

US Post-Election

November 2020

The gold and silver markets started the week on a roller coaster, but both have rallied on Thursday and early Friday – gold has risen to \$1960 and silver to \$25.80.

The US election results are still uncertain, with the outcome down to four states. Biden needs 6 electoral votes to secure the presidency, while Trump trails behind in need of 54 additional electoral votes. The Trump campaign has filed lawsuits in several states *but the legal efforts repeatedly failed to gain traction or affect significant enough numbers of votes, if any, in key states and protesters in swing states* (cnn.com). The final count in the Senate and House races are also still unknown. The latest estimates predict a Biden presidency with a Republican majority in the Senate and a Democrat majority in the House.

When analyzing the gold and silver markets, especially when putting our assumptions for the variables in our forecast together, we carefully weigh the possibilities of different political and economic outcomes to create our scenarios. Monetary and fiscal policies of the US are an important part of this analysis. With the election outcome in the balance, we present analysis breaking down historical gold and silver returns by presidential term (year), and by political party.

Figure 1



Dr. Tom Brady
Tom@capitalight.co

Chantelle Schieven
Chantelle@capitalight.co

Brian Bosse
Brian@capitalight.co

We start with a break down of gold and silver returns by political party, Democrats vs Republican, (Figure 2). This chart shows that the 4-year average return while a Democrat president holds office is higher than the average return when a Republican President holds office. (The analysis goes back 1953 – the first Eisenhower administration through 2019.)

However, by removing the 1980-peak (Figure 3) the gold returns under Republican presidents becomes higher, while silver returns remain higher under a Democrat president.

Figure 4 breaks down the annual return for gold and silver into the four year terms of a US president. For example, Trump was first elected in November 2016, but his first year as president didn't start until January 20, 2017, which makes Trump's year 1 as president from January 20, 2017 to January 19, 2018; year 2 was from January 22, 2018 to January 22, 2019; year 3 January 23, 2019 to January 22, 2020; and year 4 started January 23, 2020 and will end January 20, 2021. The analysis counts second presidential terms the same way using years 1-4.

In order to get a clearer picture of the gold and silver price cycles we have removed the 1980 peak from the analysis. Figure 4 shows that year 1 and 2 are strong years for the gold and silver price with year 3 starting to trail off and year 4 the weakest.

Figure 2

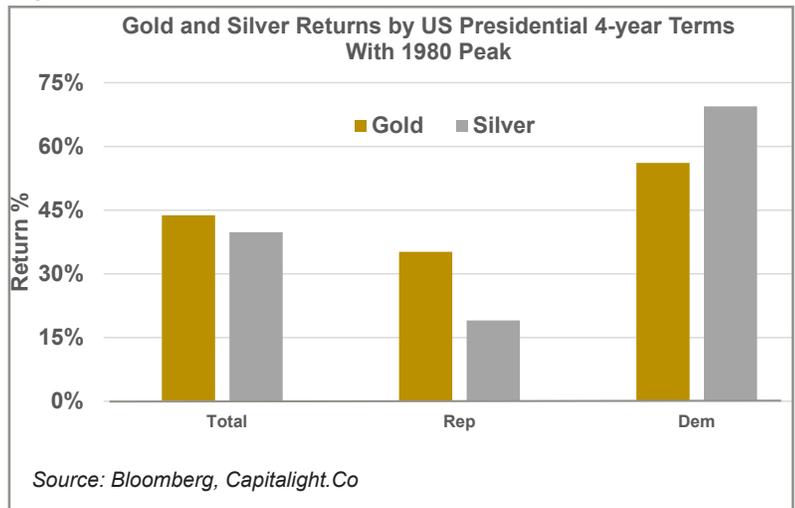


Figure 3

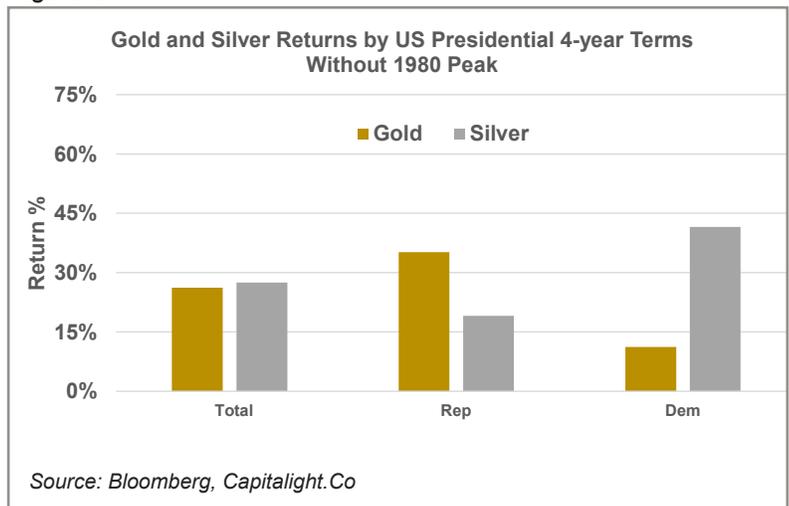


Figure 4

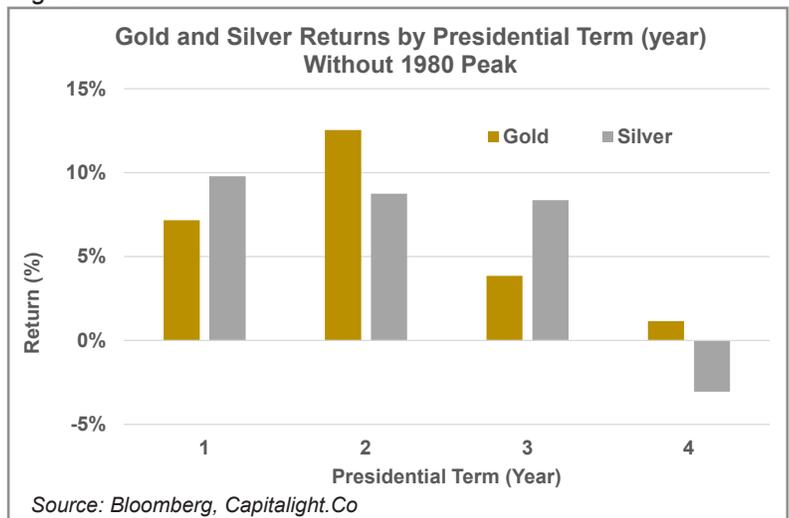


Figure 5

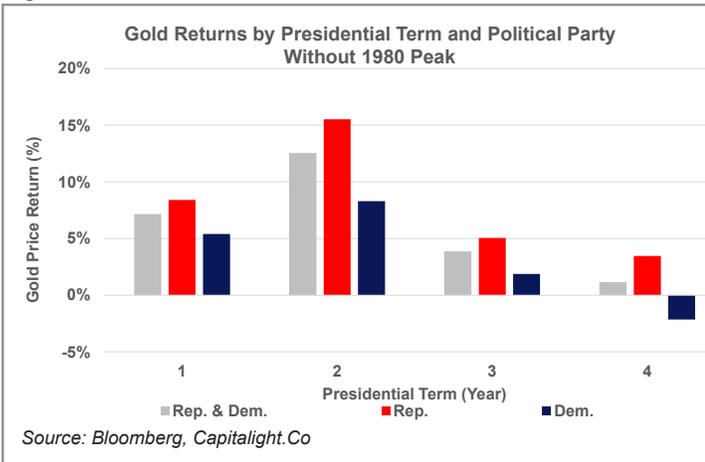


Figure 6

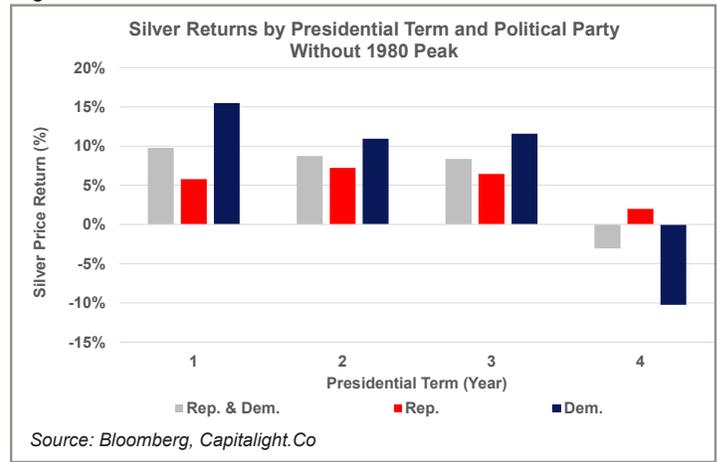


Figure 7

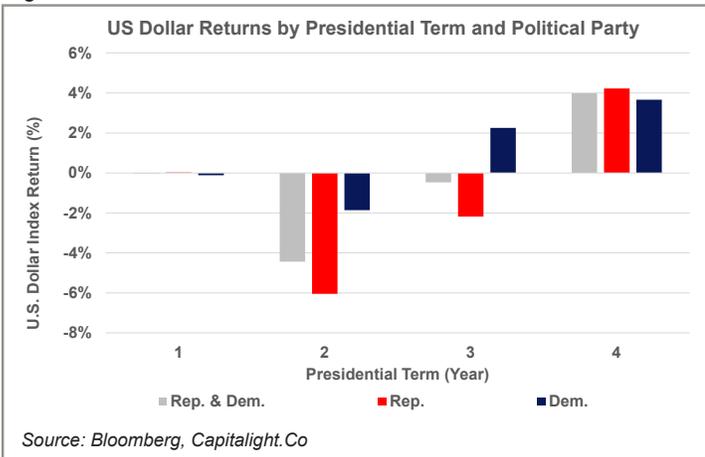
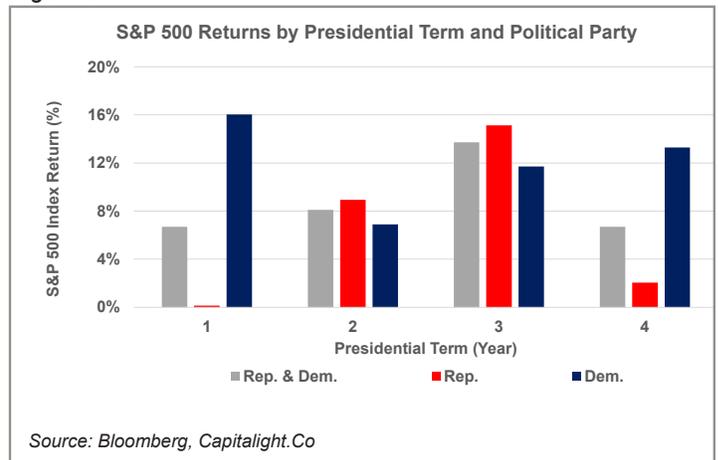


Figure 8



Figures 5 (gold) and 6 (silver) break the data down one step further and show the returns for gold and silver by presidential year and by political party. Interestingly, the gold price is on average higher under a republican administration than a democrat, and with the exception of year 4 the reverse is true for the silver price.

Figure 7 shows the US dollar return by US presidential term year and political party. Not surprisingly, the average of a declining US dollar corresponds to higher gold and silver prices in year two, with the reverse occurring in year 4.

Figure 8 shows the S&P 500 returns by presidential term year and political party. The

S&P 500 has performed better in year 1 and year 4 under Democrat presidents, and in years 2 and 3 of Republican presidents.

There are other factors that will also support higher gold and silver prices in year 1 of the new US administration (likely Biden). The economic environment is one where increased fiscal stimulus is required for at least the next 12 to 24 months.

With the likely outcome that Biden is president the fiscal stimulus is likely to be higher than under a Trump presidency. And with the Republicans likely to hold on to a majority in the Senate tax increases are likely to be more

difficult to implement, especially with the US economy still 670 billion below its end of 2019 level, and employment 10.7 million below its February 2020 levels.

In addition to the fiscal stimulus package, Biden campaigned on promises of increased spending or reduced cuts to many social programs, some of which include: preventing cuts to social security, free college tuition for families with income under \$125k, improving public health care, both the Affordable Care Act and Medicare and increased spending to fight climate change. The table on page 5 (modified from a version originally published in the October 9 Gold Monitor) shows the major economic, tax, trade policies of the Biden campaign.

Bottom line: Our outlook for both gold and silver remains bullish as per our recent forecasts. Many of the variables, a lower US dollar, increased monetary and fiscal stimulus, and low real interest rates will dominate the economic horizon for the coming years. Plus there is the issue of growing deficits and debt that governments will need to finance.

Figure 9

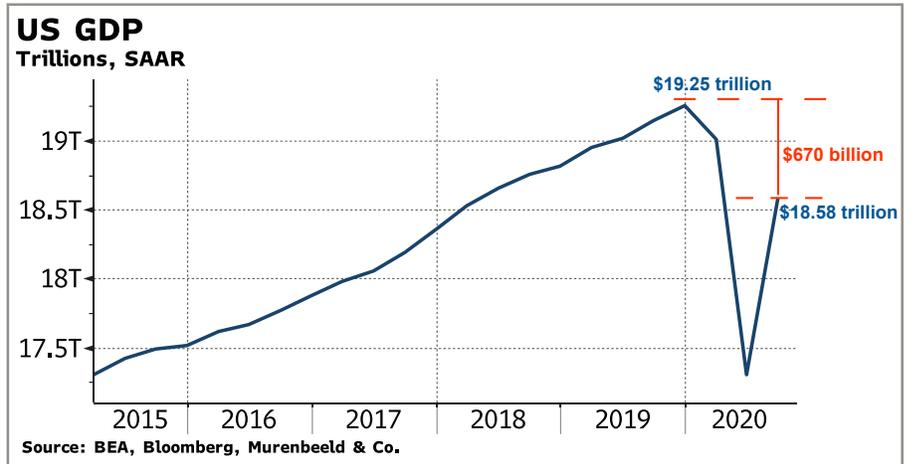


Figure 10

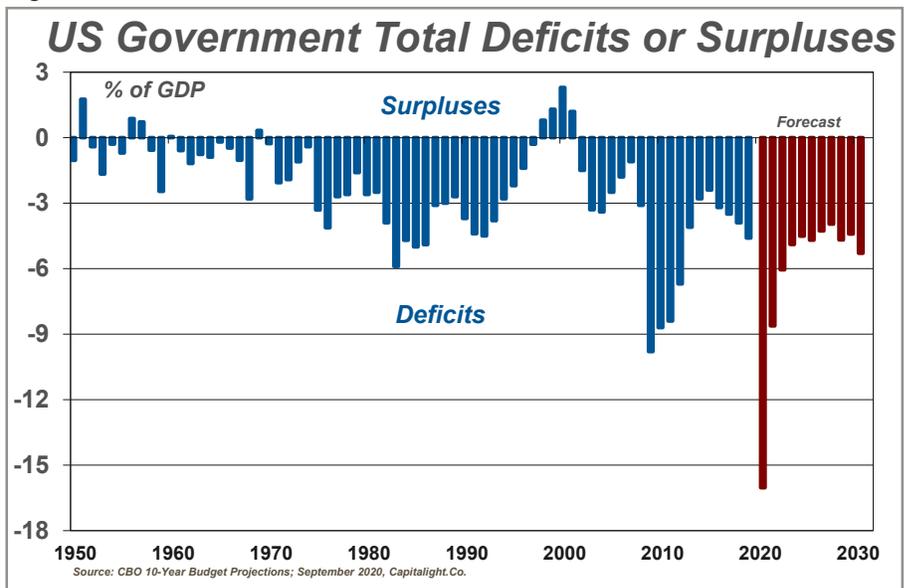
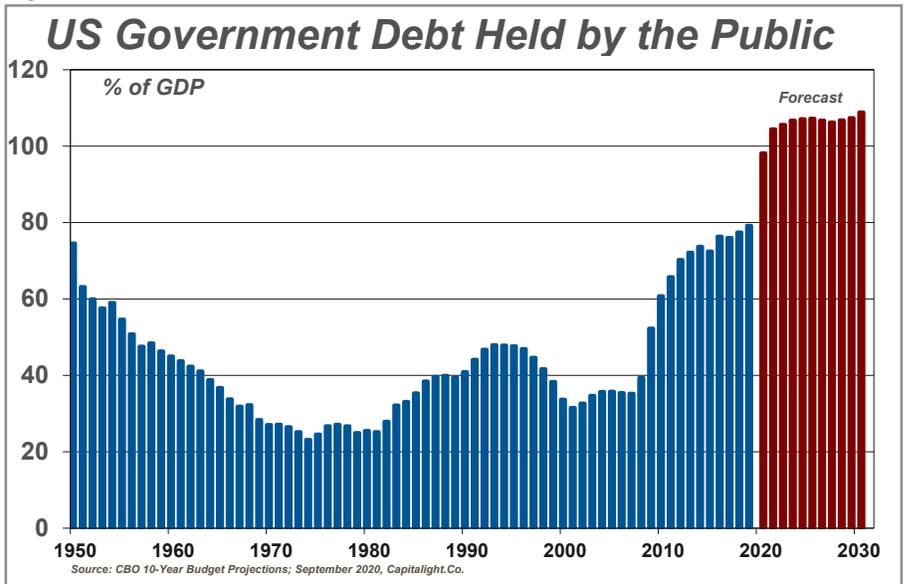


Figure 11



Biden Campaign Policies	
Economic Policies	
Minimum Wage	Biden supports a minimum wage of \$15, as well as ending the lower minimum wages for tipped workers and people with disabilities.
Funding up to 12 weeks of paid family leave for American workers	Biden pledges to support <i>"universal paid sick days and 12 weeks of paid family and medical leave ."</i>
Social Security	Biden's plan pledges to prevent cuts to Social Security and extend more benefits to the oldest Americans. <i>" We urgently need action to make the program solvent and prevent cuts to American retirees "</i> .
College Tuition	Free public university tuition for families that earn less than \$125,000.
Carbon Emissions	Achieve net-zero carbon emissions by 2050. \$2 trillion over four years towards clean energy and transportations, power generation and building sectors.
Climate Change Initiative	\$1.7 trillion over 10 years to fight climate change. Rejoin Paris Climate Accord.
Affordable Care Act	Biden regularly attacks Trump for his undermining of the ACA, President Barack Obama's signature policy achievement during Biden's time as vice president.
Medicare eligibility age	Biden announced a proposal in the spring to make Americans eligible for Medicare at age 60, instead of the current 65.
Tax Policies	
2017 GOP tax cut	Biden has said that he would reverse many of Trump's tax cuts for the wealthy and corporations to fund, in part, costly climate, education and health-care plans. He said he would not increase taxes for anyone earning less than \$400,000.
Capital Gains Taxes	Biden's plan would effectively double the rate by subjecting capital gains to his plan's top marginal rate, 39.6 percent, for people with incomes of \$1 million or more.
Corporate Tax Rate	Biden would raise the corporate tax rate from 21 percent to 28 percent.
Trade Policies	
United States-Mexico-Canada trade deal	Biden backed the final version of the United States-Mexico-Canada Agreement, although his campaign said he does not think it is ideal.
Trans-Pacific Partnership trade	Biden helped craft and promote the original deal to counter China's rising economic might, but now says parts of it would need to be renegotiated for him to support it.
Tariffs on goods from China	Biden, who is harshly critical of Trump's approach to China, has promised to re-evaluate tariffs on Chinese products them upon taking office.
'Made in America' policies	A Biden proposal would penalize American companies for moving manufacturing and service jobs overseas and then selling their products in the United States. He called for the federal government to spend \$400 billion over four years on materials and services made in the United States, as well as \$300 billion on U.S.-based research and development involving electric cars, artificial intelligence and similar technology.
Building Additional Wall on the U.S.-Mexico border	Biden has stated that <i>"there will not be another foot of wall constructed in my administration"</i> . His immigration plan would instead make <i>"investments in improving screening infrastructure at our ports of entry ."</i>
Federal Reserve	
Federal Reserve independence from political pressure	<i>"No president — or even a candidate for president — should be tweeting or commenting on an institution that requires independence to fulfill its duties ,"</i> (Washingtonpost.com). However, Biden has said that he thinks the Fed should expand its mandate to target persistent racial gaps in jobs, wages and wealth, revise its hiring and employment practices, and achieve greater diversity at all levels of the institution, including diverse nominees for the Board.

Source: Washington Post, WSJ, Biden website