

# Clearwater Capital Partners

## John E. Chapman

Chief Executive Officer  
Chief Investment Strategist



---

# Post-Election Outlook 2020

November 12, 2020

*Now What ???*

John E. Chapman

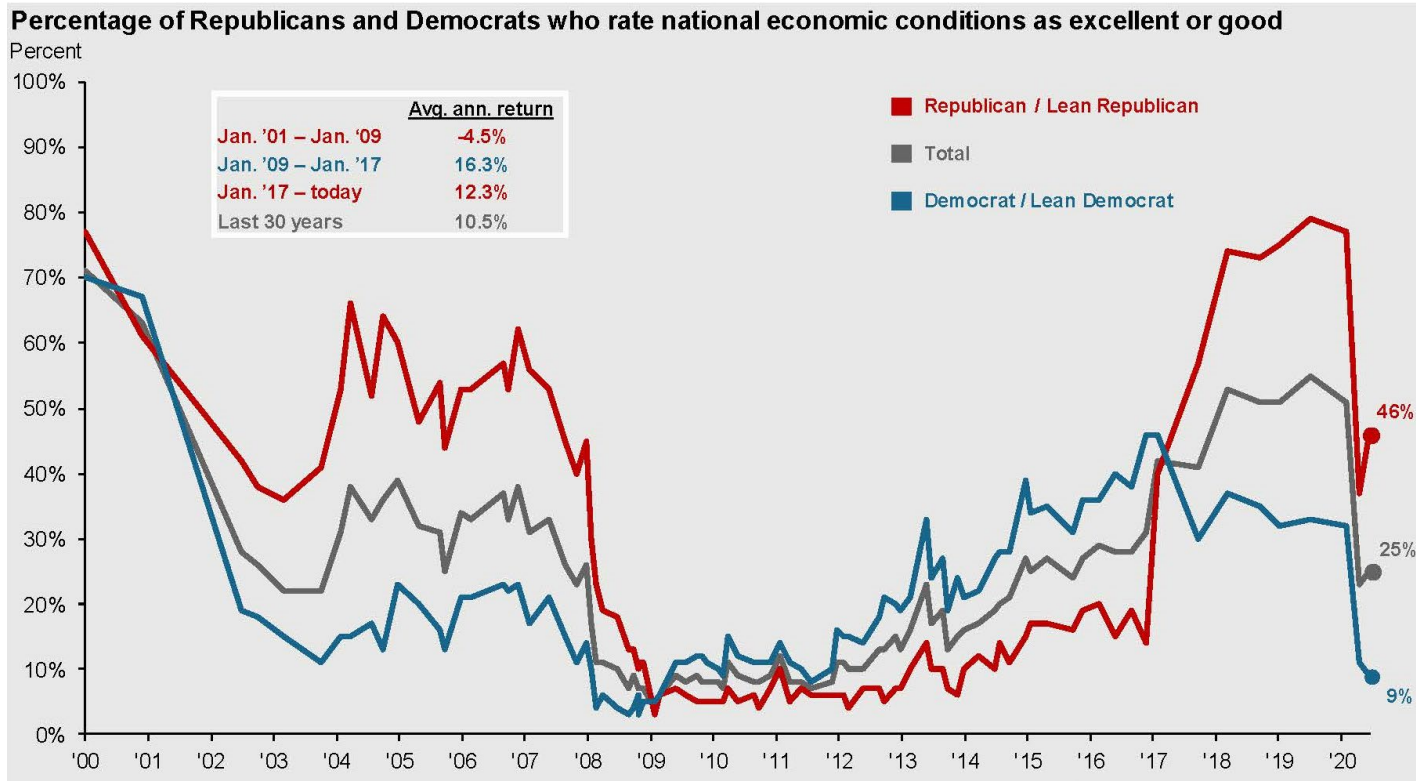
Managing Partner – Chief Executive Officer – Chief Investment Strategist

**This Will Be A Politics Free Zone . . .**

---



# ... And This Is Why



Source: FactSet, Pew Research Center, J.P. Morgan Asset Management. Data as of October 30, 2020.

# Post Election Outlook 2020

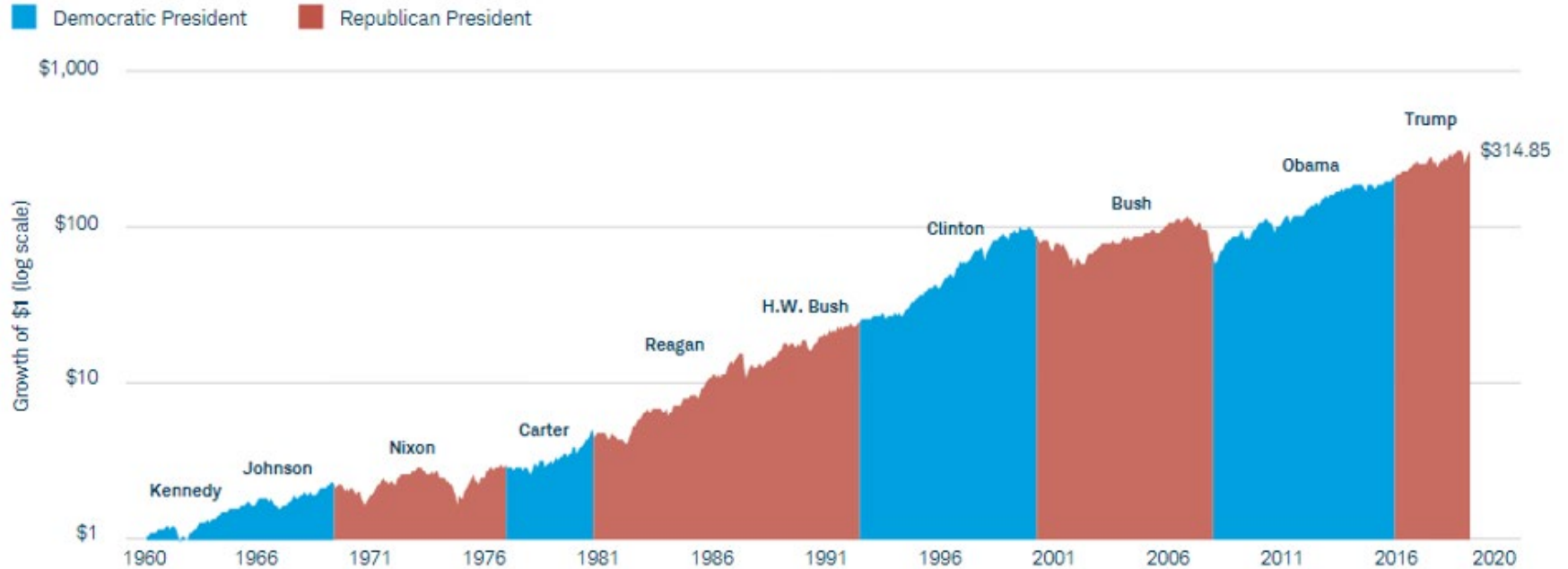
## Now What ??

---

- ✓ **The Historical Perspective of Presidential Election Cycles**
- ✓ What Has, and Hasn't, Happened in This Election Cycle
- ✓ Vice President Biden's Policy Objectives
- ✓ Economic Fundamentals and COVID-19 Going Into 2021
- ✓ Longer-Term Election Implications and Considerations

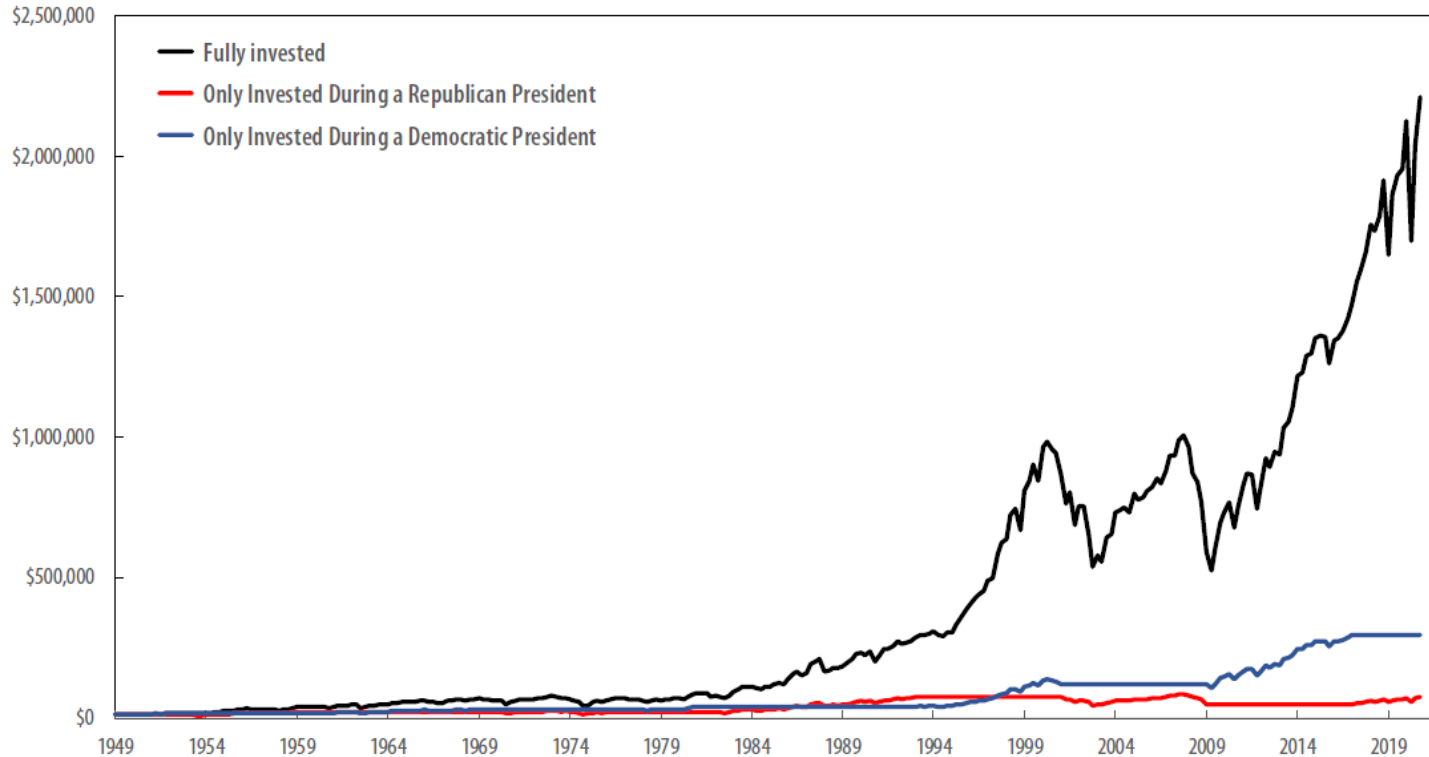
# Which Political Party Produces Higher Returns?

## Staying Invested is an Effective Long-Term Approach



# Growth of \$10,000 in the S&P 500 Index Since 1949

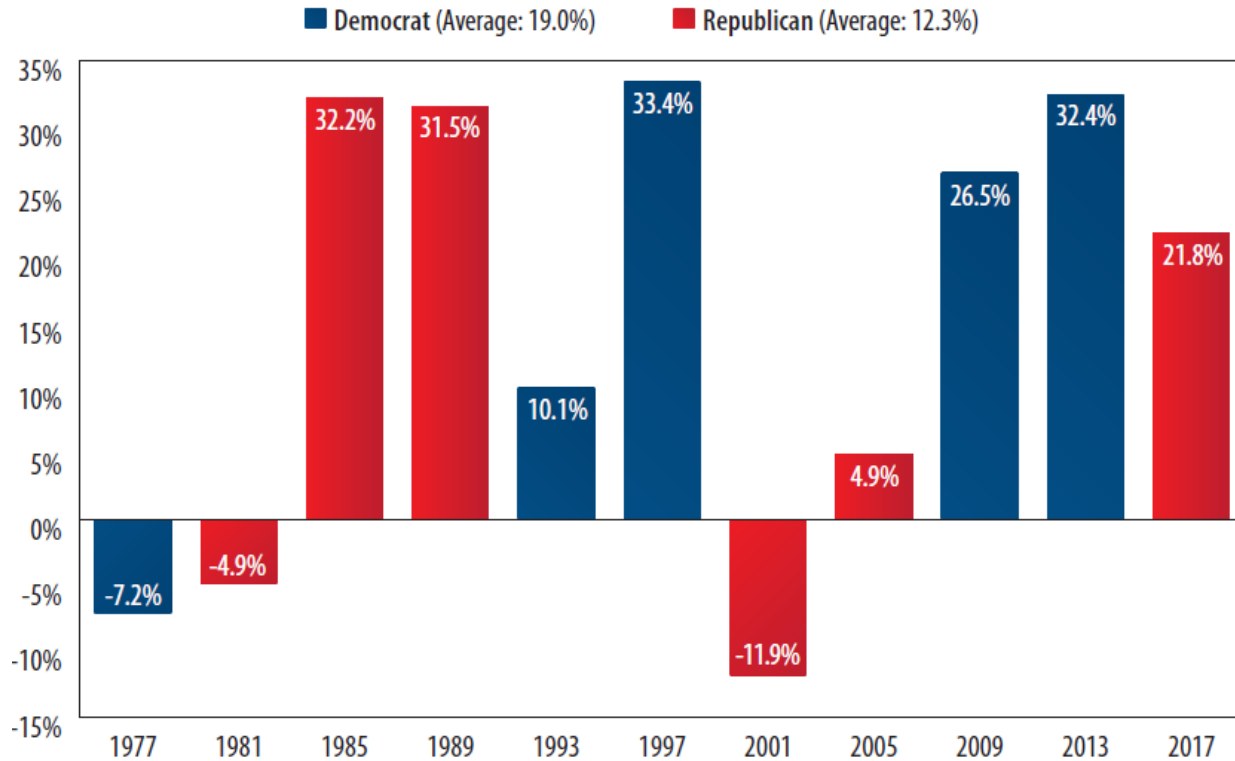
## Favoring YOUR Party's President was a Strategy for Failure



Source: Standard & Poor's, FT Advisors, Data is quarterly from 1949 – Q3 2020.

# S&P 500 Index Total Returns

## First Year Growth of a Four-Year Presidential Term

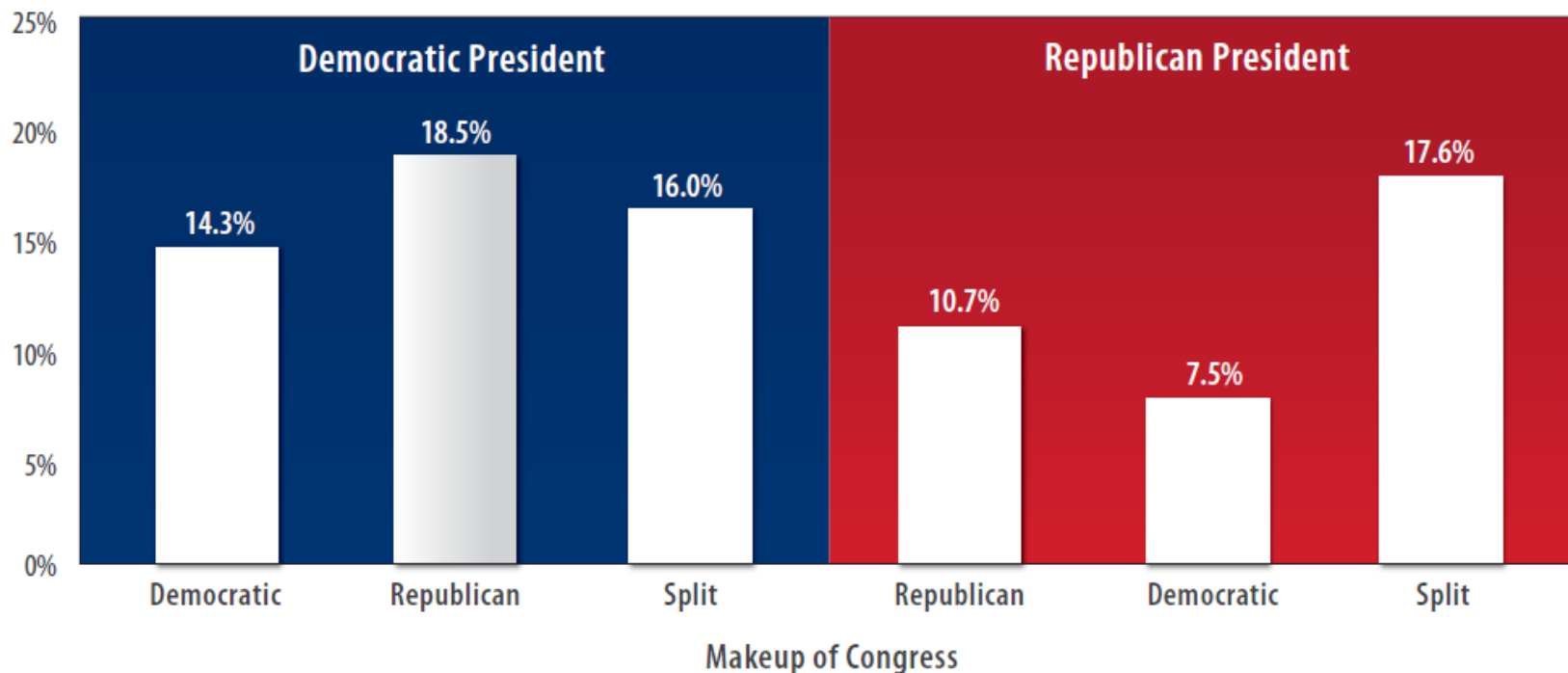


Source: Morningstar, Ibbotson, Standard & Poor's, FT Advisors.



# S&P 500 Index 1950-2019

## Performance by President & Makeup of Congress



Source: Morningstar, FT Advisors.

# Post Election Outlook 2020

## Now What ??

---

- ✓ The Historical Perspective of Presidential Election Cycles
- ✓ **What Has, and Hasn't, Happened in This Election Cycle**
- ✓ Vice President Biden's Policy Objectives
- ✓ Economic Fundamentals and COVID-19 Going Into 2021
- ✓ Longer-Term Election Implications and Considerations

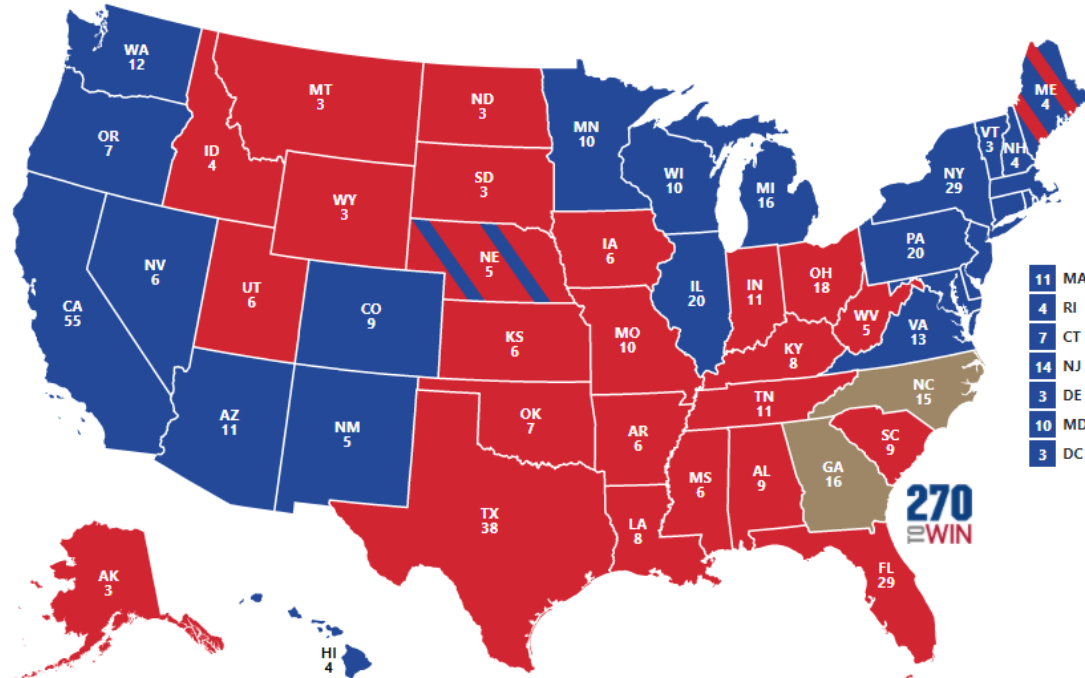
# 2020 Election Results

## Media Has Called the Election of Vice President Biden / 2 States Pending

Democrats ▾ 290

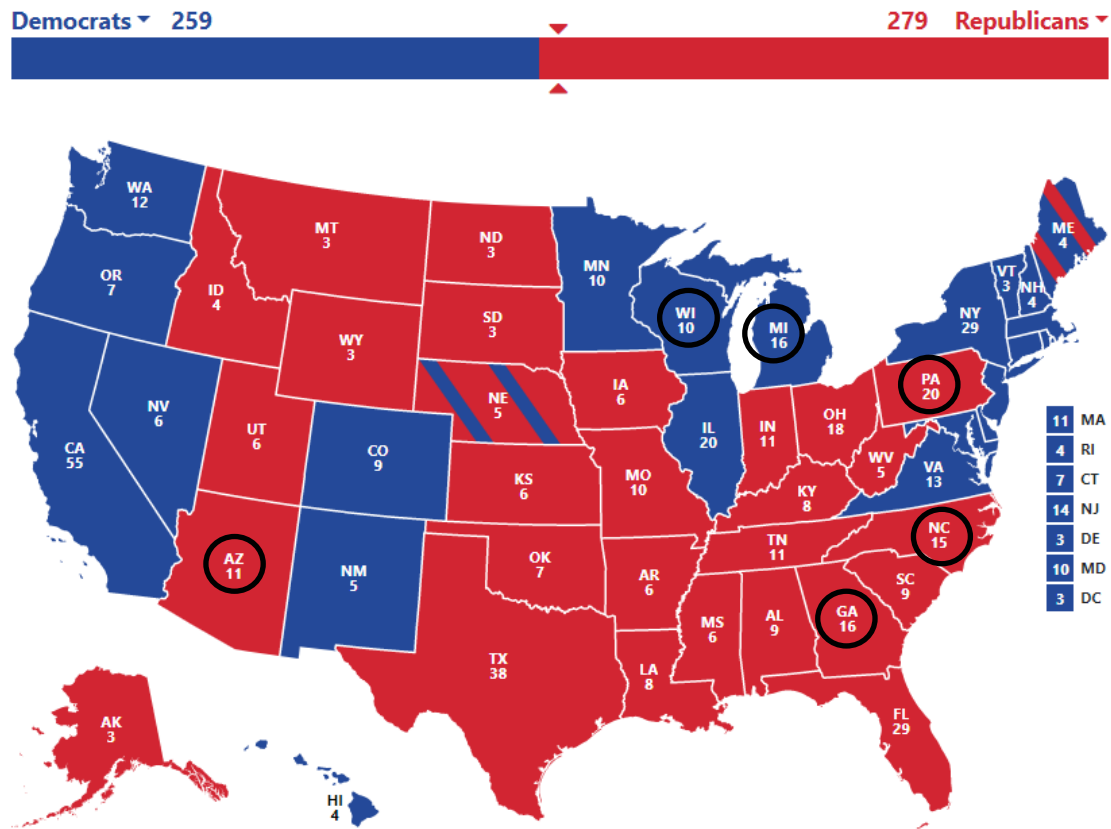
217 Republicans ▾

31



# 2020 Election – The Contested View

## President Trump Sees a Path to 270 With a “Legal Ballot” Strategy



# A Contested Election

## Dates To Watch

11-03-2020

11-17-2020

12-08-2020

12-14-2020

1-20-2021



- Election day November 3<sup>rd</sup>
- Mail-In ballots deadlines:
  - Most states must receive ballots on Election Day when the polls close.
  - Some states accept mailed ballots if postmarked on or prior to the election.
  - Some states accept postmarked ballots up to 14 days after the election
- Pennsylvania Supreme Court added 3 days after Election Day
- States must certify their results in the presidential race by December 8<sup>th</sup>
- Each state's electors cast their electoral college ballots on December 14th

# 2020 Election Results

## Republicans Gain Sets in House / Senate Remains “In-Play”

### HOUSE

Democrats

**215** -4

218 to win

Republicans

+5 **198**



### SENATE

Democrats\*

**48** +1

51 to win

Republicans

-1 **50**



\* Includes 2 independents

# A Country Divided

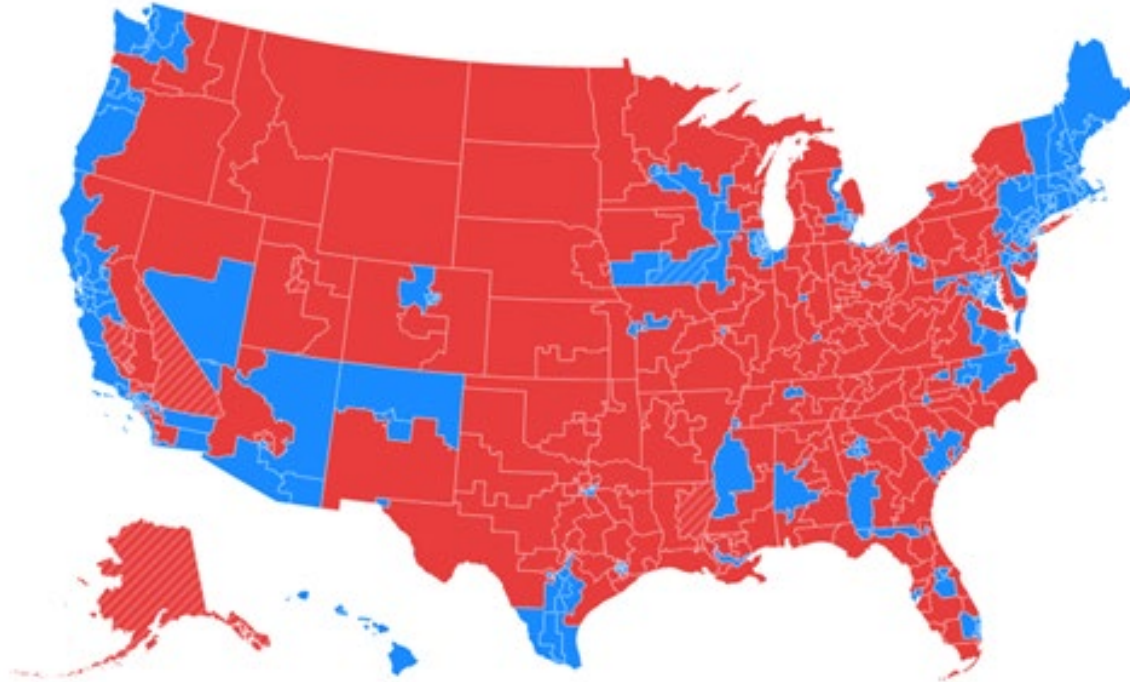
## The Political Divisions Have Sharpened in Recent Years

---

- ✓ Americans are increasingly living in red and blue bubbles. Democrats increasingly urban / Republicans increasingly rural
- ✓ In 1980, 391 of the country's more than 3,100 counties were places where the presidential vote split was at least 20 points more partisan than the nation overall.
- ✓ In 2020, more than half the country's counties—1,726—weren't even close.

# A Country Divided

County-By-County 2020 House Results (as of 11-09-2020)

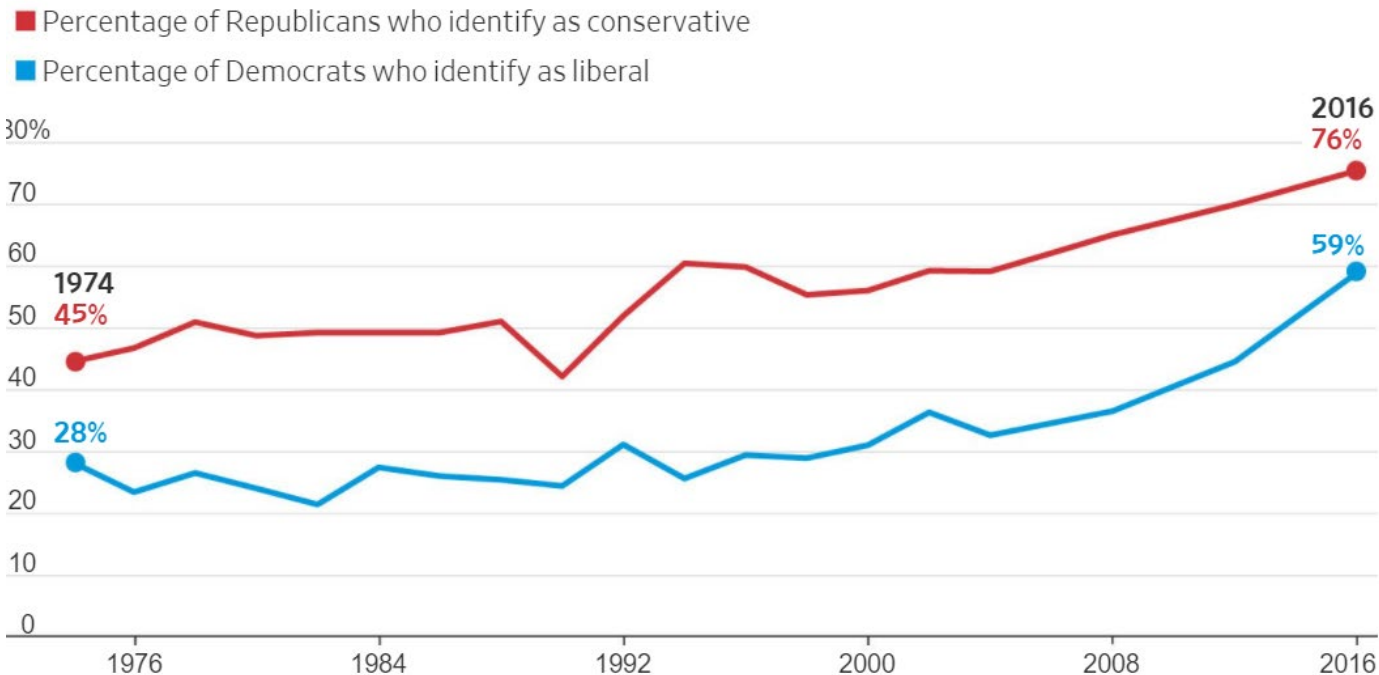




# A Country Divided

## The Views of Each Party Have Hardened Ideologically

Ideology among party identifiers



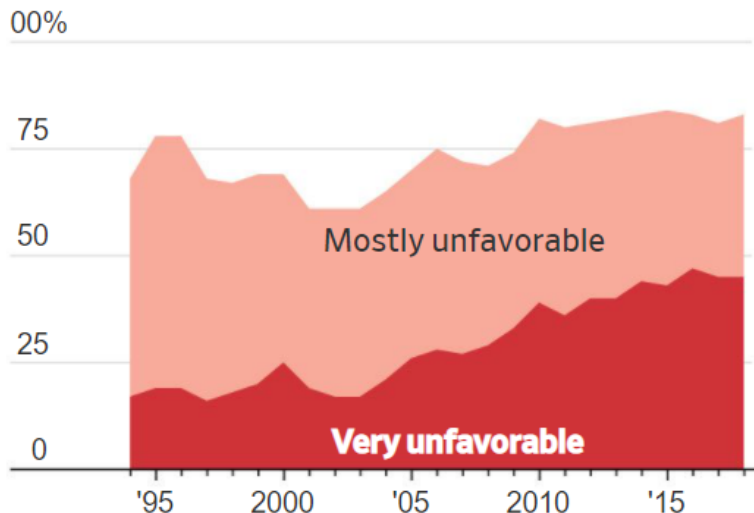
Source: Wall Street Journal.

# A Country Divided

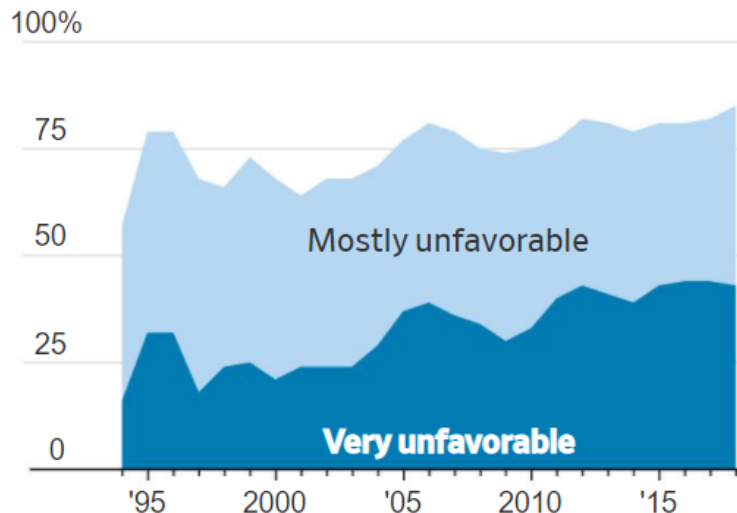
## Republicans and Democrats Views of Each Other Are Increasingly Negative

### Views of opposing party

Percentage of Republicans who view the Democratic Party...



Percentage of Democrats who view the Republican Party...



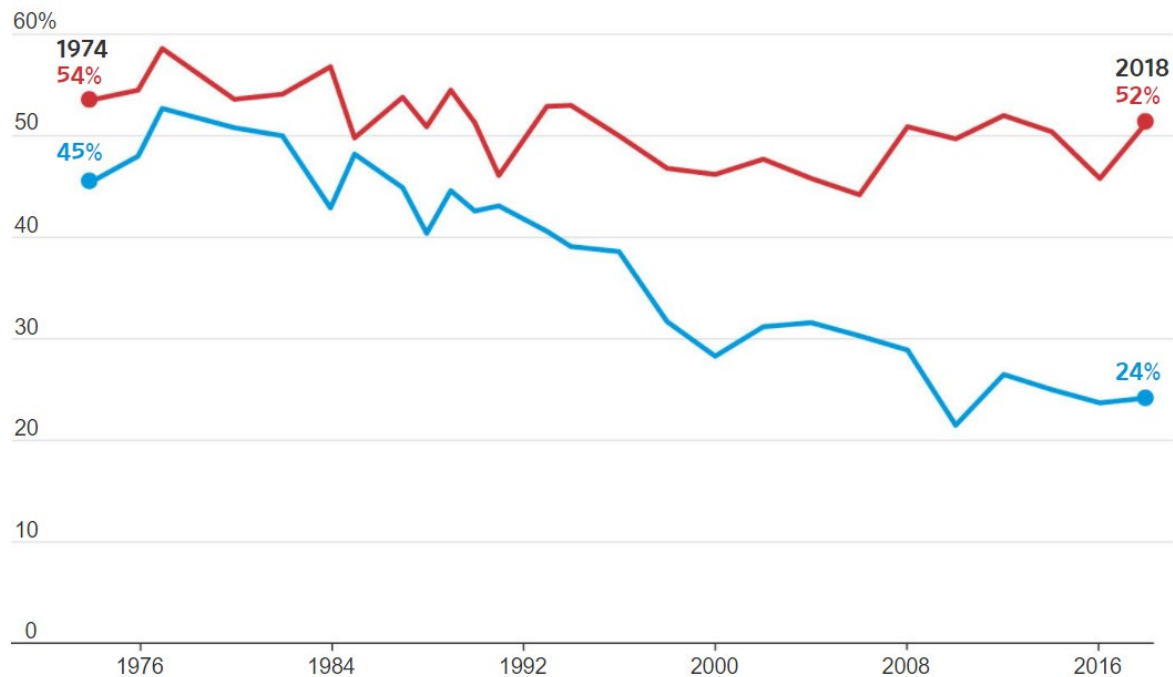
Source: Wall Street Journal.

# A Country Divided

## Gun Ownership Has Become a Partisan Indicator

Percentage who keep a gun in the home

■ Republicans ■ Democrats



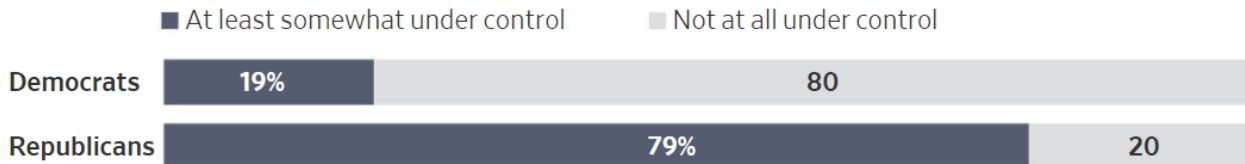
Source: Wall Street Journal.

# A Country Divided

## The 2020 Election Results Show Other Differences Between Electorate

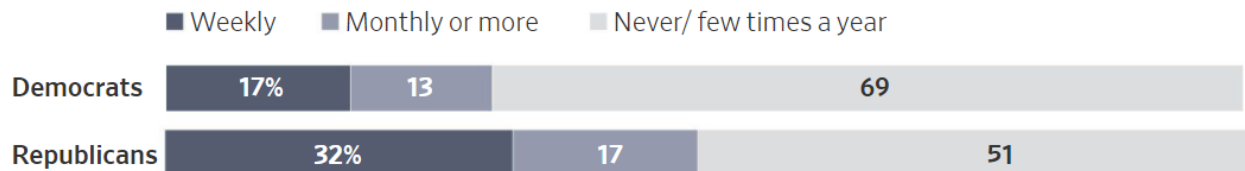
1

Coronavirus in the U.S. is:



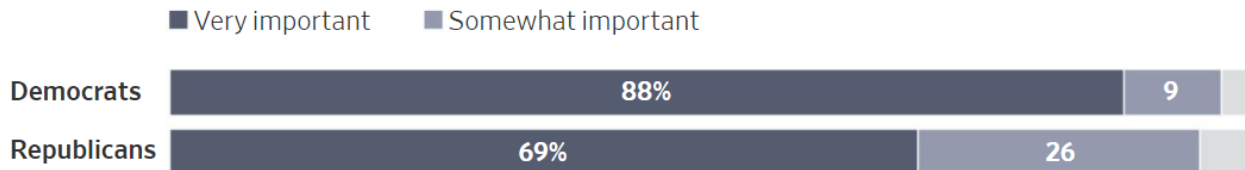
2

Religious services attendance among voters



3

How important is it to you for the next president to bring the country together?



Source: Wall Street Journal, Pew Research Center.

# The Illinois “Fair Tax” Amendment Proposal

## Are Illinois Residents Finally Saying “Enough is Enough” ?

### ILLINOIS CONSTITUTIONAL AMENDMENT

		Income Tax	Votes	Percent
YES			2,372,219	45.5%
NO	✓ FAILED		2,846,380	54.5%

99% reporting

## The Primary Questions Remains:

- Will taxes for all taxpayers now go up?
- Or, will Springfield begin to address spending?

# Post Election Outlook 2020

## Now What ??

---

- ✓ The Historical Perspective of Presidential Election Cycles
- ✓ What Has, and Hasn't, Happened in This Election Cycle
- ✓ **Vice President Biden's Policy Objectives**
- ✓ Economic Fundamentals and COVID-19 Going Into 2021
- ✓ Longer-Term Election Implications and Considerations

# **A Biden Presidency and Administration**

## **Top Priorities and Initiatives**

---

- ✓ **The COVID-19 Pandemic & Federal Mandates**
- ✓ **Additional (modest) Fiscal Stimulus & Infrastructure**
- ✓ **Foreign Policy & Trade / Soften Rhetoric Against China**
- ✓ **Higher Taxes for Wealthy Americans**
- ✓ **Roll-Back of Trump Era Regulatory Reforms**
- ✓ **Climate Change – But NO Green New Deal**

# Post Election Outlook 2020

## Now What ??

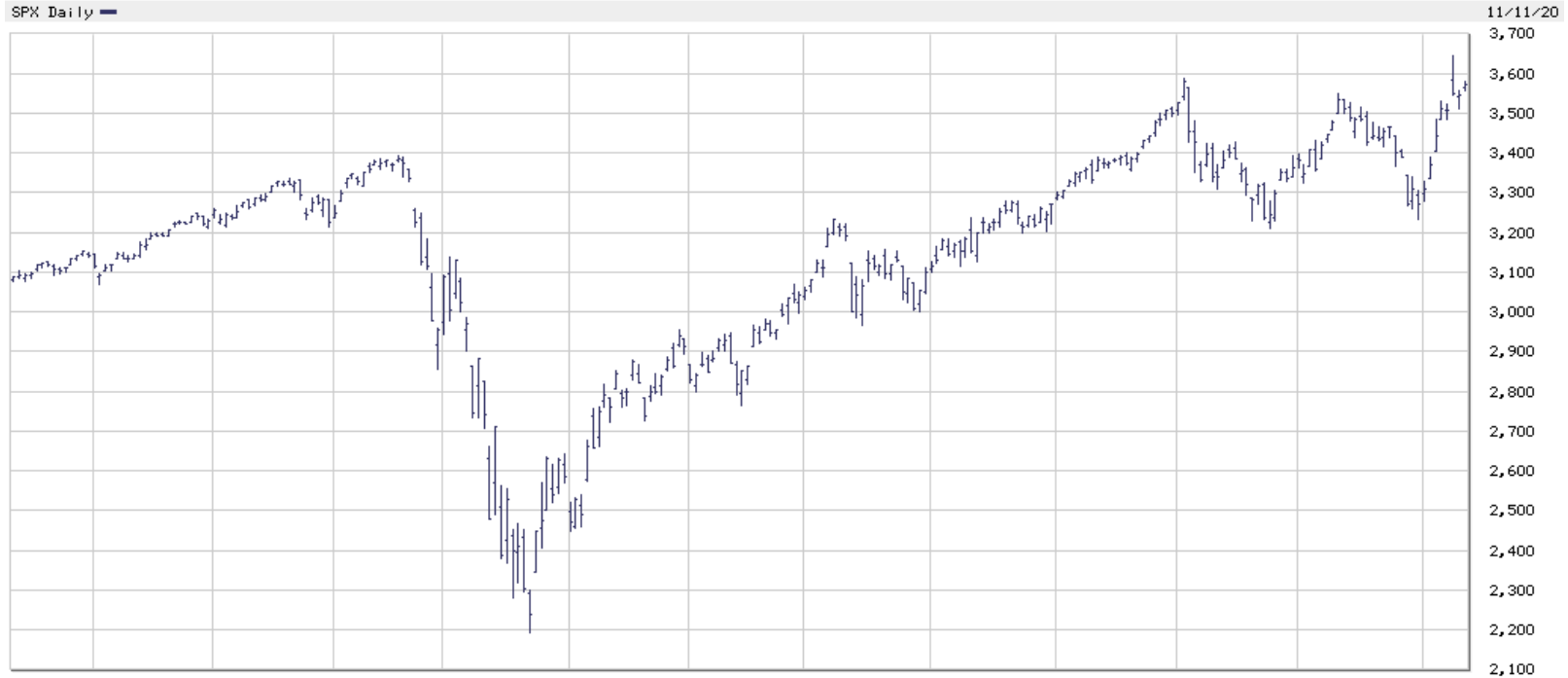
---

- ✓ The Historical Perspective of Presidential Election Cycles
- ✓ What Has, and Hasn't, Happened in This Election Cycle
- ✓ Vice President Biden's Policy Objectives
- ✓ **Economic Fundamentals and COVID-19 Going Into 2021**
- ✓ Longer-Term Election Implications and Considerations



# S&P 500 Index 2020

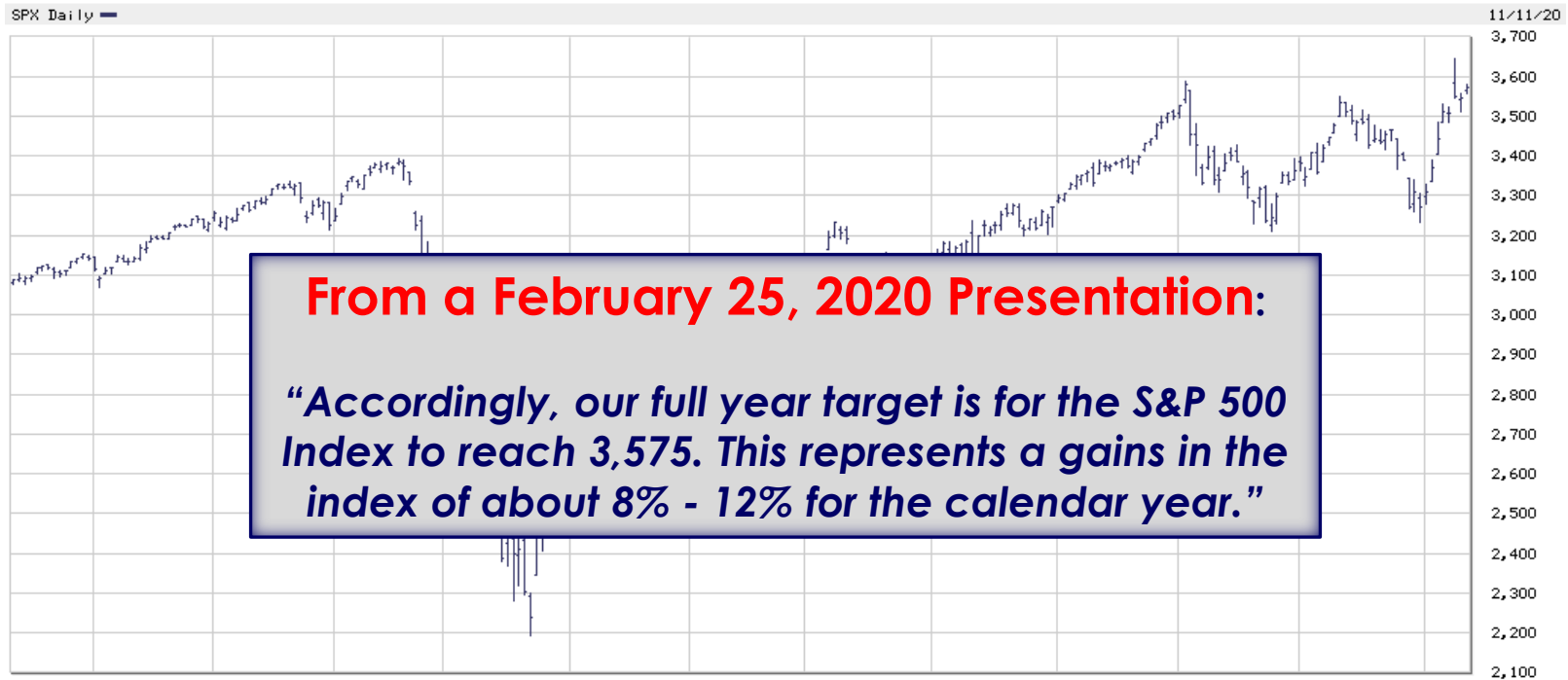
## A Most Unexpected Year



Source: BIGCHARTS.COM.

# S&P 500 Index 2020

## A Most Unexpected Year – Or Was It ????



Source: BIGCHARTS.COM.

# S&P 500 Index 2020

## Yesterday's Close



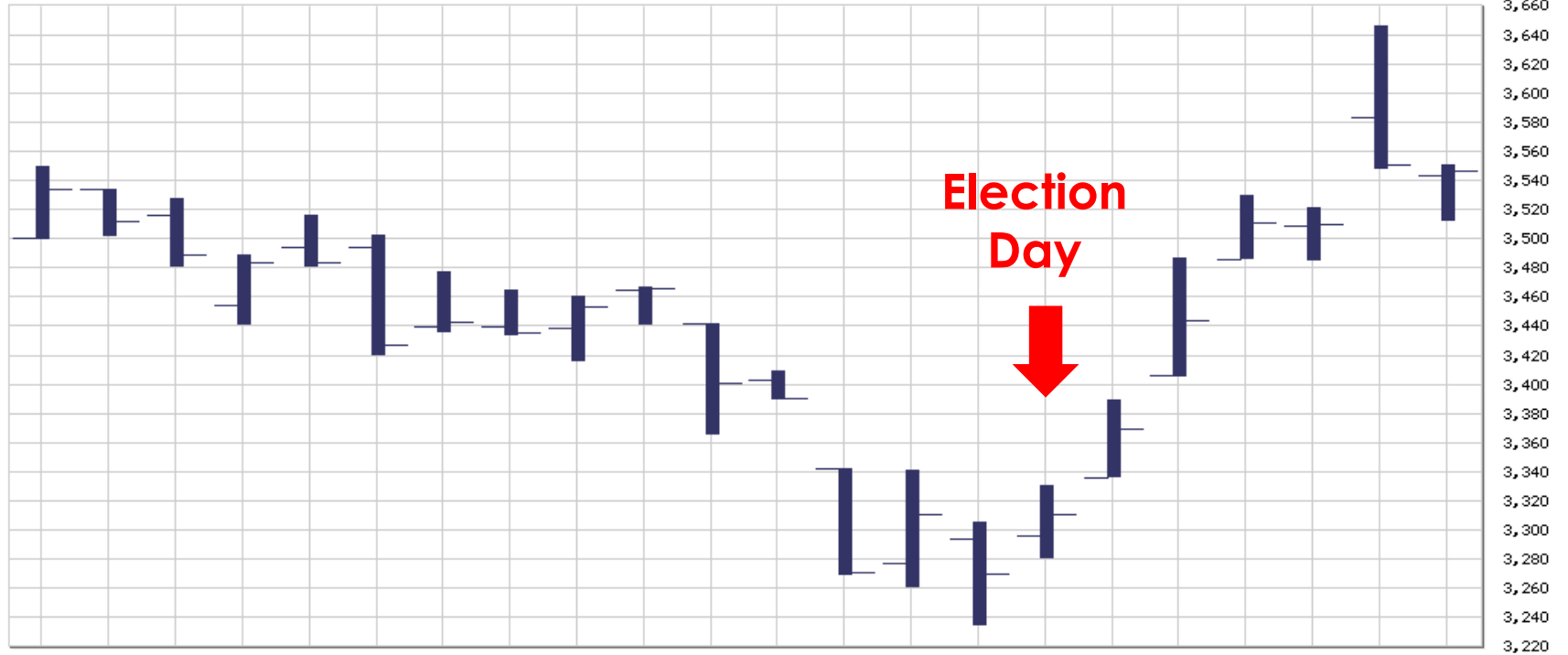
Source: BIGCHARTS.COM.

# S&P 500 Index

## Before and After Election Day

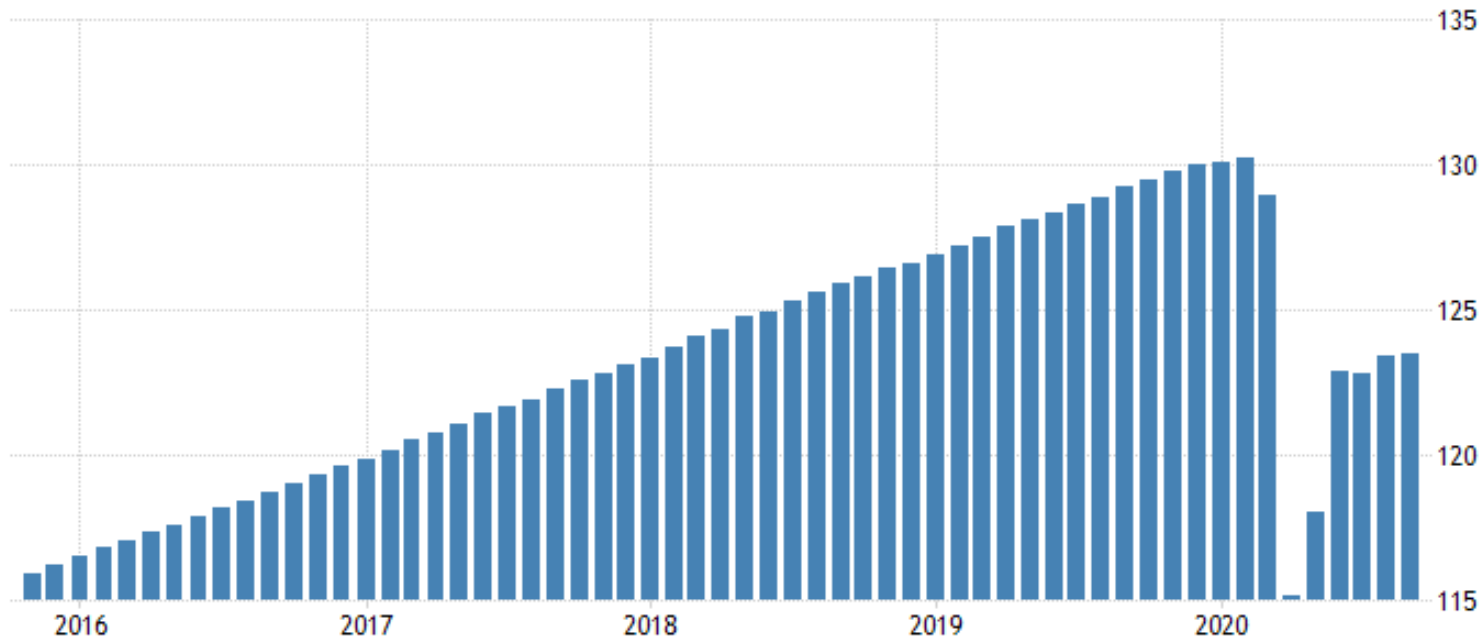
SPX Daily

11/10/20



# U.S. Leading Economic Index

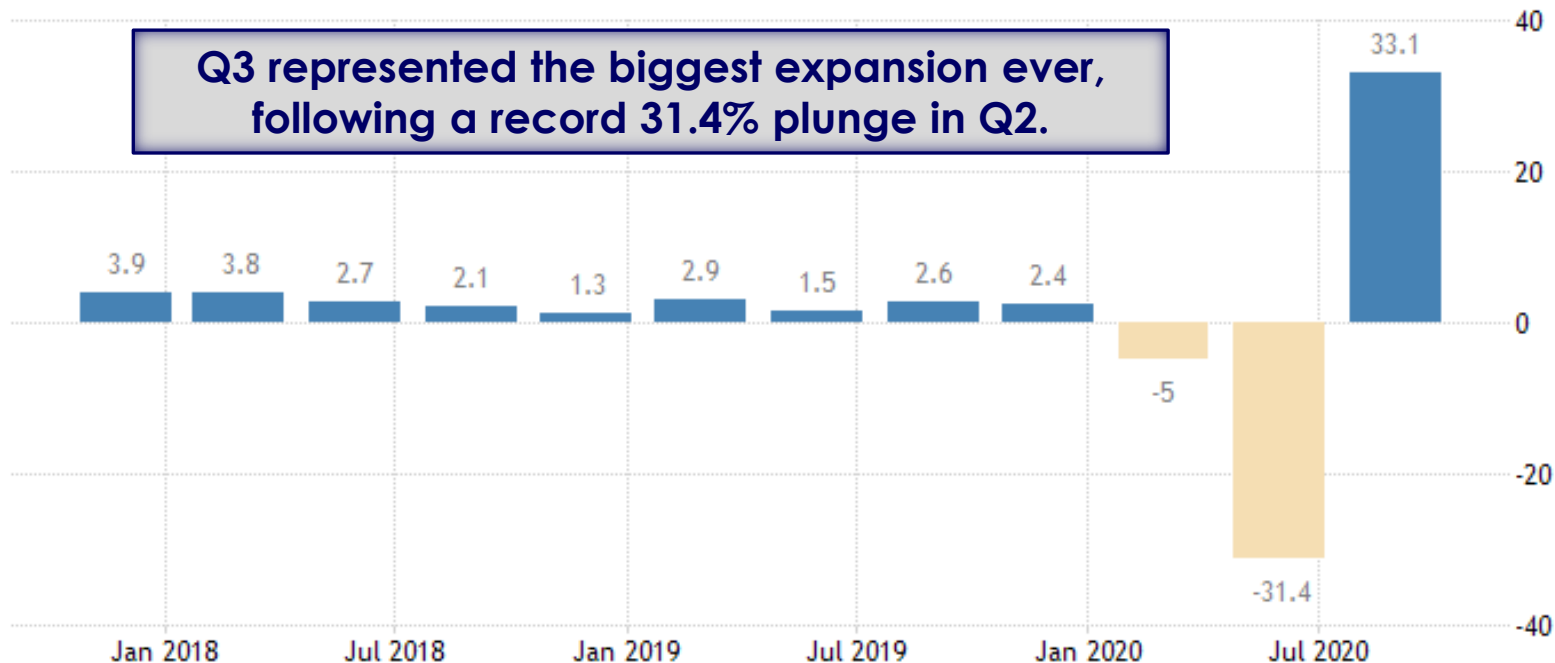
## Rising Expectations Following a Total Collapse



SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE BANK OF PHILADELPHIA

# U.S. GDP Growth

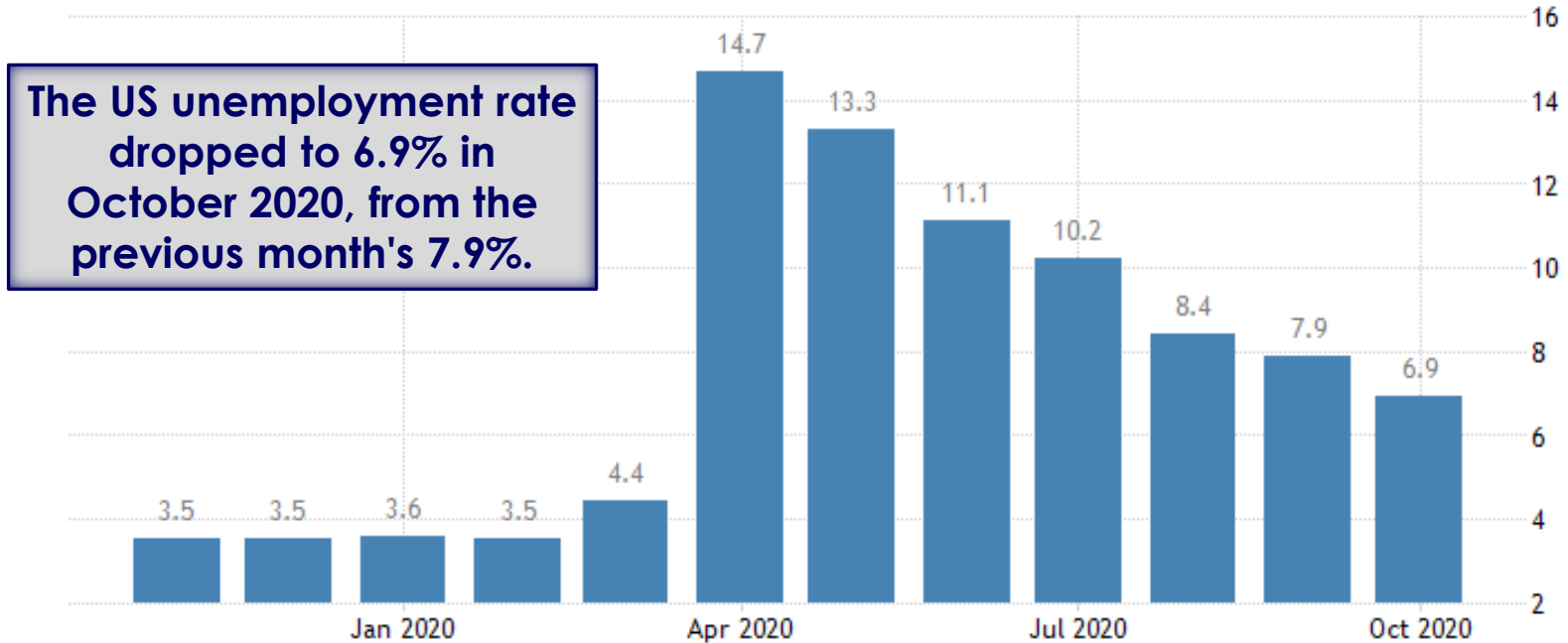
## The U.S. Economy Grew at 33.1% in Q3 2020



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

# U.S. Unemployment Rate

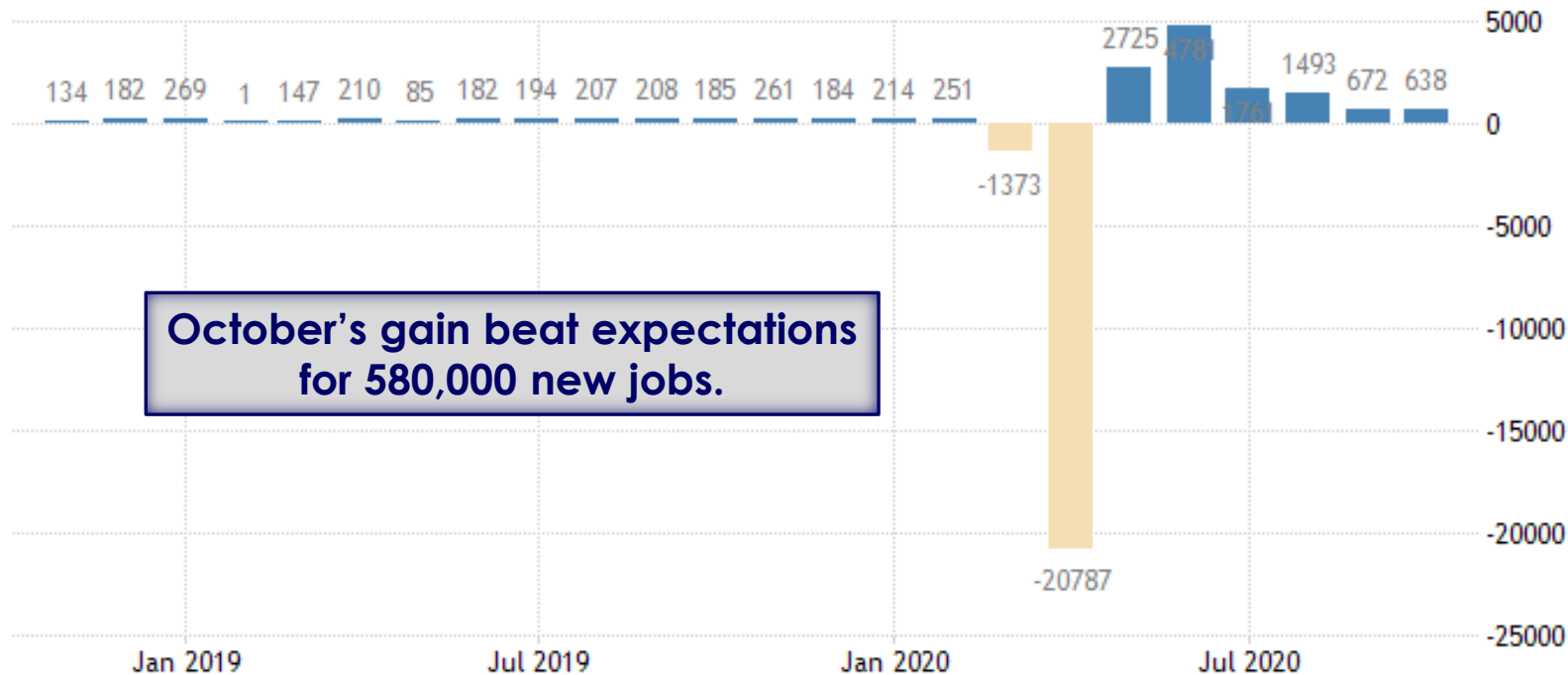
The Jobless Rate Remains Well Above Pre-Pandemic Levels of About 3.5%



SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

# U.S. Unemployment Rate – Non Farm Payrolls

## The U.S. Added 638,000 Jobs in October 2020

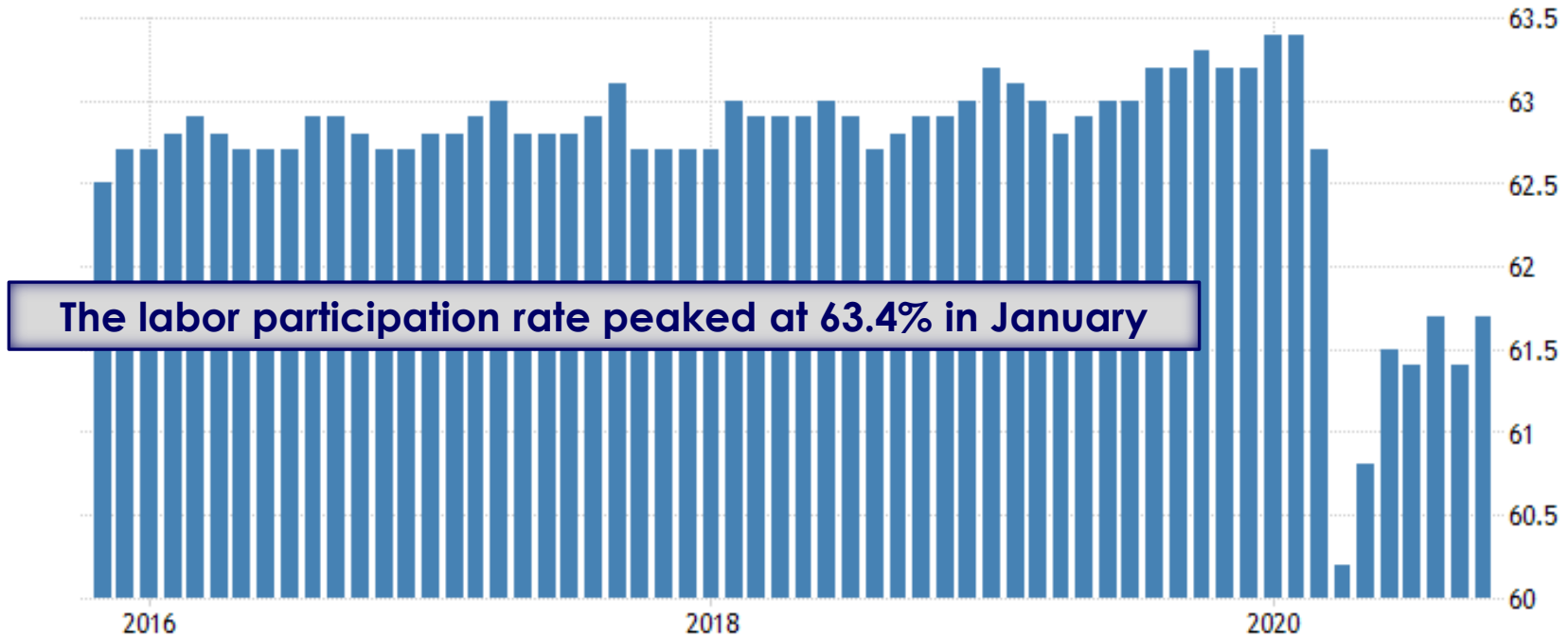


SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS



# U.S. Unemployment – Labor Participation Rate

The Labor Participation Rate Increased to 61.7% October 2020

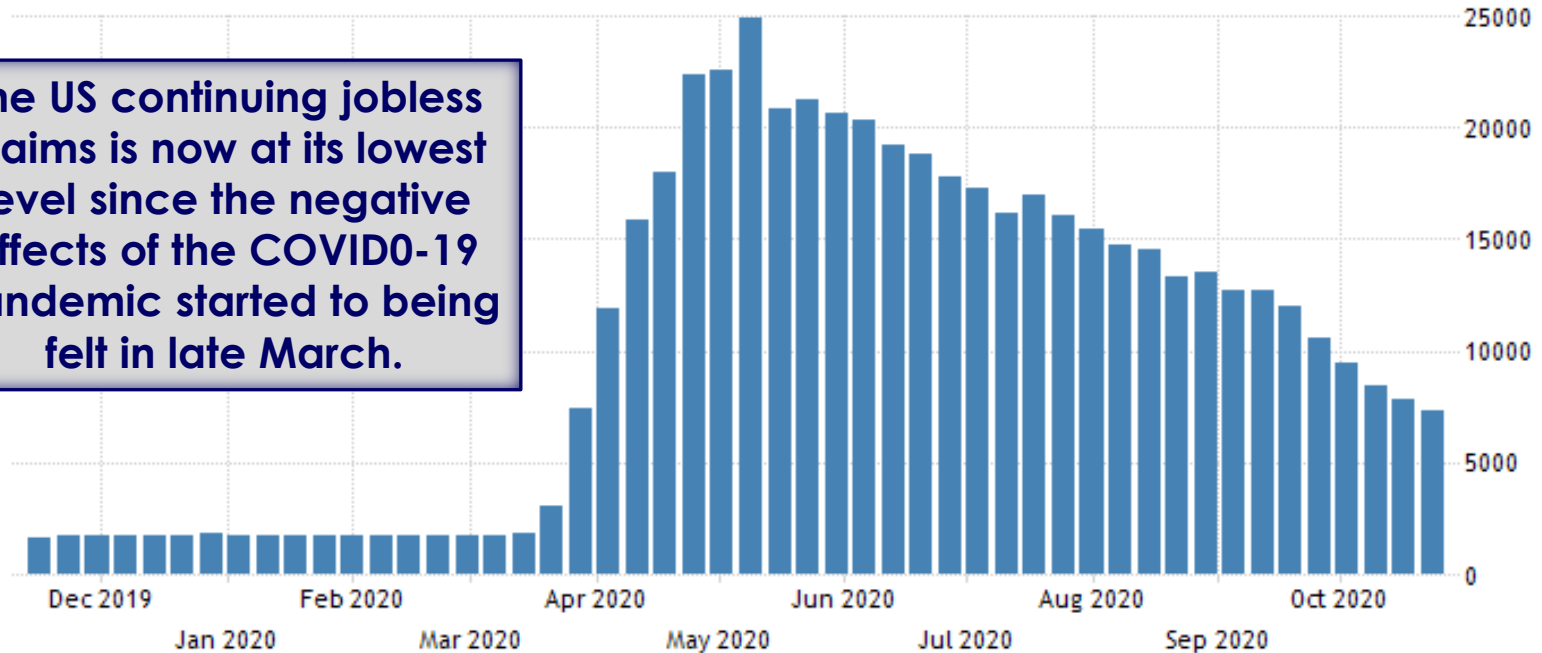


SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

# U.S. Unemployment – Continuing Jobless Claims

## Continuing Jobless Claims Fell to 7.29 Million in the Week Ending October 24.

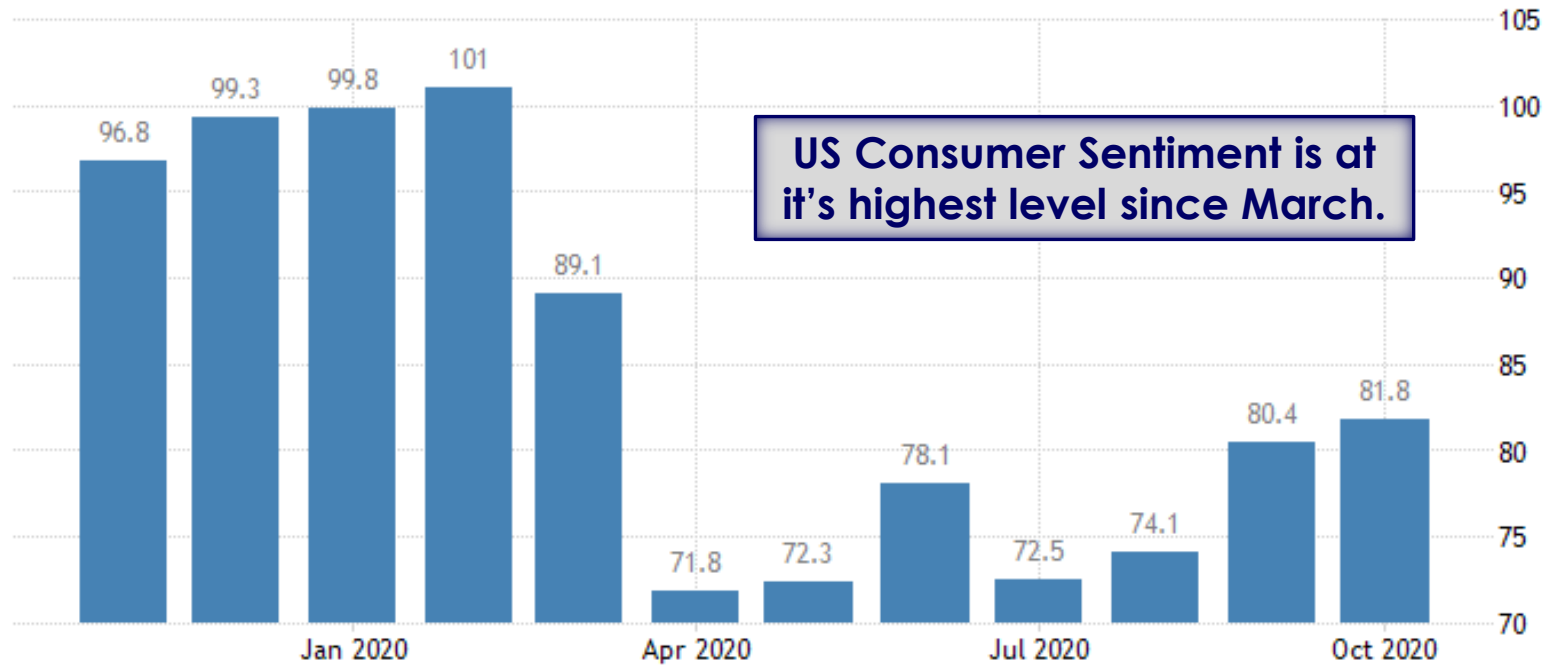
The US continuing jobless claims is now at its lowest level since the negative effects of the COVID-19 pandemic started to being felt in late March.



SOURCE: [TRADINGECONOMICS.COM](https://tradingeconomics.com) | U.S. DEPARTMENT OF LABOR

# U.S. Consumer Sentiment

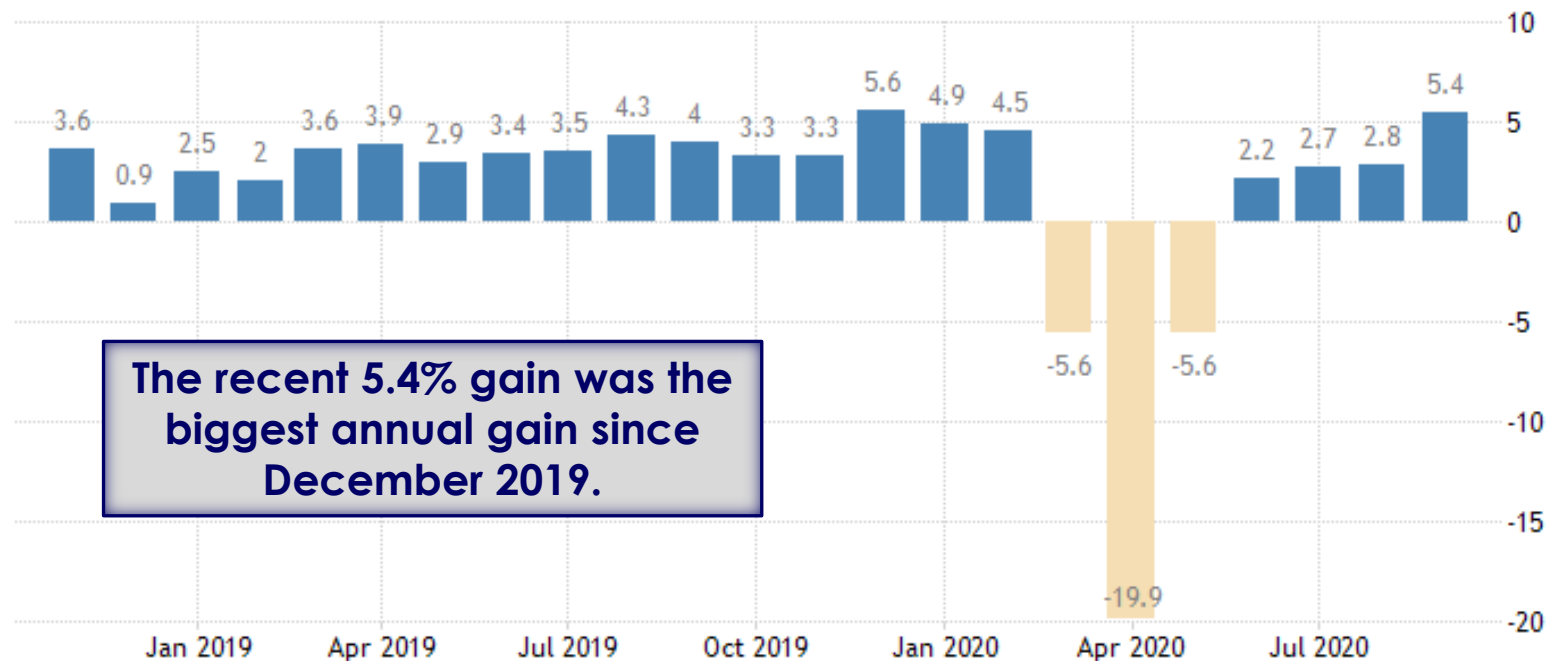
The University of Michigan's Report Reached 81.8 in October 2020



SOURCE: TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN

# U.S. Retail Sales - YOY

## Retail Sales Increased 5.4% YOY in September 2020



The recent 5.4% gain was the biggest annual gain since December 2019.

SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU

# U.S. High Frequency Data

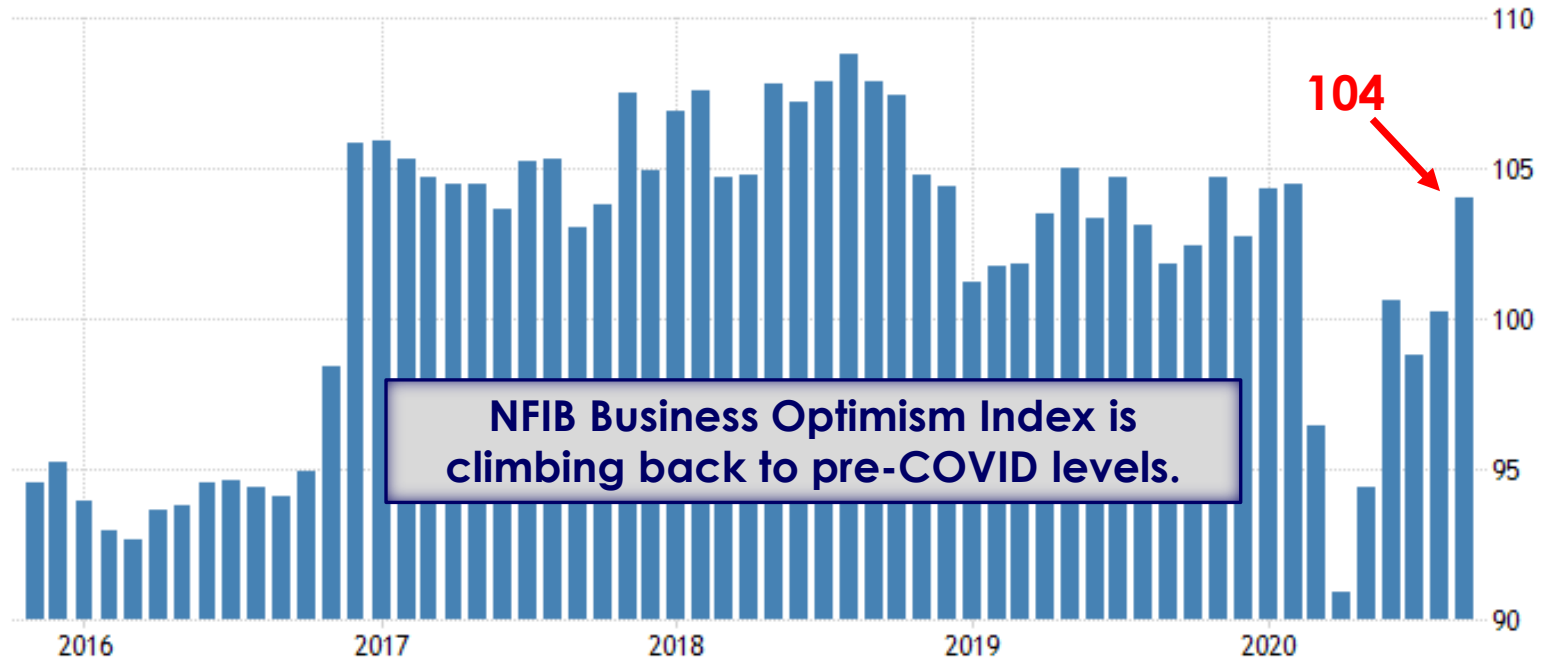
## Still Lower on a YOY Basis, Yet Improving MOM and WOW.

Indicator	Date (2020)	Level	Year Ago Level	% Change YOY	% Change MOM	% Change WOW
Initial Jobless Claims	Oct 23	751,000	217,000	+246.1%	-11.5%	-5.1%
Continuing Jobless Claims	Oct 16	7,756,000	1,700,000	+356.2%	-35.3%	-8.4%
ASA Staffing Index	Oct 25	85.8	96.8	-11.4%	+6.0%	+1.0%
Weekly Retail Sales <sup>1</sup>	Oct 31	+3.2%	+5.5%	NA	NA	NA
Box Office Receipts	Oct 23-29	\$12,193,944	\$149,669,288	-91.9%	+8.3%	-22.5%
Rail Car Traffic (cars)	Oct 23	522,653	513,148	+1.9%	+0.8%	+0.7%
Steel Production (net tons)	Nov 2	1,557	1,888	-17.5%	+4.9%	+1.0%
Hotel Occupancy	Oct 11-17	50.1%	80.8%	-30.7%	+1.5%	+0.1%
Hotel Average Daily Rate	Oct 11-17	\$97.69	\$136.25	-28.3%	+1.9%	0.0%
Hotel Revenue per Available Room	Oct 11-17	\$48.91	\$98.41	-50.3%	+5.1%	+0.1%
Operable State of the Restaurant Industry <sup>2,3</sup>	Nov 2	NA	NA	-45.5%	-4.1%	-3.2%
TSA Checkpoint Data (7-day moving average) <sup>2</sup>	Nov 2	783,218	2,149,207	-63.6%	+4.5%	-6.9%
Supply of Motor Gasoline in the US (Mbb/d)	Oct 23	8,545	9,784	-12.7%	+0.2%	+3.1%

Source: First Trust Advisors. Data as of November 3, 2020.

# NFIB Index of Small Business Optimism

Small Business Optimism Remains Quite High

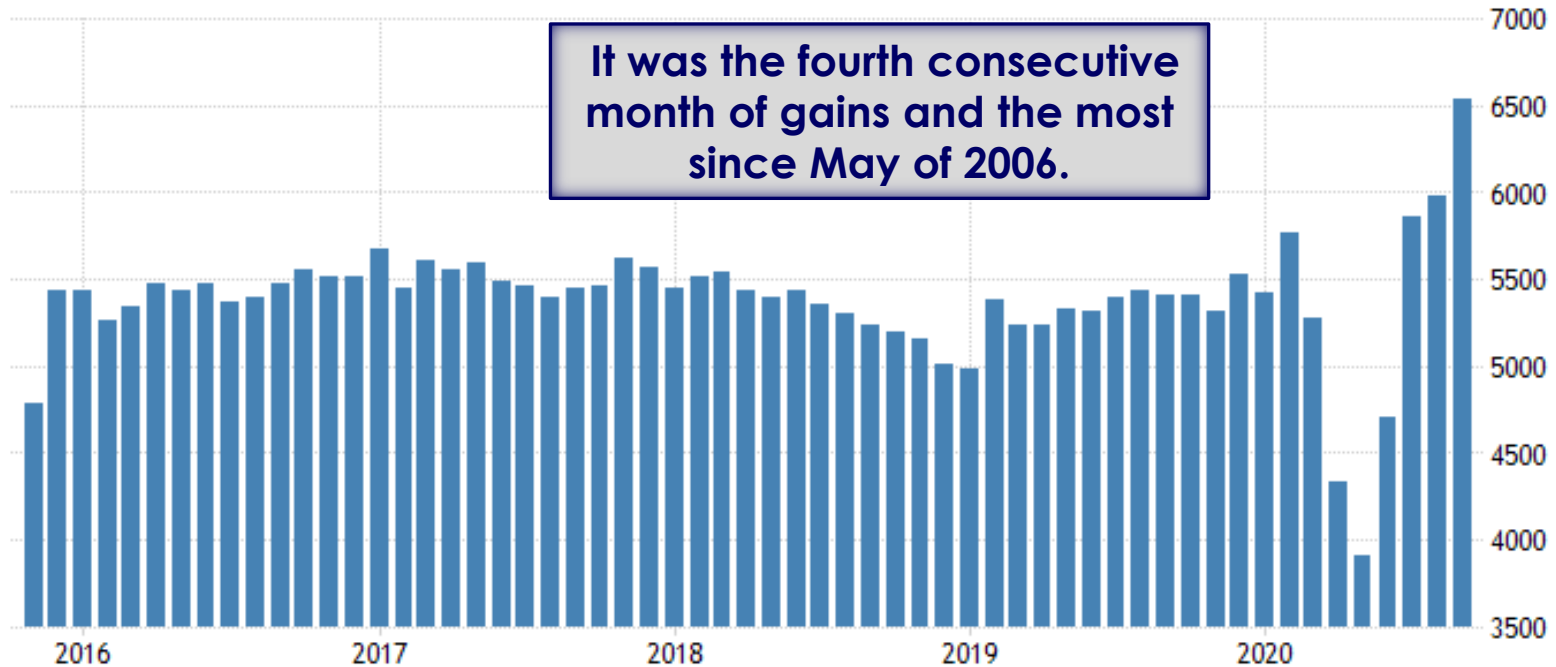


**NFIB Business Optimism Index is climbing back to pre-COVID levels.**

SOURCE: TRADINGECONOMICS.COM | NATIONAL FEDERATION OF INDEPENDENT BUSINESS

# U.S. Existing Home Sales

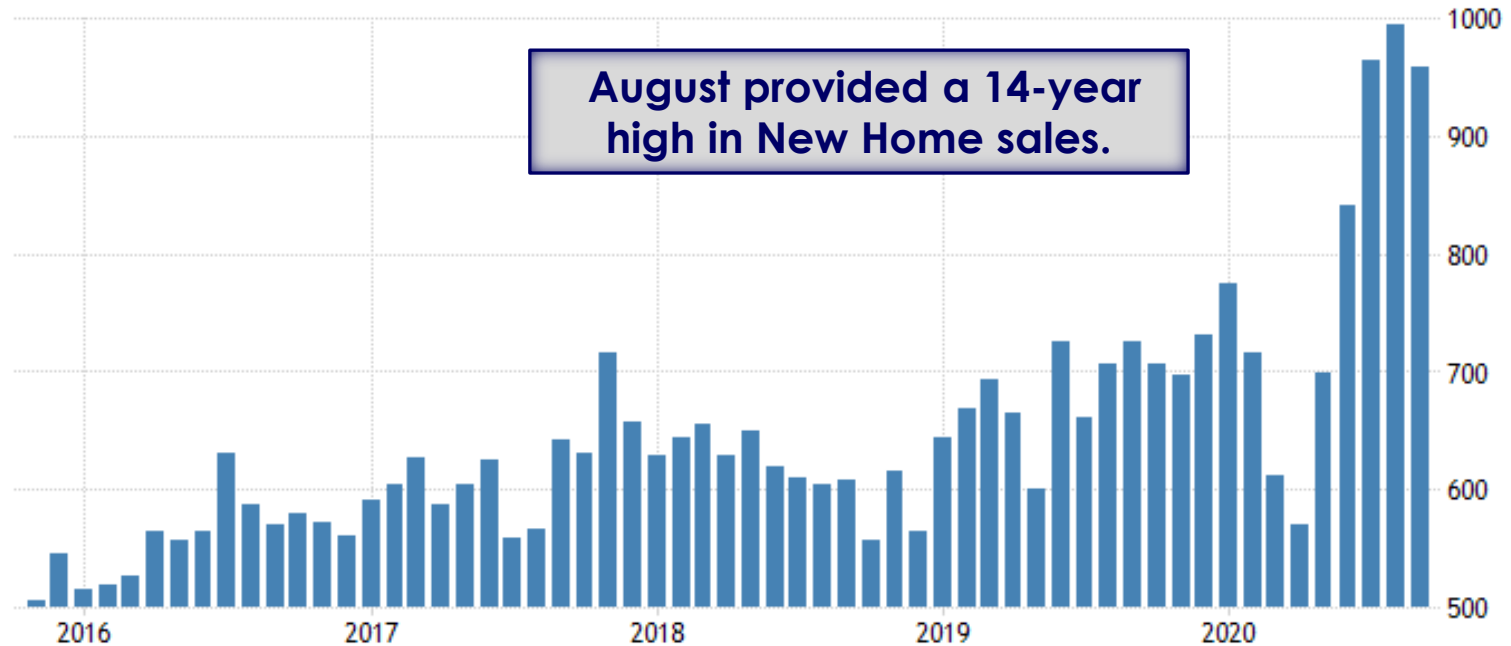
## Sales of Previously Owned Houses Jumped 9.4% in September 2020



SOURCE: TRADINGECONOMICS.COM | NATIONAL ASSOCIATION OF REALTORS

# U.S. New Home Sales

## Home Sales Elevated and Supported by Record Low Interest Rates



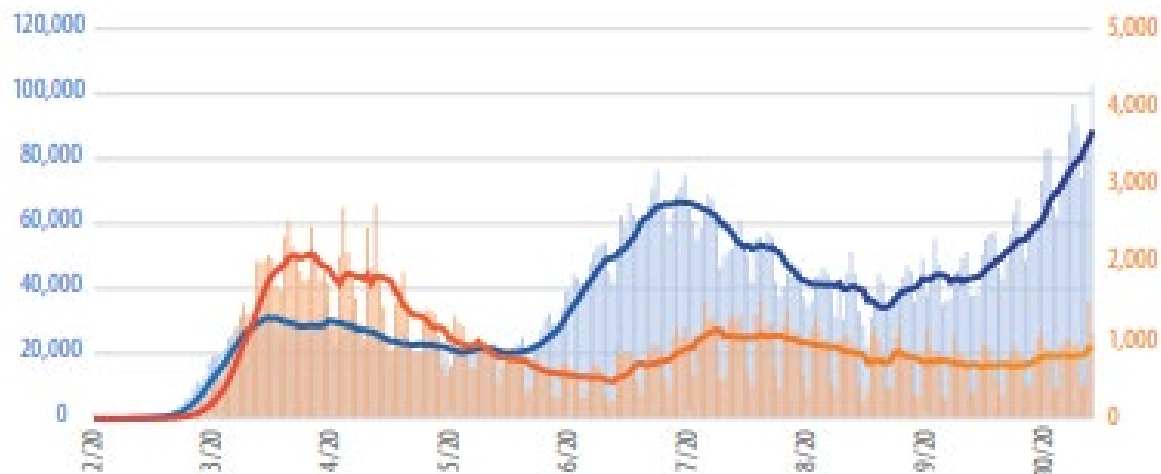
SOURCE: TRADINGECONOMICS.COM | U.S. CENSUS BUREAU



# COVID-19

## A Very Serious Virus, Yet Progress IS Being Made

February 26, 2020 - November 4, 2020

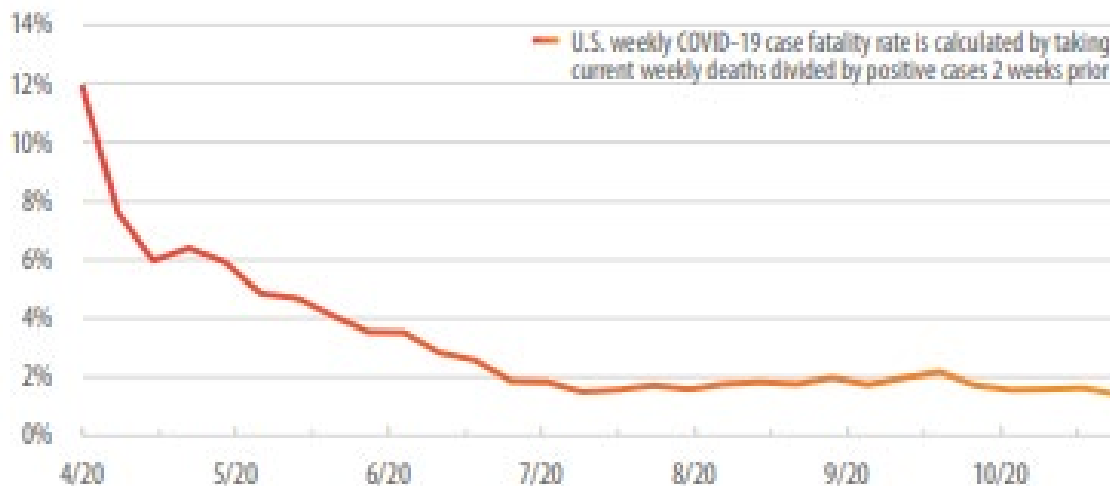


Source: Covidtracking.com

# COVID-19

## Case Fatality Rates From April Peak Have Fallen Dramatically

April 12, 2020 - November 1, 2020



Source: Covidtracking.com

# Post Election Outlook 2020

## Now What ??

---

- ✓ The Historical Perspective of Presidential Election Cycles
- ✓ What Has, and Hasn't, Happened in This Election Cycle
- ✓ Vice President Biden's Policy Objectives
- ✓ Economic Fundamentals and COVID-19 Going Into 2021
- ✓ **Longer-Term Election Implications and Considerations**

# What to Position for in 2021

Fundamentals Will Drive Results for Investors over the next 12 to 18 Months

---

- ✓ **Monetary Policy of Negative Real Interest Rates**
- ✓ **Moderate Scale Stimulus (approximately \$1 Trillion)**
- ✓ **Vaccine(s) to End to the COVID-19 Pandemic**
- ✓ **Economic Rebound with Reopening (GDP 5% + in 2021)**
- ✓ **Corporate Earnings Surge with Leaner Operating Models**
- ✓ **Divided Government Limits Regulatory & Tax Changes**

# Characteristics of the Economic Cycle

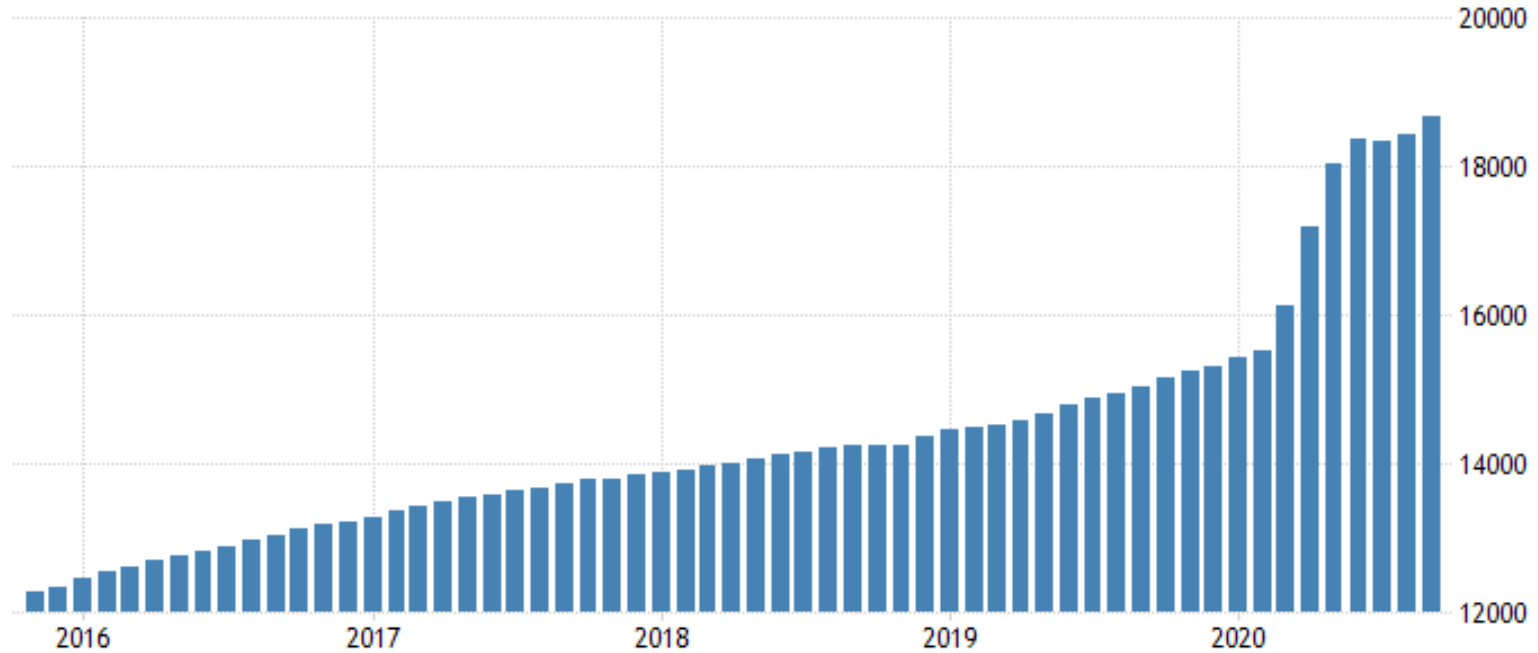
## The Landscape is Shifting in Important (And Normal) Ways

---

- ✓ Over the short-term (weeks and months) technical factors and sentiment will drive equity prices. (COVID-19 – Reopening)
- ✓ Over the medium-term, one to three years, economic and business cycle developments will dictate the magnitude of equity returns. (Corporate profitability – interest rates)
- ✓ Over the long-term (three years plus) government policies (fiscal, tax, monetary, trade, social, etc) will likely become the dominant issues. (New president – new policies)

# U.S. M2 Money Supply

## Historical Surge of Cash in the “System” and a Word of Warning



SOURCE: TRADINGECONOMICS.COM | FEDERAL RESERVE

---

# Participant Q&A

---

# Thank You

**If you are not currently a client of Clearwater Capital Partners and would like to continue the dialog, please give us a call. We welcome the opportunity to explore how we might add value to your wealth management strategies.**

**(847) 841-8650**

**[www.ccpwealth.com](http://www.ccpwealth.com)**



# Disclosures

---

- Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions.
- We believe the information provided here is reliable, but do not warrant its accuracy or completeness.
- This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors.
- This material has been prepared for informational purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice.
- References to future returns are not promises or even estimates of actual returns a client portfolio may achieve.
- The S&P 500 is a registered trademark of the McGraw-Hill Companies
- Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.
- Investing involves risk. Please consult your investment advisor prior to investing money.
- Investment advice offered through Clearwater Capital Partners, a Registered Investment Advisor.