



**STATE STREET GLOBAL ADVISORS**

# SPDR<sup>®</sup> ETFs Election Chart Pack

## October 2020

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# SPDR<sup>®</sup> ETFs

# Election Chart Pack

**Key Charts to Navigate the 2020 Election**

For Investment Professional Use Only

# S&P 500 Performance Under Different Control Scenarios

## Average Annual Performance

| <i>Political Scenarios</i> | 1933 – 2019     |                        |
|----------------------------|-----------------|------------------------|
|                            | <i>% Change</i> | <i>Number of Years</i> |
| Unified Government         | 10.03%          | 42                     |
| Democratic President       | 9.34%           | 34                     |
| Republican President       | 12.95%          | 8                      |
| Unified Congress           | 7.42%           | 32                     |
| Democratic President       | 12.96%          | 10                     |
| Republican President       | 4.91%           | 22                     |
| Split Congress             | 10.38%          | 12                     |
| Democratic President       | 13.60%          | 4                      |
| Republican President       | 8.77%           | 8                      |
| <i>All Years</i>           | <i>9.11%</i>    | <i>86</i>              |

## S&P 500 Post-Election Avg. Performance (1948 – 2017, Cumulative %)

|                      | Post-Election Returns (Nov - Dec) | Post-Election First-Year Return (Jan - Dec) | Post-Election Two-Year Return | Post-Election Three-Year Return | No. of Times |
|----------------------|-----------------------------------|---|-------------------------------|---------------------------------|--------------|
| Democratic President | 1.91                              | 19.75                                       | 32.36                         | 56.25                           | 8            |
| Democratic Congress  | 1.39                              | 15.38                                       | 22.83                         | 48.32                           | 6            |
| Republican Congress  | 5.42                              | 33.34                                       | 71.43                         | 107.49                          | 1            |
| Split Congress       | 1.49                              | 32.37                                       | 50.48                         | 52.55                           | 1            |
| Republican President | 3.60                              | 3.86  | 14.19                         | 37.75                           | 10           |
| Democratic Congress  | 2.80                              | -0.53                                       | 3.17                          | 25.87                           | 4            |
| Republican Congress  | 7.80                              | 8.6   | 29.59                         | 59.86                           | 3            |
| Split Congress       | 0.46                              | 4.97  | 13.50                         | 31.49                           | 3            |

**A split Congress has been the most beneficial to the S&P 500's performance when a Democrat has been in the White House**

Source: Strategas, as of August 31, 2020. Past performance is not a guarantee of future results. Data excludes 2001 due to Sen. Jeffords changing parties midyear

# S&P 500 Performance History, Recessions and Election Outcomes

S&P 500 Performance 3 Months Prior to the Election, by Outcome (1928 – 2016)

| Election Year | 3 Months Prior to Presidential Election | Incumbent Win/Loss | Economic Recession |
|---------------|---|--------------------|--------------------|
| 2016          | -1.90%                                  | Loss               |                    |
| 2012          | 2.45%                                   | Win                |                    |
| 2008          | -19.48%                                 | Loss               | <i>Recession</i>   |
| 2004          | 2.16%                                   | Win                |                    |
| 2000          | -3.21%                                  | Loss               |                    |
| 1996          | 8.17%                                   | Win                |                    |
| 1992          | -1.22%                                  | Loss               |                    |
| 1988          | 1.91%                                   | Win                |                    |
| 1984          | 4.80%                                   | Win                |                    |
| 1980          | 6.73%                                   | Loss               | <i>Recession</i>   |
| 1976          | -0.09%                                  | Loss               |                    |
| 1972          | 6.91%                                   | Win                |                    |
| 1968          | 6.45%                                   | Loss               |                    |
| 1964          | 2.63%                                   | Win                |                    |
| 1960          | -0.74%                                  | Loss               | <i>Recession</i>   |
| 1956          | -2.58%                                  | Win                |                    |
| 1952          | -3.26%                                  | Loss               |                    |
| 1948          | 5.36%                                   | Win                | <i>Recession</i>   |
| 1944          | 2.29%                                   | Win                |                    |
| 1940          | 8.56%                                   | Win                |                    |
| 1936          | 7.92%                                   | Win                |                    |
| 1932          | -2.56%                                  | Loss               | <i>Recession</i>   |
| 1928          | 14.91%                                  | Win                |                    |

S&P 500 Performance Since 8/03/2020



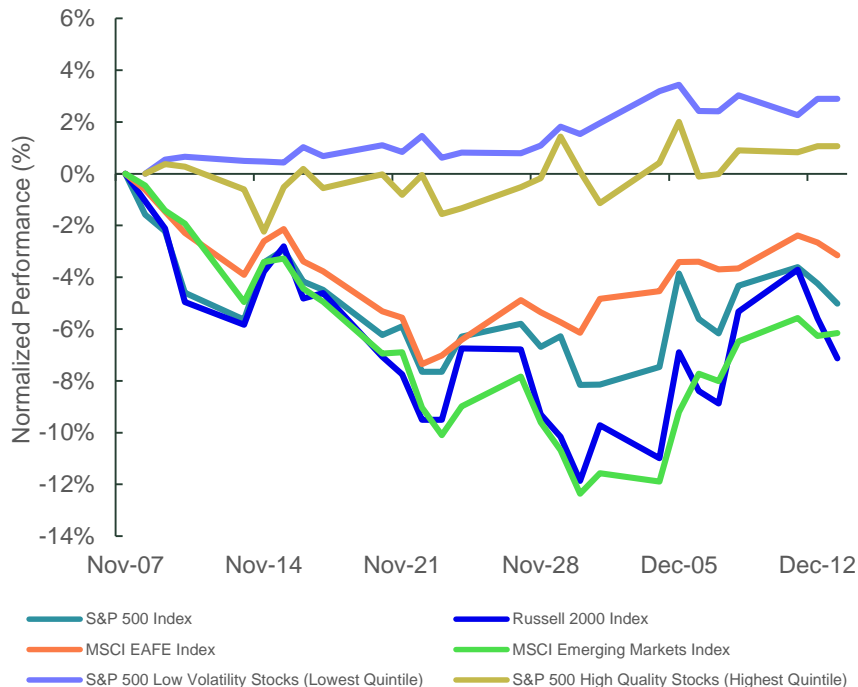
**Historically, when the S&P 500 gained three months prior to the election, the incumbent party won, with few exceptions. Only once has an incumbent won during a recession**

Source: Strategas, as of August 31, 2020. S&P Index performance for 2020 as of 10/09/2020. **Past performance is not a guarantee of future results.** Data excludes 2001 due to Sen. Jeffords changing parties midyear. 08/03/2020 was picked because it will be exactly three months before the election date on 11/03/2020.

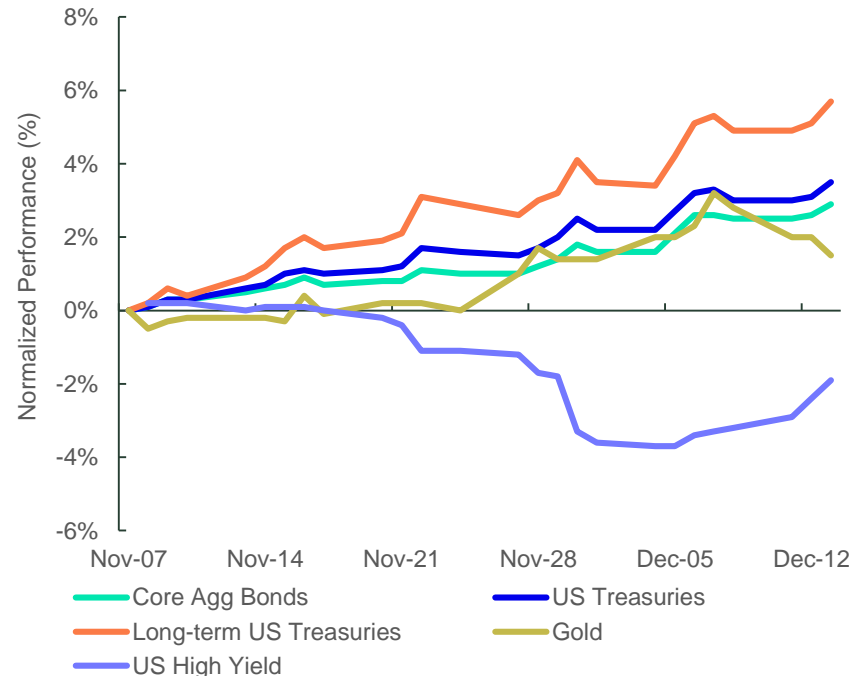
# Contested Elections

The contested election in 2000 may provide insight if the same happens in 2020, as back then, it created considerable uncertainty and led to equities selling off

**Equity Market Performance During the 2000 Recount**  
(11/07/2000 – 12/13/2000)



**Bond and Gold Performance During 2000 Recount**  
(11/07/2000 – 12/13/2000)

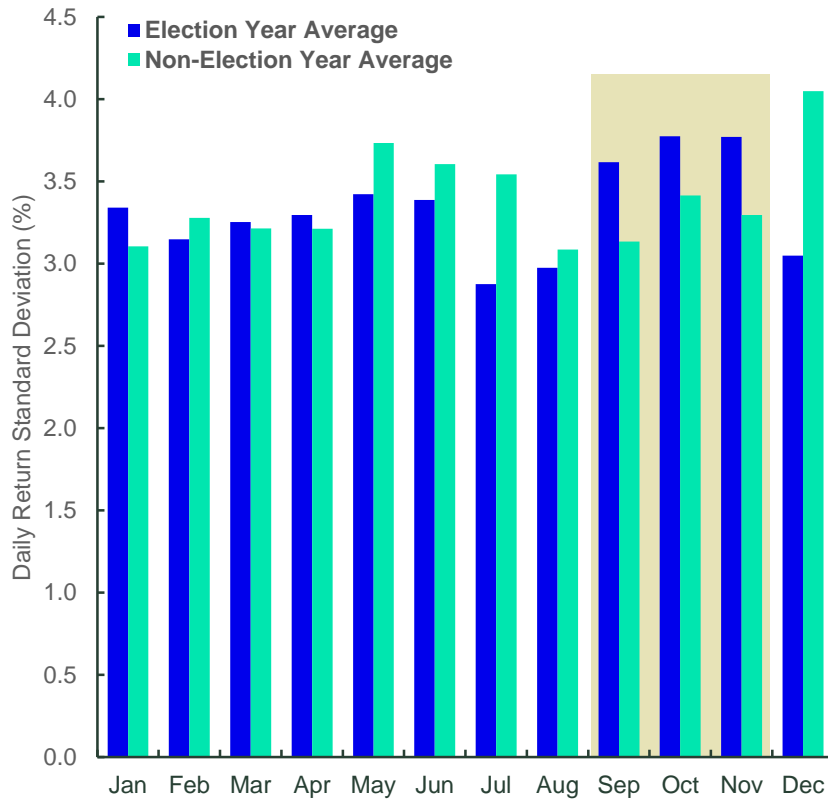


Source: Bloomberg Finance, L.P. **Past performance is not a guarantee of future results.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. S&P 500: S&P 500 Index; Gold: LBMA Gold Price; Russell 2000: Russell 2000 Index; Agg: Bloomberg Barclays US Treasury Index; US Treasuries: Bloomberg Barclays US Treasury Index; EAFE: MSCI EAFE Index; Emerging Markets: MSCI Emerging Markets Index; VIX: VIX Index. S&P 500 Low Volatility Index: The Low Vol basket consists of S&P 500 stocks ranked at bottom quintile based on volatility. S&P 500 Quality Index: Basket consisting of S&P 500 stocks ranked at highest quintile based on quality

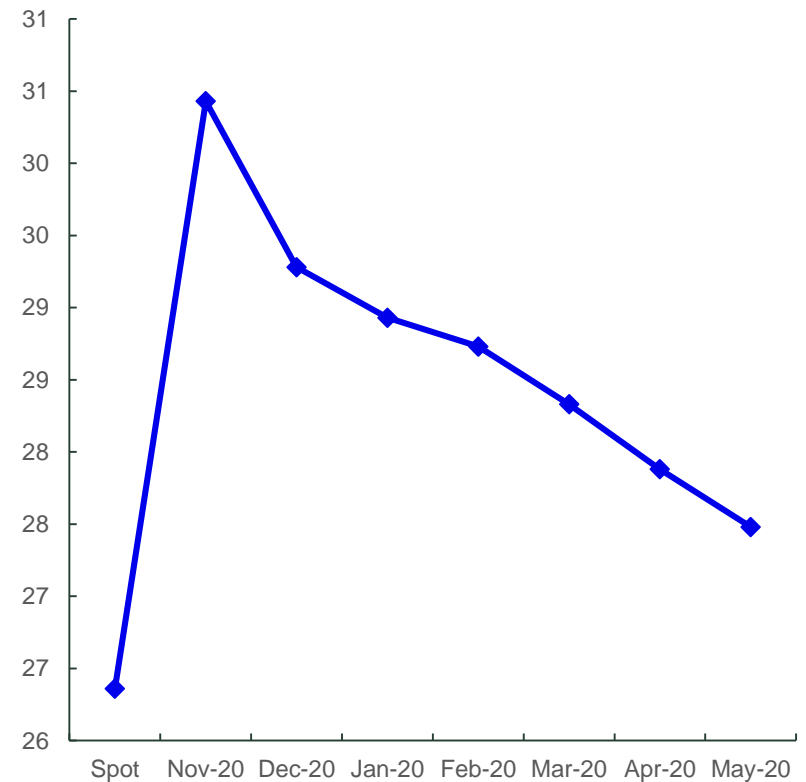
# Election Volatility

Option markets are pricing in an increase in market volatility ahead of the election in November, consistent with historical volatility trends in election years.

Historical Monthly Realized Volatility (1929 – 2019)



VIX Futures Curve

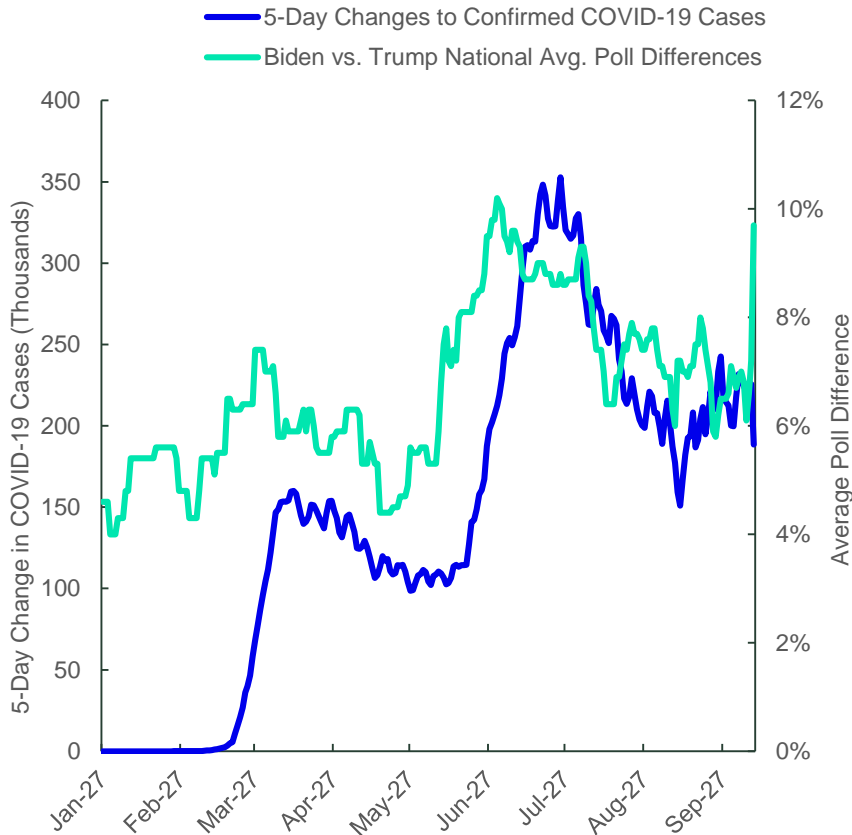


Source: Bloomberg Finance, L.P., as of 10/09/2020.

# Presidential Polls

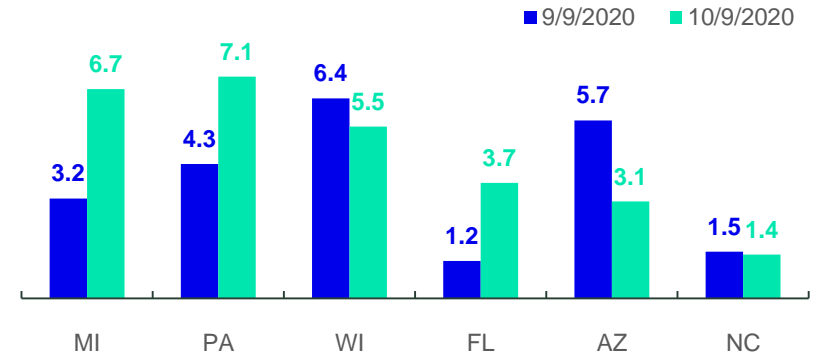
Biden's lead over Trump spiked nationally following the first presidential debate. However, his lead in a few swing states remains narrow.

## COVID-19 Cases Vs. Polling, Year to Date

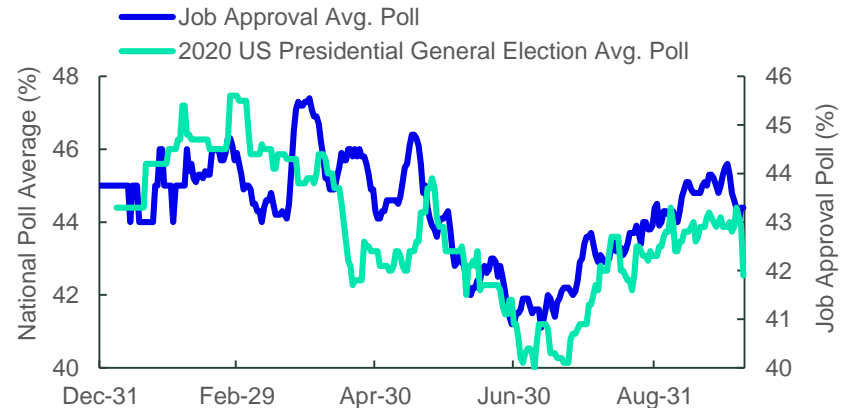


Source: Bloomberg Finance, L.P.; RealClearPolitics, as of 10/09/2020.

## Biden vs. Trump Avg. Poll Differences in Swing States



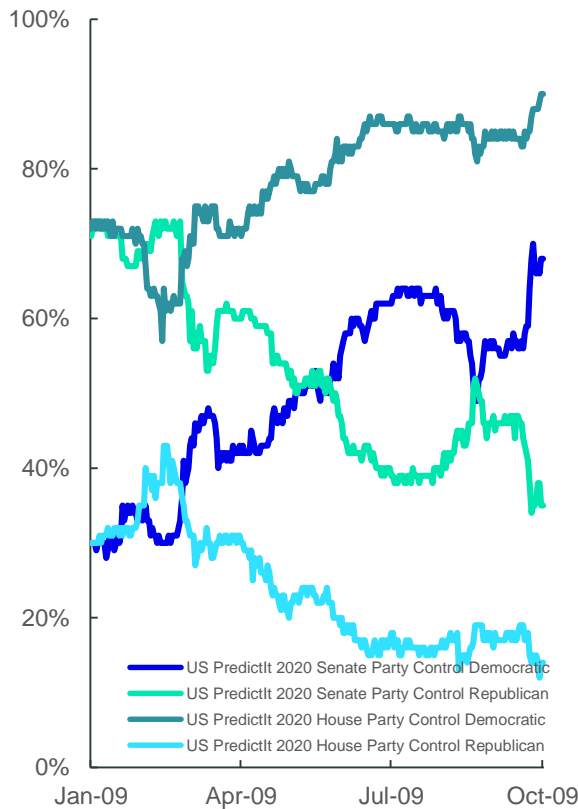
## Trump Presidential National Avg. Poll vs. Job Approval Avg. Poll



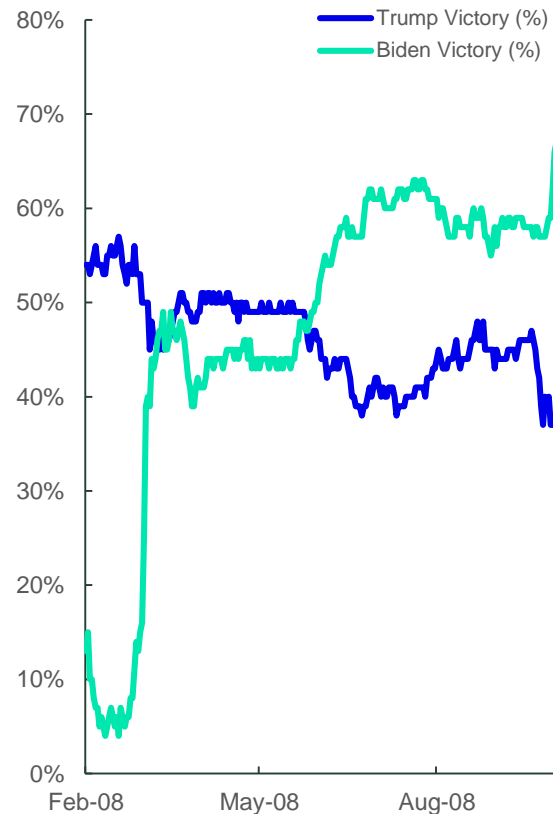
# Congressional Race

Current betting odds showed a higher probability of Democrat-controlled senate and White House lately

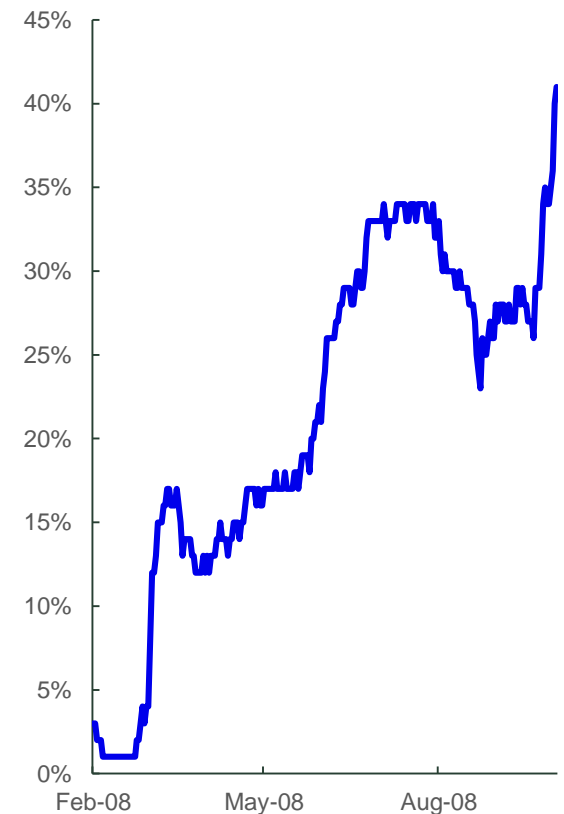
Probability for House Control



Probability for White House Victor



Probability for Democratic Sweep\*



Source: PredictIt Odds as of 10/09/2020.\* The probability of Democratic sweep is calculated by multiplying the probability of Democratic Senate, Democratic House and Biden's win of presidential election.



# 2020 Market-Based Election Issues

| Issues                              | Democratic Sweep  | Republican Status Quo   |
|-------------------------------------|---|---|
| <b>Health Care</b>                  | <ul style="list-style-type: none"> <li>• Biden’s pandemic response plan includes greater production of equipment, testing and tracing – as well as pursuing novel treatments.</li> <li>• If necessary, he could use executive orders to implement his plans.</li> </ul>   | <ul style="list-style-type: none"> <li>• Trump’s renewed emphasis on further weakening the Affordable Care Act may alleviate relative headline risk for broad health care.</li> <li>• The same is true for specific health services and insurance firms</li> </ul>  |
| <b>Clean Energy /Infrastructure</b> | <p>Biden is advocating for modern and sustainable infrastructure through:</p> <ul style="list-style-type: none"> <li>• \$2 trillion infrastructure plan seeking to achieve carbon neutrality in the US power sector by 2035</li> <li>• Shift toward electric vehicles</li> <li>• Reinstate environmental regulations</li> </ul> | <ul style="list-style-type: none"> <li>• Expect increases in more traditional infrastructure spending to rebuild airports, highways, railroads, and bridges.</li> <li>• Expect little support for clean energy, as Trump likely would continue to pursue looser environmental policies.</li> <li>• However, traditional energy firms may still be hurt by global supply/demand trends.</li> </ul> |
| <b>Technology /Antitrust</b>        | <ul style="list-style-type: none"> <li>• Antitrust legislation could impact mega cap, tech conglomerates</li> <li>• This may lead to growth opportunities for smaller innovative tech-related firms</li> </ul>  | <ul style="list-style-type: none"> <li>• Antitrust concerns could become just a headline risk for mega-cap tech. firms</li> <li>• This could lead to little impact on mega-cap tech conglomerates’ ability to generate cash flow.</li> </ul>  |

Source: State Street Global Advisors, SPDR Americas Research.

# 2020 Market-Based Election Issues

| Issues                           | Democratic Sweep  | Republican Status Quo  |
|----------------------------------|---|--|
| <b>Trade/<br/>Foreign Policy</b> | <ul style="list-style-type: none"> <li>• A likely reprieve of punitive tit-for-tat tariffs could be growth positive for regions most impacted by the current tariffs.</li> <li>• Given the White House's sweeping trade powers, Biden could exert his influence even without Congressional support.</li> </ul>  | <ul style="list-style-type: none"> <li>• More hawkish trade rhetoric and additional tariffs are likely.</li> <li>• This could dampen sentiment for overseas exposures and sectors that rely on global supply chains (i.e., industrials).</li> <li>• But benefit more domestically oriented markets, such as small and midsize firms.</li> </ul>                            |
| <b>Taxes</b>                     | <ul style="list-style-type: none"> <li>• Biden has called for higher corporate and individual tax rates.</li> <li>• Sectors with low effective tax rates may be less impacted.</li> <li>• Higher tax rates may benefit tax-exempt securities.</li> <li>• If Republicans retain control of the Senate, Biden's tax plan may not come to fruition.</li> </ul> | <ul style="list-style-type: none"> <li>• Even before the virus-induced economic downturn, the Trump administration was openly discussing a second tax cut to entice companies to bring jobs onshore.</li> <li>• Corporate tax cuts could boost earnings for sectors with high tax rates.</li> <li>• Lower individual tax rates may fuel more consumer spending.</li> </ul> |

Source: State Street Global Advisors, SPDR Americas Research

# Clean Energy and Dem. Control

Biden's advocacy for modern and sustainable infrastructure is pushing up the clean energy industry

Clean Energy vs. Biden Odds

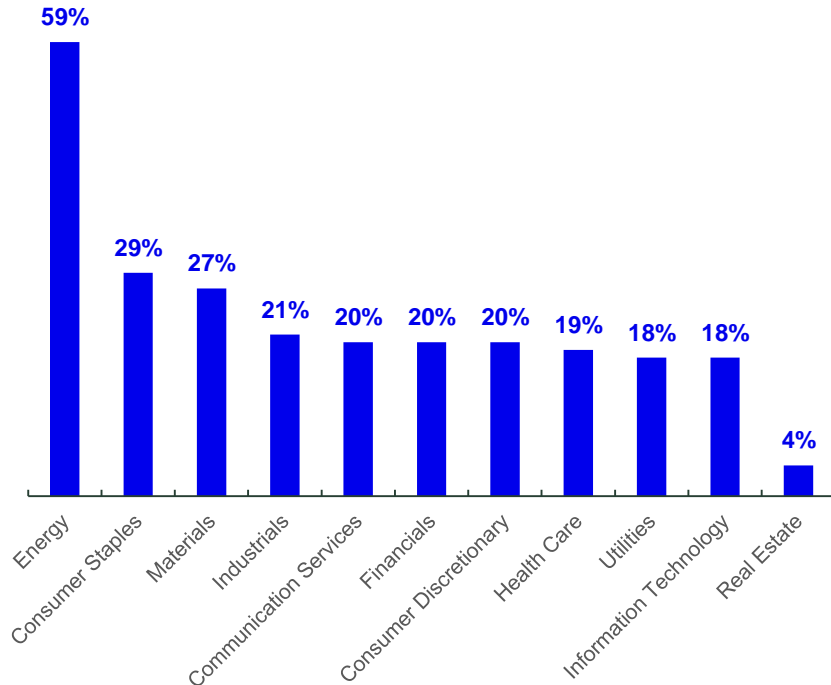


Source: Bloomberg Finance L.P., calculated by State Street Global Advisors, as of 10/09/2020. Biden win probability is calculated with PredictIt data. **Performance quoted represents past performance, which is no guarantee of future results.**

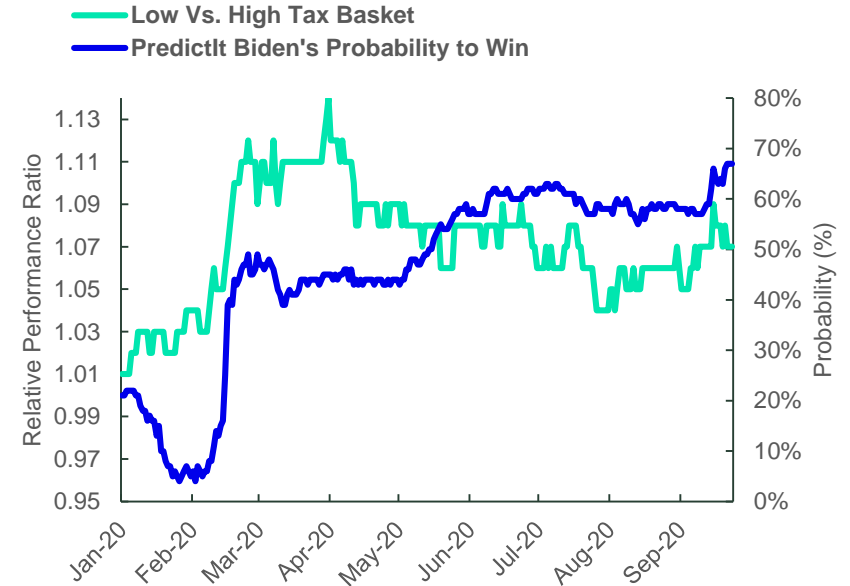
# Tax Policy Impacts

Sectors with low effective tax rates may be less impacted by potential higher corporate tax rates under a Democratic Sweep scenario.

Average of 2019 Tax Rate, by Sector



Relative Performance: High Tax vs. Low Tax



Top 3 Sectors

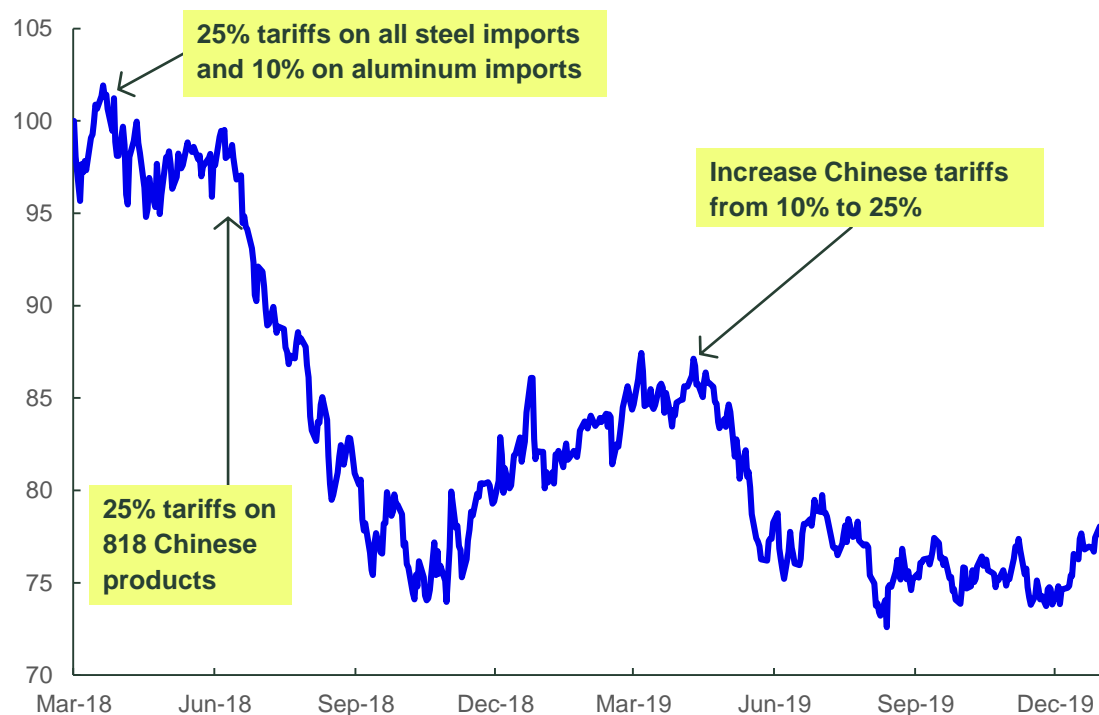
|                 |             |             |             |
|-----------------|-------------|-------------|-------------|
| Low Tax Basket  | Real Estate | Tech.       | Health Care |
| High Tax Basket | Industrials | Cons. Disc. | Energy      |

Source: FactSet, Bloomberg Finance L.P., calculated by State Street Global Advisors, as of 10/09/2020. Low and high tax baskets consist of equal-weighted top and bottom quintile securities based on their 2019 tax rate, respectively. **Past performance is not a guarantee of future results.**

# Trade Policy Impacts

Under a Democratic sweep scenario, tariff-led pressures on Chinese equities may be reduced. Conversely, more domestic segments may benefit under the status quo.

S&P China BMI Performance Relative to the S&P 500 During US-China Trade War



Foreign Revenue Exposure per S&P Style Box

|       | Value | Blend | Growth |
|-------|-------|-------|--------|
| Large | 30    | 33    | 37     |
| Mid   | 22    | 24    | 24     |
| Small | 20    | 21    | 23     |

Source: Bloomberg Finance L.P., FactSet, as of 8/31/2020. Performance quoted represents past performance, which is no guarantee of future results.

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## Appendix

# Important Disclosures

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