

The Election: Whether Red or Blue-- Don't Worry, Be Happy?!

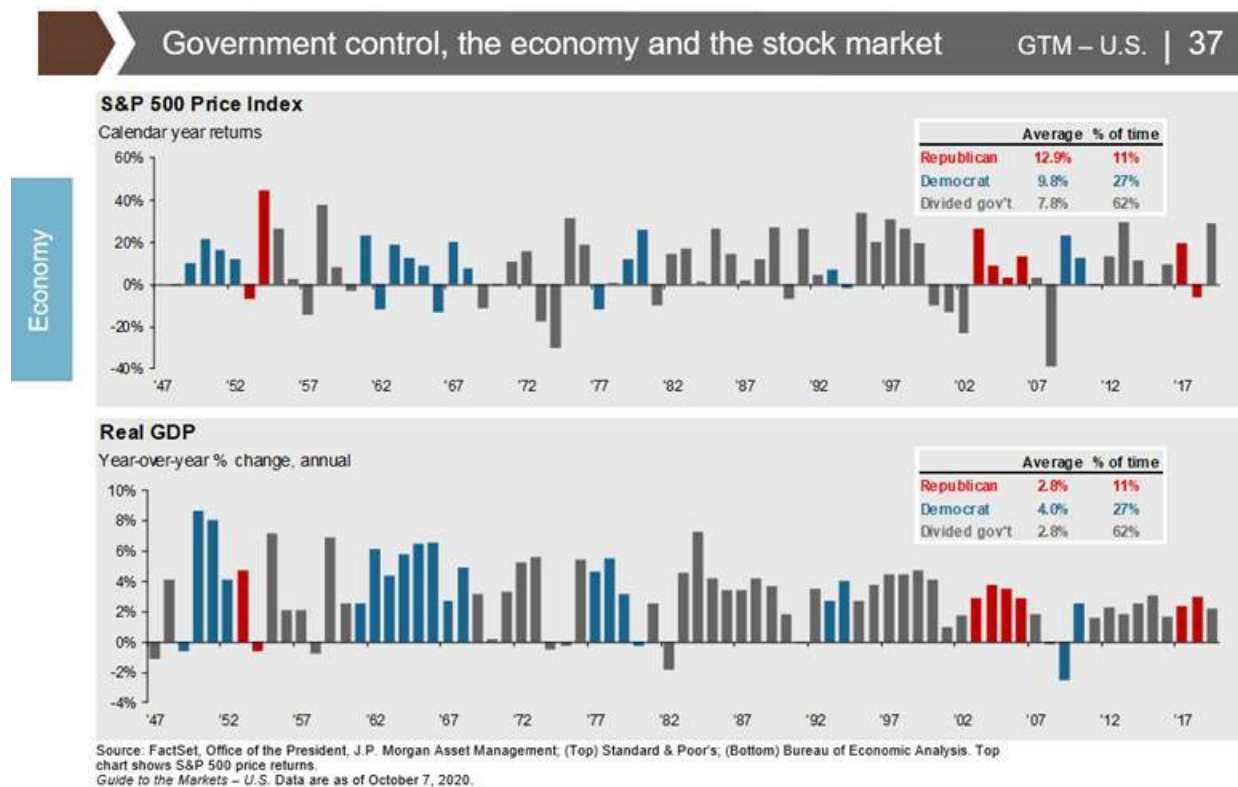
Contested Election Highly Unlikely:

Only one election in the last 100 years was determined by one state (the 2000 race determined by Florida). Ignore the partisan-media and anticipate a typical definitive "Win" by a two or more state majority.

Both parties are expected to push thru agendas that include a great deal of economic stimulus.

Featured Chart: *Government control, the economy and stock market:*

Single Party Control vs Divided Government: single party control normally results in better outcomes for U.S. equities. Expect more stimulus if one party can more easily push thru their agenda.



A Democratic clean sweep is seen as a moderate risk to equities and the U.S. dollar because Mr. Biden has said he wants more corporate taxes and regulation. However, investors also fret about Mr. Trump's aggressive stance toward trade and health-care policy. These risks would mellow under a Democratic presidency.

Mr. Biden's promise to spend more—including the largest public-investment program since the post-World War II period, which could amount to about \$5 trillion—seems likely to please investors, particularly as the effects of the first rounds of coronavirus aid [keep fading](#).

Republicans, by contrast, seem to prefer a more moderate fiscal policy from here on. Still, Mr. Trump himself has been a supporter of public spending and now has a greater incentive to seek a deal with lawmakers for another round of stimulus before Nov. 3.

Given all of this complexity, those determined to bet on a partisan outcome are probably best served by staying away from the dollar while adding to faster growing foreign equities that remain on sale relative to U.S. equities.

Even these narratives may not stick, though. If Mr. Biden wins but Republicans hold on to the Senate, markets could decide to assume gridlock in Washington and shrug off the whole thing.

This year above all, investors have little to gain by looking too closely at the presidential election.