



COVID-19 QUICK TAKE: Why today's White House news marks positive turning point for COVID-19 compliance = good for markets

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Equity markets are reeling this AM from the news of President Trump testing positive for COVID-19. And if you ask me why stocks are selling off on this, this is what comes to mind:

- if Trump's illness progresses for the worse, the 2020 election process becomes unclear -- will it be delayed? contested? who is running?
- leader of the free world is weakened, raising risks from enemies of the US

But this is the "knee jerk" reaction.

And it is an understandable reaction because it is simply coming at the worst time for the election process. We are <35 days from election day. And this would be an entirely different story if this were in the Summer.

But I think this is going to be a positive development for the path of the COVID-19 in the US. Hear me out:

- foremost, Trump getting sick repudiates those skeptics of the needs for masks, PP&E, and social distance
- this should boost compliance considerably and make many rethink masks, especially since we know a lot more staffers will get infected
- this would help contain the recent surge in cases and might even push further down the path of cases
- if Trump's illness progresses worse, this only fortifies this logic.

Succession is a question but the US has a succession plan in place

On the other hand, if Trump recovers quickly, or is asymptomatic:

- this is a validation of the strength of US therapeutics
- would give me a sense that the US has a better handle of treatment, reducing risks of mortality = good
- shows the path of COVID-19 might be getting better

Our sense is our clients prefer a Biden win as better for markets, but below is our short take on best election scenarios for markets

I think the best scenario for markets is as follows in the following order:

- Trump + R Senate + D House best
- Biden + R Senate + D House
- Trump + D Senate + D House
- Biden + D Senate + D House (worse)

The top 3 are the status quo and will not change the Supreme Court size or number of US states.

Trump remains a decisive figure and is helping heal the social divide in the US. But his economic policies have made US corporates stronger, particularly against foreign competitors. I don't think Biden is harmful to markets, and he would be stronger in healing the divide in the US.

But a D-D-D is not favorable in the next 12-24 months. A D-D-D risks major changes to the US legislative branch and legal branch. We likely see new justices. And we could even see Puerto Rico, Washington D.C. become US states. So, we would have 52 states.

While not necessarily negative for markets long term but would be not greatest in my opinion

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