25 September 2020

US Election Monitor

Democrats are slight favourites to secure the Senate

- **In this edition of the 2020 election monitor, we take a closer look at the often overlooked Senate election race**. The passing of Supreme Court Justice Ruth Bader Ginsburg last Friday is an opportunity for a 6-3 conservative majority in the US Supreme Court. A similar situation unfolded under Obama in 2016 with nine months remaining until the election, where the Republican majority Judiciary Committee refused to conduct the necessary hearings. However, Trump seems to have found the necessary support in the Senate and will announce the candidates by Friday or Saturday.

- **The presidential election is increasingly decisive for the election for the Senate**. Chart 2 illustrates the trend that US Senate seats are increasingly going the same way as the presidential election. The tendency is especially strong in years with presidential elections, with all Senate seats going to the party of the wining presidential candidate in 2016.

- **Currently, the Senate election looks very close** with prediction markets tilting towards a Democratic victory 56% (up 3pp since last week). Democrats need to win five of the seven toss up states to win. Democrats are currently leading four of the seven toss up states by at least 4pp (North Carolina, Michigan and Maine, Arizona). The state to watch will be Iowa where Democrats currently have a slim 0.4pp lead against incumbent Joni Ernst, who has vocally supported a Trump selected Supreme Court Judge.

- **Focus for FX markets will be if the winner has Congress**, or not as there is very limited evidence that uncertainty about the winner by itself (e.g. if votes initially are nearly 50/50) will move markets. Both presidents are expected to pursue an expansive fiscal policy with a win in the Congress and our assumption is the Fed would welcome such, thus adding to EUR upside. The tail risk for a stronger USD is either Trump pursuing tariffs, whereas Biden could potentially choose to pursue heavy tech regulation. A more realistic downside scenario for EUR/USD from the election would be a continued stalemate in US politics. This would be negative by adding to consolidation in global markets, as we have seen over recent weeks. See today's *FX Strategy - EUR-negative uncertainty is unlikely to fade until next year*.

Chart 1: Two thirds of the senatorial seats up for election are Republican
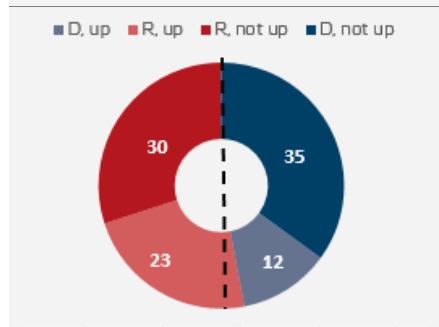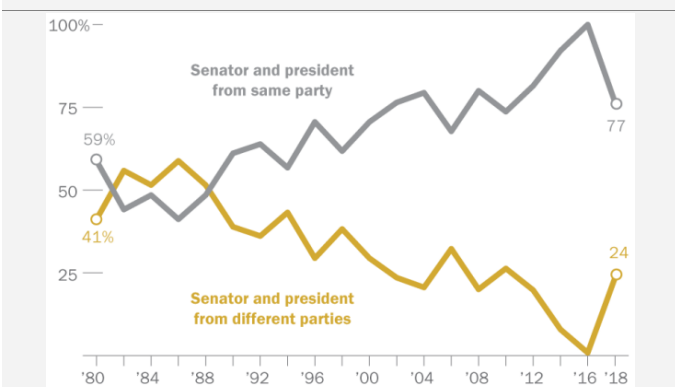

Source: RealClearPolitics.com
Note: Close race votes from states where no candidate is leading significantly in state polls. See current division of the states on the map p. 2

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Chart 2: People increasingly vote for the same party for both the presidential and the Senate election


Source: pewresearch.org

Chart 3: For a majority in the Senate, Democrats need 16, Republicans 21
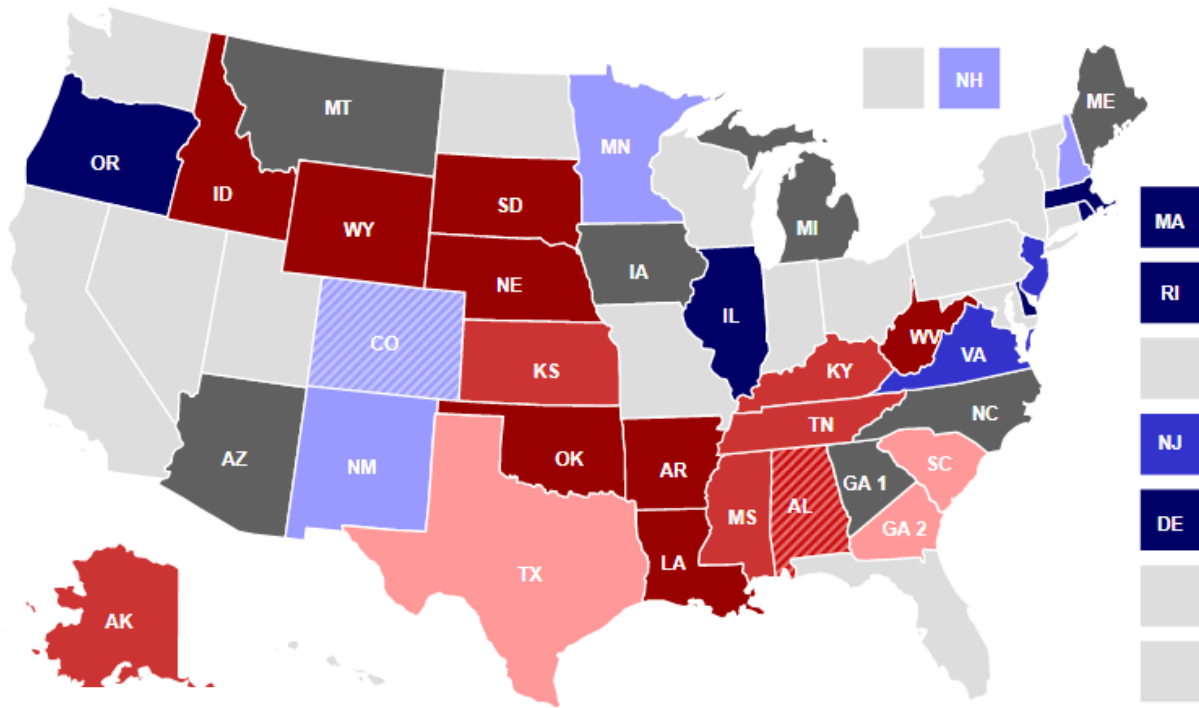

Source: RealClearPolitics.com

Important disclosures and certifications are contained from page 8 of this report.
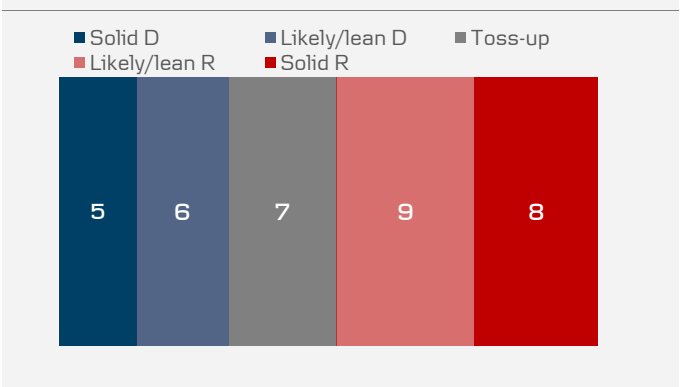
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100 Senate seats, 35 up for election

Large overlap between Congressional and electoral swing states

46 Democrats *

Toss Ups
7

Republicans **47**

40 Safe or Not Up	2	4	7	3	6	38 Safe or Not Up
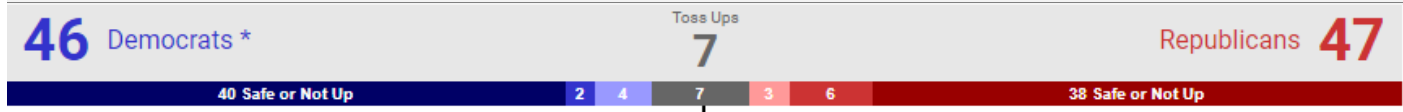
51 Seats Needed For Majority (Create Your Own Map)

Likely Dem	Leans Dem	Toss Up	Leans GOP	Likely GOP
NJ: Booker (D)	CO: Gardner (R)	AZ: McSally (R)	GA2: Loeffler (R)	AL: Jones (D)
VA: Warner (D)	MN: Smith (D)	GA1: Perdue (R)	SC: Graham (R)	AK: Sullivan (R)
Safe Dem Seats	NH: Shaheen (D)	IA: Ernst (R)	TX: Cornyn (R)	KS: Open (R)
	NM: Open (D)	ME: Collins (R)		KY: McConnell (R)
		MI: Peters (D)		MS: Hyde-Smith (R)
		MT: Daines (R)		TN: Open (R)
		NC: Tillis (R)		Safe GOP Seats

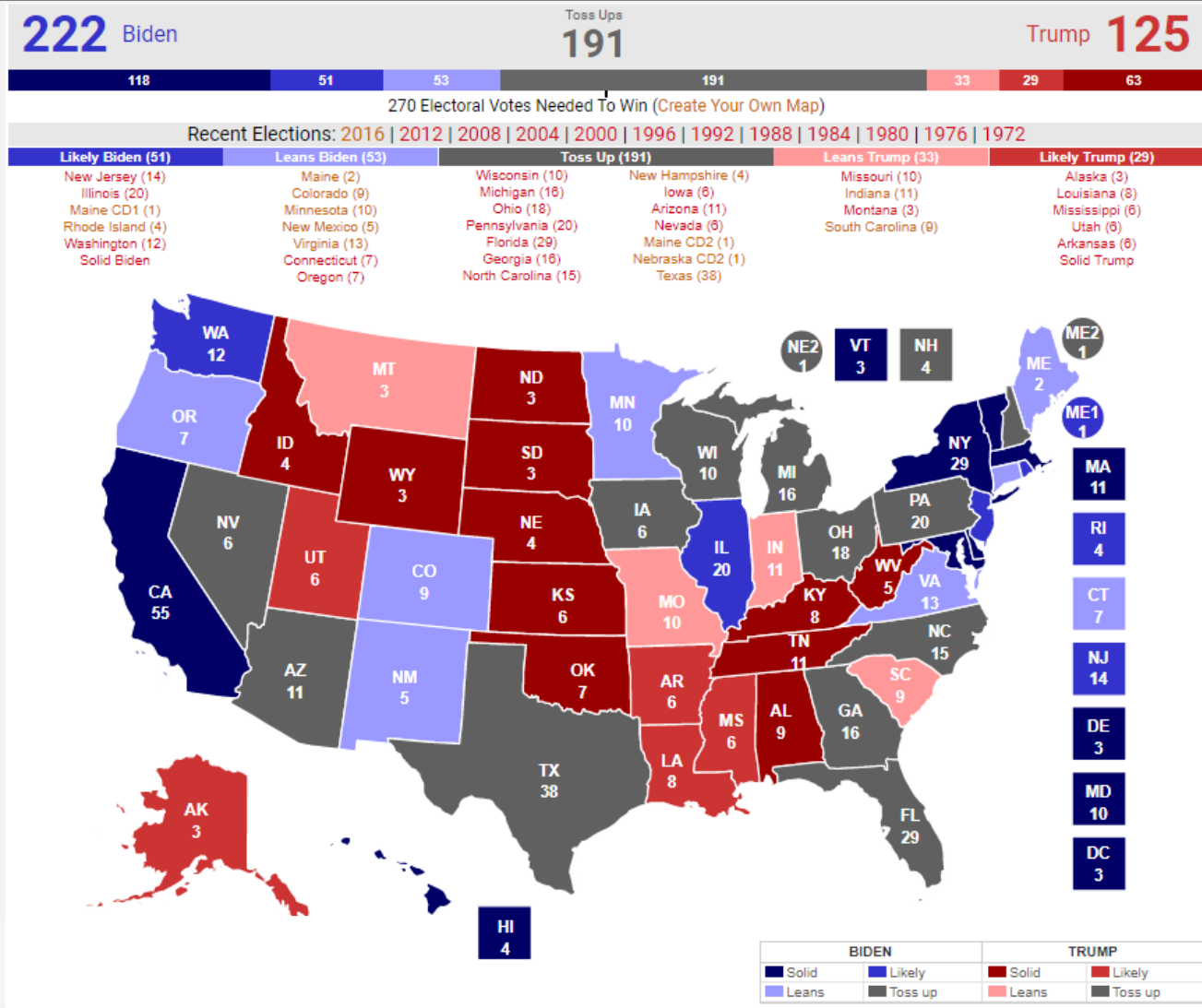| DEMOCRATS		REPUBLICANS	
Safe	Likely	Safe	Likely
Leans	Toss up	Leans	Toss up
Pick-ups (CO)		Pick-ups (AL)	

Source: RealClearPolitics.com

Note: Numbers indicate electoral votes. Hawaii and D.C. are solidly Democratic and Alaska is likely Republican

Grey states are swing states based on current state polls-

538 electoral votes in total, 270 to win

Swing states determine the election outcome

	222 Biden	Toss Ups 191	Trump 125
	118	51	53	191	33	29	63

270 Electoral Votes Needed To Win (Create Your Own Map)

Recent Elections: 2016 | 2012 | 2008 | 2004 | 2000 | 1996 | 1992 | 1988 | 1984 | 1980 | 1976 | 1972

Likely Biden (51)	Leans Biden (53)	Toss Up (191)		Leans Trump (33)	Likely Trump (29)
New Jersey (14)	Maine (2)	Wisconsin (10)	New Hampshire (4)	Missouri (10)	Alaska (3)
Illinois (20)	Colorado (9)	Michigan (16)	Iowa (6)	Indiana (11)	Louisiana (8)
Maine CD1 (1)	Minnesota (10)	Ohio (18)	Arizona (11)	Montana (3)	Mississippi (6)
Rhode Island (4)	New Mexico (5)	Pennsylvania (20)	Nevada (6)	South Carolina (9)	Utah (6)
Washington (12)	Virginia (13)	Florida (29)	Maine CD2 (1)		Arkansas (6)
Solid Biden	Connecticut (7)	Georgia (16)	Nebraska CD2 (1)		Solid Trump
	Oregon (7)	North Carolina (15)	Texas (38)		

Note: Numbers indicate electoral votes. Hawaii and D.C. are solidly Democratic and Alaska is likely to be Republican

Grey states are swing states based on current state polls

Source: RealClearPolitics.com

Previous election results in swing states

	1992	1996	2000	2004	2008	2012	2016
Arizona (11)	Bush	Clinton	Bush	Bush	McCain	Romney	Trump
Colorado (9)	Clinton	Dole	Bush	Bush	Obama	Obama	Clinton
Florida (29)	Bush	Clinton	Bush	Bush	Obama	Obama	Trump
Georgia (16)	Clinton	Dole	Bush	Bush	McCain	Romney	Trump
Iowa (6)	Clinton	Clinton	Al Gore	Bush	Obama	Obama	Trump
Nevada (6)	Clinton	Clinton	Bush	Bush	Obama	Obama	Clinton
New Hampshire (4)	Clinton	Clinton	Bush	Kerry	Obama	Obama	Clinton
North Carolina (15)	Bush	Dole	Bush	Bush	Obama	Romney	Trump
Ohio (18)	Clinton	Clinton	Bush	Bush	Obama	Obama	Trump
Pennsylvania (20)	Clinton	Clinton	Al Gore	Kerry	Obama	Obama	Trump
Virginia (13)	Bush	Dole	Bush	Bush	Obama	Obama	Clinton
Wisconsin (10)	Clinton	Clinton	Al Gore	Kerry	Obama	Obama	Trump
Winner of election	Clinton	Clinton	Bush	Bush	Obama	Obama	Trump

Note: Numbers indicate number of electoral votes held by the state
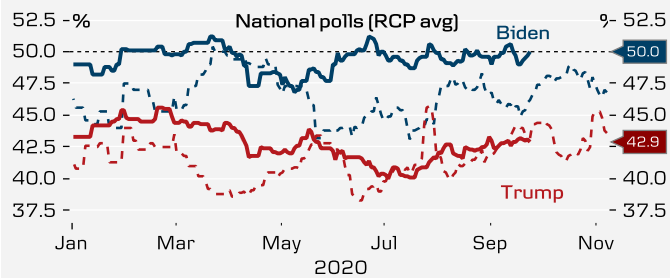
Source: RealClearPolitics.com

Current division of the 538 electoral votes based on election map

- Solid/likely D — 222
- Close race — 191
- Solid/likely R — 125
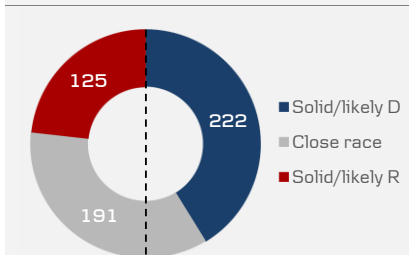
Source: RealClearPolitics.com

Polls for presidential election

Biden is around 50% (significantly above Clinton in 2016) while Trump is more or less at the same level as in 2016

National polls (RCP avg)

Source: RealClearPolitics.com, Macrobond Financial

*Note: Dashed lines indicates 2016 election polls*

Prediction markets predict a close race, but Bidden has gained popularity over the past two weeks


Chance of winning
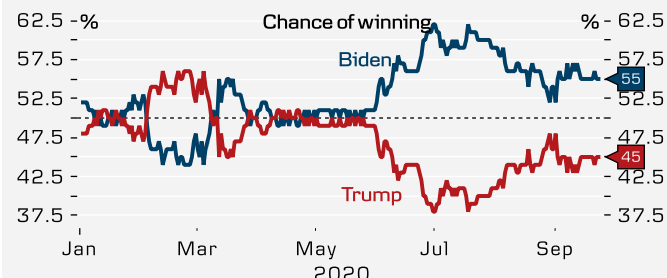
Source: PredictIt, Macrobond Financial

Polls for Congressional election (House)

Democrats are very likely to regain control of the House, according to prediction markets

PredictIt, Republican Party controls the House
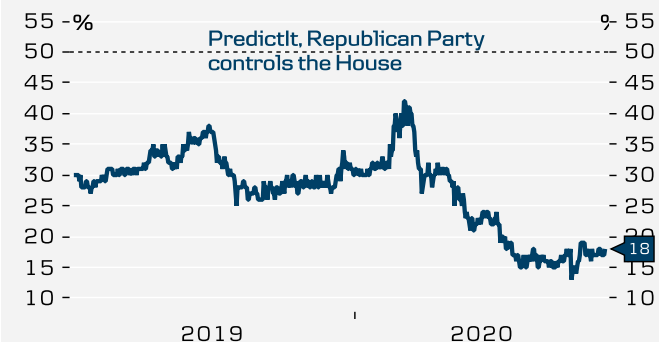
Source: PredictIt, Bloomberg, Macrobond Financial

Democrats need to win only 4 of the 31 toss up seats for a majority

| Solid D | Likely/lean D | Toss-up |
| Likely/lean R | Solid R | |

180 · 34 · 31 · 31 · 159
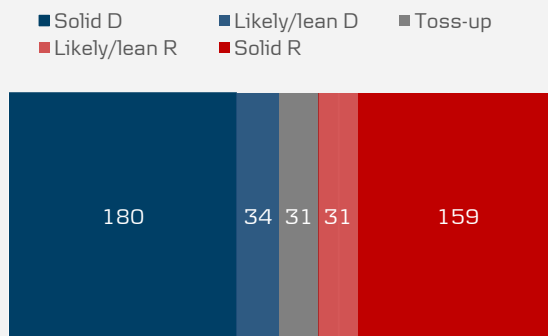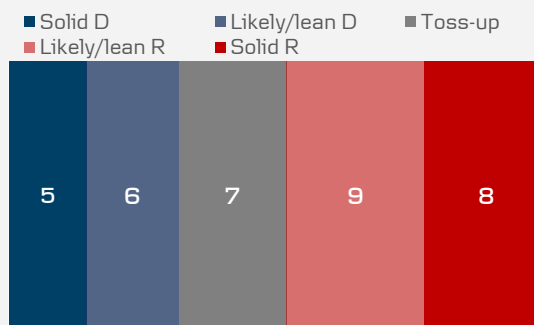
Source: RealClearPolitics.com

Polls for Congressional election (Senate)

Nearly 50-50 who wins control over the Senate, according to prediction markets, but the Democrats are slim favourites


PredictIt, Republican Party controls the Senate
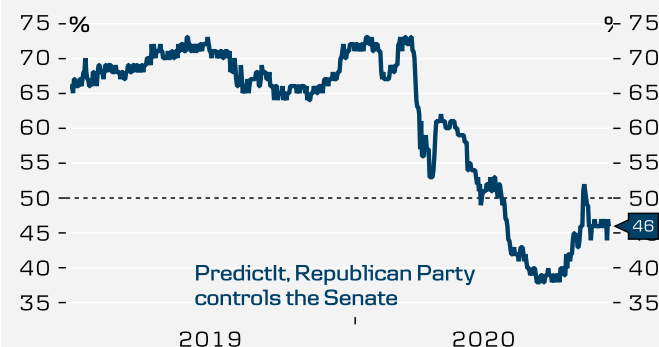
Source: PredictIt, Bloomberg, Macrobond Financial

For a majority, Democrats need 16, Republicans 21

| Solid D | Likely/lean D | Toss-up |
| Likely/lean R | Solid R | |

5 · 6 · 7 · 9 · 8

Source: RealClearPolitics.com

Polls in important swing states won by Trump (2016)

Trump with Texas lead but surprisingly close, with both candidates below 50%


Texas (38)

Trump 47.0
Biden 44.6
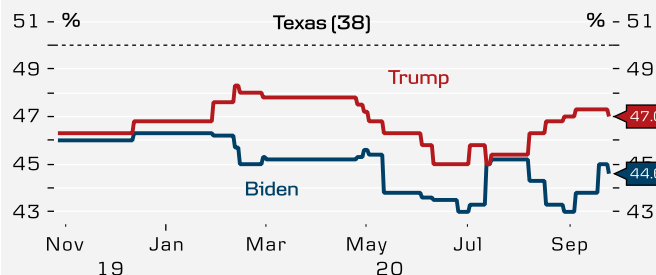
Note: Number indicates electoral college votes
Source: RealClearPolitics.com

### Trump is closing in on Biden in Florida with both candidates below 50%

Florida (29)

Biden 48.7
Trump 47.4
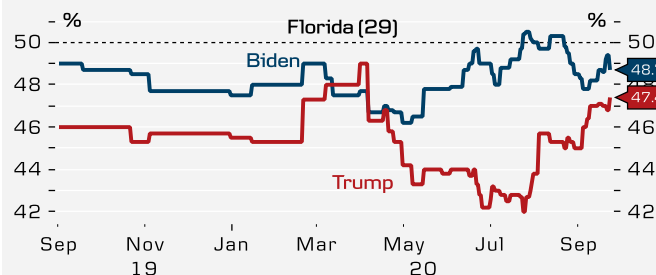
Note: Number indicates electoral college votes
Source: RealClearPolitics.com

Biden still ahead with little movement in Pennsylvania

Pennsylvania (20)

Biden 48.6
Trump 44.4
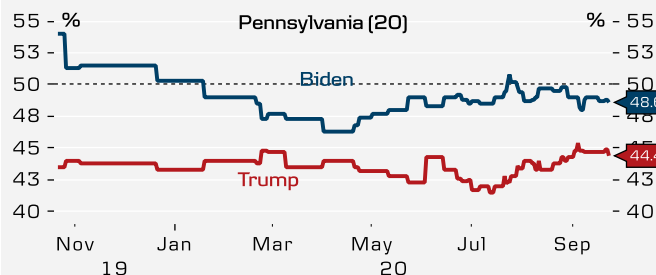
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden is ahead of Trump in Ohio but below 50%

Ohio (18)

Biden 46.7
Trump 44.3
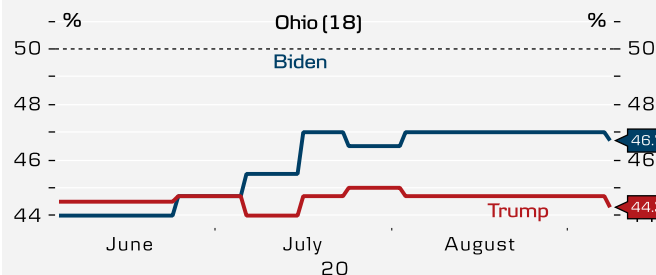
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Trump rapidly losing votes in Georgia

Georgia (16)

Trump 46.2
Biden 45.2
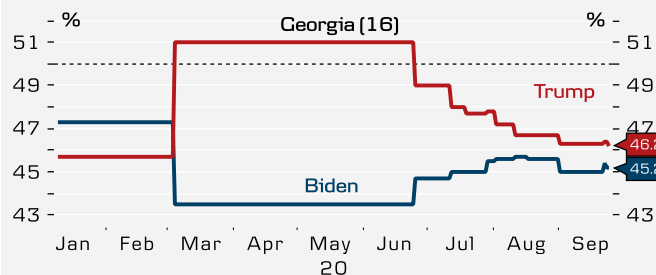
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Trump has lost momentum in Michigan

Michigan (16)

Biden 48.7
Trump 42.2
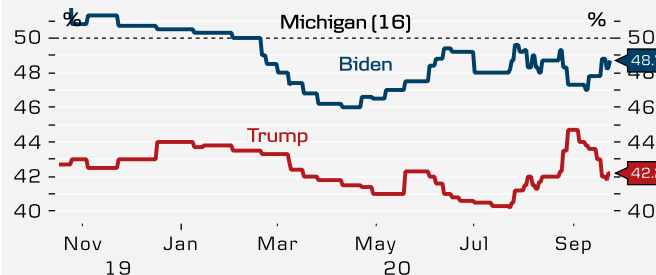
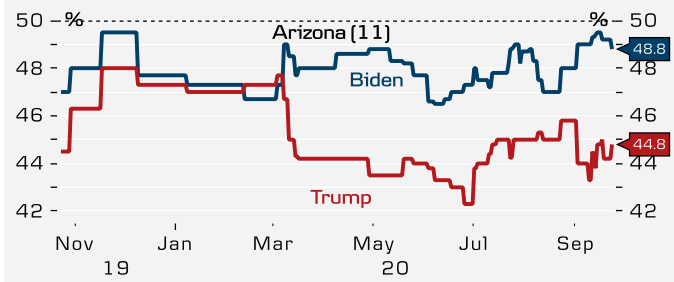*Note: Number indicates electoral votes*
Source: RealClearPolitics.com
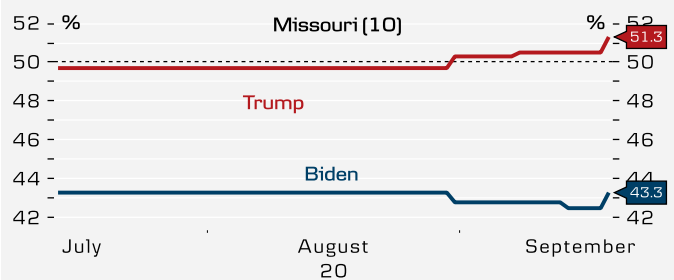
Candidates neck and neck in North Carolina

North Carolina (15)
Biden 46.8
Trump 46.3
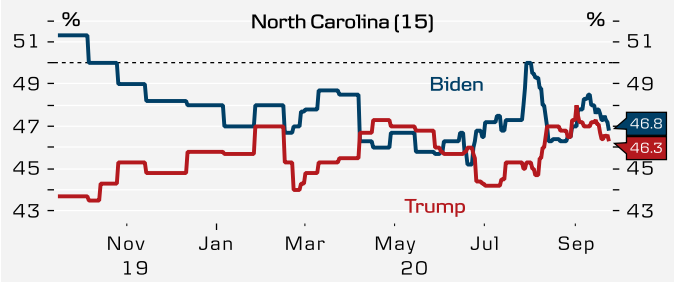
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden enjoying recent popularity in Arizona

Arizona (11)
Biden 48.8
Trump 44.8

Note: Number indicates electoral votes
Source: RealClearPolitics.com
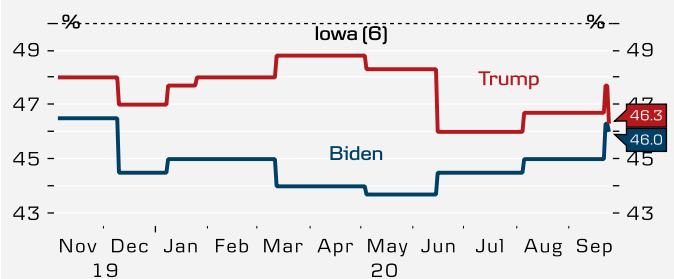
Trump well ahead in Missouri

Missouri (10)
Trump 51.3
Biden 43.3

Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden building up a steady lead in Wisconsin

Wisconsin (10)
Biden 50.3
Trump 43.8
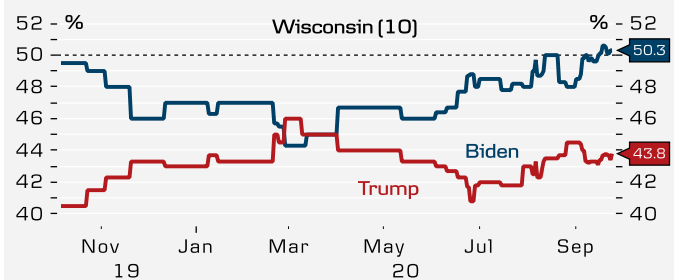
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Trump losing popularity in Iowa

Iowa (6)
Trump 46.3
Biden 46.0

Note: Number indicates electoral votes
Source: RealClearPolitics.com

Polls in important swing states won by Clinton (2016)

Biden has a solid lead in Virginia

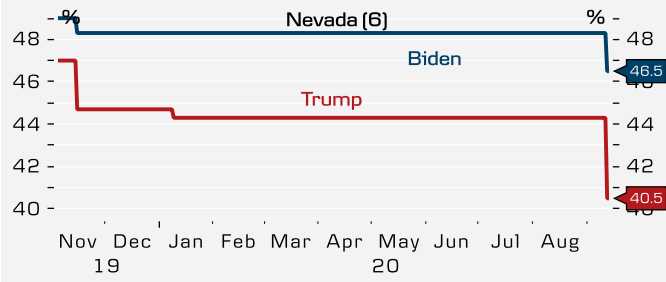Virginia (13)
Biden 51.3
Trump 40.3
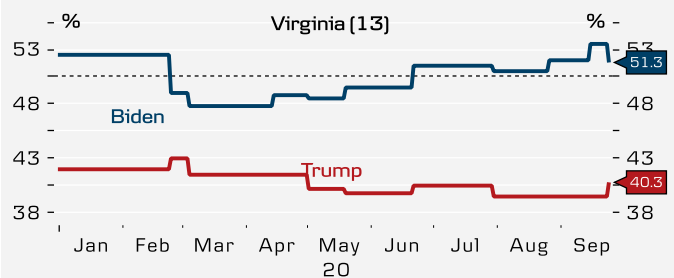
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden leading in Minnesota

Minnesota (10)
Biden 51.6
Trump 41.4
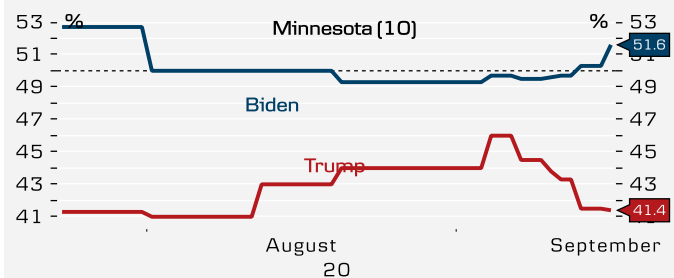
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Much uncertainty with infrequent polls in Nevada

Nevada (6)

Biden

Trump

46.5

40.5

Nov Dec Jan Feb Mar Apr May Jun Jul Aug
19   20

Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden with a solid lead in Maine

Maine (4)

Biden

Trump

52.0

38.5

Jan   Mar   May   Jul   Sep
19   20
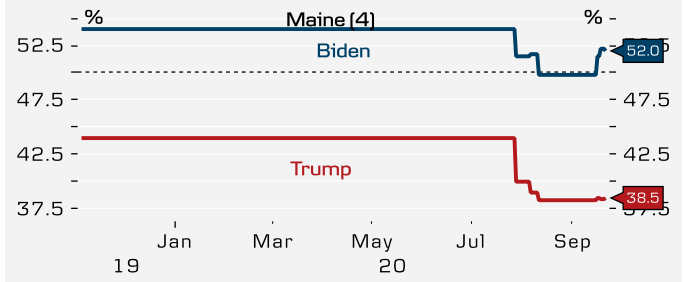
Note: Number indicates electoral votes
Source: RealClearPolitics.com

Biden experiences small setback in New Hampshire

New Hampshire (4)

Biden

Trump

48.0

42.5

Dec Jan Feb Mar Apr May Jun Jul Aug
19   20
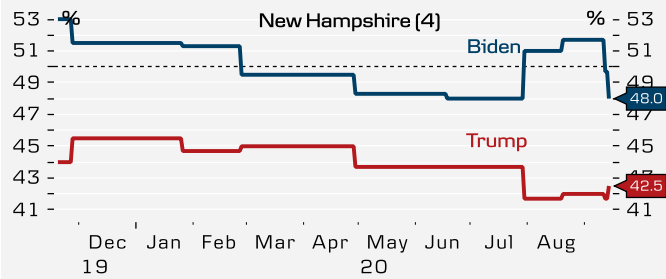
Note: Number indicates electoral votes
Source: RealClearPolitics.com

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