U.S. Election Monitor, October 16, 2024

The Harris-Walz Campaign Stalls Out

- The Harris-Walz campaign is stalling in polls; we raise Trump's chances from 51% to 55%.

- Concerns about post-election unrest and its market impact are rising.
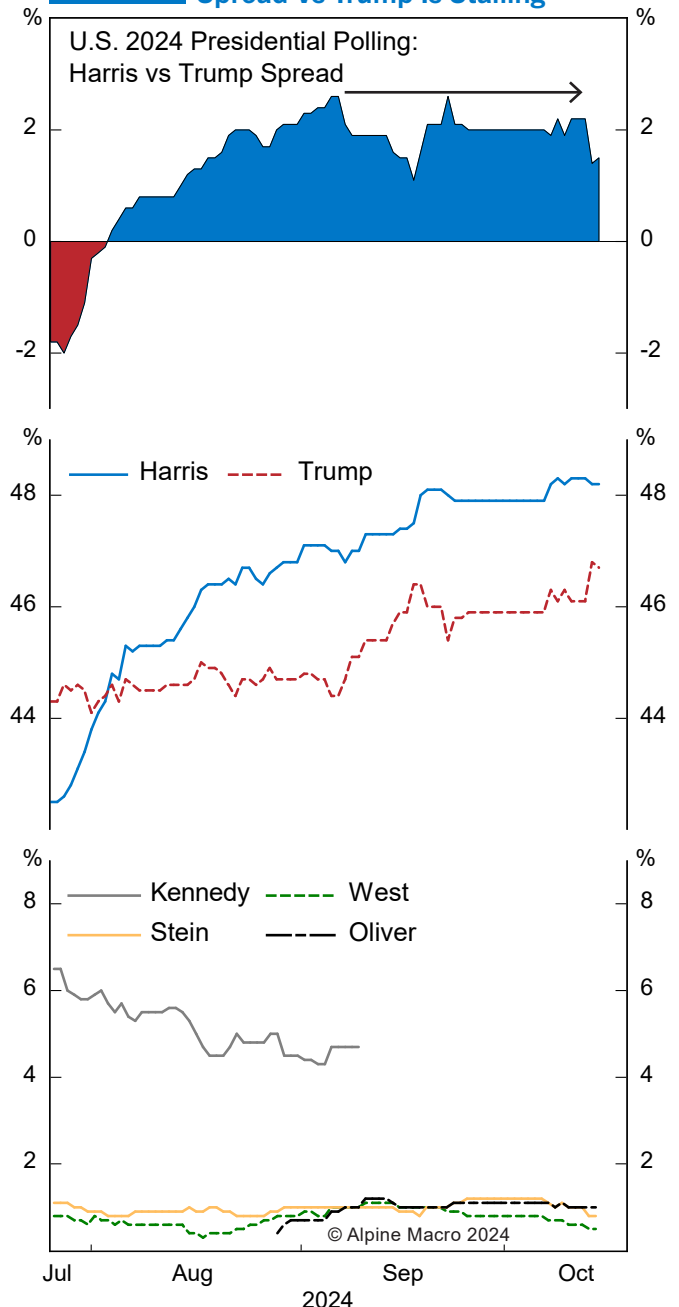
Where Things Stand

As we expected, the Harris-Walz campaign has stagnated in national polls and continues to decline in swing state polls (**Charts 1** & **2**). The Democratic ticket had a poor last couple of weeks, despite increased media appearances from both Kamala Harris and Tim Walz, which have been underwhelming and counterproductive.

Harris is a relatively weak candidate and has not been able to make a compelling case to moderate swing state voters. This is not to say that Trump is much more appealing to centrist voters. Yet, there are two fundamental differences between Harris and Trump.

First, Trump's liabilities are already well known and factored in by voters. In contrast, the Harris-Walz ticket's issues — both personal and policy-related — aren't fully priced in, meaning the Democratic ticket has more downside risk.
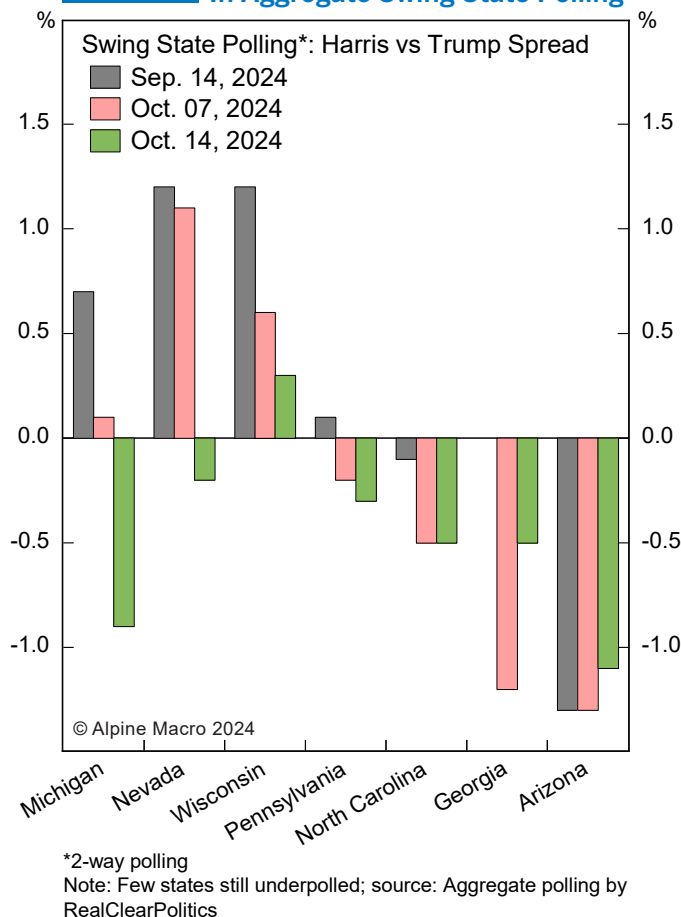
Second, Harris is still running as a "change" candidate, a close-to-untenable stance for a sitting Vice President. The last VP to run while critiquing

Chart 1 Harris' National Polling Spread Vs Trump Is Stalling

U.S. 2024 Presidential Polling: Harris vs Trump Spread

Harris — Trump

Kennedy — West
Stein — Oliver

© Alpine Macro 2024

Note: Kennedy has dropped out of the race; source: Aggregate polling by RealClearPolitics

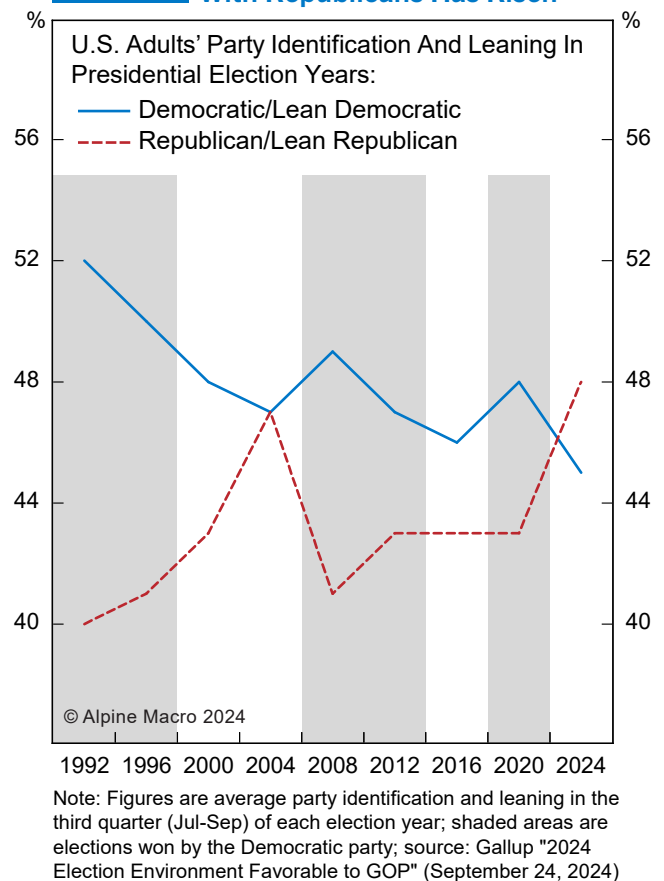**Chart 2** — **Trump Is Taking A Slight Lead In Aggregate Swing State Polling**

Swing State Polling*: Harris vs Trump Spread
- Sep. 14, 2024
- Oct. 07, 2024
- Oct. 14, 2024

(States: Michigan, Nevada, Wisconsin, Pennsylvania, North Carolina, Georgia, Arizona)

© Alpine Macro 2024

*2-way polling
Note: Few states still underpolled; source: Aggregate polling by RealClearPolitics

Chart 3 — **Party-Line Identification With Republicans Has Risen**

U.S. Adults' Party Identification And Leaning In Presidential Election Years:
- Democratic/Lean Democratic
- Republican/Lean Republican

(Years: 1992, 1996, 2000, 2004, 2008, 2012, 2016, 2020, 2024)

© Alpine Macro 2024

Note: Figures are average party identification and leaning in the third quarter (Jul-Sep) of each election year; shaded areas are elections won by the Democratic party; source: Gallup "2024 Election Environment Favorable to GOP" (September 24, 2024)

his administration (albeit for different reasons) was Al Gore in 2000, who lost. Harris will continue to have a hard time distancing herself from the Biden administration's record, especially on unpopular issues like immigration and price/inflation levels.

We increase our Trump victory probability to 55% from 51%, factoring in a shift in momentum. There is also a growing voter identification with the Republican Party (Chart 3) and a more favorable public view toward Republicans on prosperity (Chart 4).
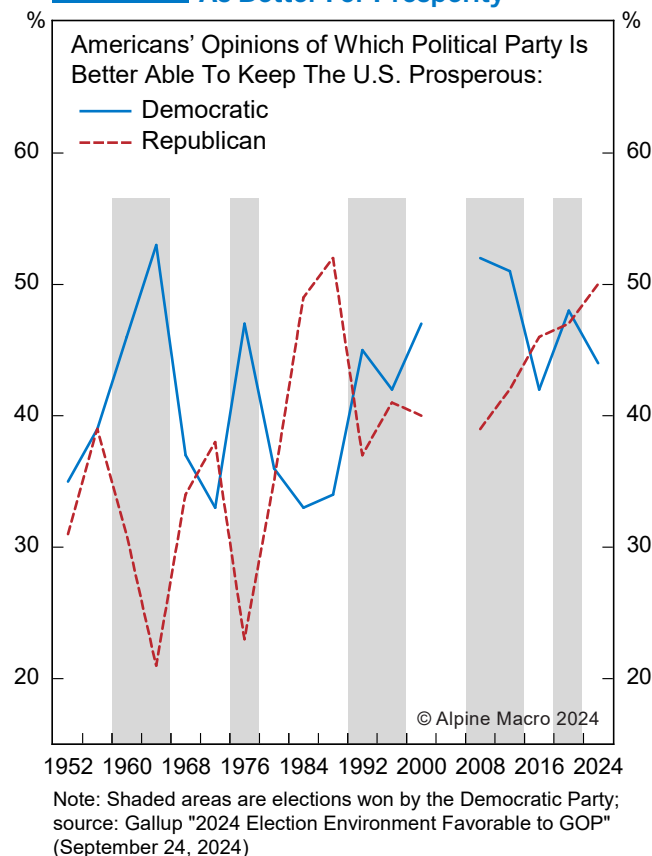
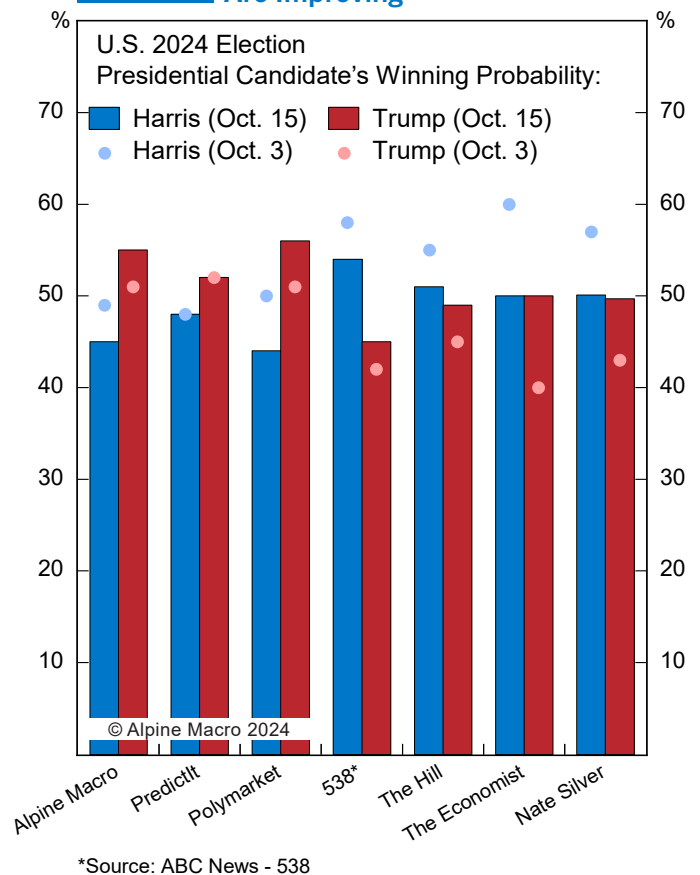Other forecasters have raised Trump's chances over the past ten days, coming closer to our view that Trump has a slight edge (Chart 5). We remain on the higher end of this call, similar to prediction markets like Polymarket.

A word of caution: while prediction markets are popular with many clients, we place very little weight on them as predictors, and more broadly on the "wisdom of crowds" argument. Roughly speaking, betting markets represent the averaged view of (semi) educated people with few hundred dollars of disposable income and a penchant for betting on political events. The average bettor in these markets has little, if any, insight. Betting markets are thus a reflection of (a part of) conventional wisdom, and not a leading election indicator.

Chart 4 Americans See Republicans As Better For Prosperity

Americans' Opinions of Which Political Party Is Better Able To Keep The U.S. Prosperous:
— Democratic
--- Republican

© Alpine Macro 2024

Note: Shaded areas are elections won by the Democratic Party; source: Gallup "2024 Election Environment Favorable to GOP" (September 24, 2024)

Chart 5 A Tight Race, Trump's Forecasts Are Improving

U.S. 2024 Election Presidential Candidate's Winning Probability:
Harris (Oct. 15) Trump (Oct. 15)
Harris (Oct. 3) Trump (Oct. 3)

© Alpine Macro 2024

Alpine Macro, PredictIt, Polymarket, 538*, The Hill, The Economist, Nate Silver

*Source: ABC News - 538

While we give Trump the edge, the race will be extremely tight — a 55% chance doesn't imply high confidence. The spread between Trump and Harris is within most polls' margin of error. Unpredictable voter turnout dynamics will be decisive. It is premature to materially discount Harris' chances. With nearly three weeks until election day anything can still happen, and it may.

Lastly, when we look at Congress, we are roughly in line with the consensus and believe that control will flip, with Democrats taking the House and Republicans the Senate. Thus we see the chances of a president (whether Trump or Harris) with a split Congress (i.e., where the opposition controls at least one chamber) as high — over 70%.

The Election And Markets

Chart 6 shows the performance of Democratic vs Republican asset baskets. The Republican/Trump basket is currently having an edge, given the polling dynamics. However, we advise caution on such bets. This race is very tight, and betting on either basket is essentially a gamble.

Client concerns about post-election unrest are rising. Close swing-state results may not be confirmed until mid-November (some states like Pennsylvania, Wisconsin start counting mail-in votes only on election day), so the outcome could remain uncertain past November 5. Potential vote recounts, legal challenges, or constitutional issues

Chart 6 Republican Vs Democratic Policy Baskets: Essentially A Gamble For Now

Goldman Sachs Policy Basket:
— Democratic
--- Republican

Biden drops out of the race

© Alpine Macro 2024

2024
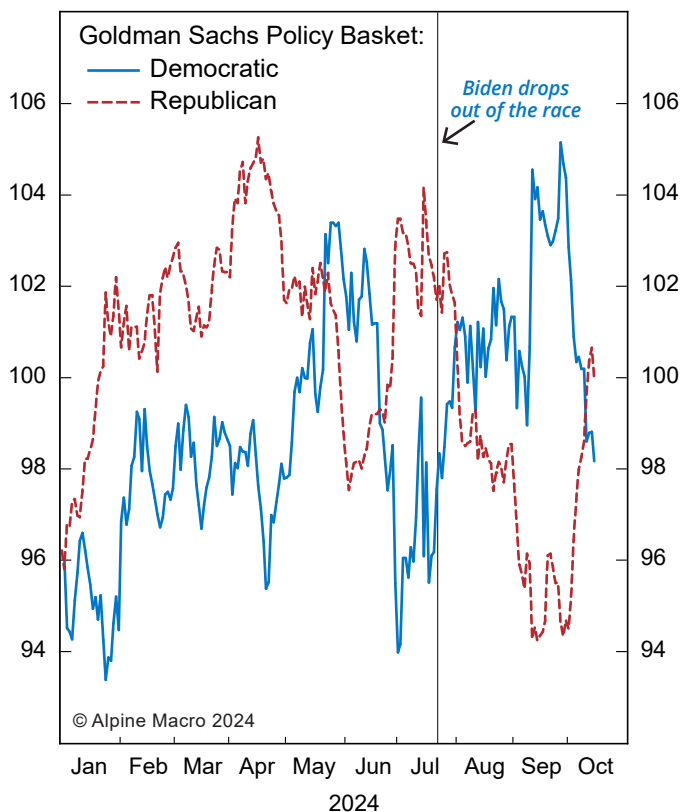
Source: Bloomberg Finance L.P.

(e.g., a tied Electoral College, "faithless electors") could also prolong this uncertainty.

This election could resemble both 2000, when results weren't settled until December 12 (when the Supreme Court decided on the Florida election outcome), and 2020, marked by rioting. While civil war fears are just alarmist, significant unrest is possible. If the race is close, either losing side will probably contest results, potentially sparking mass protests.

Would markets react negatively to such scenarios? It is quite possible given the level of political polarization. This is a risk we have been highlighting to investors since the start of the year. However, counter to this argument, historically contested elections in the U.S., even with major political and social unrest, do not "bleed" into market volatility. Yet this time could be different, so this is a risk to watch closely.

Dan Alamariu
Chief Geopolitical Strategist

ALPINEMACRO

A Unique Mind On The Markets