President Trump’s positive COVID test adds to election day uncertainty
We retain our glass half-full investment outlook

Key takeaways

- Late last night, President Donald Trump and First Lady Melania Trump tested positive for COVID-19. The president is exhibiting cold-like symptoms and continues to carry out the presidential office’s functions.
- The president’s positive test adds additional uncertainty to the national elections scheduled for Tuesday, November 3rd. Betting market odds for a Biden presidential victory and Democrat Senate takeover improved after the news.
- Constitutional mechanisms are in place in the event the president is unable to carry out the office’s duties; however, other world leaders have successfully managed after contracting COVID-19.
- We retain our glass half-full outlook but respect the continued market volatility given news and events regarding enhanced election uncertainty, stalled fiscal stimulus negotiations and back-to-school/virus dynamics.

Amid an already hectic fall news cycle, late last night the White House reported President Donald Trump and First Lady Melania Trump tested positive for COVID-19 and will immediately begin the quarantining process. At this publication’s press time, the President has reportedly exhibited mild cold-like symptoms. Unsurprisingly, investors reacted to the breaking news by initially seeking less risky investments, with European equities trading modestly lower and U.S. equity futures pointing to a lower opening as well while Treasury prices rose (meaning yields fell) and the dollar advanced against major currencies. As investors began digesting the news, U.S. equity markets opened lower this morning but are trading above the day’s lows.

While events will continue to evolve over the coming days and weeks, the President’s positive test introduces additional uncertainty into a national election just 32 days away. This diagnosis’ timing calls into question whether the next Presidential debate, scheduled for October 15th in Miami, Florida will occur and will depend on the President’s condition over the coming weeks. Meanwhile, prediction market odds for both a Biden Presidential victory and a Democratic Party Senate takeover increased markedly overnight. With the House overwhelmingly expected to remain in Democrats’ control, prediction markets are placing higher odds for a Democratic sweep scenario. Regarding the various election day scenarios, we would refer you to our recent paper, “The 2020 election: Predictions, implications, and outlook” for our election thoughts and investment considerations. As we highlighted in that piece, the current...
environment is subject to considerable news flow, and today’s developments reflect yet another twist in a
year replete with gyrations.

Regarding the governing process, if the President is no longer able to carry out the office’s duties, the
25th Amendment allows the President to notify Congress with the Vice President taking over as acting
President. If the President is unable to notify Congress due to worsening conditions, the Vice President
and a cabinet majority may inform Congress that the Vice President is taking over as acting President
until the President’s condition improves. At that time, the recovered President would notify Congress that
they are resuming their office’s duties.

News flow and events will undoubtedly remain fluid over the coming days and weeks leading up to
election day on November 3rd. President Trump’s positive COVID test does not necessarily foreshadow
the succession scenarios discussed above. Other world political leaders have successfully carried out
their office’s duties after contracting COVID-19. As of this writing, the Vice President debate between
Vice President Mike Pence and Senator Kamala Harris is scheduled for next Tuesday, October 7th,
though we would not be surprised if the format is moved to a virtual debate.

Today’s labor market data, somewhat lost amid today’s breaking news, is an important reminder that the
economy remains an important consideration for capital market investors. Private companies added
877,000 jobs in September, exceeding the average economist’s expectations, while the unemployment
rate fell more than expected from 8.4 percent to 7.9 percent. The labor market reflects the ongoing
gradual economic recovery, improving from the March and April lows, but not yet back to full recovery.
More than 12.5 million Americans remain unemployed, and the number of long-term unemployed, those
who are seeking work but have been unemployed for more than 27 weeks (roughly the duration of
COVID-19), rose to 2.4 million, a 5-year high.

To support the ongoing economic recovery as we await a virus vaccine, the Federal Reserve has
committed to an accommodative monetary policy for the foreseeable future, which includes low interest
rates, purchases of government, corporate and municipal securities, and direct support to small
businesses. Meanwhile, House Democrats and Senate Republicans remain at odds over extending
enhanced unemployment benefits that expired on July 31st, fiscal support that we view as also key to
bridging the economy. It remains unclear whether the President’s positive COVID test increases or
lessens the chances that a consensus stimulus package will be reached in the coming days or weeks.

While we respect the enhanced uncertainty surrounding November’s elections, the challenges facing the
economy and the elevated market volatility that ongoing news flow and events will bring, we also
continue to respect the investment opportunities that volatility may present. Patient investors have
weathered an innumerate number of “bricks” in the wall of worry over the months, years and decades,
including 2000’s contested election. While we remain vigilant for potentially negative outcomes, we
retain a glass half-full perspective and place a slightly greater weight on Federal Reserve support and an
ultimate breakthrough in a virus vaccine. For additional commentary regarding our investment views
please refer to our 4th quarter investment outlook. We will assuredly update you with any changes to our
views and our insights into major events. We thank you for your trust, and please don’t hesitate to reach
out to your advisor for any questions or concerns you may have.
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