

AN INSIDE STRAIGHT?

Earlier this month we released 35,000 words in both our *Special Election Report*, and our *Gradually Then Suddenly Report* which evaluate in great detail both our medium and long term expectations. It is why for our November FFC it's all about the short term, the consequences of which will have long lasting implications.

Tuesday, November 3rd will witness the most anticipated political match up in our lifetimes. As of Sunday, November 1st, ninety-three million early votes had already been placed. It's a pace that suggests the total number of votes could reach one-hundred and sixty million, which would be a 25% increase in voter turnout from the 2016 election.

It's not just here in America, Tuesday's election has captured the attention of the globe. Forget about the Super Bowl. Forget about the World Cup. The 2020 Presidential Election has become the single most anticipated event across the world, at least according to the betting action. As of Friday night, with only a few days left to go, over \$300 million dollars had been wagered on the outcome. According to U.K based Betfair Exchange, "Interest is at fever pitch levels and it should continue at this rate until polling day," says Sam Rosbottom, spokesman for Betfair. "We could be on course to see half a billion dollars bet on the outcome."

Biden is leading with the oddsmakers. Current odds favor Sleepy Joe 66% to just a 34% chance of winning for Trump. At BetOnline, an offshore operation in Panama, just

over 70% of the money wagered is on Trump to win. Trump is a +160 underdog, meaning if you bet \$100 you win \$160. Biden is a -180 favorite, so if you bet \$180 you win \$100. If the election were called today and Trump won, BetOnline would lose millions of dollars since most of the betting action from gamblers has landed on the side of Trump.

The predictions from pollsters are even worse for Trump. According to FiveThirtyEight, a site that accumulates polling data from dozens of organizations, the odds of a Trump win are just 10%. The site claims to have run 40,000 simulations with Biden the projected winner 90% of the time. Editor and Chief, Nate Silver writes that Trump needs another major polling error in his favor if he is going to win. A polling error similar to 2016 will assuredly put thousands of pollsters out of work for good. Another epic miss like 2016 and the entire world will need to rethink political polling altogether. A major miss could also put half of the country "on tilt."

"On tilt" is a poker term that applies to a player who has much higher odds of winning a hand, who then loses and thereafter becomes *overwhelmed with emotion and frustration*. That negative state of mind then colors all of the losing players future actions. Poker players that are on tilt make bad decisions moving forward. Poker as we know is a game built around mathematical odds. The more hands played, the more the odds smooth out. For example, catching an *inside straight* "on the river" in poker has an 8% chance of occurring. In 92 out

of 100 games the better hand going into the last card will beat the hand chasing the inside straight. In poker, a player who catches too many long-shots on the river will put other players on tilt. If it happens too frequently, the "lucky" player will be accused of cheating. Why should the game of politics be any different?

As we know, errors in polling have happened before and politics isn't poker. Trump, the most unpredictable President in history, is also the most difficult for the pollsters to handicap. The combination of explosive interest, early turnout, and rising coronavirus cases are all variables that make this election even more challenging to predict. With demographics heavily tilted in favor of the Democrats the surge in interest seems to point to low odds of a Trump victory. If the pollsters are to be believed, Trump will need to catch his own version



"Your consistency has been very impressive...
100% wrong 100% of the time."

THE BIG IDEA

of a second inside straight in a row. Should Trump pull that feat in back to back games, the Democrats will assuredly cry foul. They'll claim he cheated. Worse than that, their future emotional reactions to what they will believe was a rigged outcome will cause tremendous volatility in the coming months. The Democrats are still upset about the outcome in 2016, they'll never accept a similar outcome in 2020 as being fair.

The Democrats have already said they won't concede if it's close. They still have scars from Gore v. Bush and the party establishment have zero intention of conceding anything. This fact was verbalized by Hillary Clinton who stated that "Joe Biden should not concede if it's close." The massive tide of mail in ballots assure that a close election means uncertainty for days, or even weeks. As the Democrats see it the only way Trump can win is if he cheats.

As for Trump, he would love nothing more than to claim victory on Tuesday night and let the lawyers fight it out. For months he has been predicting an election night disaster and should it be close, we expect him to follow through on that promise. Trump has stated the only way he can

lose is if the Democrats cheat. Which means the closer the actual election, the more pain we are all likely to suffer. Recounts, late votes, incomplete ballots, voter suppression claims, lawsuits, Supreme Court battles and civil unrest are just some of the potential outcomes that could put our entire system in jeopardy if it's "close." What we would all appreciate is a "certain" outcome. One that is clear.

Trump, the most unpredictable President in history, also most difficult for pollsters.

What's quite evident is that the level of American political anxiety has never been greater. Uncertainty is a *headwind*. Chaos in turn is *terrifying*. Our prayer is that whatever the outcome for the election, that it be clear and decisive. Any other result will likely lead to a constitutional crisis that could diminish the power the United States has enjoyed for the last 100 years on the world stage. All of which makes one of the greatest concerns for investors, a race that is "too close to call." Markets hate uncertainty. In the three weeks following Gore v. Bush the equity market dropped 12%. Conversely the certainty of a "red wave" in 2016 fueled a stock market boom that saw stocks jump 15% between election day and the inauguration.. A blue wave in 2020 could have a similar response. A too close race to call could be the worst possible outcome.

We at Brentwood Research are not pollsters. Nor are we political pundits. Our role is to look at the investment landscape and help our subscribers with tools and information to anticipate the critical issues im-

pacting the short, medium, and long term. Our belief is that the outcome Tuesday is critical to the near term trajectory of financial assets. The ultimate color of the legislature; Blue, Red or Purple, will impact our expectations for both the medium and long term future. An election that causes uncertainty, or worse a Constitutional crisis we expect will create incredible volatility in the short term.

While most people heading into election day are focused on the headliner event of Trump v. Biden, we've made the case that the most important element for Tuesday will be what happens with the Senate. The House vote is heavily favored to remain blue. Even the Republican party expects to be net losers on the number of seats changing hands in the House of Representatives. Which means if the oddsmakers and pollsters are correct, it all comes down to the Senate.

A blue wave means massive stimulus.

The race for the United States Senate is a tossup 50/50 proposition right now. The current makeup of the Senate is 53 seats for Republicans, 45 seat Democrats, with 2 Independents. In order to take control of the Senate, the Democrats need to pick up a total of four seats currently held by Republicans. That number reduces to only three seats if Biden wins, since the deciding vote would go to the Democratic Speaker of The House. Nine seats are currently considered toss-ups. The outcome of these nine seats will likely determine much of the momentum in the markets in the coming months. A blue wave means massive stimulus. A red wave means more tax cuts. Both would likely be considered "certain" by the



"I hear one of these guys is a certified mind reader, and I think I know who it is."

FROM THE EDITOR

markets and are arguably positive indicators. With the House race a near certainty to remain blue in 2020, the only true colors to consider are purple and blue.

The overall stock market dropped 8% in October, its worst month since March. Is this because markets fear a Trump loss? The conclusion would seem easy enough. At every rally over the last six months Donald Trump has predicted that “a Biden win will mean that the stock market collapses.” It means higher corporate taxes, higher wages and less profits. This market slide over the last 3 weeks could have less to do with Trump’s declining odds and more to do with other factors.

The recent sell-off in the equity markets has been the result of three main catalysts in our opinion; zero stimulus getting passed, rising coronavirus cases, and money flows escaping political uncertainty. These were the three reasons we predicted

would lead to a “*No Candy For Halloween*” conclusion detailed in October’s Special Election Report. (*This special edition is a must read for anyone looking to understand why we believe the U.S. Dollar could drop significantly in the next few months*)

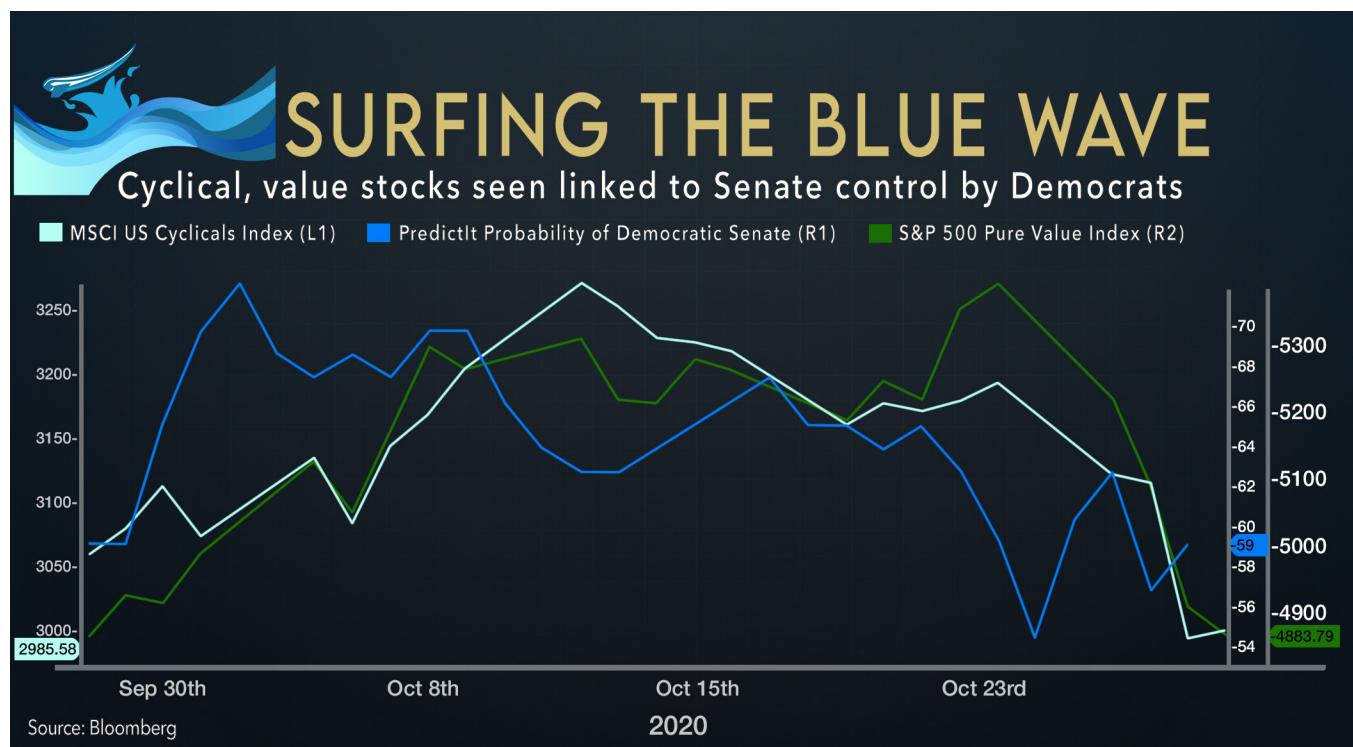
The newest narrative for equity bulls is that a “blue wave,” one where the Democrats pick up all three branches of government, will be a big positive for the equity markets. The argument suggests a rotation from “growth stocks” to “value stocks” that could witness higher highs as fiscal expenditures will explode under a blue Congress. In the short term it’s all about stimulus. This blue wave scenario assumes a massive stimulus package gets passed quickly, if not before the end of the year, assuredly in January when the new administration takes over.

The chart below indicates the recent market direction. Throughout the

first three weeks of October, as the odds of a blue wave increased, the S&P Pure Value index rose nearly 10%. It has only been in the last week, as the odds of a blue wave have fallen, that momentum in this “rotation play” have fallen considerably.

While the probability of a blue wave shifting control of the Senate to Democrats has held firm at 77% across most pollsters, at election analysis site FiveThirtyEight it has fallen from 70% in early October to as low as 55% on Oct. 24 in PredictIt’s market. The odds of a Trump loss while the Senate remains Red are 45%. The odds of a Trump win while the Senate turns Blue are 20%. The odds of a Red wave are less than 3%.

The current thinking from the major banks is that a blue wave offers the most upside for the markets. The next best thing would be a Trump victory that comes with the Senate turning blue. Trump has said he



FROM THE EDITOR

wants a higher number for the stimulus package than even Nancy Pelosi. If the remaining conservatives from the Senate are no longer a hindrance to Trump, he may find that the art of the deal favors passing through whatever stimulus package would be delivered. This would be the most positive color of purple for the medium and long term. The most likely outcome of all, and one where the future becomes the most murky, would be a Trump loss that's coupled with a Republicans hold of the Senate. This scenario presents an ugly color purple and one that could provide the worst outcome for the stock market over the next few months.

Despite Trump's promises of a cataclysmic sell-off if he loses, it seems clear that the most critical outcome that will determine the near term direction for the markets will hinge on whether the Senate remains in control of the Republican Party. A Trump loss coupled with a Senate

hold could spell real problems for the market in the coming months. It's a situation where stimulus becomes less likely in the short term forcing the economy to run on its own merits.

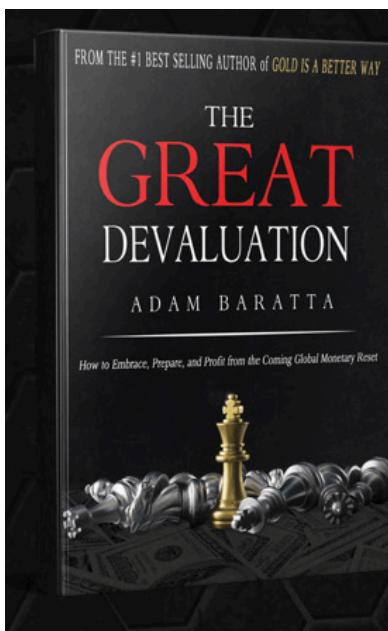
Purple is an ugly color for the stock market.

Our long term projection is that regardless of who wins the election, a series of massive stimulus programs are inevitable. It's impossible to account for the loss of income and pain that small businesses and landlords have endured since March. Furthermore, and despite the rhetoric to the contrary, we believe the reality is that we have not turned the corner on the virus. Cases are exploding. Hospitalizations are rising and deaths will logically increase if these trends continue. A dark reality could soon set in. A rise in deaths

will surely motivate any color of legislature. Once the election passes, the virus will be less politicized and any Congress will be in a better position to pass through ongoing fiscal stimulus. For this specific reason we expect that the Dollar will continue to weaken over time. It's also why we believe that after this election plays out we will cease to ever see gold prices with a 1 handle. We expect that gold prices will surge above \$2000 per ounce before the end of the year.

The dollar will continue to weaken over time.

A tremendous and unprecedented worldwide money printing experiment is already underway and will necessarily continue. As it does we expect that gold prices will launch. The main question is will they take off like a rocket or like an airplane?



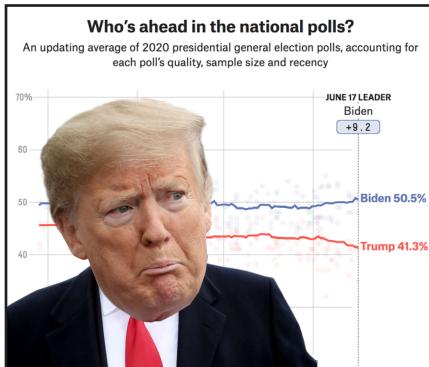
#1 Bestseller and #1 Business Book
Wall Street Journal

#1 Business Book in America
USA Today

#1 Bestseller in Investing
Amazon

TGD is the #1 Business Book In America

THE BIG IDEA



THE TREND IS NOT TRUMP'S FRIEND

In our recent *Special Election Report* we evaluated the most important Senate Races for the upcoming election. As a follow up to that issue we go out on a limb and predict the outcomes of each of these races at the end of the November edition. Our perspective focuses on dollars spent and momentum. Our conclusion is based more on macroeconomic logic and not from any particular or claimed political expertise.

Trump's furious October schedule and raucous rallies may provide too little benefit, too late, for the President. The Commander in Chief dug himself a huge hole heading into October. His terrible first debate performance and subsequent contraction of the coronavirus put his campaign behind the eight ball. It kept him off the campaign trail at the worst time, and delayed his ability to do what he does best. Trump is a gifted and dynamic speaker. When permitted to roam free and uninterrupted on the rally stage, he can be charming and electric and moving. That is where Trump shines brightest.

It's hard to ignore the energy coming from Trump's rallies where tens of

thousands gather to hear him speak. These events are in deep contrast to the thinly attended Biden campaign rallies being held at the same time. Democrats who have predicted a big win are shaking in their boots as they see this late momentum. If we were to make our prediction on this one fact alone, we would give Trump a huge edge, and why *any* prediction for Tuesday's outcome is made with trepidation. Pollsters and oddsmakers have been wrong before and if the recent physical attendance is any indication, there is great enthusiasm behind Trump and reason for the GOP to be hopeful.

That said, the trend in events is not favoring a Trump victory on Tuesday. The first indicator, which we highlighted in our August Issue of FFC is the trend in the S&P 500 in the last three months leading into the election. Historically, when the incumbent witnesses a stock market that rises in the last 90 days leading into the election, his odds of winning are 92%. This is a statistic that goes back 30 years. The magellan line for Trump is 3300 on the S&P 500. As of the close on Monday November 2nd, the S&P 500 closed at 3309 points. This indicator, taken at face value, provides little insight into the likely winner. However, when digging into the S&P trajectory theory we find more cause for concern for Trump. While the market closed at just above the 3300 level, it's fallen nearly 8% in recent months. The indicator was a *much bigger positive* for Trump's chances before now. It's trending in the wrong direction for the President.

**No longer is
Trump the market
magician.**

There's an even more nuanced aspect to this indicator. It's one that we believe warrants deeper consideration. For the first three and a half years of his tenure, Trump successfully made the argument that HE ALONE was responsible for the tremendous performance in the stock market. It has been his biggest argument for why he is the right choice for 2020. However, since the markets collapsed in March, Trump has lost the ability to claim that correlation. Stocks have reflated for sure, but not because of Trump.



The credit for the stock rebound belongs to Federal Reserve Chairman, Jerome Powell, and his immediate response to the crisis. Powell's manipulation and doubling of the Fed's balance sheet is why stocks have surged back to their pre-pandemic levels. The problem this could create for Trump is that most investors are really aware of the reality. A Trump loss is now more acceptable to investors who believe that Powell is the most important element. This is a supposition we have long held and has now become the mainstream thinking. No longer is Trump the market magician. That title belongs to Powell. The conclusion provides hope for the short term market timers that even a Trump loss won't necessarily mean an end to the decade long rally in stocks.

FROM THE EDITOR

Worse for Trump than the waning belief that *only* he can keep stocks higher, are the trends in coronavirus cases over the past month. At the end of September daily case count in the United States was under 40,000 cases per day. The trend in new cases had appeared to have leveled and there was reason to hope that we could transition into fall with the virus under control. Since that time that hopeful narrative has turned into a much more dismal reality. Trump tested positive for the virus and spent four days in the hospital. The administration became known as a “super-spreader” and many of Trump’s closest advisors came down with the virus. The attempts by Trump to make the case that the virus is “no big deal” are hard to reconcile with the reality that *nobody* wants to spend *one minute* in a hospital much less than four days. We believe this disconnect is a very difficult sell and poses real threats to Trump’s ability to convert the undecided voters he will need to win re-election.

The virus is “no big deal”

New virus cases leading into November hit nearly 100,000 per day in the United States. This is an explosion of 2.5X in just thirty days. Evidence exists that hospitalizations are also surging. Deaths lag infections by many weeks and the current trend is a bad indicator. In hard hit North Dakota, daily infections have doubled since the end of September, while the average number of deaths from covid-19 is up 50 percent. In Indiana, cases are up 150 percent in that time, and deaths are up 93 percent. In Wisconsin, cases began spiking in early

September, and deaths began to rise sharply at the end of the month. Of the 2,029 deaths there from the pandemic, more than half have occurred since Sept. 25. These are bad numbers for Trump and the Republican party.

“Are you better off than you were four years ago?”

The signs are even more dismal coming overseas from Europe. Belgium and Greece have joined a growing number of European countries that include, Great Britain, Germany, France and Italy who have imposed or are preparing tough new social curbs to quell a resurgence of coronavirus. According to the Financial Times, “The European Commission warned on Friday (Oct 30th) of a “real risk” that healthcare systems on the continent would be overwhelmed by soaring case numbers.. The moves capped a grim week for Europe as countries including France and Germany hurried to reintroduce significant shutdown measures lifted after the Covid-19 pandemic hit in spring.” Trump’s closing argument that we are “rounding the corner on the virus” is in direct opposition to the reality of the data. All the talk in the world, even if it comes from one of the best salesmen of all time, is not likely to sway the undecided voter concerned about the health pandemic. Surging cases also could impact the turn out on election day. Trump needs, and is counting on, a huge election day turnout to win. This recent rise in cases, hospitalizations, and deaths, and the recent shutdowns in Europe are all happening at the very worst time for Trump and could signal defeat more than any other indicator.

One interesting aspect to consider is how voters see the choice. We highlight a Pew research poll that has been taken before every election since 1980. In every Presidential election since Reagan the poll has asked two main questions. The first is “Are you better off than you were four years ago?” Interestingly 54% of Americans currently answer “Yes” to this question. This response would typically indicate a good sign for the incumbent. Unfortunately for the President, Pew Research also asks a second question; “Is the country better off than it was four years ago?” Alarming only 34% of Americans say the country is better off. The poll indicates the real question undecided voters will need to answer. Which is more important, self or country? If this poll is any indication and self interest rules the day, Trump has a better than decent shot of winning. However, if more Americans are swayed to vote for a change in the negative perception of the country’s trajectory, Trump could be in trouble.

A final challenge, and one that all Republicans will now have to offset, is how the promotion of Supreme Court Justice Amy Coney Barret to the High Court impacts one of the major voting blocs for the Republican party, the evangelical right.



“You can plead ‘guilty,’ or you can plead ‘not guilty’ — You can’t plead ‘no big deal’!!”

THE BIG IDEA

The group votes with energy and an unusually high turn out relative to all voters. With Barret's position on the court now secure and the agenda for the evangelical right on course for what looks like decades, momentum from this key voting bloc could wane. One of the biggest problems for the evangelical right has been how to reconcile Trump's failings as a person (*aggressive attacking rhetoric, multiple bankruptcies, multiple divorces, etc*) with the conservative agenda. Trump's personal issues were overlooked by the evangelicals in 2016 in order to have a President who could pick Supreme Court Justices. What remains to be seen in 2020 is how strongly will the evangelical right turn out on election day now that the Court has been solidly committed and holds a 6-3 advantage.

We believe it all spells trouble for Trump. If Trump pulls another inside

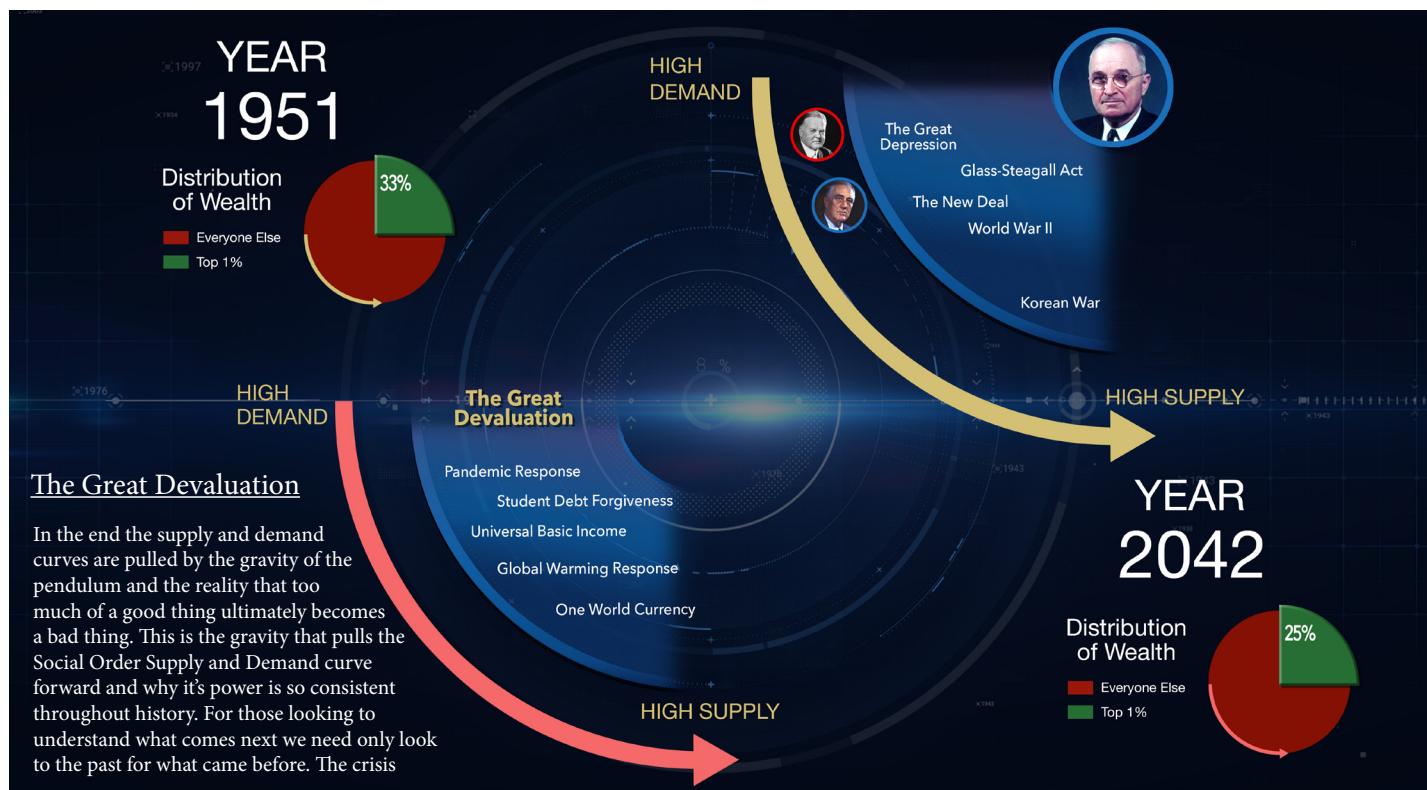
straight in 2020 we have little doubt that it will be the Republicans' last stand. The trajectory for the long term is clear.

If Trump pulls another inside straight in 2020 it will be the Republicans' last stand.

As our *Gradually then Suddenly* model predicts, due to the rising demand for Social Order, we expect an ongoing shift away from the individual toward the "collective" over the coming years. This long term indicator could very well become short term reality. It's why we must agree with the oddsmakers. We see a very unlikely path to victory for Trump. There appear to be too many headwinds for him to overcome. His dismissals of the health pandemic

will likely be his undoing. The final card "on the river" will likely favor Biden.

The long term direction in our opinion is clear. Debt and deficits will continue to rise. The speed at which it occurs is what's most unknown at the moment. After Tuesday we will have a much better idea in the short term. Expect our December issue will be a "must read" for our subscribers. The bigger question remains; should Trump lose will he take down the entire party with him? If this occurs how much of the blame for the trajectory of the country will be applied to the race for Senate, and will these recent negative trends also mean a blue wave on election day? If so, expect to see a tremendous rebalancing in the coming weeks as the certainty of fiscal stimulus becomes the obvious direction. Should a blue wave transpire it will likely see gold prices soar to never before seen heights.



Senate Race

Alabama



Doug Jones

Incumbent Since 2017

Electoral
Votes:

9



Tommy Tuberville

Our Prediction:

● Tommy Tuberville **WINS**

Party	Odds	Wager	Win
Democrats	+550	\$100	\$550
Republicans	-1,000	\$1,000	\$100

Senate Race

Arizona



Mark Kelly

Electoral
Votes:

11



Martha McSally

Incumbent Since 2019

Party	Odds	Wager	Win
Democrats	-139	\$139	\$100
Republicans	+105	\$100	\$105

Our Prediction:

● Mark Kelly **WINS**

Senate Race

Colorado



Electoral

Votes:

9

John Hickenlooper

Population size:

5.79M

Last five elections:

Traditionally leans:

Swing



Cory Gardner

Incumbent Since 2015

Party

Odds

Wager

Win

Democrats

-1,667

\$1,667

\$100

Republicans

+700

\$100

\$700

Our Prediction:

John Hickenlooper **WINS**

Senate Race

Georgia



Electoral

Votes:

16

Population size:

10.62M

Last five elections:

Traditionally leans:

Republican



David Perdue

Incumbent Since 2015

Party

Odds

Wager

Win

Democrats

+120

\$100

\$120

Republicans

-159

\$159

\$100

Our Prediction:

Jon Ossoff **WINS**

Senate Race

Iowa

Population size: 3.51M
Last five elections: ●●●●●
Traditionally leans: Swing



Electoral
Votes:

6



Theresa Greenfield

Joni Ernst

Incumbent Since 2015

Party	Odds	Wager	Win
Democrats	+180	\$100	\$180
Republicans	-250	\$250	\$100

Our Prediction:
Joni Ernst WINS

Senate Race

Kansas

Population size: 2.91M
Last five elections: ●●●●●
Traditionally leans: Republican



Electoral
Votes:

6



Dr. Barbara Bollier

Dr. Roger Marshall

Incumbent Since 2017

Party	Odds	Wager	Win
Democrats	+300	\$100	\$300
Republicans	-450	\$450	\$100

Our Prediction:
Dr. Roger Marshall WINS

Senate Race

Maine



Sarah Gideon



Population size:

1.3M

Last five elections:

Traditionally leans:

Democratic



Susan Collins

Incumbent Since 1996

Party	Odds	Wager
Democrats	-1250	\$1250
Republicans	+650	\$100

Win
\$100
\$650

Our Prediction:

Sarah Gideon **WINS**

Senate Race

Michigan



Gary Peters

Incumbent Since 2017



Population size:

9.98M

Last five elections:

Traditionally leans:

Democratic



John James

Party	Odds	Wager
Democrats	-400	\$400
Republicans	+275	\$100

Win
\$100
\$275

Our Prediction:

Gary Peters **WINS**

Senate Race

Montana

Population size:

1.06M

Last five elections:



Traditionally leans:

Republican



Stephen Bullock

Steve Daines

Incumbent Since 2015

Party	Odds	Wager
Democrats	+150	\$100
Republicans	-200	\$200

Win
\$150
\$100

Our Prediction:

● Steve Daines WINS

Senate Race

North Carolina

Population size:

10.49M

Last five elections:



Traditionally leans:

Swing



Cal Cunningham III

Thom Tillis

Incumbent Since 2015

Party	Odds	Wager
Democrats	-121	\$121
Republicans	+110	\$100

Win
\$100
\$110

Our Prediction:

● Cal Cunningham III WINS

Senate Race

South Carolina

Population size: 5.14M
Last five elections: ●●●●●
Traditionally leans: Republican



Jaime Harrison

Electoral
Votes:

9



Lindsey Graham

Incumbent Since 2002

Party	Odds	Wager	Win
Democrats	+225	\$100	\$225
Republicans	-300	\$300	\$100

Our Prediction:

● Lindsey Graham **WINS**

Senate Race

Texas

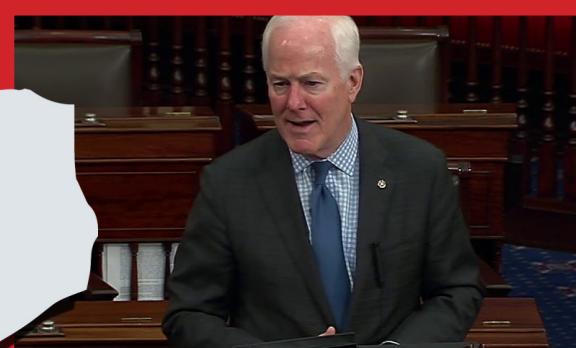
Population size: 25M
Last five elections: ●●●●●
Traditionally leans: Republican



Mary Hegar (MJ)

Electoral
Votes:

38



John Cornyn

Incumbent Since 2002

Party	Odds	Wager	Win
Democrats	+250	\$100	\$250
Republicans	-360	\$360	\$100

Our Prediction:

● John Cornyn **WINS**