Enbridge projects should have little trouble getting approved.

If Biden wins

Early polls indicate a Biden victory; however, that is far from certain. If Biden does win election, Canadians should brace for a sudden swing in U.S. economic policies. For one, the [ongoing trade war](#) is expected to come to an abrupt end. That means more trade flowing across the U.S.-Canada border, which is great for stocks like **CN Rail** and **Canadian Pacific Rail**.

A Biden administration would also focus heavily on renewable energy, which could be excellent for Canadian stocks like **Transalta Renewables**. Indeed, if the Democrats can successfully launch a Green New Deal, several Canadian renewable stocks could soar. Canada already exports renewable energy across the border, and this wave could surge if Biden beats Trump next month.

Bottom line

Like most Canadians, I'm rooting for my favourite candidate to win this crucial election. However, I need to be prepared for either outcome. The best way to do that is to reduce exposure to any stock that hinges on this election and bet on stocks that have great prospects regardless of who wins.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/07/25

Date Created

2020/10/21

Author

vraisinghani

default watermark

default watermark