Twitter Thread by The Wolf Of All Streets



The Wolf Of All Streets
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I shared my thoughts on the election in the introduction of today's "Wolf Den Newsletter." Although it was written for paid members, I thought it appropriate to share it on Twitter as well for election day.

Here is the thread, I hope it helps you remain calm.

1/ Keep Calm And Carry On.

This phrase was emblazoned on a motivational poster produced by the British government in 1939 in preparation for World War II.



2/ The poster was intended to raise the morale of the British public, threatened with widely predicted mass air attacks on major cities.

The importance of these words rings true in every age, particularly today - Election Day in the United States.

3/ The people of the entire world are collectively holding their breath, awaiting the results of the US election. Markets are bracing for impact and people are boarding up windows, closing up shop and preparing for the worst.

4/ This is a huge moment, and the result will have implications that reverberate for years to come.

But everything will be ok… no matter who wins and no matter what happens in the coming days, weeks and months.

Take a deep breath.

5/ Like any pivotal event in history, the long term trajectory of progress remains unchanged - elections tend to be bumps in the road. This is similar to markets.

6/ While recessions and depressions are horrid when they are happening, they rarely change the path of assets over the long term. Markets, like human progress, trend up

7/ When you zoom out far enough, The Great Depression and every other market crash were the best buying opportunities of all time for patient investors. Whichever side you are on, there will be another election in a few years, another chance to make a change.

8/ Temporary pain for long term gain.

We could talk about the election and its potential implications endlessly, but what you are here for is to discuss markets.

9/ I have no special insight as to what is likely to happen in the coming weeks, either for deciding the President or for our beloved assets. That said, knowing that markets hate uncertainty, I expect a rise in volatility for financial assets until we have a clear winner.

10/ Trump or Biden, it is unlikely to matter. Markets just want a decision.

I have discussed the impact of a regime change previously in the newsletter, so I will spare you the details. The clear conclusion is that there is no clear conclusion!

11/ Markets have not reacted in a predictable pattern to a new Democrat or Republican leader. The notion that Biden's election will crash markets is not based in history or in fact, but rather in emotion and media talking points.

12/ Equally unconvincing is that markets will continue to rise because Trump is elected, or that we will see more market stability.

We don't know.

We have seen a noticeable rise in stocks over the past two days leading into the election.

13/ The assumption here is that a Biden victory, coupled with the Democrats taking the House would lead to a greater chance of further stimulus, which would be good for the market in the short term

14/ This indicates that the markets are reacting more to the promise of stimulus than they are to the actual candidates. Biden is ahead in the polls (this does not mean he will win!), so the market is reacting.

15/ If you are looking for facts, here is S&P growth during first term under the last 5 Presidents. This is the only apt metric for comparison, because some of these Presidents never had a second term.

16/ Obama: 66.1%
Clinton: 62.1%
GHW Bush: 45.9%
Trump: 44.5%
GW Bush: -15.8%

There are caveats, narratives, historical context and other concepts to apply to these numbers. There were market crashes, recessions, bubbles, wars and global pandemics.

But these are facts.

17/ In the past 30 years, a change of party or leader has not meaningfully impacted the market over their first 4 years, outside of George W. Bush. Trump's first 4 years have been roughly around the average.

18/ Regardless, only once has the market dropped over a 4 year period after the election of a new President.

The market may go haywire for a bit as things are sorted out. My advice?
Zoom out and relax.

It's going to be fine.