Why a Contested Election Is Prime Time for Stock Market Investing

Description

The election isn’t going so smoothly, in case you hadn’t noticed. While it’s now looking likely that a Joe Biden presidency is in the making, some quarters aren’t taking it lying down. Everything from the mail-in ballots and voter fraud to the fairness of the electoral college itself being dragged into the fray. For investors, that means market volatility. But it also means value opportunities and sudden momentum.

An event-driven stock market full of opportunities

Wednesday saw the markets rallying, though the cause may have stumped some casual observers. That’s because the conventional take saw a “blue tsunami” taking the government by storm. Instead, a split house and a close race saw the Republican base rallying to meet a lower-than-expected Democrat turnout. The markets saw dwindling prospects of higher taxes and regulations and responded accordingly.

But the outcome is far from certain. Investors who remember the 2000 presidential election may see some familiarity in the current situation. Back then, the world waited 36 days for a resolution. Investors may want to dig in for a protracted period of uncertainty, as legal teams move in and ballots are scoured. Anybody watching electoral votes may want to take five.

Renewable energy stocks were initially down, and pot stocks took a hit as the expected blue wave became a blue trickle. Meanwhile, the broader markets were up slightly. This suggested that the markets were taking a step back from predictions of a Democrat landslide.

The election took a dramatic turn

With splashes of red and green ink patterning the TSX, opportunities to optimize a stock portfolio abound. Now would be an opportune time to revisit that wish list and begin feathering a TFSA or RRSP with quality stocks at lower prices. Consider such names as **Algonquin Power & Utilities**, forinstance. With a 3.9% dividend yield, AQN is a touch overvalued, as it rebounds 3% post-election, butit packs strong growth prospects for the long term.

Cannabis stocks also started off cheap this week, with leaders such as **Canopy Growth** down 7.2%. But that turned around Thursday, with key names in this space leaping wildly. **Aurora** gained a staggering 40% Thursday night. This grew to an incredible 67% gain by midday Friday. In the meantime, Canopy had recovered by 9%, while **Aphria** gained +7% in a canny post-election deal to buy SweetWater Brewing.

Investors should be looking at the frothiness of the November market as a battleground full of opportunities. Sudden momentum is coming from unlikely places, giving shareholders a chance to trim names that have otherwise underperformed during the rest of the year. Aurora investors, for instance, may find this an opportune time to cash in a few chips.

This situation may drag on, with the potential for recounts and legal machinations not off the table just yet. Coming amid earnings season, there are likely to be numerous opportunities to build some positions and scale back on others. As always, though, the goal should be long-term wealth creation. As such, low-risk investors may want to look past near-term volatility, keep calm, and carry on holding.

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