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Instant Thoughts

23 September 2020

Never Too Late

- **It's rare to see Trump once-commanding edge in the toss-up states from polls with known reputation. Biden is likely to survive a 2016-type polling error and becomes the oldest sitting US president.**
- **He has criticized tariffs without vowing to remove them. Biden may want to dangle tariff cuts in return for concessions from Beijing. But as least Biden is trying to building a bridge, not burning it.**
- **Despite his left-leaning campaign rhetoric, Biden's policy platform chalks up a long list of pro-growth initiatives, including the USD2-trillion-worth Green New Deal.**
- **One way or other, deficits are likely to stay sky-high. That means Biden's convoluted fiscal plan would have uneven sectoral effect, but little effect on the market's overall direction.**

With under 50 days until the US Presidential Election Day, investors will be bombarded with analyses about how their financial fates will be tied to its outcome.

Lumpy Path to Presidency

Who will pass through the White House gates? The Democratic nominee Joe Biden has polled spectacular well so far. When it comes to election however, there're more curveballs than we care to admit. As demonstrated by Hillary Clinton's aching-close defeat in 2016, where you win is more critical than how many votes you have from coast to coast.



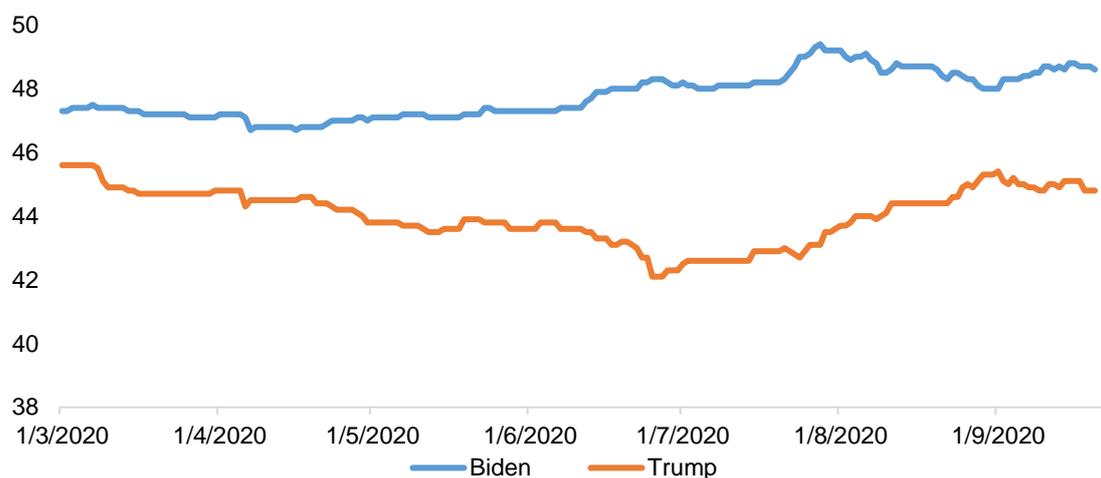
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Modelling election outcome is always more art than science. But living with uncertainty shouldn't leave us paralyzed. A hard look at the grinding detail suggests Biden is likely to survive a 2016-type polling error and becomes the oldest sitting US president.

The saving grace for Trump lies squarely with blue-collar white voters in six key states he wrestled away from Democrats four years ago, namely Arizona, Florida, Michigan, North Carolina, Pennsylvania, and Ohio. Back then, Clinton lost these toss-up states by three points on average. Fast forward to today, it's rare to see Trump once-commanding edge in these toss-up states from polls with known reputation (Exhibit 1).

Exhibit 1: Popularity in Top Swing State



Source: RealClearPolitics, Shanghai Commercial Bank

How so? Biden has somehow managed to cut Trump's lead among whites without degrees, the linchpin of Trump's coalition, but only modestly so. The propeller fueling Biden's polling surge is indeed seniors and white voters with college degrees. In other words, pretty much a reversal of Democratic defections in 2016, we are seeing wave of rebellion from lifelong loyalists and professional members of the G.O.P. Unless Trump can find a way to heal his self-inflicted wound in time, the math will favour heavily Biden controlling the Oval Office next year.



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Biden's True Color

The mainstream thought is that stocks are bound to doom if Biden is elected. Be mindful that It's the market loves to make monkeys out of people who think they've solved it. More often than not, election campaign channels Shakespeare's line about a tale, full of sound and fury, signifying nothing. Look no further than George H.W. Bush's read-my-lips-no-new-taxes pledge.

One can't resist to ask what the true color of Biden is. The heartrending part is that he has criticized tariffs without vowing to remove them. He may want to dangle tariff cuts in return for concessions from Beijing. This kind of power politics might sound rather familiar, but as least Biden is trying to building a bridge, not burning it. As French novelist Marcel Proust puts it, "the only true voyage would be not to visit strange lands, but to possess other eyes."

Reversing part of the 2017 corporate tax cut is another centerpiece of Biden's campaign. Despite his left-leaning campaign rhetoric, he understands it can't be done without breaking a lot of eggs. Biden, unlike Obama who is loath to do old-fashioned horse-trading, is a creature of the Senate. He knows how the sausage is made.

He has always distance himself from the Warren's wealth tax. And his policy platform chalks up a long list of offsetting, pro-growth initiatives, including the USD2-trillion-worth Green New Deal.

One way or other, deficits are likely to stay sky-high. That means Biden's convoluted fiscal plan would have uneven sectoral effect, but little effect on the market's overall direction. Or more than anything else, investor just wants the election to be over.



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Table 1: Strategy Performance Summary

Date		Key recommendations	Ex post performance (1-month)				
			Entry level*	Low	High	Period-end level	1-month return
8-May-20	08:25	The CNH sellers will re-gain the upper hand	7.0886	7.0651	7.1961	7.0733	-0.2%
30-Jan-20	11:03	The indiscriminate bid for the dollar could remain uninterrupted	98.03	97.36	99.91	98.14	0.1%
20-Jan-20	4:00	We remain stubborn buyers on dips for GBP	1.3000	1.2908	1.3228	1.2921	-0.6%
18-Jan-20	0:00	We remain stubborn buyers on dips for CAD	1.3070	1.3044	1.3302	1.3223	-1.2%
13-Dec-19	11:25	The pair (GBP) will meet strong resistance above 1.35	1.3466	1.2905	1.3466	1.3033	3.3%
30-Oct-19	11:40	Yet more strength for the pound	1.2863	1.2772	1.2970	1.2925	0.5%
23-Oct-19	11:05	Dips (in pound) are buy into	1.2848	1.2772	1.2970	1.2846	0.0%
26-Sep-19	8:30	Dollar shorts are swimming against the tide	98.94	98.85	99.67	98.66	-0.3%
16-Sep-19	09:55	We recommend to re-load yen long exposure	107.77	106.48	108.89	108.69	-0.8%
13-Sep-19	10:55	We see some upside in EUR/USD in the short run	1.1066	1.0880	1.1108	1.1042	-0.2%
1-Aug-19	11:15	Skeptical about just how much juice is left in the dollar rally	98.81	97.22	99.02	98.81	0.0%
26-Jul-19	10:45	We prefer to fade any EUR rallies	1.1148	1.1030	1.1243	1.1140	0.1%
24-Jul-19	10:15	Sterling is likely to be an outcast	1.2434	1.2016	1.2520	1.2256	1.5%
5-Jul-19	10:10	The theme of (HKD) normalisation will unfold yet again	7.7900	7.7883	7.8354	7.8300	0.5%
2-Jul-19	17:30	There is nothing compelling about the current AUD rally	0.6990	0.6788	0.7076	0.6790	2.9%
4-Jun-19	17:30	We see little value in chasing the AUD higher	0.6980	0.6833	0.7048	0.7021	-0.6%
22-May-19	15:50	The pound will test lower levels in the short run	1.2676	1.2512	1.2759	1.2723	-0.4%
8-May-19	14:15	The idea of sell (AUD) in May still looks appealing to us	0.7023	0.6865	0.7023	0.7000	0.3%
2-May-19	11:00	Dollar spike is more than flashes in the pan	97.60	97.04	98.13	97.76	0.2%
29-Apr-19	10:00	The BoC might deliver something for bears to get their teeth into	1.3458	1.3378	1.3505	1.3488	0.2%
9-Apr-19	19:00	It could take weeks for the USD/HKD to revert back to 7.85	7.8423	7.8324	7.8494	7.8483	0.1%
21-Mar-19	10:50	Playing the high-carry USD from the long side	95.88	95.74	97.52	97.39	1.6%
13-Mar-19	10:20	The resolution in sight warrants holding a GBP long position	1.3084	1.3081	1.3381	1.3090	0.0%
8-Mar-19	10:35	EUR/JPY is a cleaner expression of the EUR-bearish view	124.86	123.85	127.45	124.99	-0.1%
19-Feb-19	9:10	Underweighting the dollar and staying nimble	96.83	96.29	97.71	96.48	0.4%
12-Feb-19	9:10	For HKD bear, it is the Trojan horse you want to smuggle in	7.8470	7.8470	7.8500	7.8500	0.0%
31-Jan-19	10:40	The USD will going on struggling	95.26	95.16	97.16	96.06	-0.8%
30-Jan-19	10:10	We have interest in chasing GBP higher	1.3094	1.2779	1.3335	1.3293	1.5%
16-Jan-19	11:20	The GBP remains a buy-in-dip play	1.2845	1.2839	1.3217	1.2905	0.5%

*Entry level recorded at the time of publication, if not stated otherwise

Total return[#]

18.3%

[#]Since August 2018

Hit ratio[#]

67.5%

Source: Shanghai Commercial Bank



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