

OMNIS INVESTMENT UPDATE

A blue wave rolls in

This morning's front pages are understandably dominated by the incredible events in the US. What should have been a ceremonial event as the Senate confirmed the results of November's presidential election descended into chaos as supporters of outgoing president Donald Trump stormed government buildings across the country, including the Capitol in Washington DC.

The violent scenes are shocking and raise questions about the health of the US political environment. President-elect Joe Biden will undoubtedly face challenges as he attempts to govern and unite a polarised Congress and a fractured populace. Nonetheless, beneath the headlines, yesterday also witnessed a couple of events that should give rise to a degree of optimism.

Firstly, the attempts of some Republican senators to reject the election results failed: the architecture of US democracy survived its test, and Joe Biden will be sworn in as the 46th president of the United States of America on 20th January 2021.

Secondly, and perhaps most importantly for investors, Biden will be backed by a Democratic party in full control of Congress. Yesterday also saw confirmation that Democratic candidates had won both seats in Georgia's Senate elections. Biden can now rely on Democrat majorities in both the lower and upper houses of Congress, clearing the path for legislative action.

We expect an early consequence to be additional government spending to support the economy's post-pandemic recovery. While, under Biden, this is likely to prioritise Main Street over Wall Street, it should nonetheless prove a positive environment for equity investors.

More generally, control of the three pillars of government should prompt Biden to prioritise the domestic agenda over international ambitions. However, we think it unlikely that this will trigger a marked shift to the left. A combination of Biden's inherent moderation, the thin margins his Senate majority rests on and the pressure that is likely to be heaped on his Vice President, Kamala Harris, suggest to us a relatively centrist agenda. The important point for investors here is that campaign promises to reverse Donald Trump's corporate tax cuts – which did much to lift the stock market in 2018 – are unlikely to be fulfilled.

While Covid-19 remains a risk that no-one – investors included – can afford to ignore, the blue wave that has belatedly rolled through Congress should clear the path for more timely, less fractious government support for the economy. Despite the testing of American democratic institutions and the shock of violence, we believe yesterday's less noticed events is positive for equity investors.

Issued by Omnis Investments Limited. This update reflects Omnis' view at the time of writing and is subject to change. The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your Openwork financial adviser. Omnis is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given. The value of an investment and any income derived from it can fall as well as rise and you may not get back the original amount invested. Past performance is not a guide to future performance.

The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon, SN5 8UB) which is authorised and regulated by the Financial Conduct Authority.

FOR FURTHER QUERIES PLEASE CONTACT:

Rohit Vaswani – Client Portfolio Manager

Rohit.vaswani@omnisinvestments.com