

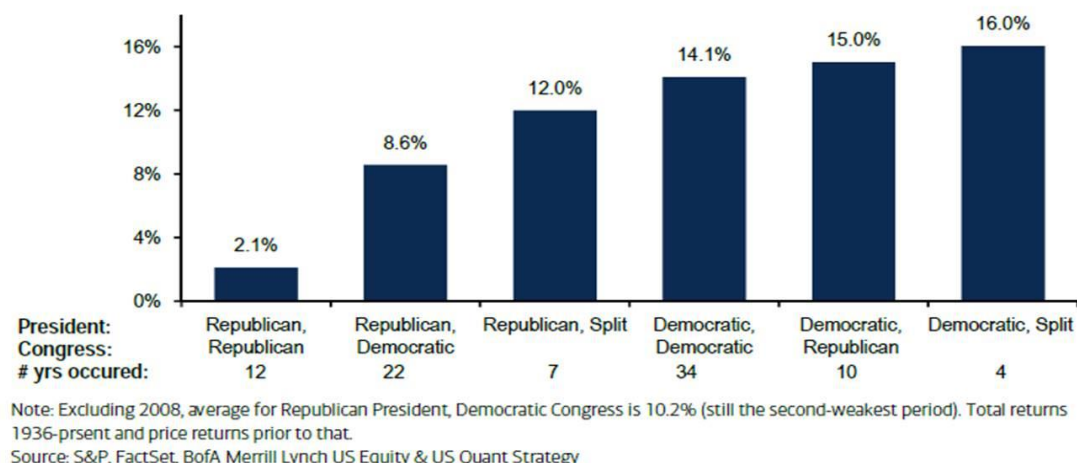
## The Next Phase

We don't want to take anything for granted, this is 2020 let's not forget, but it does look like we have a new President in the White House. It also seems likely that the Senate will remain Republican, although this remains too close to call at the moment as Georgia has to go to a run off to decide its two Senate seats on 5 January 21. Whilst this can still go either way, the odds favour the Republican candidates in this typically conservative, red state.

What does this mean for investors? As the market indicated as the results started to come in, it's pretty positive historically speaking. As you can see below, the market performs well when Government is gridlocked; the market showing its best gains with a Democratic President and a Republican or split Congress.

**Chart 10: Equity markets have generally thrived under gridlock in Washington**

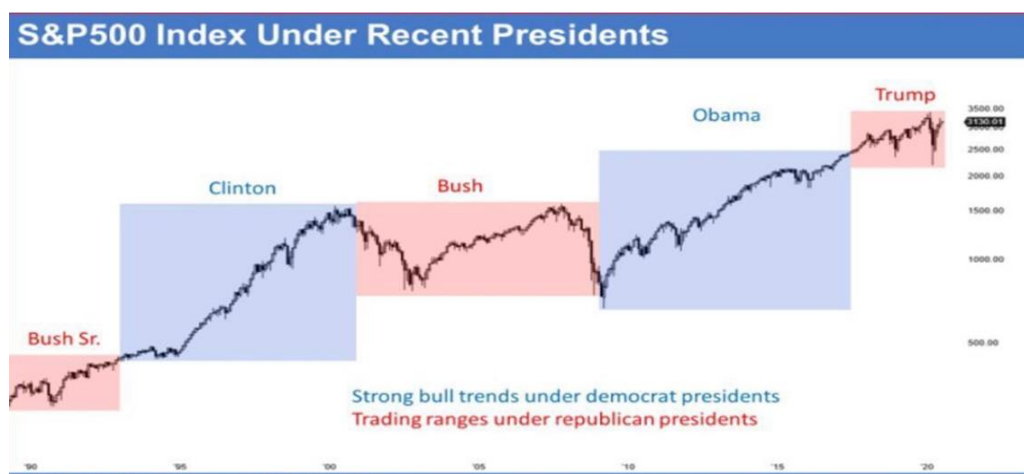
Avg. annual S&P 500 total returns based on control of White House & Congress, 1928-present



Whilst historically interesting, and surprising perhaps that a Republican House and Senate gives the worst historical return of just 2.1%, this is obviously not a pattern we can rely on.

The political cycle can impact markets and certainly individual sectors. The gridlock most likely puts some of the most market unfriendly initiatives to the sidelines at least for now, like far-reaching regulation of Big Tech and Healthcare. Healthcare is often in the spotlight under Democratic Administrations, but if Barack Obama could not get a more meaningful and lasting reform through with his 'blue wave' twelve years ago, there's no way Joe Biden will now. In fact Healthcare is one of our favourite sectors, particularly now as it trades on a meaningful discount to the S&P 500.

The political cycle is not as important as the market cycle, which dominates over time. As can be seen below, the stockmarket has performed much better under Democrats over the last 5 Presidential terms but that was much more to do with factors that were completely out of their control. Clinton was lucky to hit the 1990s bull market, just as Obama was lucky to get inaugurated in January 2009, two months before the market bottom post the Global Financial Crisis.



US Politics is great fun to watch and endlessly entertaining but it doesn't really help us as investors and is for the most part just noise.

Our focus remains on stocks and the market. No matter who is in the White House, the US is the land of investment opportunity and that will never change.

**Felix Wintle, Fund Manager, VT Tyndall North American Fund, 20<sup>th</sup> November 2020**

Source: Charts courtesy of RW Baird

### **Contact Details:**

Felix Wintle – [fwintle@tyndallim.co.uk](mailto:fwintle@tyndallim.co.uk)

Harry Nolan – [hnolan@tyndallim.co.uk](mailto:hnolan@tyndallim.co.uk)