



Will Canadian Stocks Spike If Joe Biden Wins the U.S. Election?

Description

With the U.S. election less than a week away, there's a lot on the line for Canada's biggest trading partner. After years of trade negotiations and tariffs, will Canadian stocks spike if Joe Biden defeats Donald Trump to become president of the U.S.?

Let's find out.

This is the bad outcome

Perhaps the worst outcome is a disputed election.

"In Canada, fears are growing that the fallout from a contested vote could spill across the border," *The Guardian* [reports](#). "The two nations share the world's longest undefended border and have highly integrated economies."

Our economies and stock markets are so linked that even Prime Minister Justin Trudeau admits government officials have prepared for a potential disputed result.

"I think we're certainly all hoping for a smooth transition or a clear result from the election, like many people are around the world," he said a few weeks ago. "If it is less clear, there may be some disruptions and we need to be ready for any outcomes, and I think that's what Canadians would expect of their government, and we're certainly reflecting on that."

There's nothing the stock market likes less than uncertainty.

Due to the overwhelming number of early voters, plus a surge in vote-by-mail voters, there's a chance that we won't know for weeks who actually won the U.S. election. There's little doubt that stocks would react negatively to this outcome, particularly if there are duelling narratives of who won.

Will stocks surge if Biden wins?

Many investors anticipate that a Biden win would soothe markets, signaling a return to normal. Others believe that Biden could strengthen U.S. protectionism even further, dealing a direct blow the Canada's economy.

What's the truth?

"Canadian hope of a rosy return to rules-based bonhomie with its top trading partner under a Joe Biden presidency might be premature," [reports](#) Mike Blanchfield of *The Canadian Press*.

"If Biden wins it will likely mean an end to the persistent threat of the steel and aluminum tariffs that Trump imposed on Canada in 2018, using executive powers under U.S. trade law that gave the president the right to impose them on national-security grounds," he explains. "But even though Biden is expected to be more respectful of trade laws and practices...Biden is still beholden to anti-trade sentiment within his own party."

When it comes to the stock market, there's only one thing we know for sure: no one knows anything for sure. Uncertainty is the only guarantee.

How to invest through uncertainty

If you keep a long-term outlook, you don't need to worry about who wins a particular election. Consider a stock like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)). Shares have fluctuated wildly over the years, but if you held tight, you could have made *40 times* your original investment!

The secret to this stock isn't any short-term advantage, but a long-term strategy.

Shopify is considered a platform business. That means it builds basic infrastructure, allowing others to build on top. When these businesses are built right, growth can go exponential for *decades* at a time. In these cases, you never need to worry about what the market does over the short term.

With Shopify, the company built a simple e-commerce platform. It then invited outside developers to build apps on top of that platform. Compared to a centralized business, Shopify can grow significantly faster because it sources ideas and talent from around the world. It's a classic case of two heads are better than one.

When it comes to your personal affairs, elections may matter a lot. But when it comes to investing, the best advice is to keep a long-term approach to [saving](#). Don't try to time the market.

As investing legend Ray Dalio warns, market timing is like playing poker against the best players in the world.

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Date

2025/07/19

Date Created

2020/11/02

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