

# Quick thoughts: US elections, global stimulus, and 2021 growth

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With the November 3rd US elections just days away, the most discussed topic remains how its results may affect investment decisions. I recently discussed this with Ken Leech, CIO of Western Asset. No one knows the election results yet or when the losing candidates will concede. However, we are considering many possible scenarios, including:

- We believe there is a possibility that US taxes will not be raised initially. When President Barack Obama took office during the Great Financial Crisis (GFC), the Obama Administration focused on government spending first, then tax policy later. If this holds true, we can expect growth to likely increase in the first half of 2021.
- Substantial post-election stimulus packages will likely include infrastructure, and if Joe Biden is elected US president, we believe healthcare and environmental initiatives will be supported, including green bonds.
- We believe the US Federal Reserve's (Fed's) current zero interest-rate policy, and that of many central banks with negative rates globally, will continue for a meaningful period of time. The Fed's macro policies of buying bonds for liquidity, and incredibly low interest rates until full employment returns, are both positive for corporate credit. We think that it will take time before we return to previous rates of inflation.
- Today, many developed countries offer near-zero yields or negative interest rates, whereas China's markets offer government bonds with around 3% yields.
- We believe China's long-term plan is to become a serious US economic competitor, and it is on that path. China's opening of its bond and equity markets, and its currency addition to the International Monetary Fund's basket, are steps to becoming a bigger part of the global financial community.

As the elections remain uncertain, we believe global investments in China are certainly growing. For more about Ken's economic recovery optimism and how to invest in a zero-rate environment, listen to our conversation "[Quick Talks: 'Never' is Three Years.](#)"

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