2021 PREDICTION: EQUITY SECTOR WINNERS AND LOSERS

under the new Biden presidency

To understand how a Biden presidency might affect equity market sectors, our analysts identified the core policy initiatives of the Biden campaign, then sorted the equities they follow as favorable and unfavorable relative to the current environment. While sector winners and losers are likely to change under Biden's presidency, the degree of change will be dictated by the House and Senate. In the near term, news on the prospects for a COVID-19 vaccine are likely to continue to be a more dominant driver of equity performance than the outcome of the election.

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POTENTIAL SECTOR WINNERS

Utilities

Fiscal spending and possible tax changes are the principal drivers for positive change in the utilities sector. Infrastructure spending plans are likely to focus on renewables and electrification initiatives. If there were an increased corporate tax rate, regulated utilities would be able to pass this on to customers.

Consumer discretionary

Affordable housing, an expanded minimum wage and made-in-America initiatives would be positive for companies selling trucks and SUVs (as would an emphasis on greener vehicles). Tax increases could be a headwind, but balanced with a less aggressive trade stance, many consumer brands could see gains.

Consumer staples

There could be an incremental positive for cannabis companies in the staples sector, particularly if we see marijuana decriminalized at the federal level. There is elevated risk for consumer products, namely tobacco and sugary beverages, in the form of higher excise taxes and greater regulation.

Information technology

A small slice of this sector has been the principal driver of the recovery in U.S. stocks since March, and the rising scale of big tech could inspire greater government intervention/regulation. Its breakup has the potential to unlock opportunities for smaller technology companies. A more open immigration policy would be a benefit here, encouraging non-U.S. tech talent to work in America.

Materials

It pays to think expansively here, considering the impacts of trade, fiscal spending and regulation. Improved trade would benefit exports, which would help many U.S. materials companies, including exporters of agricultural products and grains (particularly to China). There might be a negative impact if higher cost renewable fuels are mandated to replace lower cost oil.

POTENTIAL SECTOR LOSERS

Industrials

Infrastructure spending would be a positive for the sector overall, but a lower dependence on fossil fuels would hurt oil/gas investment. Defense stocks might come under pressure due to higher U.S. budget deficits and proposals to curtail military spending.

Energy

Biden has made renewable and green energy a significant plank in his agenda. A ban on either new leases or new permits on federal lands for energy exploration would be a significant challenge for traditional U.S. oil and gas companies.

Communication services

Similar to information technology, oversight and regulation may impact the operating environment for the communication sector. Anti-trust enforcement and data regulation could weigh on the stocks.

Financials

New heads of financial regulators would likely be less friendly to financial services companies, and a corporate tax hike would hurt banks more than most sectors. More scrutiny of large-scale mergers and acquisitions among financial services firms and potential for higher capital requirements could also present challenges.

Health care

Drug pricing, expanded Medicare and hospital costs are all possible targets for change and will always be a concern in the U.S.

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* In U.S. dollars as of December 31, 2020. Source: Ameriprise Q4 Earnings Release. Contact us for more current data.

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