



Sitting On Hands...

The election is tomorrow.

I could spill a bunch of ink here going through the data talking about the surprising Latino and African American turnout for Trump, why polling has improved now versus 2016, why COVID is likely to tip the important senior citizen vote towards Biden, etc... But to be honest that'd be a waste of our time. I don't see any edge there and this race can go a number of different ways.

From a market perspective there's just three outcomes:

1. **Blue wave:** A Biden win and Dems take the Senate. This would be the most bullish outcome as it would ensure large amounts of fiscal stimulus coming down the pipe.
2. **Biden divided:** A Biden win but Republicans keep the Senate. This would be the most bearish outcome as it'd mean a dogged fight over small amounts of fiscal spending. I'd like long USD and long bonds in this scenario.
3. **Trump divided or status quo:** Trump wins and either Republicans or Dems control the Senate. This would be a bullish/neutral outcome.

As I wrote In "[Spiraling Towards There](#)", I believe we see scenario 1 play out. But... this is 2020, we're living in the Fourth Turning, and the race for the Senate is tight. So while I'd give Biden 70% odds of winning, the chances that the Dems take the Senate is much closer to being a tossup.

RCP's Average has Biden at +6.8. Hillary at this time last year was +2

Polling Data						
Poll	Date	Sample	MoE	Biden (D)	Trump (R)	Spread
RCP Average	10/25 - 11/1	--	--	50.7	43.9	Biden +6.8
Quinnipiac	10/28 - 11/1	1516 LV	2.5	50	39	Biden +11
Rasmussen Reports	10/28 - 11/1	1500 LV	2.5	48	47	Biden +1
IBD/TIPP*	10/28 - 11/1	1080 LV	3.2	49	46	Biden +3
JTN/RMG Research*	10/29 - 10/31	1200 LV	2.8	51	44	Biden +7
SurveyUSA	10/29 - 10/31	1265 LV	3.2	52	44	Biden +8
NBC News/Wall St. Jrnl	10/29 - 10/31	1000 RV	3.4	52	42	Biden +10
FOX News	10/27 - 10/29	1246 LV	2.5	52	44	Biden +8
The Hill/HarrisX	10/25 - 10/28	2359 LV	2.0	49	45	Biden +4
Economist/YouGov	10/25 - 10/27	1365 LV	3.2	54	43	Biden +11
Emerson	10/25 - 10/26	1121 LV	2.8	50	45	Biden +5
All General Election: Trump vs. Biden Polling Data						

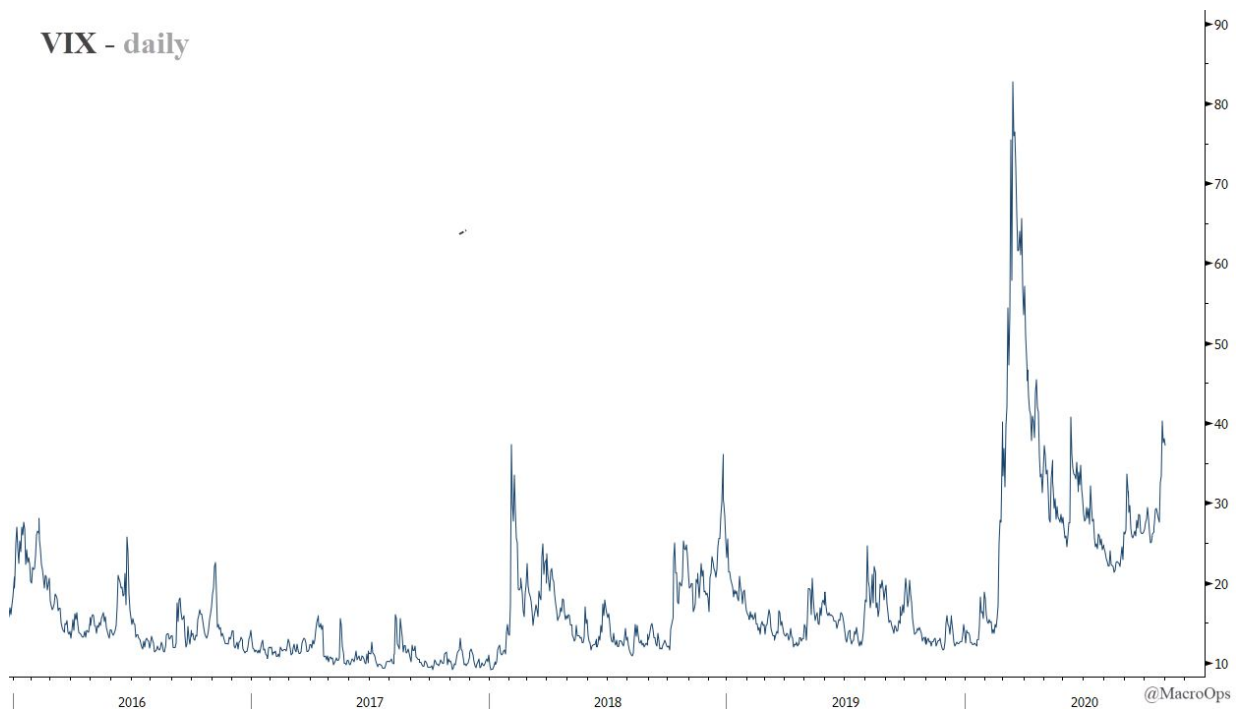
We probably won't know the outcome of the race until the end of this week or perhaps much later if it's close enough to be contested.



But this is a known-known. Everyone is expecting an ugly contested election, so this is likely already in the price. And any outcome where, say, we get data indicating a clean sweep by either party/candidate, would positively surprise and therefore be good for short-term price action.

The VIX is already juiced up at 40. So while we could see a brief spike higher, it's much more likely that we're near max uncertainty and we'll see vol compress as the results start coming in.

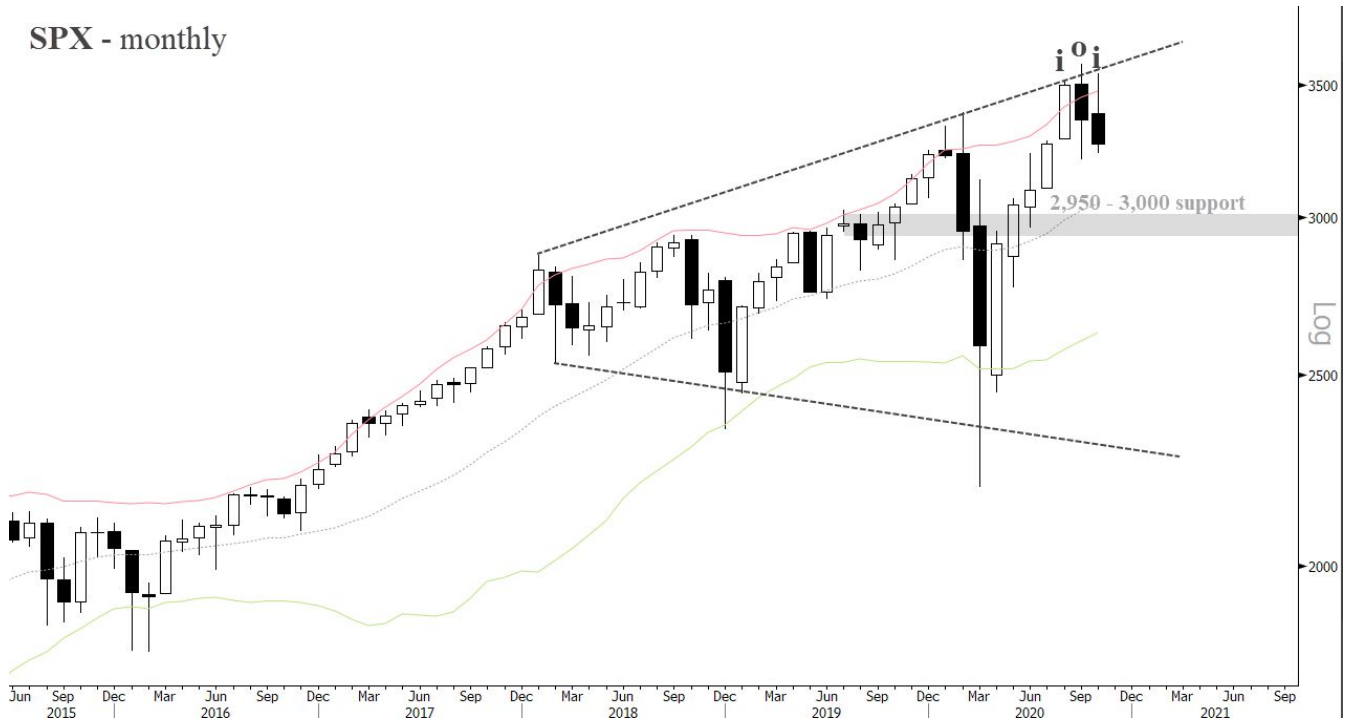
VIX - daily



As I pointed out in today's Dirty Dozen, the SPX is tee'd up and in breakout mode, forming an inside-outside-inside pattern on the monthly chart. The bearish October bar puts the odds slightly in favor of a break lower but due to the environment we're in, we need to stay nimble.



SPX - monthly



My base case is that we continue to see the SPX chop around in this sideways range below, with the 3,200 level acting as support.

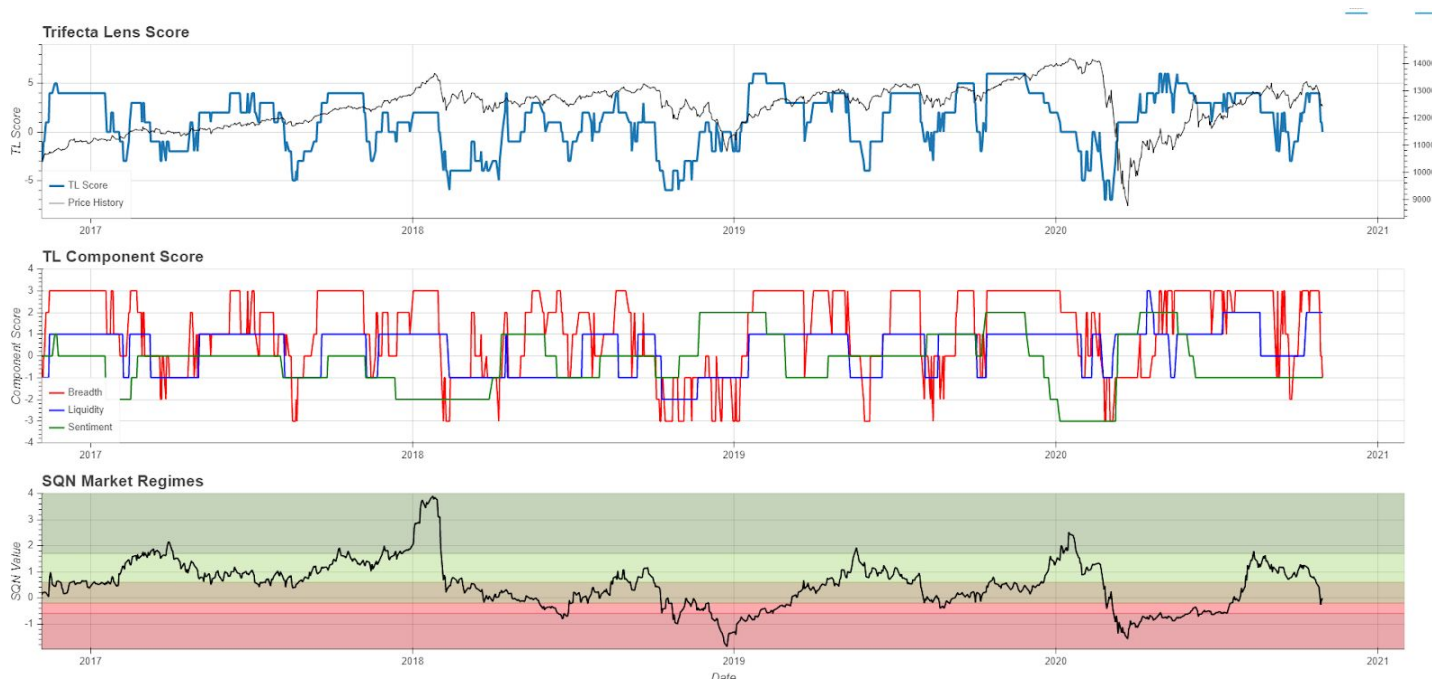
SPX - daily



If we get a strong close below this support level then I'd turn more bearish, flatten our Core Equity position, and look to hedge out our long stock positions with some shorts.



Our Trifecta Lens Score is giving us a reading of 0, which fits with the sideways neutral regime we're in.



I don't see any clear edge or big trade setups at the moment. I am scoping out some short-term swing trades to play this sideways regime, which I'll be alerting if and when we put them on.

But I think the key here is to not overtrade this market. We need to wait for the election dust to settle a bit and then let the tape tell us which direction things will break.

In the meantime, Brandon and I are digging into a number of companies that are at the tip of the secular thematic that we're most excited about. Look for some new deep dive research pieces to hit your inbox soon.

I'll be back with a follow-up note where I'll dive into the latest COVID data and talk about what it means for the global economy and markets over the next few months.

Stay safe and keep your head on a swivel!

Your Macro Operator,

Alex