



# Bouts of Volatility Possible as Ballot Tally Continues



Amid uncertainty, we are identifying opportunities for clients.

November 2020

## KEY INSIGHTS

- States continue to count ballots in order to determine the winner of the 2020 U.S. presidential election.
- Given the surge in absentee ballots and changes in election procedures during the coronavirus pandemic, we are not surprised that the result is not yet final.
- We are prepared to manage through various market conditions and remain focused on identifying investment opportunities on behalf of our clients.

Several factors have contributed to slower vote counting in the 2020 general election. In particular, the coronavirus pandemic is expected to have elevated the proportion of mail-in votes from 21% of the total in 2016 to approximately 39% in 2020—around 80 million votes.<sup>1</sup> Mail-in votes typically take longer to count due to signature verification procedures.

Because each state determines its own voting laws, ballot submission deadlines and the permitted dates for ballot counting vary widely, and many states did not begin the ballot count until after polls closed on Election Day. Consequently, in states where counting is close, results may not be declared for days, if not weeks.

Results will also need to be accepted by both parties. Katie Deal, Washington analyst in the Equity Division at T. Rowe Price, notes that “given that

the results in some states could be determined by a small margin of votes, we should expect both parties to pursue every procedural, political, and legal mechanism possible to ensure that every vote for their candidate is counted.”

## What Is T. Rowe Price’s Investment Perspective on the Uncertainty?

Over the course of this election cycle, our research and investment teams have monitored the campaigns and policies of the two candidates and have prepared for the possibility of electoral delays.

In the event of a protracted period of uncertainty about the result, some market volatility may be expected. While there may be no historical analogy to this election cycle, contested elections can indeed create market volatility. In the contested 2000 presidential election, the S&P 500 fell 5.6% in the four trading days following Election

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— Katie Deal  
Washington Analyst,  
U.S. Equity Division

<sup>1</sup> Source: Pew Research Center, October 9, 2020.

“  
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Day (November 7). The index swung between gains and losses over the following weeks and declined 5.0% from Election Day to December 13, when Vice President Al Gore conceded.<sup>2</sup>

While short-term volatility can create distinct challenges for investors, T. Rowe Price's investment process focuses on positioning for success over the long term, while paying attention to managing risk. We are also focused on the long-term opportunities presented by short-term volatility, and we rely on our patient and strategic investment approach to guide us in periods of market turmoil.

Among communications T. Rowe Price has shared with clients, we have

published a variety of investment insights related to government actions and the U.S. elections.

### **What Further Communications Can I Expect From T. Rowe Price?**

As soon as the presidential election result is confirmed, we will share with clients our insights and analysis of the market and investment implications.

In the meantime, our investment, research, and policy teams continue to monitor the situation and markets, and we look forward to sharing more of our insights with you.

<sup>2</sup> Past performance is not a reliable indicator of future performance.

T. Rowe Price focuses on delivering investment management excellence that investors can rely on—now and over the long term.

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