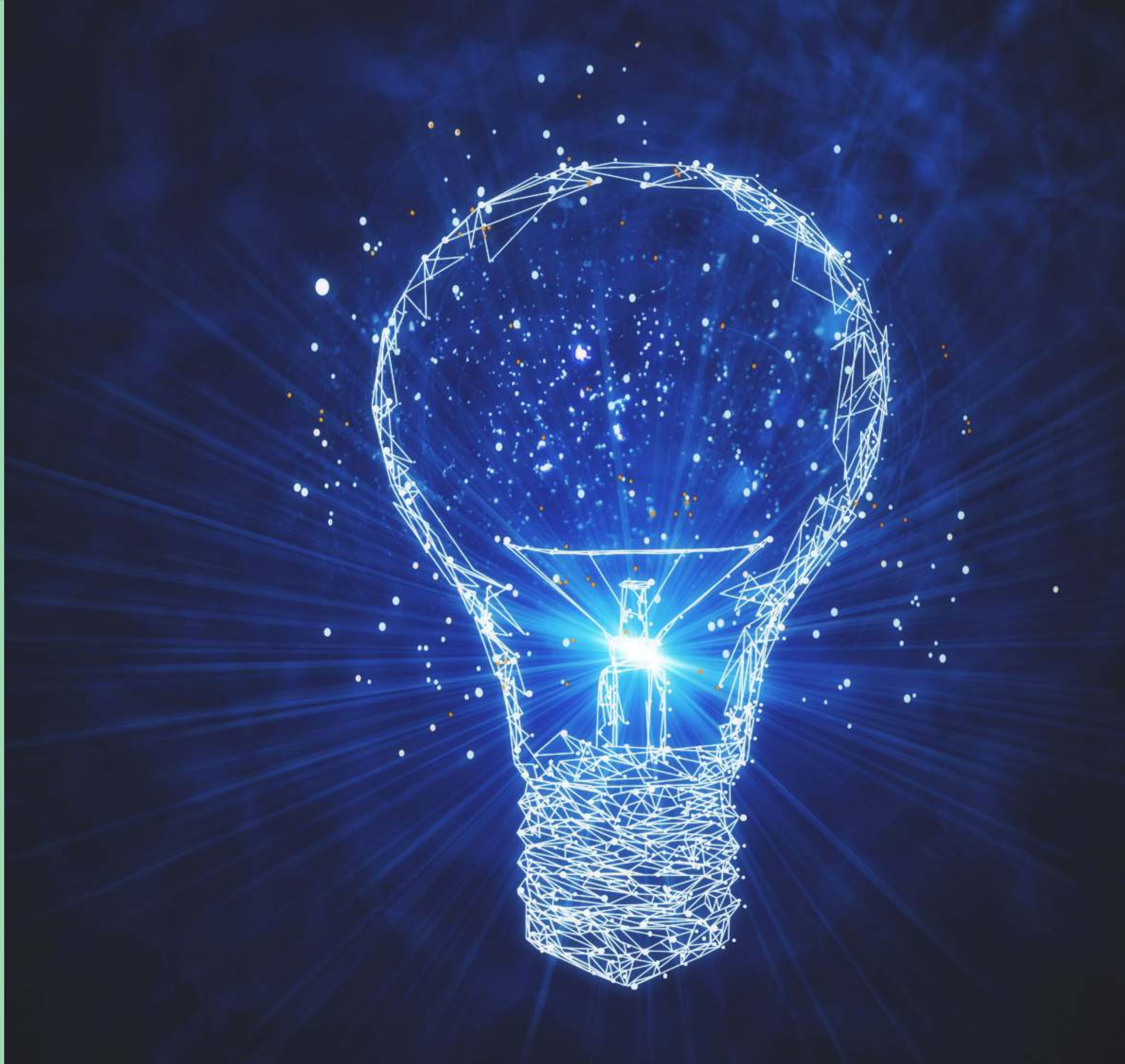
# 2020 VISION:

## SEEING THROUGH A PRESIDENTIAL ELECTION YEAR TO FOCUS ON WHAT MATTERS FOR YOUR BUSINESS

December 3, 2019

**Adrian Cronje, Ph.D., CFA**
Chief Executive Officer
Balentine

WINDHAM BRANNON
*offering more*



IN THE FINANCIAL MARKETS, HINDSIGHT IS FOREVER 20/20, BUT FORESIGHT IS LEGALLY BLIND.

BENJAMIN GRAHAM

# Agenda

- The Journey So Far
- Enduring the Noise of a Presidential Election Year
- 2020’s Key Themes
- Implications for Business Owners
- Question & Answer

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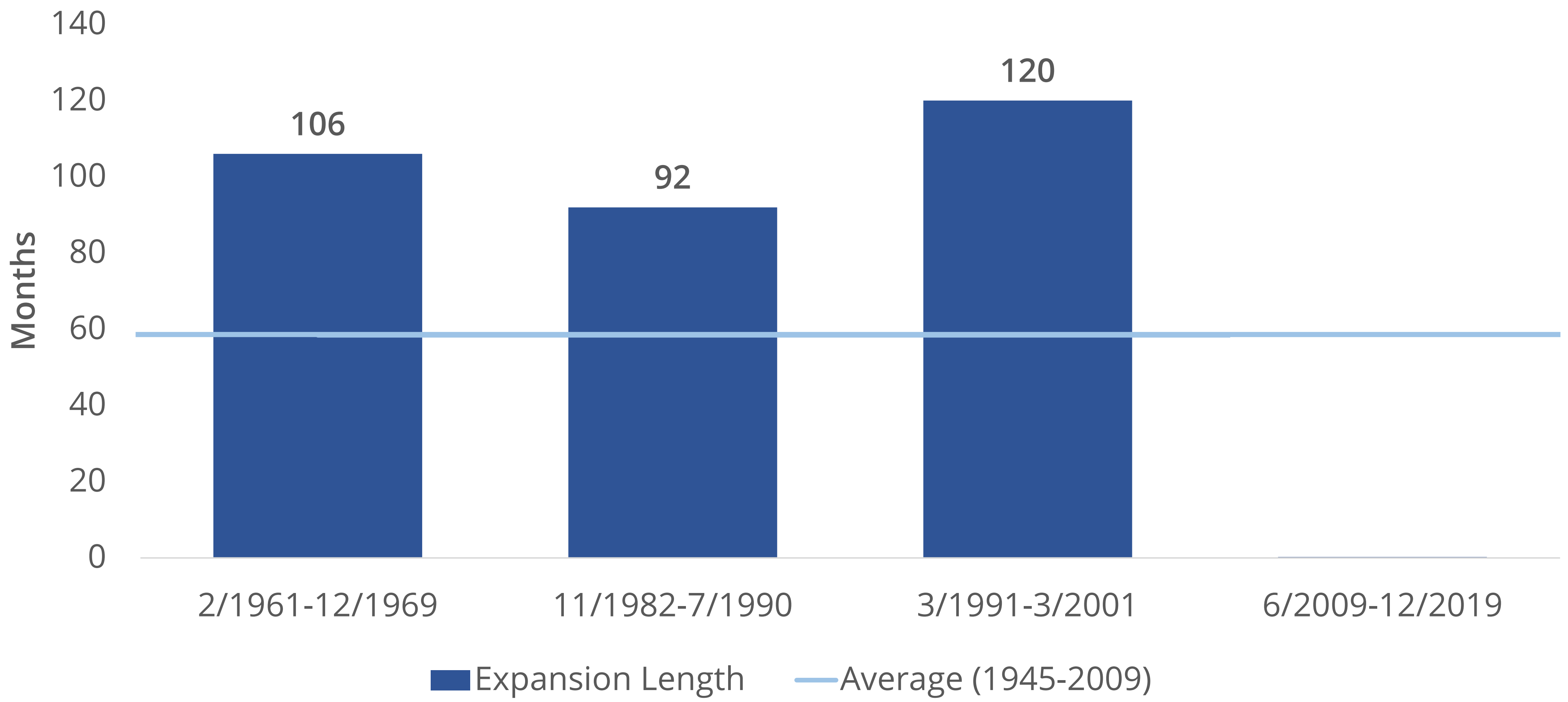
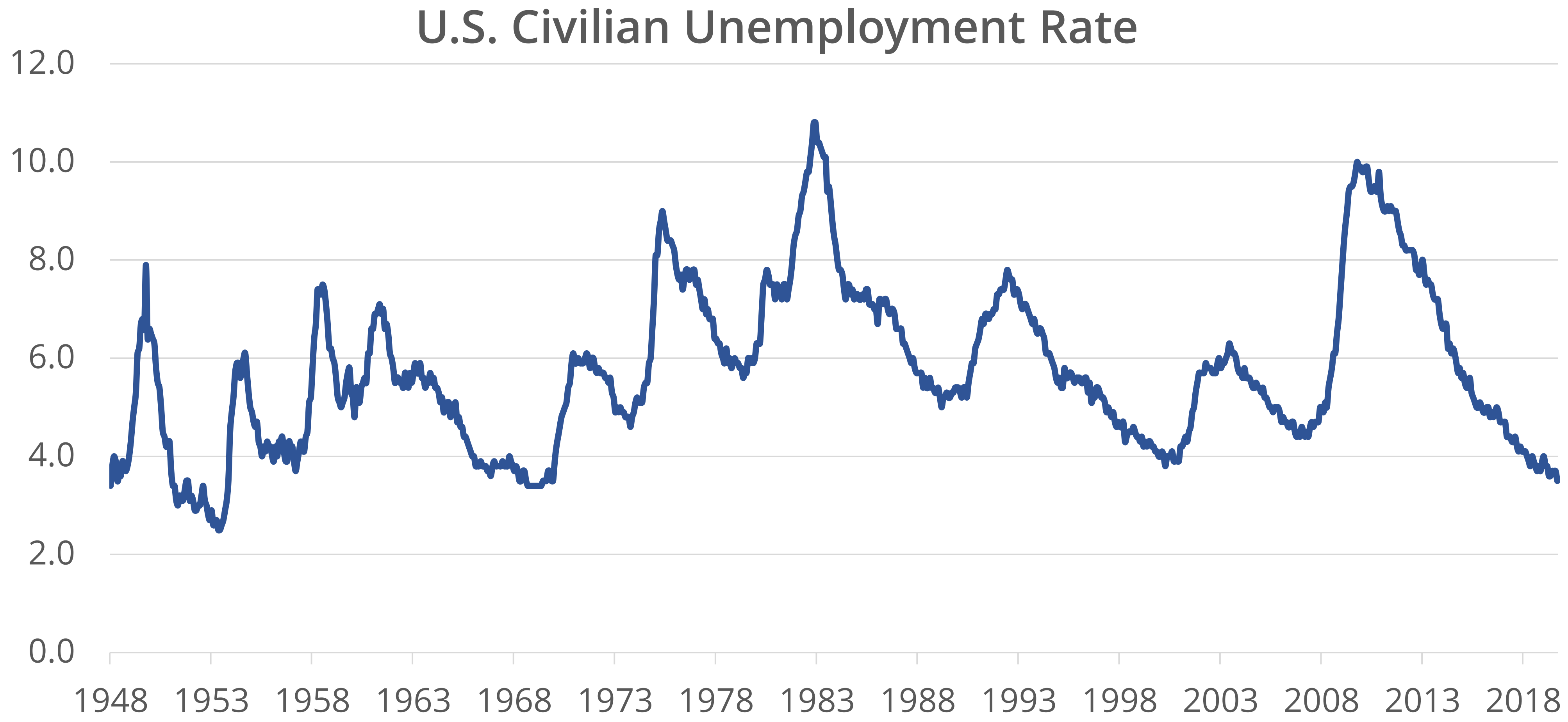
# A Major Economic Milestone



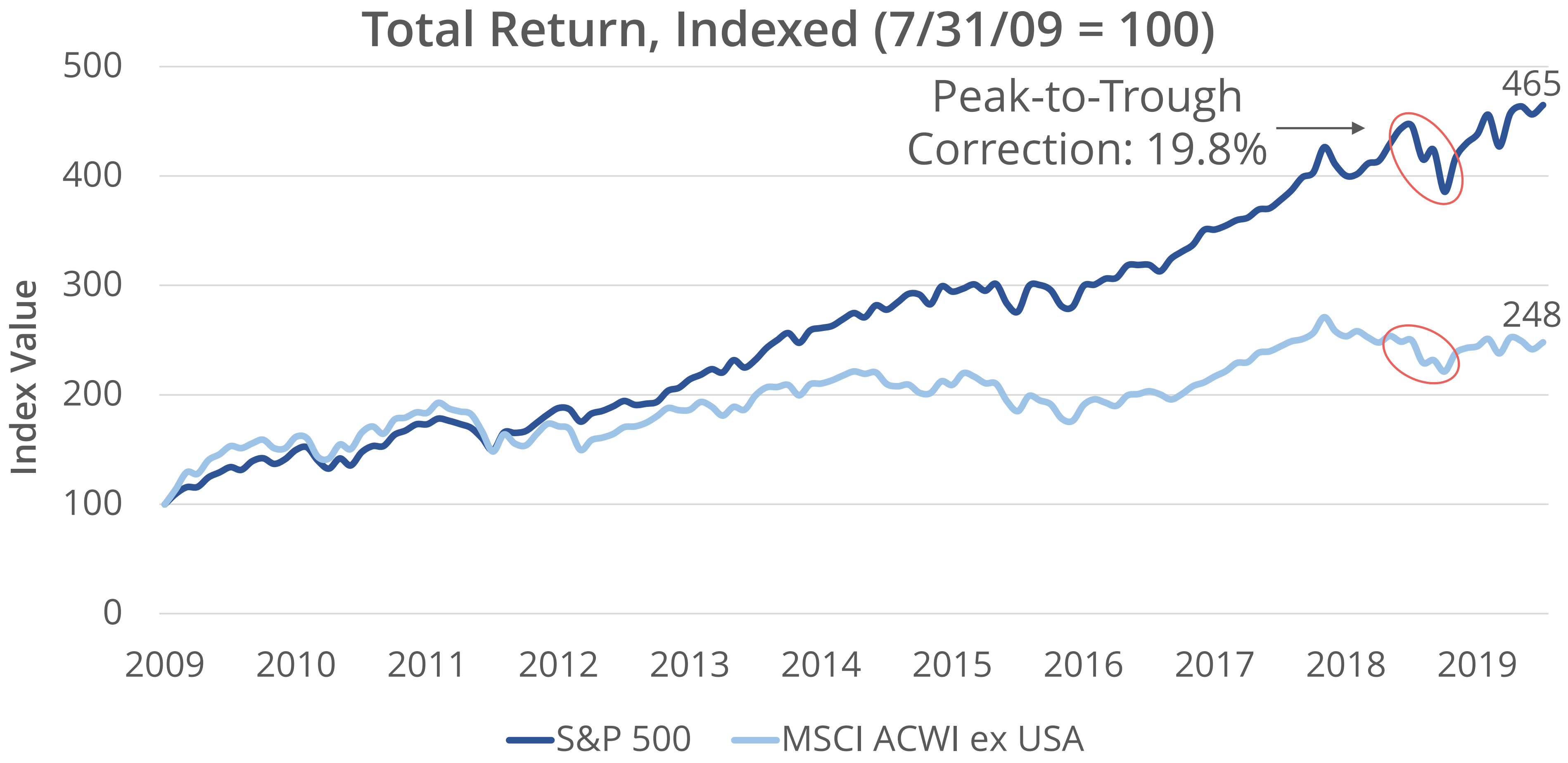

**Source:** National Bureau of Economic Research (NBER)

# Strongest Labor Market Since the 1960s




**Source:** U.S. Bureau of Labor Statistics

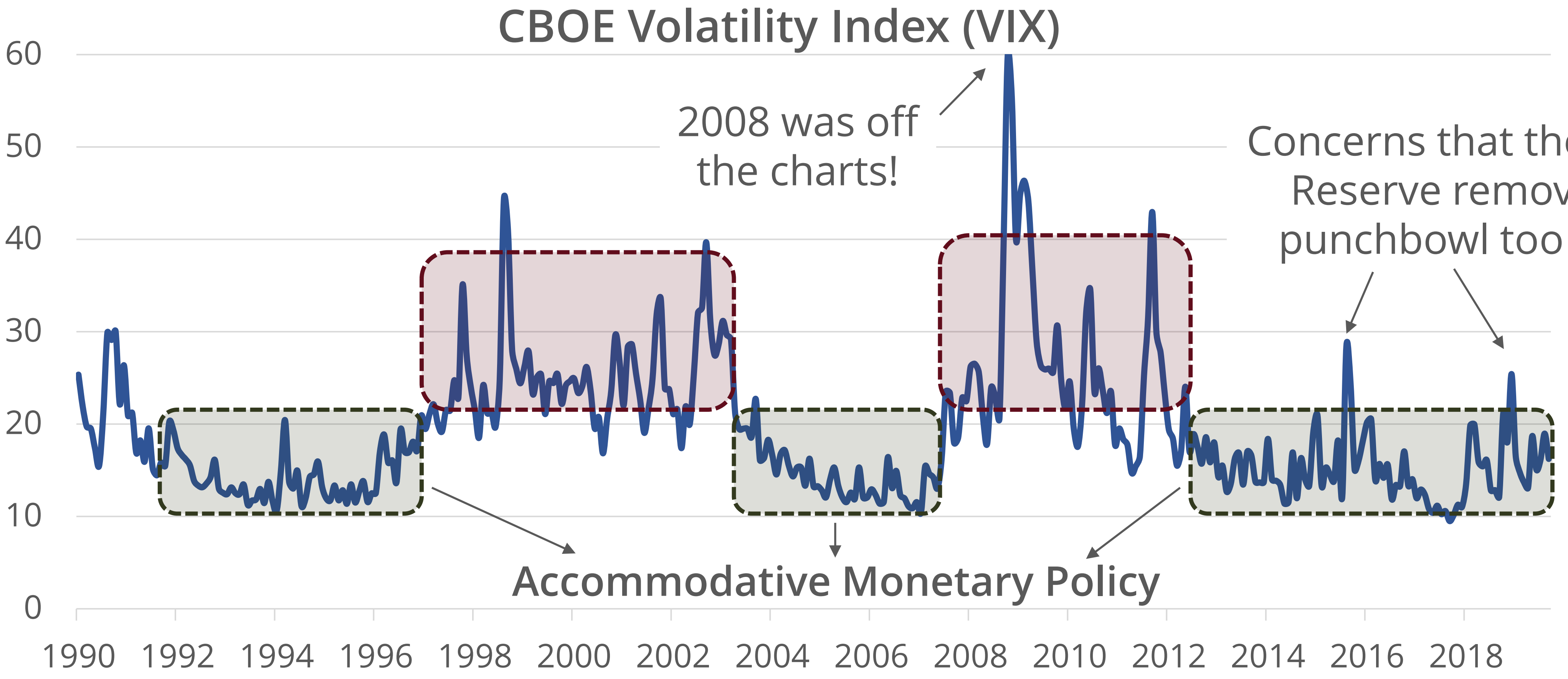
# Bull Market: We Have Come a Long Way




Will The Grinch steal Christmas again?

**Source:** FactSet

# A New Era of Higher Volatility?




**Source:** FactSet

# Bear Paws or Bull Pause?


**Economic cycles and stock bull markets do not die of old age, but from policy mistakes.**

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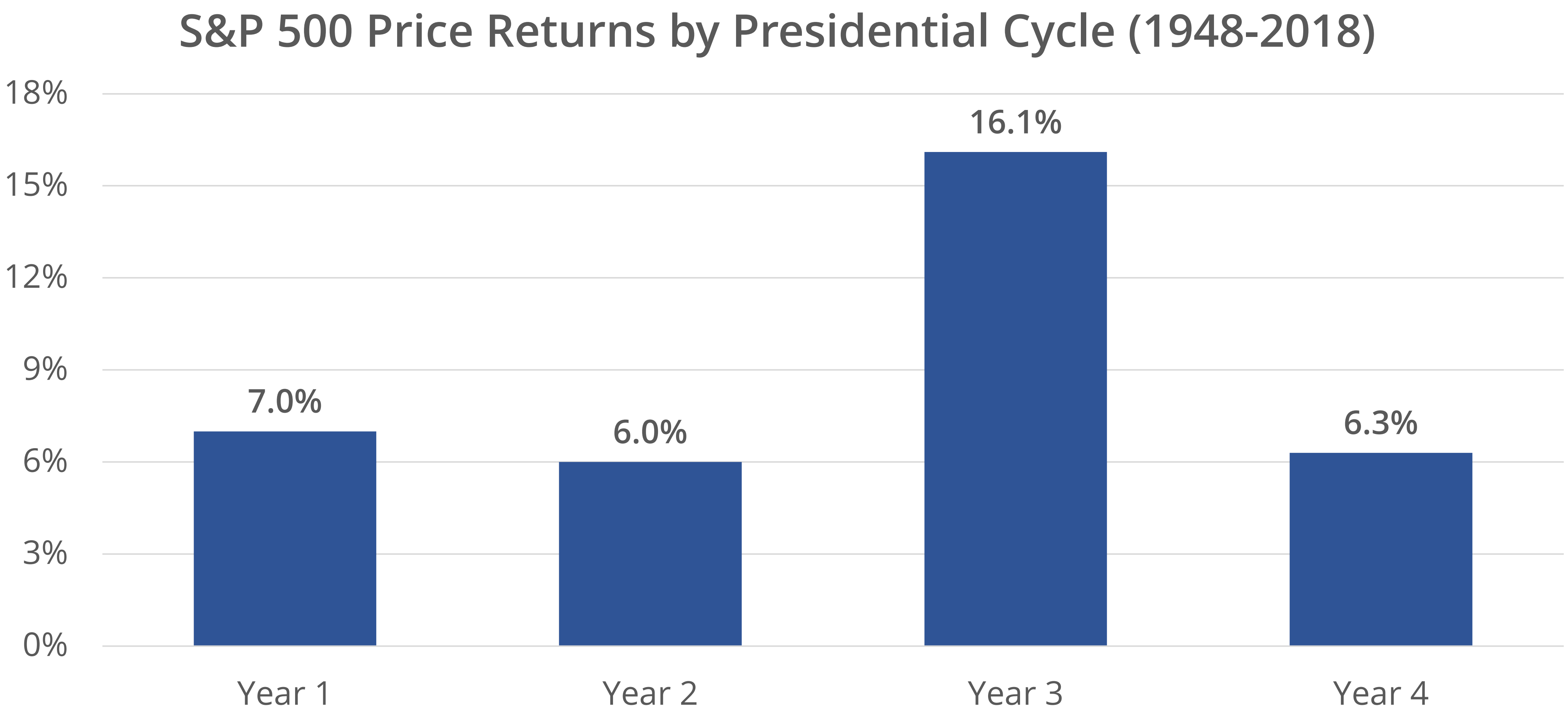
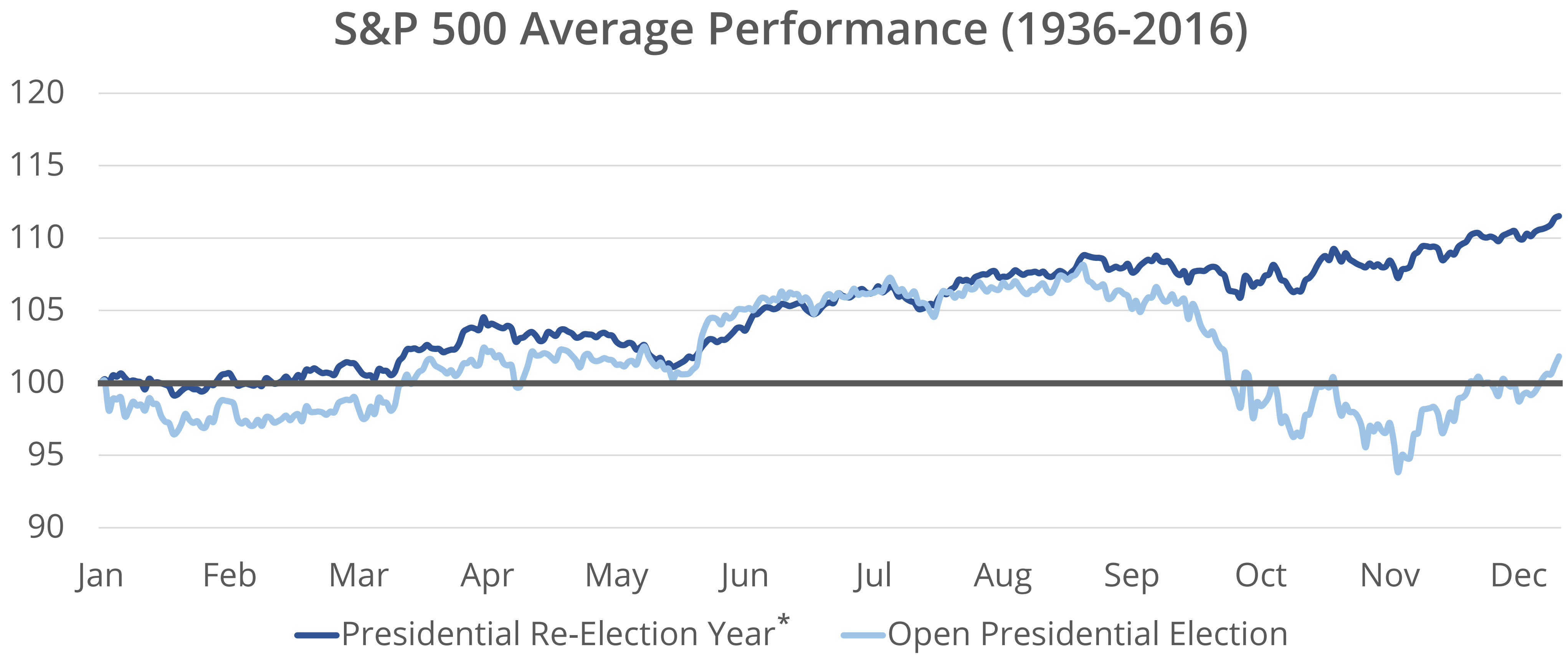
# Presidential Election Years Aren't Bad for Stocks




**Source:** Strategas

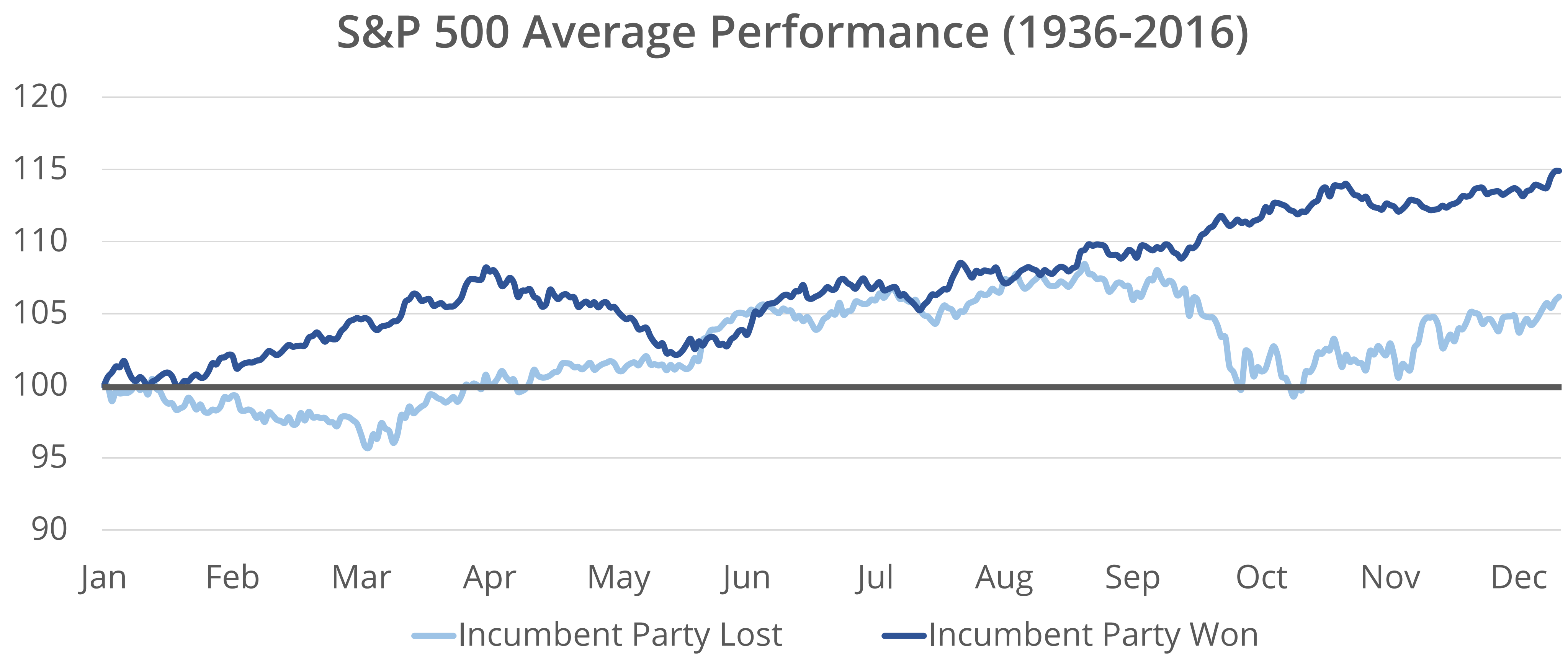
# Re-Election Years > Open Election Years




*1964 and 1976 are treated as open elections; 1948 is treated as a re-election.

**Source:** Strategas

# Stocks Perform Better When the Incumbent Party Retains the Presidency




**Source:** Strategas

# Recessions Kill Presidential Re-Elections

| No Recession* | | Recession* |
|---|---|---|
| Obama | Eisenhower | ~~Bush I~~ |
| Bush II | Truman | ~~Carter~~ |
| Clinton | FDR | ~~Ford~~ |
| Reagan | FDR | ~~Hoover~~ |
| Nixon | FDR | Coolidge |
| LBJ | Wilson | ~~Taft~~ |

*Recession in the two years prior to the re-election

**Source:** Strategas

# Keep Your Eyes on the Stock Market

The S&P 500 has correctly predicted the winner of the presidential election **87%** of the time since 1928.

### Performance 3 Months Before Presidential Election

| Year | Return | Incumbent Party |
|---|---|---|
| ’28 | 14.91% | Won |
| ’32 | -2.56% | Lost |
| ’36 | 7.92% | Won |
| ’40 | 8.56% | Won |
| ’44 | 2.29% | Won |
| ’48 | 5.36% | Won |
| ’52 | -3.26% | Lost |
| ‘56 | -2.58% | Won |

| Year | Return | Incumbent Party |
|---|---|---|
| ’60 | -0.74% | Lost |
| ‘64 | 2.63% | Won |
| ’68 | 6.45% | Lost |
| ‘72 | 6.91% | Won |
| ’76 | -0.09% | Lost |
| ’80 | 6.73% | Lost |
| ’84 | 4.80% | Won |
| ’88 | 1.91% | Won |

| Year | Return | Incumbent Party |
|---|---|---|
| ’92 | -1.22% | Lost |
| ’96 | 8.17% | Won |
| ’00 | -3.21% | Lost |
| ’04 | 2.16% | Won |
| ’08 | -19.48% | Lost |
| ’12 | 2.45% | Won |
| ’16 | -1.90% | Lost |

**Source:** Strategas

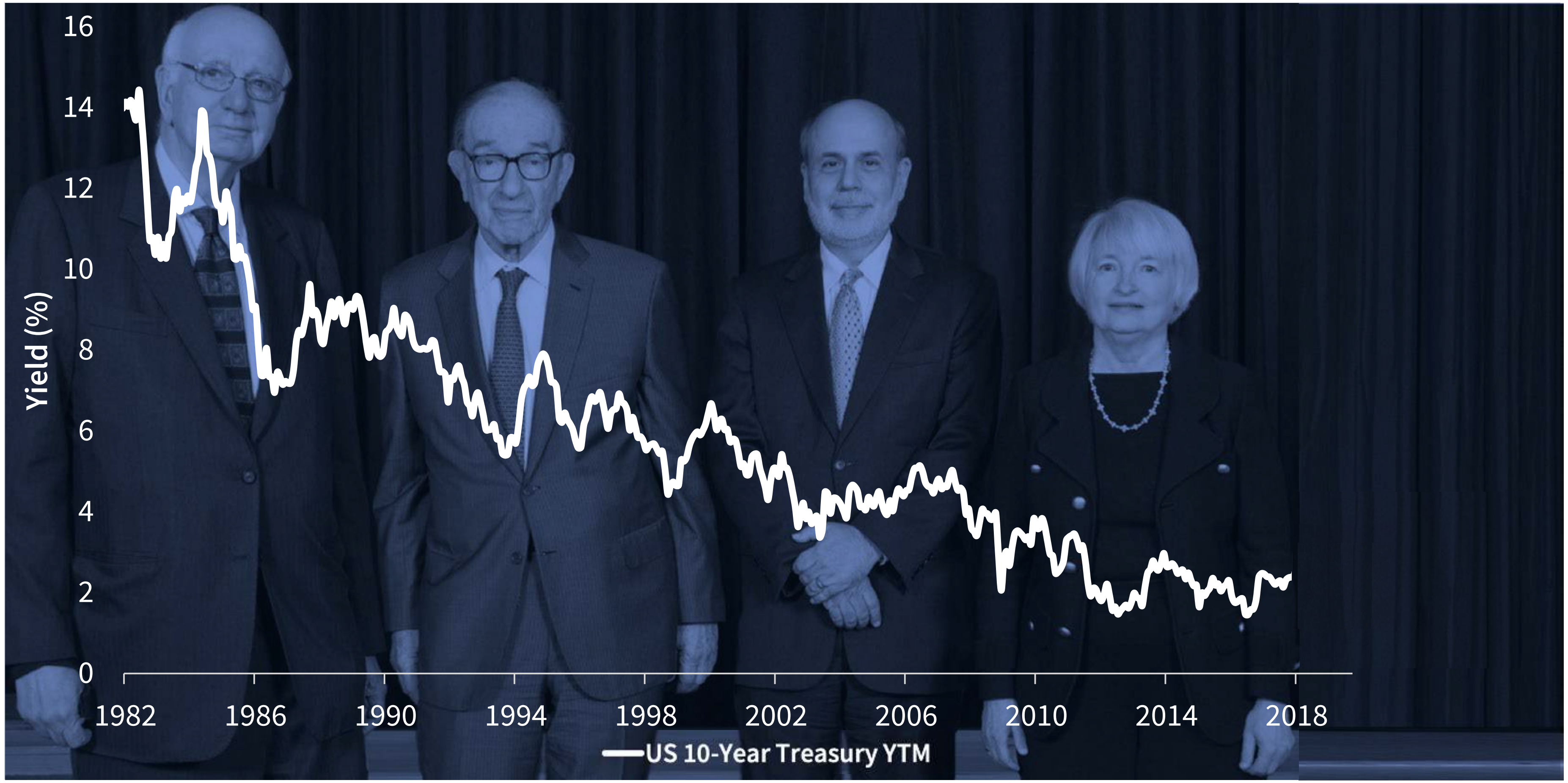
# Agenda

# 2020's Key Themes

- Federal Reserve Policy
- Tax Reform
- Trade
- National Debt

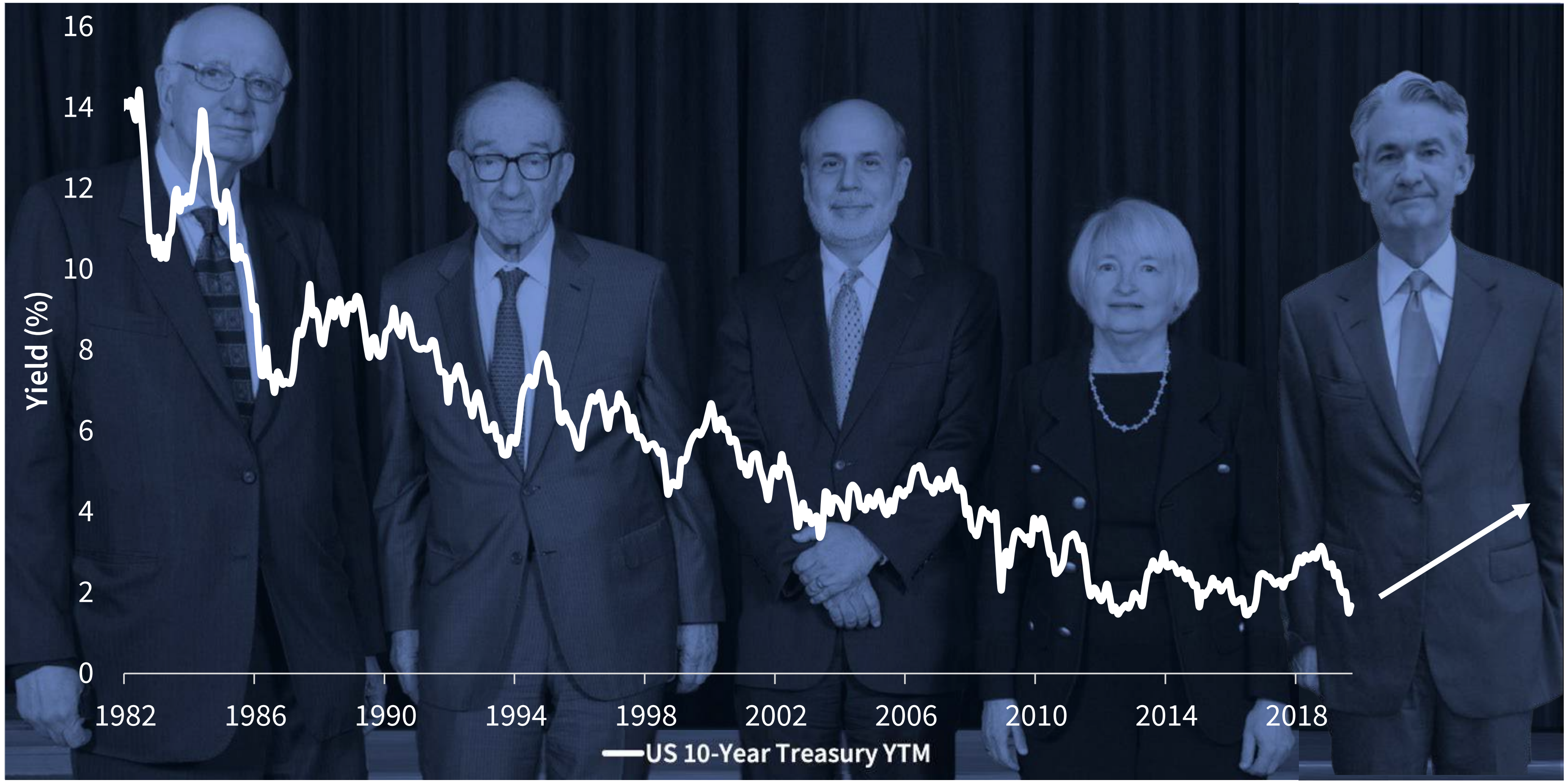
# Key Theme: Federal Reserve Policy

# A Perfect Model of Future Interest Rates?



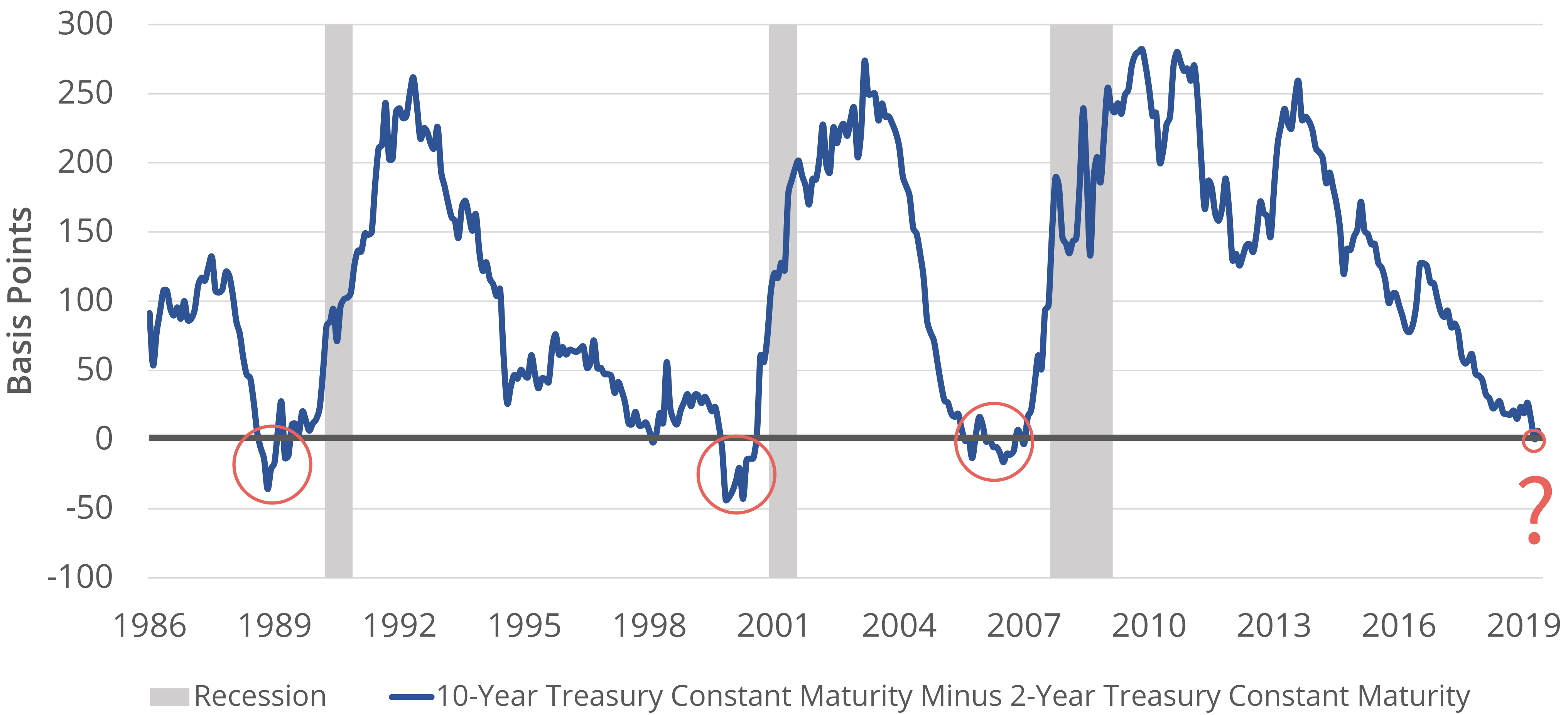

**Source:** FactSet

# A Perfect Model of Future Interest Rates?




**Source:** FactSet

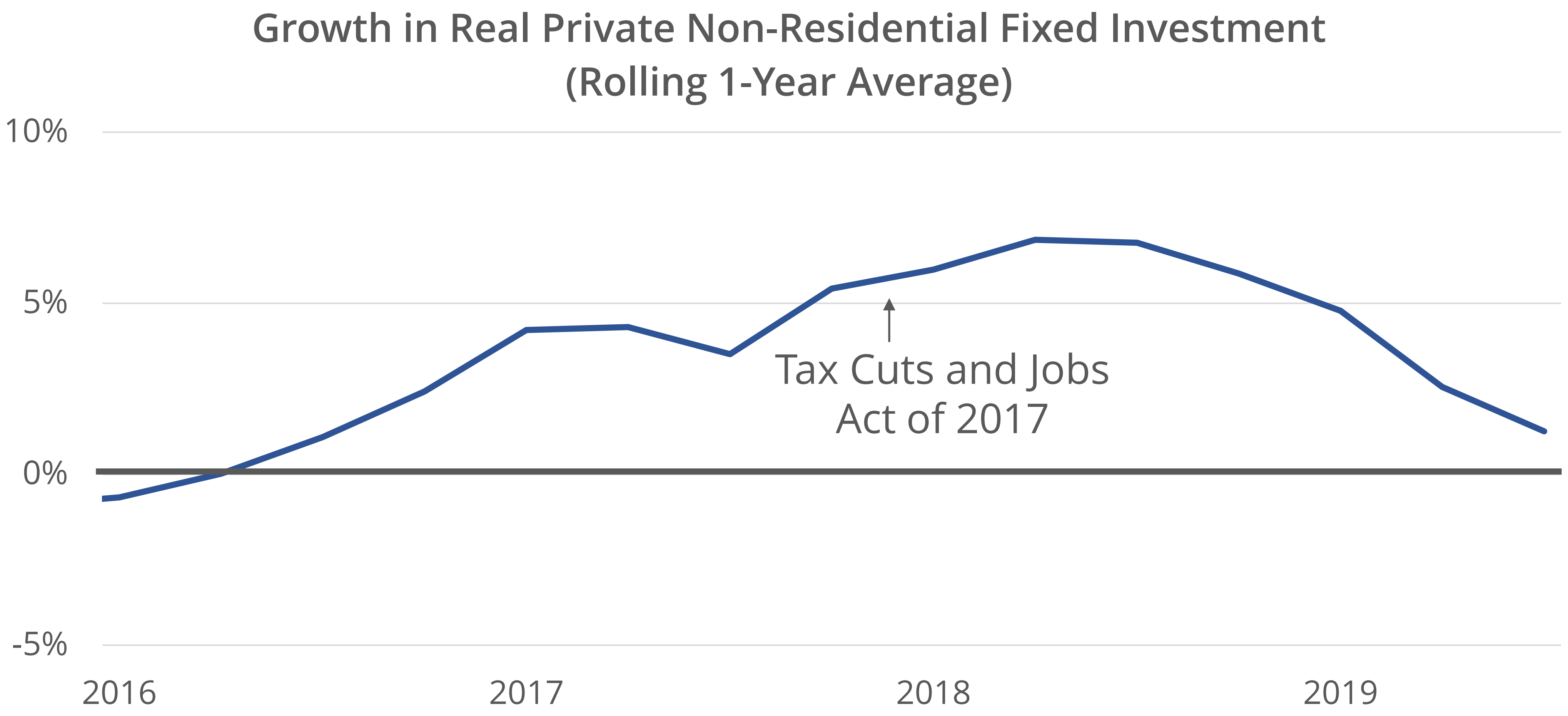
# Yield Curve: The Impact of Monetary Policy




**Source:** FactSet

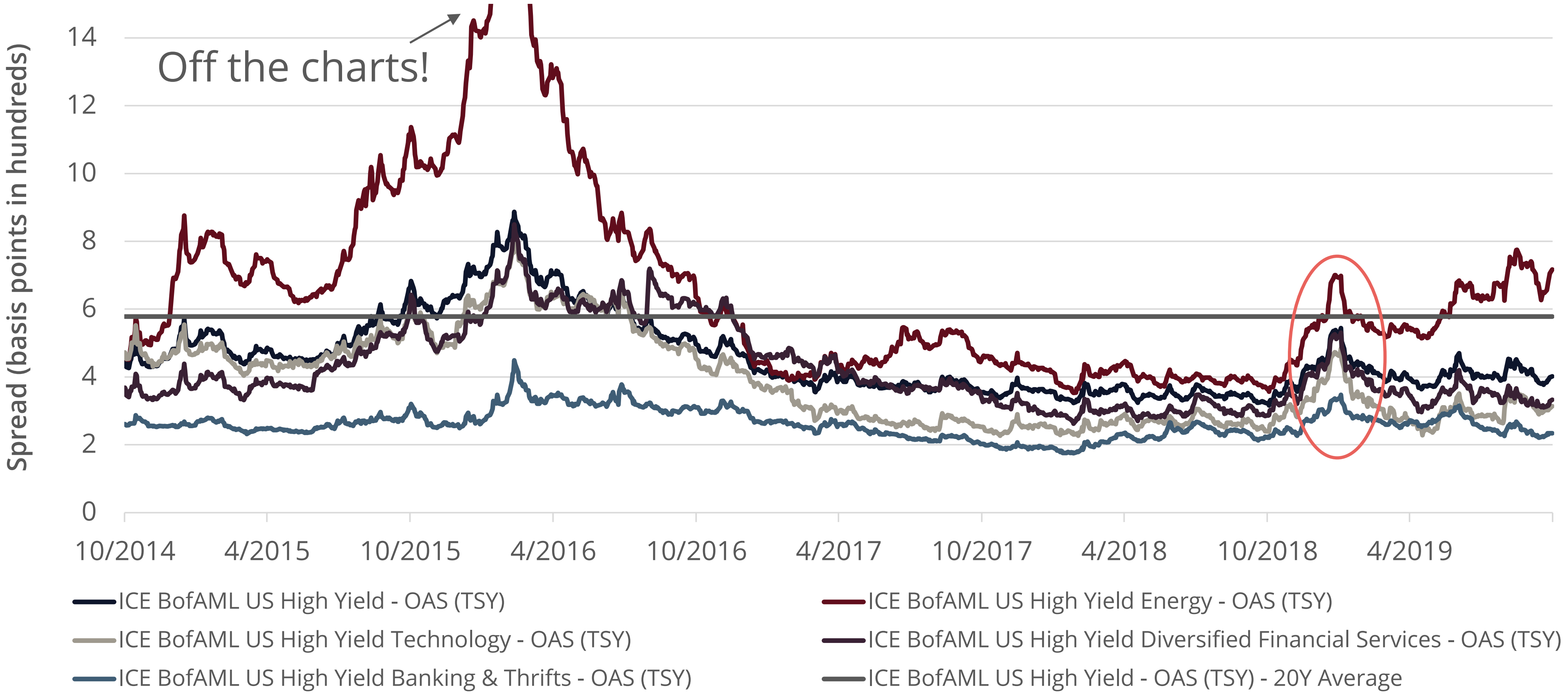
# Key Theme: Tax Reform

# Manufacturing & Services Capital Expenditures




**Source:** FRED

# Credit Spreads: Corporate Financing Conditions




**Source:** FactSet

# Key Theme: Trade

# Tariffs or a New “Cold War” with China?

## March 2, 2018

**Donald J. Trump**
@realDonaldTrump

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down $100 billion with a certain country and they get cute, don’t trade anymore-we win big. It’s easy!

## December 4, 2018

**Donald J. Trump**
@realDonaldTrump

….I am a Tariff Man. When people or countries come in to raid the great wealth of our Nation, I want them to pay for the privilege of doing so. It will always be the best way to max out our economic power. We are right now taking in $billions in Tariffs. MAKE AMERICA RICH AGAIN

## May 13, 2019

**Donald J. Trump**
@realDonaldTrump

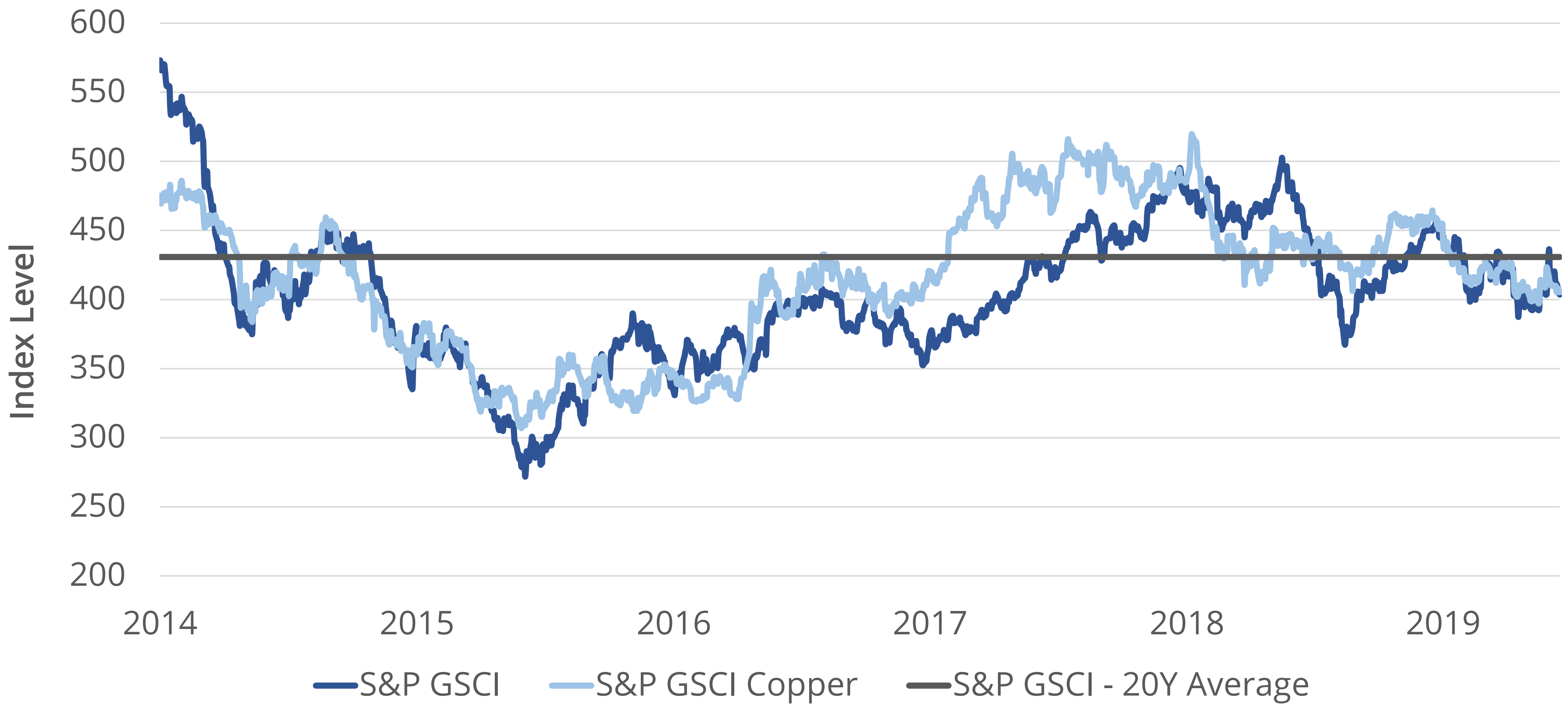
I say openly to President Xi & all of my many friends in China that China will be hurt very badly if you don’t make a deal because companies will be forced to leave China for other countries. Too expensive to buy in China. You had a great deal, almost completed, & you backed out!

## August 23, 2019

**Donald J. Trump**
@realDonaldTrump

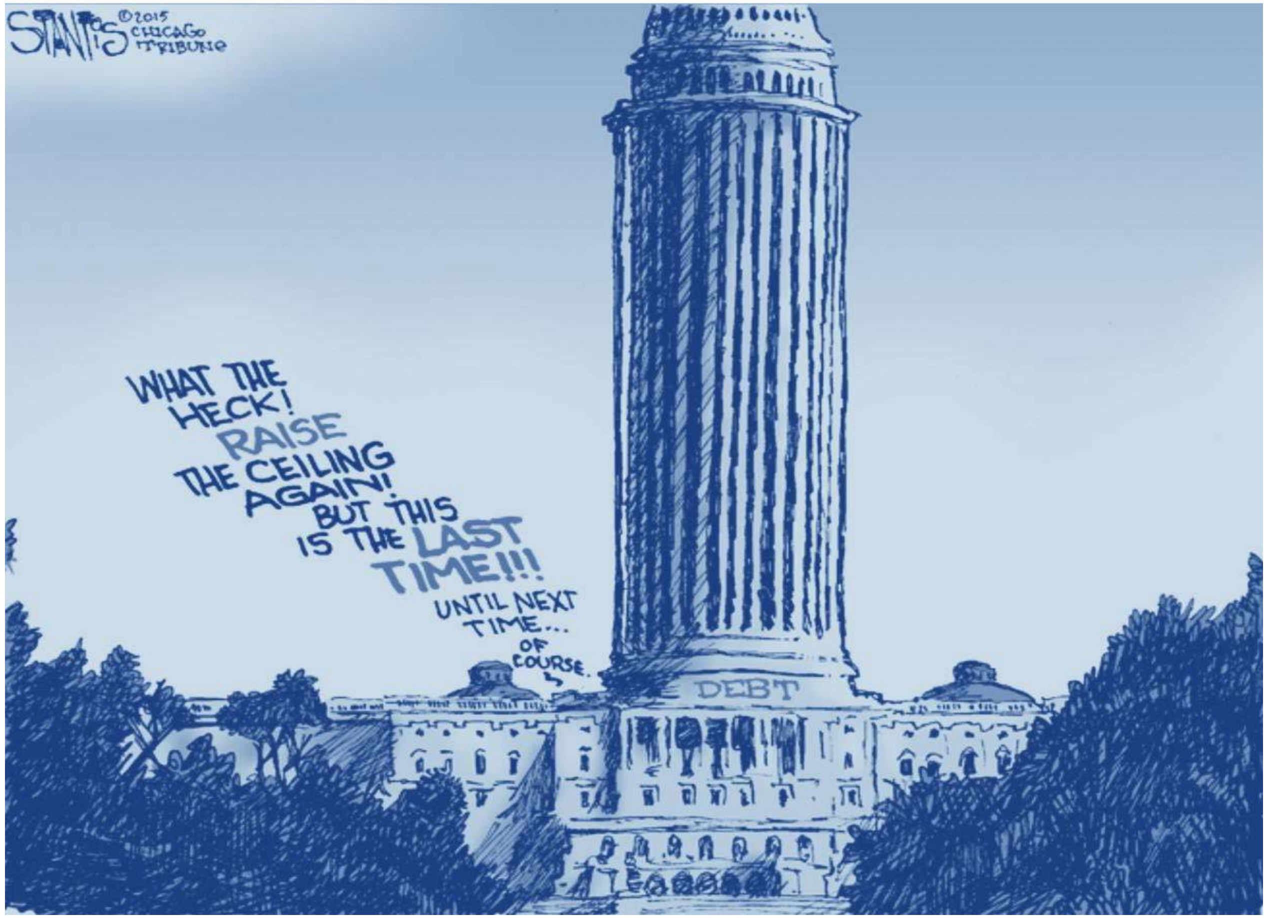
…Additionally, the remaining 300 BILLION DOLLARS of goods and products from China, that was being taxed from September 1st at 10%, will now be taxed at 15%. Thank you for your attention to this matter!

# Commodities: A Real-Time Gauge Measuring the Health of the Chinese Economy

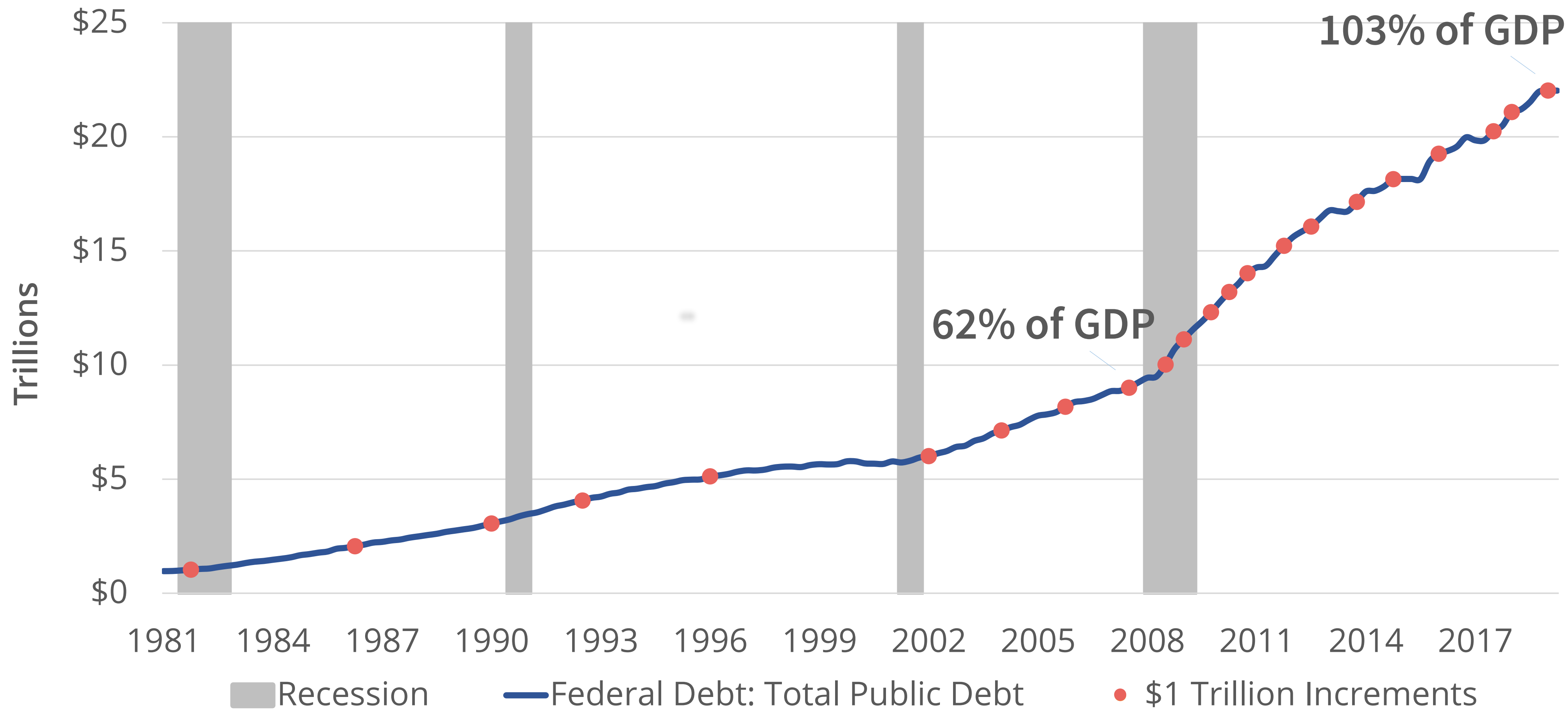



**Source:** FactSet

# Key Theme: National Debt



# How the National Debt has Grown




**Source:** U.S. Department of the Treasury, Bureau of the Fiscal Service

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# Implications for Business Owners Preparing for Fall, if Not Yet Winter

- Build an explicit margin of safety into assumptions
- Stress test balance sheets and the resiliency of capital structures
- Assume returns on any capital investments may take longer to pay off than in prior years
- Cash-flow management
- Pricing strategy and the war for talent; impact on margins
- Consider that the runway may be shorter than 2021 to realize your goals

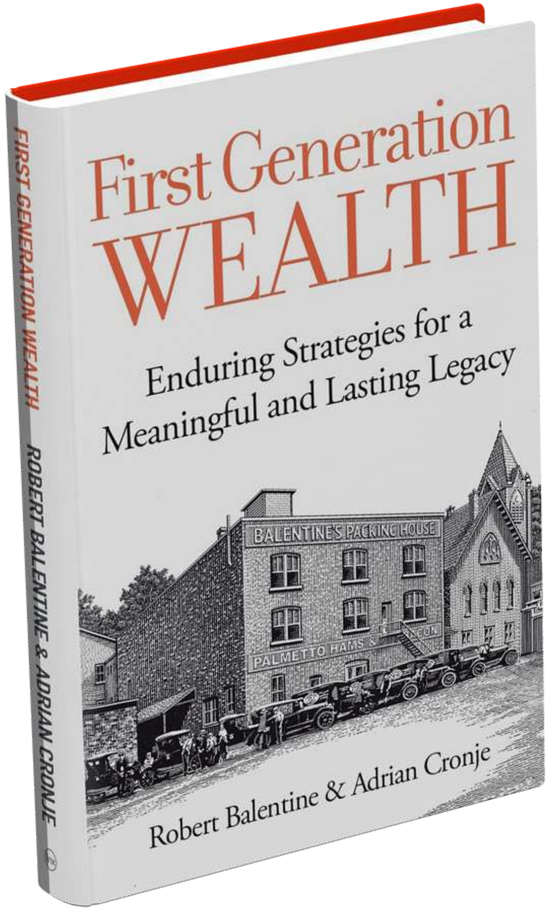
# If You Decide Now is the Time to Sell

- Assemble your team
- Pre-plan
- Do not rush
- Secure your money
- Prepare for taxes
- Review your insurance
- Consider your legacy

# First Generation Wealth

A book designed to help entrepreneurs and business owners learn enduring strategies for building a meaningful and lasting legacy.

**www.firstgenerationwealth.com**



# Additional Resources


Visit us online
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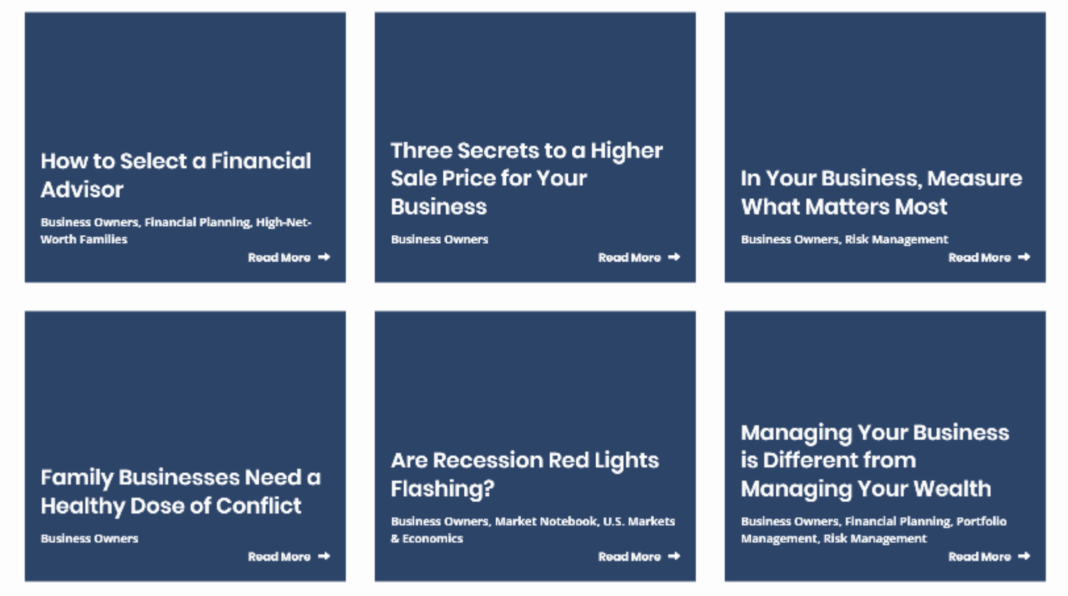

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