

What the Markets are Saying About the 2020 Elections



By Steven RINN, CFP®
Principal, Senior Financial Advisor

PRIOR TO THE 2020 NATIONAL ELECTIONS, many people were concerned about how the victory by one presidential candidate or the other might affect the markets. That's not unusual. Concerns always seem to surround elections, no matter how much proof there is that they don't, particularly in the long run, have much influence on the financial markets at all.

In the case of the 2020 election, the markets initially responded positively to the results. A couple factors are driving the markets higher: greater certainty about government policy (or lack of change in policy) and positive vaccine information.

Financial markets look forward. Prior to the election there was some uncertainty as to what the eventual political landscape would look like. Even before the presidency was decided the markets were taking the view that former Vice President Joe Biden would likely be the next president, and, though one runoff election is still to decide Senate makeup, the Republicans would maintain control there. Republicans also picked up 7 seats in the House of Representatives. The combination means the control of those two bodies is likely to remain as they were prior to the election, and therefore proceed much as they have over the past eight years. The markets appear to favor the expected lack of meaningful change in policy.

The likely gridlock means that the tax cuts passed by the Trump administration should remain in place at least until the 2022 mid-term elections. Financial markets, mainly stocks, are driven by their current and expected profits. There appears to be no significant headwind on the horizon to lower profit expectations in the near term.

The news that two COVID-19 vaccines have proven effective and will be ready for market soon suggests more conservative decisions regarding long-term business lockdowns. As well, another stimulus bill is likely to get passed in 2021 after the House and Senate races are finalized.

Financial markets, mainly stocks, are driven by their current and expected profits.

Historically the markets have moved forward regardless of the president and have performed well when there is gridlock.

At this point, it appears likely that a Biden administration will have a difficult time making sweeping changes, including a substantial tax increase. As well, several Democrats in the Senate have pushed back on the more progressive agenda that was proposed by some candidates on the campaign trail.

Overall, as the noise around the election recedes, there looks to be enough of a balance of power, low interest rates, positive vaccine news, expected stimulus and continued economic growth to move the financial markets in a positive direction in the near term.

Historically the markets have moved forward regardless of the president and have performed well when there is gridlock. As always, investors are rewarded for staying the course and trying to keep emotion out of their investment decisions. History shows you can't time the markets, and U.S. history teaches us that the pendulum between conservative and liberal ideals swings back and forth to maintain an overall course marked by reason and moderation.

The information included in this document is for general, informational purposes only. It does not contain any investment advice and does not address any individual facts and circumstances. As such, it cannot be relied on as providing any investment advice. If you would like investment advice regarding your specific facts and circumstances, please contact a qualified financial advisor.

Any investment involves some degree of risk, and different types of investments involve varying degrees of risk, including loss of principal. It should not be assumed that future performance of any specific investment, strategy or allocation (including those recommended by HBKS® Wealth Advisors) will be profitable or equal the corresponding indicated or intended results or performance level(s). Past performance of any security, indices, strategy or allocation may not be indicative of future results.

The historical and current information as to rules, laws, guidelines or benefits contained in this document is a summary of information obtained from or prepared by other sources. It has not been independently verified, but was obtained from sources believed to be reliable. HBKS® Wealth Advisors does not guarantee the accuracy of this information and does not assume liability for any errors in information obtained from or prepared by these other sources.

HBKS® Wealth Advisors is not a legal or accounting firm, and does not render legal, accounting or tax advice. You should contact an attorney or CPA if you wish to receive legal, accounting or tax advice.



Steven Rinn, CFP®

Principal, Senior Financial Advisor, HBKS® Wealth Advisors

Steven Rinn is a principal and senior financial advisor in the HBKS office in Erie, Pa. His expertise extends to comprehensive financial planning, retirement planning, insurance and asset management. He can be reached at (814) 836-5776, or by email at srinn@hbkswealth.com.

Investment advisory services are offered through HBK Sorce Advisory LLC, doing business as HBKS® Wealth Advisors. NOT FDIC INSURED - NOT BANK GUARANTEED - MAY LOSE VALUE, INCLUDING LOSS OF PRINCIPAL - NOT INSURED BY ANY STATE OR FEDERAL AGENCY