Gridlock In Washington
Interim Commentary

Two days after the election, we are now getting a better picture of what the future will look like. Most likely, Biden will be our president and Congress will have split control.

We view this as quite positive for the financial markets (and the markets agree).
History shows that when there is a split in control, it forces both parties to come to the middle and compromise.
As such, neither the Republicans will dominate, nor will the Democrats. (***See Below & Attached Article***)

This means that some of the far "right" or far "left" ideas that have been floated will be off the table. This tells corporate America (and the financial markets) that change will be much slower and evolutionary….as opposed to quick and radical.
This offers greater predictability and insight for business and economic planning.

It is also worth mentioning that if Biden prevails, he will inherit a weak economy (7.9% unemployment) while the coronavirus sets new daily infection records.
As such, implementing things like huge tax increases are quite unlikely. Furthermore, interest rates and inflation will remain quite subdued.

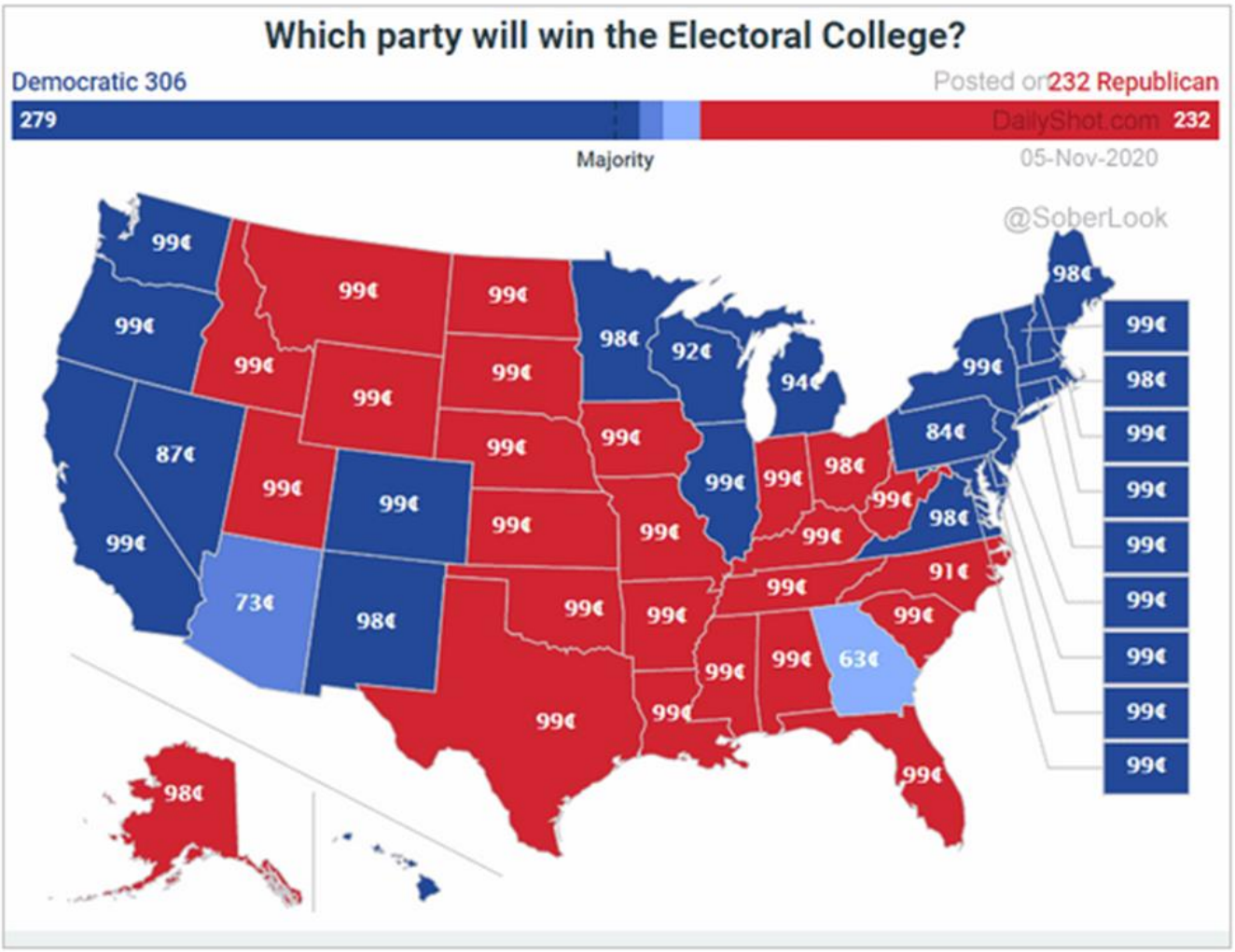
Fortunately, none of our investments are predicated upon any particular political outcome. People continue to shop at Dollar General and drink Jack Daniels Whiskey regardless of the political landscape. The same is true for the rest our investments. This makes it very easy to hunker down, read and think logically about facts and business models.

Let us know what questions or comments you may have.

Have a great day.

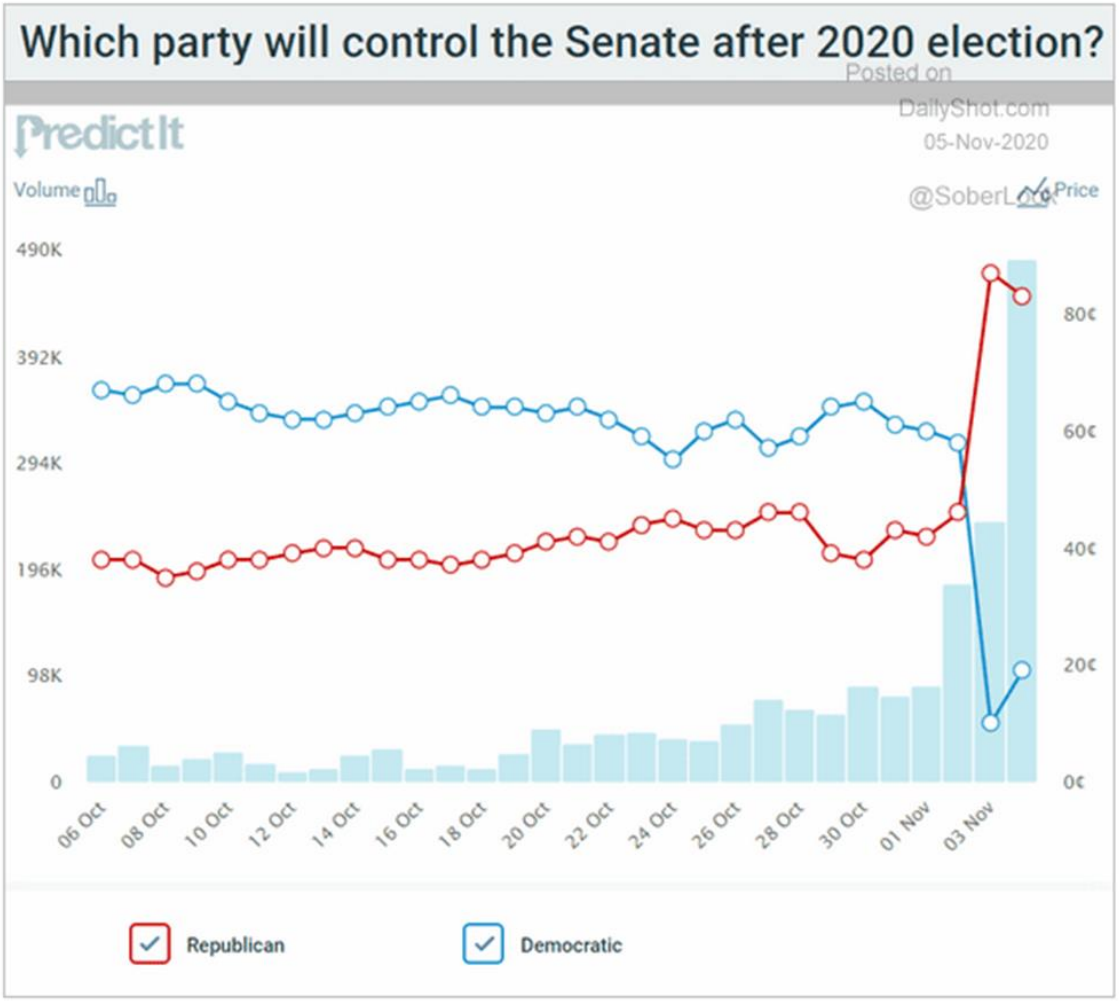
Dave, Warren, Jon, Nate, Tammy & Patty

Here is the latest electoral map (based on betting markets' odds).



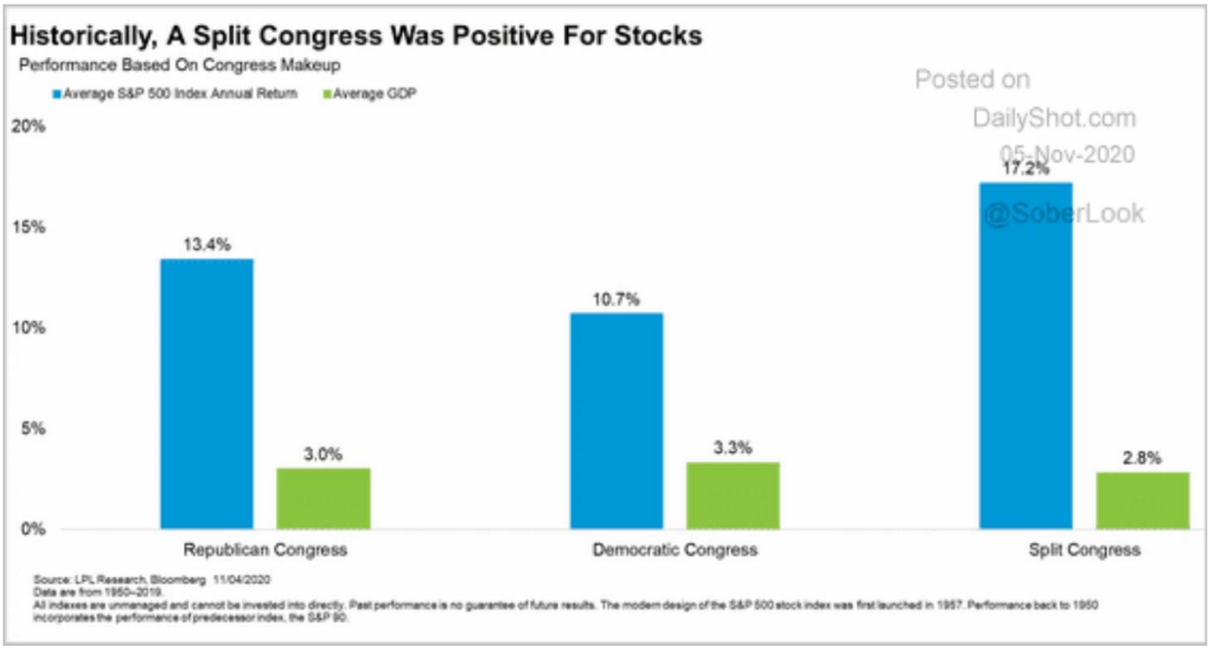
Source: @PredictIt

However, a "blue wave" is not likely as Republicans seem to retain Senate control.



Source: @PredictIt

- A split government is generally good for stocks.

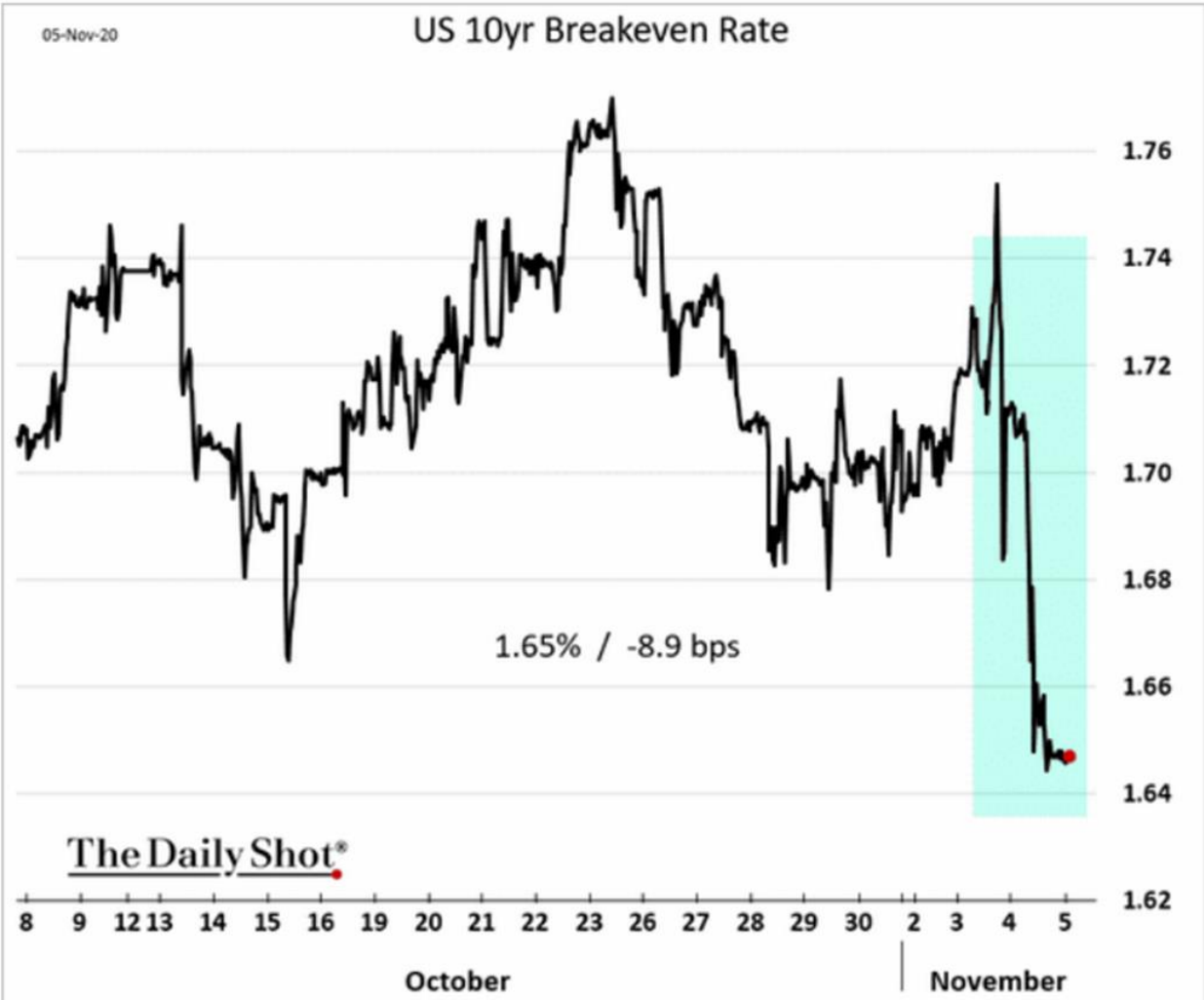


Source: LPL Research

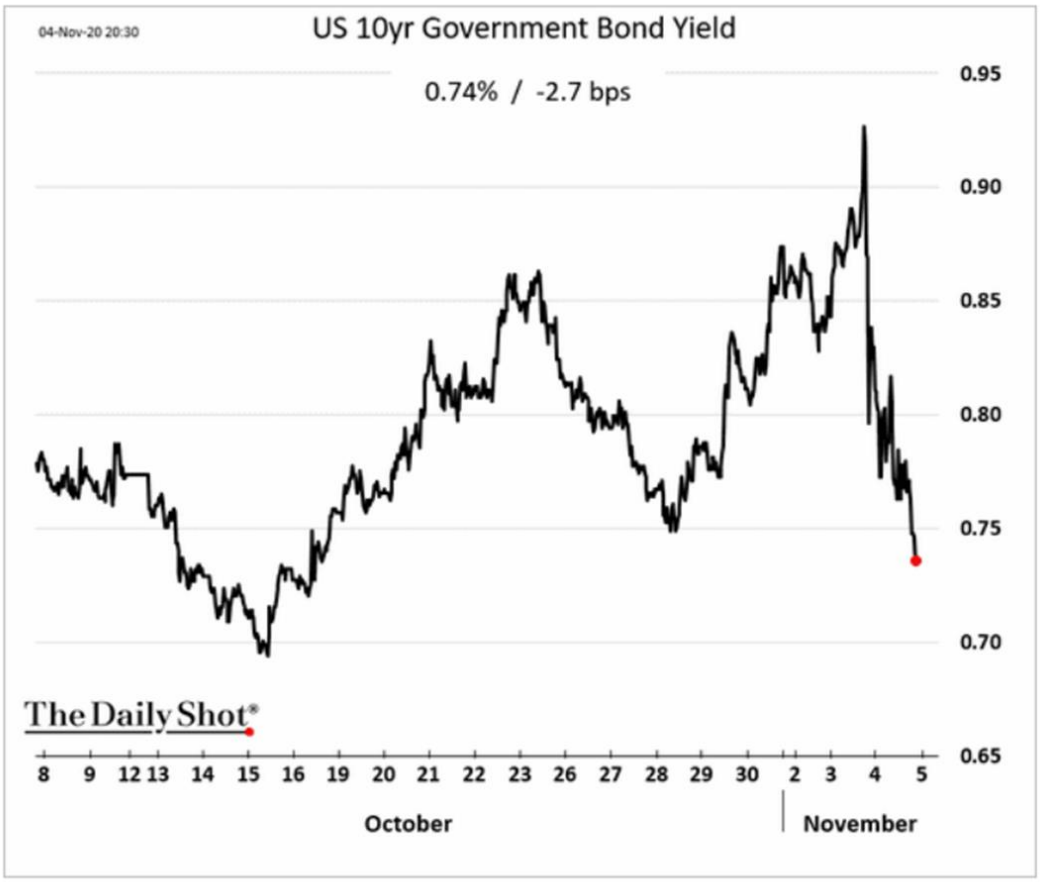
Gridlocked Washington Would Force Fed to Do More for Economy

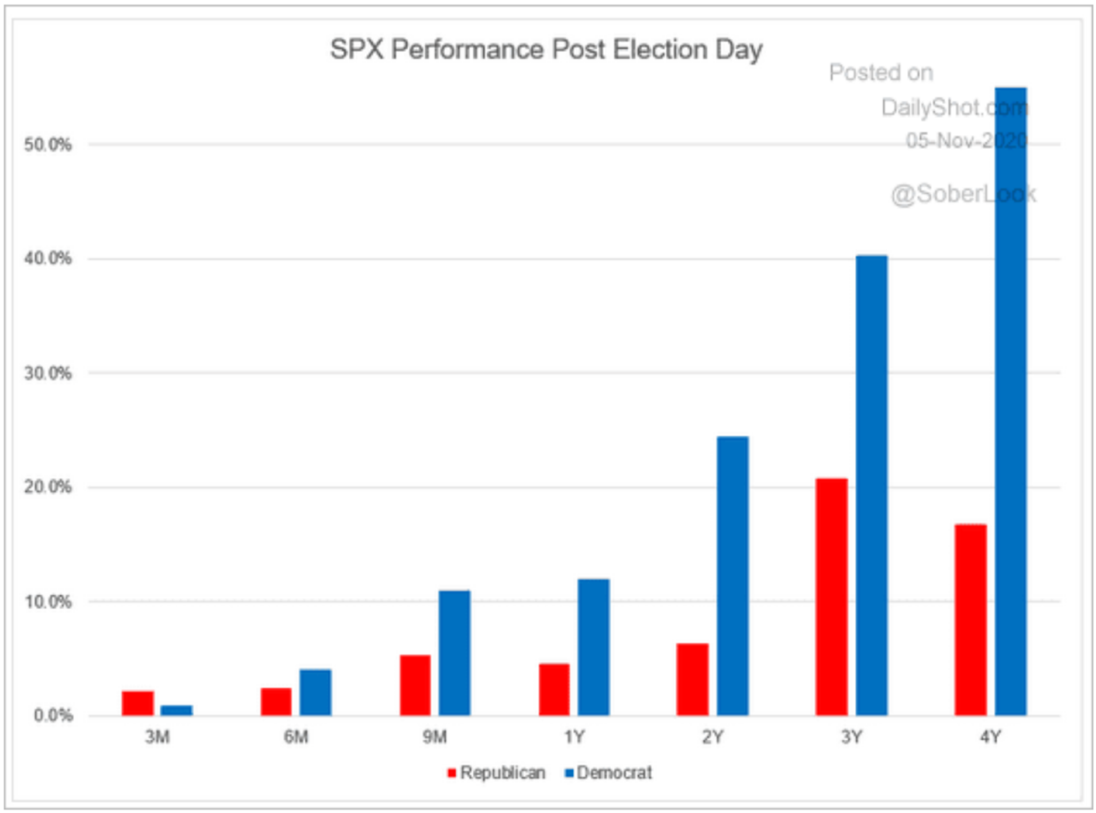
Source: @markets Read full article

Moreover, a fiscal stimulus-driven inflation spike becomes less likely. This chart shows market-based long-term inflation expectations.



With the Fed potentially in play and inflation expectations declining, Treasury yields tumbled.





Source: [Mizuho Americas Trading Desk]