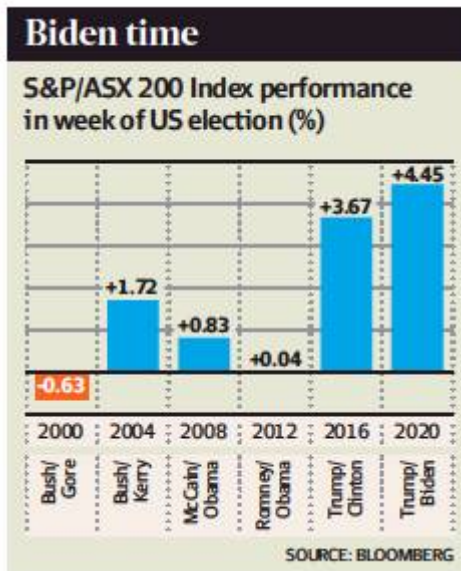


Biden win, split Congress most welcome

Elections reaction

William McInnes



A Biden presidency and gridlocked Congress is set to provide a goldilocks environment for markets, with the election result supporting a strong rally in local shares and global tech stocks this week.

While the final outcome of the US election was yet to be announced before the market close on Friday, markets have already priced in a win for Joe Biden.

The S&P/ASX 200 Index rose 50.6 points, or 0.8 per cent, to 6190.2 on Friday, extending a strong start to the week's trading and giving the local market its best performance in a US election week since at least 1980.

The market had rallied in the days ahead of the election, betting heavily on a Democrat clean sweep, hopeful it would

quickly push through a large scale stimulus package in order to support the economy in the midst of rising COVID-19 cases.

Investors were more cautious as early results came in, showing the much-anticipated Democrat blue wave was unlikely to eventuate but quickly rallied once it appeared the Democrats and Republicans retain their respective majorities in the House and Senate.

"The House will be controlled by the Democrats and markets are pricing in the idea Republicans hold the senate," said Bell Asset Management chief investment officer Ned Bell.

The gridlock has been cheered by markets, with Magellan chairman Hamish Douglass calling it "almost the perfect outcome", as it would stymie Mr Biden's ability to push through major policy changes that could hurt corporate America.

Should Mr Biden prevail, it will be the first time since 1884 a Democrat president has had a dividend Congress to begin their first term in office.

The rally in US shares has been driven by the healthcare and technology stocks which would likely have been hurt by Mr Biden's plans for higher corporate taxes and regulatory intervention. Those plans are set to be smothered by a Republican majority Senate.

"I think this is a big win for tech because it means getting legislation through is going to be more difficult and that's going to favour the tech companies," said Swell Asset Management chief investment officer Lachlan Hughes.

The Nasdaq Composite has been on a tear this week, rising close to 9 per cent.

At the market close on Thursday Apple shares were up 9.3 per cent to \$US119.03 for the week while Alphabet (Google) was up 9.1 per cent to \$US1762.50 and Facebook had risen 12 per cent to \$US294.68.

Local tech stocks joined in the rally, with Appen climbing 9.1 per cent to \$35.27 while WiseTech Global advanced 8.7 per cent to \$31.40.

Investors are still hopeful that the split Congress will be able to deliver some form of fiscal stimulus, even if it isn't as big as might have been delivered in the event of a Democratic clean sweep.

"I think the view is no matter who wins [the presidency] there'll be a bipartisan stimulus bill after the election," said Mr Bell.

Investors will be hoping that stimulus comes sooner rather than later, too. On Thursday, the US became the first country to report more than 100,000 new COVID-19 cases in a single day.

"Whether the market thinks stimulus will be forthcoming or not is a big influence on sentiment," said Mr Hughes.

"The last round of stimulus has been very positive for both the market and the economy."

At its meeting on Thursday, the Federal Reserve pledged to maintain its loose monetary policy and committed to doing whatever it could in the coming months to support the US economic recovery.

"The economic recovery has exceeded our base-line expectations," said Fed chairman Jerome Powell.

"The fiscal response was very good and is one of the main reasons the recovery has been as good as it has."

The Fed signalled its concern over the rising number of cases however.

"The recent rise in COVID-19 cases both here and abroad is particularly concerning," said Mr Powell.

"All of us have a role to play, to keep appropriate social distance and to wear masks in public."