

# The Election is Over So What Does This Mean for the Market?

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- Despite COVID this year, the market has performed remarkably well - distinguishing the difference between Wall Street and Main Street, which in many ways is truly hurting.
- Contrary to public opinion, stocks tend to outperform, on average, during Democratic administrations compared with Republican ones. So, there is no reason to worry.
- History has also illustrated that the market performs better with a divided Congress which we will likely have this next two years as well.

Historically, the stock market does well in Presidential Election cycles. 2020 will be one of those years as well – despite the pandemic. We have had a year full of great volatility. Now that the election is over, **you may be wondering, “what historically happens once the election is over?”** Historically, the market performs well when Democrats are in the White House, but the best scenario for the market is a Democratic White House and divided Congress. We suspect that will hold true this time as well.

Below is a chart depicting how the market fares in the first year of an election cycle with different parties in the White House and Congress:

## How Stocks Have Fared In The First Year Of A Four-Year Presidential Term



S&P 500 Index & Sector Index Total Returns

	1993	1997	2001	2005	2009	2013	2017
White House	Democrat	Democrat	Republican	Republican	Democrat	Democrat	Republican
Senate	Democrat	Republican	Democrat	Republican	Democrat	Democrat	Republican
House of Representatives	Democrat	Republican	Republican	Republican	Democrat	Republican	Republican
S&P 500 Index	10.08%	33.36%	-11.89%	4.91%	26.46%	32.39%	21.83%
Communication Services	15.06%	41.24%	-12.24%	-5.63%	8.93%	11.47%	-1.25%
Consumer Discretionary	14.64%	34.36%	2.79%	-6.37%	41.31%	43.08%	22.98%
Consumer Staples	-3.86%	32.89%	-6.40%	3.58%	14.89%	26.14%	13.49%
Energy	15.88%	25.28%	-10.39%	31.37%	13.82%	25.07%	-1.01%
Financials	10.60%	48.15%	-8.95%	6.48%	17.22%	35.63%	22.18%
Health Care	-8.18%	43.73%	-11.96%	6.46%	19.70%	41.46%	22.08%
Industrials	21.71%	28.53%	-25.87%	0.99%	61.72%	28.43%	38.83%
Information Technology	18.58%	27.04%	-5.74%	2.32%	20.93%	40.68%	21.03%
Materials	13.46%	8.41%	3.48%	4.42%	48.59%	25.60%	23.84%
Real Estate	N/A	N/A	N/A	12.56%	27.10%	1.60%	10.85%
Utilities	13.69%	24.65%	-30.45%	16.84%	11.91%	13.21%	12.11%

Source: Bloomberg and The Spokesman-Review. Past performance is no guarantee of future results. This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. The 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.

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We at PFP predicted the market would have a nice Santa Claus rally going into the close of this year. So far, we have been accurate. Historically stocks have averaged a 5% return when a new party comes into the White House, compared with 6.5% when the incumbent is reelected. However, this year, those statistics will be quite conservative. **So far, the market is up a remarkable 7% since Election Day just one month ago.** And we think the balance of December looks promising.

As my book, *Bulls Bears and the Ballot Box*, confirms, the stock market performs better during Democratic presidencies than Republican ones. This is not a political proclamation; it is a matter of statistical fact. However, in the case of general election cycles, congressional results impact market performance too. History has shown the market performs better with a divided Congress as there is less chance of drastic policy adjustments. **Paradoxically, the markets prefer gridlock in Washington.**

Despite some claims, Joe Biden won the election decisively with a 6 million popular vote majority. That result has created certainty allowing the markets to get back on track in November... What sectors of the market will we become winners after the election is a function of who wins the two Georgia Senate seats in January. We suspect there will likely be a split. Purdue will win and Loeffler will lose, allowing the Republicans to maintain control of the Senate.

While some consider Biden's policies of higher taxes on the wealthier Americans and corporations unfriendly to Wall Street, his win, we suspect, will benefit mega-cap tech, big pharma, healthcare, financials, renewable energy, healthcare, and growth stocks. We will be watching the Senate races in Georgia closely, but for now, we are on track to have a solid year in the middle of this pandemic.

## ***This Year Polaris Financial is bringing you a Honey Baked® Christmas to Your Family***

- ***This year, we are bringing Christmas to you from Honey Baked Ham®.***
- ***You can pick up, or we will deliver to your home, a bone-in 8 to 9-pound Honey Baked Ham®.***
- ***You will also receive your choice of a roasted or smoked or pumpkin flavored Turkey Breast as.***
- ***We will call you to place your order and to receive your pick-up preference\*.***
- ***You can pick up additional side items and desserts at HBH at 20% off their usual price.***
- ***You will also receive a nice gift from Yankee Candle.***

***Polaris Financial wishes you a Merry Christmas and a Happy Hanukkah. Stay safe and have a wonderful Holiday with your friends and family.***

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\*Our out of town guests will have their ham and turkey delivered from the Honey Baked Ham Corporate store before the holidays.