

WHITE KNIGHT CONSULTING LLC



ELECTION UNCERTAINTY COULD **IMPACT** **FINANCIAL MARKETS**

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On election night, November 3, we are all hoping for a clear winner in the hotly contested Biden - Trump 2020 Presidential race. That would require one of them commanding a margin of votes, in most of the swing states and an electoral college total well above the 270 needed for victory.

But with the election fast approaching, the odds are against an undisputed outcome. Instead, the nation may face a prolonged period of uncertainty due to challenges to mail-in voting, potential claims of voter suppression and other legal issues. This would increase the possibility of a prolonged court battle, before either Biden or Trump will finally be declared the winner. This is similar to the 2000 race, which hinged on the Gore-Bush results in Florida over the hanging chads, where neither candidate was willing to concede a tight race that ended in with the Supreme Court decision.

Unfortunately for investors and wealth managers, financial markets dislike uncertainties or instability. The lack of a clear election result could trigger a selloff on Wall Street, putting a further dent in financial portfolios. This is an issue that financial advisors should be discussing with their clients now, whilst there is still time to take action, if appropriate.

Another concern is technology and consumer goods which have been the main benefactor of the market bounce since April. They are one of the few sectors where valuations have increased in the COVID-19 environment. As a result, investors may find their portfolios are now over-weighted to technology or consumer goods companies.

In fact, this may be an ideal time to take some of those gains off the table, by reducing allocations to those stocks and temporarily shifting funds to more liquid assets whilst awaiting a clearer political and financial outlook. This rebalancing would reset their portfolios, reduce their risk and in some cases enable them to take advantage of any volatility. This is easier to understand and cheaper than any form of market insurance.

Will there be a post-election downturn? How deep will it be? How long will it last?

These are questions to consider, even though nobody has the answers. In any case, investors seeking to preserve wealth or avoid market volatility should talk with their financial advisors about their current investment positions, this is about regret minimisation and reassessing your risk tolerance.

Samy Dwek is founder and CEO of White Knight Consulting LLC a Delray Beach firm that provides professional guidance and outsourced chief financial officer, chief operating officer services to high-net-worth individuals and families.

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