

The Election: Implications for Investors

The US election is the focus of the world at the moment and as the race runs into its final week, the outcome is still hotly debated. Joe Biden is the favourite with the bookmakers and has a pretty commanding lead according to the pollsters. But Mr Trump is full of surprises and he was way behind this time four years ago and still managed to win. So what's the most likely result this time round and, more importantly, what does it mean for investors?

Whilst it may seem natural to assume that markets do better under Republican Presidents, the data actually shows the opposite. Since 1952 the average return under Democratic Presidents has been 10.6% vs 4.8% for Republicans.* Presidents have much less sway over markets than they'd like to imagine and, as shown below, the range of S&P 500 returns has been very wide.

President	Political Party	Years In Office	S&P Return (%)
William J. Clinton	D	1993-2001	210
Barack H. Obama	D	2009-2017	182
Dwight D. Eisenhower	R	1953-1961	129
Ronald W. Reagan	R	1981-1989	117
Harry S. Truman	D	1945-1953	87
George H. W. Bush	R	1989-1993	51
Lyndon B. Johnson	D	1963-1969	46
Donald J. Trump	R	2017-	43
Jimmy E. Carter	D	1977-1981	28
Gerald R. Ford	R	1974-1977	26
John F. Kennedy	D	1961-1963	16
Richard M. Nixon	R	1969-1974	-20
George W. Bush	R	2001-2009	-40

Source: YCharts. Table: Forbes
Performance represents price change only. Figure for Truman reflects the Dow Jones Industrial Average.

While Presidents don't affect the market as a whole, their policies can affect specific sectors and there are some sectors that lie clearly in the policy crosshairs. The most obvious one is Energy. Trump backs the fossil fuel industry whilst Biden wants to irradiate it. Should Biden win, the Renewable Energy industry is likely to get a real and sustainable boost and this is a large and growing sector in America with many interesting, innovative companies. Another sector likely to benefit from a Democrat win is the cannabis industry, as they are more likely to fast track legalisation at the

Federal level. Technology is another key sector that attracts the attention of regulators and legislators alike, but whether they are smart enough to actually bring about lasting change in this sector remains very much to be seen.

So who's going to win?

Not being a political pundit, I won't predict a winner but merely note that there are many differences today versus 2016. For one, Covid 19 has been a real curve ball for the President and the general perception is that he has not had a good crisis. His cavalier attitude towards the disease has played well to his base, but not to the undecided voter. Had there not been a second wave, he may have had more success in moving the debate onto other issues where he could play a stronger hand. There have been some notable successes in Trump's presidency; the unexpected diplomatic victories in the Middle East and North Korea readily spring to mind. His attempts to reign in Chinese trade violations have also been welcomed by many voters. But the Presidential race is always determined by the key swing states, many of which the President now trails in. Can he turn it around?

One of the differentiating factors of this election is that many voters are electing to vote by mail, in fact half of the electorate have already done so. These voters are more likely to vote Democrat, in part because the President has urged his supporters to vote in the more traditional way of turning up in person to vote. This is obviously a risky strategy, particularly given the recent spike in Covid cases and hospitalisations. The other potential issue is that this time round Mr Trump does not represent change, as he so ably did four years ago. His rough and ready, non-establishment style went down very well with the American public, many of whom were sick of the Bush/Clinton/Obama hegemony of the last 20 years.

With big macro events like the Presidential election we do not forecast or predict, we react accordingly once the facts are known. The good news is whoever wins this rather ugly election battle there will be plenty of great investment opportunities to take advantage of.

Felix Wintle, Fund Manager, VT Tyndall North American Fund, 28th October 2020

*Source: Forbes July 2020

Contact Details:

Felix Wintle – fwintle@tyndallim.co.uk

Harry Nolan – hnolan@tyndallim.co.uk