

Citi Wealth

Road to the White House



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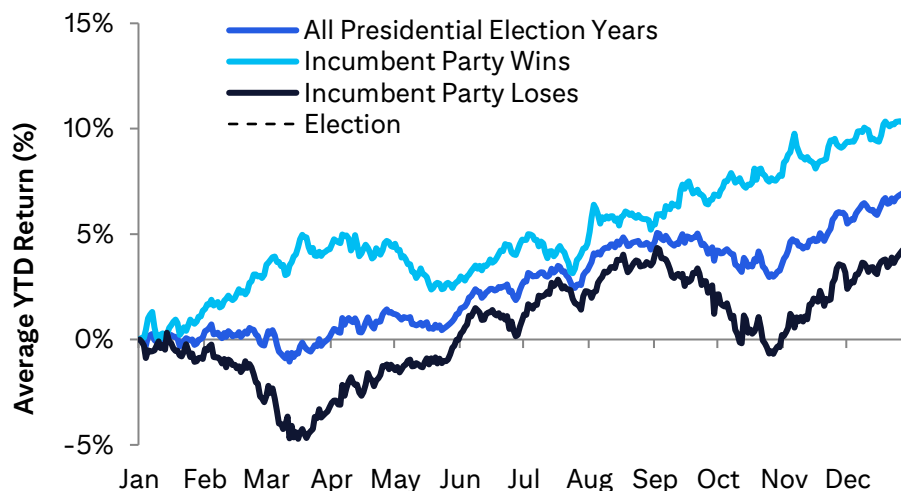
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Road to the White House: Part 9

- Vice President Harris and former President Trump enter the final month of the campaign with the polls extremely close. According to the Real Clear Politics (RCP) national poll average, Harris is ahead by 2.0% while Trump is ahead by 0.1% in the battleground states. The winner has averaged a 0.63% gain between the final poll and the actual vote since 1936.
- Historically, the stock market has been more prone to pullbacks before the election when the challenger wins (**FIGURE 1**). Returns have been higher for second term Presidents until the end of the term when succession uncertainty rises, and when control of the White House, Senate and House have been somehow shared by both parties (**FIGURES 2-3**).
- In 2024, the Republicans have a good chance of taking the Senate. The current Democratic 51-49 control may turn 50-50 on the retirement of Senator Manchin (West Virginia). In addition, Democrats are defending two seats in red states that Trump won decisively in 2020, Montana and Ohio, plus others in the battleground states. If Harris is paired with a GOP Senate, it could restrict who she can get confirmed to serve in her administration, as well as what legislation she'd be able to pass, even if the Democratic party takes the House.
- Please see [Road to the White House: Part 7](#) for analysis on how the election might impact Municipal bonds and [Road to the White House: Part 8](#) for how it could impact US stock market sectors, US versus non-US stocks, trade, and the economy.

FIGURE 1: Presidential Year Stock Market Returns since 1952



Source: Haver Analytics and Bloomberg as of October 4, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

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Race to the Finish

The 2024 US Presidential election enters its home stretch with the polls extremely tight. No matter the winner, stocks tend to advance after the election into year-end, as uncertainty gives way to knowing with whom we'll be dealing with in the White House and Congress (**FIGURE 1**).

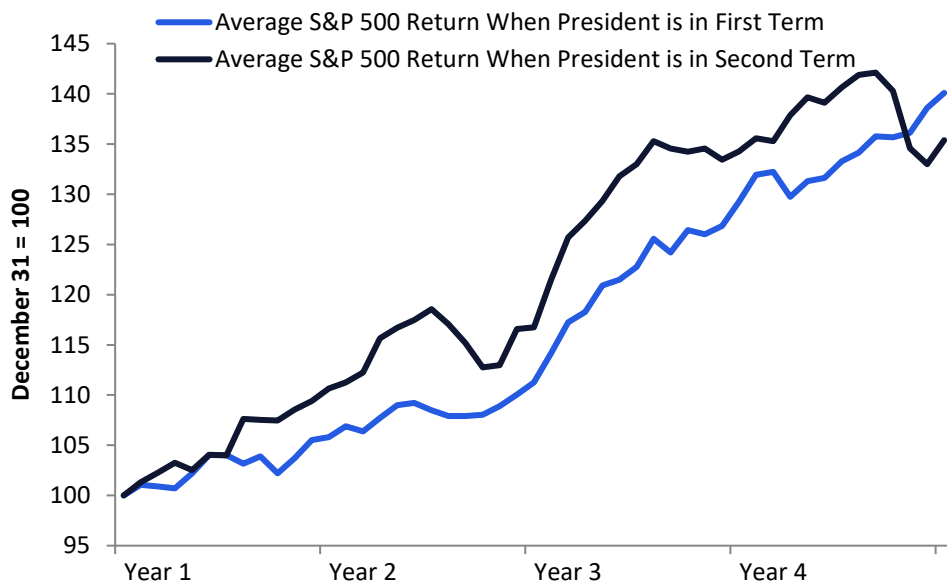
According to the average of the national polls by Real Clear Politics (RCP), Harris is ahead by 2.0% while Trump is ahead by 0.1% in the battleground states. Within the battleground states, Trump currently has tight leads in Arizona, Georgia, North Carolina. Pennsylvania is essentially tied. Harris has tight leads in Michigan, Nevada, and Wisconsin. If we don't allow for toss-ups, Trump would currently have a potential 281-257 electoral vote edge, as per RCP.

We compared past elections results to the final polling data since 1936. The winning candidate's final national vote percentage exceeded their support in the final poll, on average, by 0.63% with the wind blowing the winner's way in 12 of 22 instances towards the end (**FIGURE 5**). Not shown, the losing candidate gained ground in only 10 of 22 cases and, on average, saw their support drop by -0.47% between the final poll and the actual vote. 2024 is a year where a small change in the right mix of states could matter.

If we exclude 1992 when a third-party candidate was a factor, the lowest national vote percentage for a winning Democratic candidate since 1936 was 49.23% by Bill Clinton in 1996. Al Gore, John Kerry and Hillary Clinton all lost with a 48.18% to 48.38% share of the vote. The RCP average for Harris is currently 49.2% which puts her at the cusp. Since FDR and Truman, no Democratic candidate has risen more than Al Gore in 2000 from the last poll to the election tally with a gain of 2.38%, although Gore lost a nail-biter.

Turning to the Republican side, if we exclude 1968 when a third-party candidate was also a factor, every GOP candidate since 1936 who garnered at least as much as George W. Bush's 47.87% of the national vote in 2000 won. In addition, Trump won with 46.08% of the vote in 2016 although he lost with a 46.86% vote share in 2020. The RCP average for Trump is currently 47.2% which is higher than he stood just before the 2016 and 2020 elections. The question here is whether the pollsters have adequately adjusted their techniques to accurately capture his support. In 2016 and 2020 Trump's actual vote share exceeded his final poll numbers by 4.09% and 2.86%. Trump's late bump in 2016 was the highest for a candidate of either party since 1952 and his 2020 jump was the fourth highest (of 34 cases).

FIGURE 2: Average Stock Market Returns by Presidential Term since 1944



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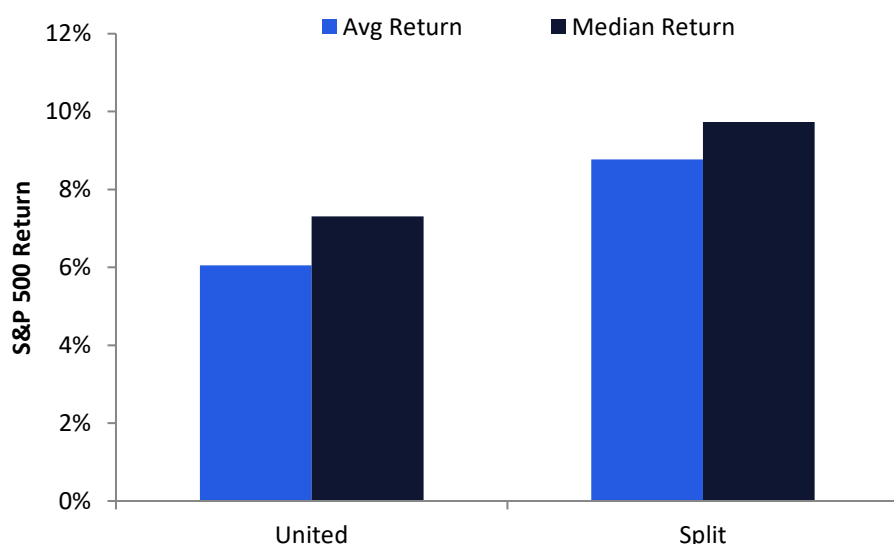
An Election Like No Other

The 2024 election has already been like no other. On July 13, an assassination attempt was made on former President Trump's life. On July 21, after completing the primary process and securing the requisite delegates, President Biden dropped out and tossed his support to Vice President Harris to head the Democratic ticket. All of this happened before the two political parties held their conventions and formerly nominated their candidates.

Then on September 15 another presumptive attempt was made on Trump's life. This begs asking what would happen if a candidate somehow needed to be replaced on the ticket between now and November 5¹? If a GOP candidate needed to be replaced between the convention and the election, the Republican National Committee (RNC) could either hold another convention or, more likely, determine the new GOP ticket by a majority vote of the RNC members, which would probably be held in-person. Mail-in voting has already begun which is really a vote for Electors to support a preferred party ticket in the Electoral College. In the case whereby a candidate is replaced before November 5, the Electors would be free to cast their votes as they see fit, presumably for the new ticket decided upon by the RNC.

The Democratic rules are slightly different during this period of the campaign in that the Democratic National Committee (DNC) would have to consult with its leaders in the House, Senate, and the Democratic Governors Association to make a change. In 1972, Presidential candidate George McGovern decided to replace his running mate, Thomas Eagleton, upon revelations after the convention that Eagleton had been hospitalized for depression and underwent electroshock therapy. The DNC selected Sargent Shriver to be the Vice-Presidential nominee.

FIGURE 3: S&P 500 Returns by Type of Government (Split or United) Since 1928



Source: Haver Analytics as of October 4, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

¹Wire, S., "What happens if a presidential candidate dies?" *USA Today*, <https://www.usatoday.com/story/news/politics/elections/2024/07/17/presidential-candidate-death-during-campaign/74402360007/>, July 17, 2024

When it Comes to the Issues, Republicans Are from Mars, Democrats Are from Venus

When it comes to the issues that matter most to voters, except for the economy, Harris and Trump supporters might as well be from different planets (**FIGURE 4**). The Pew Research Center found Harris supporters, among other things, care more about Health Care-related issues, Supreme Court appointments, climate change and inequality while Trump supporters care more about immigration, crime, and foreign policy. The economy ranked as the top overall issue and while it is very important to both sides, it appears to matter more to Trump supporters.

FIGURE 4: % of Registered Voters Who Say Each Is Very Important to their Vote in the 2024 Presidential Election

	Harris Supporters	Trump Supporters	All Voters
Economy	68	93	81
Health Care	76	55	65
Supreme Court Appointments	73	54	63
Foreign Policy	54	70	62
Violent Crime	46	76	61
Immigration	39	82	61
Gun Policy	59	53	56
Abortion	67	35	51
Racial and Ethnic Inequality	56	18	37
Climate Change	62	11	37

Source: Pew Research Center (survey of US adults conducted Aug 26-Sep 2, 2024). All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Shown for illustrative purposes only. **Past performance is no guarantee of future results. Real results may vary.**

Parting Thoughts

The S&P 500 has risen in 13 of the past 15 election years. It has also posted positive returns during both the Trump and Biden-Harris administrations. But elections are just part of our analysis. We expect inflation to fall, the Fed to cut rates, and stock market leadership to fan out on profits that are both rising and broadening by sector and geography.

We believe investors should use the election and time of year, in general, to engage in proactive tax and estate planning. Where suitable, investors should also use the occasion to address any gaps between their investment positioning, long-term goals, and specific circumstances.

Appendix

FIGURE 5: Polling for United States Presidential Elections (Winner Is Shaded)

Democrat	Republican	Year	Last Polling before Election	Actual Result	Difference bw Actual Result & Final Poll	Last Polling before Election	Actual Result	Difference bw Actual Result & Final Poll	Difference for Winning Candidate
			Democrat	Democrat	Democrat	Republican	Republican	Republican	
Franklin D. Roosevelt	Alf Landon	1936	56%	60.80%	4.80%	44%	36.54%	-7.46%	4.80%
Franklin D. Roosevelt	Wendell Willkie	1940	52%	54.72%	2.72%	48%	44.77%	-3.23%	2.72%
Franklin D. Roosevelt	Thomas E. Dewey	1944	51%	53.39%	2.39%	48%	45.89%	-2.11%	2.39%
Harry S. Truman	Thomas E. Dewey	1948	45%	49.55%	4.55%	50%	45.07%	-4.93%	4.55%
Adlai Stevenson II	Dwight D. Eisenhower	1952	49%	44.38%	-4.62%	51%	55.14%	4.14%	4.14%
Adlai Stevenson II	Dwight D. Eisenhower	1956	40%	41.97%	1.97%	59%	57.37%	-1.63%	-1.63%
John F. Kennedy	Richard Nixon	1960	51%	49.72%	-1.28%	49%	49.55%	0.55%	-1.28%
Lyndon B. Johnson	Barry Goldwater	1964	64%	61.05%	-2.95%	36%	38.47%	2.47%	-2.95%
Hubert Humphrey	Richard Nixon	1968	42%	42.72%	0.72%	43%	43.42%	0.42%	0.42%
George McGovern	Richard Nixon	1972	38%	37.52%	-0.48%	62%	60.67%	-1.33%	-1.33%
Jimmy Carter	Gerald Ford	1976	48%	50.08%	2.08%	49%	48.01%	-0.99%	2.08%
Jimmy Carter	Ronald Reagan	1980	44%	41.01%	-2.99%	47%	50.75%	3.75%	3.75%
Walter Mondale	Ronald Reagan	1984	41%	40.56%	-0.44%	59%	58.77%	-0.23%	-0.23%
Michael Dukakis	George H. W. Bush	1988	44%	45.65%	1.65%	56%	53.37%	-2.63%	-2.63%
Bill Clinton	George H. W. Bush	1992	49%	43.01%	-5.99%	37%	37.45%	0.45%	-5.99%
Bill Clinton	Bob Dole	1996	52%	49.23%	-2.77%	41%	40.72%	-0.28%	-2.77%
Al Gore	George W. Bush	2000	46%	48.38%	2.38%	48%	47.87%	-0.13%	-0.13%
John Kerry	George W. Bush	2004	49%	48.26%	-0.74%	49%	50.73%	1.73%	1.73%
Barack Obama	John McCain	2008	53%	52.86%	-0.14%	42%	45.60%	3.60%	-0.14%
Barack Obama	Mitt Romney	2012	49%	51.01%	2.01%	48%	47.15%	-0.85%	2.01%
Hillary Clinton	Donald Trump	2016	46%	48.18%	2.18%	42%	46.09%	4.09%	4.09%
Joe Biden	Donald Trump	2020	51%	51.31%	0.31%	44%	46.86%	2.86%	0.31%
Average			48.18%	48.43%	0.24%	47.82%	47.74%	-0.08%	0.63%
Median			49.00%	48.81%	0.52%	48.00%	47.01%	-0.18%	0.36%

Source: [wikipedia.org](https://www.wikipedia.org). All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Shown for illustrative purposes only. **Past performance is no guarantee of future results. Real results may vary.**

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December 15, 2023: [Road to the White House: Part 2](#)

March 8, 2024: [Road to the White House: Part 3](#)

May 8, 2024: [Road to the White House: Part 4](#)

June 25, 2024: [Road to the White House: Part 5](#)

July 22, 2024: [Road to the White House: Part 6](#)

August 27, 2024: [Road to the White House: Part 7](#)

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High quality (very strong)	Aa	AA	AA
Upper medium grade (Strong)	A	A	A
Medium grade	Baa	BBB	BBB
Not Investment Grade			
Lower medium grade (somewhat speculative)	Ba	BB	BB
Low grade (speculative)	B	B	B
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Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	D	C
In default	C	D	D

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