



Wednesday, November 4, 2020

America Has Voted

It's early the morning of November 4, the day after Election Day. Americans have voted, and they have voted in record numbers. In addition to the presidential race, Americans also cast ballots for 35 Senate seats, 435 House of Representative seats, and governorships in 11 states and two territories. Given the complexities of voting amid the COVID-19 pandemic, it is impossible to know the full outcome of yesterday's vote. But here's what we know right now.

According to estimates, nearly 103 million Americans voted early by mail and in-person; another 50 million or more made their selections in person yesterday. All in, the 2020 elections may have seen the highest voter turnout rate in more than 100 years.

While much of the attention has focused on the contentious race between President Trump and former Vice President Biden, investors will be looking beyond the presidential race to see how Senate and House races shake out. However, given the complexities of voting amid the COVID-19 pandemic—including an expansion of mail-in voting and a surge in early voting in some states—it is impossible to know the full results of yesterday's vote just yet.

News sources vary in their conclusions so far, but here are a few high-level takeaways as of this writing:

- **Presidential race.** Vice President Biden holds a slight lead over President Trump in the electoral vote count, but neither candidate has reached the 270 votes necessary to clinch the election. A handful of states, including Arizona, Georgia, Michigan, North Carolina, Pennsylvania, and Wisconsin, continue to count ballots. In a controversial move, President Trump declared victory and filed a lawsuit in Pennsylvania.
- **Senate.** While several races are still pending, the 35 Senate races have unfolded more or less as

expected but remain too close to call. It appears that Democrats have netted one seat so far, with many votes yet to be counted.

- **House of Representatives.** With so many races still to be called, it is too early to draw any conclusions about a net change in the House.

More information will filter in in the coming hours, but state election boards will likely require several days to complete their counts and certify election results. It is, however, safe to say that one of the more extreme outcomes—a so-called *blue wave*, wherein the Democrats take the presidency, win a comfortable Senate majority, and gain support in the House—is less likely. This outcome would have the most profound impact on spending and taxation.

Stock, bond, and currency market reactions are muted this morning, fluctuating within a small margin, with investors reserving judgement on the final outcome.

History tells us that markets can perform well under any combination of party control. In fact, the S&P 500 Index has achieved double-digit growth with both one-party and divided governments. Although, historically, the strongest returns have occurred with a split Congress, regardless of the party in the White House.

Market volatility surged at the end of October, driven by a third wave of COVID-19 cases, stop-and-go economic stimulus talks, and anxiety over the election, leading to the worst week for the stock market since March. While stocks rebounded Monday and Tuesday, heightened volatility will linger as investors recalibrate their expectations as election results emerge amid delayed swing state results and potential controversy over vote counting.

And, of course, all of this is happening in the middle of a global pandemic, with surging coronavirus cases in Europe and the U.S. that could significantly hinder business activity if trends continue. As investors move past the election, they will likely refocus on stimulus talks and containment of the COVID-19 virus.

Despite these uncertainties, we do not recommend raising cash or moving to the sidelines. Short-term market fluctuations often present opportunities and should prompt long-term investors to consider their asset allocations to ensure that they are taking an appropriate level of risk. As always, a sound investment strategy tailored to your specific needs and a long-term view can help insulate your portfolio from market gyrations and provide confidence to stay the course.

We will be following developments closely and keep you up to date. If you have questions or concerns, please do not hesitate to bring them to our attention.

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