Potential Sector Winners & Losers

With any change in administration, and especially when the party platforms differ by so much, some sectors become more attractive while others suffer. We look across the spectrum, from most helped to most hurt.

Sector	Potential Impacts
Communication Services	Neutral to negative. Media and connectivity companies may be subject to higher regulatory scrutiny. The media weighting is lower with new sector configuration.
Consumer Discretionary	Neutral impact. Tax policy may spur increased consumer spending. However, minimum wage hike/unionization pushes increase retail/restaurant costs and clean air/green mandates raise apparel/textile manufacturer costs.
Consumer Staples	Neutral to slightly positive. Tax polocy effects benefit discretionary more than staples. Some benefits from less trade tensions such as lower commodity prices.
Energy: Exploration & Production	U.S.-centric E&P companies hurt by a reduction in activity on federal lands and rising regulatory requirements--not only in drilling and completion activity on state and private lands, but also in critical infrastructure.
Energy: Oilfield Services & Major Oil	U.S. operations hurt by headwinds from a significant reduction in oilfield activity on federal lands and rising environmental regulations.
Financials: Consumer Finance	A new Consumer Financial Protection Bureau Chair could increase supervision and enforcement actions against debt collectors, installment lenders, student lenders/servicers, and card companies.
Financials: Large Banks	Banks likely to face additional regulatory scrutiny, somewhat higher capital requirements, and increased consumer protections.
Healthcare: Pharma/Biotech	Increases the likelihood of passing drug price reform, including measures calling for direct Medicare negotiation.
Healthcare: Services	A reduction in the uninsured rate by strengthening the ACA and expanding Medicaid is partially offset by reimbursement pressure and the risk of a public option.
Industrials	Mixed impact but modestly negative in aggregate. Less defense spending a notable risk. HVAC helped by calls for improved building air quality and sustaiable home constructions. Support for farmers to use precision agriculture equipment.
InfoTech	Increased R&D funding for emerging technologies like 5G, quantum computing, and artifical intelligence. Less adversarial/differnet approach to China. Positive stance on immigration and visa policies.
Materials	Mixed impact with slightly positive tilt. Higher tax rates will be a modest drag as will lower oilfield activity (and related chemical and metals demand) but higher spending on clean energy and an expected infrastructure program should be positive.
Utilities	Tax rate increases are a benefit as taxes are a pass-through cost while returns are regulated (fixed). Clean energy push will create capital expenditure opportunities, increasing long-term earnings growth/visibility.

When facing significant uncertainty, it is natural to think of the potential outcomes as binary — either good or bad. Frequently, however, big change creates both winners and losers. In a Democratic sweep, we see utilities, health care services and information technology as likely winners, while energy and financial services may be relative losers. While it is too early to prudently bet on the outcome of the 2020 U.S. presidential election, the 2016 elections taught us to be prepared for all outcomes, and ready to position thoughtfully for the way forward as soon as the result is known.