

KEEN ON RETIREMENT



Silencing the Noise: What You Should Know About the Upcoming Election

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Bill Keen: Hello, everyone. Bill Keen here. We have a special episode in store for you today. As we are releasing the audio portion of a recent webinar we conducted with political commentator, Greg Valliere. Some of you may remember that we did this very same thing when Greg was in town in person from DC in July of 2016. And that podcast and webinar is still available today on our website, keenonretirement.com. It's very interesting to hear what Greg has to say today about the upcoming election. But it was also interesting to go back to July of 2016 and hear what he was saying four years ago before that election.

Bill Keen: Now, Greg is considered a non-partisan centrist and does a great job of discussing the strengths and weaknesses on both sides. And more importantly, how a variety of outcomes may affect us for many different angles, including the US economy and the outlook for interest rates, the surging budget deficits and the impact that has on our markets, prospects for tax changes in the next two years, trade disputes, turn out, the pivotal issues, the key states, how markets may react to a Trump election or a win by the Democrats. And he didn't leave out geopolitical hotspots either, the Mideast, Asia, Brexit and others.

Bill Keen: Now the first half or so of the program is Greg's prepared remarks. And then the second half our listener questions that were actually coming in live during the event. You can listen to this on the podcast that you're on now in its entirety. Although, I do believe a better method to consume this information would be to go to keenonretirement.com and watch the webinar version there. And while you're there on the website, keenonretirement.com, click on the webinars tab to register for our upcoming webinar on September 30th on dealing with an unexpected retirement.

Bill Keen: Every year there are many retirees who are forced into an early retirement. In fact, according to Employee Benefit Research Institute, almost half of retirees enter retirement earlier than they expected. Sometimes people plan to work till age 65 but a health problem, caregiving demands, or early termination from work led them to an early retirement. No matter the reason, we believe you should have a thoughtful plan of action should you be faced with this scenario. We believe that webinar will be very helpful for folks that at least want to get out ahead of the thinking around that topic. With all that in mind, please enjoy our special episode today as we discuss the upcoming election with Greg Valliere.

Bill Keen: Well, good evening, everyone and welcome to our webinar tonight. We're honored that you would take the time out of your evening to spend with us this evening to talk about silencing the noise, what you should know now about the upcoming election and that upcoming election is coming up pretty quickly here. It snuck up on us, I think, in a lot of ways this year. But I do want to welcome you to our event tonight. We have many clients of the firm Keen Wealth Advisors here on our presentation tonight. And we're very grateful to have you join us. We're very grateful to be on the journey with each of you. It's a privilege and an honor for us to partner with you as you navigate your financial life holistically.

Bill Keen: We have other friends as well on our program tonight. And for those of you that are new to our programs, welcome. You'll find that in our firm, we believe that education and engagement is one of the most important things. We're not trying to make any of your financial advisors, CPAs, estate planning attorneys, political experts. But what we are trying to do is help you be educated, engaged and informed about the facts, about things that are going on in the world. And also to understand how that fits into your own personal financial plan to avoid making knee-jerk emotional reactions around things that could be inciting, especially in the news media today.

Bill Keen: We think that it's very important that each person to be successful, has a financial plan in place, that they've sat down with a fiduciary advisor and looked at all of the aspects to their plan. Their tax planning, their spending planning, their retirement projection if they're retired, how much money can we spend if they're not retired? When can we retire and how much money can we spend? How are things titled, what happens to me if I don't wake up tomorrow? What happens to my family? What happens to my loved ones? All of those things collectively need to be looked at. Ongoing too. It's not a one and done scenario. So when we say that folks have to have a plan, it's not something that happens once and is over. It's something that's very diligent and ongoing.

Bill Keen: So with that in mind, we have created a firm, a registered fiduciary investment advisor that does just that for our clients. And part of that process is holding ongoing education. This is a perfect example of an investment that we are making back into our clients and our friends. It was an investment to have our

speaker here with us tonight. But we felt it very important to do that. For many of you that have followed our work, you've seen that we have a podcast. There's about 120 episodes out there right now. There's also a blog with about another 120 blog posts. And there's webinars that occur very often.

Bill Keen: Now with COVID 19, It's been all webinars this year. None of our live events have happened, as many of you know. But we still want to provide an opportunity for folks to plug in to learn to understand to know what's happening and what we're thinking at all times around what's happening in the world and in the financial markets and economy. First, I want to thank Matt here, he's on the line there, he's going to be helping me moderate tonight. That's my Chief Investment Officer, Managing Director of the firm.

Bill Keen: I want to first, Matt, give you some kudos for the work you've done for 18 years with me together, but also for some of the very hard work that you did on webinars just like this through March, April, May June, through a very difficult and scary time as COVID-19 spread very unknowingly around the world and into the United States. You brought a measure of calm, you brought up a modicum of intention. You made some projections based on data. They've been very accurate, by the way, I might add. You've done a wonderful job and I'm honored to have you on the team. I also want to thank the rest of my team, the operations team, compliance team, everyone, the financial planners that helped me to run this operation. It's just absolutely couldn't do it without the team. Very grateful to have that team here.

Bill Keen: So we're thinking about additional webinars. I quickly wanted to let you know that there'll be one coming up in September. So keep an eye out for that. We know that about 50% of people retire sooner than they think they were going to retire. And that is something that catches folks off guard. So we've put together a webinar to just talk about some of the things that you need to be thinking about if that might happen. That may be something different than just being terminated. It could be a health problem for your own, maybe you're a caretaker for a loved one, any number of things that could happen, that you would be retiring sooner than you expected. And by the way, you might actually retire sooner than you expect because you want to, as well. That's one of the things that does happen around here. And that's alright too.

Bill Keen: So with that in mind, I want to introduce our speaker tonight. Many of you might remember we had Greg Valliere in person with us about four years ago before that election occurred here at the convention center. And he did a fantastic job. He came in from DC one afternoon and made a presentation. It was very well received and flew back out the next morning. Was on the docket to do the very same thing this year, was very honored that he agreed to do our program for us. Of course, with COVID we're now in this format. But we're just super honored to have Greg. Now Greg has been working in Washington, following Washington for I would call it 45 years or so.

Bill Keen: He covers issues such as economic and tax issues, the Federal Reserve, Treasury, everything and anything about politics. And maybe that's a stretch. But from the work I've seen him do over 25 years I've known Greg, I just know that he sees things that we don't see. Sees things that the media isn't reporting on. He knows the players personally, and he'll share a little bit of that with us tonight. I think one of the most important things about him, and I can tell you, it is discouraging, and I do this on purpose. I will turn on Fox, watch it for 30 minutes. And I will turn on MSNBC or CNN and watch that for 30 minutes. I will do it because I want to see what the sides are saying.

Bill Keen: And anyone that has done that knows that it looks like different universes where they're talking about the same United States of America, but it doesn't even ... You would never know it. Look, I guess that's just what it is today. It is what it is. So we accept that. But we try to bring a view of what are the facts because regardless of who comes out on top here in a few months, we still have decisions to make, we still have portfolios to manage, we still have families to take care of. We still have each one of you have families to take care of. We still have lives to live. And we have to have some idea of what the facts are that may happen, the outcomes, the consequences, the different scenarios. That's why I really love Greg is because he would ...

Bill Keen: I would call him a centrist, a non-partisan centrist. And after our talk tonight, I bet you won't be able to tell if he does lean a certain way, which I don't actually think he does, honestly. But if he does, maybe someone will email me and tell me what they think. I don't know that he does, so it doesn't even matter, frankly. But Greg's held a lot of high positions at Charles Schwab Washington Research Group. He's currently the chief US policy strategist at ATF Investments. I talked about those news channels.

Bill Keen: Greg is regularly on CNN, and he's regularly on Fox. So how does that happen? Well, he must really be a centrist if that's the case. He's on many other shows and he's quoted in many other periodicals as well. So now that you know Greg, and you've seen his name, he's got a unique name, I'll bet you I'll bet you'll now notice him kind of like when you buy a car, a red car, you see red cars everywhere. When you see the car you bought, now you see it everywhere. I bet you see Greg everywhere now when you're watching the news media. But we have him here special tonight in a private event.

Bill Keen: We're going to go, he's going to have some opening remarks. Then we're going to take questions. But throughout the presentation, send questions, Matt's monitoring them. We'll bring them to Greg as he finishes his opening remarks, and we'll roll through as many of those as we can get tonight. Really looking forward to it. Now, Greg is right now broadcasting live from The Watergate in Washington DC. Is that right, Greg?

Greg Valliere: Yes, sir.

Bill Keen: Okay. I mean, how about that? What a treat. We're very grateful and honored to have you on our program tonight, Greg. Thank you so much for agreeing to do the show, especially on a night tonight where we have we're bumping up against the final night of the Republican National Convention here as well. So I know you'll be working late tonight. So I'll turn it over to you, sir.

Greg Valliere: Well, thank you so much, Bill. I've always enjoyed working with you and your colleagues and I have a lot of friends in Kansas City, wonderful town. I wish I could be there in person. We could have a glass of wine afterwards. But we will end in spirit, I'm sure. And as you and I talked just a few minutes ago, yes, I'm at The Watergate and one of the great Americans, one of the great Kansans ever is Bob Dole. And Bob is a neighbor of mine, and he and Elizabeth live down hall. Bob Dole is 95 and he's still hanging in there. He's a great, great figure in our country's history.

Greg Valliere: Well, I have a lot to talk about tonight. And thank you for the introduction, and I will try to keep it centrist. I am going to talk about some big themes. The first thing I would just say is that everything's different now because of the virus. We have meetings like this. We don't always shake hands anymore. We go to doctor's appointments virtually. Our kids go to school virtually. So much has changed in the country. And I would argue that an enormous amount has changed in my city, has changed in Washington. I'm going to talk tonight about three big, big changes that will be with us for a while.

Greg Valliere: The first is the dramatic change in monetary and fiscal policy, which I think has helped us to avoid a great recession or depression because of the virus. Secondly, I want to talk about perhaps a lasting and trouble issue, and that is the growing antipathy between the US and China. China is blamed by a lot of people for the virus. And I think that relations will stay quite strained for quite a while. And then third of my favorite subject, I want to talk about how the political climate has changed. And then we'll talk about the election, Biden versus Trump. I have to end with one sobering note. And that is a real possibility that we could have a disputed election, not out of the question at all.

Greg Valliere: So let me start with the economy. I would say that the toolkit that Washington is now using is quite remarkable, and I think it has saved us from the in economic catastrophe. Its fiscal and its monetary. I'll start with the fiscal side. Congress has spent three and a half trillion dollars during the spring and into the summer on stimulus that I think is a major reason why the third quarter is going to be pretty good. Second quarter was terrible. We all were expecting that. But when you look at all of the things that Congress has done, the check to people, unemployment benefits, a long, long list, I think it has made a difference.

Greg Valliere: Now there's some disagreement on a final stimulus package. Nancy Pelosi came up with a proposal that I think was way overshoot. She wanted an extra three and a half trillion, things like aid to marijuana growers that I don't think had much to do with COVID-19. And, of course, it was rejected by Mitch McConnell

and the Republicans. Many Republicans, not all, but many are starting to get very nervous about the magnitude of our deficit. In this fiscal year, which ends on September 30, the deficit will probably exceed \$4 trillion. That's a lot of money. And in the new fiscal year that starts on October 1, I think the deficit could be another \$2 trillion.

Greg Valliere: So by the middle of this decade on that kind of a trajectory, the US debt will exceed \$30 trillion. And at some point, maybe by the middle of this decade, we may have to pay the bill, we may have to tighten our belts, there may have to be some really serious spending cuts. Maybe we'll look at Social Security. Maybe we'll look at some taxes. I don't think that's necessarily going to be imminent. But there is a legitimate issue as to whether the bond market can handle debt servicing costs as we get into the middle of this decade. But that's a story for two or three or four years from now.

Greg Valliere: I think all during the spring and summer, the view on Capitol Hill was that this was about triage. We first had to save the patient. And now that the patient has been saved, I think additional stimulus will be less generous. A major reason why we don't have to spend many more trillions is the phenomenal job done by Jerome Powell in the Federal Reserve. I think he's one of the heroes of this crisis. I mean, the real heroes, the nurses and the doctors who saved people's lives and risk their lives during this virus. But on a policy standpoint, I give very high grades to Jerome Powell.

Greg Valliere: He had an important speech today in which he indicated the Fed is prepared to keep rates low for a very long time. The Fed is even willing to accommodate more inflation. Some people scratch their heads, but I think the Fed would prefer a little more inflation to get the economy juiced up. I think that Powell is prepared to lend more to businesses. Small businesses in particular are still hurting a lot. Some are going under. I think he's prepared to do more for state and local governments, which have been laying off workers, which have seen a big drop in revenues and an increase in spending on first responders, things like that. So I think Powell is prepared to do that.

Greg Valliere: In fact, I would make the argument, Bill, that there's only two things that the Fed would shy away from. One would be to go to negative rates, the Fed really doesn't want to go there. It would punish savers. It would maybe send the bad signal. I think they will go to great lengths not to have negative interest rates. The other thing I don't think they would do would be to buy equities. I think the Fed owning stock in companies that the government has to regulate is an inherent conflict of interest. So I don't see those two options. But otherwise, I think this Fed is prepared to do just about anything.

Greg Valliere: I think the Fed funds rate will stay around zero for at a minimum two years, maybe more than that. And as a sign that maybe things have smoothed over, Donald Trump a couple of months ago called Chairman Powell and congratulated him for doing a great job. These are two folks who did not get

along very well for quite some time. So it's an extraordinary Federal Reserve. I think the inevitable question that we all have to ask is that all of this stimulus, all of this Fed action, could it lead to a bubble? Could at some point we say we're doing too much? Could we have a bubble in stocks? Could we have a bubble in the housing?

Greg Valliere: My answer is maybe. I don't think it's eminent. But I think it's a risk that Powell is willing to take. So that's the first theme, a really dramatically changed toolkit to deal with the economic hardship. The second big theme that has come out of this COVID-19 crisis is the antipathy between the US and China, between Western Europe and China, between Canada and China, between Australia and China. There is a widespread feeling that the Chinese were not transparent, that they concealed from much of the world the true extent of the virus at the beginning of the year. And now, this animosity toward China focuses on their hacking of US firms trying to figure out what we're doing on vaccines.

Greg Valliere: I've been told that China has hacked into every one of the Fortune 500 companies in the US, and they do it with impunity. I think there's also a great deal of animosity toward the way they treat their dissidents. Whether it's Muslims in western China, or obviously the way they treat dissidents in Hong Kong. So in Washington right now, the Chinese are a pariahs. I should note that this is not just a Donald Trump crusade. This view toward China is bipartisan. There are many democrats, Chuck Schumer or Elizabeth Warren, Bernie Sanders, who also say China must be dealt with harshly.

Greg Valliere: So I think that in the coming months, there's going to be an effort in legislation to reward American companies who bring their manufacturing jobs back to the US and leave China. Maybe we're too reliant on Chinese medication, on Chinese medical equipment. And I think that's going to be an issue that Congress will look at. In the short run, the big story, of course, is the September 15th deadline for WeChat and TikTok. It looks like TikTok might be close to finding a new parent. That issue might be diffused. But the big one in China, the big issue in China, of course, is WeChat, which is widely used there and people in China communicate with people in the US using WeChat. I think that is going to be a source of irritation.

Greg Valliere: Could there be more retaliation between the two countries? Absolutely. I don't rule it out. If we take a very harsh view of WeChat, could China retaliate against some very big US companies that are quite profitable in China? I don't rule it out. I think this will be a key issue as we get into mid-September. Looking further out, if Joe Biden wins, and we'll talk about Biden in a few minutes, I think he might be a little more pragmatic in dealing with China. He might want to re enter the Trans-Pacific Partnership. I wouldn't rule that out. I think if Trump wins, I think this deep freeze with China would persist for a while.

Greg Valliere: I certainly don't see a phase two in trade relations. We're lucky we got most of phase one, which has been good for us farmers and other manufacturers. So

that's the second big theme. I think this antipathy toward China will persist. The third theme and the one I want to spend most of my time on is this fascinating election. I would say at the outset, that if I were talking to Bill and your colleagues and everyone in late January, I would have said without hesitation that Donald Trump was going to win reelection. He had just been acquitted by the Senate on the impeachment trial. The economy looked great as we were ending the winter, unemployment was exceptionally low. And I thought Trump would win reelection.

Greg Valliere: Well, now we fast forward to tonight and I would tell you if the election were held tomorrow, I think Joe Biden would win, and he might just take the Senate with him. But the election is not going to be held tomorrow. The election is on November 3rd. And I think between now and then, the numbers are going to tighten significantly. I've always said that you underestimate Donald Trump at your own peril. And I think he still has a decent pathway toward winning, even though again, if the election were held tonight, I think he would lose. So what happened between late January and now?

Greg Valliere: Well, first of all, I think most Americans and I'm looking at the polls, this is not my personal opinion, but I look at the polls and see that most Americans feel that Trump has not done a particularly good job on the virus. He was dismissive early on, said it would just vanish, said we have 15 cases going down to one. That wasn't the case. He sent a lot of confusing signals on masks, on Dr. Fauci, on reopening. And people increasingly got confused and increasingly resented it when Trump kept saying what a tremendous job that he and his administration had been doing.

Greg Valliere: Well, I'm sorry. The US accounts for 4 or 5% of the world's population and the US accounts for 25% of the world's fatalities from the virus. I don't call that doing a good job. But don't take it from me, look at the polls. I'll talk about the polls later because they're not infallible. But I would say clearly, the country was not satisfied with his handling of the virus and saying things like maybe drinking a disinfectant didn't help. And a lot of the quack medicine didn't help either. So then after that, we had the killing of George Floyd. A very emotional issue. I think a lot of white Americans had their eyes opened up.

Greg Valliere: Trump never really gave the protest any kind of credit at all. And to be fair, I mean, there's some terrible things going on in Portland, Oregon. These are white kids, Antifa radicals. That's different from peaceful protests coming out of the George Floyd story. And I think that this has probably given Trump a little opening with his base, his base likes the message. But I think a lot of Americans feel that he never really showed the understanding or empathy that was required with this kind of story. So again, don't take my word for it, the polls on his handling of the protests and his handling of the virus were quite negative for him, and his overall job approval rating fell into the low 40s which is a flashing red light for any incumbent.

Greg Valliere: So during the spring and summer Biden's numbers improved. I never believed the New York Times and others who said Biden was up by 14 or 15 points. I think that's ridiculous. But what we've seen now, over the last two, three weeks is a comeback. The polls are looking tighter, especially in battleground states. And I do think that Trump is going to push really hard on two themes that he thinks could get him reelected. The first is this idea that Joe Biden lacks the mental acuity for the job that he's slowed down, hinting that he has some sort of cognitive issue.

Greg Valliere: Now, I must tell you, I've known Joe Biden for 40 or 45 years. A long time ago, when we were both young men, I thought of Biden is a very gregarious, quick, sharp, funny guy. And since I knew him then, I can tell you now, he's lost a mile or two on his fastball. I don't think he's quite as quick, he's quite as sharp. Trump will make the case but I'm not sure it'll get that much traction after Biden's speech last Thursday, Joe Biden didn't look like sleepy Joe last Thursday. It was well delivered. It was an aggressive speech. And I think that Trump may not prevail with that argument that there's something wrong with Joe Biden.

Greg Valliere: Biden's not a very skilled debater. He stutters, sometimes he gets his words mixed up. But I don't think that he anything close to dementia or anything like that. I think Trump may have a hard time with that argument. The other path is a really significant story. The other path that Trump has involves Biden's agenda. That's where Biden I think is vulnerable. Biden and Bernie Sanders about two months ago, sat down and they came up with an agenda for a huge new government programs for more health care spending for the Green New Deal. But in particular, a dramatic agenda of tax increases. I think this is going to hurt by Biden.

Greg Valliere: Biden is now proposing, and I took a look at the list, we'd be here all night. He's proposing higher individual taxes, higher corporate taxes, and new corporate minimum tax, higher estate taxes, higher capital gains taxes, Wall Street transaction tax, the list goes on and on and on of tax increases that Biden is going to propose. I think that Trump has an opening on this. He may have an opening on urban gun violence, that remains to be seen, but I think he'll talk about that a lot tonight in his acceptance speech. So that's where I think Trump still has an opening.

Greg Valliere: I think as we get to Labor Day, Biden got a little bounce last week, Trump may get a little bounce this week. I think as we get to Labor Day, the numbers will be down to about a six or seven point lead for Biden. That's not that much. That is not an insurmountable lead for Biden. Maybe we could spend a minute right now on polls. I'll give you my views on the poll takers. I don't believe any of them, but I do believe one indicator. That is the [realclearpolitics.com](https://www.realclearpolitics.com) website. They are really bipartisan. They are not partisan at all. [Realclearpolitics.com](https://www.realclearpolitics.com).

Greg Valliere: Every morning, they publish in the upper right hand side and aggregate of every poll out there. This morning, I think they had Biden up by 7.1. They also publish

every day where the betting sites are. In this kind of a guilty pleasure of mine, I look at the betting sites because they're pretty sharp. And right now, Biden has lost about 10 points in the last month. Biden is still considered the favorite but it's he's in the mid-50s. And he was in the mid 60s in the middle of July. So I look at that, I look at the ... And even with those numbers I'm not convinced that they are absolutely precisely correct because they're polls and it's hard to get the secret sauce, get the exactly the right amount of men, women rich, poor, black, white, young and old.

Greg Valliere: It's really hard to figure out voter turnout. Very, very hard to figure who's going to turn out and who won't. But I do respect trends. And just like the unemployment number is not exactly right, I respect the trend there. If it's going up, or if it's going down. And I think that the trend here is what to look at as we go into the fall on the realclearpolitics.com index. So the next big event after tonight's speech will be on September 29th. That's the first debate. It's the one that the country always watches the most intensely. I think that the White House may tone down saying that Biden is feeble, because Biden will exceed low expectations as he did last Thursday.

Greg Valliere: In looking at the election, by the way, I hate to disappoint you but I am not prepared to make a final call until after September 29th, that first debate. I'll call bill up on September 30th. But I'd say as things narrow, there were two three indicators to look at. The first is Trump does have problems with two or three crucial demographic groups. One obviously is people of color. But the big one is college educated women, especially college educated women in the suburbs. They've tried to appeal to that demographic this week in the Convention, but Trump trails by about 20 points in that metric. That's something he has to be quite worried about.

Greg Valliere: I also think his numbers won't be quite as good this time with senior citizens. Many were not happy with the way he handled the virus, which seemingly exposed them to the disease. And Trump, I think does not have as much support in the military as he did four years ago. We abandon the Kurds that are upset a lot of people in the Pentagon and the way Trump used the military for that photo op at Lafayette Square with the Bible under the military as well. So he might be down in certain groups, but his base is rock solid. I have never seen a politician with a stronger and more loyal base than Donald Trump.

Greg Valliere: Another thing to look at in the final analysis I always look at an election is the Electoral College. My parent company is in Canada. I have to tell you, I have to explain it every time I talk about the electoral college because a lot of people outside of our country don't get it. It does seem a little complicated. Trump could easily lose by 2 or 3 million votes and win the Electoral College. In fact, he basically did that in 2016. The key states, the four states that everyone is looking at are Wisconsin, Michigan, Pennsylvania and Arizona. States that Hillary Clinton narrow lost, where the poll show a Biden with a lead but not a big lead. A lead of four or five points is not insurmountable.

Greg Valliere: But if Biden could win three of those four, I think he'd be in very good shape. But even if you only want to have the four, let's say, Pennsylvania and Michigan, he'd be in good shape if, and this is the wild card, if Biden can carry Florida. And to my astonishment, if you'd asked me six months ago, I would have said no way, Trump's going to win Florida. But the polls have been pretty consistent showing Biden with a lead of four, five, six points in Florida. The state has become much more Hispanic, as Puerto Ricans have left their homeland because of the hurricane Maria. There's a lot of senior citizens in both Florida and Arizona, retirees who aren't quite as crazy about Trump as they were four years ago.

Greg Valliere: So if Florida went for Biden, I think we could all go to bed by about 8:30 election night once we find out who won that state. I think it's that important. Both candidates have a path to 270 votes. I would argue that Biden's path is slightly more favorable when you look at states that could very well flip. Well, there were two other big election issues that I want to talk to you about that are really, really important. The first is an election that may be almost as important as the presidential election. And I've been saying this and writing this for months and months and months. And finally, I opened the Wall Street Journal today and their lead editorial says the big election is for the Senate, which has been my theme for quite some time.

Greg Valliere: Why do I say that? Well, the Senate is the firewall for legislation that comes over from the very liberal house, and the house will stay democratic. There's no question in my mind. That's not even in play. But Mitch McConnell had been the chief gatekeeper of this firewall because the Republicans right now control the senate 53 to 47. Well, it just so happens that the Republicans have four seats that look pretty vulnerable. The Democrats have only one seat that looks vulnerable in Alabama. So you could see the democrats have a net gain of three, which means we'd have a tie, 50/50 tie if that happened. A tie broken, of course, by the president, who could be Joe Biden.

Greg Valliere: I would argue that the financial markets like divided government. The financial markets, in my opinion, do not like one party controlling everything, especially the Democrats. I have a dear friend on Wall Street who always calls me up during the election time it says Greg, you got to remember, divided government is good because it means they do less harm. And I think there's probably some truth to that adage. So I think if the democrats controlled all three, the White House, the Senate, the House, that would raise some uncomfortable issues for the markets. That's why the Senate race, the races are so important right now.

Greg Valliere: In addition to considering taxes, and to be fair, I'm not predicting Biden would propose big new taxes the day after his inauguration in late January. I think that he would be concerned that the economy is still fragile. I think he would be concerned about antagonizing the markets right away in his turn. So I think tax hikes come later rather than sooner when the economy is on its feet. But it would be naive to say there aren't going to be tax hikes if Joe Biden wins, that's

going to be a top priority. And then maybe an early one. That would be a minimum corporate tax.

Greg Valliere: There are a lot of Democrats who point out that some very big companies like Amazon pay no taxes. Two years ago, Amazon made \$11 billion and got a refund. So I think there will be a momentum to have a minimum corporate tax but as far as raising individual rates, I think he might wait a while before doing that. But to go back to my theme, the Democrats would perhaps pose some concerns for the markets on taxes. And there would also be a real concern for the markets on specific sectors. Let me spend a minute on the sector's. And again, I try to stay on the 50 yard line. And this is not a rant against Biden, but as an analyst, I have to tell you what might happen.

Greg Valliere: First of all, I think it would be a negative story if he won for the financial services sector. He would look at the Volcker Rule, he would look at all sorts of regulations. And there's a persistent rumor that Elizabeth Warren would be under consideration to be the treasury secretary. That would not be well received by the financial markets. I think you guys would agree that's an understatement. But she would be in the running. She hates our industry. She feels the industry is corrupt and greedy. I think Biden would be dissuaded by people on Wall Street. He knows a lot of people on Wall Street who might tell him, no, why don't you a pointer to Secretary of Commerce or something else? Not Secretary of Treasury.

Greg Valliere: But that's one sector financial services that could be under pressure. Quite clearly, the fossil fuel industry would be under pressure coal, natural gas, oil. Trump has done really remarkable things on regulations, killing regulations for methane emissions, a wide range of environmental regulations that I think Biden would quickly reinstate. I think he'd do that in his first month or so. I think the healthcare sector would have to worry about price controls on drugs and a more invasive government presence. I think the tech sector is probably okay. I'm not a believer that we're going to see an antitrust breakup of the most successful industry in America and History.

Greg Valliere: I think that the Justice Department investigation will take many more years. If there's something for the tech companies to worry about, I think it would be this corporate minimum tax rather than a breakup of big tech. And then I think there are some other sectors that could worry about a haircut on spending, primarily defense. If Biden wins, I don't see him slashing defense spending. But I think the stretch for the last three or four years of significant increases in defense spending would level off. We spend now \$750 billion on defense. Only one other country in the world spends over 100 billion. That's China at about 120 or 130. So I can see defense spending get a haircut as well.

Greg Valliere: So clearly, there would be some sectors that would be concerned. To be fair, I think the markets could ... Some of the markets could come up with a scenario whereby Biden wouldn't be all that bad, that he would be more predictable, less

erratic than Trump, more inclined to be a moderate on trade. Trump says I'm a tariff guy and he wants to put tariffs on so many areas, Western Europe, even Canada, we're in a new fight with. So there are some areas where I think Biden would be well received. But again, as an analyst, my take is that there are some sectors would have to worry if Biden won, and there would be this concern about taxes. All of this would become more likely if the senate turned to the Democrats. I think the odds are slightly above 50% that that will happen.

Greg Valliere: So the final thing, the final issue that I want to talk to you about this evening is one that I prefer not to discuss, because it's just maddening to but we have to talk about it. And that is the threat, which is not a distant threat of a disputed election. There are three scenarios that have been discussed. The first scenario would be a delayed election. Trump suggested it as a trial balloon a few months ago. Biden said, I thought all along that Trump wanted to postpone the election. The fact is, that's not going to happen. The logistics of the election are controlled by Congress. And with the liberal house, I see no chance that Congress could agree to postpone the election. So it will be on November 3rd.

Greg Valliere: The second one is that it could be well past November 3rd, days or weeks before we know who won. I think this is a real concern because of the growing preponderance of mail-in ballots. As an example, I would cite with the New York State this summer. New York State had a lot of primaries and it took them six weeks to determine who won these primaries. They were overwhelmed by mail-in ballots. So I increasingly worry that we may not know the next morning who actually won. And then the third scenario is the most troubling one of all.

Greg Valliere: That third scenario is one in which Trump narrowly loses. Let's say he barely loses Michigan or Pennsylvania or both of them. He could say that the reason I lost was mail-in ballots which are fraudulent. And we've all heard Trump all during the summer saying that the election could be rigged. I think he's preparing us for that argument. He feels that mail-in ballots can be tampered with. There have been a couple of examples that are troubling. One in Paterson, New Jersey, one in North Carolina, where ballots apparently were tampered with. But the vast preponderance of evidence would show that mail-in ballots works pretty well, and it's pretty hard to tamper with.

Greg Valliere: Be that as it may, I think Trump will it will insist that his defeat was because of fraudulent mail-in ballots. And knowing how litigious he is, I think he would instruct his attorney general, Mr. Barr, to take this to the courts, and it probably would go all the way up to the Supreme Court. I don't have to tell any of you, we're all old enough, I think to remember the year 2000 when George W. Bush was declared the winner by the Supreme Court, which determined that Al Gore, in fact, did lose in Florida, an election that will be discussed for decades and decades to come.

Greg Valliere: So wouldn't that be a capper for 2020? A year of just extraordinarily bad stories. California fires, hurricanes, the virus, urban protests, on and on and on. All of

these bad stories, could the year be ended by a disputed election? I don't rule it out. I'd like to rule it out. But I think there's at least a one in three chance that one way or another, this election will be disputed. I'm really looking forward to your questions. But before I end, just a word, an optimistic word on geopolitics. I think that the deal in the last few weeks between Israel and the United Arab Emirates was really important.

Greg Valliere: You saw Tom Friedman in the New York Times, hardly fan of Trump credit Trump and Jared Kushner, who put this deal together. I think that this new cooperation between the Israelis and Persian Gulf countries will have big implications. I think down the road, the Israelis will have a decent relationship with Saudi Arabia. I think that this was a real slap at Iran as a growing sign of Iran being isolated in the region. There have been mysterious fires at Iranian nuclear sites in the last few months. A lot of speculation on who did it. Was it dissidents in Iran? Was it the Saudis? Was it the Israelis? Was it the US? Hard to say. Cyber warfare can produce lots of interesting results.

Greg Valliere: But I think that the Iran everywhere you look has been diminished. They're the biggest supporter of Hezbollah, which has its fingerprints all over that horrible incident we saw in Beirut two or three weeks ago. So I would say the Mideast, knock on wood, but the Mideast looks better than it has in quite some time. I still worry about European growth. Before we did this call, I read a lot of story about big layoffs coming in Western Europe, a lot of companies having to let people go, they still are not out of the woods. I think we are. And there are other things to worry about.

Greg Valliere: Obviously, there's no shortage of things to be concerned about with China looking more aggressive in the South China Sea, lots of things like that. But I think the traditional source of anxiety, geopolitically, the Mideast does look a little bit better. I don't take North Korea that seriously. Kim Jong-un might be ill. A lot of rumors in the last few days. His sister may become more powerful. But I don't see that as a story that's going to erupt into something that we all have to worry about.

Greg Valliere: So I'd like to end on a positive note. I think the geopolitics takes a look pretty good. I think that the US economy looks pretty good. It's not going to be a straight rocket ship up. But I think, radically, the economy will continue to improve. By the end of the winter, maybe unemployment is down to 7, 7.5%. Maybe a year from now unemployment could get down to about 6%. Probably not going to get where it was eight months ago. That's going to take a while because of COVID. But I do think things are moving in the right direction. So let me stop there. I would love to take some questions.

Bill Keen: Excellent. Thank you.

Matt Wilson: All right. As a reminder, please submit your questions. We have several that have been submitted already. And so I have those ready for us. So Mr. Valliere,

here's a great question that we received. And it was regarding the filibuster. There's some discussion around that might go away. And so what are your thoughts on the potential of the filibuster leaving Congress?

Greg Valliere: I want to thank the questioner for asking. One of the flaws about speaking without notes is that once in a while you leave something out, and I left that out. Not intentionally. It's a big, big deal. It sounds maybe to some is kind of deep in the weeds. But basically, what it means is that could this law that requires 60 votes to cut off a filibuster be changed? Now, Joe Biden, being a traditionalist, he was in the Senate for something like 35, 36 years. The old timers say, no, you can't change the filibuster rule. It's sacred.

Greg Valliere: But something really interesting happened about four weeks ago and that was at John Lewis's has funeral in Atlanta. Barack Obama endorsed killing the filibuster, saying that we can't get anything done unless we kill it. Harry Reid tried to do that and it backfired on the Democrats. The ending of the filibuster rule on judicial appointments gave Mitch McConnell an opportunity to get confirmed 200 federal judges. So this could backfire on the Democrats again. But I am told that Biden is increasingly persuaded that he will go to kill the filibuster. There could be a democrat or two who would resist. Maybe Joe Manchin of West Virginia, might be a couple of other moderate Democrats.

Greg Valliere: But if that happens, it means that you just need a simple majority, 50/51 votes to pass anything. I think that is a story that would be quite unsettling for the financial markets. If the markets thought that a simple majority could get the Green New Deal or big new tax hikes, that would not be a plus. It would be something to be concerned about.

Bill Keen: Greg, what would it take to kill the filibuster? What would it take?

Greg Valliere: A simple majority in the Senate. So let's say the democrats capture the senate 51/49 or I guess it's even if there's a tie, Biden could break the tie. So yes, it would be just a simple majority could end the long tradition of the filibuster. It could give the Democrats a lot of legislative victories in the short run. But one of my all time favorite sayings is be careful what you wish for, because that could come back and bite the Democrats down the road.

Matt Wilson: Another question that we've received is around term limits. Any thoughts on potential for term limits ever to enter any branch of government?

Greg Valliere: I don't see it. We have local and state and local governments, governors, things like that. But for Congress, Congress would have to reform itself. And that seems like an unlikely scenario. They seem reluctant to imposing discipline on themselves. My dad was used to say, "Do as I say, not as I do." I think that the term limits are very, very unlikely in the full Senate. I would be a proponent of an age limit. I think 80 is not cruel. We've had people go well past 80. Pelosi is

80. We had Robert Byrd who served into his late 90s. We had Strom Thurmond from South Carolina who served into their late 90s.

Greg Valliere: I mean, they were vegetables. I'm sorry. But they should not have served into their late 90s. I think you look at corporations, you look at universities, they have mandatory retirement. I don't see anything cruel about saying to people in either party. 80 ought to be the cut off. I think that would be a reasonable approach. But unfortunately again, they would be required to reform themselves, which I'll believe when I see.

Matt Wilson: Great. We've got another one here. We're in the, of course, in the Midwest, a lot of farmland. How are the trade wars and tariffs affecting farm income and farmers specifically?

Greg Valliere: I think that Trump has made up a lot of difference for soybean farmers in the Midwest who didn't see the Chinese buy aggressively right away. The Chinese over the last few weeks had picked up the pace of their purchases. So I think that has helped. I haven't looked at commodity prices lately. I know, obviously, there was a horrible story in Iowa with a storm that devastated the crops there. But I would say that the impact of the trade war has been largely blunted by money from the White House to farmers who really need it right now.

Matt Wilson: Yeah. Great. Okay. We're getting a lot of questions coming in here. Yeah. Well, you've already mentioned you're not going to make a prediction until after the 29th. So there's several questions on who do you think will win? I guess we'll stay tuned for that one.

Greg Valliere: Sorry to interrupt. I'm very comfortable saying that if the election were held tonight, Biden would win. I'm very comfortable saying that. But I see a somewhat similar scenario. There's the one with Hillary where she lost a point a week or half a point a week in September and October. I think that could happen as well. Again, you underestimate Trump at your own peril. He's a very, very aggressive campaigner. He will say a lot of very harsh things. Four years ago, he showed tremendous energy. I mean, in the last two weeks of the campaign, he was doing three or four events a day around the country, whereas Hillary, who I think felt she was entitled to the job, didn't campaign aggressively.

Greg Valliere: In fact, the most widely cited flaw is that she never once set foot in Wisconsin, a state she lost by about one point. Can you imagine that? She never once went to Wisconsin, a battleground state. So I think she ran a poor campaign. I don't think Biden and Kamala Harris would repeat some of those mistakes. Like I said, I'll call Bill up on the day after the first debate on September 30th and tell you. We'll probably all know after that first debate.

Matt Wilson: Yes. We'll be watching [realclearpolitics.com](https://www.realclearpolitics.com) very closely too.

Greg Valliere: Yes, indeed.

Bill Keen: I thought he was going to say he's going to call us on November 4th, so at least September 30th.

Greg Valliere: That would be pretty bad. Although again, on November 4th we might not know. Exactly.

Matt Wilson: Do you think Kamala is prepared to be the president of the United States?

Greg Valliere: Was Trump? I don't know. I think that of all of the likely candidates she made the most sense. The progressive left really dislikes her. They feel she was way too harsh on African-American men who she prosecuted on fairly minor drug charges. So she has little support among progressives. I think that you could have made a case for Val Demings, who is the police chief of Orlando, Florida and now is in the House of Representatives. Pretty tough on Law and Order. I argued the Demings would inoculate Biden on the issue of urban violence, having a law and order police woman, African-American, I thought could have made some sense, but he went with Harris.

Greg Valliere: I think Harris is a good campaigner. I think that she could add a half a point, maybe a point to the African-American vote total in states like Florida, Georgia, North Carolina, Virginia. The main thing with a running mate, in my opinion, is that is like the physicians say, do no harm. I don't think she'll do a huge amount of harm. Rarely, in my career, as there have been a candidate who really affected the outcome of an election, a running mate maybe Sarah Palin was in retrospect a mistake for John McCain. Well before I came to Washington in the example I always cited, of course, was John Kennedy, taking Lyndon Johnson which helped them carry Texas. That was where a running mate really made a difference. I think Harris probably won't make much of a difference.

Bill Keen: Okay. We're getting a few questions around the post office, the USPS specifically. You mentioned the mail-in ballots and kind of the news coverage around what's happening there. Thoughts on is there an issue with mail-in ballots and the post office having its issues?

Greg Valliere: Permit me to rant for a couple of minutes about the post office and what Pelosi did. I am the proud son of a postal worker. My dad worked in the post office for 35 years. I would say that Pelosi brought Congress back a week ago almost as a stunt to ... She thought she could embarrass the Republicans on the post office. But let's get real here. I always talk that the post office is crucial for people's medication. 95% of all medication people pick up at pharmacies. Is the post office crucial for getting checks to people, pension checks, Social Security? 99% of these pension checks are direct deposited into banks. They're not mailed to people.

Greg Valliere: The post office basically ships junk mail, most of its mail is junk mail, which is charged 19 cents per item. We all pay like 55 cents. The post office in the last decade and a half has lost \$86 billion. So she convened Congress at a time

where there's a real need for aid. People are hurting. There's more and more businesses going under. People's finances are becoming shakier or and shakier. Evictions are picking up. The Trump Executive Order was meaningless in my opinion. So you've got more and more evictions, people hurting, people worried about their finances and worried about bankruptcy. And she squanders several days on the post office passing a bill, which is going nowhere.

Greg Valliere: McConnell's not going to pass a bill that costs that much. As I said earlier, I think the evidence shows that mail-in ballots works most all of the time. Is it infallible? No. Other than the three of us, no one's infallible in this world. Right? So I think that the post office, yeah, there could be some flaws and I think Trump is prepared to make the argument that the post office is flawed. The post office, like everything right now in this country is politicized. We politicize masks. We politicize everything right now and the post office is part of that. But Nancy Pelosi wasting several days to spend 25 billion on the post office, to me ignored the more pressing need that people have right now.

Bill Keen: Mail-in ballots obviously been happening for a long time, specific ways. But do you believe that certain states that have just blanketed everyone unannounced and unsolicited with ballots is responsible? Maybe it is, maybe it isn't. I'm just asking.

Greg Valliere: That's a really controversial issue Bill. If you request one, you're going to get one. Trump points out that he requests absentee ballots from Florida because he may not be in Mar a Lago. But if you just blanket the state and send a mail-in ballots to everyone, I mean, that raises issues. I think it's one of the main arguments that Trump will make if there's a disputed election, that this was not valid. There are many election supervisors around America in both parties.

Greg Valliere: A lot of Republicans who say the system is hard to game. That is invalid. But there have been a few examples. As I said earlier, there had been a few examples where it didn't work. I pray that whoever wins on November 3rd wins clearly. That there's a convincing winner. Because for the sake of our country, I would hope that there's not a disputed election, that there's a clear cut winner.

Bill Keen: Yes. And you know, a lot of folks I don't think have thought about this or have experience in it, but I believe that in most cases it requires a witness to a signature and possibly a notary in certain states. Is that correct?

Greg Valliere: Some states you'll need a witness. You certainly have to bring your ID or provide a xerox copy of your ID. Every state is different. That makes it even more complicated. So yeah, you don't want to see ... I mean, we're all in the financial markets for a living in our audience here or investors with you, you don't want to see a story like this that leads to great volatility. I just think it would be unfortunate to see that. I know you guys have techniques that can protect your clients from volatility, but it's still that's not the kind of volatility you'd like to see.

Bill Keen: That's right.

Matt Wilson: Yeah. We've got some questions here on the level of debt here in the United States and deficits as well. I know you mentioned taxes, especially under if we saw a Biden win how that would look. Do you think tax policy changes significantly, even under a Trump win as well, just because of the amount that we've had to spend to stimulate the economy this year?

Greg Valliere: If Trump wins, I think his main tax priority would be to make the cuts that he got two and a half years ago permanent. Because many of these tax cuts, as you gentlemen know, expired in the middle of the decade. And I think for people to be able to plan ahead, I think you would need more predictability. So I think that would be Trump's main tax policy to make these cuts permanent. If Biden wins, again, I think he might not do something right away in January. But I think later in 2021, he will propose tax increases.

Greg Valliere: The problem is, the tax increases that Democrats are talking about are not necessarily going to reduce the deficit. They would just pay for all the new programs, all the new spendings, the Green New Deal, stuff like that. Elizabeth Warren and Alexandria Ocasio-Cortez, who's an increasingly major player in the party, are saying that we need, for example, a Wall Street transaction tax to pay for the Green New Deal. They would go after our industry pretty aggressively to pay for it, but they would not use this money to reduce the deficit.

Greg Valliere: So when I look at the size of the deficit in the middle of this decade, first and foremost, I say, please God, hopefully interest rates are still really, really low, because that's one way we can handle big deficits is to have rock bottom rates for quite a while. And then Jerome Powell may accommodate that desire. But if there aren't rock bottom rates, and the bond market is starting to get nervous, then we got problems. We got demographic problems as we all get older, we got a reluctance to confront spending. So I do worry that the deficit could be a big problem.

Greg Valliere: The good news is, we still have time to solve it or to make things look a little bit better. And to be cynical. The good news is there's plenty of countries ahead of us in the coal mine. I mean, there are a lot of canaries in the coal mine, whether it's Italy or France or there are a lot of Western European countries or Japan, which has a huge deficit. The Japanese deficit is about 200% of their GDP. Ours is getting close to 100% of our GDP. But there are countries that are even in worse shape. So we'll get to see the kind of fun that they go through before the crisis erupts here in the US. We've got time.

Bill Keen: Yeah. And even to comment on Chairman Powell even commented today on just the fact that the amount of debt does hurt growth globally, but also that inflation can help alleviate that. And they've even adjusted their inflation targets as well.

Greg Valliere: There's two possible outcomes. One would be that our deficit becomes so big that the bond market helps to bring about a resurgence of inflation. I don't necessarily subscribe to that view. I think Powell will have a lot to do with it. The other scenario that I think is more likely that like Japan, the debt servicing costs will be so burdensome that it'll take all the money for infrastructure, education, health care. That all the money is going to have to go to stuff like that because we're spending ... Won't go for stuff like that because we're spending so much on debt servicing.

Greg Valliere: Under that scenario, we could be condemned to a long period of time with mediocre, really mediocre growth, like 1, 1.5% because of all the money going to debt servicing. But again, we're not there yet. And I think we've got another two or three years before this becomes a genuine crisis.

Bill Keen: All your history and experience and wisdom on the journey, do you have some semblance of an idea or faith that as you see productivity increase with these technological advances, things coming online that we never would have dreamed up even four to five years ago, do you believe that we can grow ourselves out of it to some extent? Continue to grow the GDP of the United States.

Greg Valliere: Well, my good friend Larry Kudlow often says that we can grow our way out or we can certainly improve. I see that. There's factors that would preclude growth of 3, 3.5%. I mean, I'd be happy in the next couple of years to see growth of 2.5%. That's probably trend growth. I'd be delighted to see that. But in order to grow our way out, we've got to have spectacular growth. And without boring everybody with a long conversation about productivity, that's a good way to have people's eyes glaze over. I would say the advances in productivity would have to be extraordinary for us to get to 3, 3.5% growth. And we probably need more workers.

Greg Valliere: before COVID struck, I was saying to people that we were facing an acute lack of labor in America, and COVID took care of that. But I think when things return back to normal, we're going to have to look at increasing our workforce. And that probably would have to require some fundamental reform on immigration. But that again, that's another story that's still down the road two or three years.

Bill Keen: We have many clients that are on social security and a lot of questions around what's the future of that look like? All the debt and deficit sure doesn't make it sound very promising that Social Security will continue in the fashion that it's today. Any thoughts on potential changes that you could see coming up the next few years?

Greg Valliere: Sure. Well, I always cite the anecdote from my late mom, who used to always say, "They're going to take away my Social Security." And I say, "Mum, you're in your 80s. Nobody's going to take away your Social Security." So one day I sat her down and I explained since I knew Paul Ryan, I haven't seen Ryan lately. But

Paul Ryan was the leading proponent of reform. And his reform explicitly stated that none of these reforms would affect people over the age of 60. I explained it all to my mother, how she wouldn't be affected. And she'd look at me and say, "They're going to cut my Social Security."

Greg Valliere: So no matter what I said to her, she was convinced like a lot of senior citizens who, like her, went through the Great Depression. They are convinced that something bad could happen to them with Social Security reform. And I continue to believe strongly that if there is any Social Security reform, it would come for people under the age of 60, maybe under the age of 65. I don't know. I'm not sure where the cutoff line would be. It certainly not affect people who I consider to be real senior citizens. That, to me, is inconceivable that Congress would do anything that's suicidal, or whoever's president would do something that could be so self-defeating.

Greg Valliere: Could there be a renewed focus on the COLA, the cost-of-living adjustment? Well, in the past, some politicians including Ryan have suggested it, but they got tremendous pushback. They got demagogued, like you're going to cut my Social Security. It's a very volatile issue that most politicians are leery of touching. So no, I don't see any dramatic change in Social Security. I think that's very, very unlikely.

Bill Keen: Let's see here. You mentioned the protests and specifically Portland, Oregon. Do you see those impacting the election in any way?

Greg Valliere: Yeah. Potentially, it would. I'm told tonight's speech by Trump will certainly highlight the instability there. Increasing gun violence this summer in Chicago, New York, Washington, DC, Atlanta, so on I'm sure that Trump will make an issue of this. But I'm not sure if he will cite a contributing factor and that's been in police violence against African-Americans, which is also part of this very complicated narrative. But it is not true that Biden would defend the police. Even Kamala Harris from liberal San Francisco would not defend the police.

Greg Valliere: I think that there's maybe 20% of the democrats would entertain some defunding of the police, but I think they're in a clear minority in the party. Nevertheless, I think Trump will make a big issue of that. I'm old enough to remember that Richard Nixon in 1968 and 1972, had a field day with this issue, talking about the streets being not safe. I think the democrats did themselves a disservice last week. They did not once mention the urban gun violence. They didn't talk about it. I think the democrats need to address it.

Bill Keen: Here's a question around the unemployment rate. You mentioned that we could see that down to 7%, maybe even a little bit lower within the next year or by the end of next year. Do you see that happening without government support?

Greg Valliere: We need more. I don't want to sound like some liberal Keynesian saying we just got to spend, spend, spend, but we still are in the triage phase for a lot of

people in a lot of cities. I think that there's a need ... Even small cities, which didn't give them any money in the initial chunk of Washington stimulus. No, I do think there's a need for more. I would argue that Donald Trump agrees. I think Trump has to realize that for him to win the election, he needs a strong economy. To have a strong economy, you need more stimulus. I think he will Push Mitch McConnell, when they all come back to town in a week or so, I think he'll push Mitch McConnell to come up with a deal.

Greg Valliere: Whether Nancy Pelosi would be able to settle for 1 trillion or one and a quarter trillion, I don't know. She may dig in her heels and say, no, I want more. I would argue the compassionate thing to do is get whatever you can get right now, maybe if you need more come back more during the winter. But it's a very astute question. I'm not sure the unemployment rate can get down to 7, 7.5%, 8% without more stimulus. I think there's going to have to be still another triage of money because there's a lot of people out there who are hurting.

Bill Keen: I know we've talked to it briefly about COVID and the impact that that's had. I guess, if we do see a vaccine announcement in the short-term, and then potentially distribution after the first of the year, maybe less supports needed in a scenario like that where people now feel comfortable going out to spend and those jobs do come back fairly quickly.

Greg Valliere: The vaccine is one of the great wildcards in the next three or four months on many fronts. What if Trump now says on October 27th that we have a vaccine and it will be readily available by the winter? Well, there are going to be some people who are suspicious of anything Trump says, who feel that he's spinning a story that's not valid. There are going to be other people who are going to say, I'll be damned, this Operation Warp Speed really did work. There'll be a lot of other people who look at Dr. Fauci as the ultimate arbiter of whether this is valid or not. But there's so many wildcards this fall.

Greg Valliere: I put number one the vaccine. Number two, there's the health of Ruth Bader Ginsburg, it's a serious issue and she's extremely frail. Number three is the new book by Bob Woodward is supposed to a bombshell coming out in a couple of weeks. These books usually don't affect many voters. Trump will say fake news. But that'll gobble up the news cycle for two or three days. So there's lots and lots of wildcards but none as big as the wildcard of a vaccine. I think that is going to be a very, very big deal. And if we do have one that's credible, I think that it would further propel the stock market and further propel the economy. I think 2021 could go from being an okay year to a pretty good year.

Bill Keen: Almost a rebound year, so to speak. Since we just had a revision to Q2 GDP, still not very good. But see that rebound come into play.

Greg Valliere: And I would just add, that along with that will be continued Fed stimulus. Even if we do have a pretty good year and the economy starts to look better, we got a vaccine, the Fed is still going to be accommodative. That's the astonishing thing

that they're going to keep their foot on the accelerator for at least two years, maybe longer.

Bill Keen: Yeah. That's a good point, because we did get a lot of questions around our expectation or performance of the stock market, considering whether a Trump win or Biden win and everything else. I think the Fed stimulus and their commitment to keeping it very fluid and liquidity based market would really be more of an impact than even the presidential election and potential tax changes.

Greg Valliere: Yeah, I agree. Absolutely.

Bill Keen: Here's a question we've got. Now this, you mentioned AOC. So a question came in around, is there any chance of her getting defeated?

Greg Valliere: I think she'll win in her district. I mean she won a primary in a district against a Democrat who just didn't contest her strongly enough. I think he felt it was going to be an easy race and that obviously wasn't. No. In fact, the consensus is that she now has her sights on Chuck Schumer. And Schumer suddenly has become the quite leftist. He's been openly endorsing left wing plans because he knows she's tough. I mean, she is very charismatic, very scary, in my opinion, but a very charismatic young woman who has big, big, big ambitions. So I think that Schumer has to be concerned. Schumer is 68 or 69. You'd think he'd be good for another term but I think she'd give him quite a fight.

Bill Keen: Here's a question. This is looking more back on a historical basis but commenting on the market seems that since Truman, Democratic presidents have enjoyed better stock market returns than Republican presidents, is there any rhyme or reason to that? Or do you think that's just the way the business cycle fell? Is that true? The question says, according to a Forbes article that came out about it.

Greg Valliere: I think it's kind of a random walk. One of my favorite sayings is, there's lies, there's damned lies, and then there are statistics. You can prove anything you want with statistics. The main point I would make is that Obama look good because the market took off after his inauguration, the markets sold off dramatically. And then by the spring it took off. So he was starting from the very low base and his numbers look good. So each scenario has its own unique characteristics, whether it's Fed policy, whether in the old days it was OPEC, there was always something that made each cycle unique.

Greg Valliere: So to say flat out that the market is good for Democrats, good for Republicans, I'm not sure I'm buying it. I have people I respect greatly who feel that Biden could be good for the markets. I have people I respect greatly who say that he wouldn't. Again, as an analyst, aside from my own political beliefs, I think that if the Democrats control everything, I will reiterate, it's not good for several major sectors for investors, and it's definitely not good for taxes.

Bill Keen: Yeah. I know you mentioned that energy and financial services, specifically. And this was something that we've commented on previously before. Well, the expectation that those would perform very well under President Trump and they haven't either. So there's a lot more structural issues impacting those sectors really than the government involvement.

Greg Valliere: Yeah. But I'd say before COVID hit the S&P was up almost 50% since Trump's inauguration. You had to respect that, I mean, the market whether you like Trump or not. Trump's ability to stimulate the economy, to reduce regulations, to go after China, it did have an impact. And here we are now, back at record highs, and many, I don't have to tell you guys, and many indices were back at record highs. So I wouldn't say it's all because of Trump. But you have to say he played a role in getting us to these levels.

Bill Keen: Yeah. I think, too, that those tax policies that he has adjusted, and then also certain sectors, specifically tech have benefited a lot from that and the repatriation of those assets that were overseas have helped.

Greg Valliere: Yep, absolutely.

Bill Keen: Now, I think we've got time for maybe one or two more questions. We do know that the Republican National Convention is wrapping up tonight, so we want to leave time for folks to go catch that if they're interested. So one question that we've got here is around lobbyists. Do you see influence of lobbyists ever diminishing? It sure seems like there's a lot of influence in the background, dollars changing hands kind of influencing things.

Greg Valliere: Yeah. This sounds like a cliché, but a lot of my good friends are lobbyists. I know how they work and I know what they do. Many of them work for really solid companies that have interest. They might want to change a part of the tax code. They might want some assistance to build a new factory. It's not like they're all representing the National Association of Napalm Manufacturers. Lobbyists have this pejorative image that they're sinister. And I'm not aware of many lobbyists who would even think about trying to buy a vote or to corrupt the process.

Greg Valliere: Now, to be fair, I think lobbyists want access and they get more access than the three of us. That's part of their job. By access, they get maybe 20 minutes in a senator or congressman's office to talk to their legislative director about a bill they're interested in. And they'll say to the legislative aide, well, you're from Kansas and this bill would really help people in Kansas. It would help employment if we could get some help on this new factory that we're trying to build.

Greg Valliere: So many of the things that lobbyists do, I think, are totally benign. There's some bad apples everywhere. I mean, I think most members of Congress are decent, religious, honorable, patriotic people who sincerely want to do the right thing. But maybe there's 7 or 8% are just total jerks, and make the whole institution

look bad. But I say the majority of the members of Congress struggle, but they sincerely try to do the right thing.

Bill Keen: All right. I think last question here. So we get a lot of talk around what's going to happen and how everything's going to change. So you mentioned a couple October surprises. Do you see anything wildcard outside of those that you see that there'll be significant than what we've already had? Would there be something related to China? What have you. There seems to be a lot of talk around that.

Greg Valliere: Who knows? That's why they're October surprises. But I say sure. Somebody might have Trump on tape. Somebody might have Biden on tape. There could be a focus on Hunter Biden's dealings with China and his personal life. Who knows? I mean, to be really serious, there could be a geopolitical surprise. There's a rich tradition of geopolitical surprises two weeks before the election. I don't rule any of it out. And I would just say that for your clients, I think they're in good hands with you guys, because this could be a very volatile period. I would guess that the next 10 or 12 weeks could be pretty volatile. And again, capped off by the ultimate in this horrible year 2020, capped off with an election result that could be disputed.

Bill Keen: Hanging chads.

Greg Valliere: Yep. There you go.

Matt Wilson: Hopefully that's not the word for 2020.

Bill Keen: Right. Some 2020 version. I had a question for you as we wrap and it's kind of an overall general question. It's so easy for folks, and I've been around, I've been a professional now for 28 years. So I've seen some cycles and I've studying a lot of cycles, but I've experienced and lived through as a professional many cycles and different things. But it always feels like today or this time or this time that we're in, you hear this a lot from folks that everything has gone to hell. That it's worse than it's ever been. That we'll never come to the center.

Bill Keen: It's with technology and with hate and with divisiveness and all these things that it's just worse than ever. Is it right? Or is it what it feels like because it's what we're going through today? You've been through a lot, 45,50 years of experience. You know a lot of these players, you're right in the heartbeat of our country. What say you about that? Give me some good news.

Greg Valliere: When I came down here to go to college, there was a different environment in that there was more civility. And you've all heard the anecdotes about Tip O'Neill having a beer with Ronald Reagan at the end of the day and they'd tell Irish jokes. You don't see that civility anymore, regrettably. But at the same time, as I said earlier, I think the vast majority of people in this town want to do the right thing. I have to be honest, I think that Trump has debased the level of

discourse in the country. He's made it coarser. I think that's unfortunate. But these things are sort of like the ocean tides, you have high tide and low tide. This will come around again.

Greg Valliere: There were periods in the 1800s where there were several canings on the floor of the house. Congressman Sumner nearly beat this congressman from Massachusetts to death with a cane. There's been tremendous acrimony in previous times in this country. But we come together, and I think we will. Usually every action leads to a reaction. So I think things will calm down over the next few years. I think the most important thing, the lesson that I've learned and hopefully everyone on this call has learned, with all the horrible things that happened this year, we have family. Family, faith. We have things like that I think we rely on in times like this. I've become closer to my family. I hope all of you have. I think it gives us great solace during anxious times to have a family unit that I think personally we all appreciate more.

Bill Keen: That's right. Well, good. That makes me feel good that we were able to ... It's not maybe potentially that different than it has been. Maybe the details are, they always are. But we can.

Greg Valliere: Exactly.

Bill Keen: The pendulum never stays right in the middle, does it?

Greg Valliere: Yep, that's right. This has been great fun. You guys gave me a good workout. I really enjoyed the questions. Thank you all for this. I've had a lot of fun.

Bill Keen: Well, you're welcome, Greg. And hey, I know you're going to be working tonight late. You've got all the Republican Convention to watch. You said there's going to be fireworks even afterwards. So you'll probably be up well past midnight, your time on the East Coast there. So we'll let you get at it. Matt, if you'd like to close us out.

Matt Wilson: Yes. Thank you so much, Greg. And we look forward. We have you on the docket for a couple follow up podcast, too. So we'll hold you to some of these predictions that we talked about. Of course, you didn't give us. But gave us some talking points and some things to think about. I know our clients and us too, our team here, we appreciate this. It's been very helpful, very insightful. So thank you very much.

Greg Valliere: Good health, everybody. Thank you.

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