Weekly Capital Market Comments
August 7, 2020

NORTHEAST SEQUOIA
PRIVATE CLIENT GROUP

I'm Just A Bill

There are 87 days until November 3rd. As we get closer to "the first Tuesday, after the first Monday in November," we are fielding an increasing number of client questions regarding the potential impact to equity markets and portfolios if former Vice President Biden wins the election. At this point, RealClear Politics has former Vice President Biden ahead by a little over 6 points. Other sources are predicting Biden ahead by almost 17 points, with President Trump's polling finally showing some signs of stabilization.

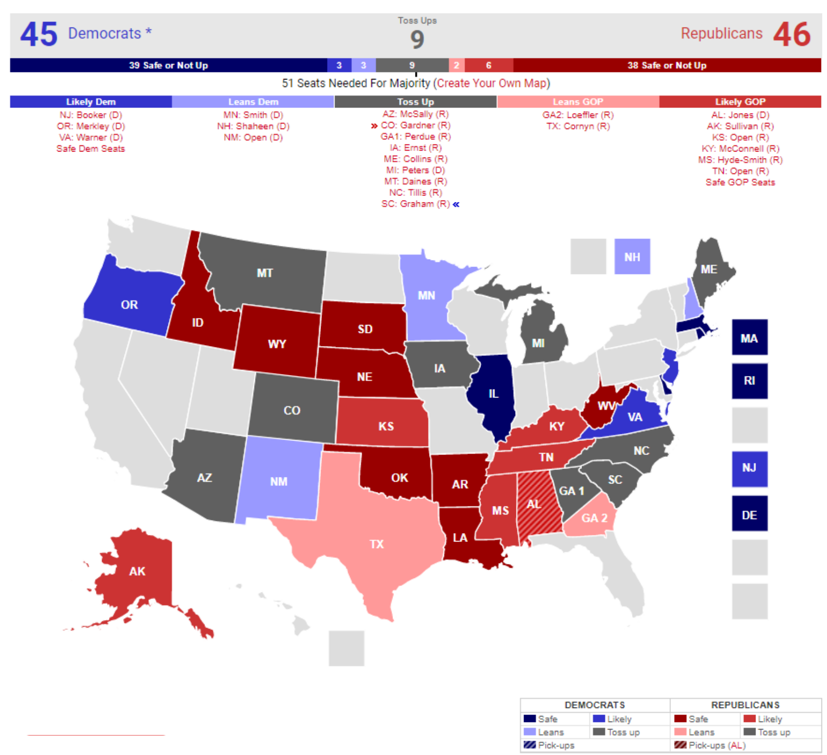
2020 Presidential Election | Biden Ahead by 6

	Polling Period	Registered/ Likely Voters	Margin of Error	Biden	Trump	Spread
RCP Average	7/21 - 8/5	--	--	49.1	42.7	Biden +6.4
The Hill	8/2 - 8/5	2850 RV	1.8	43	40	Biden +3
YouGov	8/2 - 8/4	1229 RV	3.3	49	40	Biden +9
Rasmussen	7/29 - 8/4	2500 LV	2	48	45	Biden +3
Emerson	7/29 - 7/30	964 LV	3.1	50	46	Biden +4
IBD/TIPP	7/25 - 7/28	1160 RV	3.1	48	41	Biden +7
CNBC*	7/24 - 7/26	1039 LV	3	51	42	Biden +9
Harris	7/21 - 7/23	1932 RV	--	55	45	Biden +10

Source: RealClear Politics

But we believe the more important battle ground for investors will be the Senate, as any change in tax-law must be passed by both Houses of Congress, before the President signs it into law. And while certain aspects of the Tax Cuts and Jobs Act of 2017 will sunset in future years, if Republicans lose the Senate and the White House, investors may focus on President-Elect Biden's tax platform with greater disdain. At this point, RealClear polling is showing the Senate is a toss-up, with nine seats that could lean either way.

2020 Sentate Battle Ground States



Source: RealClear Politics

If elected, former Vice President Biden has proposed raising the top individual tax rate to 39.6%, from 37%. Further, for those with income greater than $1 million, long-term capital gains rates could rise to 39.6%, from 20%. Other aspects of Biden's tax plan call for the repeal of any step-up in basis relating to inherited assets, and most likely a significant reduction to the lifetime gift limit of $11.6 million. So in our opinion, the best possible outcome for markets is a stalemate; Republicans either need to keep control of the Senate or the White House.

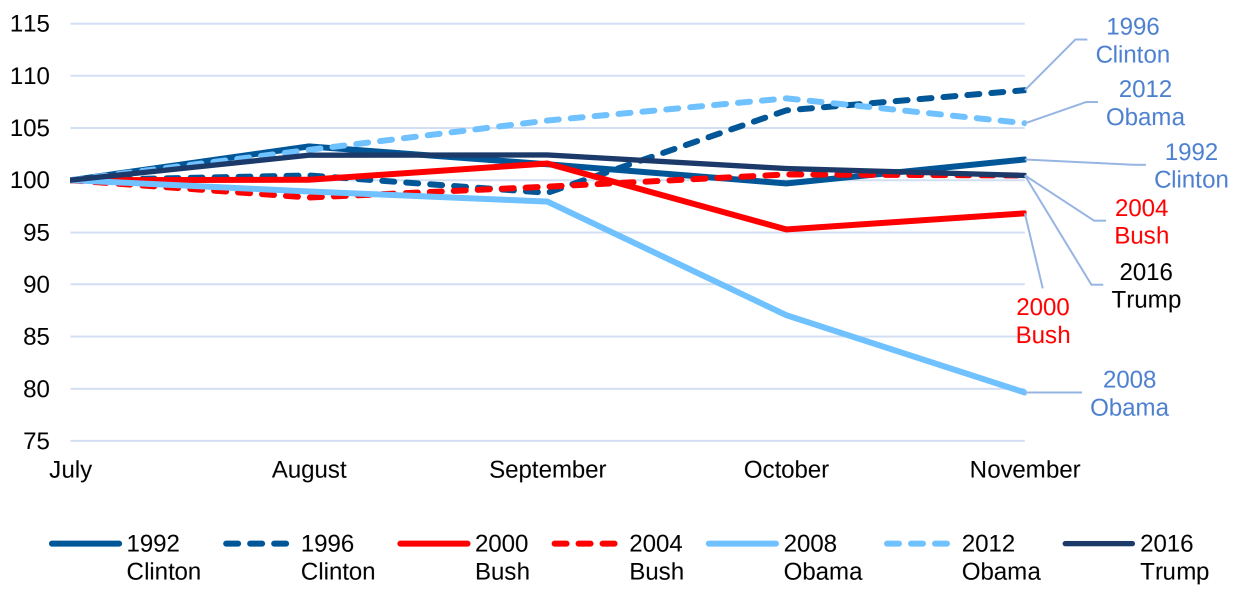
But still, it is anyone's guess as to how markets may ultimately embrace a new President with a progressive tax and social plan or an incumbent struggling with below average approval ratings and suffering from credibility and capability

concerns. So we looked at prior election cycles, to see if there was any trend leading up to the election and the months following.

First, what we illustrate in the following chart, is only Clinton's 1996 campaign and Obama's 2012 campaign enjoyed any meaningful market appreciation between July and November. Clinton's 1992, Bush's 2004 and Trump's 2016 campaigns saw virtually no uptick in equity valuations between July and November. While Obama's 2008 and Bush's 2000 campaigns encountered negative market returns.

But following the election, President Clinton witnessed a positive return of 3.8% and 3.7% through year's end during the 1992 and 1996 periods, while President Bush witnessed a 7.8% pullback in the S&P through 12/31/2000, but then a positive 7.2% between November and December in the 2004 campaign. President Obama witnessed a 10.2% drawdown in equities between November and December in 2008, and virtually no change between the months November and December following his second election.

S&P 500 Indexed Total Return | July through Novemember During Election Years



Source: NEPCG and Factset

So after analyzing and re-analyzing our data, we have come to the conclusion that it is anybody's guess on how markets may truly respond to a Biden presidency in itself, not taking Congress into account. We found that the Clinton years gave equity investors the greatest payoff, providing for a 16.6% compound annual total return, while Obama's eight-years in office provided investors with a 9.9% annualized return. During the Bush White House, investors suffered an annualized loss of over 4%, however President Bush was the unfortunate recipient of collateral damage associated with not only one (like President Obama), but two recessions.

We'd love to hear your thoughts.

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