Five Names for Investors to Know in the New Administration

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Joe Biden was inaugurated as the 46th president of the United States on Wednesday, taking the oath of office in a subdued ceremony amid a staggering level of security in the nation's capital. He begins his presidency facing an array of daunting challenges, including the ongoing pandemic, a fragile economy, and extreme racial and political tensions in the country.

U.S. stocks rose on Wednesday, with the S&P 500® reaching a new record closing level; it's up about 4% since the start of the year. Many investors are anticipating an economic rebound in the months ahead as the new administration focuses on passing an additional economic stimulus package and speeding up vaccine distribution in its first weeks.

President Biden began his term with a series of executive orders on Wednesday, and is expected to issue more in the coming days. Among those expected to be signed on Inauguration Day were an extension of the eviction moratorium that was set to expire at the end of the month; an extension of the pause in payments on federal student loans; the rejoining of the Paris Agreement on climate change and the World Health Organization; and a pause on all regulations that were approved in the final weeks of the Trump administration.

In Washington, it is often said that "personnel is policy"—that policy priorities and successes are largely dependent on those who are championing them. With that in mind, here is a quick look at five members of the new administration whose decisions in the coming months could have the most impact on the markets and investors:

- **Vice President Kamala Harris**: While the vice presidency can often be one of the least-noticed positions in the federal government, Harris will have a very high profile because of her role in breaking ties in the United States Senate. With the swearing-in on Wednesday of the two new Democratic Senators from Georgia, Jon Ossoff and Raphael Warnock, there is a 50-50 tie in the Senate, which can be broken by the vice president. That gives Democrats the narrowest of majorities. Harris is likely to be called upon frequently to break ties, which could be key to achieving the administration's policy priorities in areas like economic stimulus, infrastructure, health care and climate change through the bitterly divided Senate.
- **Treasury Secretary nominee Janet Yellen**: The former Federal Reserve chair, who is expected to be confirmed by the Senate later this week, will be the point person for the administration's efforts to jump-start the economy. During her confirmation hearing, Yellen argued for a robust economic stimulus package, telling lawmakers it was "critically important to act now" and to put aside longer-term worries about the national debt. Investors can also expect close coordination between the Treasury and the Federal Reserve in the coming years, given Yellen's long history and strong relationships at the central bank.
- **Labor Secretary nominee Marty Walsh**: The Boston mayor and former union head is expected to be confirmed as the head of the Department of Labor in the coming weeks. Walsh is likely to focus on issues like the minimum wage and enhancing workplace safety, but his department also has jurisdiction over retirement savings plans, where he has less experience. With Congress likely to consider a bipartisan retirement savings bill later this year, Walsh's department will play a key role in how any new rules that increase savings opportunities get implemented.
- **SEC Chair nominee Gary Gensler**: Progressives are cheering Biden's choice to become the nation's top regulator of the capital markets, expecting that Gensler will herald an era of tougher Wall Street enforcement. Gensler, a former Goldman Sachs partner, headed the Commodity Futures Trading Commission (CFTC) during the Obama administration, where he earned a reputation as a tough enforcer and helped author strict rules on the use of derivatives. At the SEC, Gensler is expected to increase public company disclosure requirements in areas like climate change, political contributions and diversity; expand shareholder rights; and focus on executive compensation. Gensler may also look at cryptocurrency regulation and could face pressure from progressives to investigate whether newer investors are being pressured by trading apps into risky investments that they may not fully

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understand.

- **Rohit Chopra**, **Director, Consumer Financial Protection Bureau (CFPB):** The CFPB was created in the wake of the 2008-2009 financial crisis and has broad jurisdiction to protect consumers in areas like mortgages, auto loans and student loans. Chopra was part of the original team that launched the agency and he was the CFPB's first student loan ombudsman. He returns to an agency that had been sidelined by the Trump administration but is expected to take a much higher profile in defending fair lending rules and combatting abusive practices by financial institutions during the Biden administration.

One other key player is not a new face: **Fed Chair Jerome Powell** will continue in his role, as his four-year term as chair does not expire until February 2022. Powell has been clear in public comments that the Fed will keep interest rates low for an extended period, that he supports more fiscal stimulus and that the central bank is not overly concerned about inflation risk in the near term.

Biden does have one vacancy on the seven-member Fed Board of Governors to fill. He has not made a nomination yet for the open seat.

Economic stimulus tops the initial agenda

Another economic stimulus package is expected to dominate the first weeks of Biden's presidency. Biden is hopeful that the ambitious $1.9 trillion plan that he outlined last week can be approved in a matter of weeks, but that could prove difficult on Capitol Hill. Overcoming the procedural and logistical hurdles of a 50-50 Senate will be challenging in its own right, but the situation is complicated by the fact that the Senate is likely to be mired in the impeachment trial of former President Donald Trump in the coming weeks.

Biden's stimulus plan includes $1,400 checks to low- and middle-income taxpayers; aid for state and local governments; funds to help schools to reopen; an increase and extension of enhanced unemployment benefits that are scheduled to run out in mid-March; money to expand vaccine distribution; and much more. The plan also includes increasing the federal minimum hourly wage to $15, which could be the most contentious element of the package. Numerous changes to the plan are expected as the package makes its way through Congress. One possibility is that lawmakers may pass the stimulus checks as a standalone bill, taking advantage of bipartisan support for those payments.

While Biden is hoping for a bipartisan support for his stimulus plan, early indications are not promising. That may force Democrats to use the "budget reconciliation" process, a special set of rules that would, among other things, allow for a bill to be approved in the Senate by a simple majority vote rather than the 60-vote supermajority needed for most legislation. But using the budget reconciliation process would slow passage of the bill, likely to the March/April timeframe. We think a robust stimulus package will ultimately pass, though the timing remains murky at this point.

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