

FLASH: Market Moves

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Initial Thoughts on President Trump's Positive COVID-19 Test

The unfortunate news that President Trump and the First Lady have tested positive for COVID-19 has created much uncertainty and market anxiety. Higher levels of market volatility are to be expected, but we do not anticipate much change in the near-term economic fundamentals and the running of the government. Our system is not designed around one individual and there is a clear succession plan. Vice President Pence and Secretary State Pompeo have tested negative, and more officials who have been in contact with the president will be tested. However, the upcoming elections will be affected, and it is too early to assess the potential impact. Our initial thoughts, based on discussions with various contacts including Charles Myers, Chairman of Signum Global, are:

Policy Implications

- Market selloffs and higher uncertainty may drive Washington, DC to work out a fiscal stimulus deal.
- President Trump may further toughen his policy stance on China.
- No change to Senate's plan to confirm Amy Coney Barrett as the next Supreme Court Justice.

Impact on the Election

- Trump will have to suspend many campaign events, which is a negative for the Republicans.
- Democratic nominee Joe Biden tested negative for COVID-19, which is a positive for Democrats as his campaign will not be disrupted.
- The October 15th presidential debate will likely be cancelled or be conducted remotely; the October 22nd debate will depend on Trump's condition. The October 7th VP debate will proceed as planned; the VP debate now takes on more importance given the age of the presidential candidates.
- President Trump could get some sympathy votes depending on how he manages the situation; Democrats need to avoid gloating too much or risk turning off some voters as a consequence.
- Given Trump's age (74) and weight, he is in the high-risk group. The most critical and challenging period for him will likely be 10 to 14 days after the infection, so we won't know how things will turn out until the middle of October.

- If Trump beats the virus, he could get a bump in the polls by playing up his image as a strong leader.

Mechanics of the Election

- If President Trump is incapacitated, the RNC will make Vice President Pence head of the ticket and he may select Secretary of State Pompeo or former UN Ambassador Nikki Haley as the running mate.
- Votes already cast for President Trump will go to Pence.
- If Biden is incapacitated, Senator Harris will head the ticket and she may pick someone with national security credential as a running mate; votes already cast for Biden will go to Harris.
- Congress may consider delaying the election if both Trump and Biden fall ill.
 - o A simple majority in the House
 - o 60 votes needed in the Senate
- Presidential line of succession: Pence, Speaker Pelosi, Senator Grassley (president pro tempore in the Senate).

Please contact us if you have any questions or comments, thank you.

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