

CIO Viewpoint

Biden's cabinet picks for post- pandemic recovery

Investment Solutions

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President-elect Joe Biden made a series of nominations last week, signalling a return to multilateral US policy-making and a path to economic rebuilding. Significantly, a [plan to appoint former Federal Reserve chair Janet Yellen to the US Treasury](#) promises closer coordination between fiscal and monetary policy.

Mr Biden's cabinet picks confirm our expectations for a turnaround in US economic and foreign policy. The 46th president will have the opportunity to re-set US foreign policy while the pandemic injects levels of spending into domestic social-policy and infrastructure that would have been unthinkable as recently as four years ago.

"America is strongest when it works with its allies," [said](#) the president-elect last week, hours after Donald Trump had repeated his "[America first](#)" mantra. A month after the US election, it is clear that the incumbent American president and parts of his party may never admit to [losing](#). Proof of the coming policy shift is visible throughout the new administration's staff picks. The nominees, to be confirmed by the Senate, are all knowledgeable, well-known specialists. The White House cabinet is also set to be the most diverse in US history.

Mr Biden's team leans heavily on the experience of Barack Obama's administrations which governed between 2011 and 2015 with a Republican-controlled Senate, and then through 2016 with [no majority in either Congressional chamber](#). The Biden administration's ability to pass legislation depends on being able to negotiate with Republicans to create political consensus. This is especially true if, as we expect, Congress remains split with the Senate still in Republican hands after Georgia's state run-offs on 5 January 2021.

Mr Biden's choices include [John Kerry](#), former secretary of state in the Obama administration and climate veteran, who will spearhead Mr Biden's ambitious plans in this field, starting with the pledge to re-join the Paris Accord on climate change. Mr Biden's nominee for ambassador to the UN is [Linda Thomas-Greenfield](#), whose role will be promoted to the cabinet. The pick for secretary of state, [Antony Blinken](#), a former state department deputy to Mr Kerry, says that he wants to work with allies to engage with China and international rules, rather than leave a power "vacuum". Mr Blinken, a Europhile who has described Brexit as "[a total mess](#)", is likely to be critical of any failure to reach a European Union/UK trade deal. Mr Blinken's nomination strongly suggests a more constructive working relationship with the EU and allies.



Stéphane Monier
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Key takeaways

- Joe Biden begins to appoint diverse, experienced team to forge bi-partisan agenda
- This signals a profound shift in US economic and foreign policy, and return to international stage
- The planned appointment of former Fed chair Janet Yellen to the Treasury promises stronger post-pandemic monetary and fiscal coordination
- European, emerging markets and small cap stocks should all gain from an improving international business climate.

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Monetary and fiscal coordination

Ms Yellen's nomination as Treasury secretary is likely to be a critical appointment for markets because it will determine the US's path to a full economic recovery. With interest rates persistently low, fiscal support may be more impactful than monetary policy. Ms Yellen is of course well equipped to coordinate with the Fed once an expected fiscal package, which may be worth an estimated USD 500 billion, is finally approved by Congress. As an academic, Ms Yellen is also a labour market specialist who insists that monetary policy should work through financial markets to benefit the real economy.

It is not the first time that monetary and fiscal policy roles have traded places. Christine Lagarde took her experience of fiscal policy as French finance minister to the International Monetary Fund and now the European Central Bank.

Finally, [Jake Sullivan](#), nominated as the Biden administration's national security adviser, was involved in negotiating the Iran 2015 nuclear agreement, which Mr Trump dropped. Mr Sullivan will now play a role in re-engaging with Iran, and that may be significant for oil market stabilisation. While the role of the Organisation of Petroleum Exporting Countries and Russia (OPEC+) is key to that process, we expect the price of Brent crude to remain around USD 50 per barrel in 2021.

Recovery-resilient portfolios

This radically different US leadership confirms [our expectations](#) that 2021 will bring an improving global trade environment. We expect that to translate into a weaker US dollar as demand declines for the currency and emerging markets will benefit from less trade friction.

In recent months, we have adapted our portfolios to the improving business cycle by adding exposure to cyclical assets such as European stocks, emerging markets, and small capitalisations. These allocations should all benefit from the anticipated evolution in US politics.

The distribution of Covid-19 vaccines will help economies to recover to their pre-pandemic levels of activity over the coming year, although at different speeds.

In 2021, it is vital that investors' portfolios remain well diversified in order to benefit from the expected economic recovery.

Biden's cabinet picks to date



Janet Yellen
Treasury Secretary

First female head of the Fed, set to be the first woman to lead US Treasury; labour market specialist and emeritus professor at the University of California at Berkeley. Served one term as Fed chair when Trump did not reappoint her in 2017.



Antony Blinken
Secretary of State

A former speech writer for President Bill Clinton and deputy national security adviser under President Barack Obama.



John Kerry
Special climate envoy

The former secretary of state under the Obama administration, negotiated and signed the Paris Accord for the US.



Ron Klain
Chief of Staff

Mr Klain served as chief of staff to Vice President Al Gore in the Bill Clinton administration and then in the same position to Vice President Biden.



Avril Haines
Director of National Intelligence

Former deputy director of the Central Intelligence Agency, and deputy chief counsel for the Democrats in the Senate.



Jake Sullivan
National Security Adviser

Mr Sullivan worked with Mr Biden in the Obama administration as his national security adviser and was deputy chief of staff for Hillary Clinton while she served as secretary of state.



Linda Thomas-Greenfield
US Ambassador to the UN

Former US ambassador to Liberia, then assistant secretary of state for African affairs in the Obama administration and then Trump.



Alejandro Mayorkas
Secretary of Homeland Security

Nominee and ex-deputy in the role over three years in the Obama administration

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