



# CONCENTURE

WEALTH MANAGEMENT

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## NOW THAT THE ELECTION IS OVER...

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After a squeaker of an election that played out over several days, we now know who the next President of the United States will be. Legal challenges need to be settled, recounts completed, and the results certified, but when the Electoral College convenes on December 14, prohibitive odds favor former Vice President Joe Biden to be officially named President-elect and to assume office January 20.

But it wasn't all roses for the Democratic Party. Expected to gain House seats and possibly win the Senate, they are on track to lose House seats and, barring a miracle in the Georgia special elections, come up short in the Senate. President Trump seems to have lost the election, but not in the blowout that Democrats hoped for. In the highest-turnout election ever, the country remains divided.

*So what now? Let's take a quick look at what will likely change (or stay the same) as Biden assumes office with a divided Congress to contend with ...*

### COVID-19

Whereas President Trump has shown a preference for letting states determine their own pandemic responses, presumed President-elect Biden has emphasized the need for a more uniform response. He has proposed staffing up the CDC and creating a nationwide

coronavirus dashboard with social distancing and shelter-in-place recommendations that resemble a dial, not an on/off switch. Biden favors making mask mandates universal but has not indicated a high-handed approach, expressing a preference to work with governors state-by-state.

Biden has also proposed a new relief package, an emergency overtime fund for essential workers, expansion of SNAP benefits, a 100,000-strong contact tracing corps, a caretaker corps to bring care to peoples' homes, 100% COBRA coverage for people who have lost health insurance, and expansion of Obamacare. His plan also includes investments in PPE supply, vaccine-distribution infrastructure, and "next-generation" testing for the new coronavirus. Biden has indicated a willingness to invoke the Defense Production Act to expedite the production of supplies, which Trump balked at.

### Taxes

Biden's tax plan includes 401k reform, increases in childcare and dependent tax credits, student debt relief, health care premium tax credits, and a reinstatement of the Obama-era first-time homebuyer credit. He has also proposed a return to pre-Trump tax rates on the highest income brackets, corporations, and estates. He has also proposed extra payroll taxes on high incomes and a repeal of the "step-up in basis" rule on inheritances.

Unfortunately for the Biden administration, they will most likely face a Republican-controlled Senate and a slim Democratic majority in the House. Tax reform was President Trump's signature achievement of the last four years, and Republicans won't want to give it up. Most of Biden's tax plan is probably wishful thinking.

## The Fed

Progressive Democrats would love to see Biden replace Fed Chairman Jerome Powell, but the Republican Senate will have other ideas in the confirmation phase. Staying the course with Powell, a moderate Republican, is probably Biden's best way to avoid a fight he doesn't want.

The Federal Funds rate is low, and will probably stay low for a very long time. Bond yields are expected to remain low as a result.

## The Stock Market

The stock market did not react to the election in any substantial way. Biden was a heavy favorite to win, so expectations of a Biden win were built into market expectations.

Going forward, tech stocks still face an uphill slog against deteriorated supply chains and mounting regulations, but Biden is expected to be more of a friend to tech than Trump. Still, tech stocks will probably take a back seat to green energy and infrastructure.

# THE VACCINE ANNOUNCEMENT, AND ITS EFFECT ON THE MARKET

Markets surged on the news from American pharmaceutical company Pfizer and German pharma company BioNTech regarding promising preliminary results of their joint coronavirus vaccine trial. When the companies announced that the first batch of data on COVID-19 infection rates of the blinded test suggested over 90% effectiveness of the vaccine candidate, the S&P 500 rallied over 15% within a week.

Stock markets surge based on optimism for the future. The prospect of a safe and effective vaccine against SARS CoV-2 bodes very well for the future. Particularly affected were sectors expected to benefit heavily from a reopening of the world economy after SARS CoV-2 is

finally downgraded from global pandemic status.

Winners from the announcement include energy, materials, industrial, real estate, and transportation stocks. Communication services and info tech underperformed the spike, due to a potential reduction in the demand for remote tech once the pandemic is over.

## THE BIGGEST WINNERS AND LOSERS IN THE MARKETS IN 2020

It's hard to imagine anyone feeling like a winner in 2020, one of the most traumatic years in living memory.

Still, let's take a moment to round up some of the biggest winners in the market, as well as some of the biggest losers, during a tumultuous year bound to live in infamy (and in memes).

### Biggest Winners

- Etsy Inc. (ETSY)  
**Price Performance:** 224%  
 The eCommerce store popular with DIY craft sellers surged during shelter-in-place orders thanks to retail therapy and interest in side-hustle income.
- NVIDIA Corporation (NVDA)  
**Price Performance:** 141%  
 Buoyed by strong earnings and the release of the much-vaunted GPU gaming chip, NVIDIA had a great year.
- West Pharmaceutical Services, Inc. (WST)  
**Price Performance:** 96%  
 WST makes syringes, vials, and other paraphernalia for injectable materials—obviously in high demand and expected to stay that way.
- Rollins Inc. (ROL)  
**Price Performance:** 91%  
 Strong earnings by the pest-control giant reflected that if people had to shelter in place, it might as well be a pest-free shelter.

- PayPal Holdings Inc. (PYPL)  
**Price Performance:** 89%  
 The digital payment market leader surged in value as transactions moved from in-person to online.

## Biggest Losers

- Transocean (RIG)  
**Price Performance:** -84%  
 Offshore oil drilling is one of the most expensive ways to extract oil. With oil prices plunging in the wake of the pandemic, RIG is down below \$1, a whopping 98% drop in the last decade.
- Invesco Mortgage Capital (IVR)  
**Price Performance:** -82%  
 The mortgage-backed security investor has been hammered by low Fed rates and forbearance on the underlying notes, forcing IVR into massive selloffs of assets at heavy losses.

- Amarin (AMRN)  
**Price Performance:** -81%  
 Amarin's high valuation depended on sales of its sole product on the market, heart medication Vascepta. Delayed European approval and slowing sales hammered the stock's value.
- Vermilion Energy (VET)  
**Price Performance:** -80%  
 A popular dividend stock, VET canceled its 2020 dividend, adding injury to more injury as falling oil prices killed the stock's value.
- Talos Energy  
**Price Performance:** -79%  
 Another company in trouble long before the price of oil tanked, Talos is nevertheless making acquisitions that bode well for its future, despite an abysmal year.