
BEST ELECTION OUTCOME FOR THE MARKETS

Jeremy Schwartz – Global Chief Investment Officer
11/09/2020

Last week's *Behind the Markets* podcast reflected on the market environment following the election and what lessons can be learned from the polls ahead of this election with Wharton Professor Jeremy Siegel, Brian Wesbury, chief economist at First Trust, and pollster John Zogby.

This weekend, the Associated Press finally called Joe Biden the winner of the Presidential election. Though the Congressional votes are still being counted, it appears that Republicans will retain control of the Senate and the Democrats will hold onto the House of Representative. A divided government is the ultimate best case for the equity markets, according to Professor Siegel.

As the election results unfold, a radical left agenda is off the table, and most importantly, the negatives for the equity markets—higher corporate taxes and a hike in capital gains taxes—will also be staved off with Republicans retaining the Senate. Biden is poised to lower uncertainty around global trade dynamics, and Professor Siegel believes Biden will reach out and collaborate with Mitch McConnell in the Senate better than Trump did. Both politicians have extensive history working “across the aisle” for legislative deal-making, so this outcome was very positive for equities.

The Senate is still not a 100% lock for the Republicans—there is going to be a runoff for two more seats. On Friday, the odds markets put it at just under 80% that the Republicans keep the Senate and at least one, if not potentially both, of the two Senate seats that will be decided in the January 5 runoff.

Wesbury's read of the election outcome, in which Republicans picked up 10 seats in the House and kept the Senate, is that the electorate voted to ensure there would be no radical changes in policy, with no Green New Deal, no Medicare for All and no big tax hike. But the electorate also wanted some peace and quiet, with no tweets at 3:00 a.m.

Importantly for the reopening of the economy, Professor Siegel thinks we will have positive developments in vaccines over the coming weeks. Siegel believes this latest surge in the virus is going to be the “last surge,” and we'll have a stronger economy in 2021.

While everyone was focused on the election, on Friday we had a blockbuster employment report, with private payrolls coming in 300,000 better than expected and an unemployment rate that ticked down to 6.9%. While this is still high, employment is trending well.

Where did pollsters go wrong?

Most pollsters expected a “blue wave” with even further gains than Biden looks to have won by. We talked about the challenges of polling with pollster John Zogby. One of the challenges is that two-thirds of people would answer phone calls and talk to surveyors back in the 1980s, but that number has declined to 15% and is likely to continue falling. So, getting the right sample for polls is growing increasingly complex.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an “as is” basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the “MSCI Parties”) expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.