

The Current Thinking about the Post-election Outlook

Analyst Expectations Post-Election*	
Political Outlook	A divided/centrist U.S. government; the Biden administration faces obstacles to implement progressive policies discussed prior to the election. With a divided Congress (and a polarized House), expectations are for fewer legislative/regulatory changes and more moderate policies may gain traction.
Taxes	Large tax increases are not likely, although there may be some debate in 2022 when economic growth and unemployment have more fully recovered.
CARES Act 2.0	A divided Congress may reach a compromise on a modest stimulus package, but the total program will be less than if the Democrats controlled the Senate.
Fiscal Spending	While there may be bipartisan agreement on some infrastructure spending, analysts do not anticipate a massive expansion in support programs and climate initiatives.
Inflation	Without substantial fiscal spending, inflation is expected to remain around target levels for the next 2-3 years.
Trade Policy	There will be some softening of the current policy, and a possible focus on multi-lateral agreements. A more predictable policy will lessen business uncertainty.
Federal Reserve Policy	Expectations are that Jerome Powell will remain as Fed Chairman and policy will continue to be accommodative, with low interest rates out to the end of 2023.
Covid-19 Vaccine Development	Analysts believe significant progress will result in an approved vaccine by the end of 2020, with healthcare workers receiving the first dosages. Current thinking is widespread distribution is possible by 2Q21, resulting in herd immunity at that point.
2021 U.S. GDP	Both Goldman Sachs and Morgan Stanley think 2021 real GDP will be 5-6%

A Survey of the Post-election Outlook and Considerations (continued)

Economic risks to consider:

- A vaccine does not materialize at the expected pace and economic stimulus lags the path of the virus
- The Fed raises interest rates faster than expected if growth and inflation accelerate rapidly
- Senate control could shift to a 50/50 split following the Georgia run-off elections on January 5, enabling more progressive policies with Vice-President elect Harris as the deciding vote.

2021 Forecasts*	
US GDP	5.30%
EU GDP	5.30%
China GDP	7.50%
Global GDP	6.00%
US Unemployment	5.30%
US Inflation	1.65%

Areas where the Biden administration could change policy with the use of executive orders:

- Healthcare: maintaining membership in the World Health Organization, re-establishing some ACA programs
- Energy policy, fracking: banning fossil fuel exports, rejoining the Paris Climate Agreement, blocking new fracking leases and increasing regulations on fracking on public lands, extending fuel economy standards
- Immigration: reversing the Trump administration travel ban, re-establishing the DACA program; terminating government contracts tied to constructing the wall on the southern border
- Regulatory: raising the minimum wage on federal contracts to \$15 per hour, establishing diversity hiring rules for the federal government, establishing limited student loan forgiveness