

Gottesman Wealth Advisory BMO Nesbitt Burns



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Surviving a Pandemic and the 2020 U.S. Presidential Election

It is hard to believe that approximately 3 months have passed since I wrote my last newsletter.

I am starting to believe in the adage that “time flies”.

In exactly 3 weeks from the time of this writing, on Tuesday Nov. 3, Americans will go to the polls for their 59th time as a country to select who they believe will be the best choice for the next president and vice president. While some heightened market turbulence heading into and exiting an election has been quite typical through time, ultimately, the market’s path is going to be dictated by the trajectory of the economy and corporate earnings.

Investors want to know if they should do something now to protect their portfolios from a negative election outcome. I wish I knew what a negative outcome meant. Those who believed the world would come to an end in 2016 if Donald Trump was elected were sorely disappointed when the market failed to validate these concerns. The dispersion in market performance following election night has been wide. Many times, the market’s behavior has probably had very little to do with the election. Take 2008, when the market fell by 5% immediately after Barack Obama won the election. Was this reaction really about the election outcome, or more closely tied to the fact we were in the middle of the biggest financial crisis since the Great Depression?

None of this is to say that the 2020 election will run smoothly. In fact, option market investors are fully bracing for some volatility surrounding Election Day. For investors, it’s the recovery more than anything else, which probably sets the tone for the longer-term direction of stock prices.

While, of course, I am constantly reviewing the companies in the portfolios to ensure that they are built to survive this pandemic and then to thrive afterwards, my investment philosophy of owning great companies at decent prices for the long term has not changed one iota. Big picture, I am not changing anything.

On that note, I would like to share a note from Jesse Felder, a noted money manager.

*“Perhaps the most important lesson about investing I’ve learned is when there is nothing to do, do nothing. **The problem is nothing may actually be the hardest thing to do.** We all want to feel like we are being proactive and that requires doing something even when there’s nothing to be done. So it takes a great deal of discipline to resist the urge to do something and commit to doing nothing. **In that way, however, committing to doing nothing is probably the most proactive thing to do.**”*

When investing, we seek to deploy capital in an operation with potential to deliver a high return on that investment. **Therefore, logically, if no such opportunity with the required “margin of safety” exists, then the best operation is to “do nothing”.**

Well said. I could not have said it any better myself.

Stay invested. And stay safe.



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