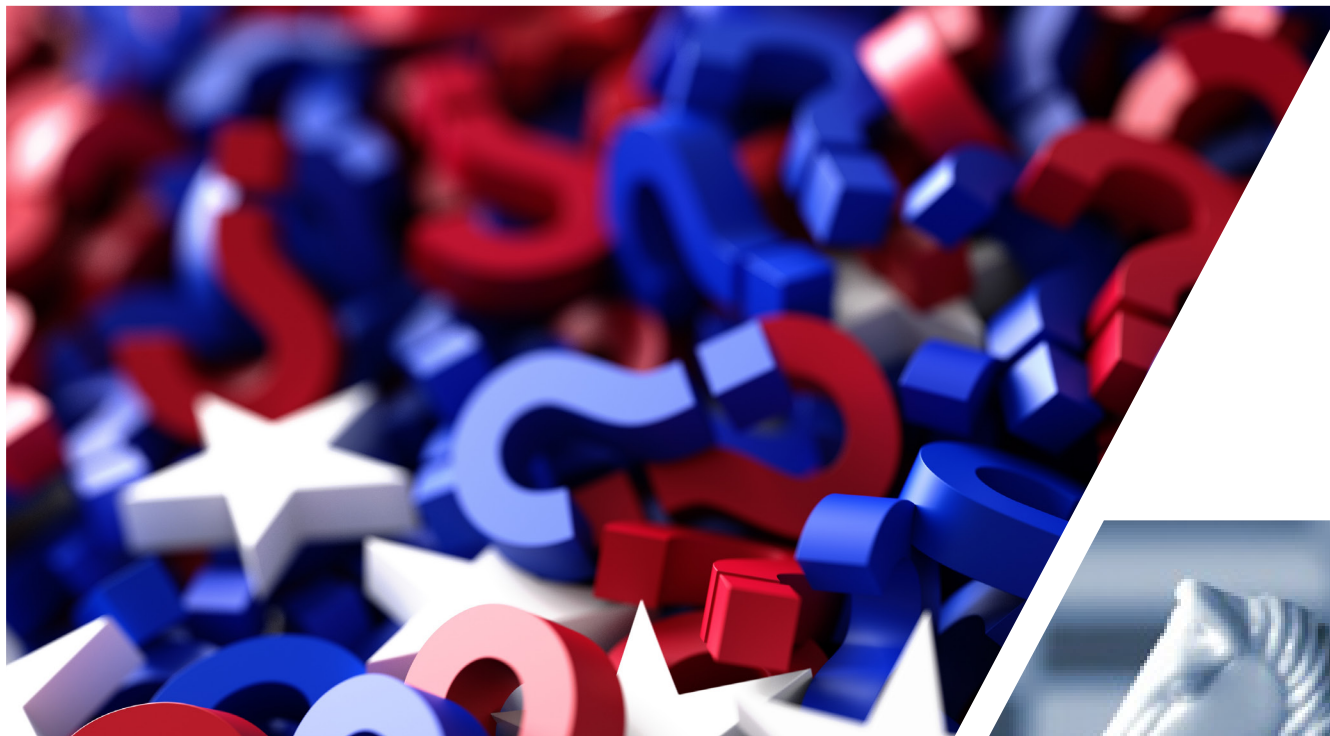


# WHITE KNIGHT CONSULTING LLC



## **ELECTION UNCERTAINTY** COULD IMPACT FINANCIAL MARKETS; **AN UPDATE**

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Back in September, we wrote about the hotly contested Biden - Trump 2020 Presidential race and how tight it would be - a fight for inches. Most analysts had two central theories: either a blue wave (i.e. Biden wins the Presidency, keeps Congress and wins the Senate) or Trump would keep the Presidency, Congress would remain blue and he would lose the Senate. It seems for the most part the pundits were wrong and as of today, VP Biden has won the Presidency, kept control of the House and the situation regarding the Senate will become clearer on January 5th.

Markets have been buoyed by the election result and have been additionally impacted by the news of two vaccines coming to the rescue before the end of 2020. Financial markets thrive on clarity and stability.

## **The House**

Although it is clear that the Democrats have held on to the House, the result is far from satisfactory. As of today, the Democrats will likely end up with 222 seats (218 being a majority). The Democrats will have lost close to 10 seats, in part due to a strategy by the Republicans to focus on new candidates that are women, minorities and veterans. The republicans also focused on the fear factor of rising socialism. In fact, there are 50 new members of congress, most of whom are women.

What does this mean for the 117th Congress? Democrats will have a smaller majority making it more difficult to pass many of the Biden administration's plans. This is because the majority of the Democratic party are centrists and their views do not align with the progressive movement. More importantly, voters have shown that they are unhappy with the progressive approach. In two years we will have the mid-terms, which will be a test for the Democratic party as the Republican party will focus on flipping 5 seats to take control of the House.

## **The Senate**

Once again, the Democrats thought that they could swing 4 seats and take the Senate. As of today, the Republicans are holding 50 seats, 46 are Democrat and 2 are independent (Lieberman and Sanders). The two seats in Georgia have a runoff in January and based on the results, it looks likely that Purdue should win his re-election; he won 49.7% of the votes and Hazel (the Libertarian) took 2.3%. As shown in the Presidential election, this will come down to dollars spent.



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*(Continued)*

A Republican hold of the Senate is market positive, however if the Republicans lose both seats, with the VP's swing vote this can be market negative.

## **Summary**

Most Democratic voters have shown that they are centrists. Many of those re-elected won't want to pander to the progressives, for fear of losing their seats in the mid-terms. This means that the Biden Administration would be hard pressed to pass some of the policies they have been promoting in the run up to the election.

This election has clearly shown that this was not a Biden win, but rather a Trump loss. This has been a clear statement via the results in both the House and Senate.

## **Markets**

What does this mean for the stock market? As mentioned, the S&P has looked favourably on a defined result but also on a lame duck Biden Presidency. Should this change, so will the outlook. The market movement has been impacted more by the news on the two vaccines (Pfizer and Moderna) than the election results.

Moving forward, portfolio positioning remains critical and it is my view that big tech and big pharma will be in the firing line. Telemedicine (or nascent technology post COVID) and green related investments will benefit under this new administration. Now is the time to start having those conversations with your financial advisors. White Knight Consulting remains available to assist.

**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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