

THE PUBLIC'S COVID-19 SENTIMENT IS THE KEY TO THE ELECTION

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This is the first blog post of a three-part series on the effect of COVID-19 on the November 3rd election.

With more than 200,000 recorded U.S. COVID-19-related deaths, add in another plot twist: last night we learned that Donald and Melania Trump both contracted it.

As if Ruth Bader Ginsburg's Supreme Court vacancy wasn't enough drama.

As I write, the early indications are that Trump has a sniffle, some cold-like symptoms, fatigue. At 74, he finds himself in that vulnerable age group that could have him still fighting this thing – or worse – as the election approaches. You may recall that earlier this year Britain's Boris Johnson also caught it, but he's 18 years younger than Trump. Another notable global leader, the "Tropical Trump," Brazil's Jair Bolsonaro, caught Covid-19 and got over it this summer. He is 65 years old.

In a country where everything is political, our response to COVID-19 split down party lines months ago. The face of the lockdown camp is Democrat Andrew Cuomo, governor of New York. Advocating for reopening on the other side is Ron DeSantis, Florida's Republican governor. At the federal level, the same concept: Cuomo's reputation correlates with Joe Biden's, while DeSantis is the state-level proxy for Donald Trump.

Here's a question from the *Economist*/YouGov poll:

"Taking into consideration both your risk of contracting it and the seriousness of the illness, how worried are you personally about experiencing COVID-19?"

Note the wording of the question. It isn't about your concern that you could catch it and pass it to an elderly relative. It's about your personal health.

I have wrongly believed for months that the falling trend in hospitalizations would raise the ranks of the "Not Worried at All" respondents.

That has not happened (figure 1). Now, with Trump's positive COVID-19 test splashed across the headlines, you have to wonder if social media's "risk assessment via anecdote" issue will shift public sentiment. If Trump deteriorates, societal fear levels about the severity of the virus will spike. On the other side, the more likely outcome, even for a 74-year-old, is that he experiences cold symptoms and is back firing a couple weeks from now. In that circumstance, do more people have the conversation about Trump's COVID-19 from the comfort of a restaurant booth?

Figure 1: "Worried About COVID-19"

Degree of Worry	Aug. 2-4	Aug. 9-11	Aug. 16-18	Aug. 23-25
Very Worried	25%	28%	26%	21%
Somewhat Worried	40%	40%	37%	37%
Not Too Worried	23%	21%	23%	28%
Not Worried At All	12%	12%	14%	14%
Degree of Worry	Aug. 30 - Sept. 1	Sept. 6-8	Sept. 13-15	Sept. 20-22
Very Worried	20%	21%	22%	24%
Somewhat Worried	40%	37%	38%	36%
Not Too Worried	26%	26%	28%	26%
Not Worried At All	14%	16%	13%	14%

Source: The Economist/YouGov poll question: "Taking into consideration both your risk of contracting it and the seriousness of the illness, how worried are you personally about experiencing COVID-19?"

Nevertheless, with 60% of respondents still either "Very Worried" or "Somewhat Worried" about their personal

susceptibility to COVID-19, Trump has a reelection problem. If your thesis has the incumbent losing, check out my [Biden blog](#).

For now, let's game the other thesis: The COVID-19 situation improves between now and the election, pushing Trump to victory, an outcome that has slipped toward 2-1 odds at this point.

Do I have these market reactions about right?

Biden "On" and Trump "Off" = Alternative Energy

Trump "On" and Biden "Off" = Big Oil

And this?

Biden "On" and Trump "Off" = Regulate Wall Street

Trump "On" and Biden "Off" = Do Not Regulate Wall Street

Look at the weights of Energy and Financials in the [S&P 500 Value](#) and [S&P 500 Growth Indexes](#) (figure 2). Form an opinion on the election outcome and you have your guide on [growth](#) versus [value](#).

Trump win? Value. Biden win? Growth.

Figure 2: U.S. Large-Cap Sector Weights

U.S. Large Cap Sector Weights			
Sector	S&P 500 Value	S&P 500	S&P 500 Growth
Basic Materials	2.6%	2.4%	2.1%
Consumer Cyclical	5.9%	11.4%	14.7%
Financial Services	18.5%	16.2%	9.4%
Real Estate	3.2%	2.7%	2.4%
Communication Services	8.2%	11.2%	12.8%
Energy	4.9%	2.2%	0.5%
Industrials	10.4%	8.6%	7.3%
Technology	7.8%	23.4%	35.1%
Consumer Defensive	11.4%	7.6%	5.0%
Healthcare	20.5%	14.3%	10.1%
Utilities	6.5%	3.0%	0.6%
Total	100.0%	103.0%	100.0%

Source: Morningstar, as of 9/11/20.

For the Biden thesis—growth stocks—two strategies are the [WisdomTree Cloud Computing Fund \(WCLD\)](#) and the [WisdomTree Growth Leaders Fund \(PLAT\)](#). The latter can be thought of as our twist on the NASDAQ.

For the Trump thesis—value stocks—the [WisdomTree U.S. LargeCap Dividend Fund \(DLN\)](#) comes to mind because it has about 7% in the Energy sector. Another idea may be to shade down the market-cap spectrum. You can find a 22% weight to Financials inside the [WisdomTree MidCap Dividend Fund \(DON\)](#).

Important Risks Related to this Article

There are risks associated with investing, including possible loss of principal. Funds focusing their investments on certain sectors, such as DLN and DON, increase their vulnerability to any single economic or regulatory development. This may result in greater share price volatility.

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Please read each Fund's prospectus for specific details regarding the Fund's risk profile.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

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DEFINITIONS

Growth : Characterized by higher price levels relative to fundamentals, such as dividends or earnings. Price levels are higher because investors are willing to pay more due to their expectations of future improvements in these fundamentals.

Value : Characterized by lower price levels relative to fundamentals, such as earnings or dividends. Prices are lower because investors are less certain of the performance of these fundamentals in the future. This term is also related to the Value Factor, which associates these stock characteristics with excess returns vs the market over time.