

Thiaqu's Blog-Weekly Market outlook
Second week-Nov 20

Prior to the election, there has been a strong expectation that the Democrats would emerge with control of not only the presidency but both houses of Congress. But it increasingly looked last week as though gridlock would be the winner.

Markets began to factor the Goldilocks scenario of additional fiscal stimulus but more limited tax increases than under a “blue wave” Democratic sweep. Moreover, historically, when there is a Democratic president and a split Congress - the stock market has performed significantly better (13.6% annualized)

Markets have ignored the fact that the Control of the Senate would hinge on Georgia's two runoff races in January

The simultaneous sharp rally in stocks and bonds is an indication that the market expects the Fed to step in (as hopes for massive fiscal stimulus fade) – however FOMC did not even hint its intentions of any incremental support .

Summing up, the Markets have presently factored a political gridlock and a supportive FED and hence a frenzied buying of Global equities and a General USD sell off .

There is a risk that both these assumptions might turn out to be misplaced as Georgia elects Democrat senators and FED prefers to stay aside.