



#GrowWithUs

## Fundamental Flash

2 October 2020

### News of Trump Testing Positive for COVID-19

Trump has tested positive for COVID-19. The two questions are whether Trump will recover in time to contest in the November presidential election, and if he wins the election, will he be healthy enough to serve the entire second presidential term.

#### Implication on US Presidency

If Trump is unable to contest the upcoming elections, the Republican party will have to select another candidate to contest in the presidential election. If Trump wins the presidential election but does not serve the entire second term, his Vice President, Mike Pence, will succeed as the President.

Although Trump is in the high-risk age group, we should not be too quick to assume the worst for Trump's health. Estimates of mortality rate for his age group is between 5 - 15%. That implies that Trump is more likely than not to overcome COVID-19.

#### Impact On Funds' Stock Positions

The dynamics that affect US stocks including potential tax hikes, minimum wage hikes and infrastructure spending will not materially change if Trump passes away because his replacement is likely to maintain similar Republican policies.

How these dynamics play out will depend on which party wins the November elections; not who represent these parties. As such, today's news that Trump tested positive for COVID-19 will not significantly affect our investment decisions.

The same can be said for our Asian stock positions. If a Trump replacement wins the Presidential election, he/she is likely to maintain the tariffs imposed by Trump and remain untrusting of China.

If Biden wins the presidential election, US stocks will see modestly higher tax rates but that will be offset by higher US infrastructure spending and temporarily lower risk of a trade war.



A Biden presidency may be positive for the Asian stock markets. Biden prides himself as one who respects international laws. Considering that the World Trade Organization has recently ruled Trump's China tariff as illegal, Biden may reduce/remove tariffs on China imports.

#### Portfolio Positioning

For the investment team, our key focus remains in selecting stocks with strong long-term fundamentals that can adapt to changes in government policies. Staying invested in these good companies, in spite of political changes, has generally worked well over the long term.



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