

## Election Day Special Report

The highly anticipated and controversial 2020 election is finally here. Although we do not expect to know the official results for some time, there is a possibility that a landslide victory, from either party, would shorten the timeline. Either outcome of this election could provide opportunities in certain areas, and Van Leeuwen & Company is focused on the policies instead of the politics.

### Stimulus

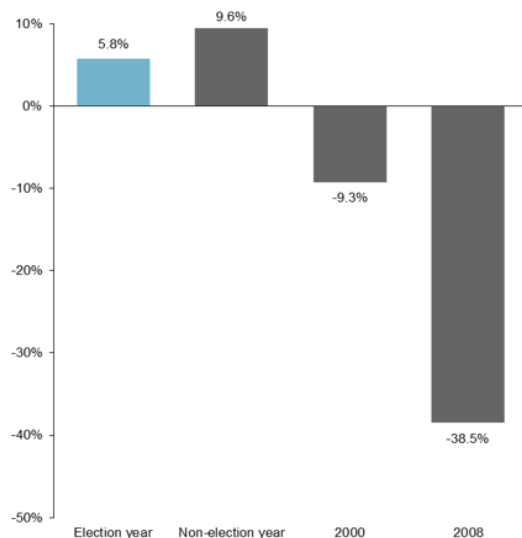
It was very disappointing that Congress was unable to pass a second stimulus package before the election, but both presidential candidates have promised a large stimulus package once the election dust settles. Many industries, specifically in travel and leisure, could really use the stimulus before they must furlough more workers and cut more services. Unfortunately, it seems that Congress is holding a second round of stimulus hostage for political reasons. Neither party wants to concede a deal before the election, which ultimately hurts voters and may sway the final results.

### Volatility

Historically, during any election year, market returns have been lower compared to non-election years. Along with lower returns comes slightly higher volatility than average. The graphic below shows S&P 500 average returns and volatility (measured in standard deviation) since 1932. The tech bubble of 2000 and the financial crisis of 2008 are outliers due to the economic and market conditions, not necessarily due to the election.

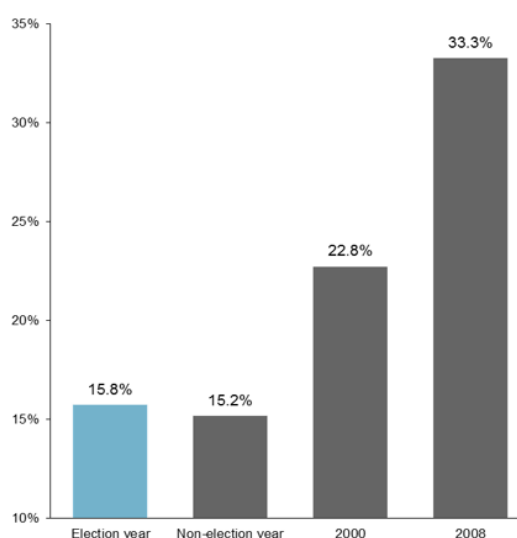
#### Returns during election, non-election years

S&P 500 price index, average return, 1932-2019

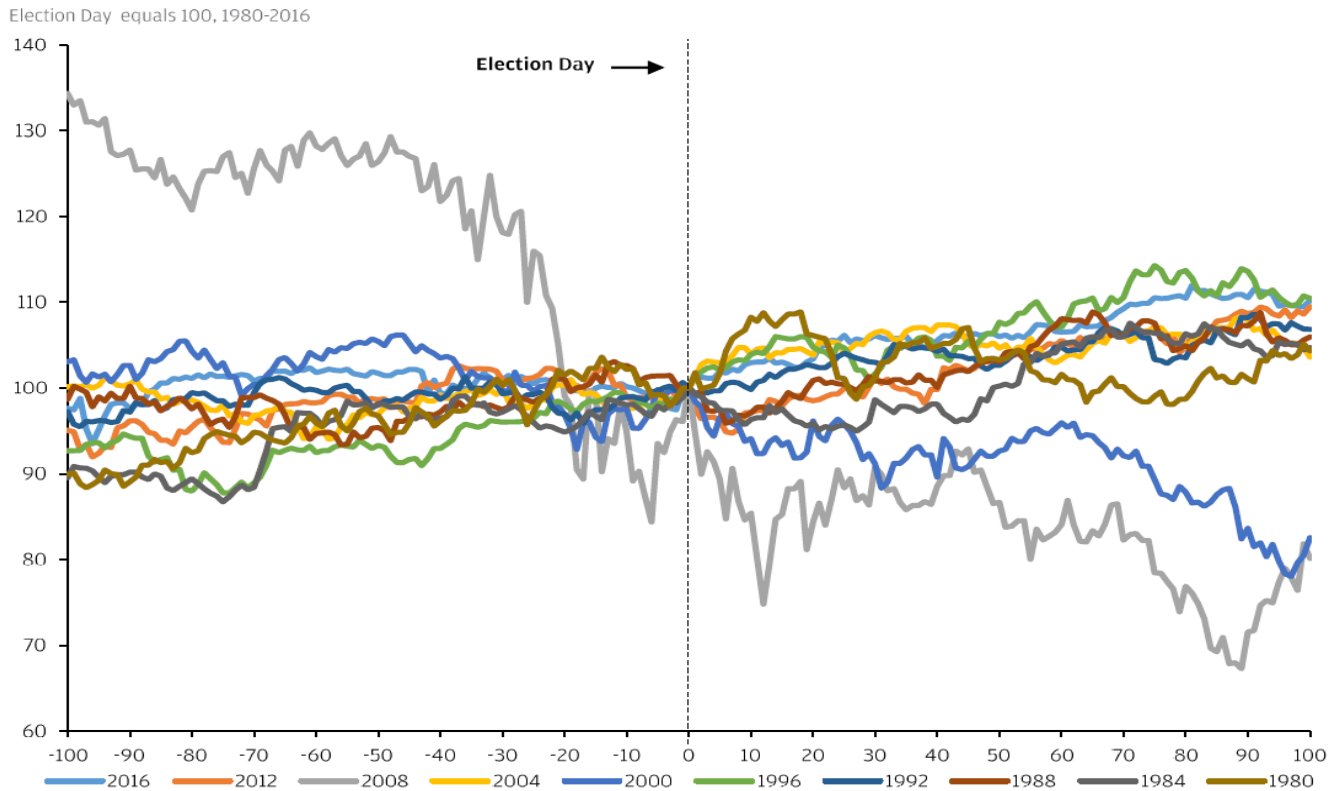


#### S&P 500 realized volatility

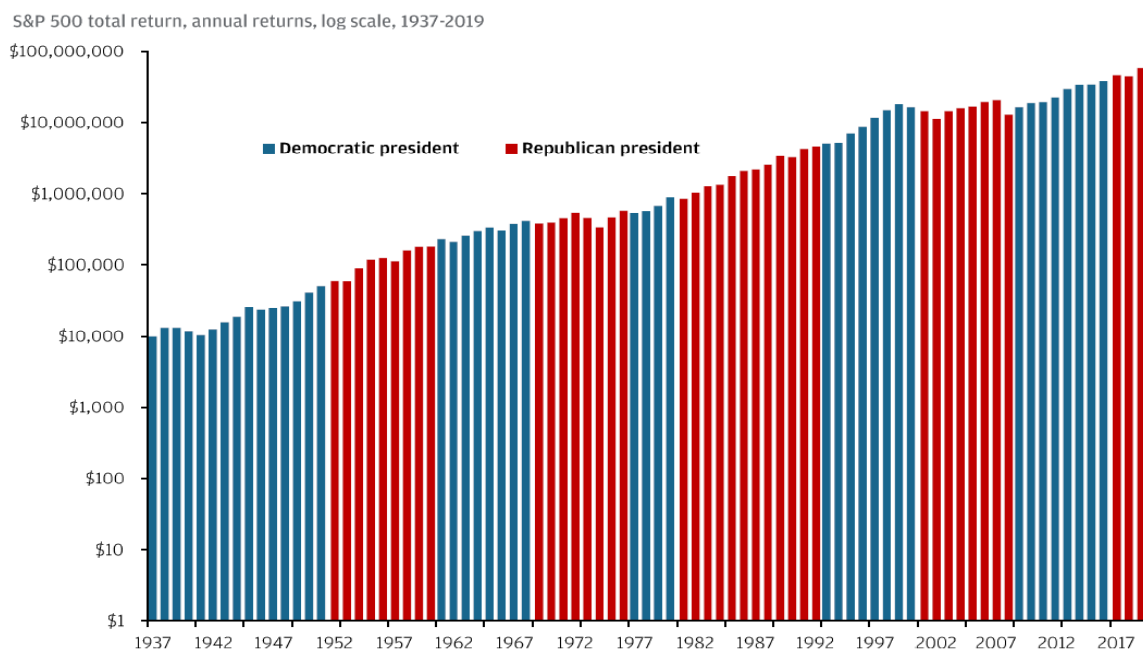
S&P 500 price index, 52-week standard deviation, 1932-2019



Since 1980, volatility in markets subsided after the election was over, with the exception of 2000 and 2008. Below is a graph illustrating the S&P 500 price movement 100 days before and 100 days after an election and it is evident that in most circumstances, the market tends to move higher after the election results are known. One of the big questions for this election will be when are we going to know the results? Some say it could be days, while some anticipate a long and drawn out process.



Regardless of where you stand on politics, history tells us that President's don't impact the long-term growth of investments. The below graph shows the growth of \$10,000 since 1937 regardless of who was president.

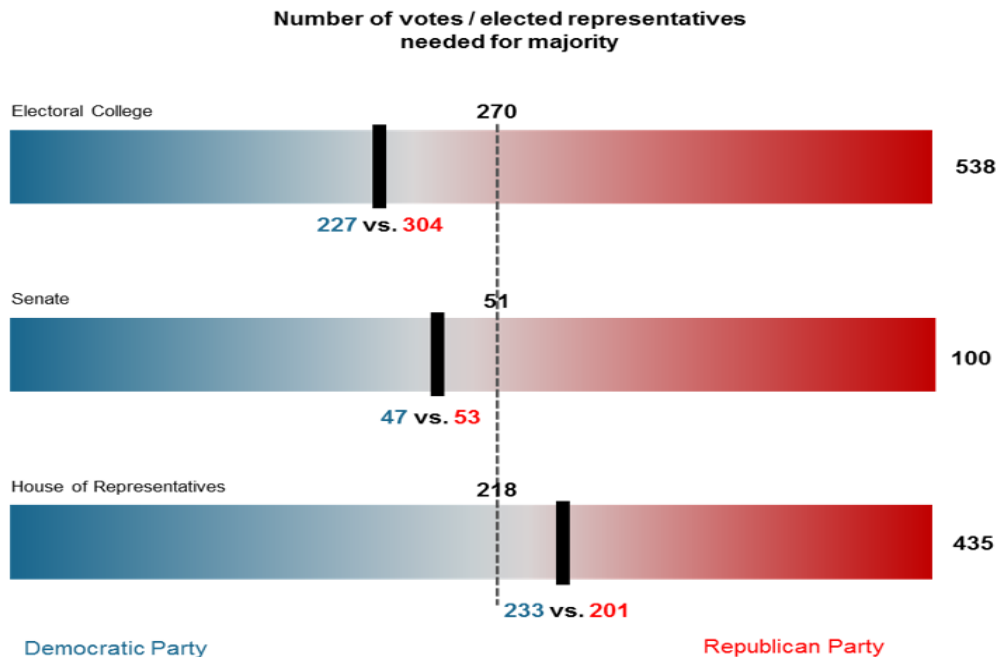


Timing the market is nearly impossible to do on a consistent basis, and this is even more true during periods of volatility. Having a diversified portfolio will help mitigate volatility and still provide some upside potential.

## Senate Races

We are watching the Senate races very closely in this election. There is a possibility for the Republicans to lose control of the Senate and if Biden is elected, a possibility for a “Blue Wave”. Historically, the markets like when there is division between branches of government because gridlock prevents either party’s agendas from being enacted without checks and balances. Below is a summary of the votes needed to achieve a majority.

### Votes or seats in the Electoral College, Senate, and House of Representatives



Source: 270toWin, J.P. Morgan Asset Management. Electoral College: Trump earned 306 pledged electors, Clinton 232. They lost respectively two and five votes to faithless electors in the official tally. Senate: 51 seats are needed for a simple majority, but if the president and majority are of the same party, only 50 seats are needed because the Vice President casts the tie-breaking vote. The 47 Democratic seats includes 2 Independents that vote with the Democrats. House of Representatives: There are currently 4 vacancies and one Libertarian. Chart assumes that the vacant seats return to the party that held them. Data are as of August 10, 2020.

While we do not know who will win the election, we have been approaching November 3<sup>rd</sup> with a cautiously optimistic outlook. Regardless of the winner, America will still stand and thrive. There may be some volatility, but over time we should see the volatility subside. Van Leeuwen & Company remains focused on the economic fundamentals to drive returns in the market and continues to focus on high quality companies with a history of weathering different economic cycle.

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