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TOPICAL RESEARCH

U.S. Election Trends

As of October 19, 2020

Summary

White House

- *Biden leading in polls, but 12 states (195/ 36% of electoral votes) still toss ups*
- *"Silent vote" could potentially be more of an issue in 2020 than it was in 2016*
- *Biden leading in polls by 9%, -0.8% over last week*
- *Biden leading in betting markets by 24%, -3% over last week*
- *Trump trailing by 4% in key battlegrounds, unchanged over the last week*
- *Trump's approval rating is 44.5%, slightly below historically significant 45%*
- *5-day change in new Covid-19 cases is 238k (vs. 213k last week), a potential headwind for Trump*
- *New Covid-19 cases are trending higher in battlegrounds, a potential headwind for Trump*
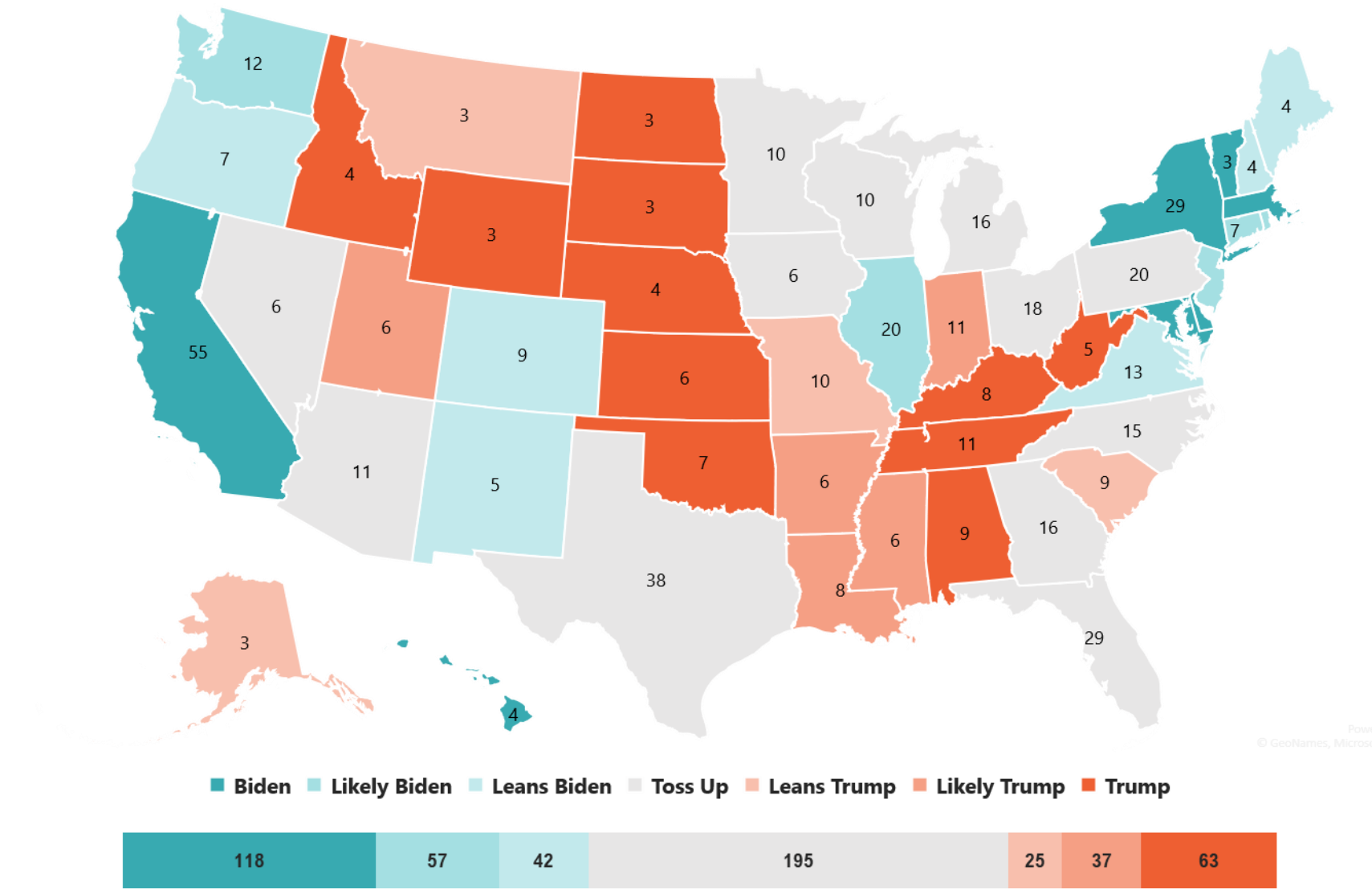
Senate + House

- *Republicans with 46 Senate seats "locked or likely" vs. 47 for Democrats, but 7 seats still in play*
- *Democrats leading Senate election race in betting markets by 26%, +1% over last week*
- *Democrats winning House is a foregone conclusion per betting markets (leading by 71%)*
- *Democrats have a 63% chance of a "blue sweep" per betting markets, unchanged over last week*

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The Battle for the White House
EXPECTED POLITICAL PARTY & NUMBER OF ELECTORAL VOTES BY STATE

Legend: ■ Biden ■ Likely Biden ■ Leans Biden ■ Toss Up ■ Leans Trump ■ Likely Trump ■ Trump

| 118 | 57 | 42 | 195 | 25 | 37 | 63 |

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How Big is the Silent Vote?

52% of Democrats **&** **77%** of Republicans

"have political opinions they are afraid to share" [1]

62% of Americans

"say the political climate these days prevents them from saying things they believe because others might find them offensive." [1]

74% of Biden supporters **&** **37%** of Trump supporters

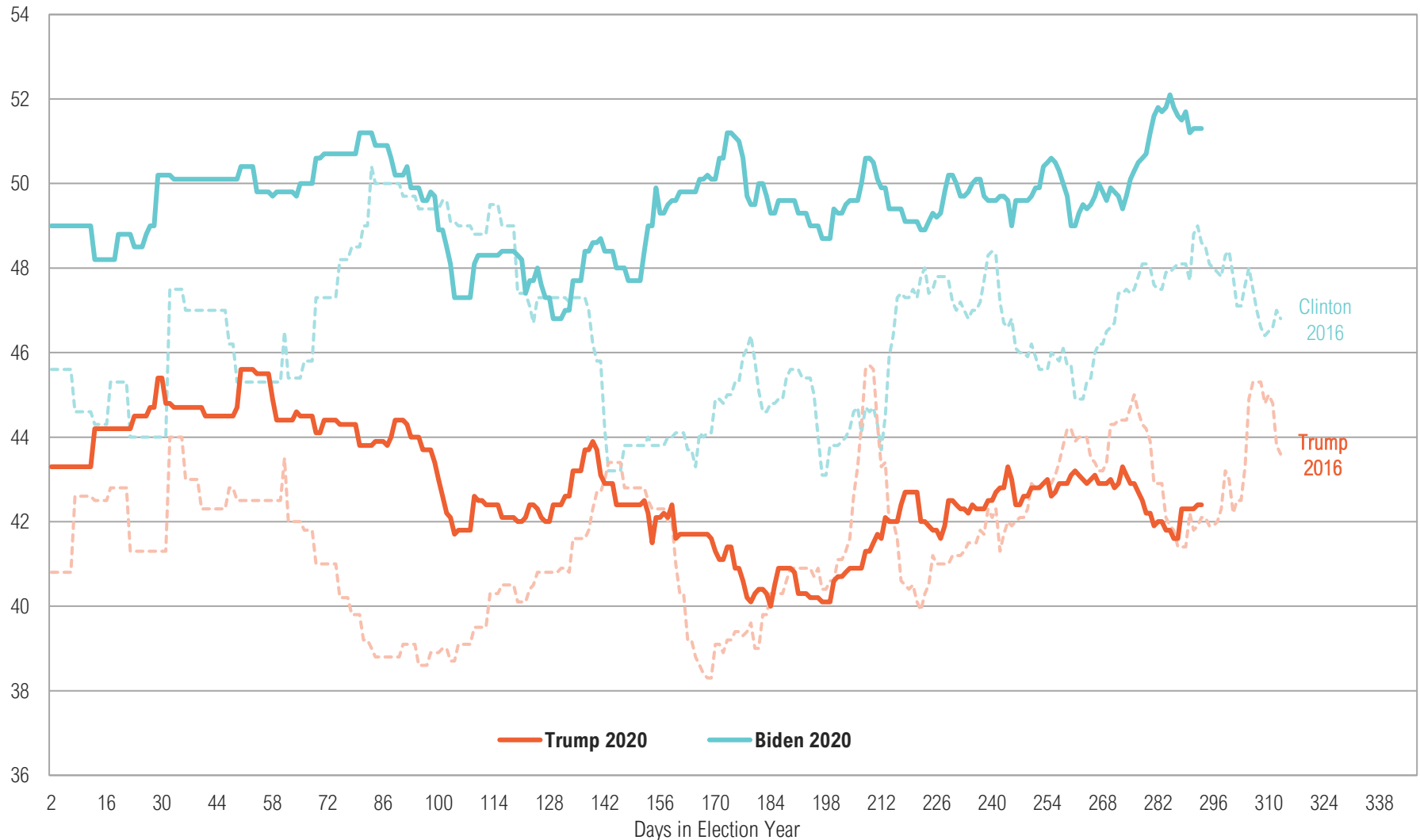"would want their friends and family to know how they voted" [2]

Source: [1] Cato Institute https://www.cato.org/publications/survey-reports/poll-62-americans-say-they-have-political-views-theyre-afraid-share
[2] https://www.express.co.uk/news/politics/1292288/US-election-2020-donald-trump-poll-results-democracy-institute-of-america

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Biden's Lead Bigger Than Clinton, But Not Too Late For Big Swings
2016 & 2020 U.S. PRESIDENTIAL CANDIDATE POLL AVERAGES

Poll Average, %

Clinton 2016

Trump 2016

Legend: Trump 2020 — Biden 2020

Days in Election Year

Source: Real Clear Politics, Bloomberg

U.S. Election Trends, Page 6

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Trump Trails in Battleground Polls

WEEKLY POLL DATA: TRUMP MINUS BIDEN

|	4/26	5/3	5/10	5/17	5/24	5/31	6/7	6/14	6/21	6/28	7/5	7/12	7/19	7/26	8/2	8/9	8/16	8/23	8/30	9/6	9/13	9/20	9/27	10/4	10/11	10/18
Battleground States																										
Michigan	-5	-6	-6	-6	-5	-5	-7	-8	-8	-9	-8	-8	-8	-8	-8	-7	-7	-7	-3	-3	-4	-7	-5	-6	-7	-7
Pennsylvania	-4	-5	-5	-5	-7	-7	-4	-6	-6	-6	-7	-7	-7	-7	-5	-6	-6	-6	-5	-3	-4	-4	-5	-7	-7	-4
Wisconsin	-3	-3	-3	-3	-3	-3	-3	-4	-5	-6	-7	-7	-6	-6	-5	-6	-7	-5	-4	-6	-6	-7	-7	-6	-6	-6
Florida	-1	-2	-3	-4	-4	-4	-4	-5	-6	-7	-5	-6	-6	-8	-6	-4	-5	-5	-4	-2	-1	-2	-2	-4	-4	-1
Arizona	-4	-5	-5	-5	-4	-4	-3	-3	-4	-5	-4	-3	-3	-4	-4	-2	-2	-2	-2	-5	-6	-5	-3	-4	-3	-4
Texas	2	1	1	3	3	3	2	2	2	2	3	0	0	0	0	2	2	4	4	4	4	2	4	4	4	4
North Carolina	1	0	0	1	1	0	-1	-1	1	-2	-3	-2	-2	-2	-5	-2	1	1	0	-1	-1	-1	-1	-1	-2	-3
Nevada	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-4	-6	-6	-5	-5	-6	-5
Minnesota														-11	-9	-9	-7	-5	-5	-4	-9	-11	-9	-10	-9	-7
Iowa	5	5	5	5	5	5	5	5	2	2	2	2	2	2	2	2	2	2	2	2	2	2	0	-1	-1	-1
New Hampshire	-5	-5	-5	-5	-5	-5	-5	-5	-4	-4	-4	-4	-4	-4	-9	-9	-9	-10	-10	-10	-8	-6	-6	-9	-11	-11
Ohio							-1	-1	-1	0	0	2	2	2	2	2	2	2	2	2	2	2	3	3	1	-1
Georgia	8	8	8	8	8	8	8	8	8	4	4	3	3	3	2	2	1	1	1	1	1	1	1	0	0	-1
Top Battlegrounds[1]																										
Trump-Biden Poll Avg	-3	-3	-4	-3	-4	-4	-4	-4	-5	-6	-5	-5	-5	-6	-5	-5	-4	-4	-3	-4	-4	-5	-4	-4	-4	-4
National Polls[2]																										
Trump-Biden Poll Avg	-6	-5	-4	-5	-6	-6	-7	-8	-10	-9	-9	-9	-9	-9	-7	-7	-8	-8	-7	-7	-7	-7	-7	-8	-10	-9

■ **Trump** ■ **Biden**

Source: Real Clear Politics, Bloomberg
1 Top battlegrounds include: Michigan, Pennsylvania, Wisconsin, Florida, Arizona and North Carolina.
2 National polls is represented by average polling data provided by Real Clear Politics.

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The Battle for the Senate
EXPECTED POLITICAL PARTY SEATS IN SENATE BY STATE
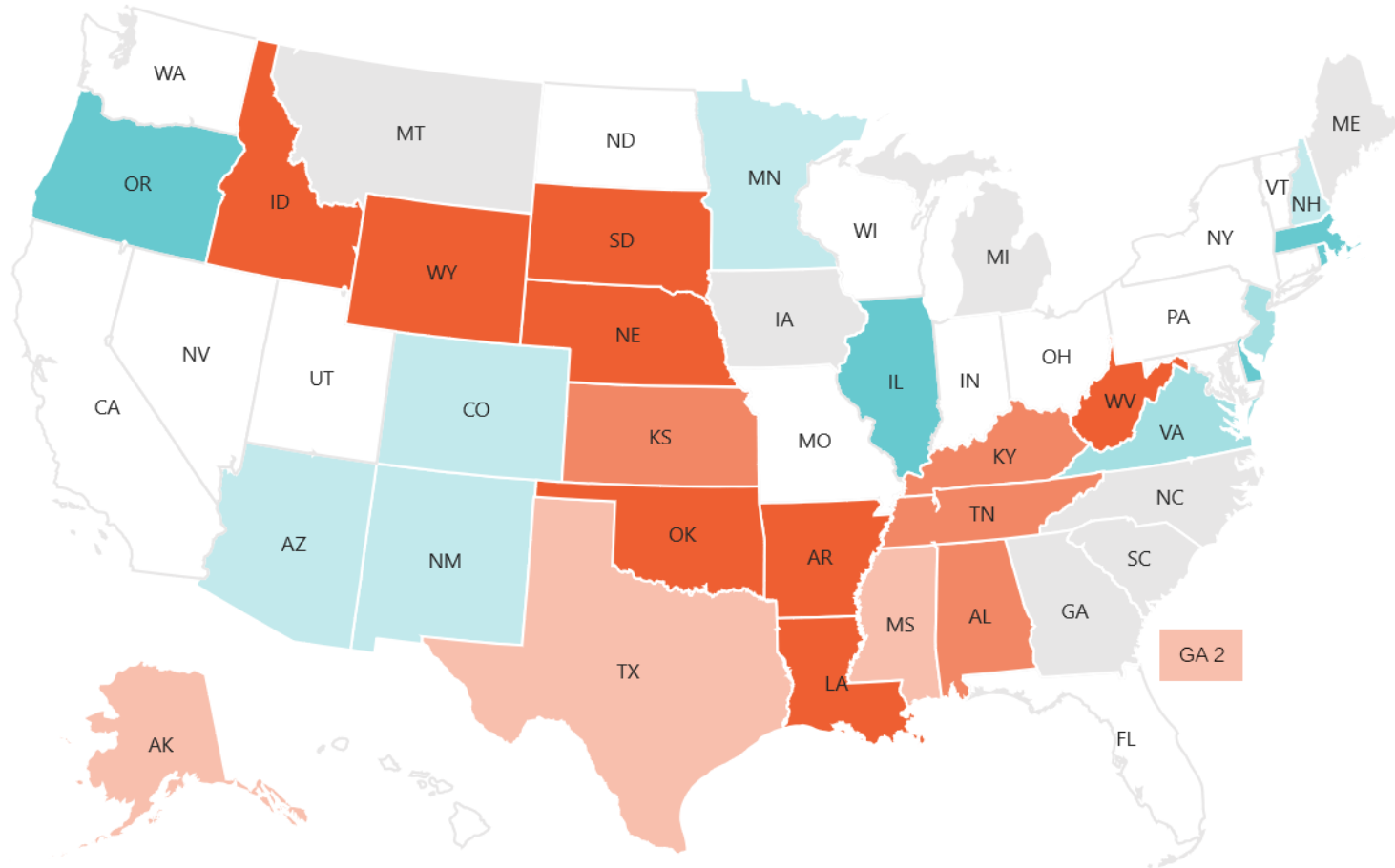
Legend: ■ Democratic ■ Likely Dem ■ Leans Dem □ No Race ■ Toss Up ■ Leans Rep ■ Likely Rep ■ Republican

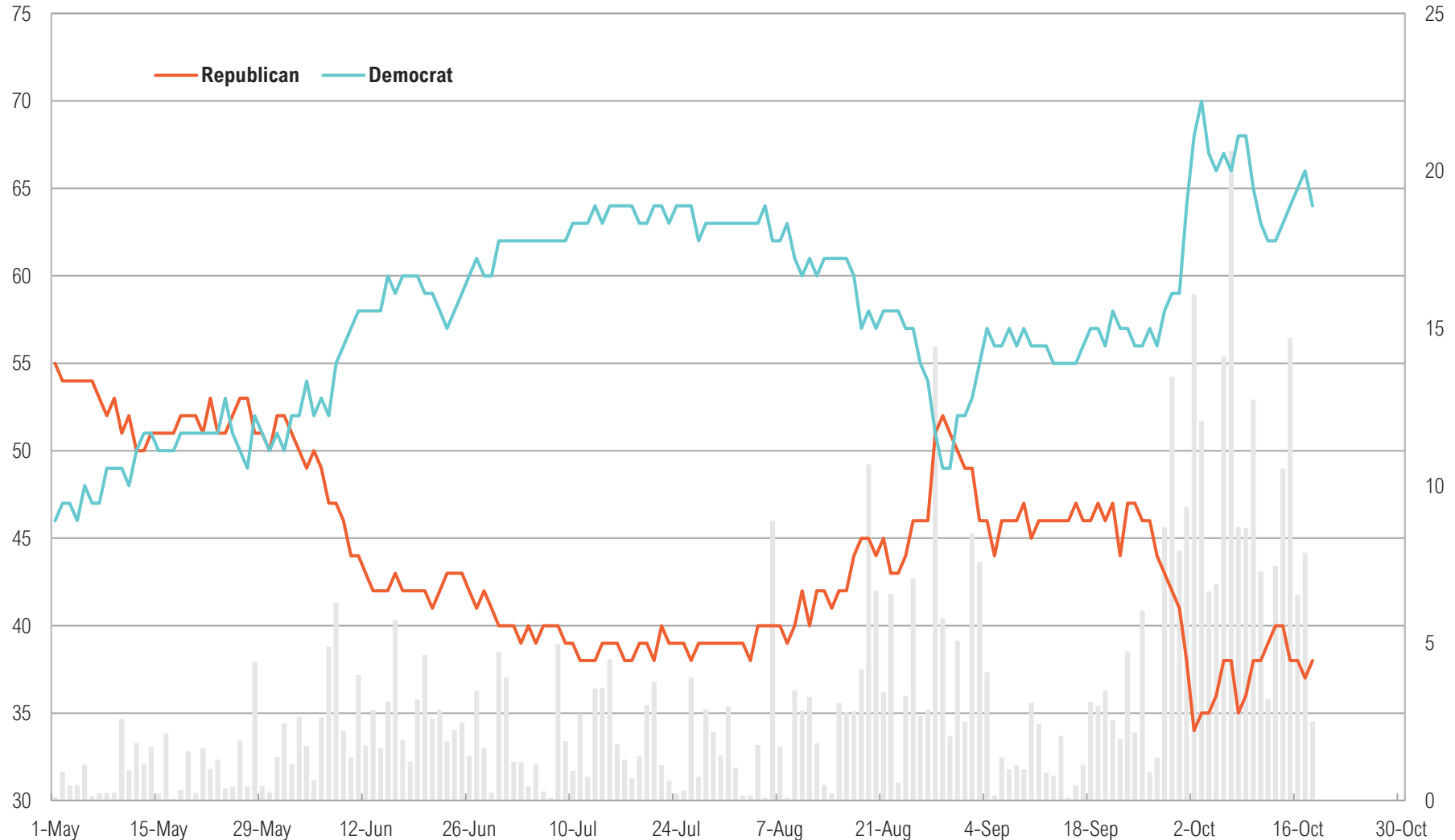| 35 | 5 | 2 | 5 | 7 | 4 | 4 | 8 | 30 |

Source: Real Clear Politics
¹ Georgia has 2 seats up for reelection.

U.S. Election Trends, Page 8

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Democrats Leading in Betting Markets

U.S. POLITICAL PARTY IMPLIED ODDS OF A SENATE MAJORITY, 5/1/2020 - CURRENT

Implied Probabilities, %

Trade Volume, 000's

— Republican — Democrat

Source: PredictIt, Bloomberg

U.S. Election Trends, Page 9

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Democrats Win in House is Foregone Conclusion
U.S. POLITICAL PARTY IMPLIED ODDS OF A HOUSE MAJORITY, 5/1/2020 - CURRENT

Implied Probabilities, %

Trade Volume, 000's

Republican — Democrat

Source: PredictIt, Bloomberg

U.S. Election Trends, Page 10

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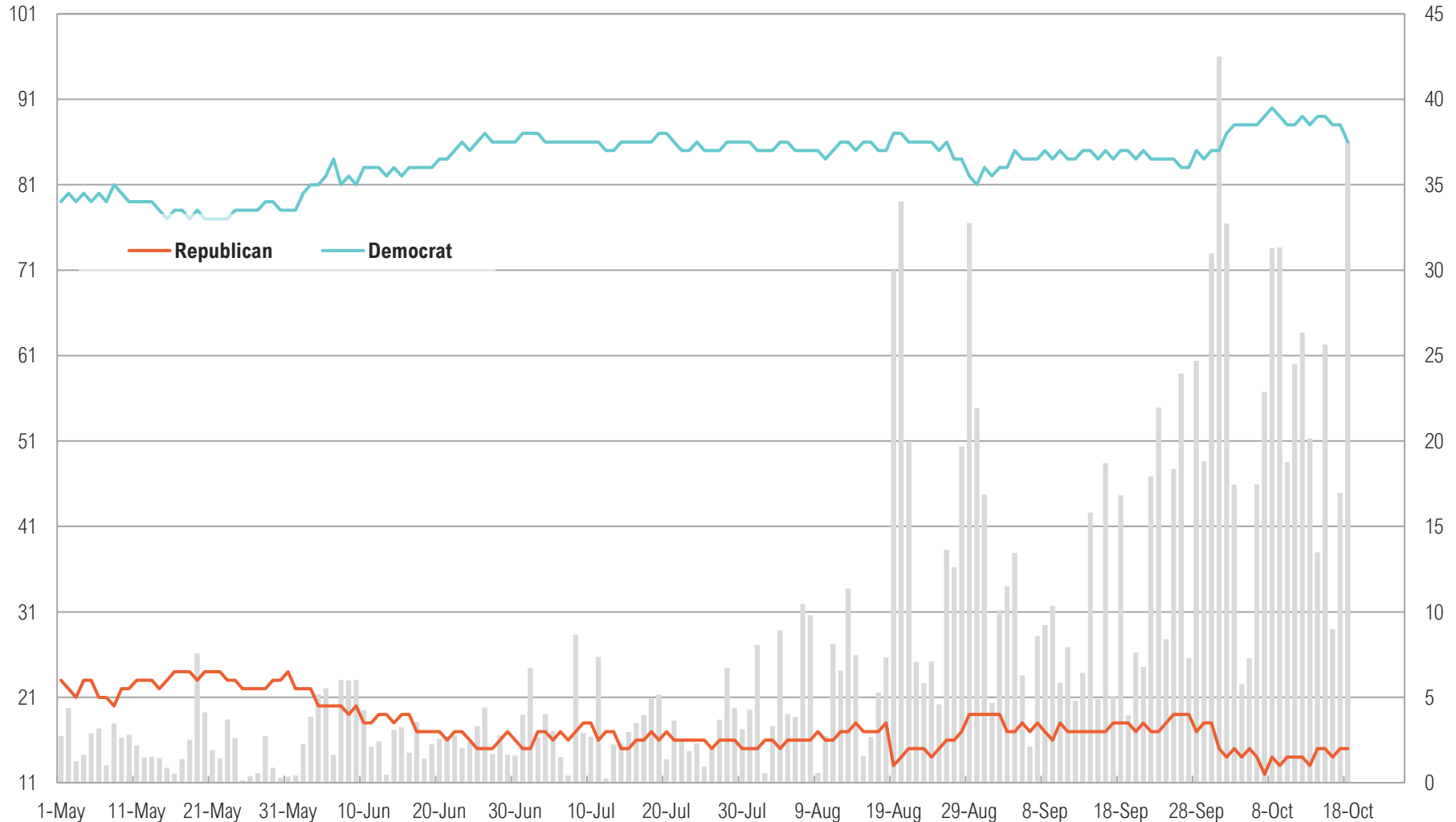
"Blue Sweeps" Not Always Bad for Markets
U.S. PARTY IMPLIED ODDS OF CONTROLLING CONGRESS VS. S&P 500 DURING DEM SWEEPS

Implied Probabilities, %

- Dem House & Senate
- Dem House, Rep Senate
- Rep House & Senate
- Rep House, Dem Senate
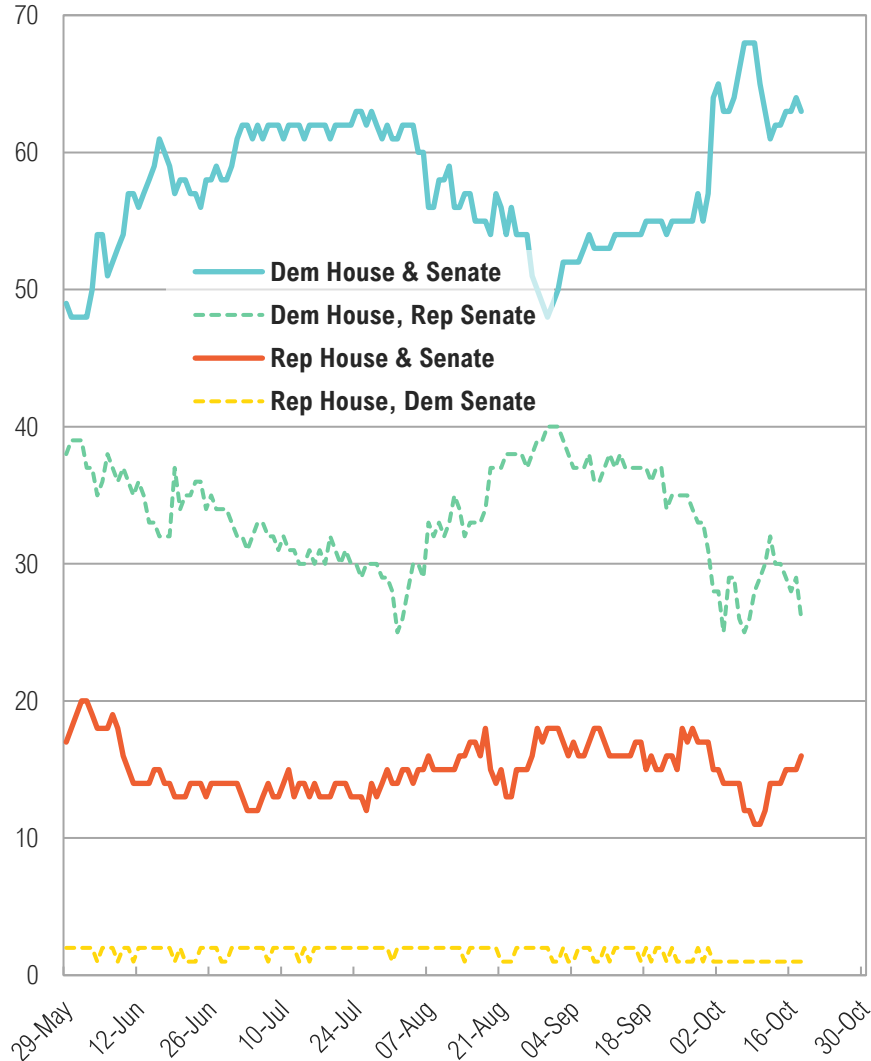
S&P 500 Price Return During Democratic Sweeps

Period	Return
Truman (1951)	23.7%
Truman (1952)	18.2%
JFK (1961)	26.6%
JFK (1962)	-8.8%
JFK / Johnson (1963)	22.6%
Johnson (1964)	16.4%
Johnson (1965)	12.4%
Johnson (1966)	-10.0%
Johnson (1967)	23.8%
Johnson (1968)	10.8%
Carter (1977)	-7.0%
Carter (1978)	6.5%
Carter (1979)	18.5%
Carter (1980)	31.7%
Clinton (1993)	10.0%
Clinton (1994)	1.3%
Obama (2009)	25.9%
Obama (2010)	14.8%
Median	15.60%
Average	13.20%

U.S. Election Trends, Page 11

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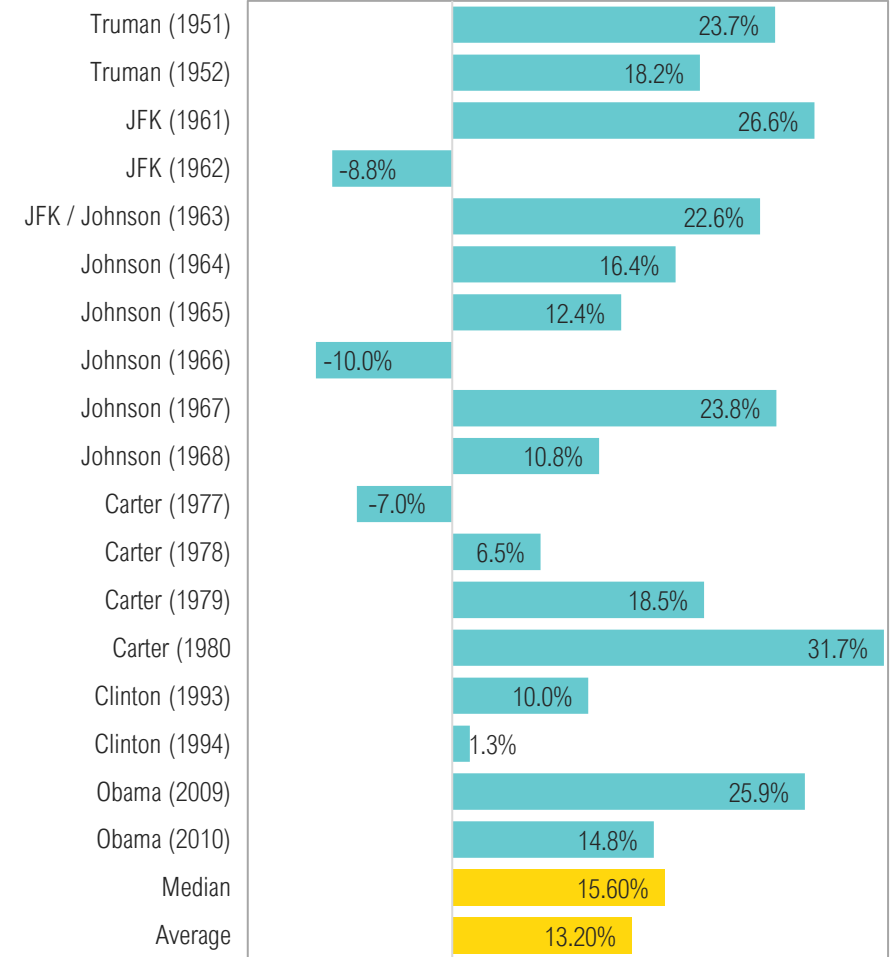
Investor Positioning – Clean Energy, Big Tech, and Firearms
U.S. SECTOR PERFORMANCE: YTD, GROWTH OF 100

Growth of 100

Legend:
- Pharmaceuticals
- Banks
- Coal
- Large Energy
- Defense
- Healthcare Providers
- Clean Energy
- Environment
- Big Tech
- Oil Drillers
- Firearms

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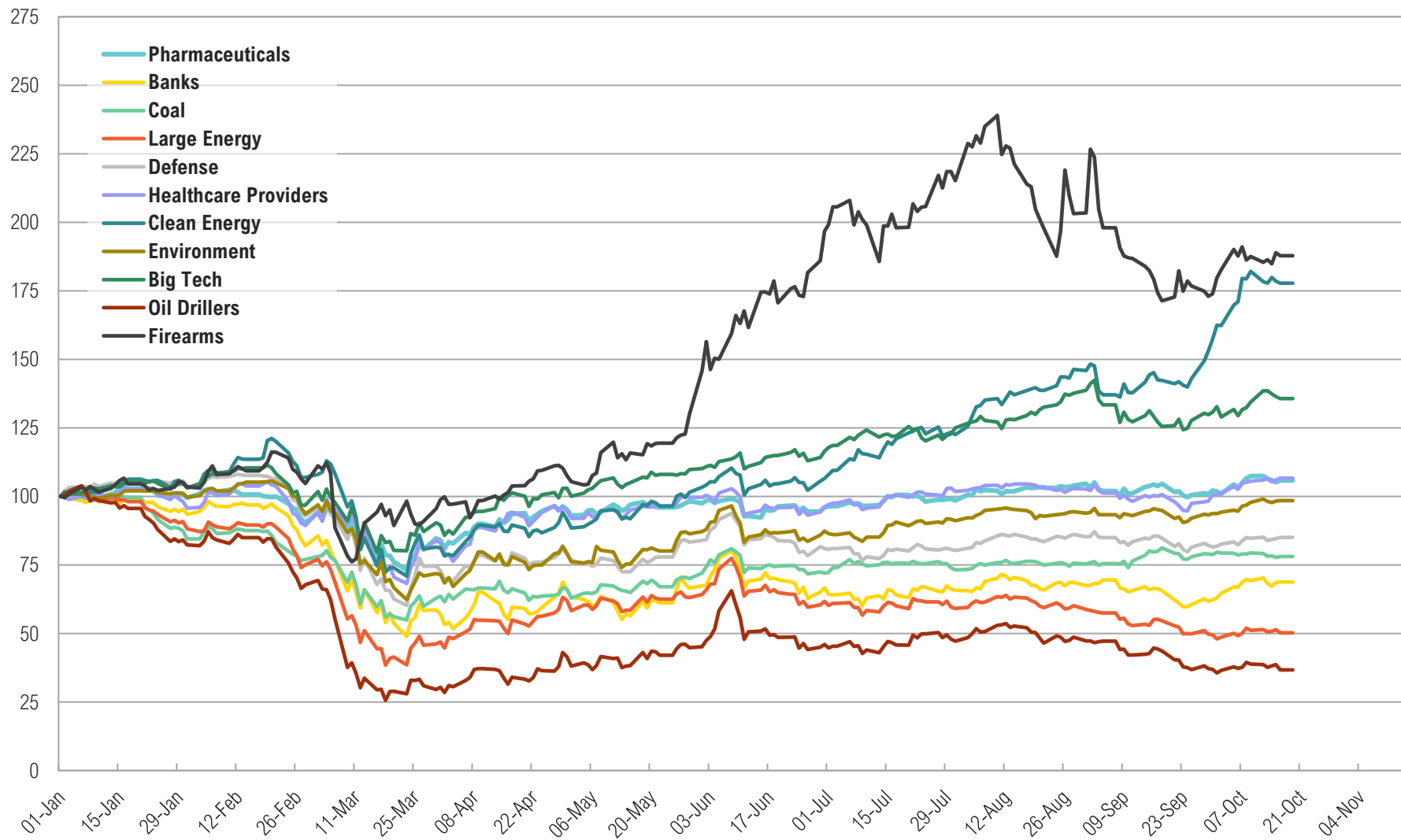
Tax Policy Under Potential Biden/Harris Admin

"We will work to reform the tax code to be more progressive and equitable, and reduce barriers for families who qualify to benefit from targeted tax breaks. Our tax system has been rigged against the American people by big corporations and their lobbyists, and by Republican politicians who dole out breaks to their biggest donors while leaving families to struggle. A guiding principle across our tax agenda is that the wealthiest Americans can shoulder more of the tax burden, including in particular by making investors pay the same tax rates as workers and bringing an end to expensive and unproductive tax loopholes. Corporate tax rates, which were cut sharply by the 2017 Republican tax cut, must be raised, and "supply-side" or "trickle down" tax cuts must be rejected. Estate taxes should also be raised back to the historical norm."

Biden-Sanders Unity Task Force [1]

"I don't think 500 billionaires are the reason why we're in trouble."
Joe Biden [2]

"A lot of my supporters are not enthusiastic about Joe Biden"
Bernie Sanders [3]

Source: [1] ://joebiden.com/wp-content/uploads/2020/08/UNITY-TASK-FORCE-RECOMMENDATIONS.pdf
[2] https://www.brookings.edu/wp-content/uploads/2018/04/biden-transcript.pdf
[3] https://abcnews.go.com/Politics/bernie-sanders-acknowledging-progressive-disagreements-platform-joe-biden/story?id=72396119

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# Biden/Harris Tax Proposals

- *Repealing the Tax Cuts and Jobs Act (TCJA) individual income tax reductions for those earning over $400,000 and restoring the top marginal income tax rate to 39.6 percent from today's 37 percent. The Section 199A deduction would also be phased out for those earning over $400,000.*

- *Taxing capital gains at ordinary income tax rates—up from a top rate of 23.8 percent today—for those earning over $1 million. Biden would also eliminate step-up in basis for inherited assets with capital gains, instead taxing those gains at death.*

- *Capping the value of itemized deductions to 28 percent for those in higher marginal tax brackets and restoring the Pease limitation on itemized deductions for those with taxable income above $400,000.*

- *Raising the corporate income tax from 21 percent to 28 percent.*

- *Imposing a 15 percent minimum book tax on corporations with $100 million or greater in income.*

- *Doubling the tax rate on Global Intangible Low Tax Income (GILTI) earned by foreign subsidiaries of U.S. firms, from 10.5 percent to 21 percent.*

- *Imposing the 12.4 percent Social Security payroll tax on wage and self-employment income earned above $400,000.*

- *Cancelling 1031 "like-kind" real estate exchanges for investors with annual incomes greater than $400,000.*

Source: [1] https://taxfoundation.org/reviewing-joe-bidens-tax-vision/

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Scenario Analysis of Possible Policy Outcomes
POTENTIAL POLICY OUTCOMES UNDER POSSIBLE 2020 ELECTION RESULTS

| White House	Congress	Tax Policies	Spending Policies
Biden, Harris IMPLIED PROBABILITY[1]: **32%**	**"Blue Sweep"**	• Restore top individual tax rate to 39.6% • Increase taxes for high income individuals (>$400K): payroll taxes, cancelling 1031 exchanges • Tax cap gains and dividends as ordinary income (income >$1MM) • Carried interest taxed as ordinary income • Increase corporate tax rate to 28%	• Infrastructure: >$1 Tn infrastructure spending • Healthcare: build on Affordable Care Act; limit drug price increases • Social: expand safety net • Education: increase max value of Pell grants, free public higher education for low-income families
Trump, Pence **27%**	**"Blue Sweep"**	• Status quo: extend 2017 Tax Cuts and Jobs Act • Temporarily suspend employee Social Security payroll tax	• Infrastructure: >$1 Tn infrastructure spending • Defense: Provide funding for National Defense Strategy
Biden, Harris **13%**	**Split**	• Potential increase in top individual tax rate • Potential increase in corporate tax rate	• Infrastructure: >$1 Tn infrastructure spending • Healthcare: potentially build on Affordable Care Act; possible limitation of drug price increases
Trump, Pence **11%**	**Split**	• Status quo: extend 2017 Tax Cuts and Jobs Act • Potentially index capital gains to inflation • Temporarily suspend employee Social Security payroll tax	• Infrastructure: >$1 Tn infrastructure spending • Healthcare: potentially reduce Medicare payments • Social: potentially reduce welfare spending particularly on SNAP and TANF • Defense: potentially provide funding for National Defense Strategy

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Elections Can Reinforce Trends or Represent Inflection Points

S&P 500 PRICE INDEX & PRESIDENTIAL ELECTION YEARS, 1967 - CURRENT

S&P 500 Index, Log Scale

Legend: Election Year | S&P 500

U.S. Election Trends, Page 16
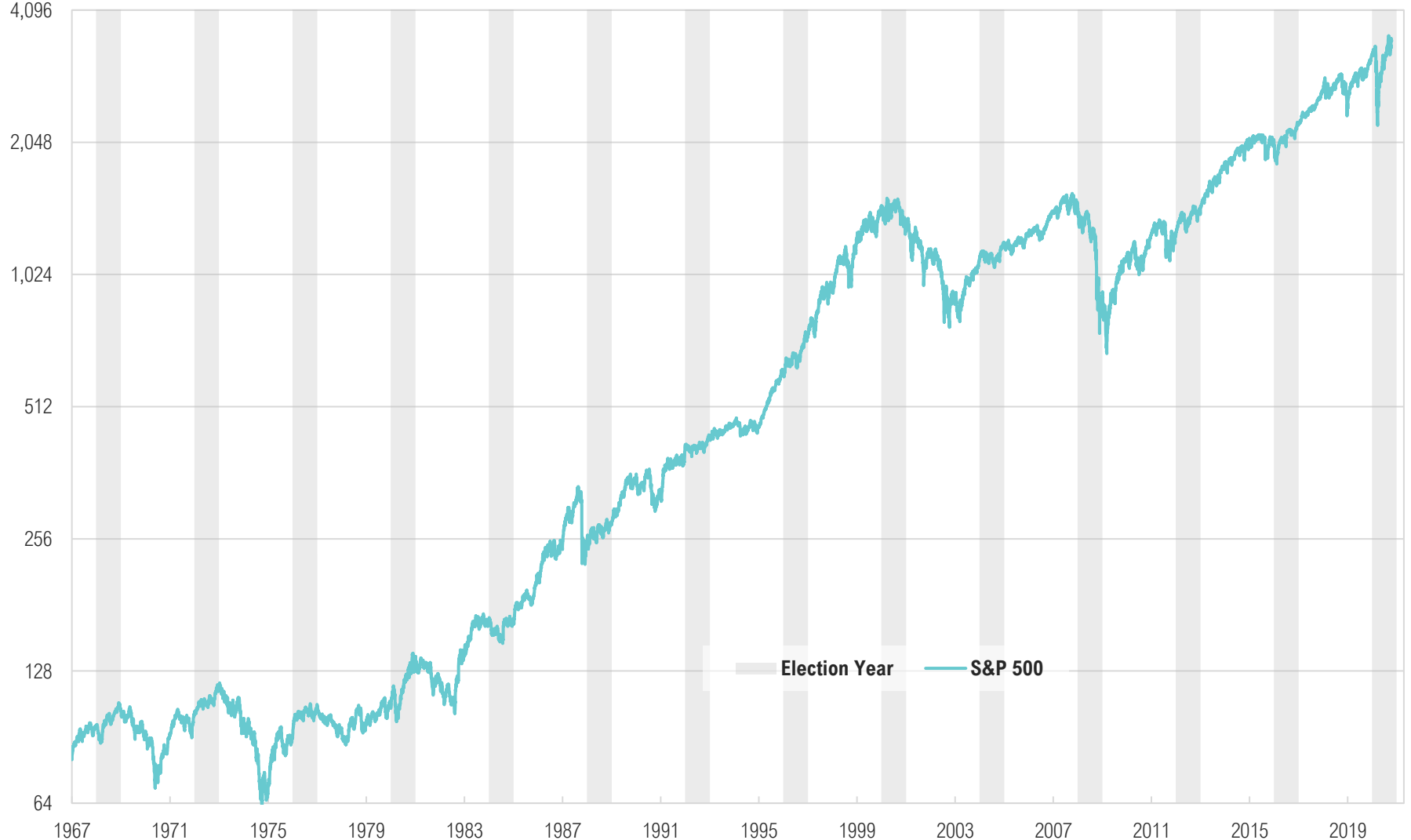
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