

## Biden Presidency and Likely Red Senate a Bullish Scenario for Tech Stocks

Dan Ives | ETFMG Cloud Technology Expert | November 11, 2020

With a Biden presidency now official tech investors should expect a ratcheting down of US/China tensions and the "decoupling path" of the Cold Tech war, which is a bullish sign for Apple and semi stocks looking ahead. Heading into this week there were rampant Street fears into Election Day with many potential Blue/Red scenarios on the table. Fast forward to today and the Street appears to have gotten the "goldilocks Election outcome" for tech stocks with no Blue Wave expected (very high likelihood of Senate staying Red despite Georgia run-offs) and a Biden White House now on the horizon. Breaking this down from a tech investor perspective and given our conversations with investors this week, with the Republicans likely to control the Senate the chances of major legislative changes to antitrust law now is off the table in the eyes of investors which posed the biggest risks to tech stalwarts with a ripple impact across the sector. While the DOJ suit vs. Google and potentially others on the horizon remains a long-term threat with litigation likely to go for years, for now the Beltway vs. Big Tech regulatory environment looks less onerous than it could have in a Blue Wave scenario.

US/China decoupling path could be altered with a Biden win now in the cards. The second major issue remains the US/China Cold Tech war which under a Biden White House win would likely take a softer tone going forward in the eyes of the Street and potentially change the course of the decoupling path going on between the two powerhouse countries into 2021 and beyond. This would be a major bullish sign for the likes of Apple, Cisco, and semi names which are caught in the crossfire on this ongoing US/China battle with 5G front and center. As we have witnessed over the past few years, the Trump Administration has taken a hard stance on Chinese IP, trade, and security, which has led to a seesaw battle on a number of issues including Huawei, Broadcom/Qualcomm merger blockade, TikTok's forced sale and ultimately partnership with Oracle, and the 5G technology battle. Based on policy platforms, the Street's view appears to be that a Biden Presidency will take a relatively more friendly tone on China technology and policy issues which could ratchet down tensions and rhetoric between the US/China across the enterprise and consumer technology ecosystem, however the long standing issues around piracy and IP theft are not going away.

Green light to buy tech stocks. We believe tech stocks could rally another 10%-15% into year-end led by FAANG names (Apple our favorite), cloud software (Microsoft and Salesforce our favorites), and cyber security (Zscaler our favorite name). Apple is on the cusp of an iPhone 12 5G super cycle with a services business that is thriving in this environment, its FAANG brethren Amazon (massive e-commerce strength and AWS secular trend), Facebook (higher engagement with social media), and Alphabet (advertising/search, GCP cloud strength) all saw relative tailwinds in the September quarter. For Microsoft we expect the massive acceleration to cloud continued over the past few months with Azure/Office 365 a major beneficiary of these secular trends which is still in the third inning of playing out among enterprises. In a nutshell, its a nirvana potential Election scenario for tech names and bullish for the tech sector into 2021.

## Meet the Expert



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World renowned software and technology analyst with 20+ years experience educating on cloud computing, cyber security, big data and the mobile landscape. His vision behind the ETF stems from an investor demand for global exposure to the “cloud enabler” companies he has been covering for decades.

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