

**ELECTION 2020**

# THE FINAL LEG BEGINS

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*Now that the formal nomination of presidential candidates and their running mates has concluded, the race to 1600 Pennsylvania Avenue enters what traditionally has been the most intense period of the political campaign.*

Ballot postmarks allowed one day before or on Election Day	
Arkansas	New Jersey
California	New York
Illinois	North Carolina
Iowa	North Dakota
Kansas	Ohio
Maine	Utah
Maryland	Virginia
Minnesota	Washington
Missouri	Washington D.C.
Nevada	West Virginia

(Source: Janney Investment Strategy Group)

In the 2016 general election, roughly a quarter of Americans who voted did so through normal mail or absentee ballots. These voting methods are expected to be even more significant this year.

Some states allow early voting in some form as long as more than 40 days before the November 3 Election Day this year. Sixteen states allow ballots to be postmarked as late as Election Day. Together, these states represent a significant minority of Electoral College votes, which suggests that a final election result might not be known when the polls formally close. This situation potentially is even more possible this year now that questions have arisen about whether the U.S. Postal Service expeditiously can handle the expected flow of ballots coming through the postal system.

As the 2016 election underscored, the final determination of who resides in the White House is made in the Electoral College. The composition of the College changes as population concentration shifts. Relative to their Electoral College representation in 1956, the number of electors in New York and Pennsylvania for this election dropped

16 and 12, respectively, while California, Florida, and Texas electoral votes respectively increased by 23, 19, and 14. Electoral College representation generally has risen in southern states at the expense of northern states.

Electoral College Votes					
	1952-56 elections	2012-2016 & 2020 elections		1952-56 elections	2012-2016 & 2020 elections
Alabama	11	9	Montana	4	3
Alaska		3	Nebraska	6	5
Arizona	4	11	Nevada	3	6
Arkansas	8	6	New Hampshire	4	4
California	32	55	New Jersey	16	14
Colorado	6	9	New Mexico	4	5
Connecticut	8	7	New York	45	29
D.C.		3	North Carolina	14	15
Delaware	3	3	North Dakota	4	3
Florida	10	29	Ohio	25	18
Georgia	12	16	Oklahoma	8	7
Hawaii		4	Oregon	6	7
Idaho	4	4	Pennsylvania	32	20
Illinois	27	20	Rhode Island	4	4
Indiana	13	11	South Carolina	8	9
Iowa	10	6	South Dakota	4	3
Kansas	8	6	Tennessee	11	11
Kentucky	10	8	Texas	24	38
Louisiana	10	8	Utah	4	6
Maine	5	4	Vermont	3	3
Maryland	9	10	Virginia	12	13
Massachusetts	16	11	Washington	9	12
Michigan	20	16	West Virginia	8	5
Minnesota	11	10	Wisconsin	12	10
Mississippi	8	6	Wyoming	3	3
Missouri	13	10			

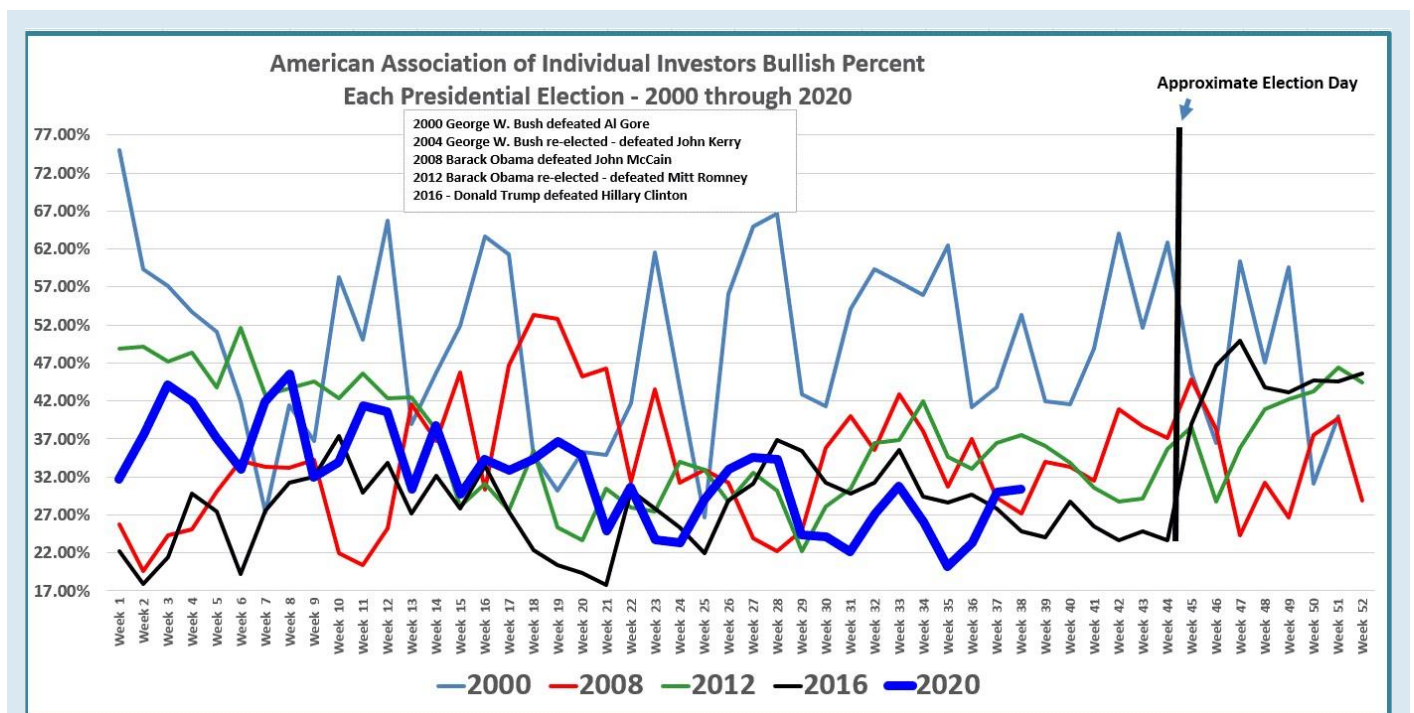
(Source: Janney Investment Strategy Group)

Three presidential debates are scheduled this year: September 29 at the Case Western Reserve University; October 15 at the Adrienne Arsht Center for the Performing Arts of Miami-Dade County; and October 22 at Belmont University. Presidential debates tend to garner plenty of attention. For example, the first of these presidential debates in 2016 set the record as the most-watched debate in American history, with 84 million viewers. Whether they sway voter choices, however, is questionable. They also usually do not generate much equity market reaction either. For example, one week after the first debate in 2016, the S&P 500 was roughly four points higher. A week after the second 2016 debate the S&P 500 was down 37 points, and off roughly 11 points a week after the third debate. The net change through all three debates was only 0.6%.

Considering the elections from 1944 election through 2016, when the S&P 500 has a gain from July 31 through October 31, the incumbent or his political party has retained the White House nearly 82% of the time. In all but one year, whenever the S&P 500 declined in price during these three months, the incumbent or his party's candidate lost the election. The sole exception occurred in 1956 when President Dwight D. Eisenhower won re-election despite the S&P 500 falling 7.7% during the critical three-month period. Considering all possible indications of election outcomes based on market performance, the July 31-October 31 predictor has been correct 84% of the time. For reference, this year the S&P 500 closed July 31 at 3271.12.

As we move closer to Election Day, political polling frequency increases. In a sense, there is a weekly poll of investors that might have election implications.

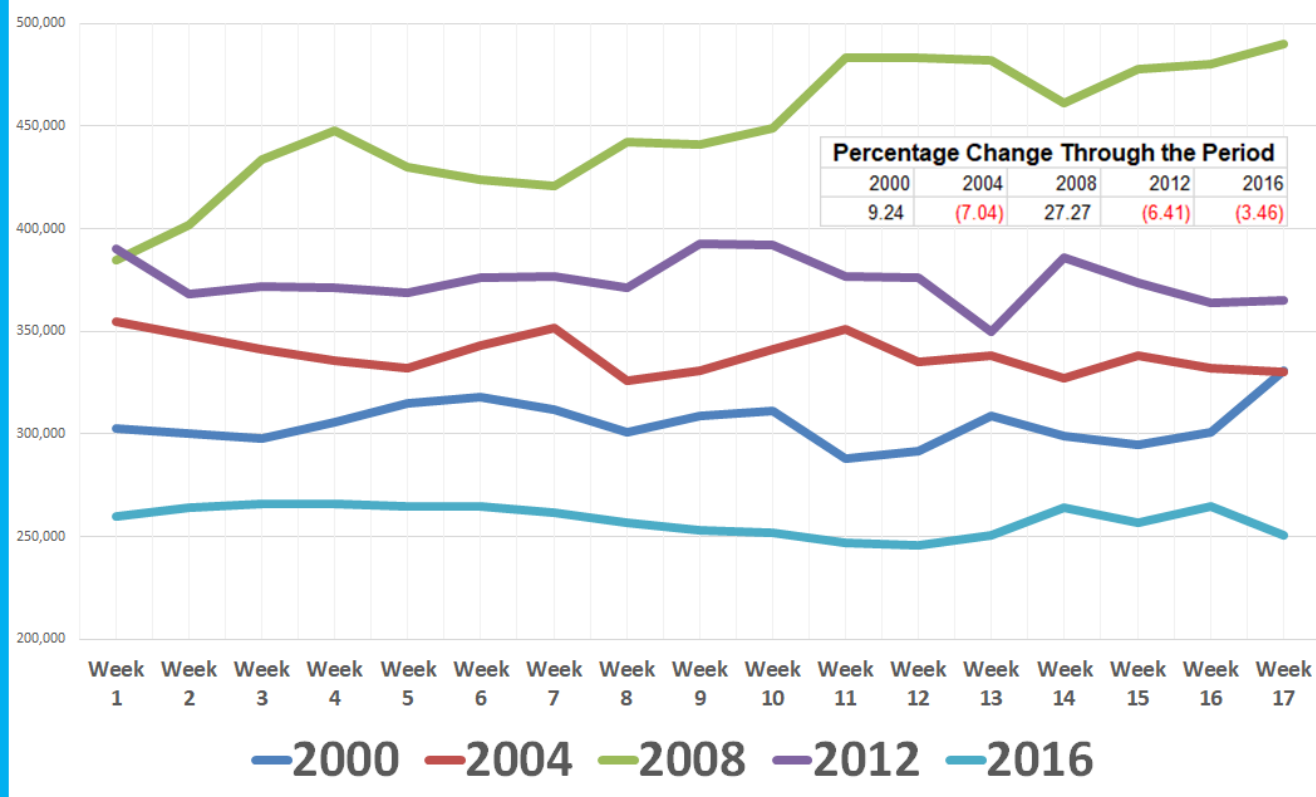
The weekly sentiment survey from the American Association of Individual Investors gauges investors' attitudes toward the stock market. Depending upon circumstances, the percentage of survey respondents with a positive (bullish) market view might indicate whether an incumbent president or his party will retain the White House. At least through the most recent four elections, the percentage of bullish investors offered little in the way of predicting the election winners, as the bullish percent tended to rise in the eight weeks ahead of the election. The post-election movement might have been more relevant in terms of expressing survey respondents' reactions to the outcome.



(Source: Janney Investment Strategy Group)

Employment conditions can sway voter sentiment. Initial claims for unemployment benefit claims were rising late in President Bill Clinton's second term, which may have led to his party ceding the White House to Republican George W. Bush. Falling claims might have helped Bush gain a second term in the 2004 election. The Republican party, however, lost the White House in 2008. New claims rocketed higher as the economy entered the grip of the Great Recession. Barack Obama's successful run for a second term might have been aided by a drop in claims before the 2012 election, but lower claims late in his second term were not enough for his party to retain the presidency in the 2016 election. The path of claims this year, however, could have some bearing on election sentiment, as the President undoubtedly hopes the massively elevated claims number produced by the virus-related shutdowns can moderate significantly.

### Initial Unemployment Benefit Claims 17 Weeks Before Election



(Source: Janney Investment Strategy Group)

As we get closer to the November 3, 2020 election, a cliché is worth remembering.

Often many reports attempt to tie economic or stock market conditions to an election result, but as the phrase “correlation does not imply causation” suggests, what might appear to be a close connection between data and an election outcome frequently is nothing more than coincidence.

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