

US policy update: What to make of US protests and the record May jobs report?

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This US election cycle, GC team members in the Washington, DC and London offices are holding a series of conversations on the elections and wider US policy issues, and how each might impact investors and companies on both sides of the Atlantic. Below is a brief extract from the seventh conversation in the series, which explored the impact of the widespread US protests before looking at the unexpected May jobs report. The speakers are [Erin Caddell](#) (Director, GC US) and [Joe Palombo](#) (Practice Lead, Global Investor Services). To access the full recording, email m.milne@global-counsel.co.uk

US protests

JP: In recent weeks Biden has pulled ahead of Trump, first in national polls and then in betting markets. We have spoken about how, in this context, the recent protests might shape the candidates' campaign calculus. But what impact could the resurgence of racial tensions have on their actual policy platforms?

EC: Trump will come back to his tried-and-true issues to excite his base, particularly as he is hoping to restart his campaign rallies shortly. Expect more China-bashing and potentially more announcements similar to Taiwan Semiconductor's recent plan to build a manufacturing facility in Arizona, which both hits China and brings jobs back to the US. Trump will argue that he is better able to grow the economy after covid-19 than Biden, and he will do whatever he can to highlight this difference leading up to the election.

In this vein, the Labor Department last week allowed Americans to invest in private equity (PE) in their 401(k) plans. This is consistent with the Trump administration's deregulatory stance,, and a reminder to listeners that whatever your personal feelings about Trump, his administration has been very accommodative to companies and investors, and a Biden administration would be less so. I do not think this will lead to a flood of money into PE right away. But it is another step in the democratization of PE that has benefited many of our large alternative asset manager clients in recent years.

Meanwhile, given that he is leading, expect Biden to stick to the middle of the road. Note that Biden said on Monday that he does not support the "defund the police" movement that some progressives are supporting. If he continues to feel he has the liberal wing of the party shored up, which he appears to at the moment, Biden will move to try to capture moderate Democrats, Republicans and independents who are dismayed by Trump's behaviorbehaviour - whilst also taking care of his liberal and progressive base.

JP: Yes, I think those are important points on Biden having to walk an increasingly fine line, and on how the 401(k) move may ultimately - if not immediately - lead to more capital chasing PE deals. Shifting gears, I would'd love to hear about the May jobs report, and what it might mean for the next US stimulus package.

EC: The jobs report was a big positive surprise, with more than 2m2 m jobs added versus expectations of millions of jobs lost. There were some anomalies in the data. But nevertheless, the positive surprise, and the move up in the stock market that resulted - the S&P 500 rose dramatically after the jobs report and is now slightly up for the year - pushes back the timing of any stimulus bill. Our Republican contacts on the Hill say no bill will be considered by the Senate until after the 4th of July. And the longer a bill takes to come together, the smaller we think it will be. We do, however, see some form of assistance for state and local governments, whose budgets have been devastated by the covid-19 shutdowns.

This point was highlighted well by former Florida governor and presidential candidate Jeb Bush, with whom GC's Chairman Peter Mandelson hosted a call yesterday. But we do not see another round of checks to individuals, and think it is unlikely that the emergency unemployment benefits passed in CARES Act 1.0 will be continued - or only at a much lower level. We think there will be a fight over Republican efforts to reduce liability for employers whose workers contract covid-19 on the job, and over likely Democratic efforts to add policing reforms into any stimulus bill. But another spending bill just before the election would help anyone running, particularly the president.

If you would like to be added to our invite list for the bi-weekly call, please email Matilda at m.milne@global-counsel.co.uk