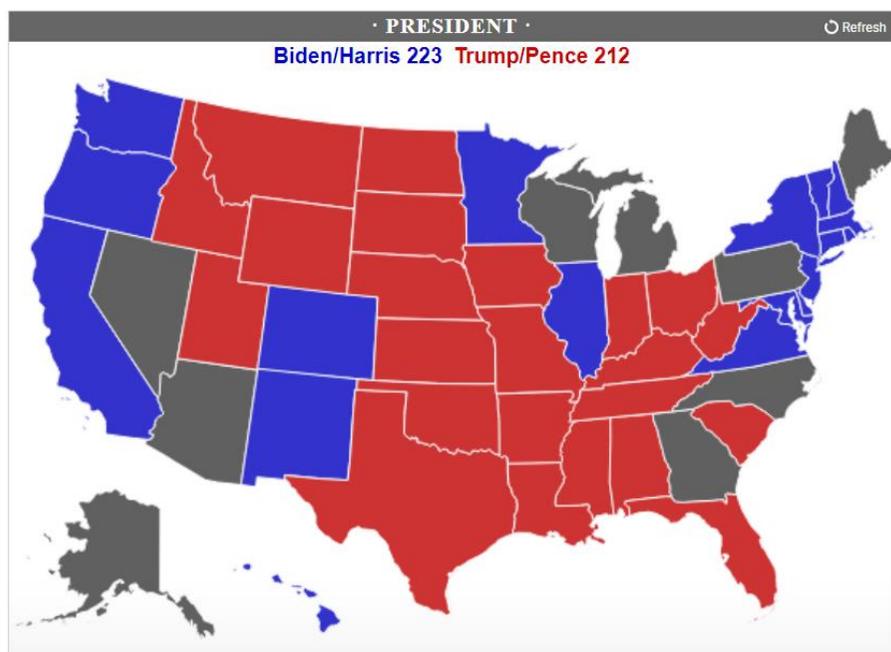


Short Comment

US Election 2020: Initial results show that it's too close to call

- ▶ No matter what, Trump has done a surprisingly strong election
- ▶ The financial markets are awaiting a result
- ▶ Economic implications to depend on the President & Congress races



Source: Real Clear Politics

Election result and the way forward

The result of the US election is too close to call. At time of writing the preliminary result shows that Joe Biden leads by 223 electorates vs. 213 electorates for Trump. The bellwether states (Florida and Ohio) have been won by Trump. Currently, there are mixed signals for Georgia where NY Times says that it's tilting to Biden while Real Clear Politics (RCP) points to a Trump lead. Meanwhile, it looks like a Biden-victory in Arizona. Results from important swing states such as Michigan, Pennsylvania and Wisconsin make take time and make become decisive for the final outcome. No matter how this unfolds, Trump has done a very strong election race. In the Senate election RCP currently points to 43 seats to the Democrats and 46 to the Republicans. It may take days until the votes have been counted in some states, see our analysis of a possible delayed result [here](#).

The outcome is so far preliminary, and it can take days (or possibly weeks) until we have an official result. The last day for certifying the election result, i.e. formalizing it, differs among states where California is the latest (Dec. 11), except for the four that haven't laid it out in their state statute. By Dec. 8 states, under their own laws, must have resolved controversy or contest that may occur regarding the appointments of electors. On Dec. 14 the Electoral College cast the formal votes on the president, who will become president on Jan. 20, 2021. The new Congress convenes on Jan. 3.

Initial reaction on the financial markets has rebounded

As preliminary results have been called during the night financial markets have been somewhat volatile. The early moves have rebounded. First, the US dollar depreciated against the Euro but later

The election turning into a state-by-state slog that may drag deeper into the week

Slight safe haven reaction on the financial markets as election race is tight

it appreciated both against the Euro and the Japanese Yen. The early move where the dollar weakened was due to news of increased turnout as the market assumed that would benefit Biden. However, as Trump's chances for winning the election has increased the movement has come back. At time of writing, the US dollar has strengthened broadly but has lost some momentum in the last hour. The Swedish krona is generally weaker. Against the US dollar the Swedish krona is trading at 8.89 and against the Euro it's at 10.37. The latter FX-cross has been relatively stable during the night.

Looking at futures on the stock markets we see that they point to a stable opening in Europe and Sweden. US stock futures are slightly positive, while the Asian counterparts are marginally negative. US 10y bond yields are trading at 0.81% but where as high as 0.94% earlier in the morning. This indicates that Swedish yields may come down somewhat at opening. Overall, we expect to see some safe have movements as long as the election race remains tight without a clear winner. This will especially hold true if neither contestant will declare himself as loser. We've already seen some indicative signs that neither Trump nor Biden says that "it's over".

Economic implications

The economic implications for the US economy as well as the world and Sweden will depend on the winner of the presidential election and the Congress election. If the Congress will become split it will be difficult for the next president to launch an extremely large fiscal stimulus package. If this holds true, it may affect financial markets and sentiment in the medium term. For further analysis on the economic implications, see our analysis [here](#).

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