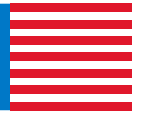


U.S. Election Monitor, September 21, 2024



The Harris-Trump Race: Now A Toss-Up

- We see the race as evenly matched now, roughly 51-49 for Trump.
- We still give a slight edge to Trump, but the momentum has been with Harris.
- Post-Fed rate cut, markets will start pricing in the election.

Where Things Stand

Trump's polling continues to weaken. [Chart 1](#) shows a slight bump for Harris following the Trump-Harris debate in national polls. [Chart 2](#) shows Trump trending down in swing state polling over the last month.

Since Biden's debate meltdown on June 27, we assigned Trump higher chances for various reasons. However, polling has since moved against him, both nationally and, more importantly, in swing states.

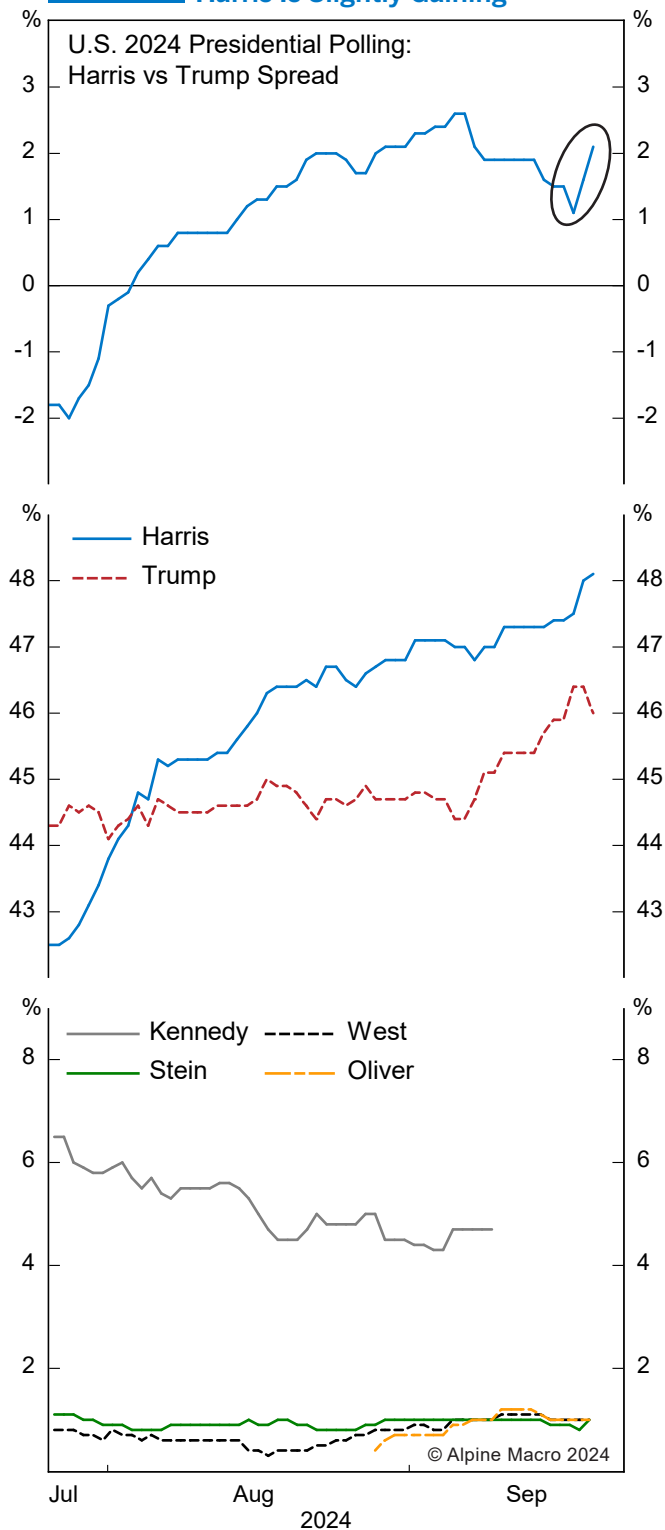
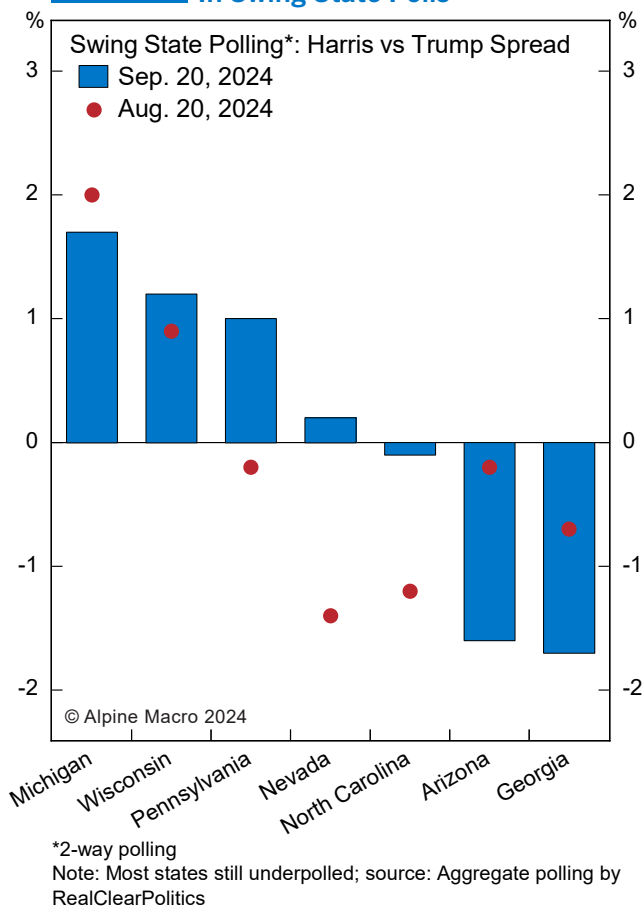
Trump's decline has little to do with the Harris-Walz ticket and much more to do with his campaign's flaws, particularly his failure to focus on policy attacks against Harris-Walz's left-wing platform, which is out of sync with moderate voters. His personal attacks on Harris are not helping his campaign.

That said, we're still reluctant to call Harris the front-runner. Our model suggests that the election is evenly matched, but for qualitative reasons, we still believe it's Trump's race to lose. Why? Trump continues to outpoll his 2016 and 2020 numbers and remains competitive in swing states. We prefer

to avoid giving even odds (it is wishy-washy), so we assign Trump a very slight edge, at 51%. This figure serves as a heuristic to signal our view that structurally this is still Trump's election to lose (which he seems more likely to do as time passes).

A key issue for Harris is her inability to capitalize on undecided centrist and moderate voters, who remain cautious of her policies. Despite media excitement and her debate win, she is not yet decisively outpacing Trump in the polls. Her challenge is to woo moderate voters while keeping her left-leaning core voters. Another issue: as a sitting Vice President, Harris is running on a platform of change, implicitly criticizing the Biden-Harris administration's record. The last time a Vice President attempted this was in 2000 when Al Gore did the same – it did not go well for Gore.

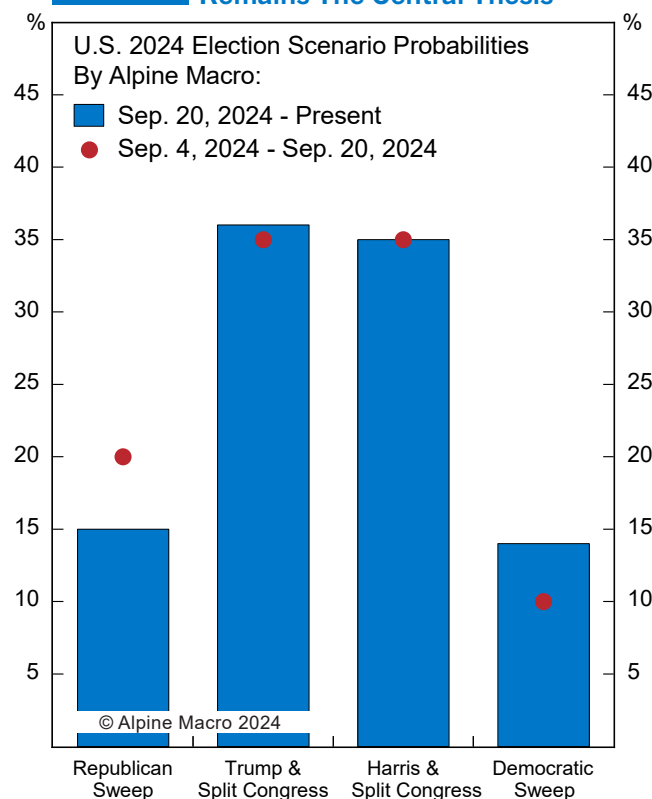
Additionally, the second (Sep. 15) assassination attempt on Trump could boost his polling in the coming weeks. RFK Jr.'s withdrawal from the race and his endorsement of Trump should also benefit Trump's campaign.

Chart 1 Aggregate National Polling, Harris Is Slightly Gaining**Chart 2** Harris Now More Competitive In Swing State Polls

We are also adjusting probabilities for different outcomes in the presidential and congressional races ([Chart 3](#)). The key takeaway remains as before: the scenarios where the President and Congress are split between the two parties remain the most likely, accounting for 70%. **Whether it's Harris or Trump with a split Congress, the result will likely mean gridlock, which historically calms markets.**

The Election And Markets

With the Fed's rate cut behind us, markets are more likely to start pricing in the elections. We are now in the period where politically favored sectors could

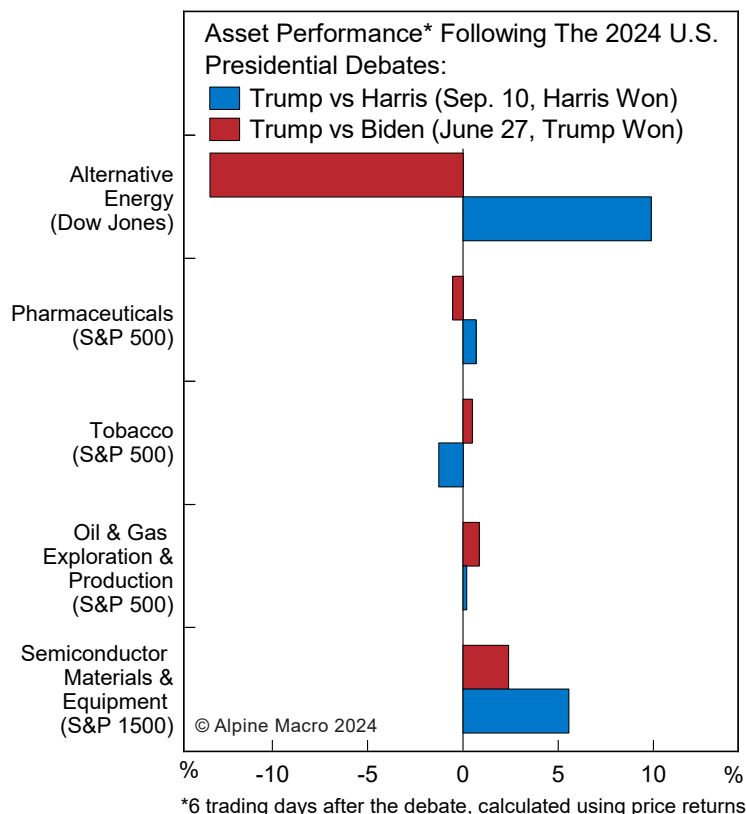
Chart 3 Election Scenarios: Split Congress Remains The Central Thesis

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

begin to move, from now through 1-2 weeks after the election, as final results will likely be known only by mid-November.

Isolating political impact on assets is difficult, but some observations can be made. For example, **Chart 4** shows how politically sensitive sectors moved about six days after each presidential debate. **When Trump won vs. Biden (June 27), alternative energy declined, while sectors seen as favored by Trump (e.g., tobacco, oil & gas exploration) saw slight gains.**

Conversely, **after Harris won her debate against Trump (Sep. 10), alternative energy rebounded, tobacco equities retreated, and oil & gas**

Chart 4 Politically-Sensitive Assets: Performance Following The Two Presidential Debates

exploration stayed flat. Semiconductors gained after both debates, reflecting bipartisan support for the sector.

Dan Alamariu

Chief Geopolitical Strategist

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