

U.S. Election Monitor, September 14, 2024

The Harris-Trump Debate Does Not Move The Needle Yet

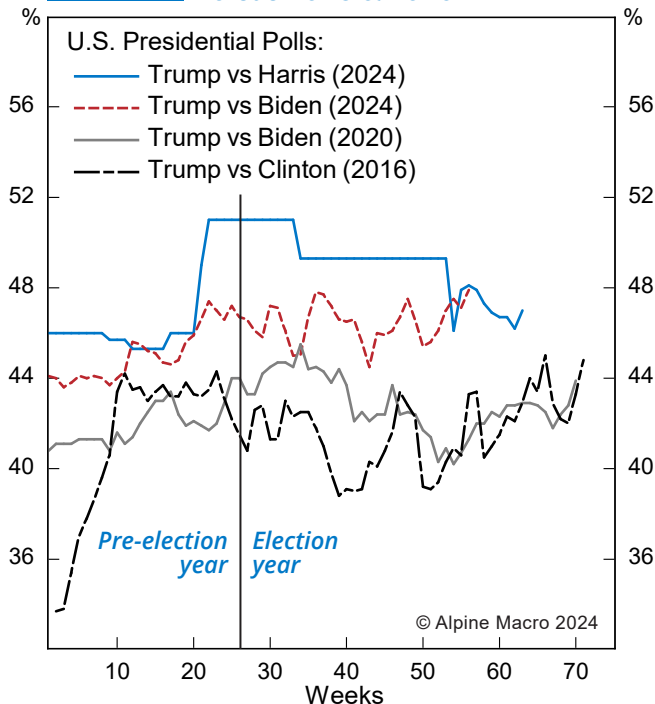
- Kamala Harris won the Oct. 10 presidential debate, but it's unclear if it will have any impact.
- We still believe Trump is the favorite, if his polling doesn't further decline.
- Markets shrugged off the debate; focus will stay on the Fed, not politics, during next week.

Where Things Stand

The Oct. 10 Trump-Harris debate did not go well for Donald Trump. Kamala Harris was more disciplined, compelling, and better prepared. She successfully baited Trump into going off-script into controversial and irrelevant tangents, making her the clear winner.

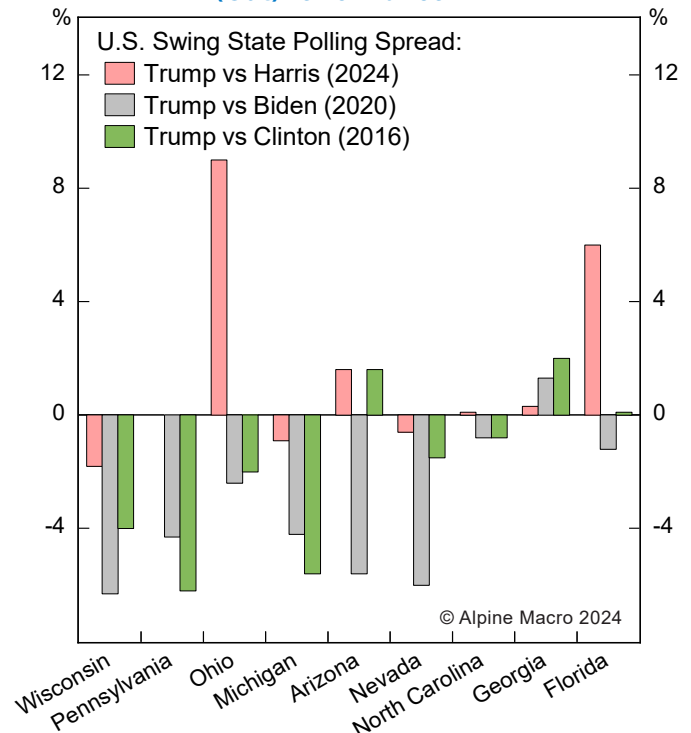
However, despite 67 million viewers, the debate is unlikely to sway most voters, particularly centrists and independents. Harris, while winning, failed to articulate an attractive governing agenda. For example, when asked if Americans are better off economically than four years ago, she deflected

Chart 1 Trump Nationally Outperforming Versus 2016 & 2020

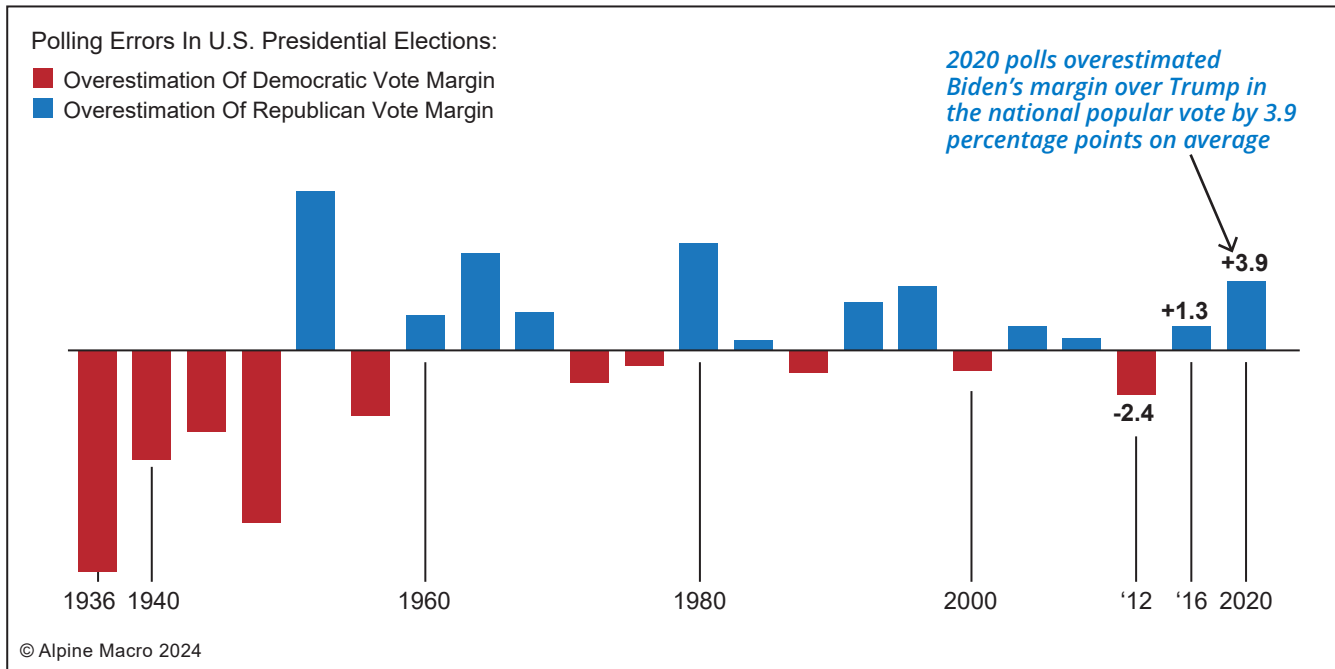


Source: RealClearPolitics

Chart 2 Trump's Swing State Polling (Out)Performance



Note: Data as of Sep 13 for all 3 years; source: RealClearPolitics

Chart 3 Most Recent Polling Errors Overestimated Democratic Support

Note: Bars represent average signed error, which is the difference between the actual margin separating the candidates in the general election and the average margin in the polls. A negative error means that the Republican candidate's margin was overstated and a positive error means the Democratic candidate's margin was overstated

Source: American Association for Public Opinion Research (AAPOR) Task Force on 2020 Pre-Election Polling: An Evaluation of the 2020 General Election Polls; Pew Research Center

and offered little substance. She didn't present a convincing case for managing the economy or tackling hot-button issues like immigration, crime, or inflation.

Of course, neither did Trump. However, Trump has a track record as a former President, and, fairly or not, faces different voter expectations. As we wrote before, Trump's liabilities as a candidate are largely priced in. Harris' are not.

We doubt Harris will see a significant polling boost from the debate. One poll this week (Reuters/Ipsos) suggests that Harris may be pulling ahead, but we trust aggregate polls, not individual ones, so for now this remains to be seen. The real test will be aggregate polling roughly over the coming week.

In the meantime, polling remains tight and within the margin of error, with Harris marginally ahead in aggregate national polling and swing states. Yet, Harris' rise in polls has slowed. Comparatively, she is polling worse than Biden in 2020 and Clinton in 2016 against Trump. This is a key reason we continue to see Trump as a slight favorite, as he is outperforming his 2016 and 2020 numbers, both nationally and in most swing states ([Charts 1 & 2](#)). Also polling in the last few election cycles has overestimated Democrats' numbers more often than not ([Chart 3](#)).

Bottom Line: We still give Trump a 55% chance of winning, a view now well outside consensus. Most forecasters give Harris a 50-60% chance. However,

almost no forecaster gives either candidate more than a ~60% chance, meaning broad consensus that the race is still close and highly fluid.

We will change our view if Harris significantly gains in polls over the next week or so, showing her debate victory resonated with undecided voters. If polling stays the same, we will continue to see Trump as the slight favorite.

The Election And Markets

Markets largely ignored the presidential debate, aside from minor, irrelevant moves like a brief dip in cryptocurrency prices on Sep. 11 (i.e., Trump is viewed as more crypto-friendly). Even that faded quickly.

All investors' focus is now on the FOMC meeting (Sep. 17-18). We don't expect markets to react to election developments over the next week.

After the Fed's decision, markets will gradually shift focus to the electoral race, including congressional races. We have an increasing number of clients asking about congressional election outcomes. There we expect a split Congress, with Republicans flipping the Senate and Democrats flipping the House. If so, this suggests a likely higher level of policy gridlock and thus of moderation, regardless of who wins the presidency.

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