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BIDEN'S LEAD IS GROWING... BUT NOTHING IS GUARANTEED

"Either the consensus is wrong or stocks are not a very good predictor of this election."

We copied the above quote directly from an election report we wrote in late-October 2016, almost four years ago to the day. At the time, stocks were down slightly, and (if the historical pattern held) indicating what seemed unbelievable at the time: that Donald Trump would beat Hillary Clinton. In the 23 general elections since 1928, the S&P 500 performance in the three months before the election has predicted the winner correctly 20 times (now including 2016). Currently, the S&P is up ~5% since 8/3/20, and would point to a Trump victory if taken alone.

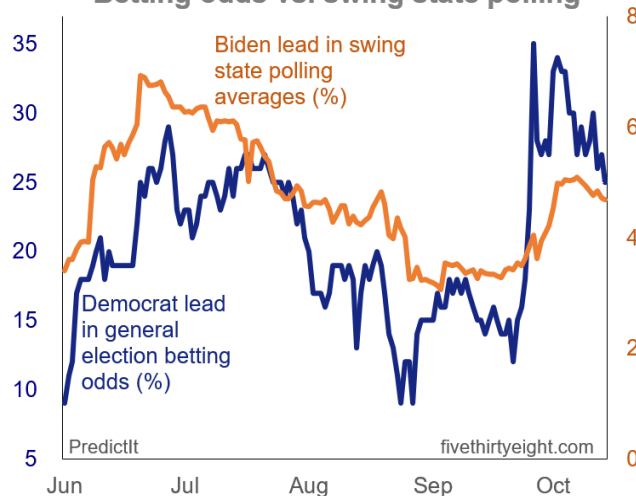
At the end of the day, financial markets saw the 2016 election better than the polls, reaffirming our belief that markets can be a good counterbalance to polling in today's environment. Fast forward to 2020 and the issues are quite similar—Biden has a strong lead in the polls and a swing state lead almost identical to Clinton's. But unlike previous elections, the S&P 500 signal is not being confirmed by the performance of our Strategas election portfolios (baskets of stocks we believe have the most to gain or lose in the election). **Currently, our Biden portfolio is trouncing our Trump portfolio.**

So like 2016, Trump may need a swing issue to win (last election, it was James Comey re-opening Clinton's emails at the end of October). With just two weeks left, plenty of potential wildcards still exist—the October 22 debate, The October 29 release (likely to show 30%+ growth), and, of course, the path of COVID-19.

Further, this election should come down to just a handful of swing states—we call them the Big Six: AZ, FL, MI, NC, PA, and WI. Biden's lead in these states is about 5.5% (as of 10/13), just half of his national average. In other words, Trump could win the Electoral College and still lose the popular vote by 4-5 points (again, Biden's lead in these swing states is almost identical to Clinton's lead in them in 2016). National polls get the headlines, but the swing state metrics indicate a closer race than many may now be anticipating after rough month for the incumbent.

While a majority of indicators point to a solid Biden lead (and victory), many do not, including the stock market, the US dollar, and the fact that Biden's swing state lead is narrower than his national lead. These factors, combined with several wildcards yet to come, should (at the very least) keep us humble in predicting an outcome with any sort of certainty. We need only look back four years to remember that with less than a month to go, nothing is guaranteed.

Betting odds vs. swing state polling



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