

## U.S. Election Monitor, October 1, 2024

### Watching For October Surprises

- The race is neck-and-neck, though we continue to assign Trump a slight edge vs. Harris, 51%-49%.
- Three key events this week: North Carolina, the dockworker strike, the VP debate.
- We advise against gambling on Trump or Harris asset baskets at this stage.

### Where Things Stand

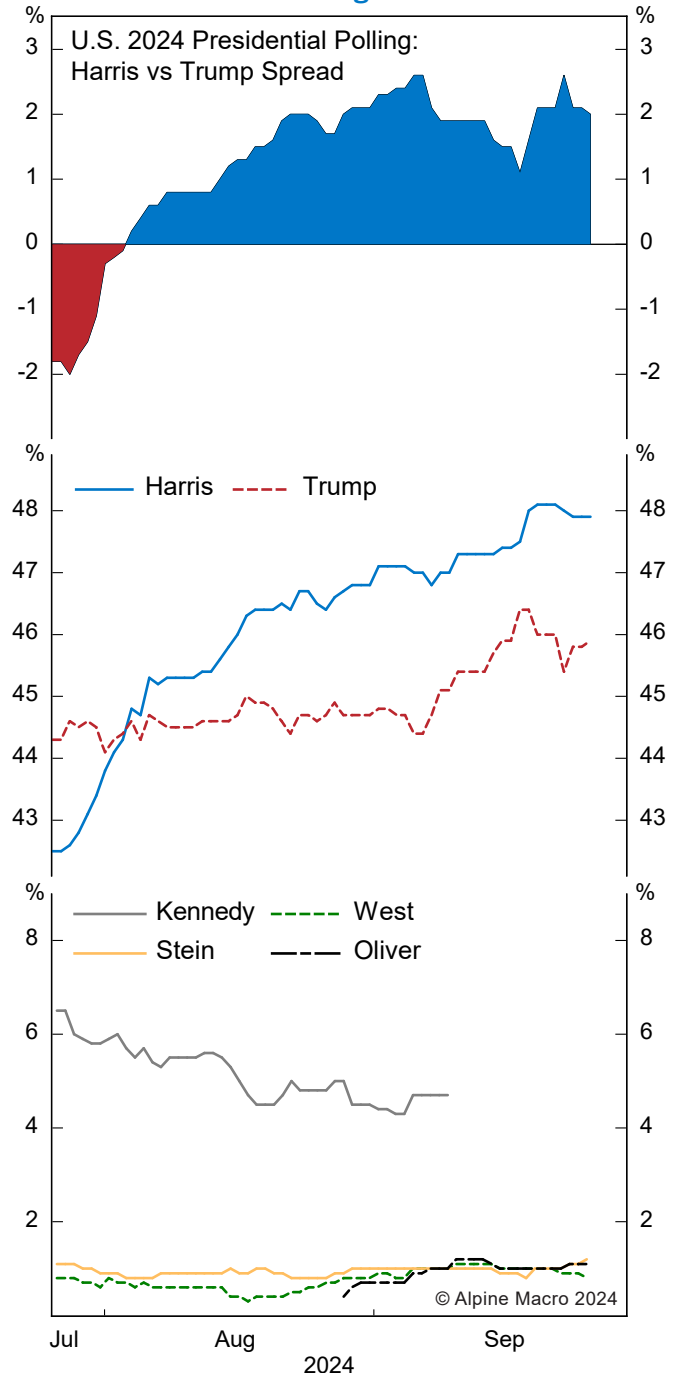
Harris' rise in the polls has stalled. Her surge since July came from consolidating Democratic support and attracting left-wing votes from third-party candidates (e.g., RFK Jr., Jill Stein, Cornell West).

To keep rising, she needs to appeal to centrist voters, which is challenging for three reasons. First, her policies lean heavily left (e.g., on taxes, immigration). Second, she hasn't presented a compelling centrist message (beyond not being Trump). Third, running as a "change" candidate for a sitting Vice President is difficult (e.g., see Al Gore in 2000).

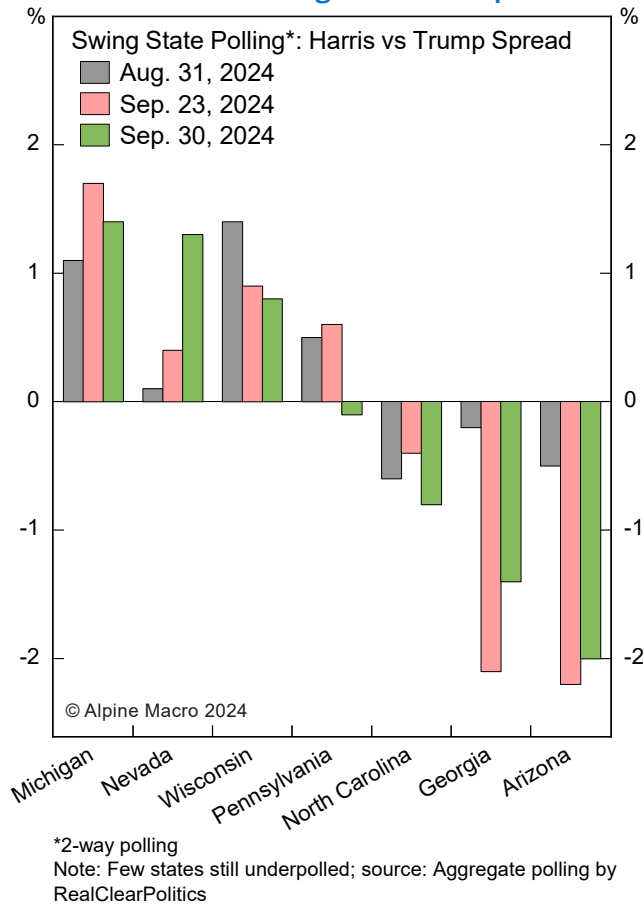
Though national polls show Harris with a slight edge (Chart 1), it's within the margin of error. Her swing state polling is also not improving, overall (Chart 2). Our model shows the race tied, though we continue to remain out-of-consensus (Chart 3), and assign Trump a slight edge (51%), for structural and qualitative reasons.<sup>1</sup>

<sup>1</sup> For the rationale why, see Alpine Macro *Geopolitical Strategy U.S. Election Monitor* "The Harris-Trump Debate Does Not Move The Needle Yet" (September 14, 2024) and "The Harris-Trump Race: Now A Toss-Up" (September 21, 2024).

**Chart 1** Harris Marginally Ahead, But Flatlining



**Chart 2** Harris' Polling In Swing States, Same Or Getting Worse (Except Nevada)



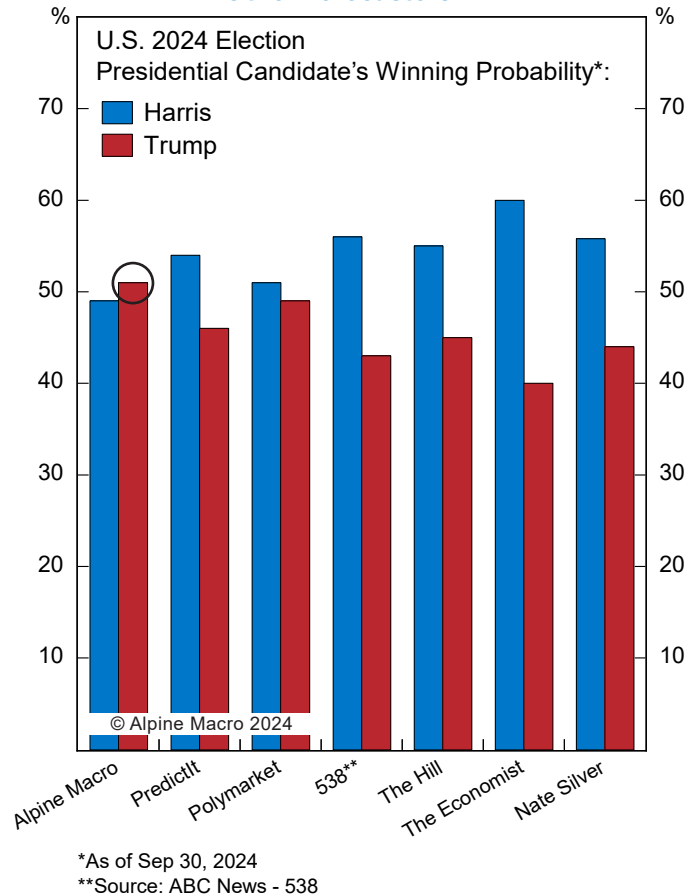
## “October Surprises?”

Every electoral cycle there is talk of an “October surprise”, which could shake the race. While unpredictable, here are three things to watch for now:

### 1. North Carolina!

Republicans have nominated the controversial and inept Mark Robinson for governor. Robinson is likely to lose in a landslide. Will his unpopularity hurt Trump? The North Carolina presidential race is tight ([Chart 4](#)) and losing the state would complicate Trump’s path to victory. We’re closely watching for a potential Harris bump that could shift our forecast.

**Chart 3** We Continue To Assign A Higher Chance To Trump Winning Than Other Forecasters

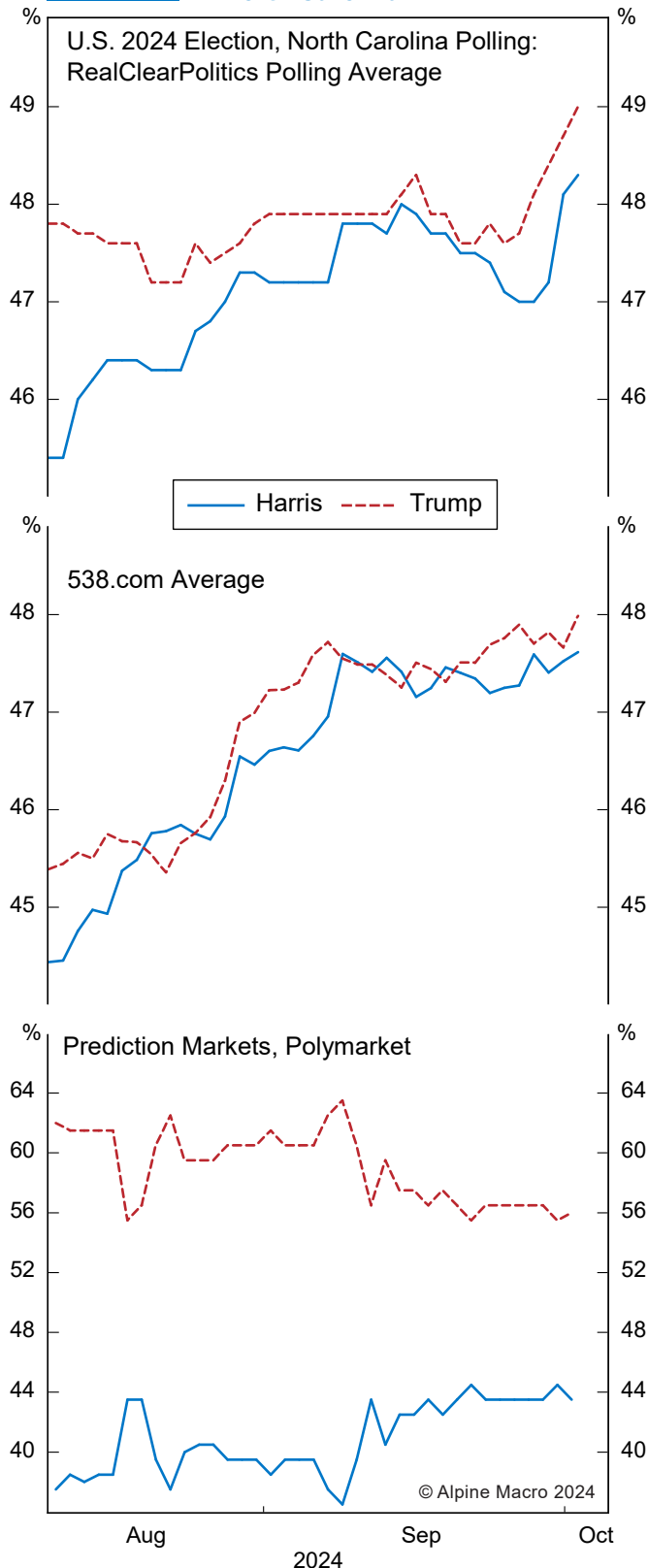


However, Hurricane Helene has devastated parts of North Carolina and Georgia. The Biden administration’s response has been lackluster, while Trump is in Georgia distributing supplies, which may help him. Pre-hurricane polls showed voters willing to split the ticket (Trump for president, Democrat for governor), and Trump is now helped by being on-the-ground.

### 2. The Dockworkers’ Strike

For the first time in ~50 years, the International Longshoremen's Association (ILA) is on strike, impacting all goods shipped to U.S. East Coast and Gulf of Mexico ports. The strike concerns pay and

**Chart 4** Trump Still Holds A Tenuous Edge In North Carolina



the ILA's opposition to port automation. The Biden administration has declined to invoke the Taft-Hartley Act, urging negotiation instead, mindful of the labor vote.

A strike lasting over a week could cause supply chain havoc, with a longer strike (2+ weeks) creating chaos into 2025. These ports handle 25% of the U.S. international trade. Strike costs are estimated between \$540mn to \$5bn per day.<sup>2</sup> A sustained strike would likely hurt Harris, as voters frustrated by post-COVID inflation could blame the incumbents, boosting Trump's chances.

### 3. The Vice-Presidential Debate

Tonight's debate between Gov. Tim Walz (D, MN) and Sen. J.D. Vance (R, OH) promises to be entertaining, with both candidates going hard on the attack, aiming to gain an edge in what is a tight race.

Yet, the debate will likely only matter if one emerges as a clear winner. Despite the anticipation, unless one candidate melts down on stage, this is unlikely to move the (electoral) needle.

## The Election And Markets

Clients now often ask if they should invest in a Trump or Harris asset basket. With the race essentially tied at 50-50, we think that's more akin to gambling.

Instead, we recommend focusing on sectors that would (politically) thrive regardless of who wins.

These "national security"-relevant sectors are key to U.S. geopolitical competition vs. China, including IT, advanced manufacturing, biotech, utilities,

<sup>2</sup> Estimates by the Conference Board, and respectively J.P. Morgan

materials, and aerospace & defense. Chart 5 shows how some of these sectors performed during the 2016 and 2020 election cycles.

If investors want to consider concrete political factors and policies in their decision-making, it may be best to wait for clarity on the next administration, Congress, and policy priorities – likely after mid-November (once the election results are known) or even after January 2025. Then the investment implications of the next administration’s policies can be better assessed.

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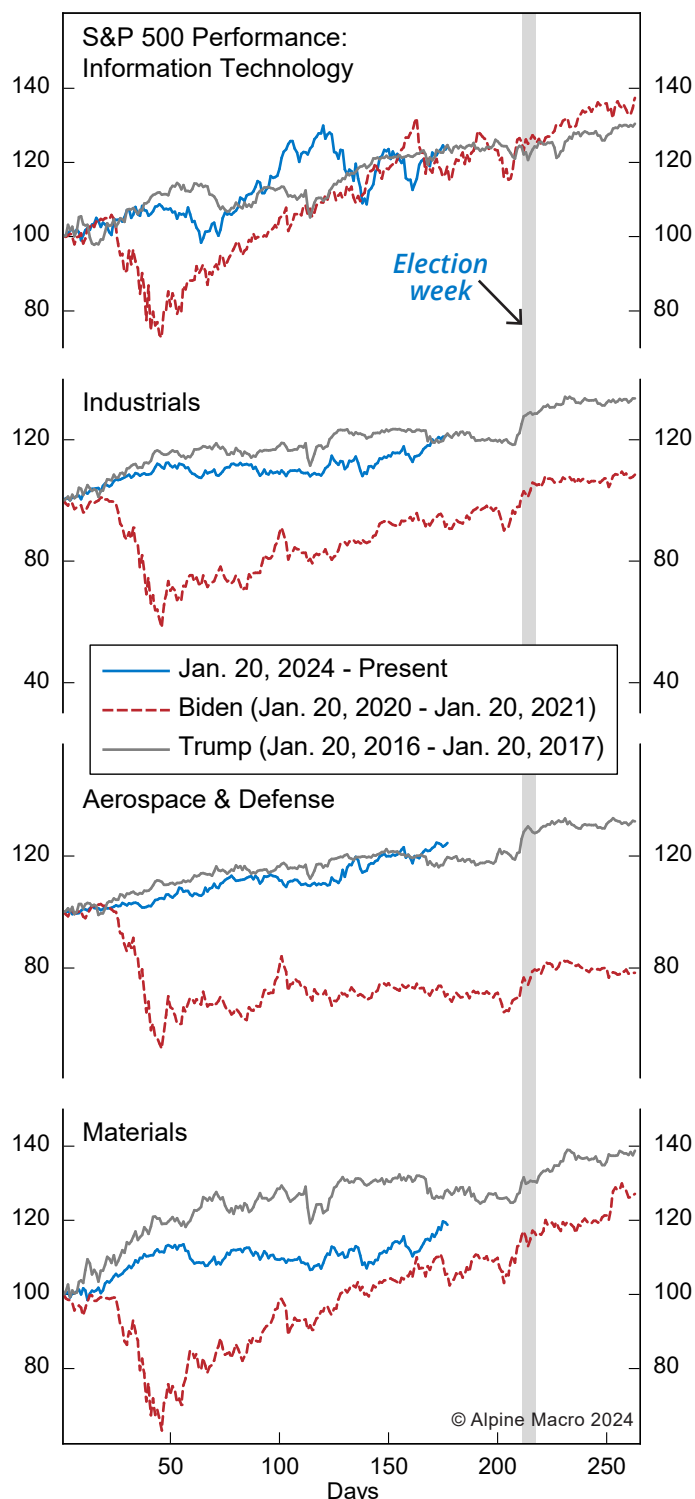
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**Chart 5** Sectors With National Security Relevance Will Enjoy Political Support No Matter Who Wins



Note: Presidential election years are calculated from Jan 20 of the election year to the Jan 20 of the next year, using the Jan 20 Presidential Inauguration Date as year-markers



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