



## 100 days in office – how has Biden performed?

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Using the achievements of the first 100 days in office as a measure of presidential effectiveness was famously introduced by Franklin D. Roosevelt during the Great Depression of the 1930s. When Roosevelt was sworn in as president in March 1933, a quarter of the American population was unemployed and he acted quickly, signing a record 15 pieces of legislation to lay the foundation for economic recovery. The significance of the first 100 days in office survived Roosevelt and remains a yardstick against which the initial success of US presidents is measured.

Like Roosevelt, Joe Biden, who was sworn in as president on January 20, 2021, assumed the office during an extraordinary crisis. More than 400,000 Americans lost their lives to the global pandemic while nearly 10 million jobs were wiped out. Biden entered the White House just a couple of weeks after an instance of “domestic terrorism” on Capitol Hill, an attack that illustrated how polarised the US population is after four years under a Trump presidency. In addition, the early days of Biden’s presidency also faced challenges from the climate crisis and resurfacing geopolitical tensions.

Seeking to emulate the standard set by Roosevelt, Biden placed a great deal of emphasis on acting quickly during his first 100 days. From day one, his priorities have been to fight the Covid-19 pandemic and provide economic assistance to American families. Reversing some of Trump’s most controversial policies was also high on Biden’s agenda. Hours after being sworn in, he signed a historic 17 executive orders to repeal Trump’s policies on regulation, immigration, tax, and climate.

With the backing of a supportive Congress, Biden has been particularly successful in delivering on the policy priorities for his first 100 days in office. Based on the old business adage of “under-promise and over-deliver”, Biden strategically kept expectations moderate in order to exceed his own targets.

### **Domestically: from fighting the pandemic to revitalising the economy**

On the pandemic front, Biden set his administration the objective of vaccinating 100 million Americans in his first 100 days in office. It only took around 50 days to fulfil that promise and, at the current rate of around 3 million vaccinations per day, he may well be on track to double his target and vaccinate 200 million Americans by the end of April. Considering the delays and operational challenges faced by other advanced economies, the US administration has been remarkably successful in procuring the necessary vaccines and coordinating between the federal government and local authorities to ensure they are distributed efficiently. The progress on fighting the pandemic has been a key factor supporting the US recovery, as it has allowed a progressive reopening of the economy.

This revitalisation of the US economy received a major boost from the USD 1.9 trillion coronavirus relief package, an important milestone for achieving Biden’s priorities for his first 100 days. The “American Rescue Plan” bill he signed on 11 March is a major legislative accomplishment aimed at easing the pain of the pandemic for American families and small businesses until the US economy can be completely reopened. The plan not only includes direct payments to US citizens, extended unemployment insurance supplements, and expanded child tax credits, but also provides additional funding for the vaccination programme. However, in this respect, Biden’s campaign pledge of bringing bipartisan consensus back to Washington failed miserably, as not a single Republican voted in favour of his stimulus.

Yet, Biden’s effort to jumpstart the US economy and rebuild its competitiveness is far from over. On 31 March, he presented a once-in-a-generation infrastructure investment plan of more than USD 2 trillion. The “American Jobs Plan” aims to rebuild roads, repair bridges, accelerate the fight against climate

change, and invest in research. It also includes a long list of projects designed to create millions of jobs and strengthen American competitiveness. The plan, which should be funded through an increase in corporate taxes, also aims to address long-standing US social and economic challenges. As yet, the final design of the plan has not been defined, nor is it clear what financing modality it will use or in which form it is likely to be accepted by Congress.

The “American Jobs Plan” will undoubtedly require lengthy legislative negotiations on Capitol Hill and will not be passed within Biden’s first 100 days. However, it is clear that both the “American Rescue Plan” and the “American Jobs Plan” will have a considerable impact on the economic recovery and medium-term competitiveness of the US, and that they will have significant spillover effects that will benefit the global economy.

On the domestic front, Biden has also been particularly active on critical issues perceived as failures of the previous administration, such as climate change, racial equality, immigration, and gun control. Although he has acted quickly in these areas, so far Biden’s record has been mixed. In particular, to date, the new administration has been unable to control and manage the influx of people trying to cross the US-Mexico border illegally.

### **A positive response from the markets**

Biden’s election resulted in a stock market rally that was the best post-election market performance in modern history. Between 3 November, 2020 (election day) and 20 January, 2021 (inauguration day) the Standard & Poor’s 500 gained 14.3%. During the first three months of Biden’s presidency, the market continued this upward trend, with the Standard & Poor’s 500 up by approximately 25% compared with election day. In comparison, during the period between the 2016 election of Donald Trump and his inauguration in January 2017, equities gained approximately 6%, while they only experienced an increase of 5% during Trump’s first 100 days in office.

Several factors contributed to the stock market rally. Despite Donald Trump’s initial refusal to formally concede, the markets experienced a sense of relief when the election result finally pointed to a clear victory for Biden. The markets probably also appreciated the move to a more predictable and less controversial presidency after four chaotic years under Trump. But most importantly, Biden’s election signalled a faster and more efficient response to the Covid-19 pandemic, as well as a sizeable fiscal support stimulus for the US economy. Their subsequent victories in the Senate run-off election in Georgia provided Democrats with the majority in both chambers of Congress and fuelled further market expectations for a swift approval and implementation of the USD 1.9 trillion “American Rescue Plan”.

Joe Biden’s performance in terms of his administration’s priorities of fighting the Covid-19 pandemic and jumpstarting the US economy not only fuelled the recent stock market rally but also led to a rapid rise in 10-year US Treasury yields. Against the backdrop of an improved economic outlook, the 10-year US Treasury bill increased from approximately 0.75% on election day to a maximum of 1.75% at the end of March of this year. Since then, the Treasury yields have dropped slightly to 1.55 – 1.6%. Expectations of a solid US recovery and the rise in US sovereign yields also led to a widening of the yield gap with European sovereign bond yields and a strengthening of the US dollar, which (contrary to forecasts) appreciated against most currencies during the initial three months of 2021.

### **Internationally: diplomacy and multilateralism back on the agenda**

Internationally, Biden’s aim is to refocus US foreign policy on diplomacy and multilateralism, working together with allies and standing up to America’s adversaries. While his initial focus was firmly on domestic issues, he did use his first 100 days in office to take some symbolic steps in the international arena, including reversing Trump’s isolationist policies to rejoin both the World Health Organization and the Paris Climate agreement, as well as signalling openness to rejoining the Iran nuclear deal.

In his first foreign policy address, Biden sought to reassure his allies that the era of US unpredictability is over. He took initial steps to rebuild relationships with traditional allies and to reengage on a



multilateral level. In terms of adversaries, Biden identified China and Russia as the two countries where immediate action is required. He confronted Putin on cyberattacks and election interference but stressed his willingness to co-operate on nuclear weapons control. The competition for global supremacy with China will continue under Biden's presidency. The US will insist that China abide by international rules for fair competition, fair trade and respect for human rights. The US will also work with its allies to hold China accountable for its actions in Taiwan, Hong Kong, and the South China Sea.

## **How will Biden's policies impact markets going forward?**

The big question is how Joe Biden's policy plans and their implementation will affect markets in the weeks and months to come. There are many factors that we need to consider to make a full assessment of the markets for the next 100 days, including policies of other countries. Here are already a few positive and negative effects, as well as some risks.

The higher fiscal spending (stimulus package) is positive for the equity markets and, to some extent, the effects have already been priced in. On the other hand, the potential risks for the equity markets will come from the upcoming discussion on the financing of the stimulus plan, particularly the proposed tax hike. To what extent this will pass through Congress is still difficult to assess.

Looking at the fixed income market, and more specifically at the US Treasury market, the higher fiscal spending is in general negative as it implies higher issuance (an increase in the supply of US Treasury) and potentially higher inflation over the medium term. This phenomenon may also have already been discounted by the markets with the strong upward move of US Treasury yields that we saw in Q1.

The major risk of this significant fiscal stimulus – which has been regularly mentioned – is a permanent spike in US inflation. The US Treasury and the Fed do not agree in this matter. The Fed claims that it has the means to control an increase in inflation. The recent downward move of the US Treasury yields seems to indicate that the market may be starting to believe the Fed and that the market is now less fearful of major inflationary pressures.

Joe Biden began his presidency facing a unique set of challenges. In the spirit of Franklin D. Roosevelt's New Deal, the former vice president laid out an ambitious agenda for his first 100 days in office. Although, so far, he has been successful in delivering on his main priorities (fighting the Covid-19 pandemic and jumpstarting the economic recovery), he is still facing extremely tough challenges to achieve his campaign promises. Once the pandemic emergency is under control and the honeymoon period is over, Joe Biden will need all of his experience to advance his political agenda. With a narrow congressional majority, he will need to reconcile the conservative and the progressive wings of the Democratic party, as well as seek support from moderate Republicans to pass his legislative proposals. Internationally, he will need to re-engage with traditional US allies who became disheartened by the unreliability of the US during the last four years and who are unnerved by the prospect of another Trump presidency in 2024.

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