



Perspective on the 2020 Election

September 25, 2020



Looking Forward – Historical Election Observations

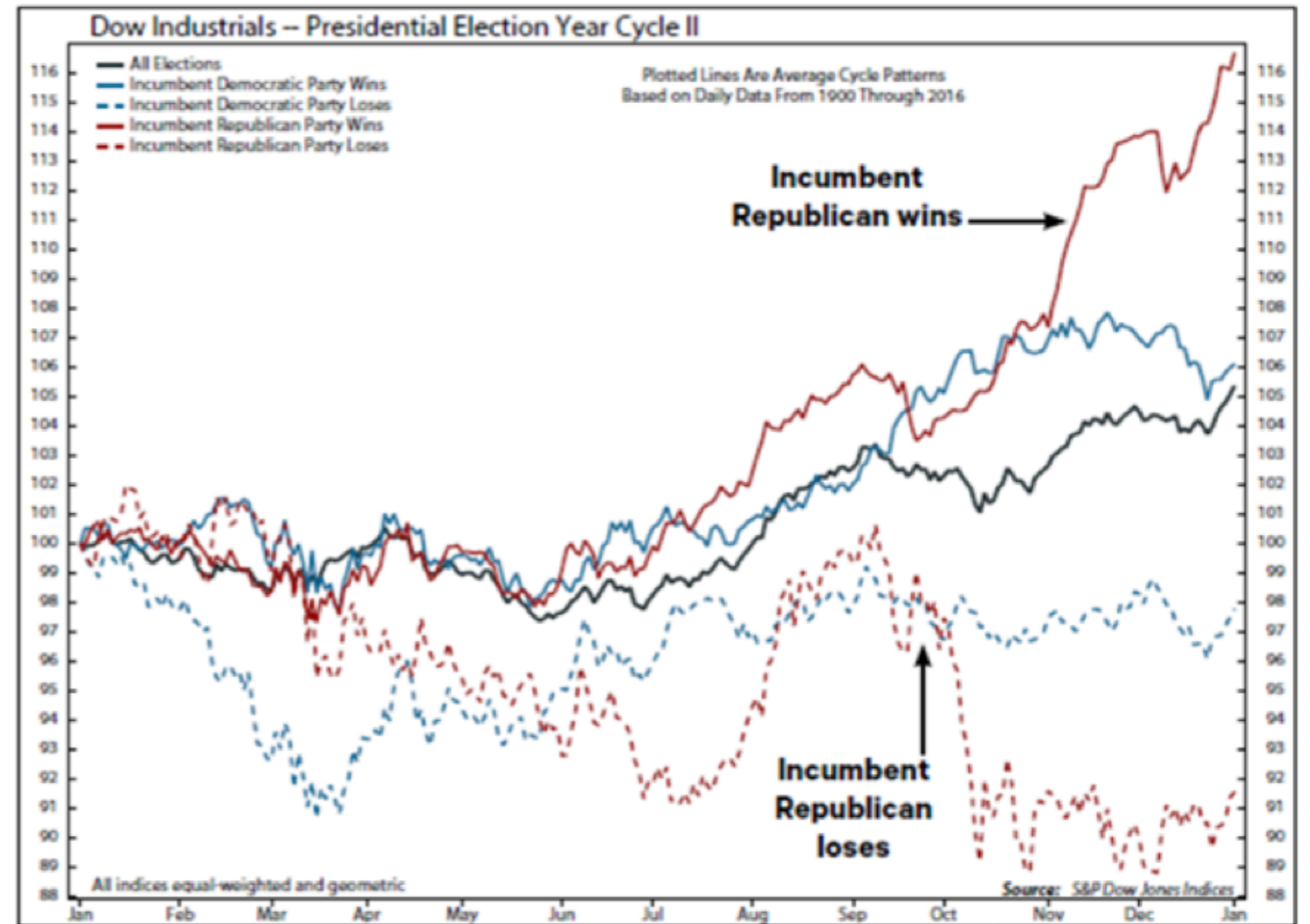
1. Markets Do Not Like Uncertainty
2. Gridlock Is Optimal
3. Volatility Heightens Just Before November

Election History

Markets do not like uncertainty – change in control leads to volatility.

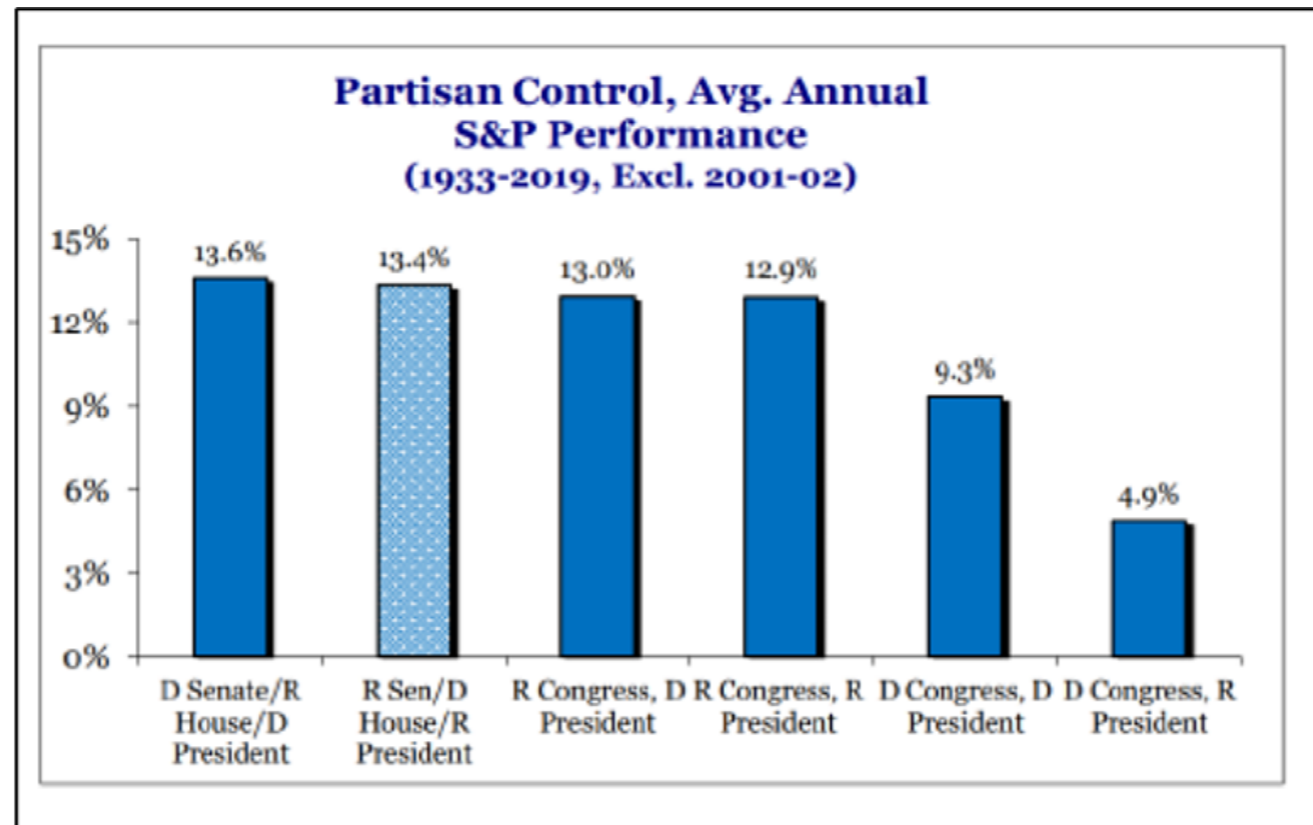


Year-end rallies weakest when incumbent Republican has lost



Looking Forward – Election History

Although gridlock is optimal, no partisan combination produces negative returns.



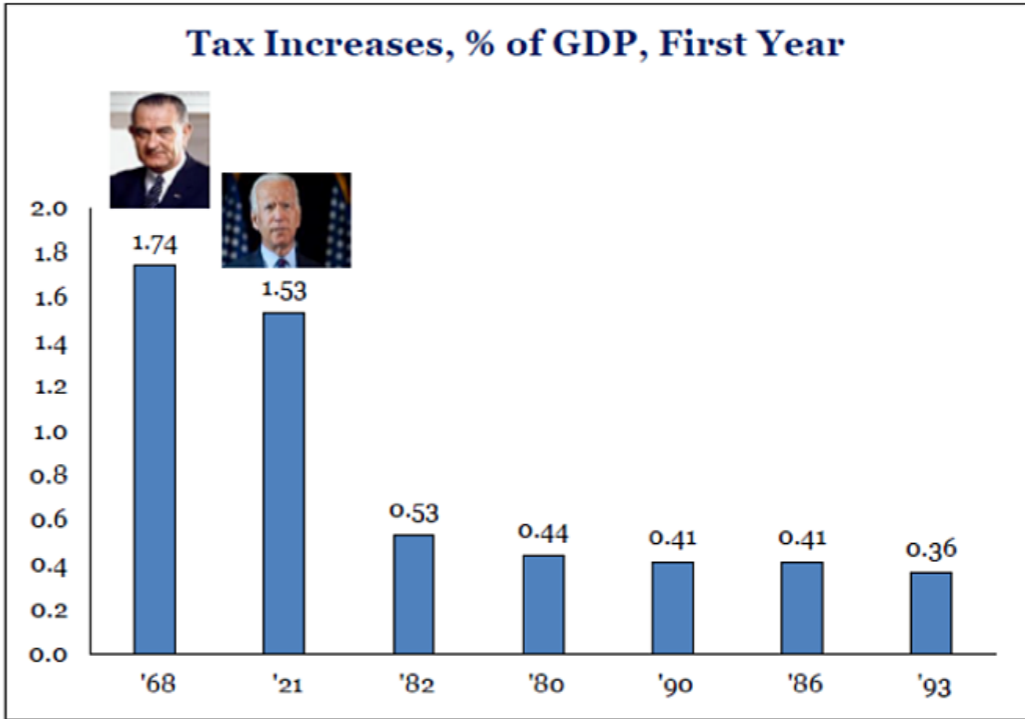
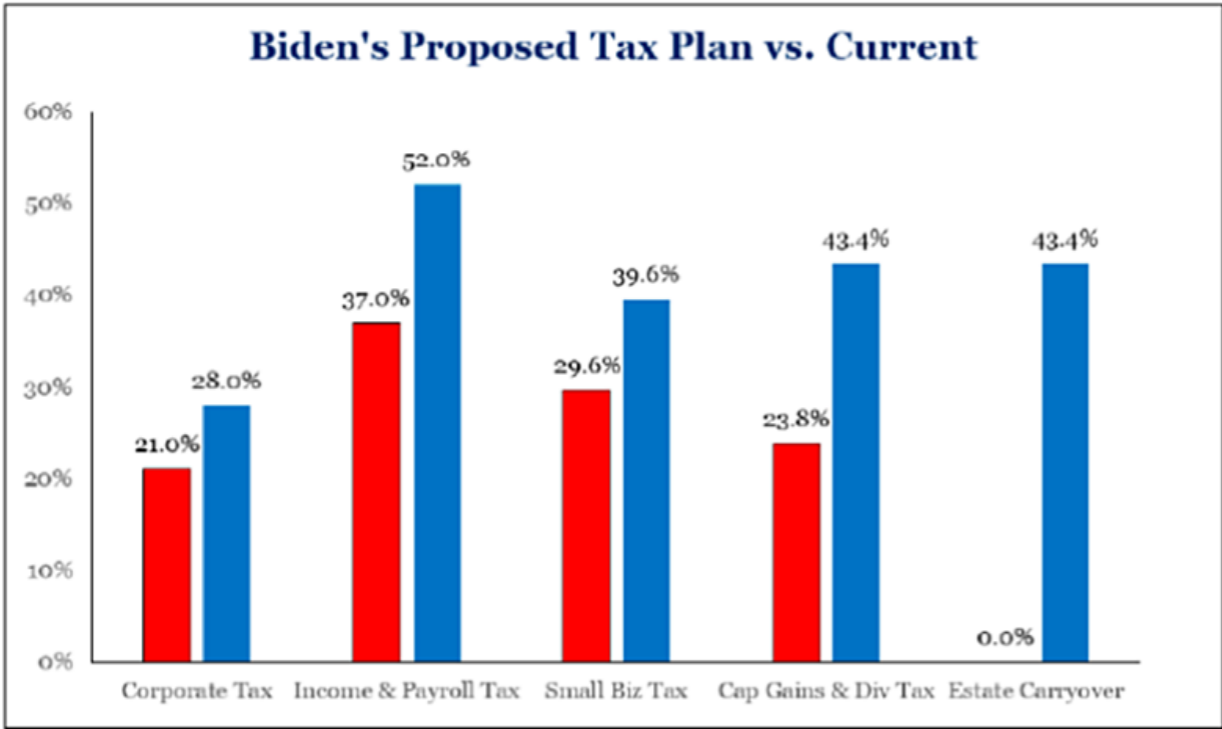
S&P 500 Average Annual Performance Under Partisan Control Scenarios

Political Scenarios	1933 - 2019		1945 - 2019		1965 - 2019	
	% Change	# Years	% Change	# Years	% Change	# Years
Unified Government	10.03%	42	10.63%	30	8.79%	18
> Democratic President	9.34%	34	9.79%	22	7.76%	12
> Republican President	12.95%	8	12.95%	8	10.86%	6
Unified Congress	7.42%	32	7.42%	32	7.50%	24
> Democratic President	12.96%	10	12.96%	10	16.28%	8
> Republican President	4.91%	22	4.91%	22	3.11%	16
Split Congress	10.38%	12	10.38%	12	10.38%	12
> Democratic President	13.60%	4	13.60%	4	13.60%	4
> Republican President	8.77%	8	8.77%	8	8.77%	8
All Years	9.11%	86	9.20%	74	8.57%	54

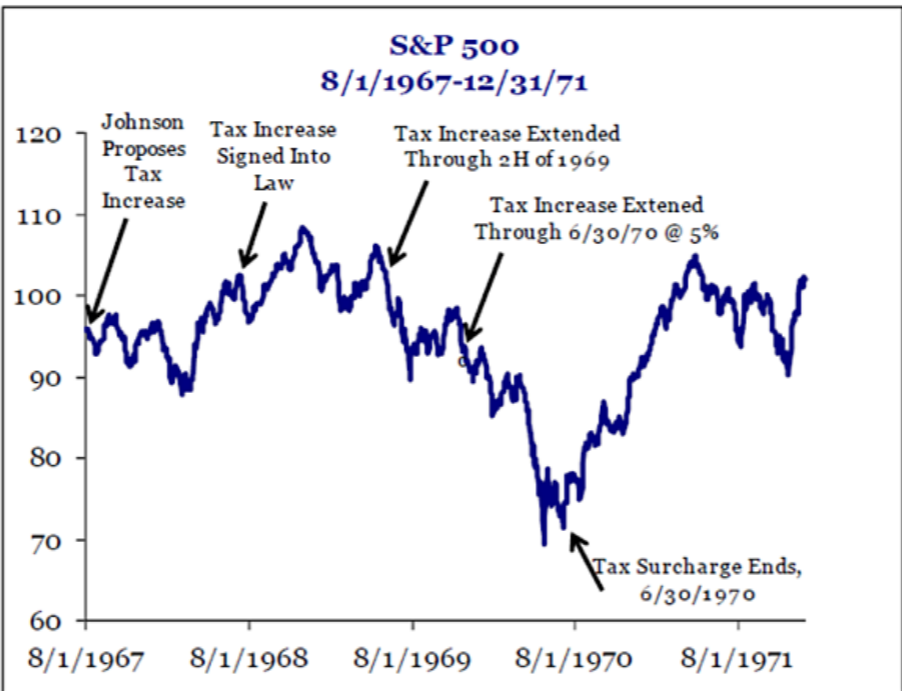
*Data excludes 2001 due to Sen Jeffords changing party mid-year

Looking Forward – Election Update

Wall Street surveys indicate concern with Vice President Biden’s tax policy.



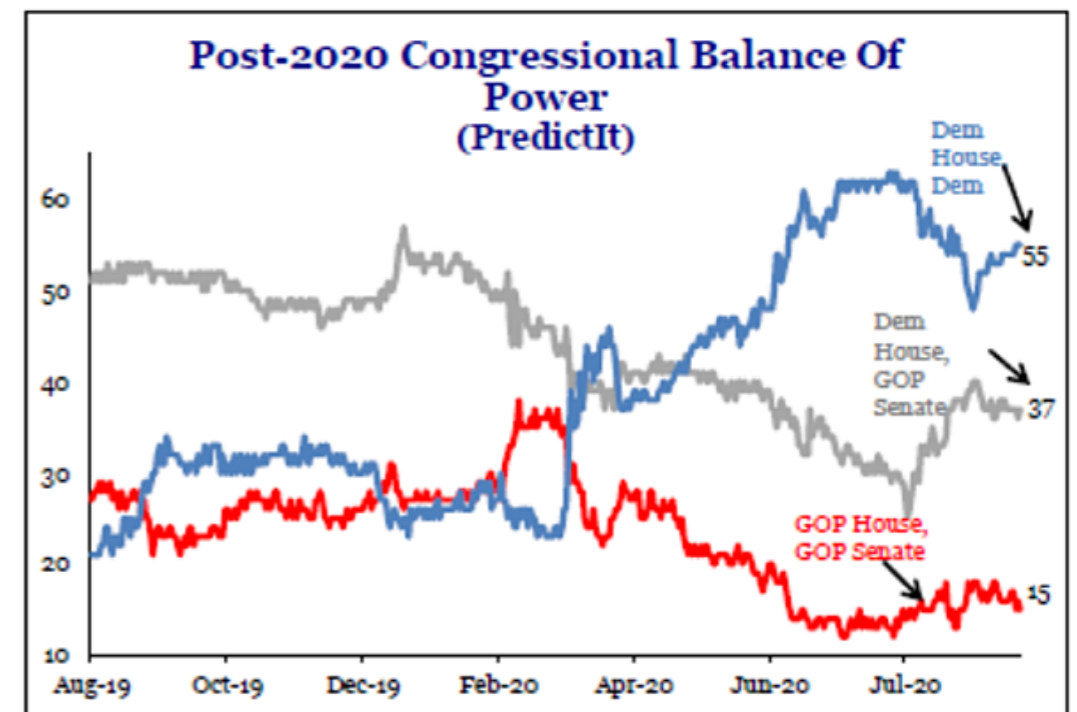
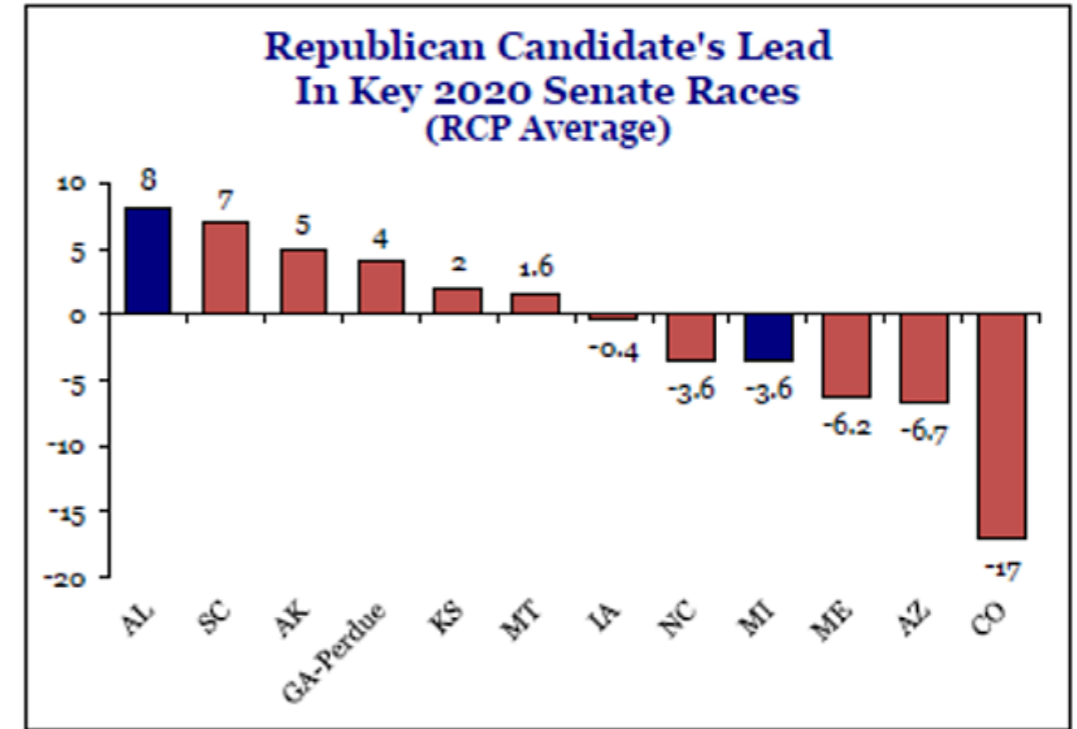
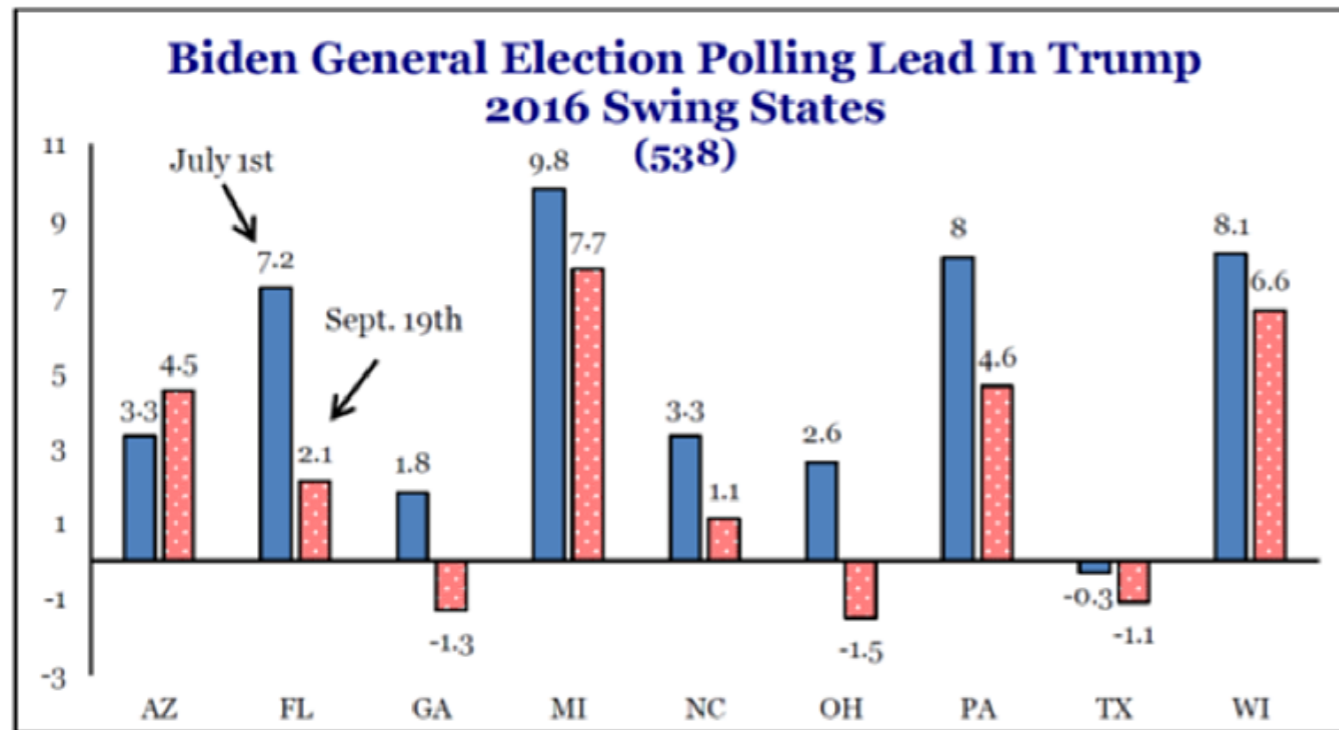
1968 TAX INCREASES CRUSHED EQUITIES



Source: Strategas

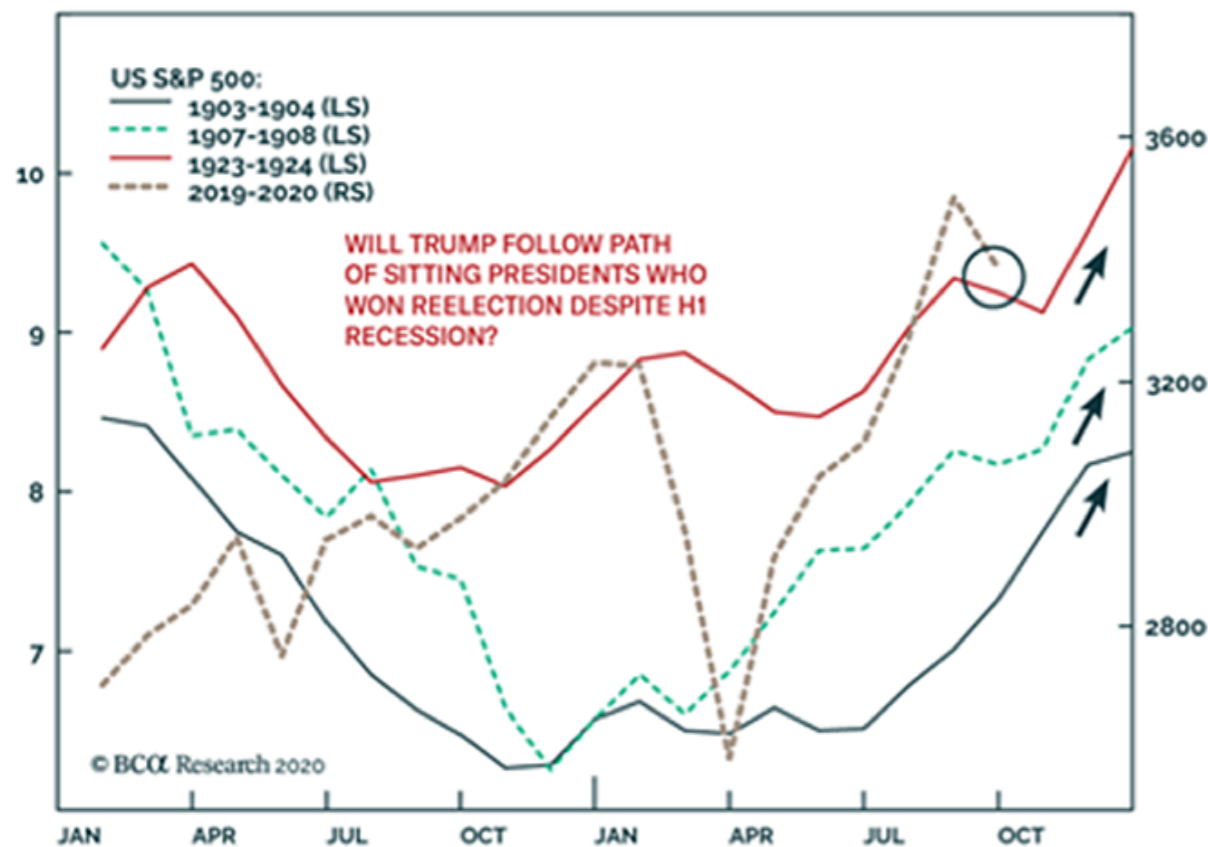
Looking Forward – Election Update

Polls are getting tighter in September.



Looking Forward – Election Update

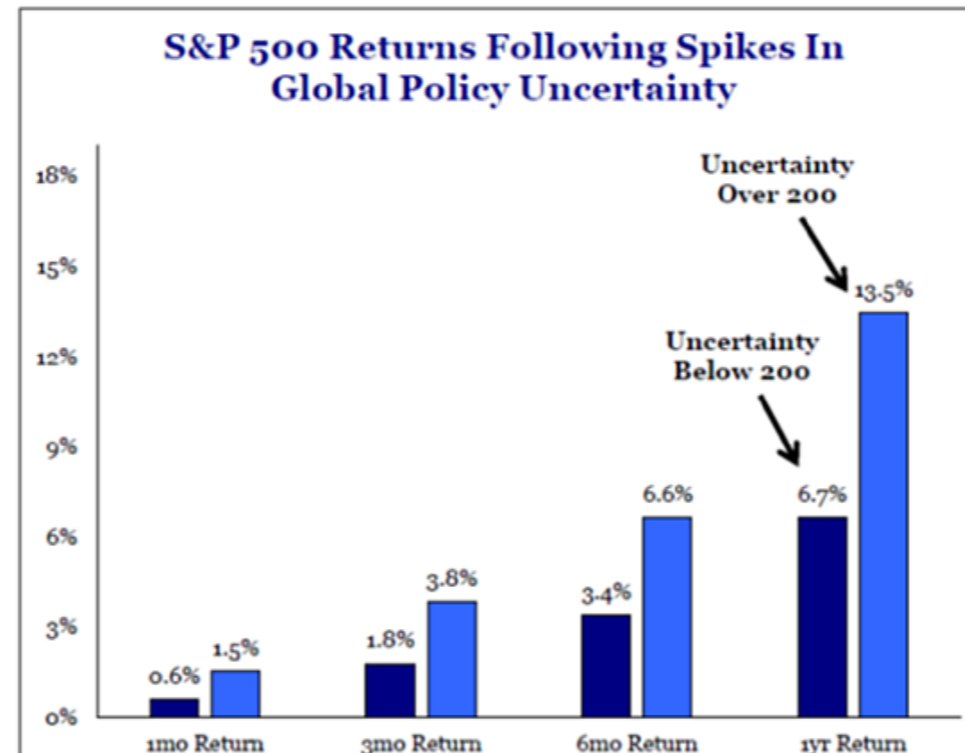
Rare for a president/incumbent to win with recession or a declining market.



S&P 500 Performance 3 Months Prior To Presidential Election			
Year	S&P 500 Price Return	Incumbent Party	
'28	14.91%	Won	✓
'32	-2.56%	Lost	✓
'36	7.92%	Won	✓
'40	8.56%	Won	✓
'44	2.29%	Won	✓
'48	5.36%	Won	✓
'52	-3.26%	Lost	✓
'56	-2.58%	Won	X
'60	-0.74%	Lost	✓
'64	2.63%	Won	✓
'68	6.45%	Lost	X
'72	6.91%	Won	✓
'76	-0.09%	Lost	✓
'80	6.73%	Lost	X
'84	4.80%	Won	✓
'88	1.91%	Won	✓
'92	-1.22%	Lost	✓
'96	8.17%	Won	✓
'00	-3.21%	Lost	✓
'04	2.16%	Won	✓
'08	-19.48%	Lost	✓
'12	2.45%	Won	✓
'16	-1.90%	Lost	✓

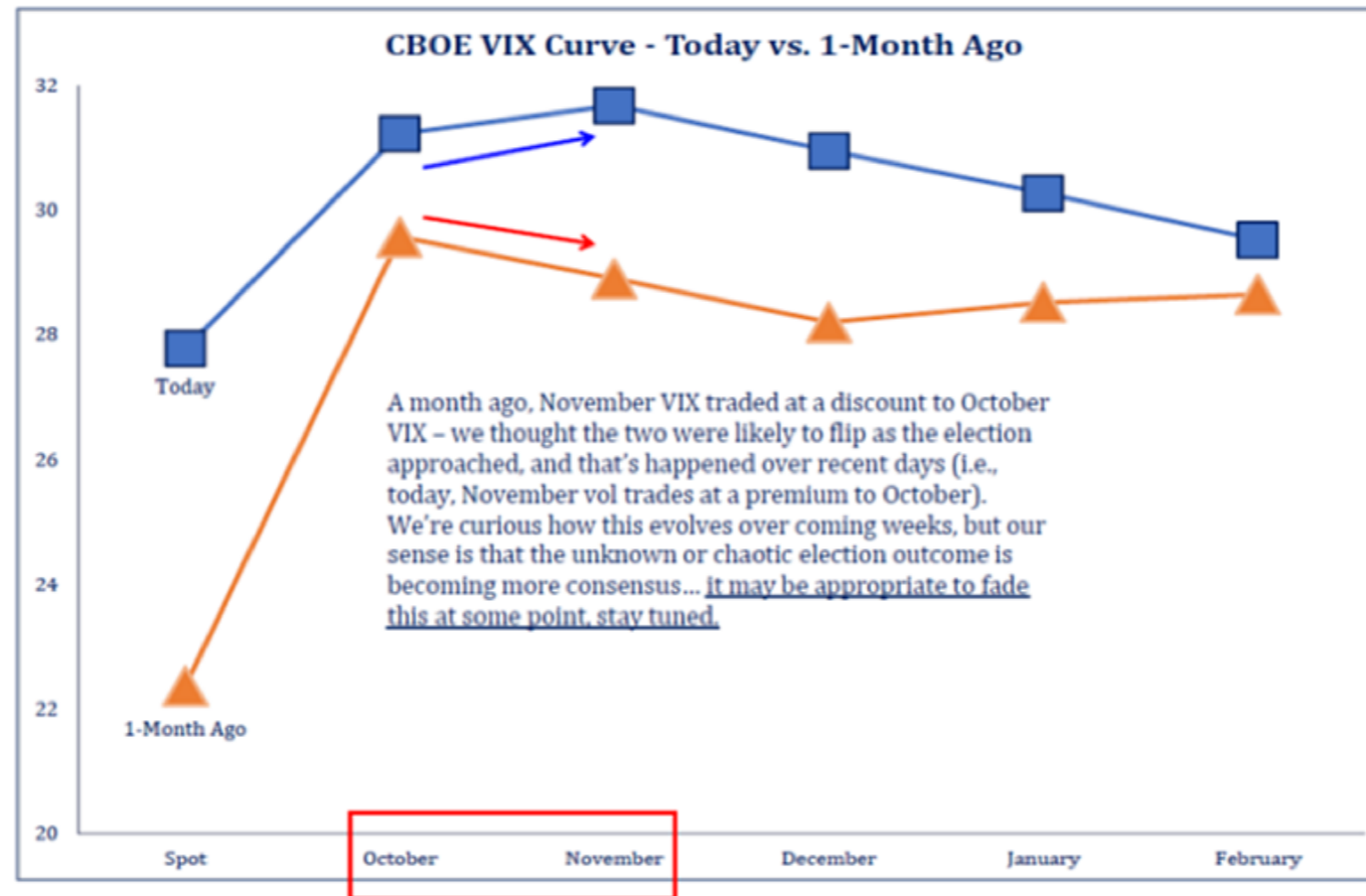
Chaos Creates Opportunity

Market returns are abnormally high after policy uncertainty spikes.



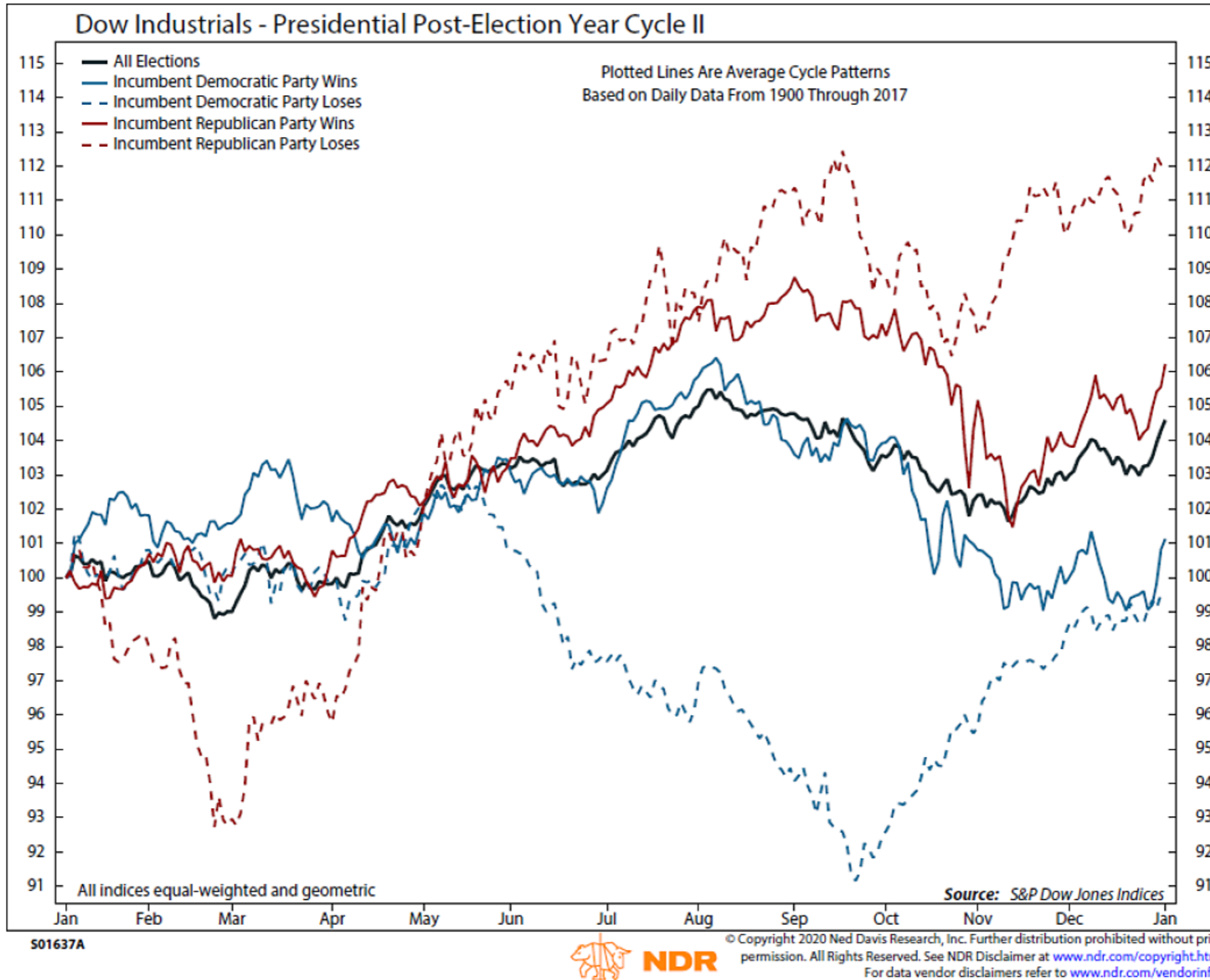
Election Uncertainty May Already Be Priced In

Insurance is expensive / cash on the sidelines never came back.



Looking Forward – Post-Election

Post-election year results favorable after the smoke clears.



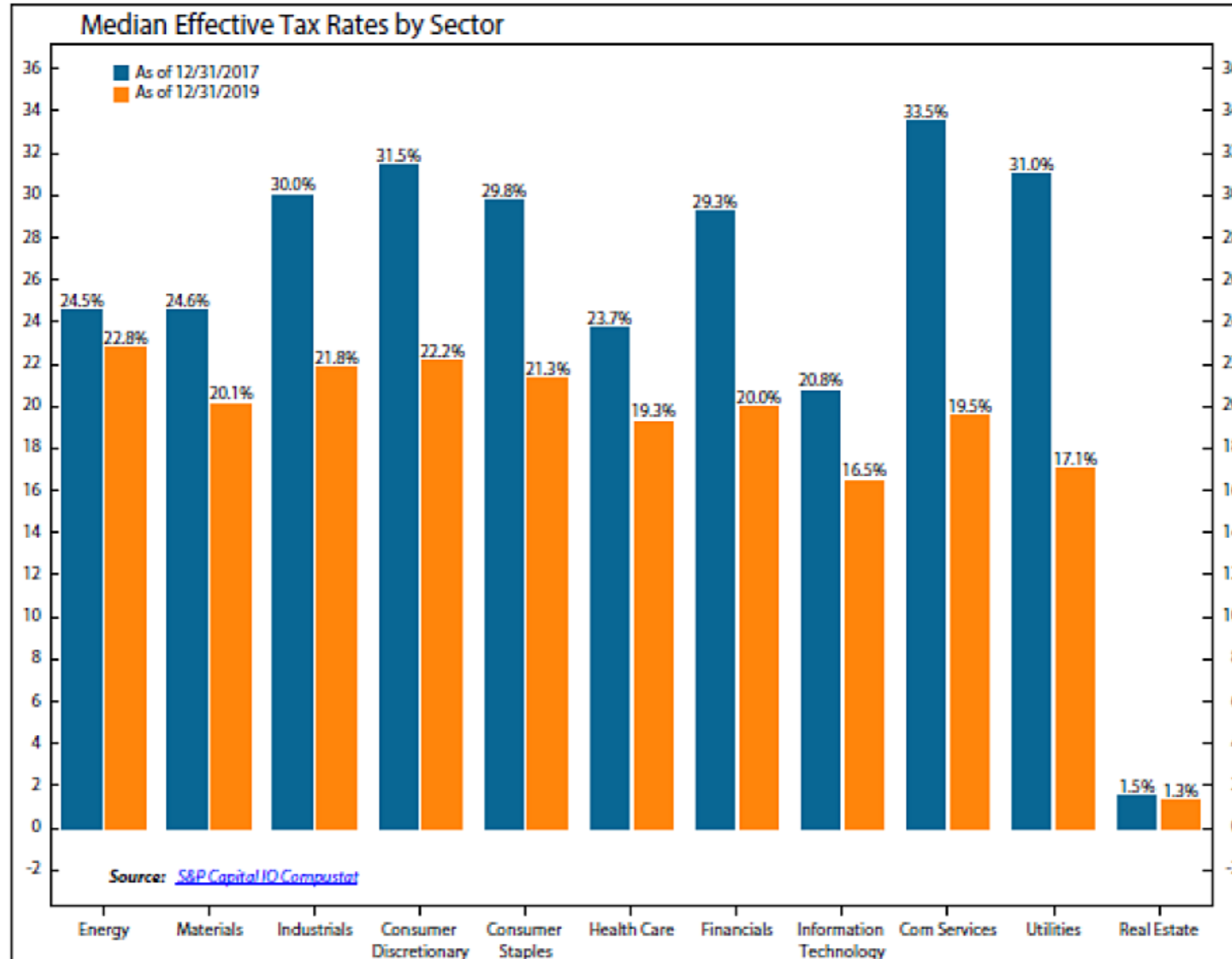
Looking Forward – Sector Implications

Dem president, dem Congress has been best for cyclical leadership, worst for defensive

Relative Sector Gain Per Annum: Presidential and Congressional Party Combinations						
Sector	Democrat President, Republican Congress	Democratic President, Split Congress	Democratic President, Democratic Congress	Republican President, Republican Congress	Republican President, Split Congress	Republican President, Democrat Congress
Energy	-5.1	-9.3	7.4	1.8	-11.5	2.9
Materials	-11.2	-5.1	4.8	0.0	3.1	-1.5
Industrials	-0.4	-0.6	3.8	-0.3	-2.6	-1.1
Consumer Discretionary	-2.4	1.6	-3.6	5.1	7.7	0.0
Consumer Staples	-4.1	1.6	-7.7	-6.0	9.8	12.5
Health Care	2.3	8.5	-3.5	-2.1	3.3	5.6
Financials	4.2	-3.2	1.3	-0.7	0.0	-13.1
Technology	9.4	0.2	2.9	2.4	-2.8	-5.2
Communication Services	0.6	3.1	-6.0	-2.4	1.5	-0.5
Utilities	-7.2	-1.0	-11.4	1.3	-4.1	0.4
Days %	16.7	8.3	16.7	12.1	20.8	25.0
Median Broad Cyclical Sectors	-0.4	-0.6	2.9	0.0	0.0	-1.1
Median Defensive Sectors	-4.1	1.6	-7.7	-2.1	3.3	5.6

Looking Forward – Sector Implications

Tax cut winners could be most hurt from hike



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