

Don't Just Follow The Ball

Careful investors know to look where no one else is looking. This week is no exception.

It's here. If anything has not been said or written about this topsy-turvy U.S. presidential campaign as the clock runs down, it's hard to imagine. Very soon we will move to fresh parlor games around new cabinet members and committee chairs and the mix of taxes and spending to expect from the world's largest economy.

Yet investors would be wise this week to look beyond the ball where everyone else will be focusing their attention to less prominent headlines that may prove far more consequential for markets in the next months.

We already know that U.S. monetary policy will remain extremely supportive under either outcome on Tuesday. We already know that Congress will likely enact roughly \$2 trillion in stimulus measures once the election fevers fade. But we can still only guess how a few other storylines will play out with significantly greater potential market risks:

1. **COVID-19:** Other than a messy vote count that winds up in courts, the biggest near-term market threat will come from the [latest data](#) on mortality rates and hospitalizations, and more importantly, any fresh restrictions they may trigger. Investors have been bracing for a winter of second waves but hoping to avoid anything that felt like the spring lockdowns, and the early news from Europe is hardly encouraging. Conversely, any surprise vaccine progress might help investors look through to a better recovery next year.
2. **Non-Farm Payrolls:** The first Friday of the month, when the U.S. Bureau of Labor Statistics offers [its best snapshot](#) on employment recovery, happens to fall just a few days after the election, but this will be a key data point for the likely trajectory next year. Initial jobless claims drifted near 750,000 last week, but the gains are slowing and the global outlook depends crucially on how fast the U.S. labor market heals.
3. **Corporate Earnings:** The numbers this season have been strong, reflecting enormous GDP rebounds in China, Europe and the United States. But the markets will remain far more sensitive to the tone of the conference calls and the outlooks for next year from anyone brave enough to offer one. Microsoft beat earnings expectations, for example, but suffered for offering light revenue guidance. General Electric bounced on better-than-expected forecasts. This week, listen closely to the rumblings from the likes of PayPal, GM and Loews.
4. **The Fed:** The November meeting concludes on Thursday and few are bracing for big changes in policy or forward guidance. But the September minutes show that "[many participants](#)" assumed more stimulus was at hand, and continuing delays may trigger fresh consideration of more asset purchases. If so, this seems like one of those signals that could go either way: markets will either welcome fresh support or freak-out that the Fed is worried.
5. **WTO General Director:** New leadership at the World Trade Organization will not move markets on its own, but the Trump administration's decision this week [to block](#) the presumptive favorite, former

Nigerian Finance Minister Ngozi Okonjo-Iweala, underscores the continuing trade tensions that undergird the global recovery—especially differences between Washington, Tokyo, Beijing and Brussels. The Biden message has stressed his eagerness to repair relations with allies, but many of these differences run deep and won't be resolved with a few kind words. The China trade agenda could become even more challenging as political and diplomatic questions intrude.

6. **Brexit:** A trade deal looks [close](#) between the United Kingdom and the European Union, but it's not done until it's done. A late collapse in talks would mostly damage British firms that would lose access to continental markets, but a surprise is a surprise, and bond markets hate those.
7. **Escalating Crises:** Political flashpoints rarely follow a set schedule, but don't lose sight of the escalating tensions between Turkey and its European neighbors over competing sovereignty claims in the Eastern Mediterranean, accusations about the treatment of Muslims in Europe and, yes, another [cartoon](#). Meanwhile, another simmering pot involves the long-standing border dispute between Beijing and New Delhi, which has now just extended [from the Himalayas to the South China Sea](#).

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These are all headlines that will look inevitably smaller than the hoopla surrounding America's vote on Tuesday, especially if the results take several days to tally. (Pro tip: Watch the count from Florida's Pinellas County, which has [correctly predicted](#) nine of the last 10 presidential elections.) But in a country where political emotions run so high, there is broad agreement around what macroeconomic policies to adopt next year, while some of these other story-lines are not priced in.

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