U.S. Election Monitor, September 7, 2024

Trump Is Still The Front-Runner

- Trump still has a better chance than Harris, but the race is tight and tightening.

- Next week's Harris-Trump debate is likely to end in a draw.

- Markets will focus on the Fed and economic data, but politics will increasingly be priced in as Election Day nears.

Where Things Stand

While acknowledging that our view is out-of-consensus (**Chart 1**), we still think that this is Donald Trump's election to lose.
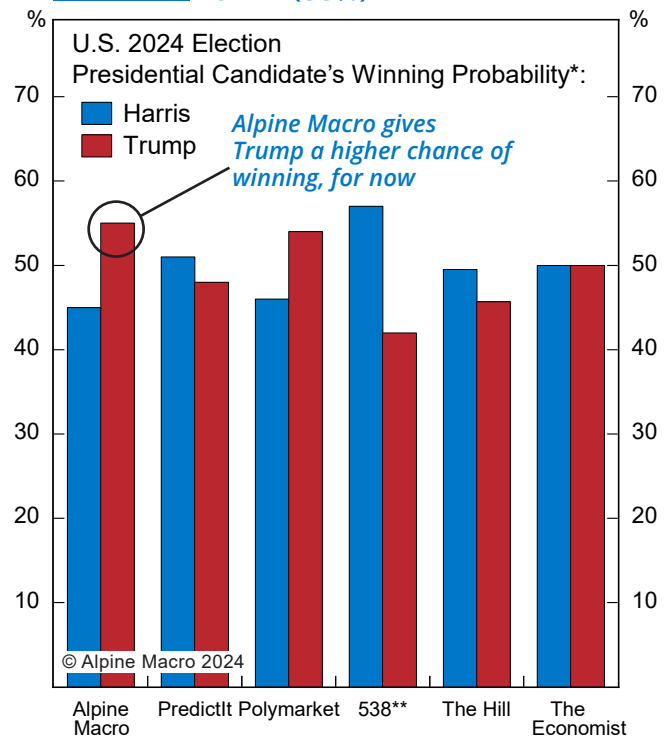
- Trump is outperforming his 2016 and 2020 showings in both national and state-level polls. He was underestimated in swing-state polling in the last two elections.

- Current swing-state and national polls are tight, with both candidates within the margin of error. This isn't favorable for VP Harris, a quasi-incumbent. The electoral impact of RFK Jr.'s withdrawal is still unknown but likely benefits Trump.

- While Trump-Vance's weaknesses are largely "priced in", those of the Harris-Walz Democratic ticket are not yet.

That said, Harris has proven a stronger candidate than we initially anticipated. As she continues to lead in national aggregate polling and closes in on Trump in swing states, we are reducing our projection of Trump winning from 60% to 55%.

Chart 1 — **Trump Is Still The Favorite To Win (55%)**

U.S. 2024 Election Presidential Candidate's Winning Probability*:
- Harris
- Trump

Alpine Macro gives Trump a higher chance of winning, for now

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Alpine Macro | PredictIt | Polymarket | 538** | The Hill | The Economist

*As of September 5, 2024
**Source: ABC News - 538

As post-Labor Day polling becomes more accurate and frequent, we will place more weight on it, and if Harris' polling continues trending upward, we would think her the favorite.

Tipping Point In Financial Markets: A Melt-up or Meltdown?

Global financial markets are facing increasing challenges: the risk of recession is rising as tight monetary policy has entered its 28th month, while the bull market in big tech has turned parabolic and is due for a shakeout. However, inflation has fallen sharply, and the Fed is poised to ease at a time when political and geopolitical risks have greatly escalated.

At this critical juncture, Alpine Macro's strategists are joined by a group of highly respected outside experts to discuss the pressing issues facing investors, including:

- Are we at the tail-end of the bull market in equities, or does the bull have further to run? Which sectors should investors allocate their capital to, and what will be the new leaders in the marketplace?

- How should investors hedge against the rising risk of wars and conflicts?

- Harris vs. Trump: How will the election result change U.S. economic policies and affect financial markets?

- What's next for commodities and energy? Are we heading for a new super-cycle bull market, and is ESG dead?

Come and join us for a day of debate, discussion, and brainstorming on the big macro themes and how to capitalize on them in this highly uncertain environment.

This is an in-person only event, and seats are already 70% sold out. If you are interested in this event, please register now.

Click here for a detailed conference agenda

Click here to register

Guest Speakers + Alpine Macro Strategists

Ruchir Sharma

Mike Dooley

Francois Trahan

Jim Paulsen

Gina Martin Adams
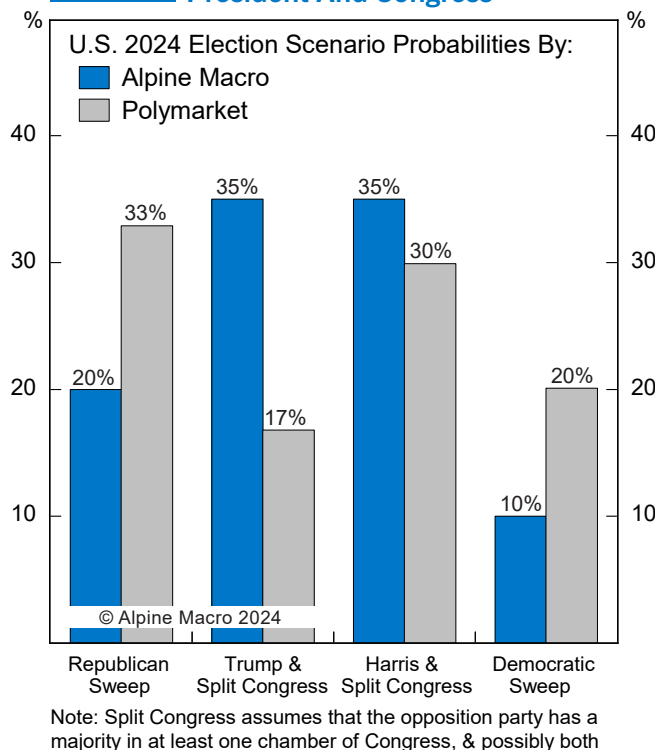
Greg Valliere

Gareth Shepherd
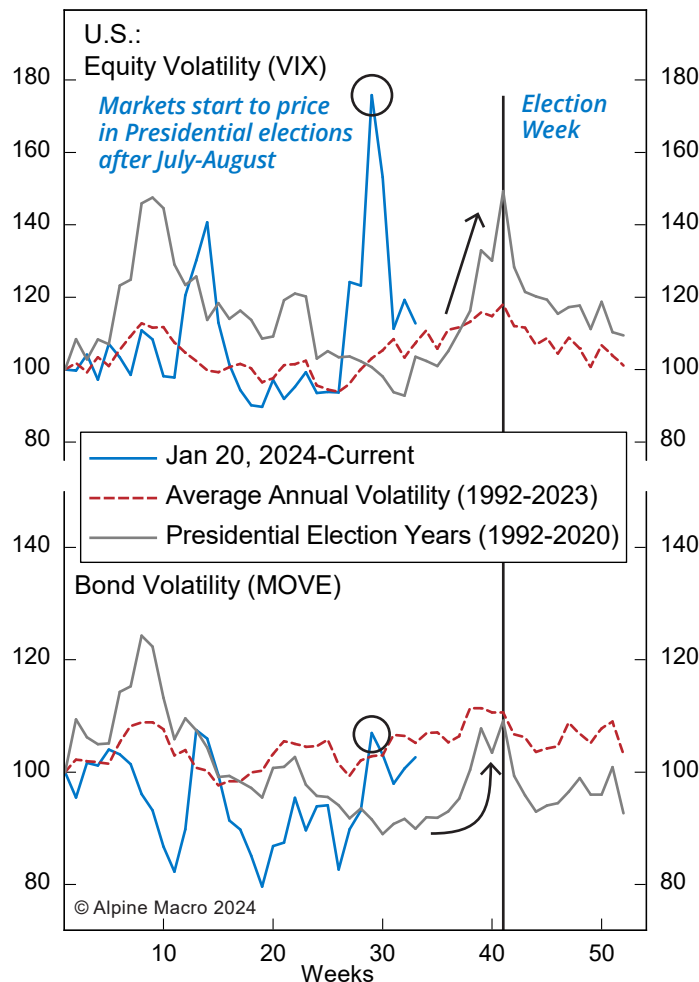
Tavi Costa

Lenka Martinek

Adam Rozencwajg

Chart 2 **Election Outcomes: President And Congress**

U.S. 2024 Election Scenario Probabilities By:
- Alpine Macro
- Polymarket

	Republican Sweep	Trump & Split Congress	Harris & Split Congress	Democratic Sweep
Alpine Macro	20%	35%	35%	10%
Polymarket	33%	17%	30%	20%

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Note: Split Congress assumes that the opposition party has a majority in at least one chamber of Congress, & possibly both

Regarding both the presidency and Congress, the most likely outcomes are a Trump presidency with a split Congress (35%) or a Harris presidency with a split Congress (35%). However, we assign higher odds to a Republican sweep (20%) than a Democratic one (10%), as shown in Chart 2.

Key Recent And Upcoming Events

The post-Labor Day week was relatively quiet with no significant political events. Notably, Harris-Walz did not see a significant post-Democratic Convention polling bump, and Harris' rise in the polls has slowed, reenforcing our view that Trump remains the favorite.

Watch the Sept. 10 presidential debate. With Harris and Trump neck-and-neck, the debate could dramatically alter the race. After all, a debate changed everything for President Biden. However,

Chart 3 **Equity And Bond Market Volatility 1990-Present**

U.S.: Equity Volatility (VIX)

Markets start to price in Presidential elections after July-August

Election Week

- Jan 20, 2024-Current
- Average Annual Volatility (1992-2023)
- Presidential Election Years (1992-2020)

Bond Volatility (MOVE)

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Weeks

Note: Presidential election years are calculated from Jan 20 of the election year to Jan 20 of the next year, using the Jan 20 presidential inauguration date as year-markers, with values rebased to 100 on Jan 20

it's more likely the debate will end in a draw, with both candidates playing it safe, and also given their well-known debating weaknesses.

Lastly, Trump's sentencing in the New York state hush-money case has been moved from September 18 to November 26. This removes a major point of contention from the election season, though it is unclear whether this will favor Trump or Harris. Earlier this year, Trump appeared to have politically gained from his legal troubles.

Table 1 — **Expected Policy And Political Headwinds Or Tailwinds, Selected Economic Variables And Assets***

Economy And Selected Assets	Trump & Split Congress** (35%)	Republican Sweep (20%)	Harris & Split Congress** (35%)	Democratic Sweep (10%)
GDP	Green	Green	Green	Green
Inflation	Green	Gray	Green	Red
Budget Deficit	Gray	Gray	Gray	Red
UST Yields	Gray	Red	Gray	Red
USD	Gray	Gray	Gray	Red
U.S. Equities	Gray	Green	Gray	Red
Global Equities	Red	Red	Green	Green
Commodities	Gray	Gray	Gray	Gray
U.S. "National Security" - Relevant Sectors***	Green	Green	Green	Green
U.S. Healthcare	Gray	Green	Gray	Green
U.S. Financials	Green	Green	Gray	Red
U.S. Energy (Fossils)	Green	Green	Red	Red
U.S. Energy (Alternative)	Red	Red	Gray	Green

Green: Market positive; **Gray**: Market neutral or uncertain; **Red**: Market negative

*This is a heuristic, meant to spur discussion. Many deep uncertainties remain about both candidates' future policies, policy prioritization, and political constraints, and these forecasts will continue to evolve

**Assumes the opposition party controls at least one (if not both) chambers of Congress

***Industrials, Materials, Aerospace & Defense, IT

Note: Scenario probabilities do not account for the "Presidential coat-tails" effect; these assumptions only apply to 2025, after the next President's and Congress' inauguration

The Election And Markets

Given the recent labor data and the upcoming FOMC meeting (Sept. 17-18), investors will likely focus on economic and financial data, and the Fed decision, rather than politics.

Another question is when, or if, market volatility will increase around the election. While volatility has spiked recently, it's not election-related. Historically, U.S. market volatility rises just ahead of/around elections (Chart 3), but this year may be different due to monetary policy changes, making it harder to isolate political drivers.

Lastly, we are updating our table of potential electoral outcomes and their implications for specific assets and economic variables (Table 1). We haven't

updated this in a while[1] as Harris' policies remain notably vague. The table presents our views on different policies, with some counterintuitive takes (e.g., a Republican sweep could be positive for the U.S. healthcare sector). It's important to view these policy predictions as heuristics. Forecasts for next year are, by nature evolving, tentative, and, low confidence before the election. They are meant to stimulate thought, not provide precision at this (early) stage.

Dan Alamariu
Chief Geopolitical Strategist

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[1]   Alpine Macro *Geopolitical Strategy Webcast* "Investment & Political Implications of the Assassination Attempt on Donald Trump" (July 16, 2024).