WHERE WE STAND

POST-ELECTION MAYHEM

NOVEMBER 5, 2020

TOM WALD, CFA®
Chief Investment Officer, Transamerica Asset Management, Inc.

As if the year of 2020 needed another bizarre chain of events, along comes the national U.S. election. Through a perfect storm of close battleground vote tallies, an electoral system woefully unprepared to deal with high volumes of absentee and mail-in ballots, and emotions running high on both sides of the aisle, investors are now left to sort out what a litany of recounts and lawsuits potentially impacting the presidential outcome could mean for markets.

HERE, IN OUR OPINION, ARE CRITICAL POINTS FOR INVESTORS TO TAKE INTO ACCOUNT:

- **Despite the attention being given to the disputed presidential outcome, the key to market stability could rest with the Republicans maintaining a majority control of the Senate.** This may not be determined for at least a few weeks, as a key Senate race in North Carolina will be accepting post-marked, mail-in ballots through November 12 and there will be at least one runoff election in Georgia during January.

- **At the current time, it appears probable, though not yet certain, that the Republicans will successfully defend their majority by one or two seats.** This could be extremely important for markets, as a Republican majority would likely forestall an estimated $4 trillion tax hike anticipated under a Joe Biden administration and also increase the likelihood of a congressional deal being reached by year-end on a potential $2 trillion economic relief and stimulus package.

- **All considered, the markets will probably be fine with either Joe Biden or Donald Trump as president, provided the Republicans maintain Senate majority control.** A Biden White House and Republican Senate could, in fact, create the type of gridlock the markets find comforting. However, if the tables turn in the weeks ahead in North Carolina and Georgia and the Democrats regain Senate control, there could be an adverse market reaction.

TRANSAMERICA®
Insurance / Investments / Retirement

- **Should we see several weeks of contentious state recounts and lawsuits, we believe the markets would probably look past most of it, recognizing that eventually a resolution will follow.** Realizing an acceptable conclusion will be ultimately reached, the markets could discount much of the post-election mayhem as a short-term distraction. All considered, it appears as though Joe Biden has the higher probability of becoming our next president and the Republicans have a strong likelihood of maintaining the Senate.

- **We continue to see a market environment potentially susceptible to short-term volatility** based not only on election uncertainties, but also rising COVID-19 cases, pending virus vaccine medical data, stalled talks on an economic package from Congress, and what looks to be a declining rate of gross domestic product (GDP) growth in the 4Q.

- **All considered, we maintain a favorable, longer-term view of the markets,** driven by what appears to be a stronger-than-expected overall recovery in the economy and corporate earnings, a continued low interest rate environment and active monetary stimulus from the Federal Reserve, and attractive stock and credit valuations when taking these factors into account.

THOMAS R. WALD, CFA®

CHIEF INVESTMENT OFFICER
TRANSAMERICA ASSET MANAGEMENT, INC.

Tom oversees investment and mutual fund development and the sub-adviser selection process. He heads Transamerica's investment thought leadership with advisors, clients, and media. Tom has more than 25 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.

Visit: transamerica.com/market-outlook

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

Past performance does not guarantee future results.

Neither Transamerica nor its agents or representatives may provide tax or legal advice. Anyone to whom this material is promoted, marketed, or recommended should consult with and rely on their own independent tax and legal professionals regarding their particular situation and the concepts presented herein.

The COVID-19 pandemic has caused substantial market disruption and dislocation around the world including the U.S. Economies and financial markets throughout the world are increasingly interconnected. Economic, financial or political events, trading and tariff arrangements, terrorism, technology and data interruptions, natural disasters, and other circumstances in one or more countries or regions could be highly disruptive to, and have profound impacts on, global economies or markets.

The information included in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. This material contains general information only on investment matters; it should not be considered as a comprehensive statement on any matter and should not be relied upon as such. The information does not take into account any investor's investment objectives, particular needs, or financial situation. The value of any investment may fluctuate. This information has been developed by Transamerica Asset Management, Inc. and may incorporate third-party data, text, images, and other content to be deemed reliable.

Comments and general market-related projections are based on information available at the time of writing and believed to be accurate; are for informational purposes only, are not intended as individual or specific advice, may not represent the opinions of the entire firm and may not be relied upon for future investing. Investors are advised to consult with their investment professional about their specific financial needs and goals before making any investment decisions.

Transamerica Asset Management, Inc. is an SEC-registered investment adviser. The funds advised and sponsored by Transamerica Asset Management, Inc. include Transamerica Funds, Transamerica Series Trust and *DeltaShares*® exchange-traded funds. Transamerica Asset Management, Inc., is an indirect wholly owned subsidiary of Aegon N.V., an international life insurance, pension, and asset management company.

1801 California Street, Denver, CO 80202, USA

264559

TRANSAMERICA®
Insurance / Investments / Retirement