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The politics of tech: what the US elections mean for Silicon Valley

Amid one of the most tumultuous campaigns in living memory, the outcome of November's US elections remains highly uncertain. Polls, and prediction and betting markets, currently lean around 60% towards Harris, leaving the outcome of the vote for the Presidency completely open. Similarly, the congressional race is too close to call, with a Republican sweep of both houses being slightly more likely than the Democrats doing the same – but with divided government the most probable outcome, whoever wins the White House.

Assuming a divided Congress, we do not foresee a dramatic immediate impact on markets from either Harris or Trump victories, yet there will likely be some key differences that may be significant for investors. A Harris win would likely be the most neutral outcome, with a greater degree of predictability – not least due to the anticipation of continuity with the previous administration's policies. A Trump victory, on the other hand, will lead to

less predictable outcomes with possible downsides for some sectors and markets and upside for others.

For instance, non-US equities may suffer as a consequence of the aggressive "America first" policies espoused by Trump. A less aggressive stance towards energy transition may dampen some commodity prices if this encourages an increase in fossil fuel extraction, while gold will likely benefit from a safe haven effect. A second Trump administration would, given his recent comments, also bring uncertainty around the future independence of the Federal Reserve, while his long-standing attitudes towards tariffs and trade may well be inflationary.



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The tech sector in focus

For the tech sector, differing trade, regulatory and immigration policies are likely to have the most pronounced effect, with the relationship with Asian markets being the most important. While, in the case of a second Trump administration, this is seen as a potential headwind, any loosening on the regulatory side will be to the sector's benefit. Indeed, while tech and Silicon Valley have traditionally leaned Democrat, this is now no longer something to be taken for granted, with Democrats' attitudes towards regulation – and, of course, taxation – driving some to the Trump camp.

The Biden administration brought in a harsher regulatory environment, with tighter controls on M&A activity affecting the venture capital scene. And they have also been perceived to be “anti-crypto”, an industry that many VCs and others in the tech sector strongly support. While support among VCs and tech executives is therefore mixed, a clear pro-Trump camp has emerged, with the pick of JD Vance – an acolyte and former employee of entrepreneur and venture capitalist Peter Thiel – as Trump's VP nominee underlining their growing influence. Other tech luminaries, such as Elon Musk, have joined the Trump camp, while e.g. Mark Zuckerberg has taken a neutral stance.



On the other hand, Harris' background stands her in good stead with many in Silicon Valley. A Californian and historical friend of Big Tech, she is close to several prominent executives – including Sheryl Sandberg – and is believed to be open to listening to concerns about the current state of the sector. Nevertheless, the general consensus is that her ascendancy to the White House would mean the continuation of many Biden era policies.

Asian outlook

Aside from issues of domestic regulation and taxation, the next administration's stance on Asia – in particular on China – will likely have a significant impact on the future of the tech sector, particularly in the US but also with more far-reaching implications. For instance, the export ban on semiconductors could be extended, while we may see more use of subsidies such as the Chips Act to help US manufacturers. And any increases in import tariffs on Chinese tech and other goods will hurt on both sides of the Pacific. As with other policy areas, there is likely to be greater unpredictability here with a Trump victory and the sharper break from the previous administration that this entails. The status of Chinese social media giant TikTok is also yet to be determined, though it is likely that both candidates will support a forced sale to a local entity, or a complete ban of the app in the US.

While the expectation for continuity or a break is apparent across all policy areas, it is with attitudes to China – and, in particular trade with China – where there seems to be the starkest differences between the two candidates. Both candidates will certainly take an “anti-China” stance, but the difference will be in terms of degrees and style. Indeed, even if Trump's most bombastic pronouncements are not translated into policy, his victory would likely mean be a marked increase in trade frictions, both in terms of actual tariffs and barriers to trade, but also in the associated rhetoric than can drive geopolitical tension and uncertainty – neither of which are historically friendly to markets.

CONCLUSION

While we expect some volatility and unpredictability, we do not expect a tumultuous effect on markets in any case. However, policy differences between the candidates will likely have an impact on the tech sector. The most drastic case is a potential Republican sweep of the Presidency and both Houses of Congress, where we would likely see a lighter touch domestic regulatory environment, with a ramping up of trade barriers with China. A Harris victory – which is more likely to come alongside a divided Congress – would more likely mean a continuation of Biden era policies, potentially with a friendlier attitude towards Big Tech.

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