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President Unclear and A Blue Wave Ripple

Despite nearly twenty-four hours of watching the votes come in, neither party has secured enough electoral college votes to claim victory in the Presidential election or seats to claim control of the Senate. The latest vote count trajectories and betting markets point to a Biden victory and Republicans maintaining control of the Senate, but the situation remains fluid and could still change.

It is apparent at this time, however, that the big blue Democratic wave was not as big as some had speculated. As a result, the ultimate occupant of the White House will have to govern without a strong alignment with Congress. This lack of alignment will likely lead to more moderate legislative outcomes following the election as discussed below.

It is also important to note that, while the outcome of the Presidential election may remain uncertain for some time, there is a mechanism in place that is designed to resolve disputes and finalize who the next President is within the allotted time.

Please join us for our upcoming webinars on [November 5th](#) and [November 6th](#).

Key observations

► **Overall impact – near-term uncertainty:** Historically, elections have had little impact on the long-term direction of equity prices, but markets tend not to like uncertainty and may exhibit higher-than-normal near-term volatility until the situation is resolved. The disputed 2000 election, as an example, was followed by a period of heightened volatility, although that may have been related to the stock market bubble at the time more so than the election.

► **Blue wave ripple → more moderate policy:** Independent of the Presidential outcome, the next administration will likely have to contend with a Congress with which it does not have a strong alignment. If Biden wins the Presidential election but the Senate remains Republican-controlled, his administration will likely find it difficult to implement the more ambitious Democratic policies promoted on the campaign trail like corporate tax increases and a higher national minimum wage. If Trump wins, he will face continued strong Democratic opposition in the House. However, in either scenario, stimulus and infrastructure plans may be areas of potential compromise.

► **Presidential outcome unclear, but resolution mechanism exists:** Although concession by the defeated candidate is a time-honored tradition, it is not legally necessary. According to the U.S. Constitution, the result becomes final when the Electoral College's votes are tallied. December 8 is the "the safe harbor day" on which each state names its electors to the U.S. Electoral College. Failure to do so would give Congress the authority to pick a state's electors.

► **COVID-19 trajectory & economy:** While politics may have some influence over the economy and markets, the COVID-19 trajectory is likely to exhibit a much larger impact. An ongoing reopening and recovery from the COVID-19 pandemic should lead to improving growth in both the economy and corporate profits.

This presentation is intended to provide a nonpartisan view on how the election results may impact the economic and investment landscape. Opinions or projections herein are based on information available at the time of publication and may change thereafter. Information obtained from third-party sources is assumed to be reliable, but accuracy is not guaranteed. Outcomes may differ materially from expectations and projections noted herein due to various uncertainties. Clients are encouraged to discuss the applicability of any matter discussed herein with their Glenmede representative.