



**DORVAL**  
ASSET MANAGEMENT  
FLEXIBLE PAR CONVICTION

## Exposure rates of the Dorval Asset Management Range – 9<sup>th</sup> October 2020

Dear Clients and Partners,

Just 25 days away from the US presidential election, a growing number of investors are banking on a blue wave victory i.e. a triumph for Joe Biden against Donald Trump, as well as success for the Democrats in the Senate – where Republicans currently hold a majority – and the Democrats hanging onto their majority in the House of Representatives.

The overall perception is that this scenario would be good news for growth with a massive stimulus package, although partly offset by corporate tax hikes, the implementation of environmental regulation and the risk of anti-trust action against digital heavyweights.

Alongside this scenario, talks are still under way between Democrats and Republicans on additional pre-election support measures, although contradictory news on this aspect abounds. However, one legitimate question stands out i.e. what would happen if massive support measures were decided before the election, and the President elect – whether Trump or Biden – then introduced a further stimulus package in early 2021? Is there not a danger of excessive fiscal stimulus for an economy that is clearly in a recovery phase according to leading indicators? If we add into this mix a vaccine making it to market out to mid-2021, we could be on the verge of an economic boom, with investors' belief in eternally zero interest rates and their ensuing positions subsequently hampered: this is a scenario of risk reversal. For now, the swell in new cases in the north-east of the United States and the resulting fresh partial closures are preventing investors from totally looking forward to this scenario, but it is becoming increasingly likely.

Our exposure rates are as follows:

- **Dorval Convictions:** Our exposure rate is 75%.

### **DORVAL ASSET MANAGEMENT**

Public limited company with share capital of €303,025 Paris Trade and Companies Register No. B 391392768 - APE 6630 Z - AMF accreditation no. GP 93-08

Registered office: 1 rue de Gramont - 75002 Paris

Tel +33 1 44 69 90 44 - Fax +33 1 42 94 18 37

[www.dorval-am.com](http://www.dorval-am.com)

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