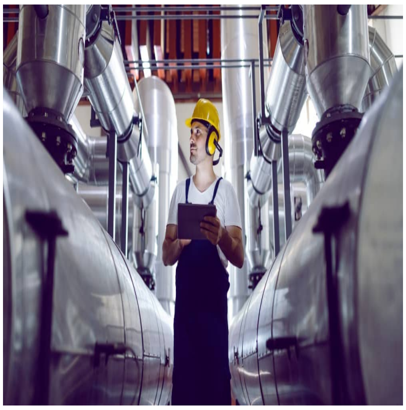

Trump vs. Biden Debate: How the U.S. Election Could Shake the Canadian Market and Economy

Description

The United States presidential elections are roughly 10 days away, with most countries closely watching the bare-knuckle battle between President Donald Trump and Former Vice President Joe Biden. Trump is continuing to hold usual rallies with large crowds — without caring much about social distancing amid the pandemic.

He's been facing sharp criticism from his political opponents as well as from the scientific community for doing so, with some labelling his rallies as "superspreader events."

No matter how bad these events turn out to be from the public health perspective, these rallies seem to be helping Trump close the gap with Biden in many states where many polls showed him lagging behind his democratic rival until last week.

Why should Canadian investors care about it?

As we know, the United States is not only Canada's neighbour, but also Canada's largest trading partner. Many large Canadian businesses make a large portion of their revenue from the U.S., which is why any substantial change in U.S. trade policy or tax front is likely to have an indirect but notable impact on the Canadian economy.

Trump administration on the Canadian economy

While a republican U.S. administration is usually considered favourable for ease of business and free trade, Trump has proven to be different in his free trade approach within North America. During his first term in office, Trump threatened to cancel over a two-decade-old North American Free Trade Agreement (NAFTA). After years-long renegotiation, the United States-Mexico-Canada Agreement (USMCA) came into effect in July 2020 to replace NAFTA.

Also, the Trump administration's corporate tax reforms seemingly hurt employment in Canada.

According to a Business Council of Canada study, these tax reforms put approximately $85 billion in GDP and 635,000 jobs in Canada at risk.

What Biden's win could mean for the Canadian economy

While the Trump administration seemingly caused some damage to the Canadian economy, Biden's clean energy plan might hurt the oil industry. On October 22, during the final presidential debate, when Trump asked Biden if he would "close down the oil industry." Biden replied, saying, "I would transition from the oil industry. Yes" and "It has to be replaced by renewable energy over time."

That's why the Canadian energy companies like **Enbridge** (TSX:ENB)(NYSE:EN) — that make most of their profits from the US market — might take a hit if Biden becomes the next U.S. president.

Notably, Enbridge's stock — just like most other energy stocks — has already been struggling in 2020 so far after the pandemic badly hurt the oil demand earlier this year. The stock is currently trading with 25.3% year-to-date losses.

While Enbridge's solid 8.4% dividend yield and a recent oil price recovery make its stock attractive for investors, the U.S. plan to aggressively transition from oil to renewable energy under the Biden administration might trigger a sell-off in the stock — making it a little risky bet at the moment.

On the positive side, Biden wants to roll back Trump's corporate tax cuts. This rollback could save the Canadian jobs market and the overall economy from the risks highlighted in the Business Council of Canada study.

Foolish takeaway

Irrespective of the US presidential elections' outcome, we can expect Canadian stocks to trade with high volatility in the next month. That's the reason why investors must try to add some undervalued growth stocks in their portfolio right now to avoid any major risk to their overall portfolio.

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