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Stocks For A 'Sore Loser' Election Outcome



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Investing



Many articles have been written about next month's presidential election, and which stocks should do well depending on who wins. I have seen countless charts, tables and graphs depicting the market's reaction to past elections. While useful as a foundation in history, I'm not picking any stocks based on past election dynamics. Predicting this election is too complicated to be compared to past elections.

Certainly, a landslide victory for either party is much simpler to analyze. In that case, studying past elections and stock sector performance might be useful. However, if there is no clear winner by an acceptable margin, then things will become quickly complicated. I'm personally counting on a "sore loser" election result: a too-close-to-declare vote count, complicated by mail-in votes, supreme court issues and more political contention—if that's possible.

It doesn't matter which party is the apparent loser in a close race because both Democrat and Republican parties have inferred they would contest the election from the losing side. This is the worst case possible for picking stocks. The vapid advice of buying green energy stocks if a Democrat wins versus buying defense stocks if a Republican wins, and other sector trends are likely to be useless.

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Let's look at the possible ways a stock picker might navigate successfully through this impending storm and actually make some gains in spite of great market uncertainty. You

could sell stocks and remain in cash until a winner is decided and accepted, but that is risky business. If the results *are not* contested, a relief rally could develop, robbing you of capital appreciation. No one likes that! You would be left holding cash and watching as the stock market moves up. Let me propose another way.

There are stocks that might be resilient, with strong performance that is independent of who wins. Even if the election is a contested nightmare, I have identified several sectors and stocks that may be *relatively immune to the sore loser scenario*. Some companies' products have an evergreen demand and may win an increasing market share of an increasing market itself. Let's take a look at some of my themes and associated stocks.

Pet Care: When it comes to our 100 million dogs and cats, Americans treat our house pets like family members. Owners spare no expenses when it comes to taking care of their pets' healthcare and diets. We will not cancel our dog's vet appointment nor discontinue our cat's medication because there is a sore loser dominating the news. I have invested in this theme through three stocks: Low profile **Trupanion** TRUP -0.4% is the only dedicated public stock pet healthcare insurance company; **Zoetis** ZTS +1.4% is a Pfizer spinoff that exclusively manufactures pet medications; and **Freshpet** FRPT -0.6% sells gourmet-quality pet food in branded supermarket refrigerators. I am confident that these three stocks will sail through—indeed excel— regardless of the D.C. drama that will most likely play out next month.

Data Security: Remember when Zoom was hacked last spring? The news was magnified because the lockdown drove more demand than ever for the webcam application. Regarding data security, neither companies nor individuals will ever give up protecting the integrity of their data communication.

There are several players in the sector, and I have simplified my choice to two. I have owned for some time—and will continue to hold beyond the election—**CyberArk (CYBR)** and **Palo Alto Networks** PANW -0.6%. These two companies provide complementary services that do not compete against each other. CYBR focuses precisely on the type of imposter hacking that disrupted many Zoom calls this spring. PANW provides endpoint protection and is essential for many companies' security elements. The endless arms race between hackers and users will continue indefinitely, so take advantage of this opportunity.

Data Storage: Do you think that the demand for data storage will ever slow? Absolutely not. Like cyber security, the world's demand for data storage is on a never-ending path for more and more storage space. It is difficult for anyone to appreciate the sheer size of how much data we produce in a day—2.5 quintillion bytes of data are produced by humans every day. I'm not sure any of us can comprehend that size but trust me it's huge! Equinix EQIX +2.3% is a leader in the data storage cloud business. Like pet care and data security, data storage continues to grow regardless of how the elections may turn out. In fact one could argue that a sore loser scenario will generate even more data than an uncontested election.

What if there is no sore loser result? Then these stocks should still do fine, regardless of who wins the most intense race to occupy the White House next year.

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