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Election Observations & A Bit of History

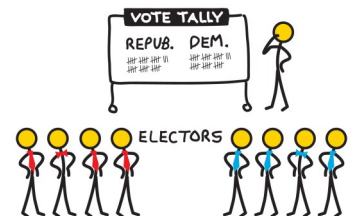
By Eric Nager, CRPS®

The voting is now done and the counting continues. It appears there will be automatic recounts in at least Wisconsin and Georgia, and perhaps other states as well. Additionally, there will be legal challenges in some other states. The good news is that there have been no violent protests or disruptions that some had feared, and some added good news came the week after the election that a Covid-19 vaccine is now about to come to market. Another reason we have read and heard why the market went up strongly after the election is the prospect of “divided government.” While many of the polls were predicting a “blue wave” Democratic sweep of Congress, it appears the Republicans are in position to maintain control of the Senate and the market tends to do better historically when power is divided between the parties than when one has control of everything.

We are now ready to redeploy client assets. You will recall that we had taken a 50% defensive position prior to the election, and we will send out an email blast prior to this newsletter describing the specific actions we are taking in order to be more timely. In general, we are deploying temporarily into ETFs (Exchange Traded Funds) instead of mutual funds in order to avoid capital gains distributions within the funds that would be reported in December for taxable accounts. We can then go back to mutual funds in January. Regardless of whoever wins the presidential election, we have felt that the first half of 2021 is going to be good in the markets because of a vaccine coming on board and the economy reopening. There is a good chance another stimulus package will be passed as well and we want to be positioned for all of this.

As a refresher on the election process itself, once the votes are in, it is up to each state to “certify” the results. This is normally the job of the state’s secretary of state and usually happens before the end of November. Once the state results are certified,

the state legislature appoints the



electors for the Electoral College. If Vice President Biden won the state, his electors are appointed, and if President Trump won the state, his electors are appointed. The electors then vote in mid-December to actually elect the new president.

The situation this year reminds me somewhat of the disputed

election in 2000 that pitted the sitting Vice President, Al Gore, against then Texas Governor George W. Bush. It all came down to the state of Florida, with the media first calling the state for Gore on election night, then taking away the call, then calling it for Bush before declaring it was too close to call. Vice President Gore called Governor Bush to concede the election and was on his way to make a public concession speech. On the advice of his advisers, he did not make the speech that night and called Bush to retract his concession.

What followed was a series of recounts and legal actions that lasted all the way into December. The American people did not know who their next president would be for over 30 days! When the process played out, which was ultimately decided by the U.S. Supreme Court, Bush was declared the winner in Florida by about 600 votes and Gore graciously conceded.

Today's situation is not quite the same, but there are some parallels. In 2000, there was only one state in dispute; today there are potentially several. Then there were "hanging chads" on paper ballots, plus this year there was an unprecedented amount of mail-in votes because of Covid-19. It is not surprising that it took so long to count since some states were overwhelmed by the numbers of ballots. Time will tell whether the media and public will allow President Trump the same latitude to pursue his claims that Al Gore enjoyed and, that if his claims are defeated, he also concedes graciously for the good of the nation.

Did Ben Franklin Really Recommend the Turkey As the National Bird?

Happy Thanksgiving, everyone!

Thanksgiving is an important time to us here at Southern Capital, especially this year when many family gatherings will be limited due to Covid. We want to express our gratitude and appreciation to all of you, our clients. It has certainly been a crazy year and being associated with you is among the foremost blessings that we count at this special time. If we can get through a time like this together with a pandemic, natural disasters, and a bitterly contested election, we can get through anything!

As we get ready to gather around our tables with our families to enjoy a turkey dinner, it got me to thinking about turkeys. Ben Franklin wrote about them, and I had often heard the story

that he endorsed the turkey as our national bird. So I went to the source itself, the Franklin Institute, that preserves all things Franklin.

According to their site, Franklin was disappointed by the original eagle design of our national seal, thinking it looked more like a turkey than an eagle. In a private letter to his daughter he criticized the eagle. In contrast, he called the turkey "*a more respectable bird, ... a true original Native of America ... and a bird of courage.*" Nonetheless, he never advocated for the turkey to be our national bird.

<https://www.fi.edu/benjamin-franklin/franklin-national-bird>

I would be remiss in this month of Veteran's Day if I did not also thank all those within the Southern Capital family who wear or who have worn the uniform of our nation. And to their families who support them, we are grateful for you, too!

*We've seen enough of red & blue states lately...
Check this out!*

