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Market Performance Around Elections: A Deep Dive Around What History Tells Us And What Logic Suggests In This Election Cycle

2020 is already an unprecedented year for the country (pandemic, protests, unemployment, fiscal stimulus, market volatility), and generally speaking, we have not even gotten into the heat of the 2020 campaign season. In this report, we provide an update on the state of the election with updates to our likelihood of each scenario, provide historical data on how the market performs overall and sector by sector under presidents of each party and in different compositions of Congress; as well as provide analysis on why this year may be different.

State of the Election

- **Biden Favored.** We currently give former Vice President Joe Biden a 60% probability of winning the election and President Trump a 40% chance of reelection.
- **Senate a "Toss-Up."** We view the Senate as basically a "toss-up" with a slight tilt towards Democrats given Biden's current lead. Overall, we view the Senate majority to mirror the outcome of the presidential election.
- **Expect Volatility.** With the policy implications very different depending on election results, combined with uncertainty in the counting of ballots, we expect increased market volatility.

Market Overview

- **Into Election Trade.** Equity markets tend to trade cautiously into elections, and that could easily be the case for the next few months given the Democratic lead, potential for election dispute, and strong 2Q equity rally.
- **2020 May Be Different.** However, when stocks weaken into an election, they tend to recover relatively quickly as investor focus shifts from high profile fears to a slower changing, more moderate reality.
- **Sustained Support Needed.** The economy needs substantial, sustained fiscal support through at least 2021 to return to anything resembling full employment, so a split government may not be as bullish as it has been historically.
- **Democratic Sweep.** Our assumption is that a Democratic sweep may lead to an initial market sell-off over fears of higher taxes and potential inflation, but ultimately lead to better performance in many cyclicals and smaller caps, offset by weakness in sectors with more regulatory risk.
- **Divided Government.** Our assumption is that a Republican win or Democratic win with Republican Senate would likely be viewed as bullish by the equity market (more status quo), but likely to result in a more disinflationary sector positioning with large caps outperforming small caps, mega-cap tech likely doing better, and healthcare and energy enjoying a relief rally.

Please read domestic and foreign disclosure/risk information beginning on page 57 and Analyst Certification on page 57.

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Summary

State Of The Election

- **Biden Favored.** We currently give former Vice President Joe Biden a 60% probability of winning the election and President Trump a 40% chance of reelection.

- **Senate a "Toss-Up."** We view the Senate as basically a "toss-up" with a slight tilt towards Democrats given Biden's current lead. Overall, we view the Senate majority to mirror the outcome of the Presidential Election. If Trump wins reelection, there is an extremely high probability of a retained Republican majority.

- **Democrats Expected to Hold the House.** Democrats have a solid hold on the House of Representatives and just need to win the seats they are projected to win to retain their majority. Republicans would need to win all of the "toss-up" races, win all of the seats they are likely to win, and pick up seats that currently favor Democrats to capture the majority. We give Democrats over a 90% probability of retaining the House.

- **Remember this is 2020.** 2020 has been an unpredictable year and while Biden is currently favored, we do not count President Trump out from winning reelection. We have consistently highlighted the multiple "election defining" issues we have already experienced. We do not have to look back far (2016) to find examples of elections turning out different than expected or having late-breaking events that swing an election.

- **Election Results.** We are conditioned in the U.S. to learn the winner on the night of the election. With the uncertainty of COVID-19 and an expected surge in absentee ballots, it could be days or weeks before a winner of the presidency or key congressional elections are declared. We have emerging warning signs from recent elections, including long delays in counting absentee ballots, technicalities invalidating certain ballots, and significant swings between the day of vs. final election results.

- **Expect Volatility.** With the policy implications very different depending on the winner of the presidential race and control of Congress, combined with uncertainty in the counting of ballots, we continue to expect the market to follow the historical precedence of a cautious approach leading up to the election day.

Summary

How Is This Election Different?

- **Fiscal Support.** We often see knee-jerk policy analysis on whether a Democratic or Republican government is "good" or "bad" for the market. In reality, we believe it is a much more nuanced conversation. The fiscal support coming out of DC has been critical for the market. The market may traditionally "fear" a Democratic sweep, but in the current economic reality, a Democratic sweep is most likely to produce continued fiscal support for the U.S. economy.
- **Tech Regulation.** As we outline in this report, technology outperforms with Democratic presidents and underperforms with Republicans. Some of this may be a timing issue (the dotcom boom of the 90s and strong performance of technology for the last decade+), but Democrats now have tech regulation moving up the agenda. Will these headwinds overpower some of the secular tailwinds that technology has enjoyed?
- **Financials.** The Dodd-Frank Act was a fundamental reform of the banking industry post-financial crisis, raising concerns of what a Democratic sweep would produce for new regulation and legislation. Historically, financials do best in the year after the election. We could see some pressure on non-bank financials and consumer banking products in a Democratic sweep, but the fiscal support could outweigh their impact on the banking sector as a whole.
- **Infrastructure.** The market has been waiting for years for the next large infrastructure bill. We had always felt a recession was necessary to produce a bill. With DC providing plenty of fiscal support for the economy, we see an infrastructure bill increasingly likely regardless of who wins in November, but the odds will increase with a Democratic sweep.
- **Healthcare.** The COVID-19 outbreak increases the focus on health disparities and the threat to those without insurance. We believe if Democrats sweep, health reform will be a top priority. A government-run public insurance option and targeting the pharmaceutical industry to help pay for it are likely to be core discussion points and likely will impact market sector sentiment until the threat clears.

Summary

Market Overview Executive Summary

- **Cautious Market Setup.** Equity markets tend to trade cautiously into elections, and that could easily be the case for the next few months given the Democratic lead, potential for election dispute, and strong 2Q equity rally.
- **Election Weakness Reverses Historically.** However, when stocks weaken into an election, they tend to recover relatively quickly as investor focus shifts from high profile fears to a slower changing, more moderate reality.
- **It's Different This Time.** What's different this time is blindingly obvious. The economy needs substantial, sustained fiscal support through at least 2021 to return to anything resembling full employment, so a split government may not be as bullish as it has been historically.
- **Democratic Sweep Favors Cyclicals/Small Caps.** Our assumption is that a Democratic sweep may lead to an initial market sell-off over fears of higher taxes and potential inflation, but ultimately lead to better performance in many cyclical sectors (industrials, financials, materials notably) and smaller caps, offset by weakness in sectors with more regulatory risk (energy, healthcare, tech). Generally, we would expect better revenue growth, but margin pressure and lower P/E.
- **Republican Win or Split Favors Defensives/Large Caps.** Our assumption is that a Republican win or Democratic win with a Republican Senate would likely be viewed bullish by the equity market (more status quo), but likely result in a more disinflationary sector positioning with large caps outperforming small caps, mega-cap tech likely doing better, and healthcare and energy enjoying a relief rally. Generally, a slower revenue recovery, but better margins and higher P/E.
- **Don't Overreact to Initial Election Stock Moves.** But as historical data suggest, performance over the next 4 years is often the exact opposite of what investors expect heading into an election, so it is prudent not to overreact to initial stock moves.

Summary

Historical Performance And Thoughts On Sector Implications Of U.S. Presidential Election

Sector	Historical Performance: Republican	Historical Performance: Democrat	This Time Is Different….
Technology	✗	✓	Regulatory Risk Is Bipartisan, Expensive Valuation
Healthcare	↔	✓	Meaningful New Legislative Changes More Likely Under A Democratic Sweep, Lower Risk With Divided Government.
Consumer Discretionary	↔	✓	Requires Material Fiscal Support For Cyclical Business To Recover Quickly, Most Likely Under Dem Sweep
Consumer Staples	✓	✗	Higher Rates A Negative, More Likely Under Democratic Sweep
Energy	↔	✗	Meaningful Legislative And Regulatory Risks To Traditional Energy Possible, Though Green Energy Could See Benefits
Materials & Processing	↔	✗	Sector Requires An Inflationary Stimulus, More Likely Under Dem Sweep Than Divided/Repub Government
Industrials	✗	↔	Potential For Infrastructure Spending Under Either Sweep, Split Not As Positive
Financial Services	✓	↔	Greater Fisal Spending Likelihood Under Dem Sweep - More Positive Yield Curve
Utilities	✓	✗	A Low And Flat Yield Curve Leading To Outperformance Most Likely Under Republican Leadership
Comm Services	✗	✗	Sector Now Dominated By Ad Tech, Regulatory Risk With Either Sweep, Less Likely With Split

Election Update

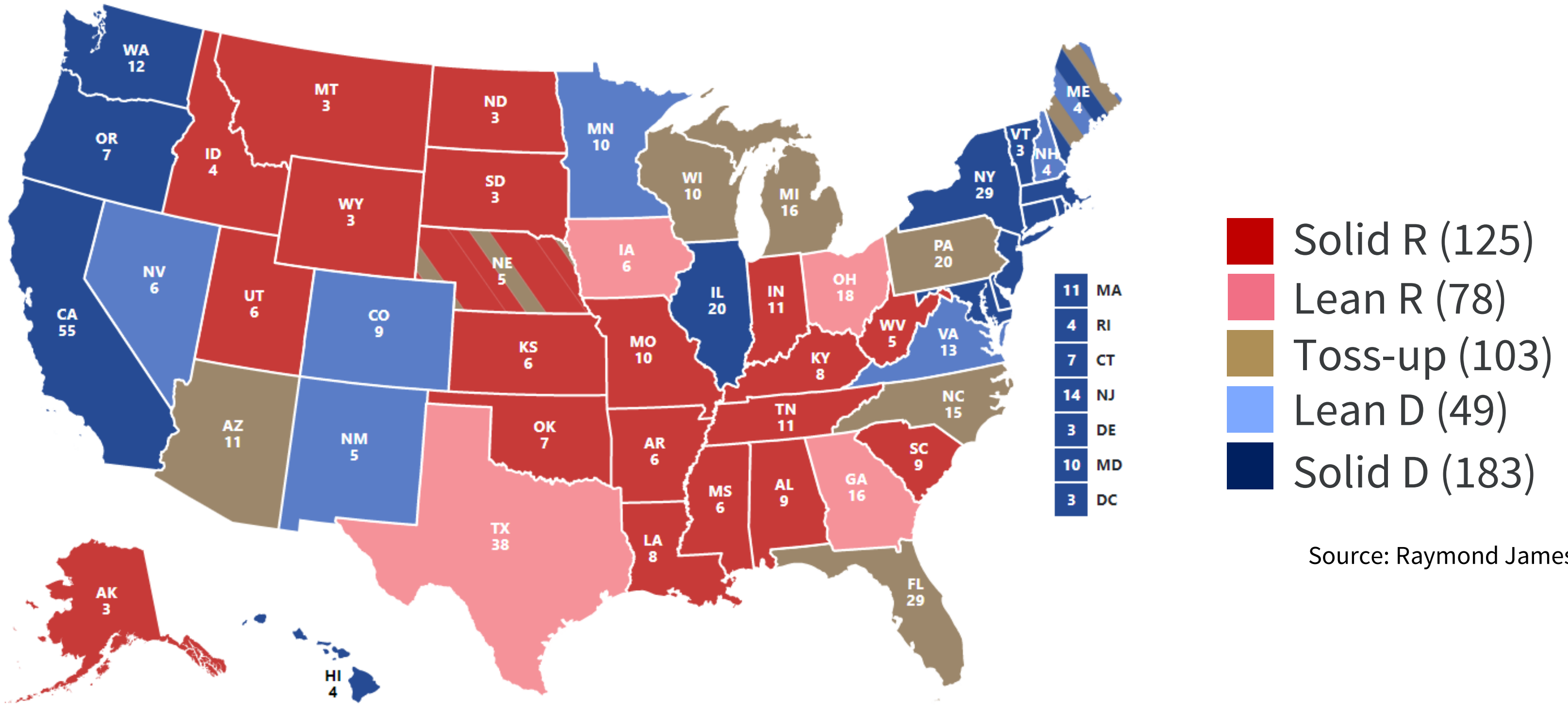
Where things stand in the election and likely scenarios

July 30, 2020

2020 Election

A Look At 2020: All Eyes On Battleground States

- Democrats begin with 183-125 base advantage and 232-203 advantage with leaners
- 6 battle ground states: Arizona, Florida, Michigan, North Carolina, Pennsylvania, Wisconsin – Trump won all in 2016 with less than 50%
- 3 states were won by Trump by less than 45,000 votes in 2016
  - Democrats flipping these states (MI, PA, WI) likely wins the White House
  - All three elected Democratic Governors in 2018



Source: Raymond James Research, 270 to Win

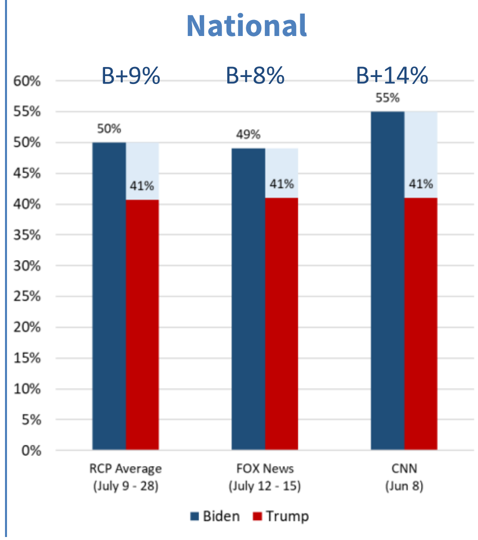
2020 Election

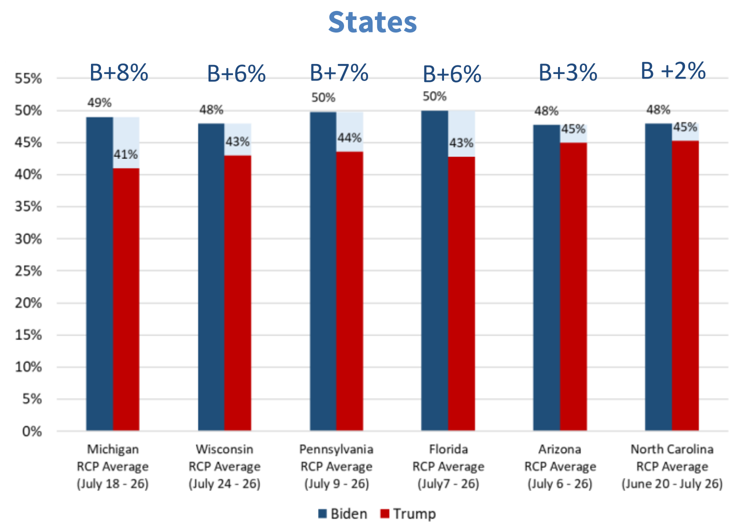
The Race by the Numbers

Our Analysis

Biden has surged in the polls since the crisis. It is also common for candidates to surge after becoming a party's presumptive nominee. The public gives failing marks to Trump's response to COVID-19 and the protests over the death of George Floyd, causing his approval ratings to dip again well below 50%. We are in unprecedented times with several months remaining, and we expect that the race will tighten. The outcome will likely depend upon both economic and population health recovery in the fall.

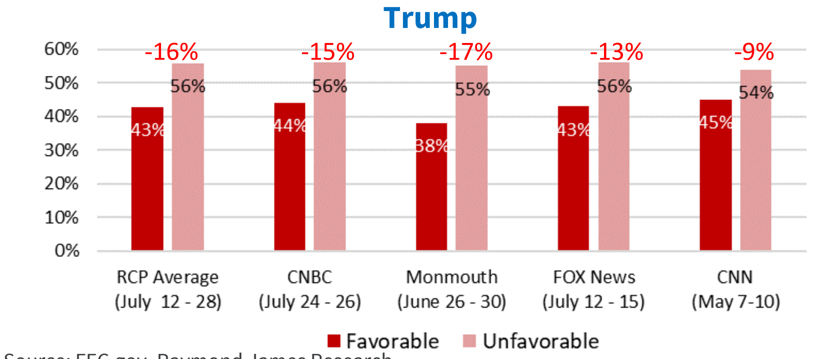
2020 Presidential Election National Polling vs. Swing State Polling

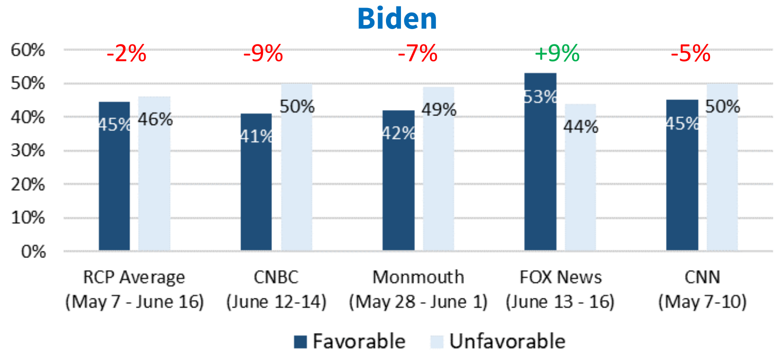




Source: RealClearPolitics, Raymond James Research

2020 Presidential Candidates: Favorable vs. Unfavorable



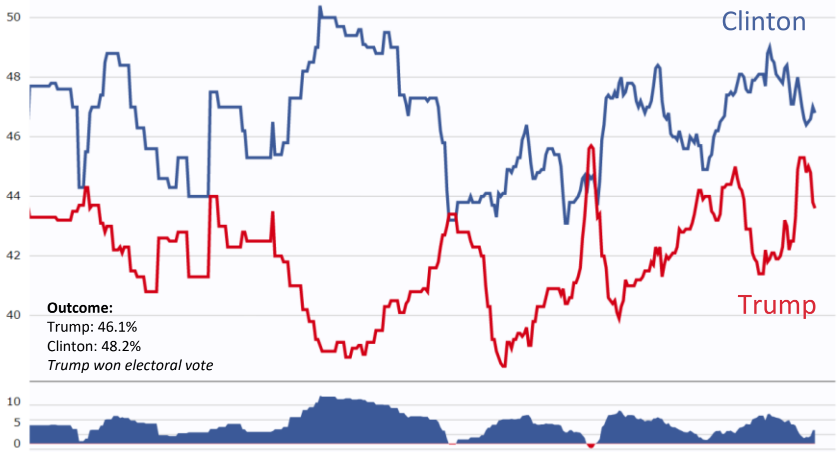


Source: FEC.gov, Raymond James Research

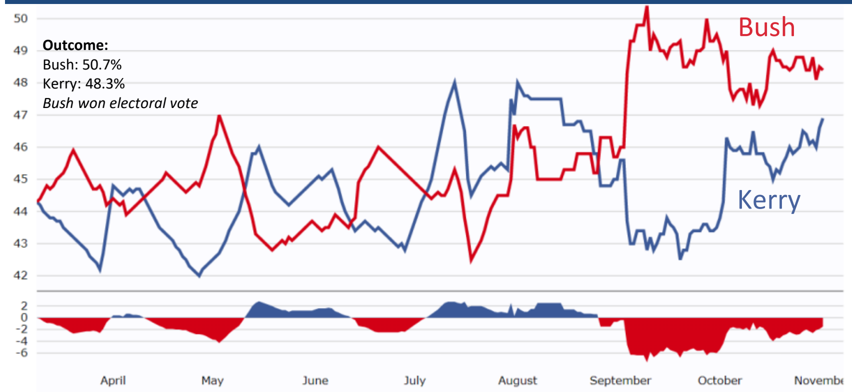
2020 Election

100 Days: An Eternity

2016 Presidential Polls



2004 Presidential Polls



Source: RealClearPolitics, Raymond James Research

2020: A Timeline of Seemingly Election-Defining Events

President Trump faces an impeachment trial

An Iranian general and Iraqi paramilitary leader were killed during a U.S. drone strike

Trump signed the phase 1 trade deal with China

The worldwide pandemic related to COVID-19 has impacted millions of Americans

Nationwide protests in support of Black Lives Matter commenced in May and persist

Implication: **Expect Volatility**

There is always substantial movement as Election Day approaches, but volatility may be exacerbated this year given the tumultuous year we have had.

2020 Election

Outcome 1: Dem Sweep (50%)

What This Means

- **DEM** President
- **DEM** Senate
- **DEM** House

Arguments In Favor

- White House and Senate **election outcomes are becoming increasingly correlated**
- Congressional Republicans have done **little to distance themselves from Trump** and his policies
- **Biden, a less polarizing top of the ticket,** gives opening to Democratic Senate candidates in Red states

Arguments Against

- Voters may want a **"check"** on Biden
- **Democrats will need almost everything going their way** to capture Senate majority
- **Close election** favors **Republican majority**

Market/Policy Implications

- **Conventions wisdom would suggest a "Dem Sweep" would be market negative (especially for heavily regulated industries in 2021), but economic suffering could demand additional fiscal support (a market positive). Biden will be under considerable pressure from the Democratic base to deliver key legislative initiatives, but would Senate moderates back him?**

More Likely

- Tax increases (phased-in corporate to 28%, individual tax increases for households earning $400K+, investment tax increases)
- Continued fiscal relief/spending
- Post-crisis legislation/regulation (health care, energy, financials)
- Tech/Anti-trust regulation
- Healthcare – public option/expanded sick leave
- Increased minimum wage
- Decreased trade tensions

Less Likely

- Spending cuts
- Continuation of Trump-era regulatory policies
- Support for defense spending

2020 Election

Outcome 2: Status Quo (35%)

What This Means

- **GOP** President
- **GOP** Senate
- **DEM** House

Arguments In Favor

- Data suggests **little movement** in House and Senate elections
- The "**hidden Trump voter**" may show up the same way they did in 2016

Arguments Against

- **Trump's economy** fell when it mattered most
- The **crisis** could shake up voting behavior

Market/Policy Implications

- **Markets have traditionally liked divided government. A "Status Quo" would prevent some tax and regulatory changes likely in a Democratic sweep, which would be viewed as a positive; but will there be the political will for additional fiscal support? President Trump would remain a wild card, especially if he will not face reelection. How much more will he ramp up the fight with China? How much will he be focused on his legacy?**
- **A "Status Quo" government is likely to be light on legislative accomplishments and real actions will be regulatory in nature.**

More Likely

- China trade fight intensifies
- Spending remains elevated, but budget battles remain
- Regulatory changes are supercharged
- Infrastructure bill possible

Less Likely

- Tax increases
- Changes to Affordable Care Act (ACA)/Medicare for All
- Climate legislation
- Post-crisis regulation
- Aggressive tech/Anti-trust regulation

2020 Election

Outcome 3: Biden Presidency, Divided Government (10%)

What This Means

- **DEM** President
- **GOP** Senate
- **DEM** House

Arguments In Favor

- Voters support **"return to normalcy"** message of Biden campaign
- When the **economy falters, incumbents lose**
- **Cross-over Republican** voters support Biden, but want a check on his power and revive **ticket splitting for Senate candidates**

Arguments Against

- **Incumbents are historically tough to beat** and Trump gets the benefit of rebounding economy
- **Trump** has a significant **fundraising advantage** over Biden
- **Electoral College** gives Trump ability to win without winning popular vote

Market/Policy Implications

- **"Divided Government" would likely bring gridlock and would have a neutral impact markets. Headline risk would be increased and must-pass legislation could see Democratic priorities added. Confirmation fights will limit Executive Branch action, but many agencies likely to be run by "acting" heads.**
- **A "Divided Government" could see focus on increased spending for infrastructure and economic recovery, but limited legislations changes and limited support for tax increases.**

More Likely

- Trade tensions decrease
- Spending remains elevated, but budget battles remain (net + for defense)
- Regulatory changes weigh on health care, financials, telecom, tech, energy
- Infrastructure bill possible

Less Likely

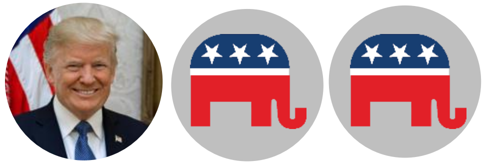
- Tax increases
- Changes to Affordable Care Act (ACA)/Medicare for All
- Climate legislation

2020 Election

Outcome 4: Outlier Outcomes (5%)

What This Means

- GOP President
- GOP Senate
- GOP House



Arguments In Favor

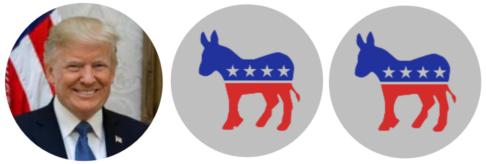
- The **"hidden Trump voter"** may show up the same way they did in 2016 across all three branches
- A **robust turnaround post-virus** could attract more Republican votes
- The crisis could fuel **polarization,** increasing the likelihood of straight-ticket voting

Arguments Against

- House Republicans are dramatically trailing in fundraising and other campaign fundamentals.
- Most **polls** run counter to this outcome

What This Means

- GOP President
- DEM Senate
- DEM House



Arguments In Favor

- The **"hidden Trump voter"** may show up the same way they did in 2016 in key toss-up states
- Democrats have successfully expanded the playing field and several key races are in non-swing states

Arguments Against

- If ticket splitting is largely dead, outcome is unlikely.
- This scenario would require Democrats to win in multiple states that support Trump reelection

2020 Election

Elections In A COVID-19 Era

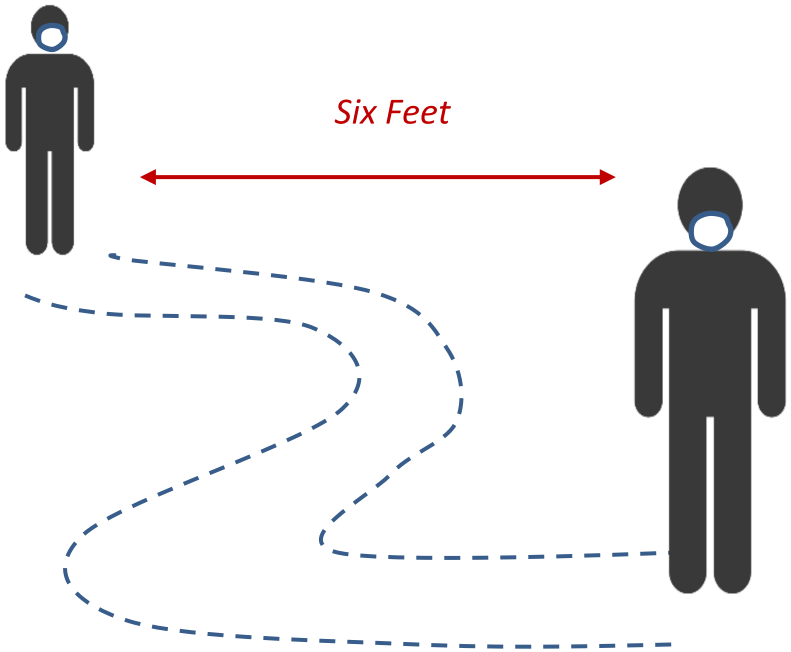
Congressional primary results illustrate **difficulties in transitioning to mail-in ballots** and preparing voters for contingencies

The winner **remains undecided** in some New York primaries almost a month after the primary date, and state data in New Jersey shows a 7.3% mail-in ballot rejection rate

Mail-in voting requires a longer counting period. **Potential for delayed announcement date, increased litigation, and challenges to the outcome = high uncertainty after election day**

President Trump continues to push back against expansion of mail-in ballot access. **Heightened skepticism of mail-in voting could harm Republican voter participation, particularly among older and rural populations**

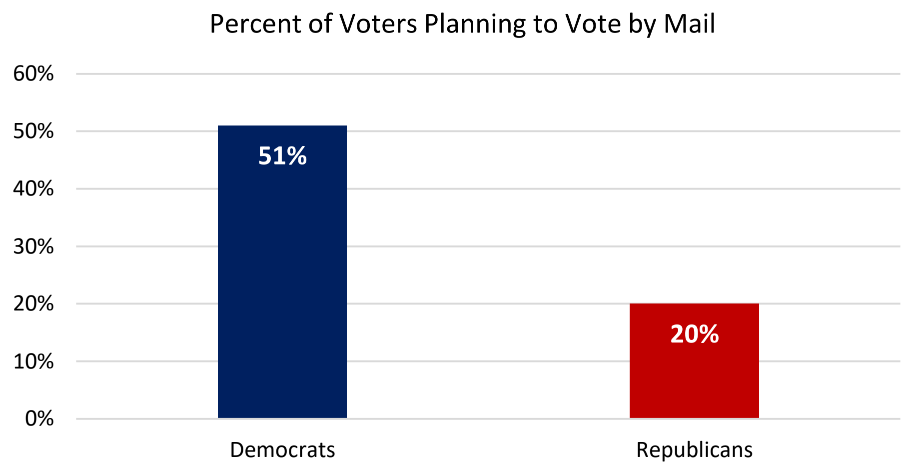
Fears and inconveniences related to the virus may lead only the most **enthusiastic voters** to show up at polls. Recent polling shows Trump voters leading Biden voters in enthusiasm for their respective candidates



2020 Election

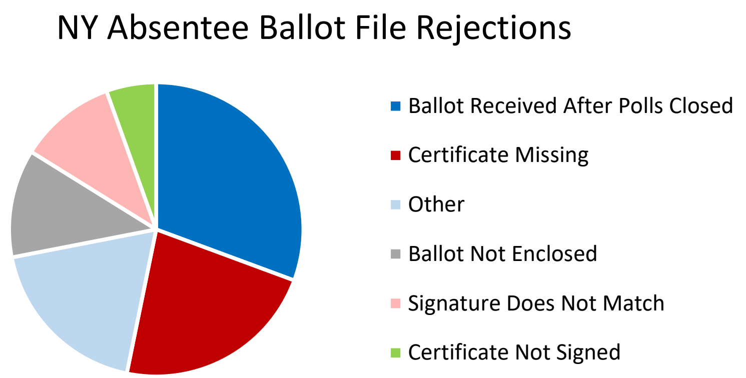
Increase In Mail-In Voting Could Create Volatility

- Polls suggest a substantially larger portion of Democrat voters intend to vote by mail in the 2020 election relative to Republican voters.
- President Trump is urging Republicans not to vote by mail-in ballot thereby likely depressing Republican turnout.
- If Trump narrowly leads on Election Day, it is possible he could lose after mail-in votes on cast in the weeks after the election.
- A 7.3% rate of rejection for mail-in ballots could cost Democrats ~2% in the general election if these numbers hold.
- Such rejection rates and the desire by the Trump campaign to hold onto victory by getting as many ballots tossed as possible could lead to immense legal challenges and uncertainty following the election.



In the NY Ballot File for July 7 Primary…

1,313,275 Ballots Received → **373,262** Ballots Processed → **27,135 (7.3%)** Rejected



Sources: ABC/Post Polling, Raymond James Research

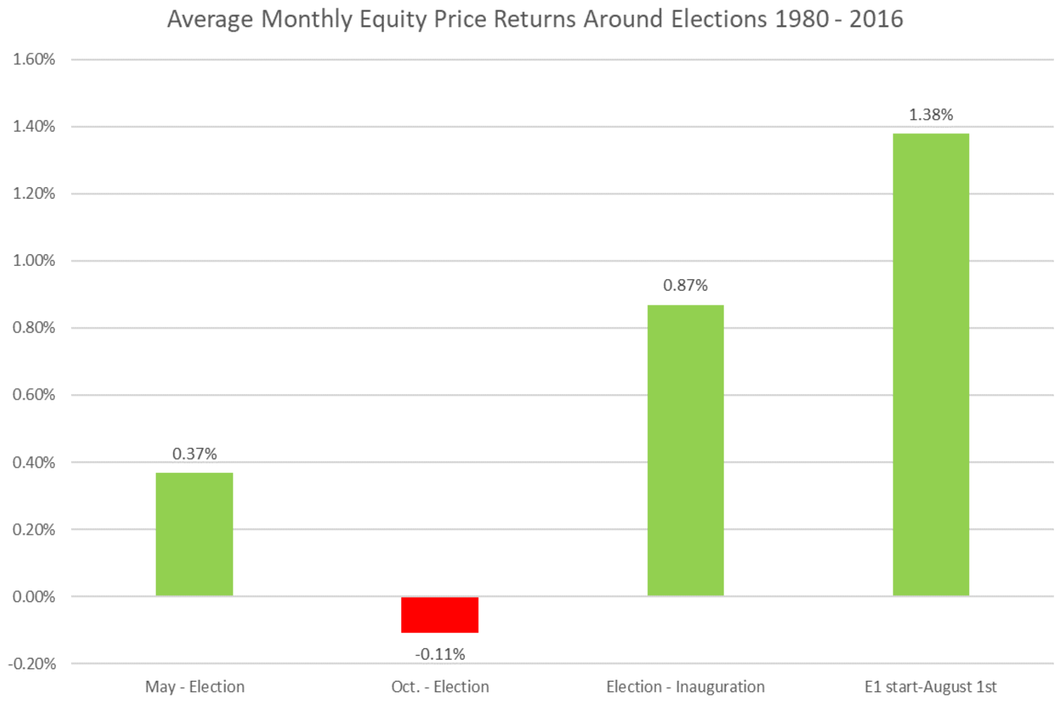
Market Overview

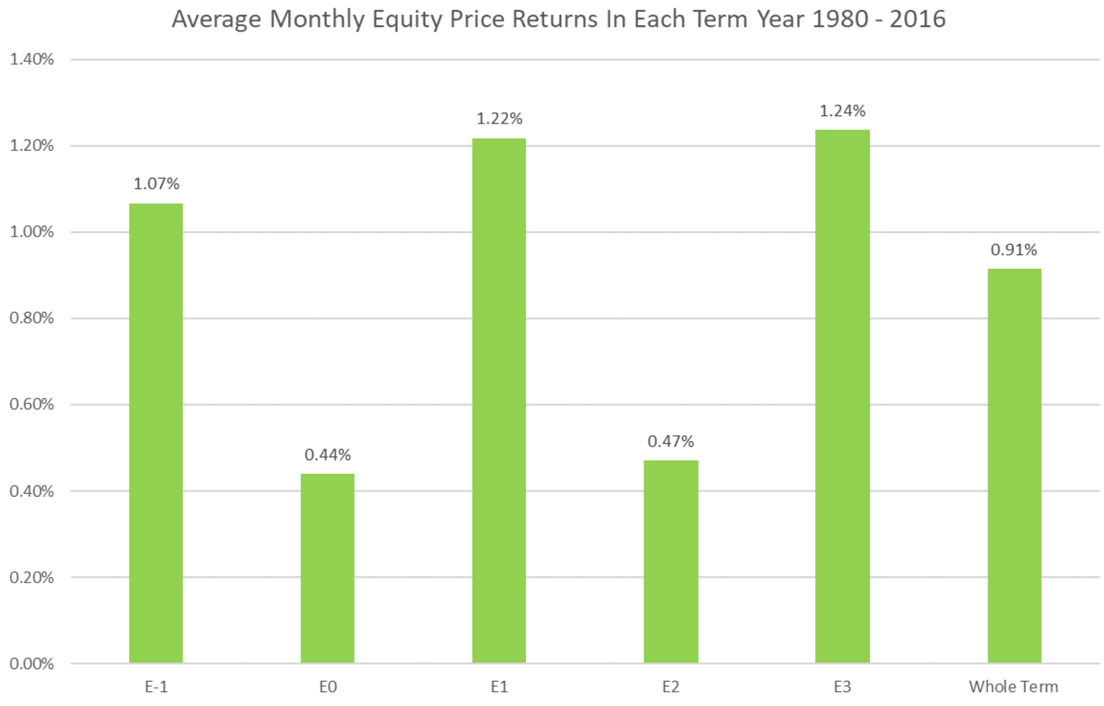
How the market performs historically under different party control

July 30, 2020

Market Overview

On Average, The Equity Market Is Cautious Ahead Of Elections, Then Plays Catch Up Quickly

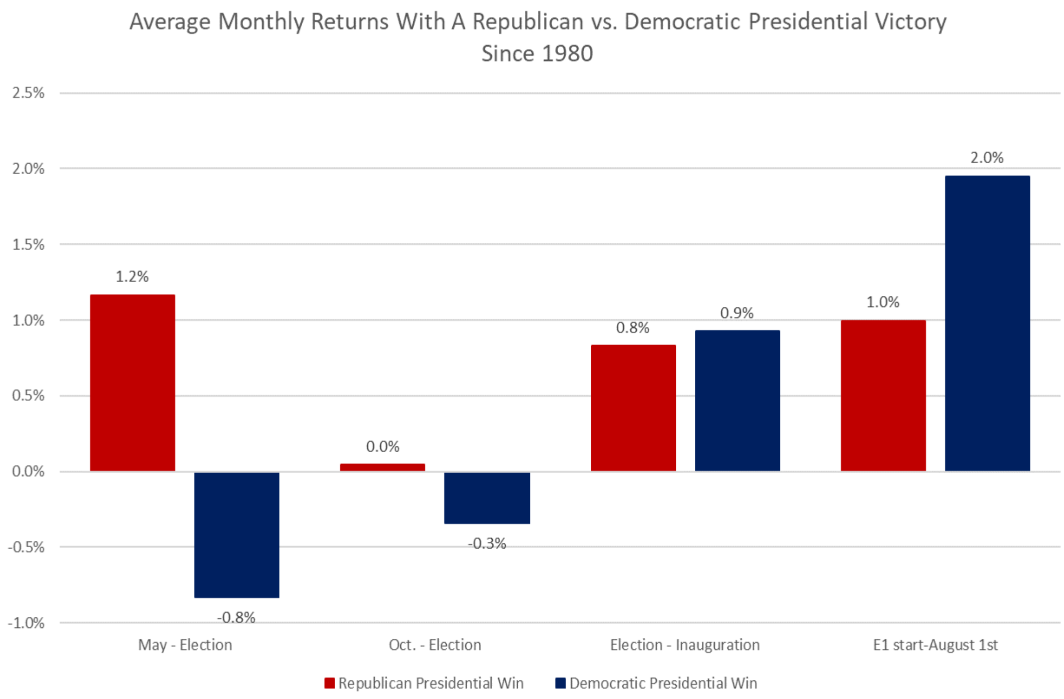


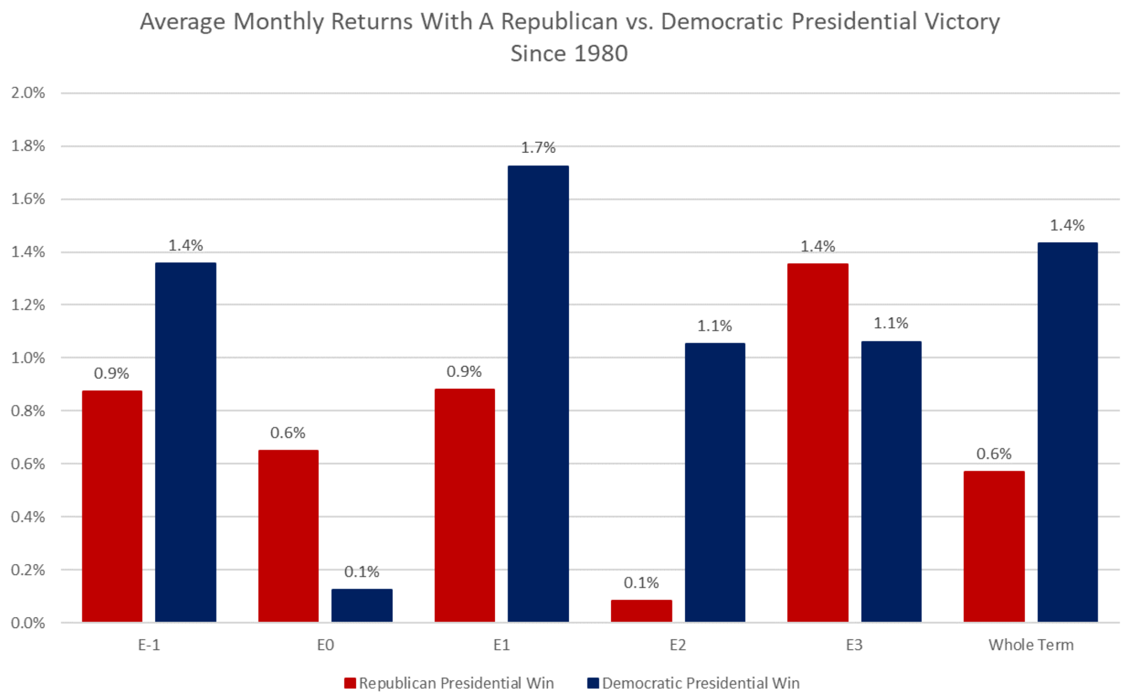


Source: Bloomberg, Raymond James research

Market Overview

Democratic Presidential Win Usually Preceded By A Weak Market, But A Big Positive Rotation In First 9 Months Post Election

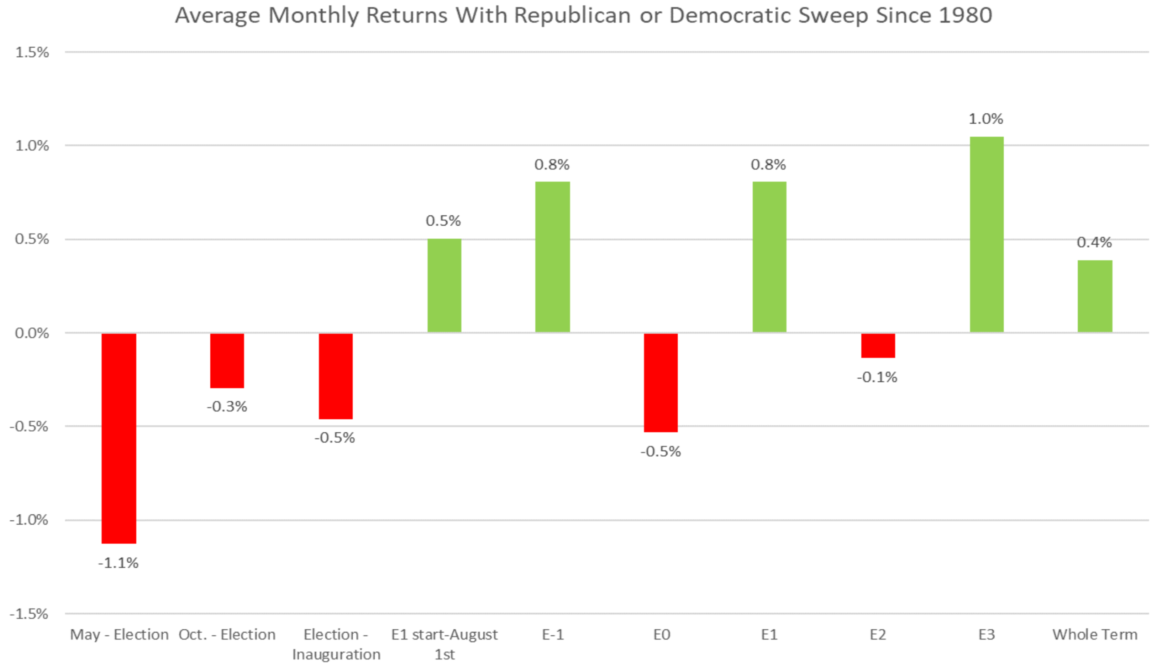


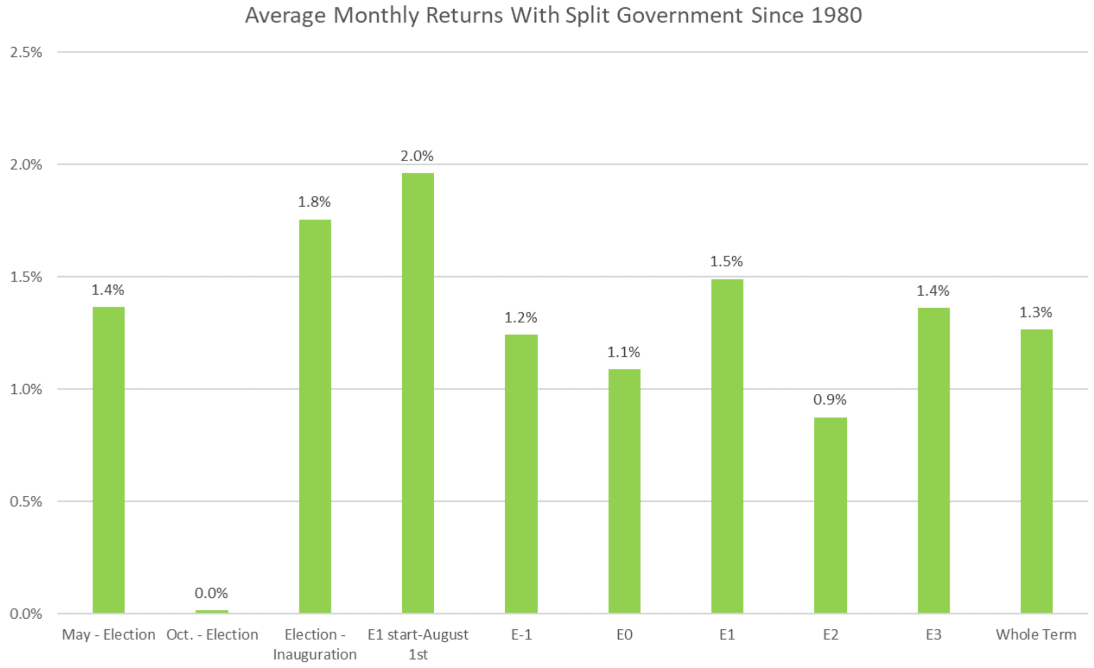


Source: Bloomberg, Raymond James research

Market Overview

Historically, The Market Does Far Worse In Front Of An Election Sweep & Far Better In Front Of A Split Government

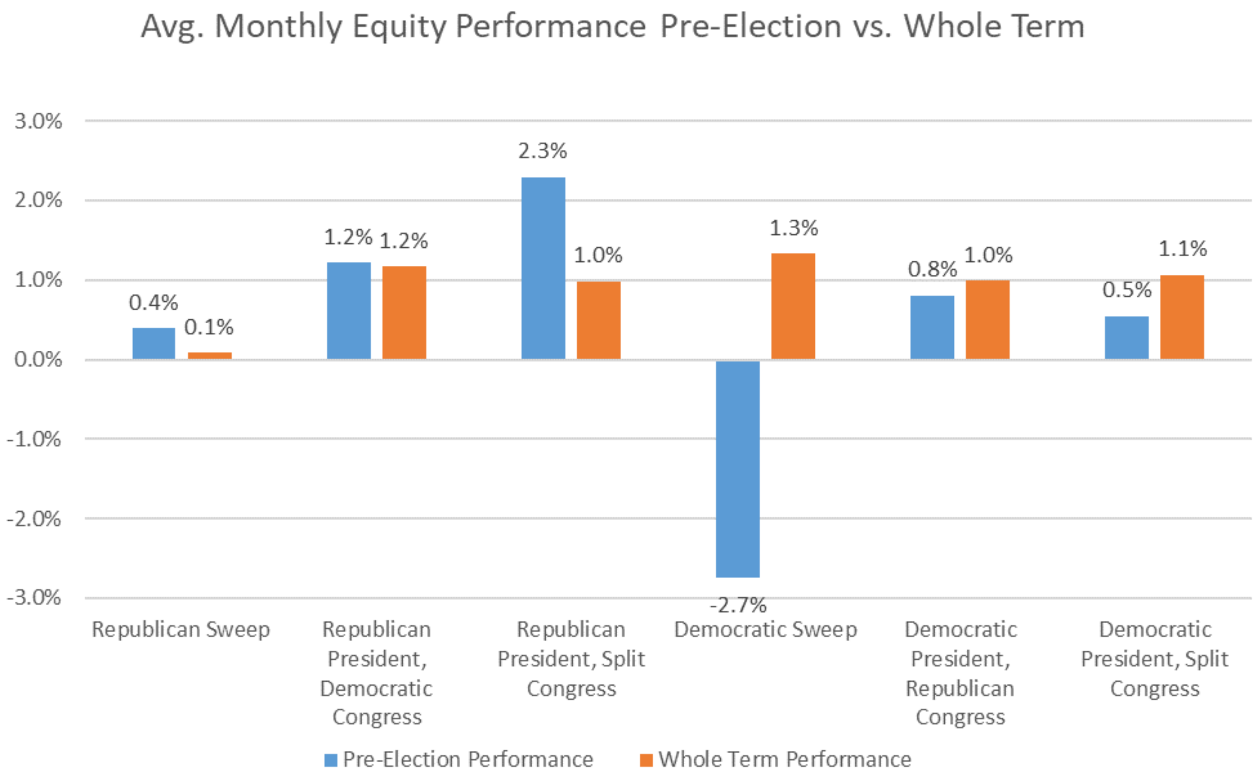




Source: Bloomberg, Raymond James research

Market Overview

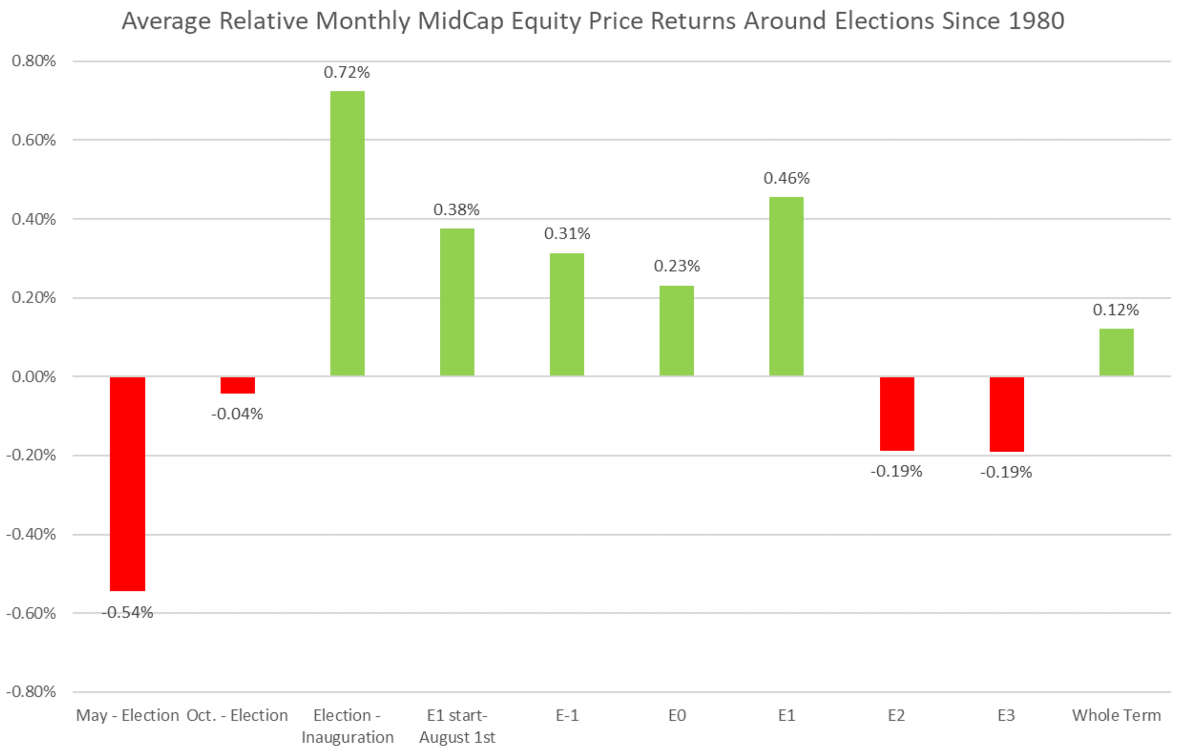
Since 1980 Equity Market Does Better Pre-Election When A Republican Wins, But Democratic Market Fear Is Typically Reversed Over The Next 4 Years

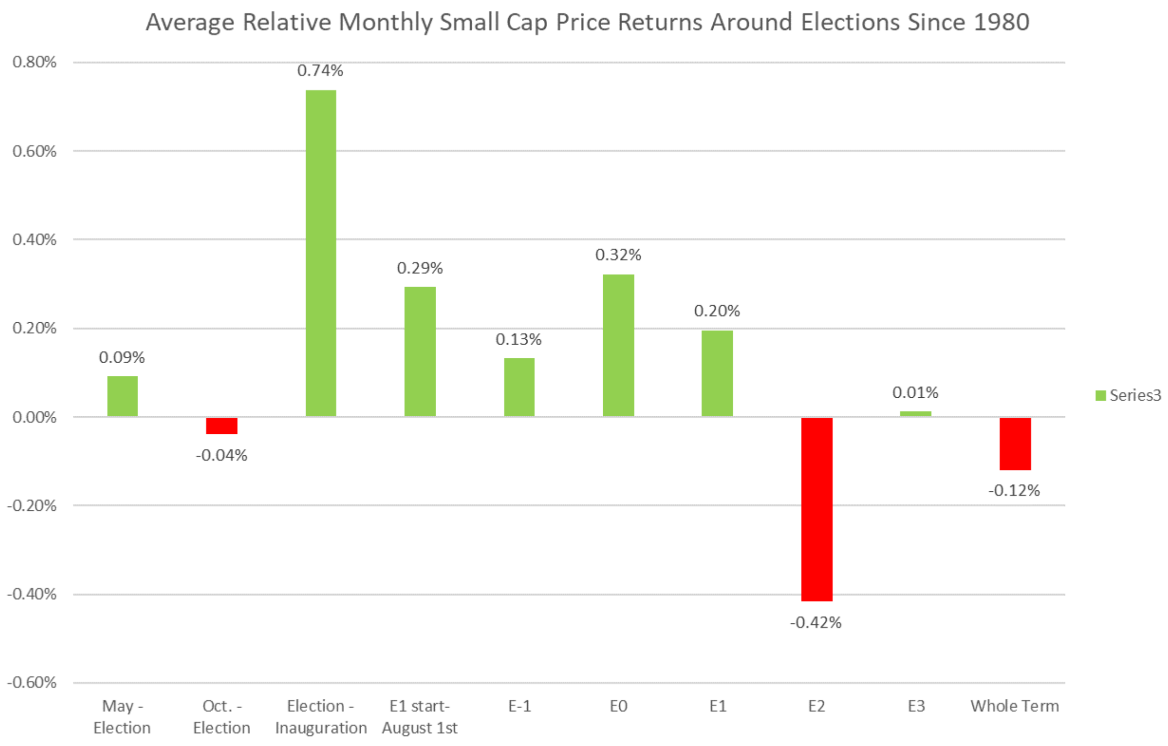


Source: Bloomberg, Raymond James research

Market Overview

Election Fear Is Most Noticeable In Small/Mid Caps – Reversed Quickly After Election

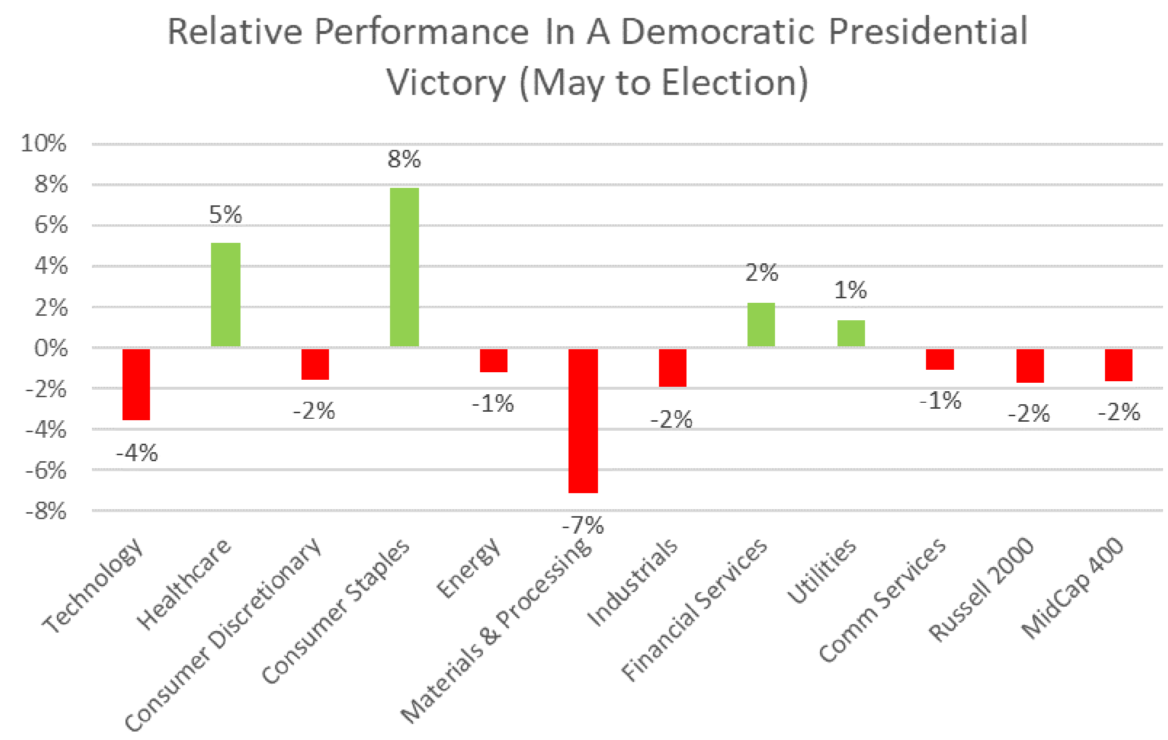


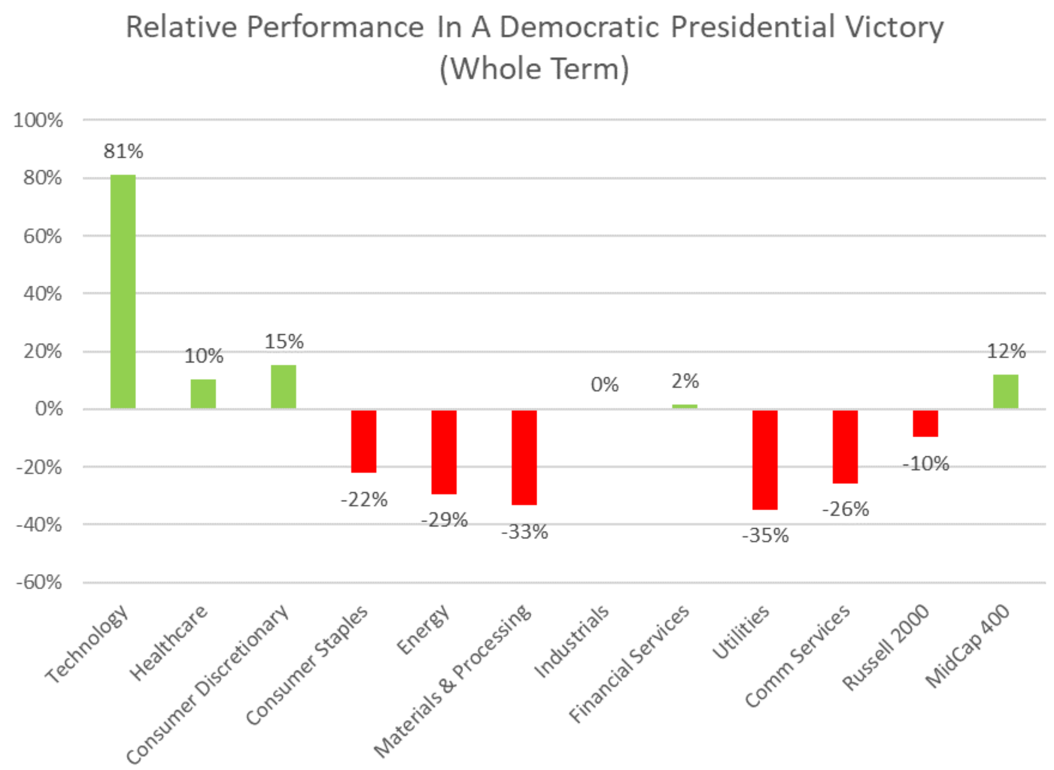


Source: Bloomberg, Raymond James research

Market Overview

In A Democratic Victory, The Pre-Election Period Sees Defensive Sectors Outperform (Healthcare, Staples, Utilities, Large Caps) – Whole Term Performance Dominated By Technology

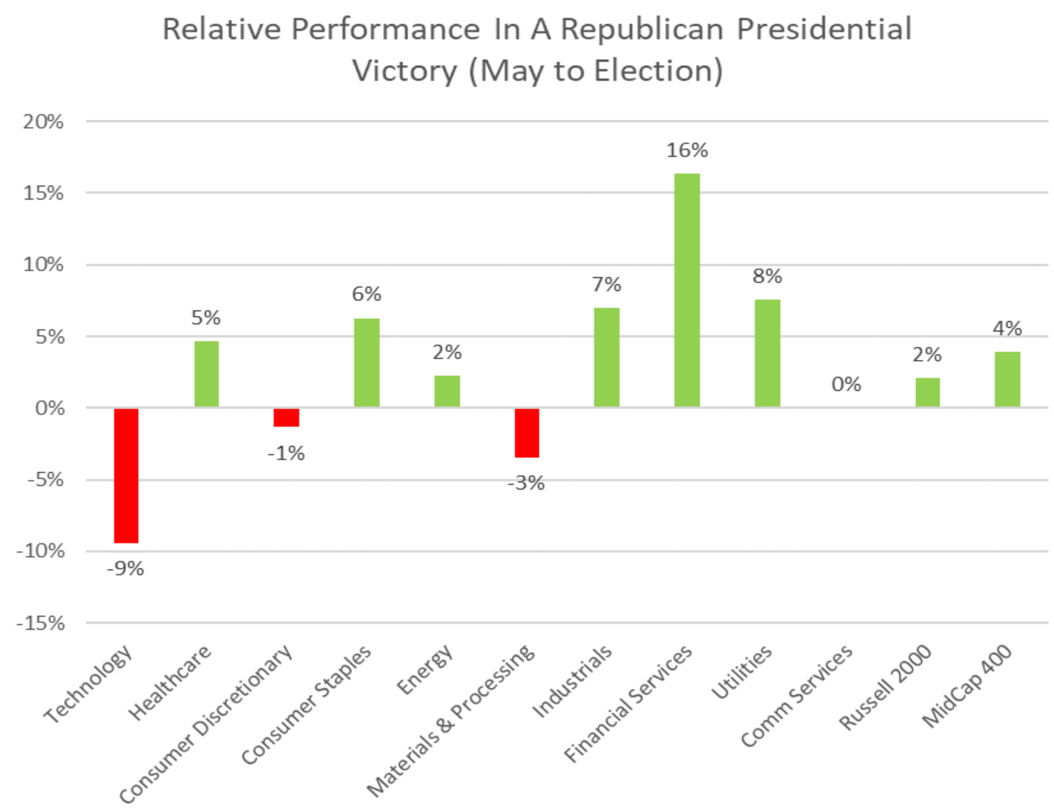


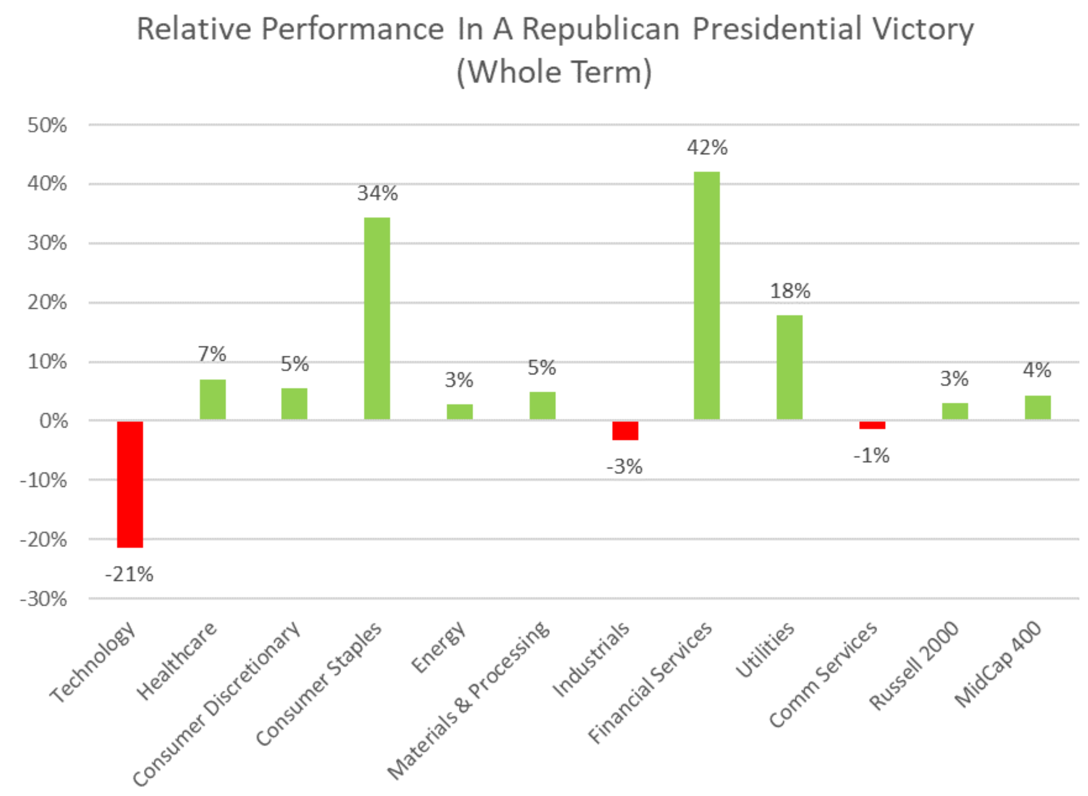


Source: Bloomberg, Raymond James research

Market Overview

In A Republican Victory, The Pre-Election Period Sees Financials Outperform & Tech Underperform – Whole Term Performance Dominated By Financials & Staples, Tech Underperforms

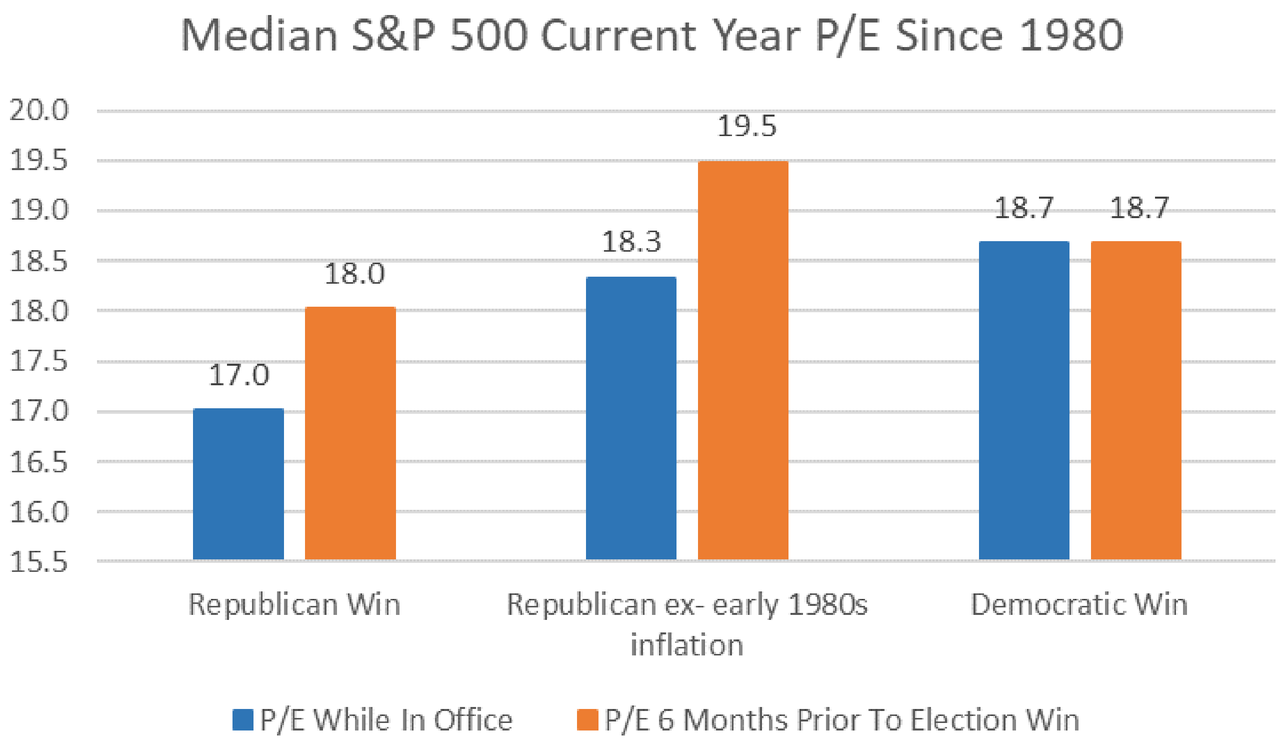




Source: Bloomberg, Raymond James research

Market Overview

Although P/E Is A Little More Optimistic Heading Into Republican Elections, Ultimately P/Es Have Been Very Consistent Across Both Parties' Presidencies Over Time



Source: Bloomberg, Raymond James research

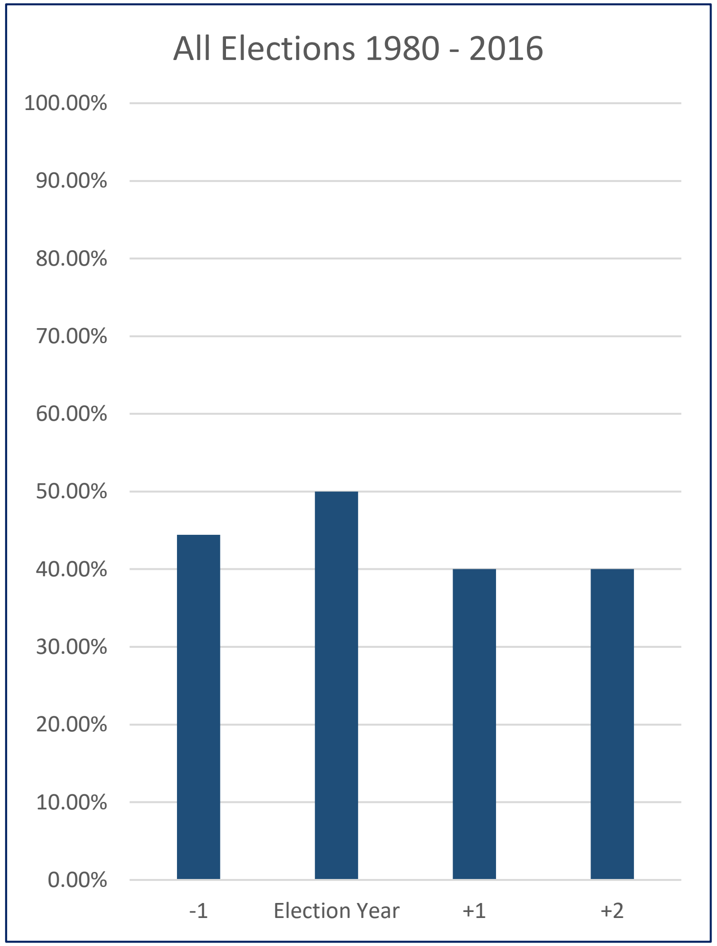
Sector-by-Sector Performance

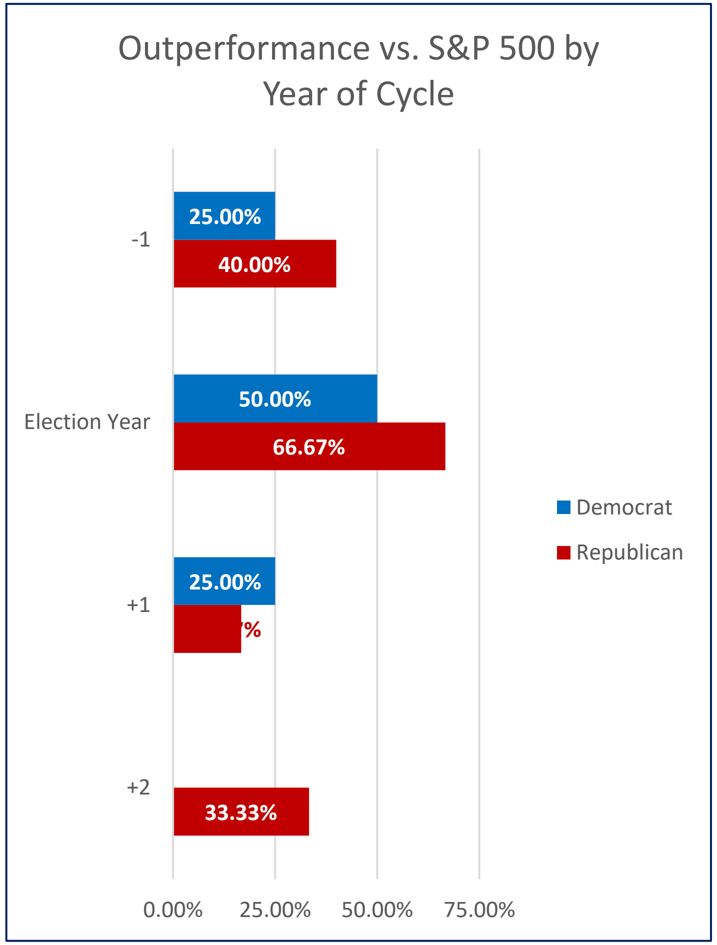
How do sectors perform under each political party and key takeaways

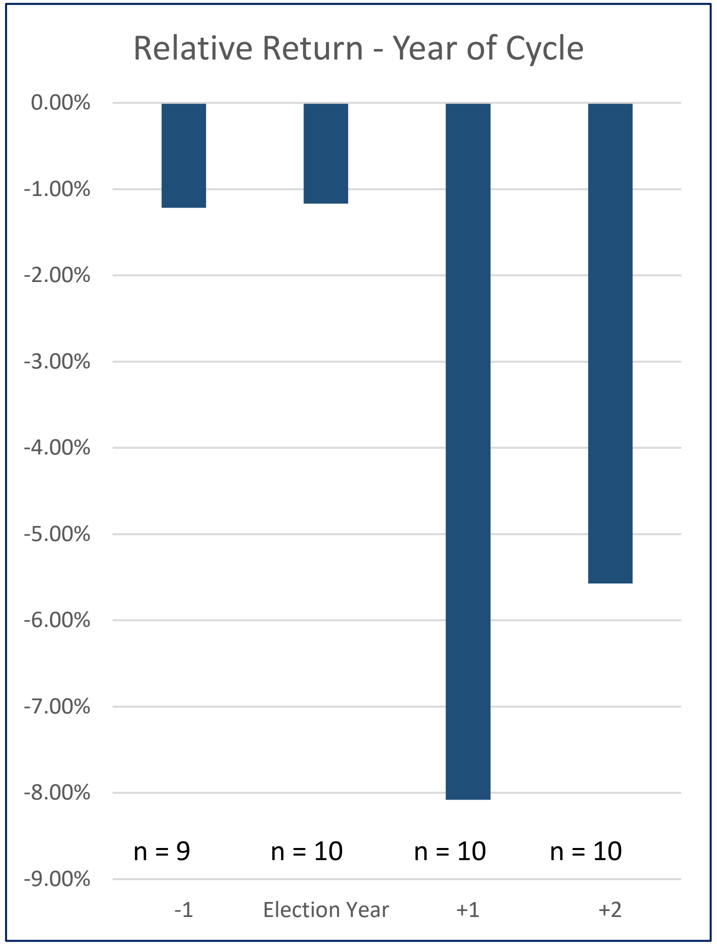
July 30, 2020

Communication Services

Percent of Elections Outperforming S&P 500 By Year Of Cycle

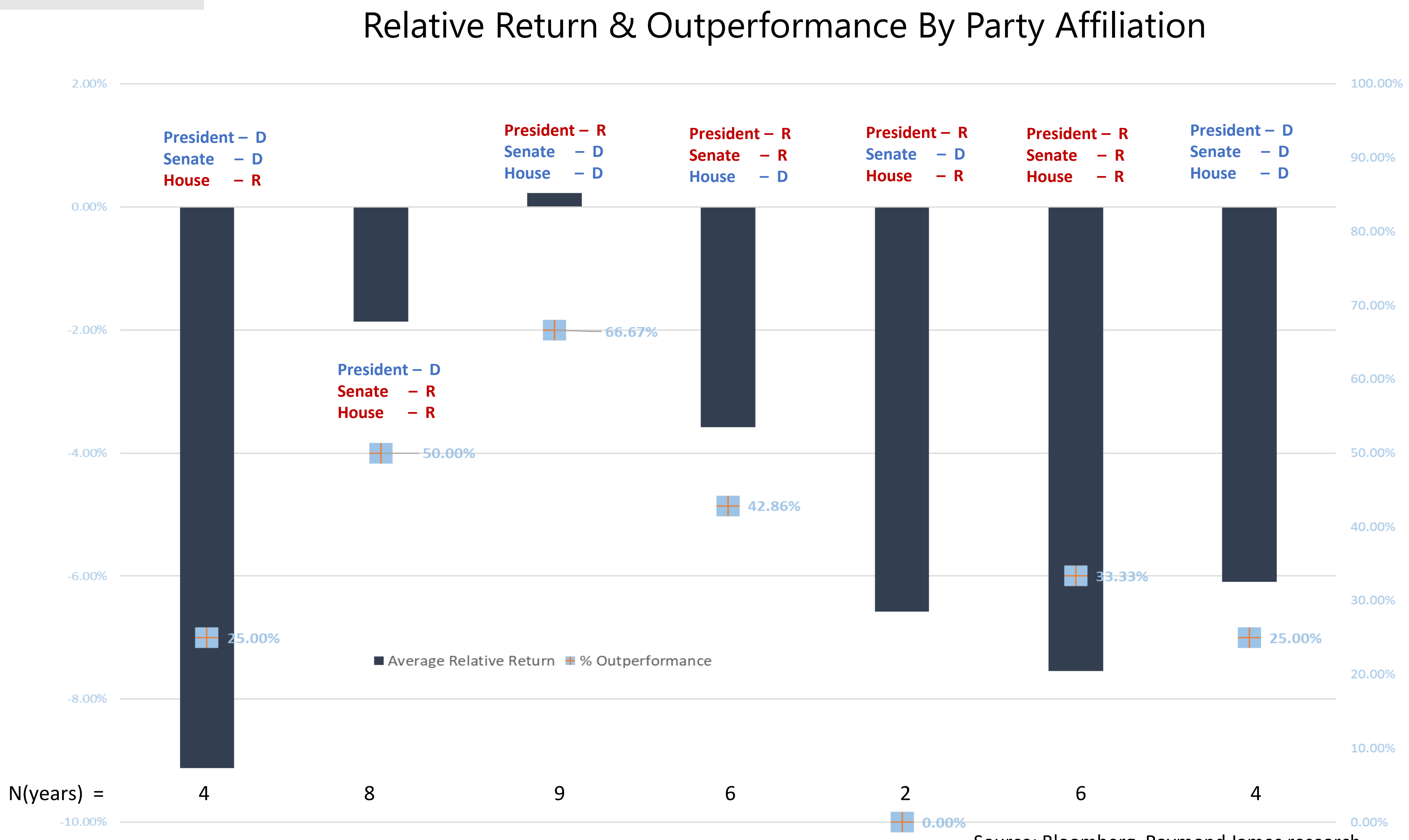






Source: Bloomberg, Raymond James research

Communication Services



Source: Bloomberg, Raymond James research

Communication Services

Key Takeaways: Communication Services

Republican Presidents

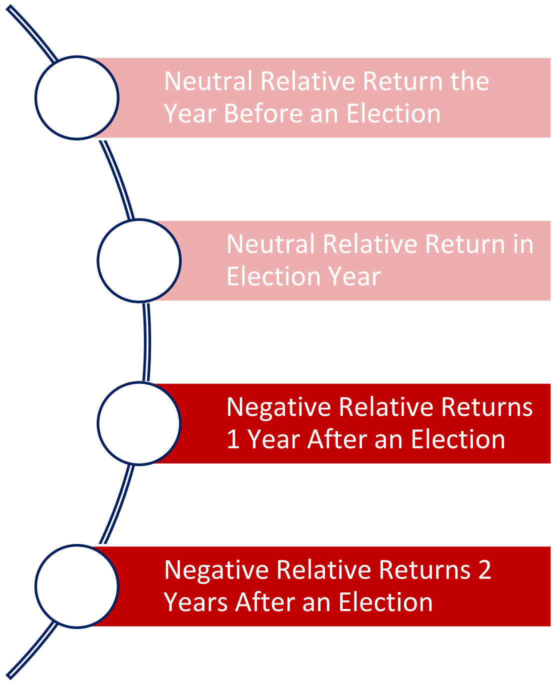
- Communication Services historically **underperform** under Republican leadership by an avg. of (1%) (see slide 24).
- This sector performs **better under a divided GOP government** vs. a unified government.

Democrat Presidents

- Communication Services historically **underperform** under Democratic leadership by an avg. of (26%) (see slide 23).
- This sector **underperforms under both divided and unified Dem governments.**

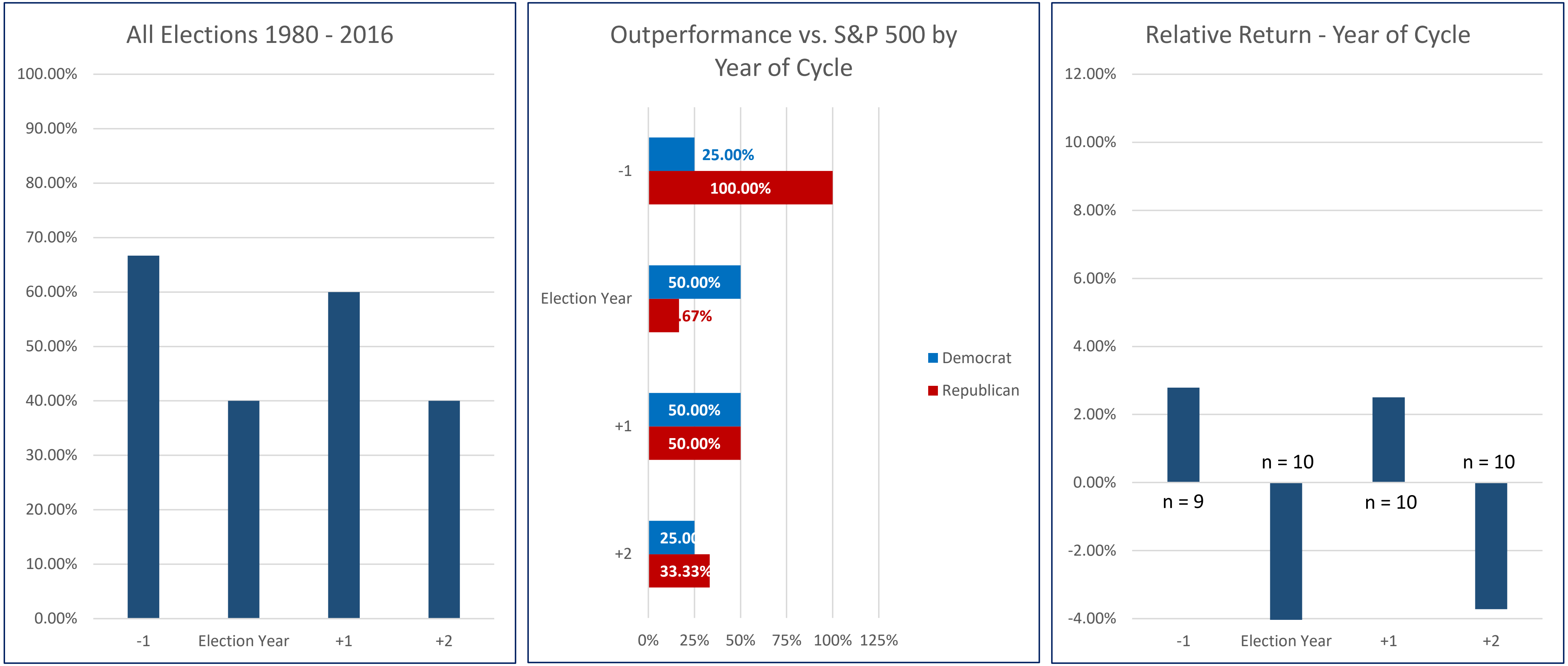
Our View

- We are in the middle of a transformative period for media and the communication services sector, much of which is driven by technological innovation.
- The boost for U.S. telecom companies vis-à-vis China and potential tech regulation are issues to watch.



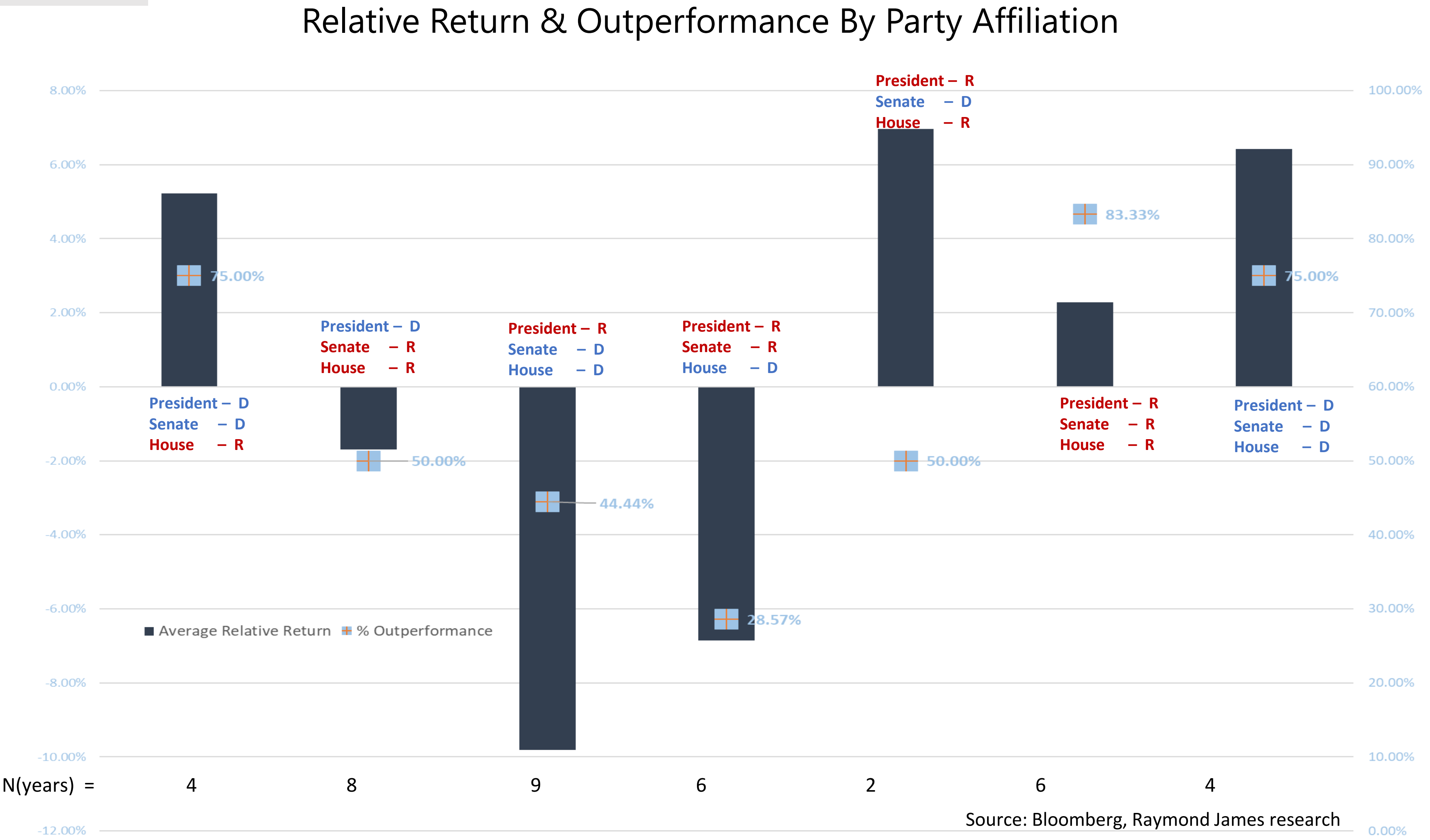
Consumer Discretionary

Percent of Elections Outperforming S&P 500 By Year Of Cycle



Source: Bloomberg, Raymond James research

Consumer Discretionary



Consumer Discretionary

Key Takeaways: Consumer Discretionary

Republican Presidents

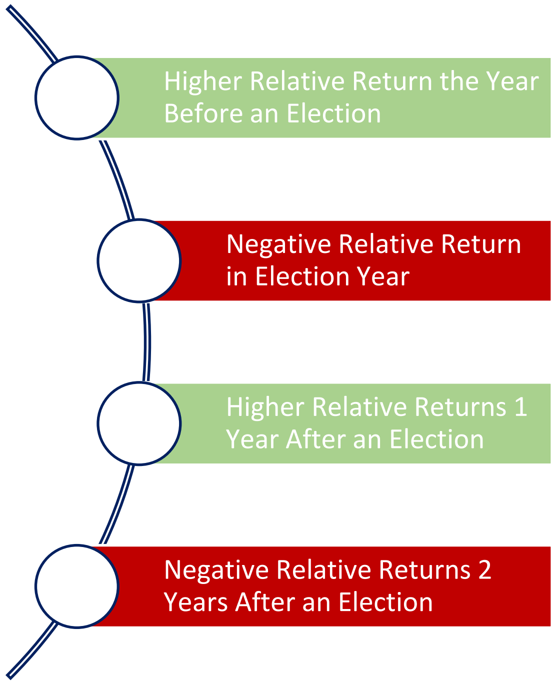
- Consumer discretionary historically **outperforms** under Republican leadership by an avg. of 5%.
- This sector performs **worse under a divided GOP government** vs. a unified government.

Democrat Presidents

- Consumer discretionary historically **outperforms** under Democratic leadership by 15%.
- This sector performs **worse under a divided Dem government** vs. a unified government.

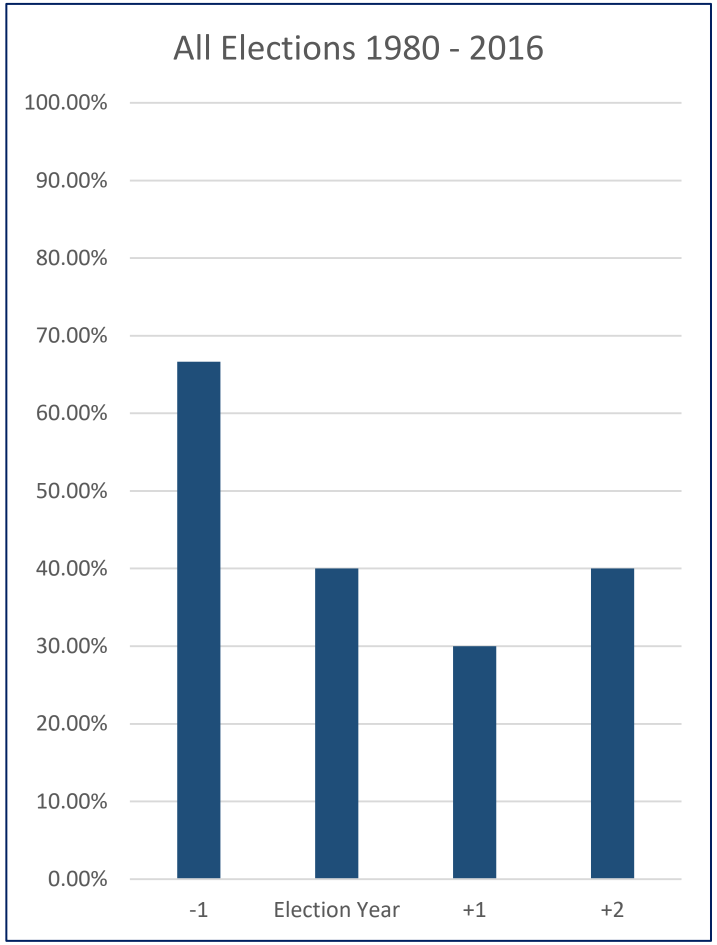
Our View

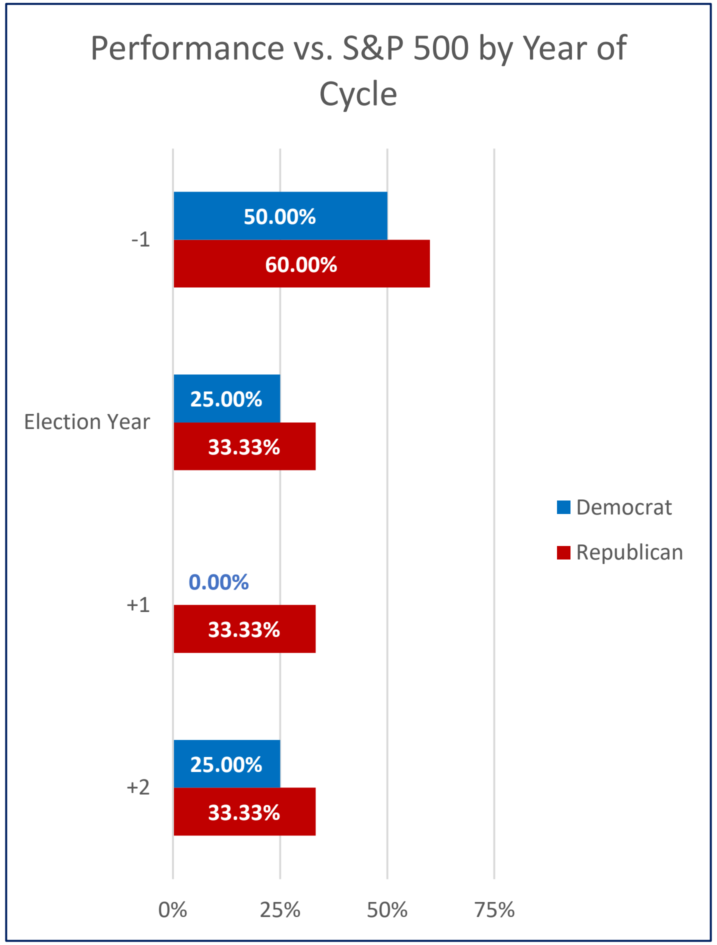
- This sector is undergoing rapid change in terms of increasing e-commerce transformation. Performance likely to be determined by pace of continued fiscal stimulus as well as political regulatory actions.

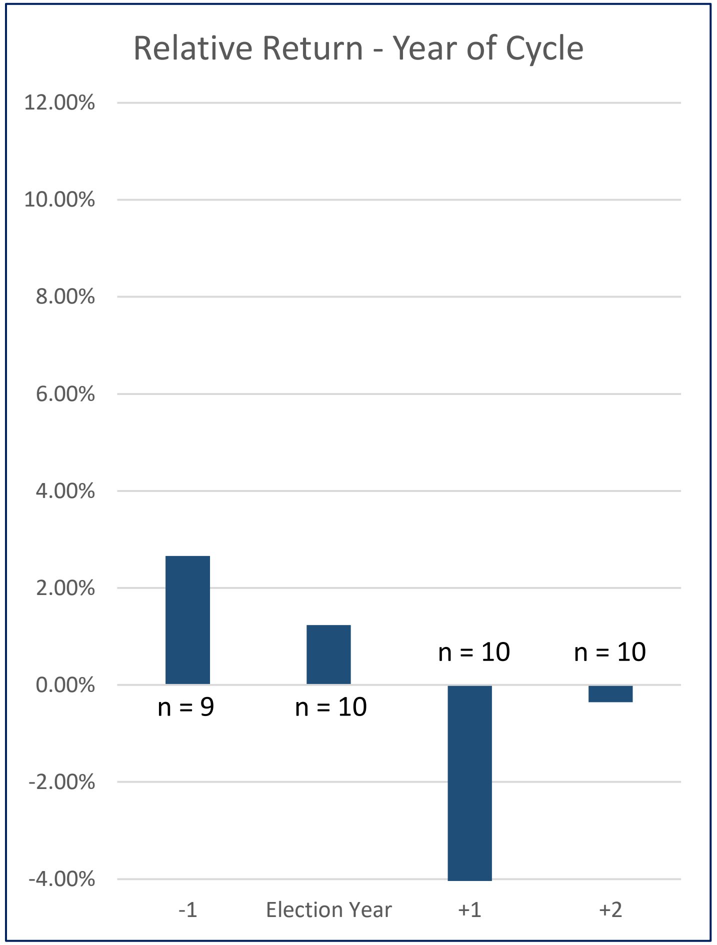


Consumer Staples

Percent of Elections Outperforming S&P 500 By Year Of Cycle



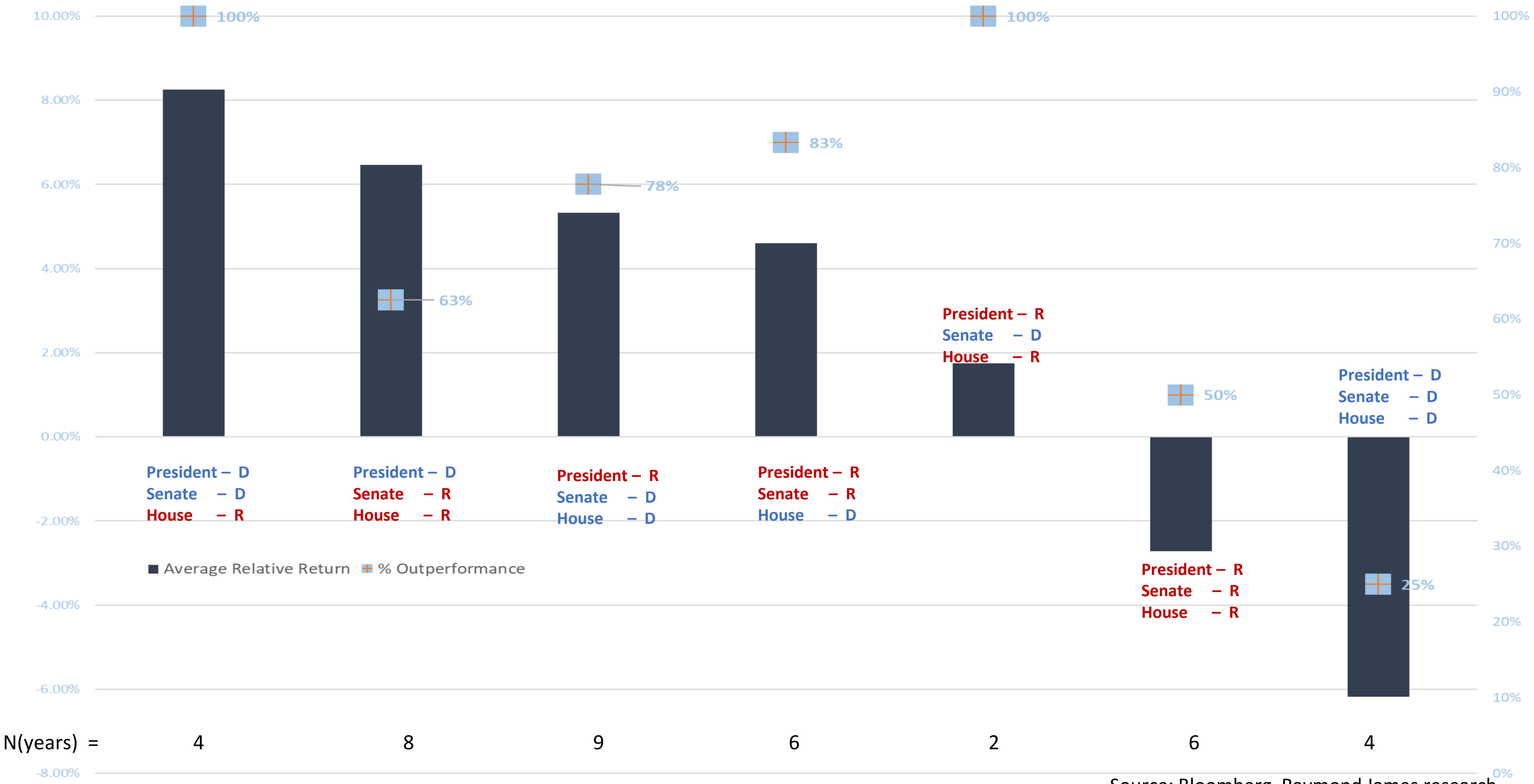




Source: Bloomberg, Raymond James research

Consumer Staples

Relative Return & Outperformance By Party Affiliation



Source: Bloomberg, Raymond James research

Consumer Staples

Key Takeaways: Consumer Staples

Republican Presidents

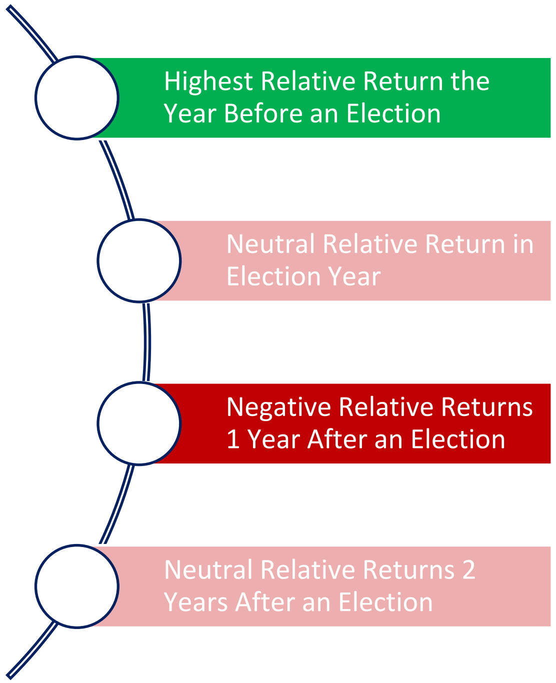
- Consumer staples historically **outperform** under Republican leadership by an avg. of 34%.
- This sector performs **better under a divided GOP government** vs. a unified government.

Democrat Presidents

- Consumer staples historically **underperform** under Democratic leadership by an avg. of (22%).
- This sector performs **better under a divided Dem government** vs. a unified government.

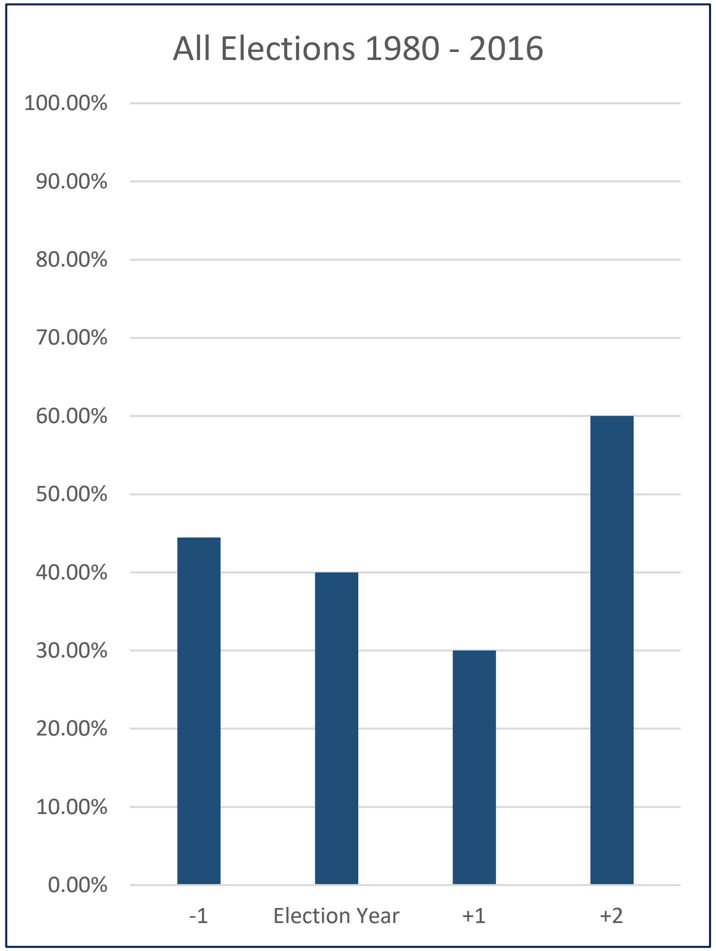
Our View

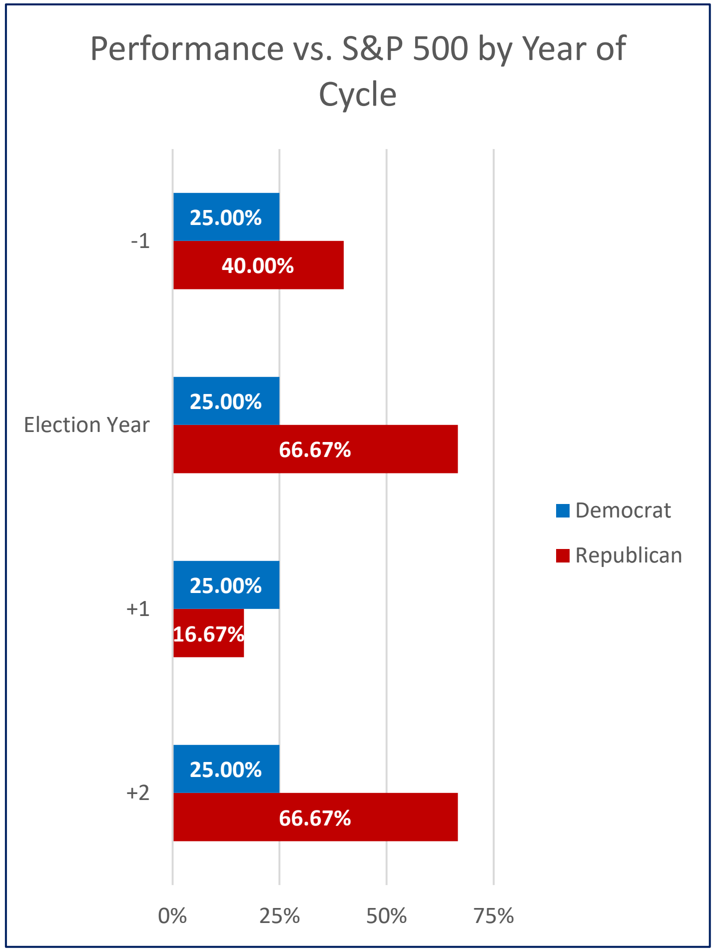
- This sector is driven by low rates and a healthy consumer. We suspect more fiscal constraint under any divided government would be the most beneficial for staples.

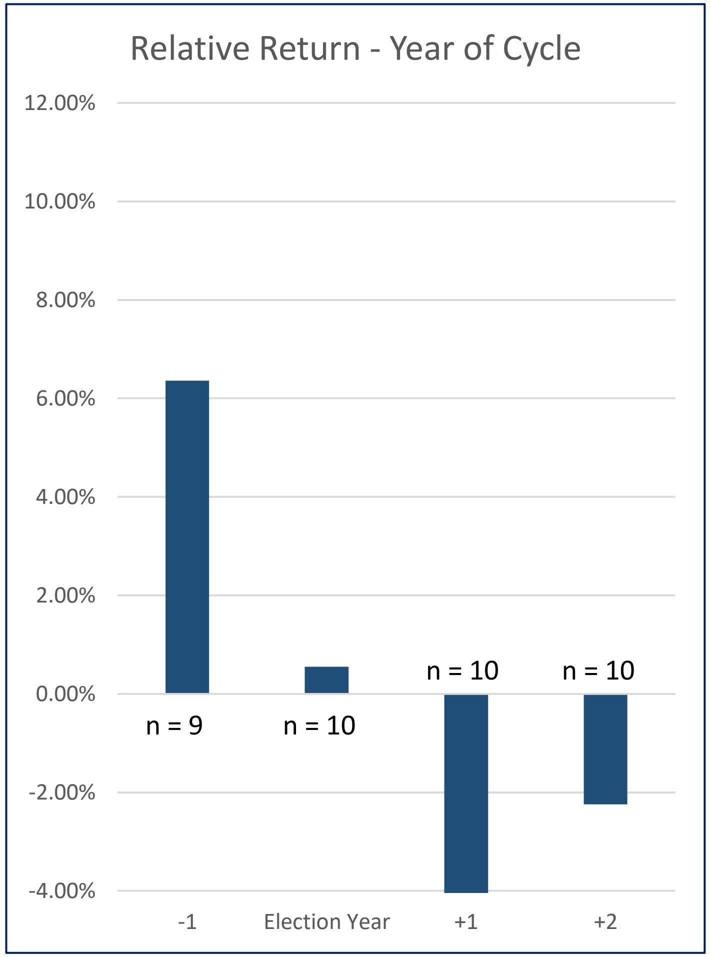


Energy

Percent of Elections Outperforming S&P 500 By Year of Cycle

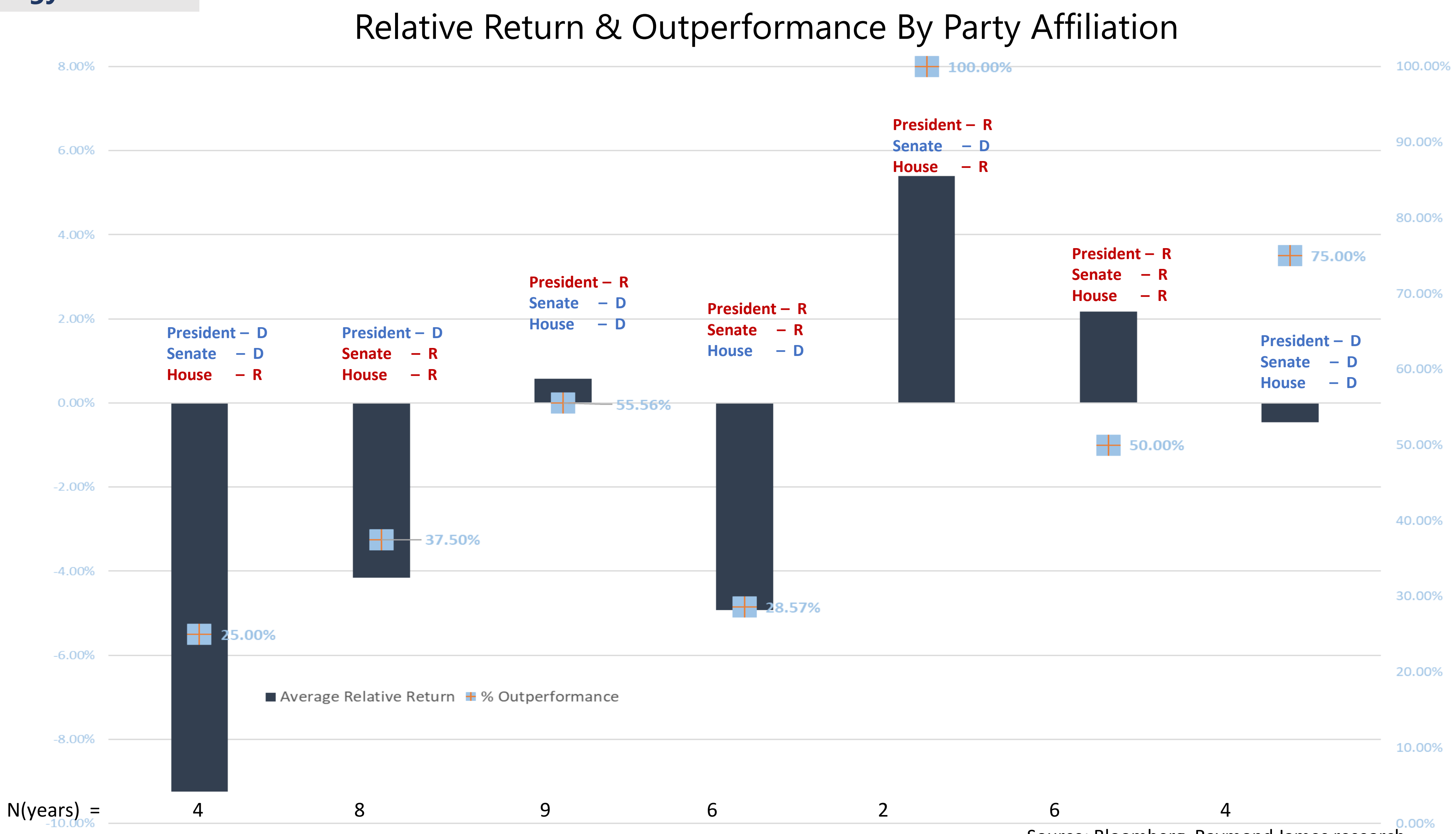






Source: Bloomberg, Raymond James research

Energy



Source: Bloomberg, Raymond James research

Key Takeaways: Energy

Republican Presidents

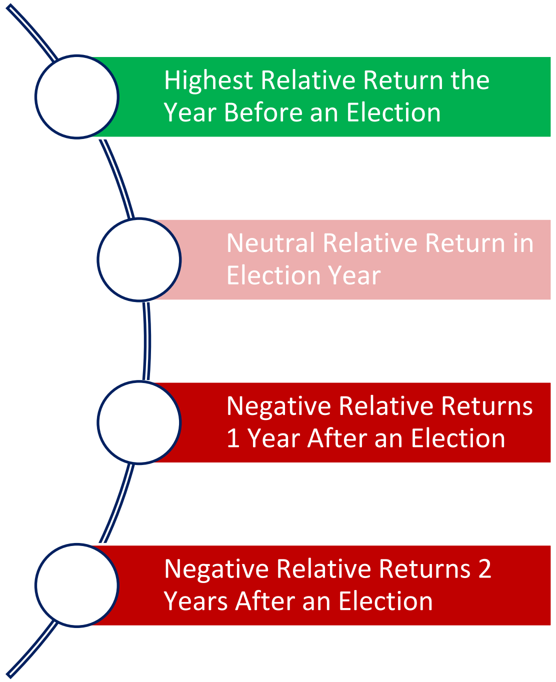
- Energy historically **outperforms** under Republican leadership by an avg. of 3%.
- This sector **performs well under unified and divided GOP governments, but can be dragged down if a chamber of Congress is controlled by Democrats.**

Democrat Presidents

- Energy historically **underperforms** under Democratic leadership by an avg. of (29%).
- This sector performs **worse under a divided Democratic government** vs. a unified government.

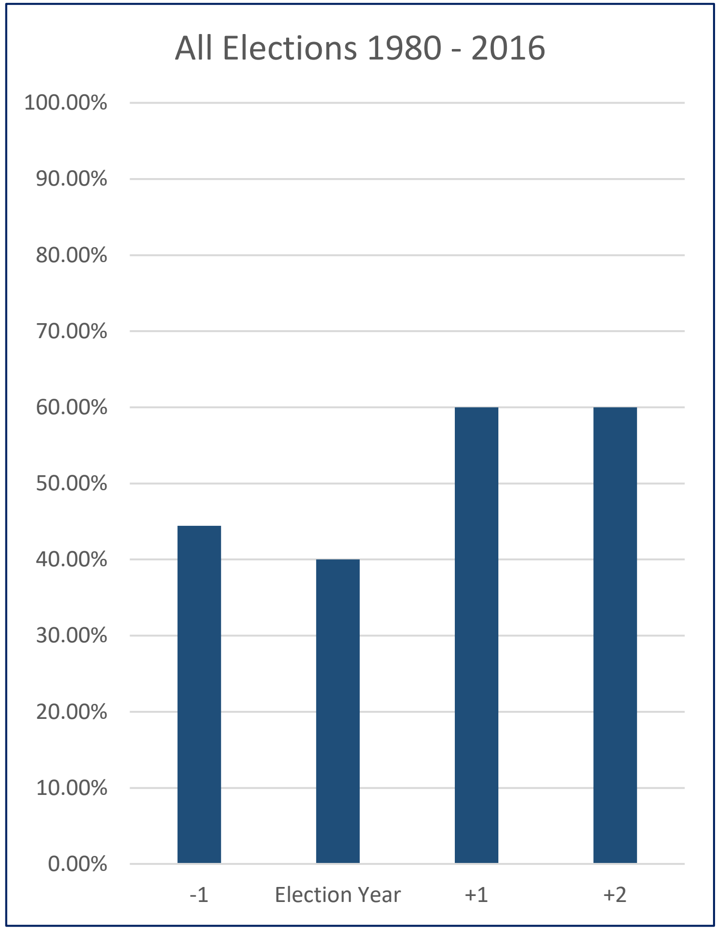
Our View

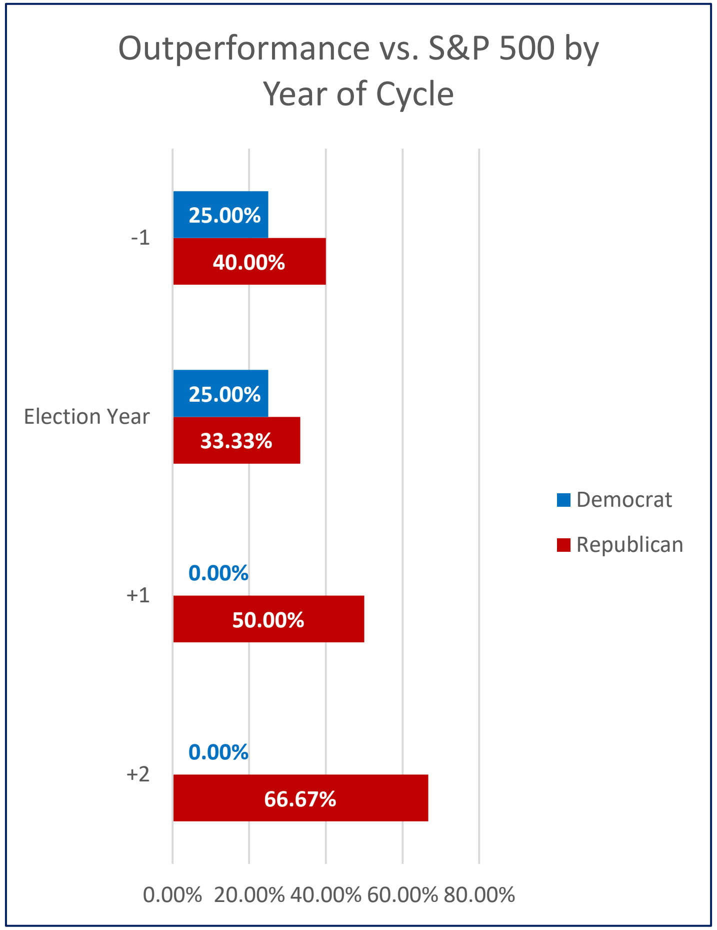
- This sector is reasonably clear cut, greater regulation likelihood under Democratic president will likely be negative for performance, while a divided government would be preferential for the sector.

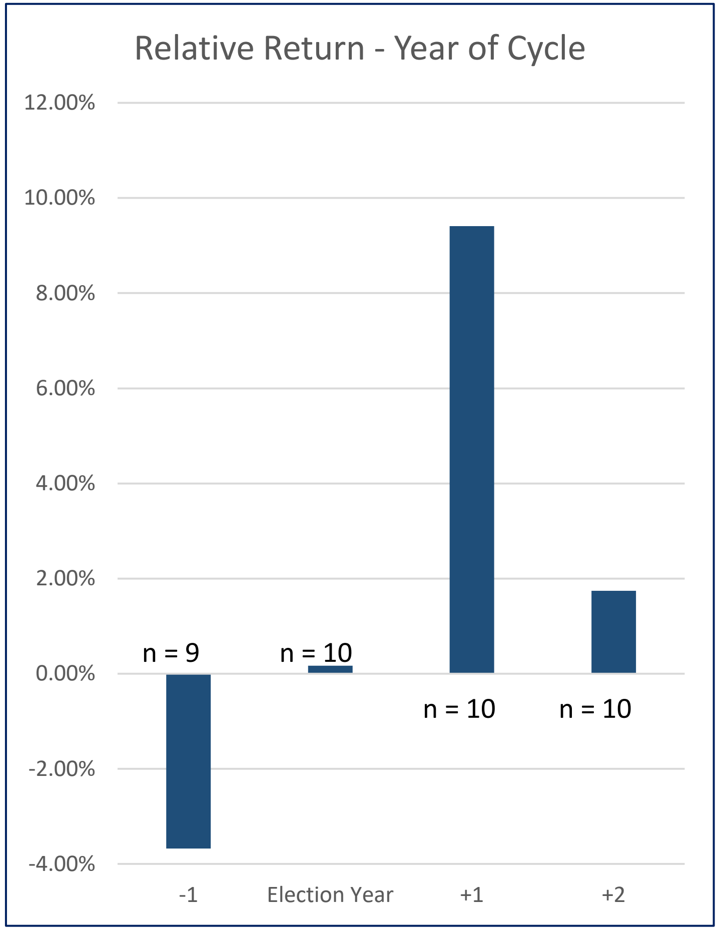


Financials

Percent of Elections Outperforming S&P 500 By Year Of Cycle

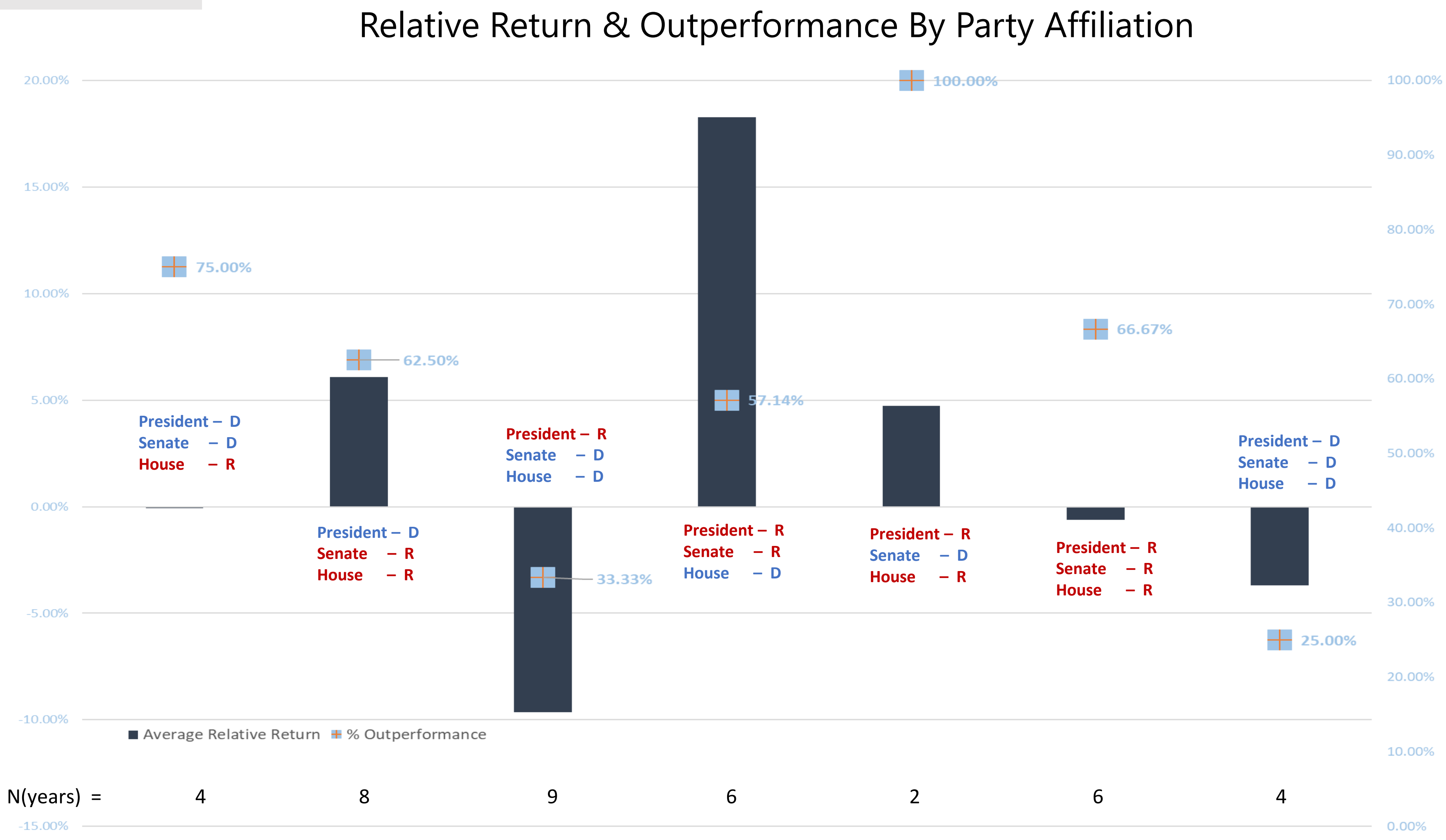






Source: Bloomberg, Raymond James research

Financials



Source: Bloomberg, Raymond James research

Key Takeaways: Financials

Republican Presidents

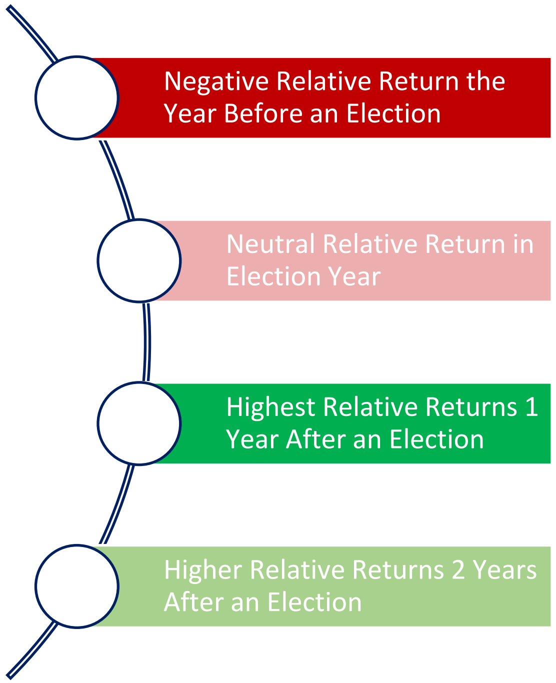
- Financials historically **outperform** under Republican leadership by an avg. of 42%.
- This sector performs **better under a divided GOP government** vs. a unified government, except when facing a unified Dem Congress.

Democrat Presidents

- Financials historically **slightly outperform** under Democratic leadership by an avg. of 2%.
- This sector performs **better under a divided Dem government** vs. a unified government.

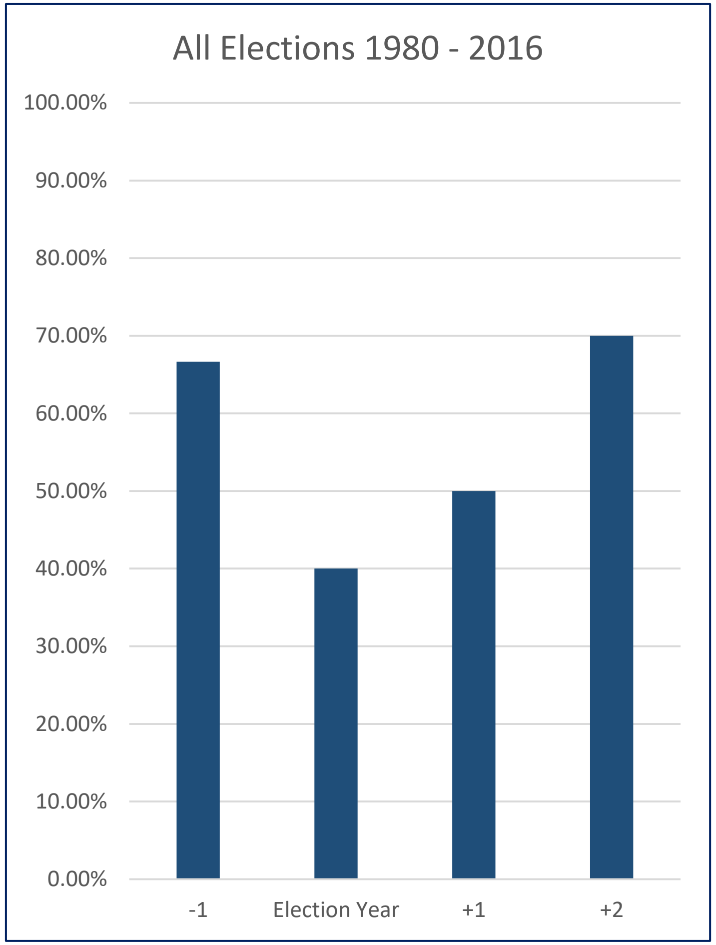
Our View

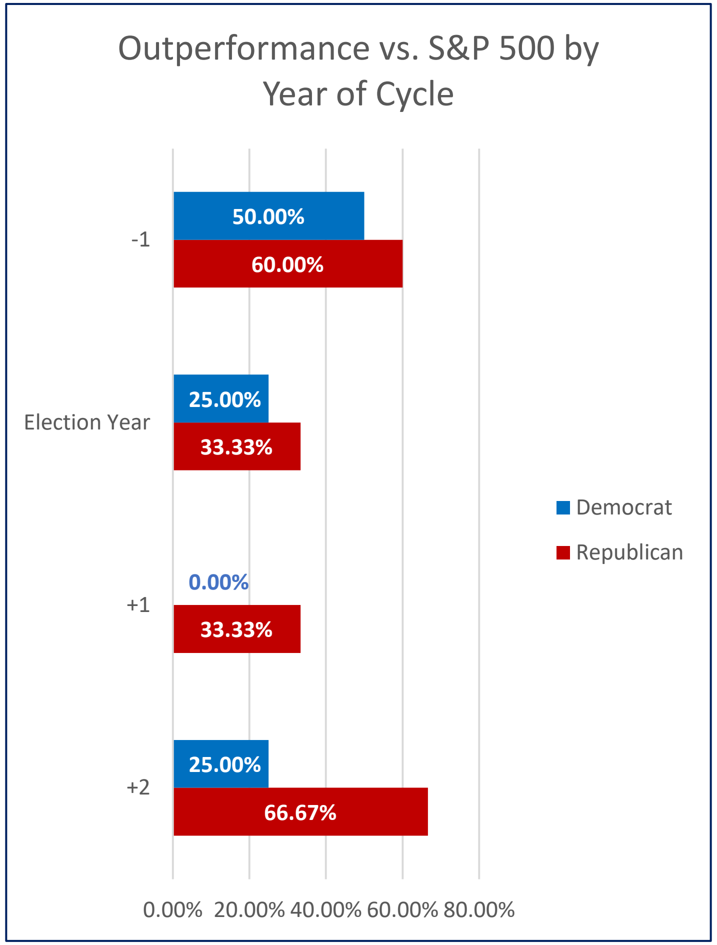
- The best year for financials is generally the year after the election, which could set up a rebound for financials in 2021.
- A Dem sweep will bring regulatory concerns to the group, with non-bank financials and consumer products most impacted.

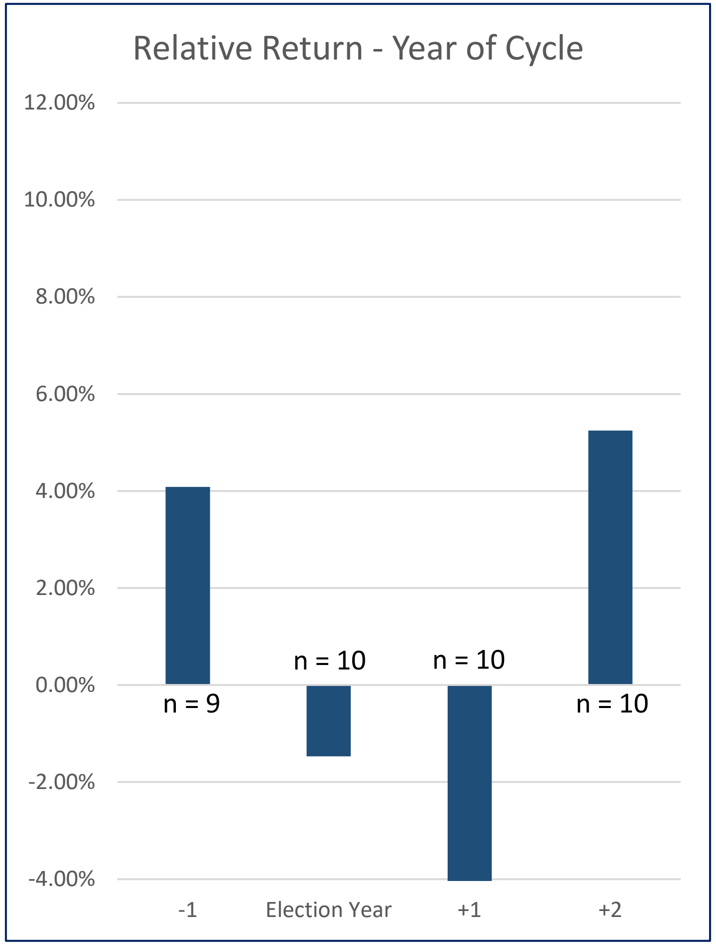


Healthcare

Percent of Elections Outperforming S&P 500 By Year Of Cycle



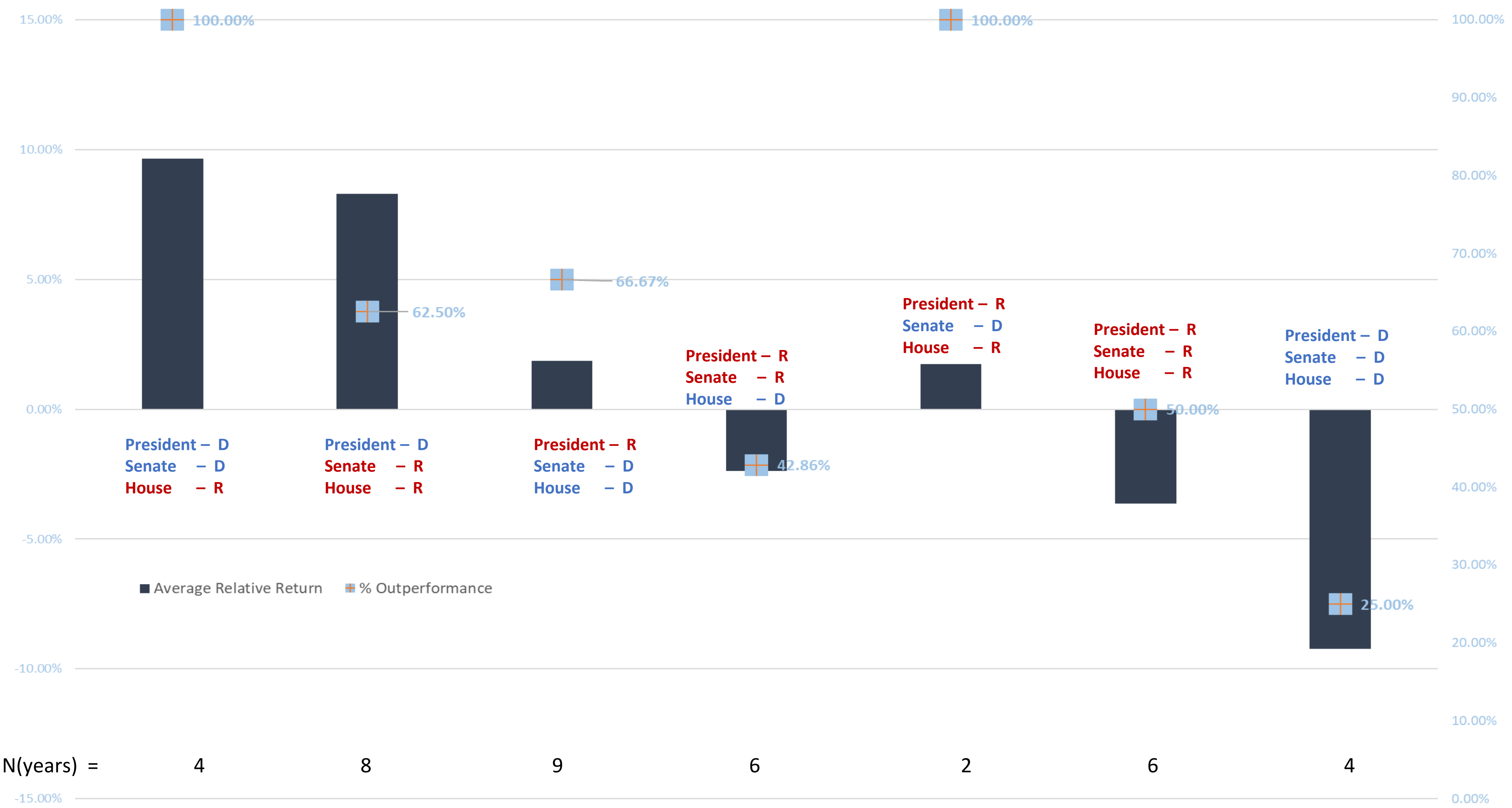




Source: Bloomberg, Raymond James research

Healthcare

Relative Return & Outperformance By Party Affiliation



Source: Bloomberg, Raymond James research

Healthcare

Key Takeaways: Healthcare

Republican Presidents

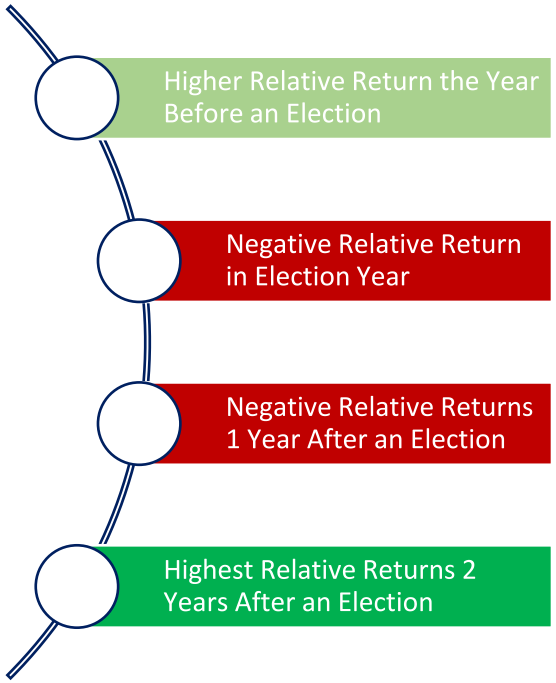
- Healthcare historically **outperforms** the S&P by 7% during the whole term.
- In the first year after an election, the sector has underperformed 67% of the time.
- This sector **performs much better under a divided GOP government** vs. a unified government

Democrat Presidents

- Healthcare historically **outperforms** the S&P by 10% during the whole term.
- Healthcare has not outperformed the S&P in the first year of a Democrat President (n=4).
- Under an all Democrat government healthcare usually underperforms the S&P (75% of time) until it is clear major reforms will not hurt the sector.

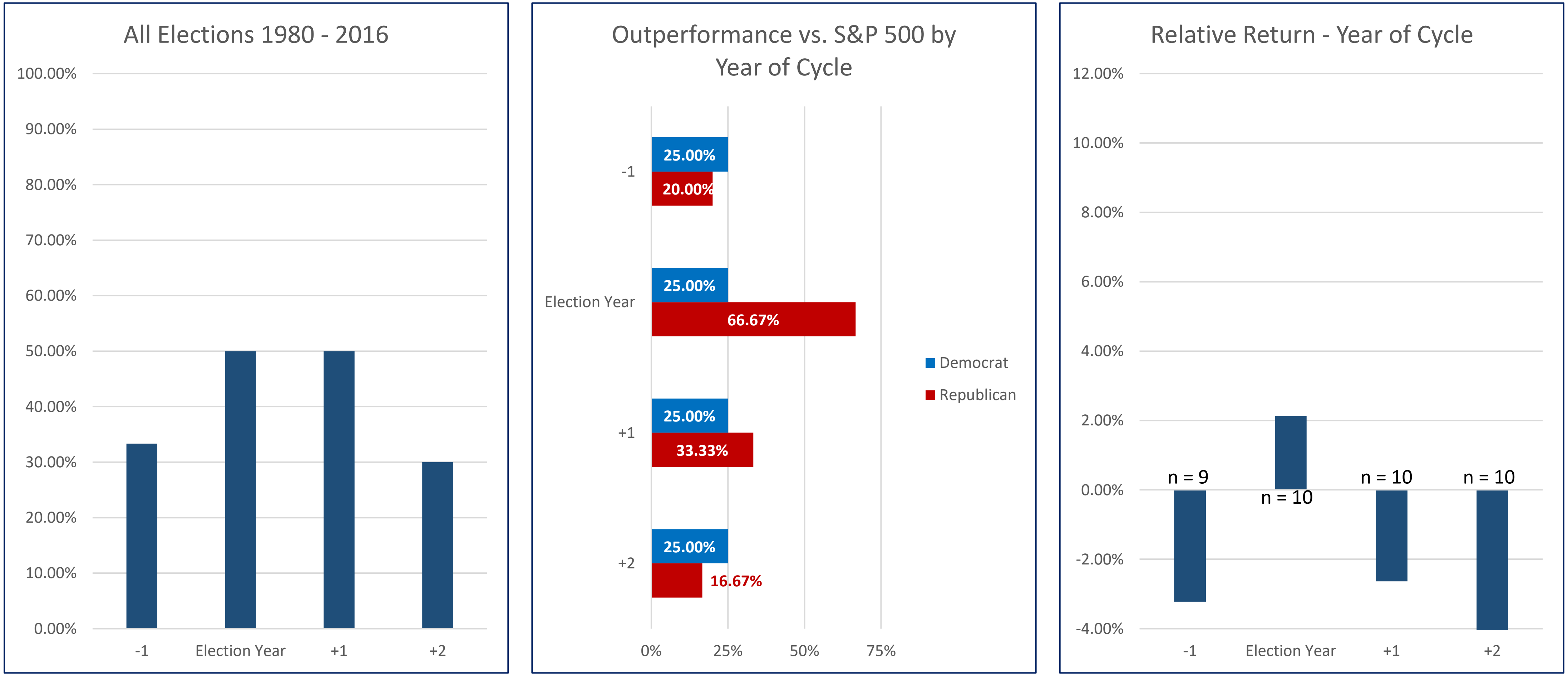
Our View

- As long as one party does not take control, we believe healthcare will largely outperform the S&P regardless of the results.
- If Democrats sweep, we believe health reform will be a top priority and the threat of the public option could weigh on the sector.
- Historically, the first year after the election the sector underperforms.



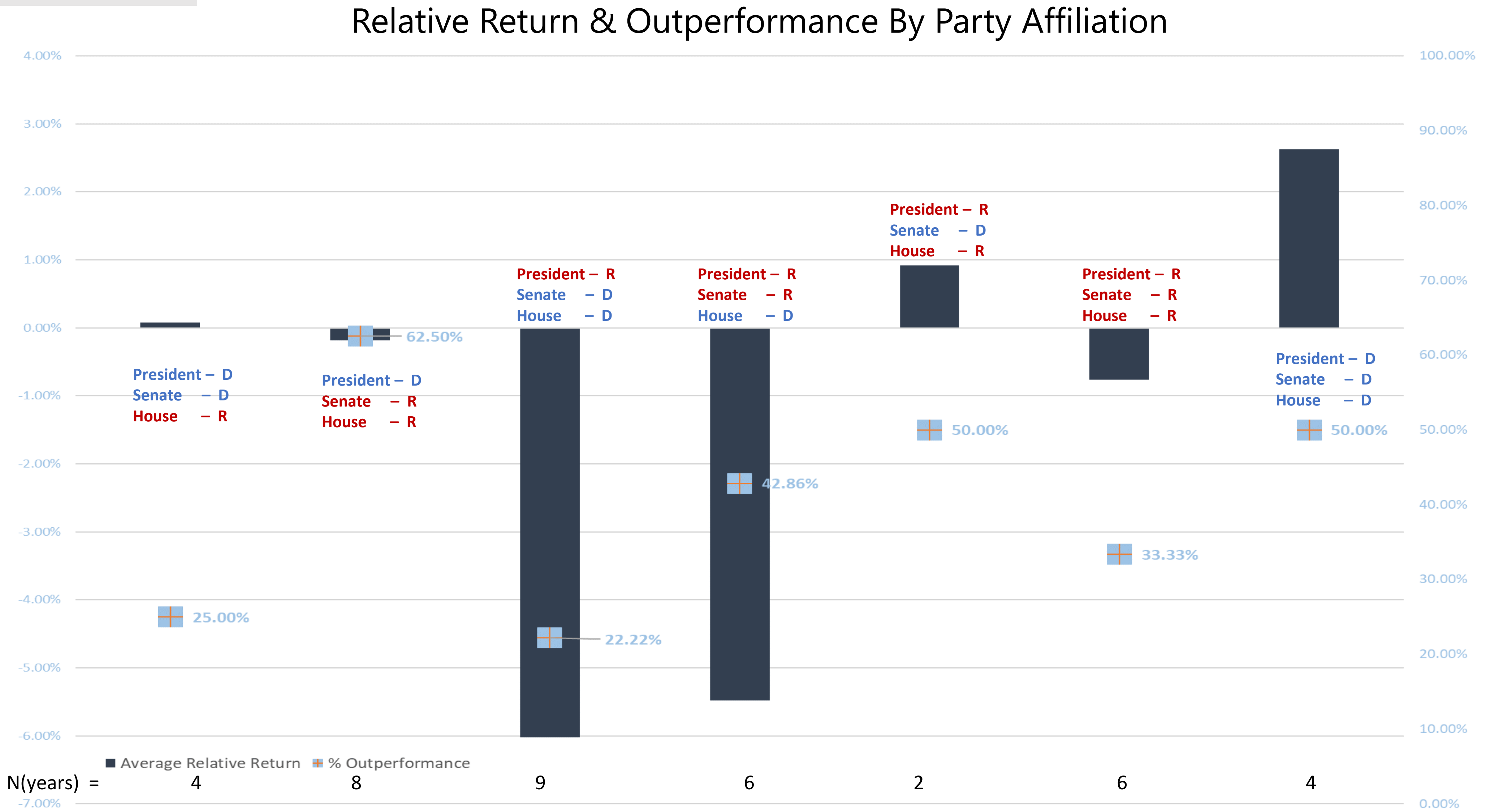
Industrials

Percent of Elections Outperforming S&P 500 By Year Of Cycle



Source: Bloomberg, Raymond James research

Industrials



Source: Bloomberg, Raymond James research

Industrials

Key Takeaways: Industrials

Republican Presidents

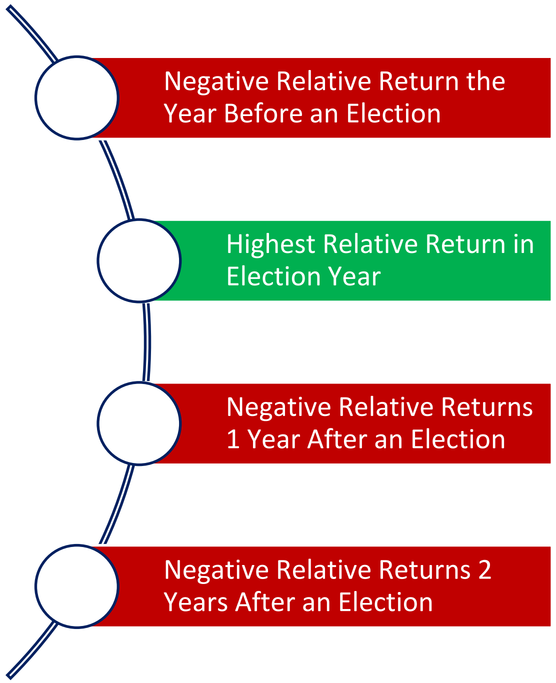
- Industrials historically **underperform** under Republican leadership by an avg. of (3%).
- This sector **generally underperforms under GOP governments**, but less so under unified GOP control.

Democrat Presidents

- Industrials are historically **flat** under Democratic leadership with an avg. relative performance of 0%.
- This sector performs **better under a unified Dem government** vs. a divided government.

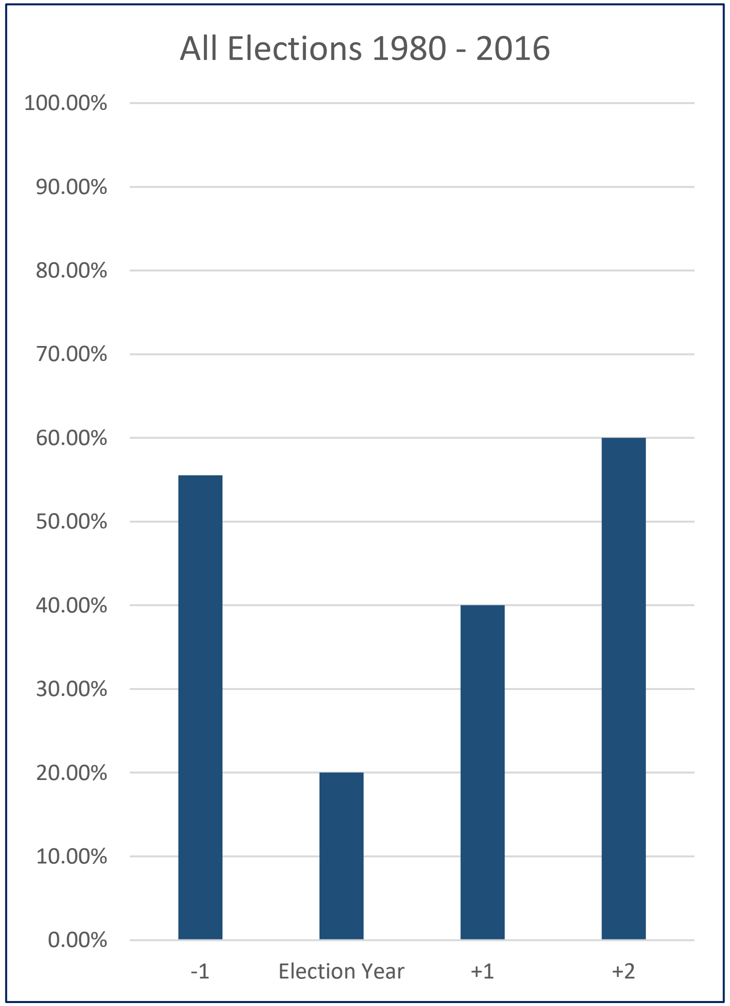
Our View

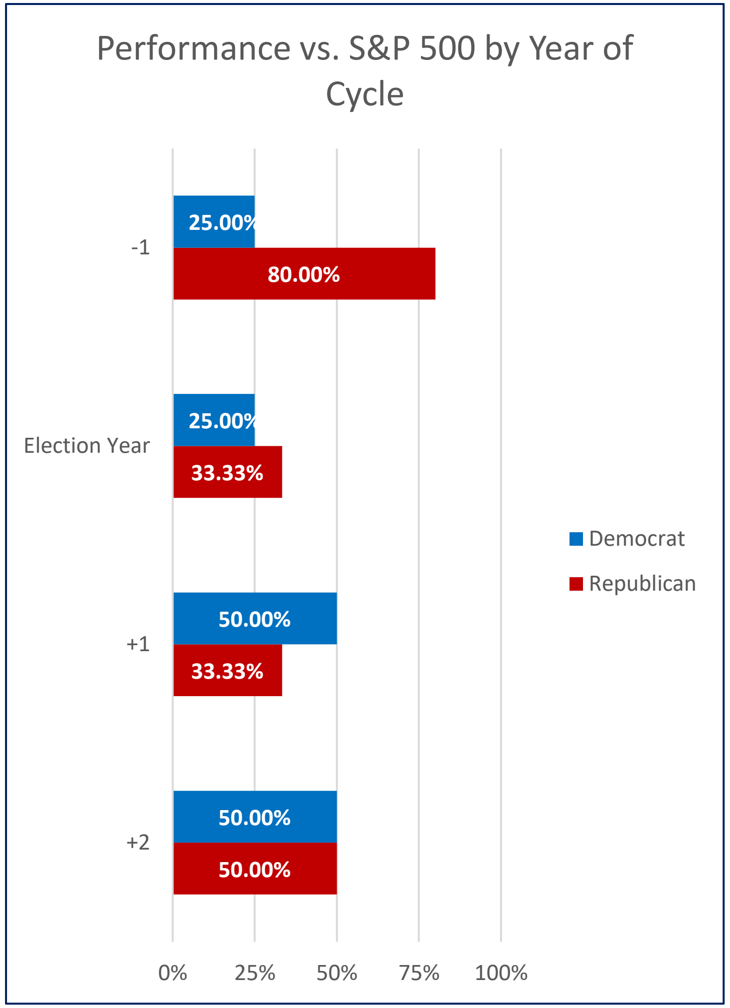
- Expectations are building that 2021 will finally produce an infrastructure bill.
- An all Democratic government increases likelihood of infrastructure and should continue trend of **outperformance.**

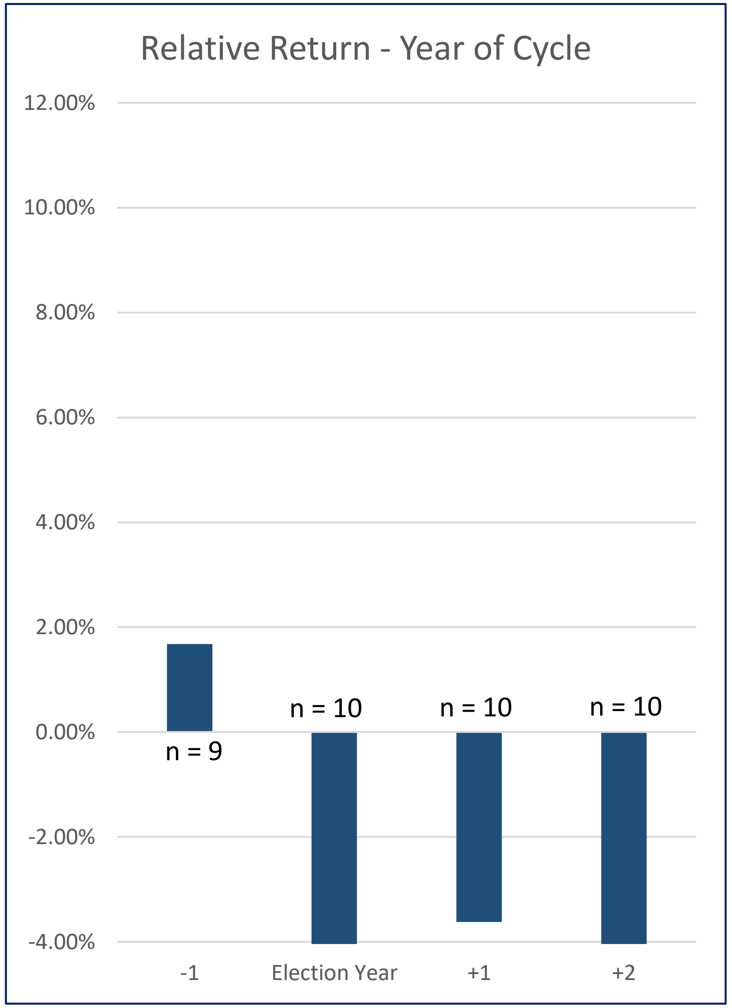


Materials

Percent of Elections Outperforming S&P 500 By Year Of Cycle

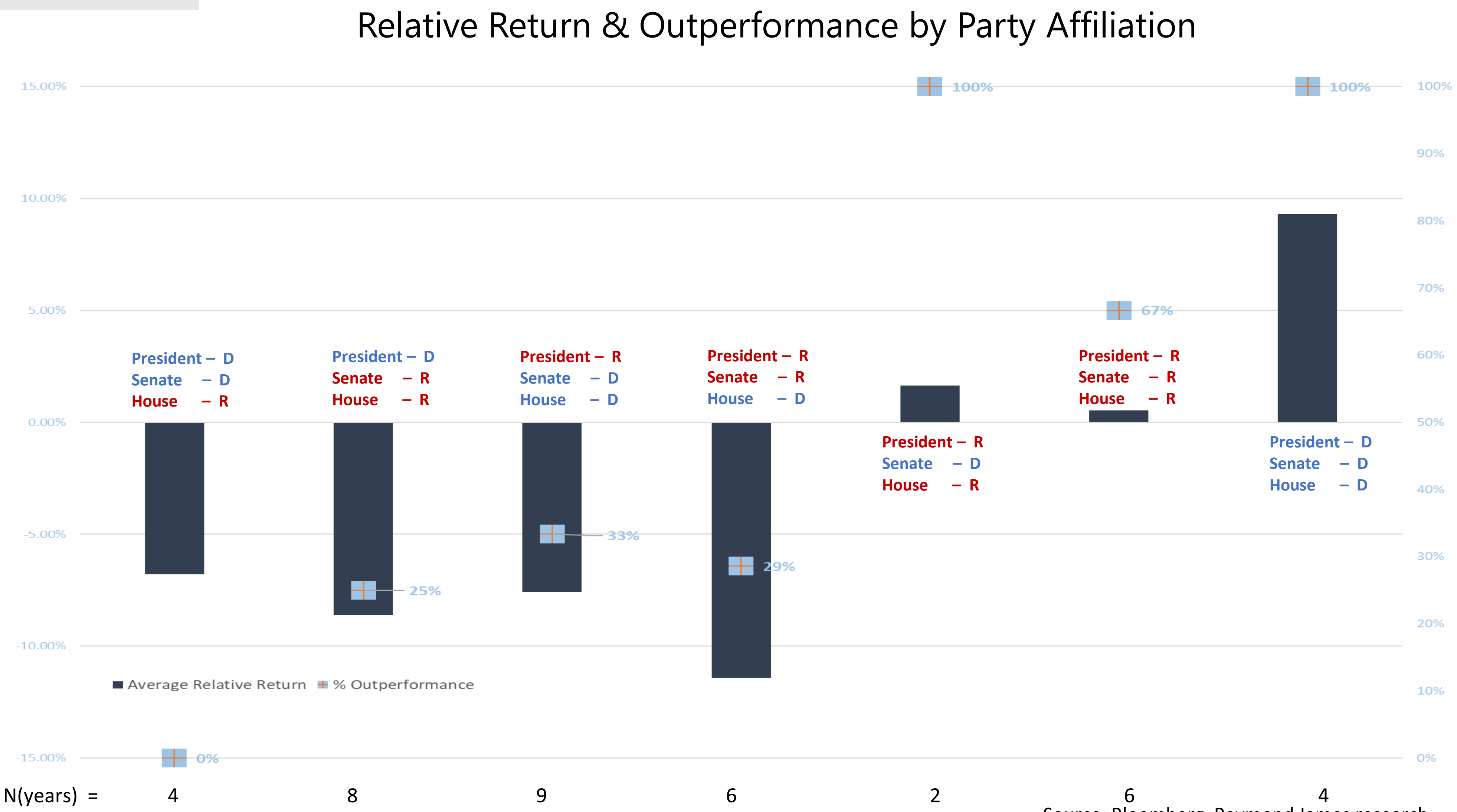






Source: Bloomberg, Raymond James research

Materials



Source: Bloomberg, Raymond James research

Materials

Key Takeaways: Materials

Republican Presidents

- Materials historically **outperform** under Republican leadership by an avg. of 5%.
- This sector **performs worse under a divided GOP government** vs. a unified government.

Democrat Presidents

- Materials historically **underperform** under Democratic leadership by an avg. of (33%).
- This sector **performs better under a unified Dem government** vs. a divided government.

Our View

- This sector generally has been highly correlated to energy, but a Democratic presidency that drives more inflation fear may help more than typical as this sector is aided by improving inflation, commodities, and other materials.

Higher Relative Return the Year Before an Election

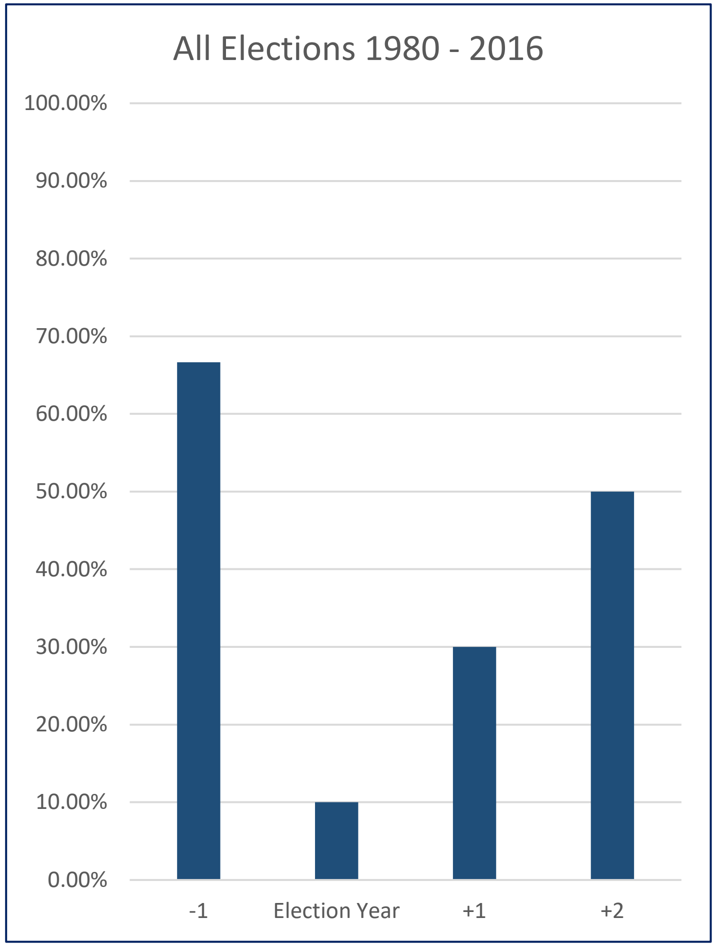
Negative Relative Return in Election Year

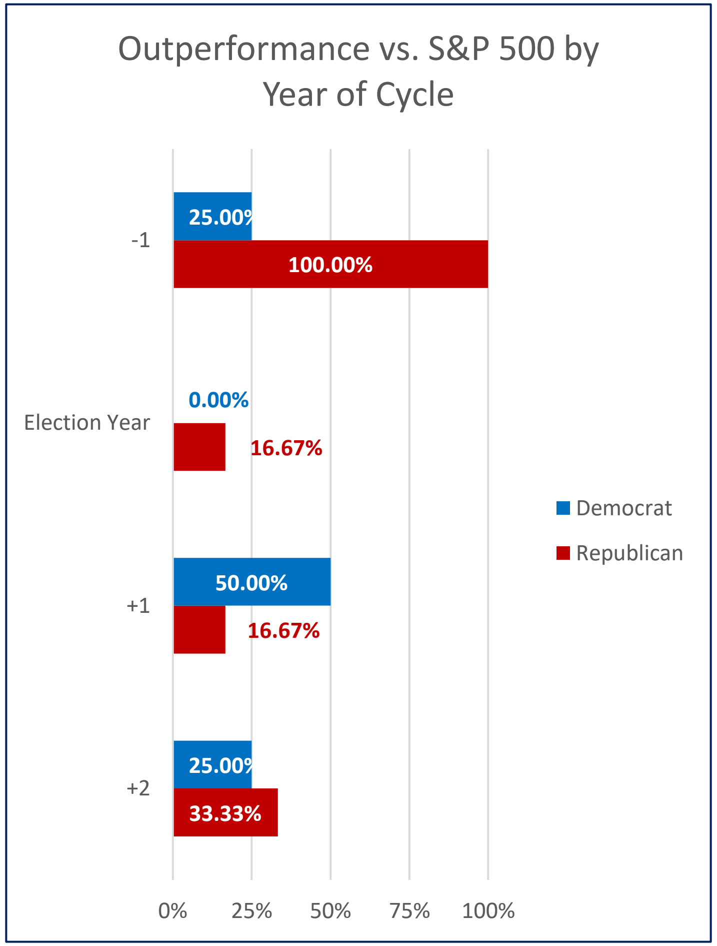
Negative Relative Returns 1 Year After an Election

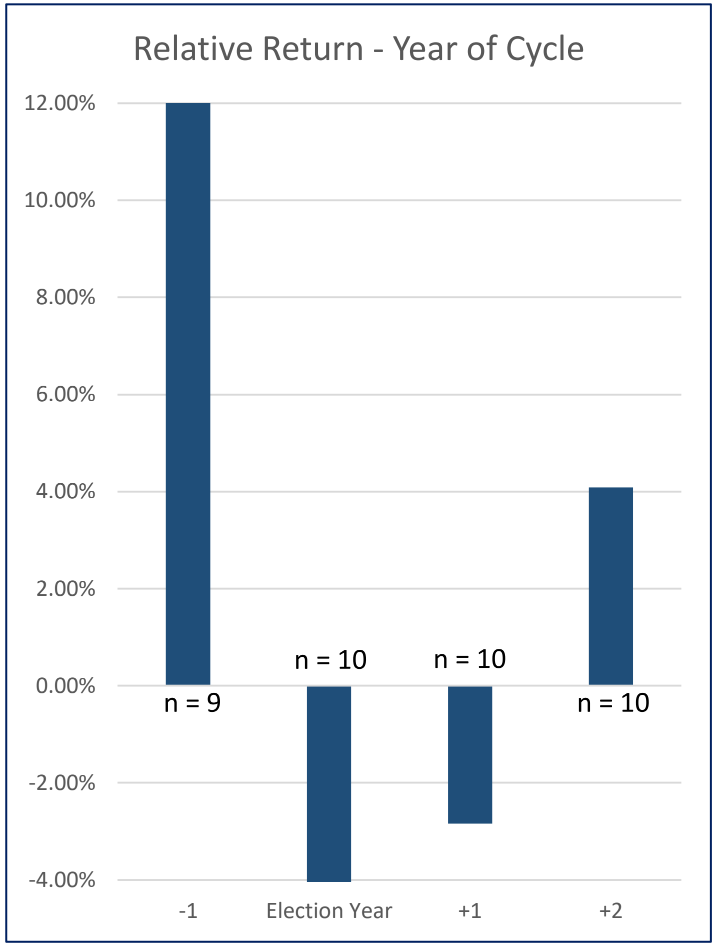
Negative Relative Returns 2 Years After an Election

Technology

Percent of Elections Outperforming S&P 500 By Year Of Cycle

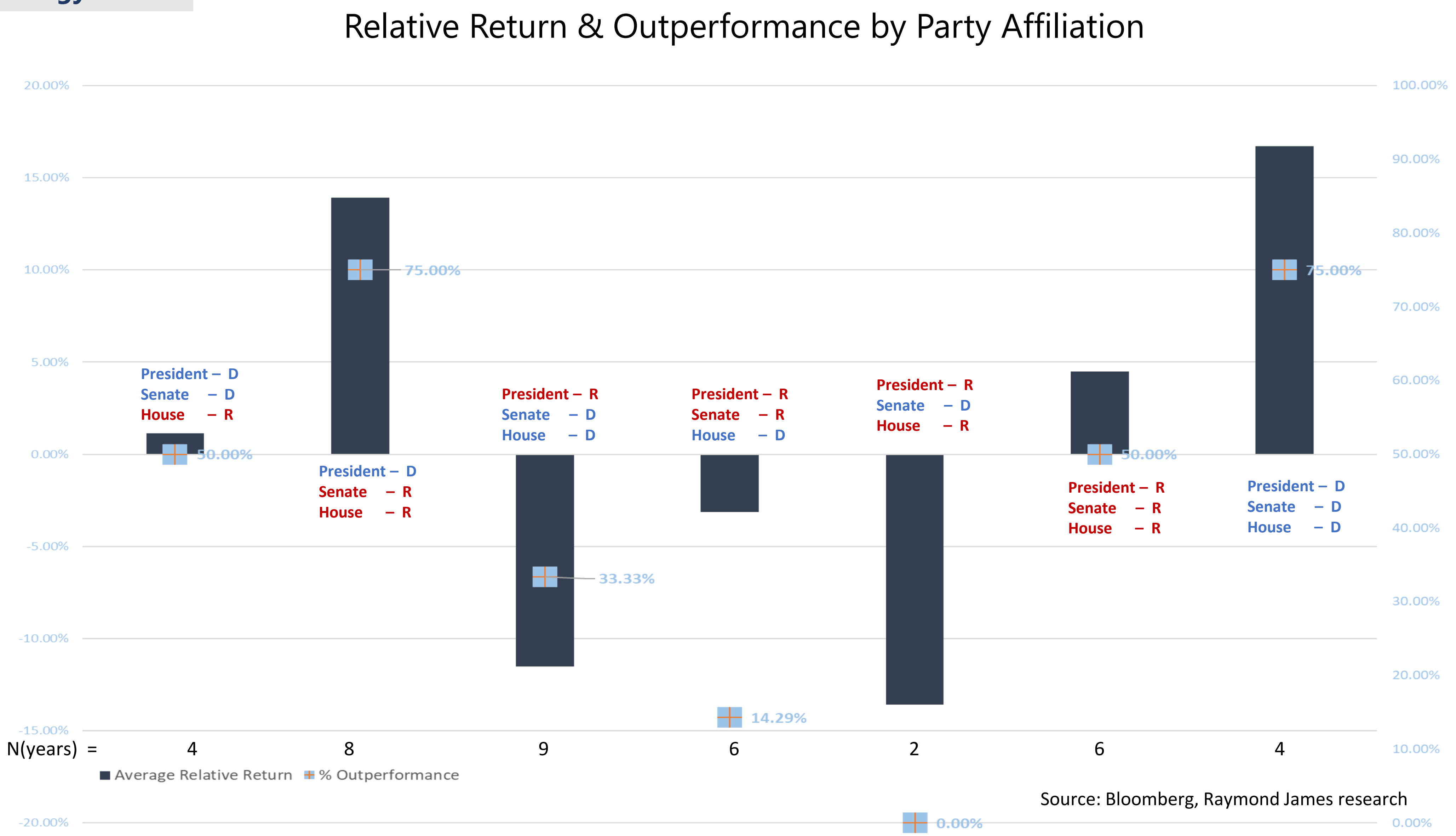






Source: Bloomberg, Raymond James research

Technology



Source: Bloomberg, Raymond James research

Key Takeaways: Technology

Republican Presidents

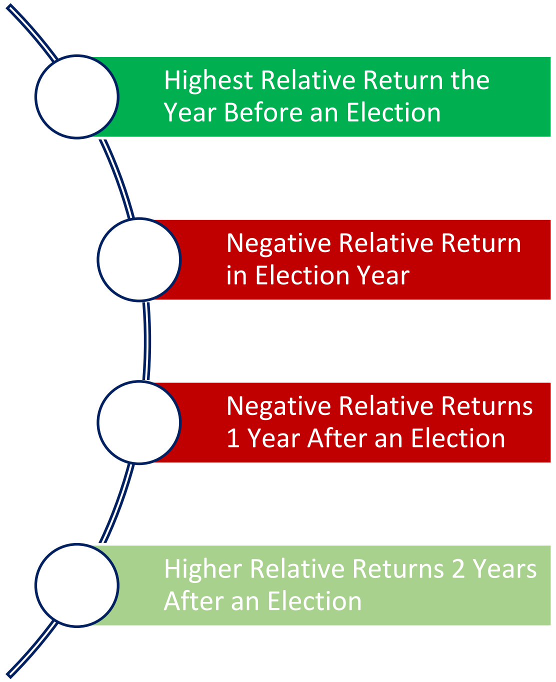
- Technology historically **underperforms** under Republican leadership by an avg. of (21%).
- This sector **performs better under a unified GOP government** vs. a divided government.

Democrat Presidents

- Technology historically **outperforms** under Democratic leadership by an avg. of 81%.
- This sector **performs well under both unified and divided Dem governments.**

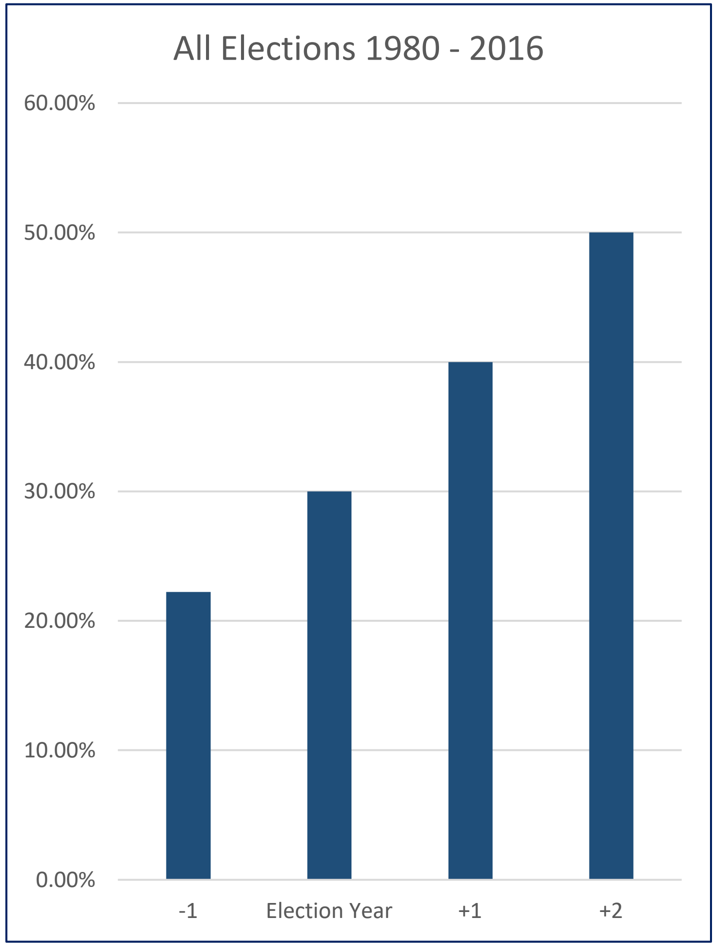
Our View

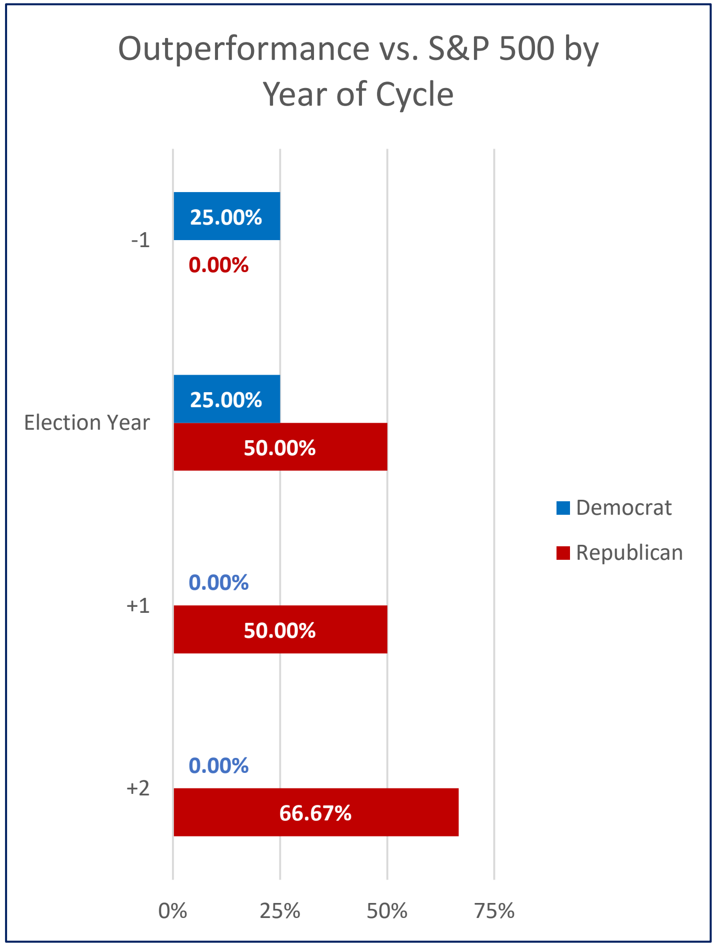
- Tech regulation is moving up the agenda in DC and there are more concerns under Democratic control.
- Regulation may be a headwind, but technology has many secular tailwinds that are stronger than DC.

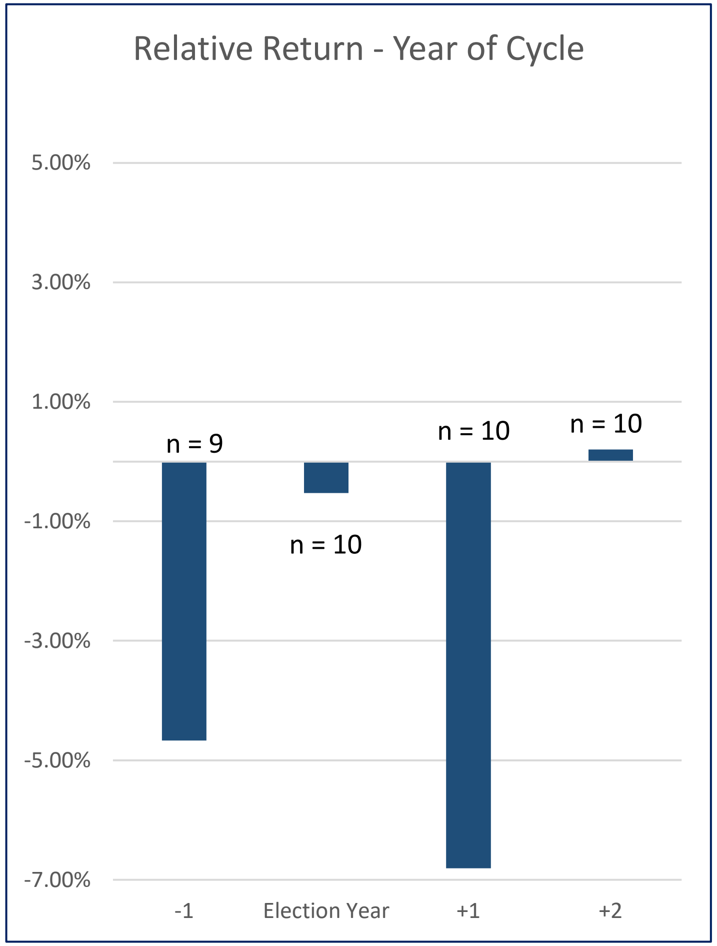


Utilities

Percent of Elections Outperforming S&P 500 By Year Of Cycle

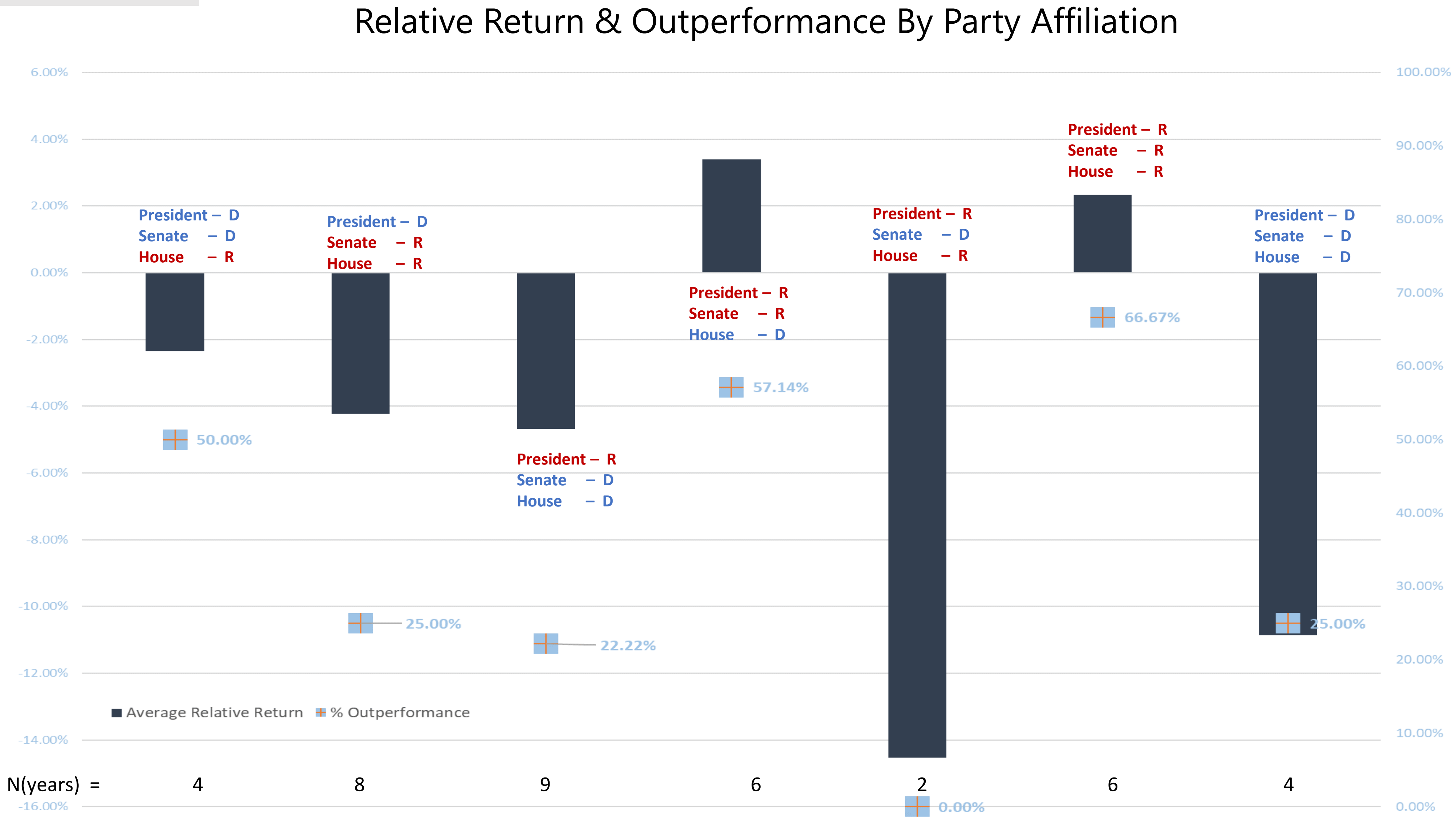






Source: Bloomberg, Raymond James research

Utilities



Source: Bloomberg, Raymond James research

Utilities

Key Takeaways: Utilities

Republican Presidents

- Utilities historically **outperform** under Republican leadership by an avg. of 18%.
- This sector **performs better under a unified GOP government** vs. a divided government.

Democrat Presidents

- Utilities historically **underperform** under Democratic leadership by an avg. of (35%).
- This sector **underperforms under both unified and divided Dem governments, but comparatively less so under divided Dem governments.**

Our View

- This sector is driven largely by interest rates. A Republican or split government is far more likely to see a low and flat yield curve, whereas a Democratic sweep is likely to create underperformance, at least initially.

Negative Relative Return the Year Before an Election

Neutral Relative Return in Election Year

Negative Relative Returns 1 Year After an Election

Neutral Relative Returns 2 Years After an Election

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