

October 27, 2020

SPECIAL COMMENTARY from the Investment Advisory Group

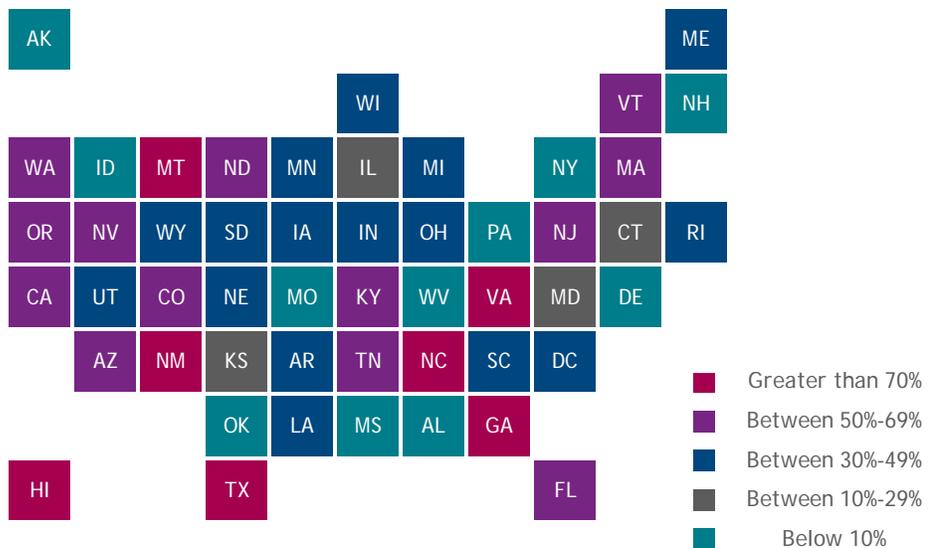
Voter Turnout Could Provide Upside Surprise for Markets

Executive Summary: Markets appear to be bracing for election-related problems. Meanwhile, the election is heading for record voter turnout, which suggests that markets are underappreciating the possibility of a clear election outcome, which would provide an upside surprise.

Record Pace for Early Voting

With seven days remaining before the November 3rd general election, over 69 million votes have already been cast nationally. That equates to 50.4% of the total votes counted in the 2016 general election and easily tops the 47 million early votes during that campaign cycle.

US Early Voting by State as Percentage of 2016 Total Vote



Wide Range:
Texas is at 86.9% of 2016 and Hawaii is at 86.8%, while Mississippi is 4.9% and New York is at 5.4%.

Source: SunTrust IAG, United States Elections Project; through October 27, 2020.

Wide Variety of Early Voting Options

In 2020, the range of early votes cast is extremely wide from 4.9% in Mississippi to 86.9% in Texas. This is due to vast differences in voting laws. For instance, 43



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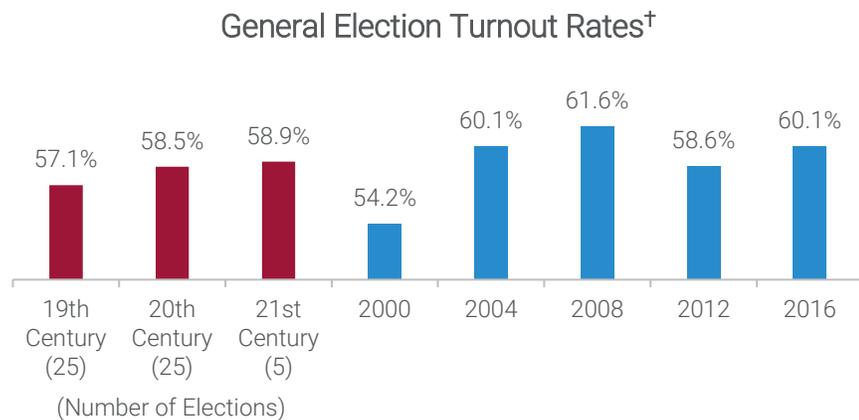
states and the District of Columbia have some form of early voting. Seven states do not offer early in-person voting options in 2020: Connecticut, Delaware, Kentucky, Mississippi, Missouri, New Hampshire, and South Carolina.

More than 30% of the total votes in 2008 and 2012 were cast during early voting periods. However, early voting varies greatly based on the availability, type and length of these periods. All states allow some form of absentee ballots, though there are an assortment of state rules, including some requiring specific excuses such as illness, travel or age (for seniors). Five states—Washington, Oregon, Colorado, Hawaii and Utah—have mail-in only early voting.

Additionally, early voting can begin as early as 45 days before the election, or as late as the Friday before the election. The average starting time for early voting is 22 days before the election and typically ends a few days ahead of Election Day. Also, the early voting periods are as brief as four days, with an average length of 19 days.

Overall Voter Turnout

Voter turnout appears to be heading for a record in 2020 for four reasons. First, the aforementioned availability of early voting appears to be contributing to an overall increase in voter turnout. Voter turnout rates[†] have averaged 60.1% in the past four general elections, which is above the 58.5% average during all of the 20th century and tepid 54.4% average for the seven general elections from 1980 through 2000.



Source: SunTrust IAG, United States Elections Project.

[†]Percentage of voting-eligible population (VEP).

A second reason is the amount of attention paid to the election, which has increased dramatically in the past few campaign cycles. Political ad spending during the 2020 campaign cycle is expected to total almost \$7 billion, up from \$4.2 billion during the 2016 cycle. Nearly two-thirds of this year's campaign spending will be on television ads.

Additionally, both political parties and their allies have ramped up extensive "get out the vote" efforts in many states. Previously such operations targeted a handful of swing states, but both parties now view such efforts as critical, especially for so-called "down-ballot" candidates in local, state and Congressional races. Furthermore, apolitical groups, including professional sports, have joined in to promote voting movements along with more companies granting their employees paid time off for voting and other accommodations.

Lastly, the coronavirus pandemic is an obvious factor. In addition to "extra" free time to vote and to focus on the election generally, the pandemic seems to be driving the flood of early voting. It appears that voters are ensuring that their vote counts, especially in light of widespread expectations of potential voting irregularities, including issues with mail-in ballots. Of course, due to the virus and social distancing, some also wish to minimize contact with others. Accordingly, many voters are casting mail-in ballots or taking part in in-person early voting, which tends to have fewer people at the polling locations compared to Election Day.

Bottom Line

Markets appear to be bracing for election-related problems. Meanwhile, voter turnout appears to be heading for a record for four reasons: increased availability of early voting, massive political ad budgets, extensive "get out the vote" efforts and the pandemic. Although some would rather focus on whether larger voter turnout will benefit one political party or another, we believe that the increase in early voting, including mail-in ballots, and overall voter turnout may mitigate some of the voting irregularities that are widely expected.

We acknowledge the potential that the election could be a drawn out process, which would lead to a short-term market hiccup. However, higher voter turnout suggests markets are underappreciating the possibility of a clear election outcome, which would provide an upside surprise for markets. That is to say, market risks around the election outcome are not only to the downside.

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