Insights
Geopolitics & Policy

2020 US Election ETF Investment Ideas

Here we highlight market segments that may benefit based on whether Joe Biden wins the presidency and Democrats take control of the Senate or if President Trump wins re-election and Republicans maintain control of the Senate. A Biden victory and split Congress could also lead to policy changes. If the election results are contested, defensive exposures such as gold and long-term Treasuries may help navigate market disruptions, as they did back in 2000[1] — when the presidency was decided 36 days after the election.

Issue	Democratic Sweep	Republican Status Quo
Health Care	Biden's pandemic response plan includes greater production of equipment, testing and tracing — as well as pursuing novel treatments. If necessary, he could use executive orders to implement his plans. **XBI** SPDR S&P Biotech ETF **XHE** SPDR S&P Health Care Equipment ETF	Trump's renewed emphasis on further weakening the Affordable Care Act may alleviate relative headline risk for broad health care, as well as for specific health services and insurance firms. **XLV** Health Care Select Sector SPDR Fund **XHS** SPDR S&P Health Care Services ETF
Clean Energy/ Infrastructure	Focusing on modern and sustainable infrastructure, Biden's $2 trillion clean energy plan seeks to achieve carbon neutrality in the US power sector by 2035. He also supports a shift to electric vehicles and reinstating many environmental regulations. **CNRG** SPDR S&P Kensho Clean Power ETF **SIMS** SPDR S&P Kensho Intelligent Structures ETF	Expect increases in traditional infrastructure spending to rebuild airports, highways, railroads, and bridges, with little support for clean energy. Trump's looser environmental policies will likely continue, but traditional energy firms may still be hurt by global supply/demand trends. **XME** SPDR S&P Metals & Mining ETF **XLI** Industrials Select Sector SPDR Fund
Trade/ Foreign Policy	A likely reprieve of punitive tit-for-tat tariffs could be growth positive for regions most impacted by the current tariffs. The White House's sweeping trade powers mean Biden could exert influence without Congressional support. **FEZ** SPDR EuroStoxx 50 ETF **GXC** SPDR S&P China ETF	More hawkish trade rhetoric and additional tariffs are likely. This could dampen sentiment for overseas exposures and sectors that rely on global supply chains (i.e., industrials). More domestically oriented markets may benefit. **SPMD** SPDR Portfolio S&P 400 Mid Cap ETF **SPSM** SPDR Portfolio S&P 600 Small Cap ETF
Taxes	Biden has called for higher corporate and individual tax rates. Sectors with low effective tax rates may be less impacted. Higher tax rates may benefit tax-exempt securities. If Republicans retain control of the Senate, Biden's tax plan may not come to fruition. **XLRE** Real Estate Select Sector SPDR Fund **HYMB** SPDR Nuveen Bloomberg Barclays High Yield Municipal Bond ETF	Even before the virus-induced economic downturn, the Trump administration was discussing a second corporate tax cut to entice companies to onshore jobs. Corporate tax cuts could boost earnings for sectors with high tax rates. Lower individual tax rates may fuel more consumer spending. **XLP** Consumer Staples Select Sector SPDR Fund **XRT** SPDR S&P Retail ETF
Technology/ Antitrust	Antitrust legislation could impact mega-cap tech conglomerates, leading to growth opportunities for small innovative tech firms. **KOMP** SPDR S&P Kensho New Economies Composite ETF **XITK** SPDR FactSet Innovative Technology ETF	Antitrust concerns could become just a headline risk, benefiting mega-cap tech conglomerates. **XLC** Communication Services Select Sector SPDR Fund **XLK** Information Technology Select Sector SPDR Fund

Endnote

1 Gold rallied 2% and long-term Treasuries rallied by 6% between election night Nov. 7, 2000 and the day that Al Gore conceded to George W. Bush, Dec. 13, 2000.

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The values of **debt securities** may decrease as a result of many factors, including, by way of example, general market fluctuations; increases in interest rates; actual or perceived inability or unwillingness of issuers, guarantors or liquidity providers to make scheduled principal or interest payments; illiquidity in debt securities markets; and prepayments of principal, which often must be reinvested in obligations paying interest at lower rates.

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There can be no assurance that a liquid market will be maintained for ETF shares.

Investments in **small-sized companies** may involve greater risks than in those of larger, better known companies.

Investments in **mid-sized companies** may involve greater risks than in those of larger, better known companies, but may be less volatile than investments in smaller companies.

Companies with **large market capitalizations** go in and out of favor based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalizations.

Value stocks can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

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Because of their narrow focus, **sector funds** tend to be more volatile.

Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors Bond funds contain interest rate risk (as interest rates rise bond prices usually fall); the risk of issuer default; issuer credit risk; liquidity risk; and inflation risk.

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