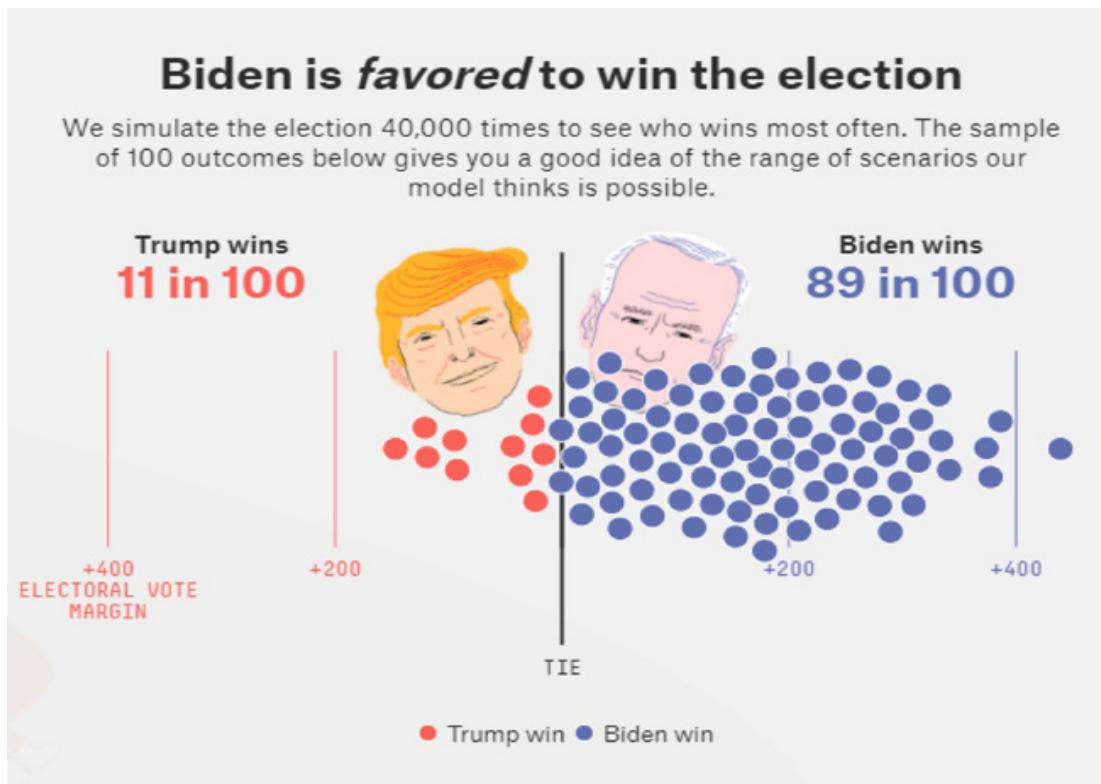


WEEK IN REVIEW

FRIDAY, OCTOBER 30TH 2020

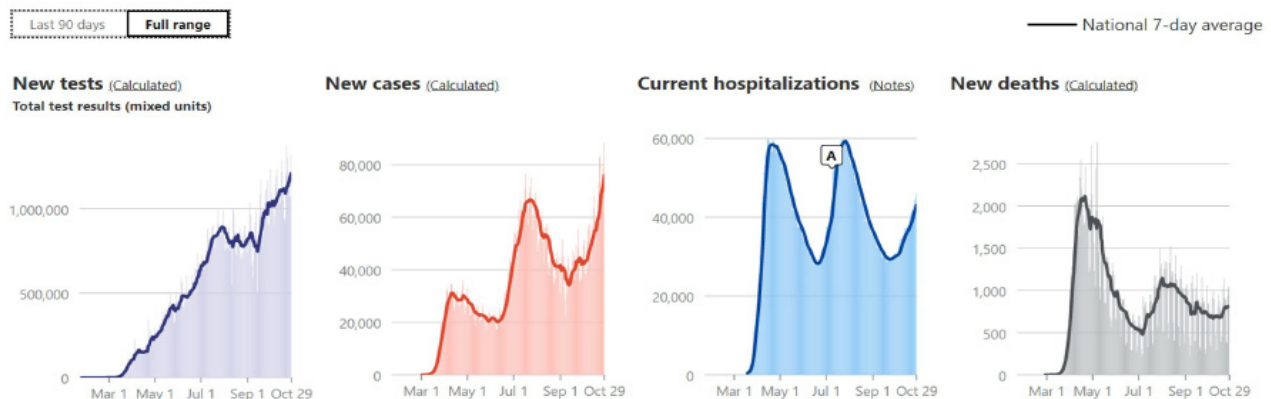
- 80.7 MILLION VOTES HAVE ALREADY BEEN CAST IN THE U.S. ELECTION AS OF 10/29/20, according to the U.S. Elections Project. Mail-in ballots number 52.4 million with in-person voting numbering 28.3 million. These early votes represent 58.6% of the total votes cast in the 2016 general election. An example of this strong turnout is in Texas, where early voting is already at 95% of the 2016 level. Polls show Joe Biden holding a sizeable lead at the national level and a slightly smaller lead at the state level. The odds of a Biden victory, according to fivethirtyeight.com, are 89%.



Source: projects.fivethirtyeight.com/2020-election-forecast/

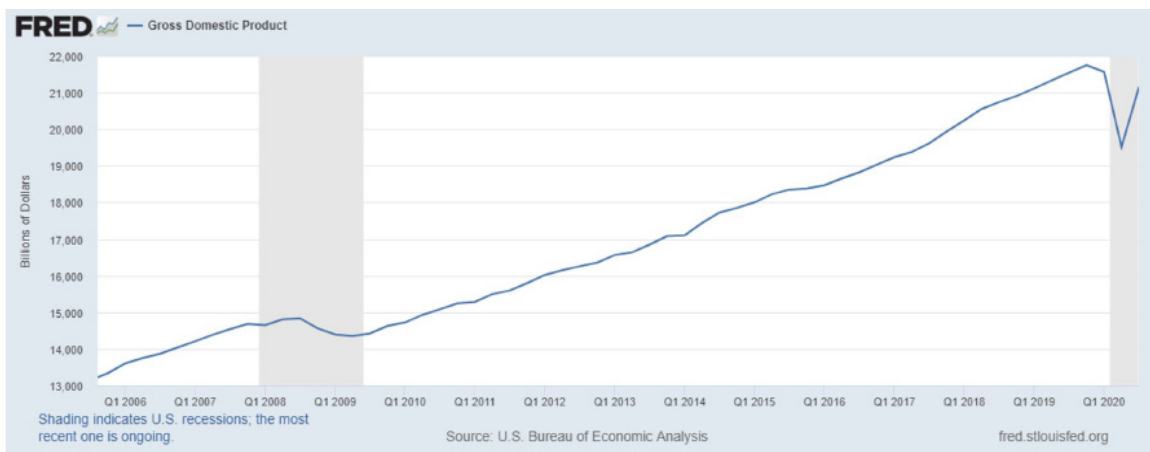
- WHEN COMPARING THIS RACE TO THE 2016 ELECTION, Biden's lead is larger and much more stable than Clinton's was at this point. Another difference with 2016 is there are currently far fewer undecided and third-party voters which reduces the chances of a late break toward one side.
- WHILE THE ELECTION OFFICIALLY TAKES PLACE ON NOVEMBER 3RD, the results may not be known for days. Battleground states such as Pennsylvania, Wisconsin, and Michigan are not allowed to start to process early ballots until on or just before election day. Mitigating this factor may be how results fare in other states. Florida is another battleground state to be watched. If Biden were to carry Florida, the three previously mentioned states may not matter. But if Trump were to win, those states will be crucial to the ultimate victor.

- AN UPTICK IN CORONAVIRUS CASES has fresh mitigation measures being implemented in Europe. German Chancellor Merkel wants tougher curbs on movement and contact, including closing restaurants, bars, and leisure facilities through the end of November, according to Bloomberg. France is considering a month-long national lockdown which could take effect later this week, according to Reuters. The United States is dealing with the spike in cases as well. Cases are setting records in the U.S. while hospitalizations are also rising. Economic concerns are being raised if the U.S. or state governments start to restrict activities in more severe ways.



Source: covidtracking.com/data

- STIMULUS TALKS HAVE LARGELY ENDED. The Washington Post noted that stimulus talks have largely been scrapped after repeated failed attempts to reach a bipartisan compromise. The House, Senate, and White House were never able to get on the same page regarding the size of the bill and the form of the aid. A lack of urgency on both sides has exacerbated the difficulties of getting a deal done. The government may seek to strike a deal post-election as the country is still in the throes of the pandemic.
- U.S. ECONOMY DELIVERS RECORD GROWTH in third-quarter GDP. GDP rose 33.1% at an annualized rate in Q3, recovering from the -31.4% annualized in Q2. To put the annualized rates into context, GDP for Q3 at \$21.157 trillion is down from 21.727 trillion in Q4 2019, a 2.8% drop.



Source: fred.stlouisfed.org

- A 2.8% DROP IS INDICATIVE OF A RECESSION but clearly less severe than the low level of activity in Q2. Unemployment is still demonstrating recession levels but also improving. Initial unemployment claims dropped to 751,000 from 791,000 the prior week. Continuing claims also dropped to 7.75 million from 8.3 million. While the incremental gains in the job market are positive, the increase in active coronavirus cases may pause this recovery.

THINKING AHEAD

The official date of the U.S. election on November 3rd is less than one week away. The results of the election are likely to be known within a week of November 3rd. A landslide may bring final results on Election Day, while a tight race may linger on as all votes are counted.

Following the election, the attention of the country and markets will turn fully to the coronavirus and its economic impact. Additional fiscal stimulus is a possibility but not guaranteed. Third-quarter earnings season is ramping up which will give further insight into the health of companies and markets.

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