<u>Look Beyond the Election When It Comes To Investing</u>

Every four years capital markets are vexed by anxiety and volatility due to the race for the U.S. presidency. Investors ask: How will the new regime affect my investments? The historical lesson for those in it for the long term is clear. Ignore the election noise and stick with sectors that will benefit from secular forces driving the economy and business cycle in the next term and beyond.

Proponents of such an approach need only need to look at the past eighty years of alternating conservative and liberal stewardship of the U.S. economy. The result has been a consistent trend of broadly appreciating stocks, with brief interims of negative performance. Changes in presidential administrations rarely lead to fundamental revisions in how the U.S. economy functions.

Current odds indicate a new occupant will reside in the WH come January. If Trump loses, he will leave with the S&P 500 up 46% during his first 45 months in office. Under vastly different conditions, the S&P 500 gained 74% in Barack Obama's first 45 months. (Wall St. Journal October 31st 2020) A primary contributor to both upward moves was the U.S. Federal Reserve. Under the leadership of chairmen Paul Volcker through Jerome Powell, the central bank has stabilized numerous bouts of turmoil. The Fed's latest rescue in March, accompanied by banks around the world, has underwritten a powerful rebound in equities and credit.

Stock prices remain vulnerable to uncertainty. This week the market suffered its worst setback since the recovery began, with the S&P 500 falling 5.6%. (Financial Times October 31st 2020) Investors are worried that a worldwide rise in COVID-19 infections portends lockdowns and a slowing global economy. Moreover, they are concerned neither Tuesday's loser nor his supporters will go down to defeat quietly.

Setting aside the long term view, some inquire about what sectors will do well post-election. Strategists respond by picking anticipated winners and losers. Under a "Blue Wave" scenario, by which the Democrats sweep the WH and Congress, there is greater government regulation of oil and gas, pharmaceuticals and big tech. A push to lower drug prices would hit the pharmaceuticals, but the discovery of COVID-19 vaccines and treatments would offset that pressure. Renewable energy and health care providers will perform well under a Democratic administration. The "Blue Wave" would see a rise in spending along the lines of the legislation passed in the aftermath of the pandemic's outbreak. Further spending paves the way for higher taxes, which would be a headwind for growth.

Voters may confound the pollsters and return Trump to the WH. A more combative relationship with China would loom over the second term. Big tech is relieved from Congressional anti-trust activities, although it faces considerable compulsion to sever ties with China. The areas hurt with increased regulation under Biden would benefit from a Trump victory.

Past elections have demonstrated that economic and financial circumstances yield more influence on stocks than who is elected President. The vote in 2020 is no different. The global economy is very slowly coming back from a deep recession caused by the pandemic. This eclipses everything else. While public policies impact stocks, the programs' effects take time, and businesses adapt to the new climate. That the parties in power adhere to the tenets, institutions and frameworks upon which our country is built is of far greater import. They must be preserved if the prosperity we have enjoyed is to continue.