



HERITAGE CAPITAL LLC

Invest for Tomorrow. Live for Today.™

It goes without saying, but Don't Forget To Vote!

Thanks to NBC, ABC and FOX in Connecticut for having me on regarding the election. Each segment was very different and offered new information. The first two interviews are below and I will post the FOX one as soon as I have it.

<http://www.nbcconnecticut.com/news/local/Statistical-Model-Provides-Hints-at-Presidential-Outcome-399730081.html>

<http://wtnh.com/2016/11/06/financial-expert-says-election-could-have-impact-on-stock-market/>

As Kenny Loggins once wrote and sang, "Make no mistake where you are. This is it."

It's been a long two years since the midterm election and I think I can confidently state that the entire country has election fatigue. I would guess that the only ones sad about the election being over are the cable networks and social media platforms as they have seen enormous surges in viewership and usage.

Whether you like it or not, we are going to elect a new president today and the markets will react. If you are on Twitter, I will post comments as states are called and the Asian markets react along with the S&P 500 futures.

Trump's Path to 270

Looking at my own electoral map, Trump needs to almost run the table in the statistical dead heat states to get close or over 270. Florida is the absolute must, live or die state for Trump while Clinton can lose it and still win handily. Trump then needs North Carolina, Arizona and Ohio to just get him to 259. From there, he probably needs two more blue

leaning states, assuming that Michigan and Pennsylvania stay blue as I think they will. The only ones realistically left would be New Hampshire, Colorado and Wisconsin. That's an almost insurmountable challenge.

If Trump has any chance to become #45, it would likely come as a result of neither candidate achieving 270 electoral votes and the contest would then turn to the House of Representatives where the GOP and Paul Ryan have control. Should this very unlikely scenario unfold, it would be ironic that Donald Trump would need help from the republican he has most battled with and attacked since becoming the candidate to become leader of the free world.

Split Congress Likely

Turning to Congress which matters for the markets, the GOP has a 90% chance of retaining control of the House and thwarting Clinton's agenda, should she win. The Senate, on the other hand, is essentially a toss up and the nod goes to the democrats, assuming Hillary Clinton is victorious. My count has it 51-49. If that's the case, it will be extremely interesting to see how President Clinton, a quiet staunch ally of Wall Street, and new Senate Majority leader Schumer, also a Wall Street supporter, deal with Liz Warren and Bernie Sanders regarding the mighty Senate Banking Committee.

How Will Stocks React

Below you can see the possible scenarios and how I believe the stock market will react. They appear as president, Senate and House.

- Clinton, democrat Senate, republican House (most likely scenario)

Stocks continue to rally for another day or so and then peak this week and gently pullback towards Thanksgiving before attacking 19,000 in December or January.

- Clinton, republican, republican (2nd most likely)

Almost the exact same scenario as above although the rally will be a bit more muted.

- Trump, republican, republican (3rd)

Stocks immediately pullback 4-6% to a bottom by Thanksgiving before gaining their footing for a strong rally into the New Year. All-time highs are seen.

- Clinton, democrat, democrat

The most unlikely outcome causes the biggest problems over the intermediate and long-term as the left agenda goes unchecked with major tax increases on higher income earners, significant increase in regulation and huge expansion of social programs. Stocks become very volatile over the next few weeks before rallying into the New Year. Bear market begins by Q3 2017 and stocks fall by 30-40% by the 2018 midterm elections.

Watch the Reaction Not the News

As I have always said, as an investment manager, I am much more concerned about market reaction to the news than what the actual news is. As such, I will be keenly watching which sectors lead and lag the rest of the week and during any weakness next week. Additionally, healthcare and biotech were decimated over the past few months into last Friday on the prospects of Hillary winning. While they are snapping back sharply this week, it will be interesting to see if their rally has legs or if it's just a dead rat bounce. Banks have become a vital leader since the BREXIT low in June. Interestingly, it doesn't seem like this sector is concerned about Liz Warren or Bernie Sanders attacking them or regulating them so quickly.

I will have more this evening on Twitter (@paul_schatz) and tomorrow on www.investfortomorrowblog.com.

Don't forget to vote!

Regardless of the outcome, the greatest country on earth will still be here tomorrow...

To Your Financial Success,



Paul Schatz
President
Heritage Capital LLC

1 Bradley Road Suite 202
Woodbridge CT 06525

203.389.3553 Phone
203.389.3550 Fax

www.InvestForTomorrow.com

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.
StreetSmarts is produced and distributed regularly via email by Paul Schatz of Heritage Capital, LLC
1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - www.InvestForTomorrow.com
Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.