Manchin Stock Market Crash

By: www.ProfitableInvestingTips.com

Are we seeing the beginnings of a Joe Manchin stock market crash? In case you missed the news, the stock market took a pre-Christmas hit when Senator Joe Manchin announced that he could not support President Biden's Build Back Better plan when he spoke on a Sunday Fox News broadcast. Coupled with news of the rapid spread of the Omicron Covid-19 variant across the globe this news drove stocks down everywhere. Why did the market fall and, if it keeps going down, will this become known as the Manchin Stock Market Crash?

Democrats Unable to Agree and Govern

Joe Biden took the White House from Donald Trump and Democrats swept the two races for Senate in Georgia to gain 50 seats. With Vice President Harris breaking ties this gave Democrats control of the White House and both houses of Congress. Unfortunately for the Democrats, it seems like every time they have a chance to be in charge they start fighting amongst themselves and generally fail to advance their overall agenda. This time around the fly in the ointment is a "centrist" Democratic Senator from West Virginia, Joe Manchin. He has said that he cannot support the second part of Biden's agenda, the Build Back Better Plan. A reduced infrastructure bill squeaked through Congress but Manchin has acted as a one-man veto to keep the Democrats from getting the social spending parts of their legislation passed into law.

What Did the Market Expect?

The market expected that the Democrats would be able to deliver on a whittled down version of their promise to increase taxes on high earners, provide child care for working women, give a child tax credit to bring poor families out of poverty, offer paid family leave, and fund projects to promote clean energy.

Aside from the fact that many agree with taking back at least a part of the Trump tax cuts, cleaning up the environment, and giving poor folks a break, the rest of the Build Back Better plan would pump more money into the economy and most likely result in both a healthier economy in the near term and, along with the already-passed infrastructure package, a prolonged economic expansion. Yes, inflation has been a concern, but the market had already factored in the assumed benefits of the rest of the Build Back Better plan even in a whittled down form. That was until the possibility of a Manchin stock market crash emerged.

Why Does Joe Manchin Object to Clean Energy?

What we hear from Senator Manchin is that all of Biden's agenda would cost too much, drive up inflation, and pull the nation farther and farther into debt. Thus, he would have us believe that if you "follow the money" you will get his point. However, there is another aspect of "follow the money" in this case. Back in September 2021 *Business Insider* wrote that Joe Manchin collects $500,000 a year in coal stock dividends. While the good Senator from West Virginia worries about his investments in the coal industry, the total market cap of stocks in the S/P 500 took a $1.2 Trillion hit on the news that he will not support the rest of build back better in any form. (The total hit for all US stocks came to about $1.8 Trillion.) If a true Manchin stock market crash occurs the total hit could run to about $12 Trillion in US stocks not to mention the losses as markets across the globe follow suit.

Investing for an Uncertain Future

People generally expected that the Covid pandemic would be bad to terrible and would be over in a year or so either because everyone had caught the disease and established immunity or got their antibodies from one of the many vaccines. What the market is now starting to price in is the prospect of years of this pandemic. Investors had also assumed that Biden would be able to get much of, but not all of, his agenda passed as his party theoretically has the votes in both houses of Congress and Biden would be willing to negotiate to bring at least some Republicans across the aisle to vote for things that are generally good for the country. At the moment, we may be in trouble on both fronts and that is what has scared the market. Since the market only cares when it cares, we will have to wait to see how this all works out. In the meantime, those invested heavily in the tech sector are concerned about the Fed raising interest rates and are rotating some of their money to different sectors that will be less interest rate sensitive.

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