



My Election Prediction: Biden Wins and Stocks Surge

Description

I must confess that I have a terrible track record of calling elections. I thought the Democrats would win and that Britain would vote *against* Brexit in 2016. But that's not going to stop me from making a prediction about the upcoming U.S. presidential election. [My bet is on Joe Biden.](#)

Here's my thesis about what a Biden victory could do for Canadian stocks.

Election prediction

My prediction is based on a simple metric: voter turnout. Roughly 100 million Americans have already cast their ballots early. Millions more are lining up for the polls as I write this today. There seems to be little doubt that voter turnout will be higher in 2020 than in 2016, when the total vote count was 139 million.

Bear in mind, this huge turnout is despite the pandemic and physical distancing at polling stations. Higher voter turnout is, traditionally, great for Democrats. It implies that more minorities and moderates are turning up to cast their ballot. That makes me believe that Joe Biden could win the election.

Of course, I could be wrong. But based on my assumption of a Biden victory, some Canadian stocks could surge this week.

Impact on Canadian stocks

A change in administration in this election would have a profound impact on three aspects of the U.S.-Canada relationship: trade, green energy, and marijuana. In other words, Biden could reduce the barriers to trade and pave a path for cannabis legalization on a federal level. It would also hasten the transition away from fossil fuels.

That would boost the prospects of stocks like **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) and **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC) and **TransAlta Renewables Inc.** ([TSX:RNW](#)).

Better trade relations between Canada and the U.S. could boost the volume of raw materials and finished goods that flow across the world's longest border. This surge in volume would be excellent for Canada's bottom line in 2021 and beyond.

Meanwhile, the Democrats have been pushing to legalize (or at least decriminalize) marijuana for recreational and medical use throughout the country. While a majority of U.S. states have already legalized the substance, it remains illegal on a federal level. A shift in this policy could make it easier for Canadian cannabis giant Canopy Growth to expand across the biggest market for cannabis in the world.

Finally, the progressive wing of the Democratic party has been focused on green energy and renewables as a solution for climate change. Their policies could unleash a wave of government support and stimulus for the industry, part of which could flow to TransAlta's bottom line.

Bottom line

Historically high voter turnout has encouraged me that Joe Biden could win today's election and become the 46th President of the United States. While you should take my prediction with a massive grain of salt (since I often get these wrong) you should also be watching cannabis, green energy and export stocks for a spike if I'm right.

CATEGORY

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2. NYSE:CNI (Canadian National Railway Company)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:RNW (TransAlta Renewables)
5. TSX:WEED (Canopy Growth)

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