

Politics and Elections

“Popularity should be no scale for the election of politicians. If it would depend on popularity, Donald Duck and The Muppets would take seats in senate”.

- Orson Welles

Insights

Politics and Elections: We seem to be in the midst of it all. In this month’s Insight, we look to present an observer’s view on upcoming election campaigns in the US.

‘Tis the time for another US presidential election. Let’s cut through the chase and see what Trump and Biden, and their respective parties are up to.

After 4 years of Trump from 2016 – 2020 and Biden from 2020 – 2024 we are now just some 4 months plus away for a repeat showdown. We just witnessed last week, the first of the Presidential Debate which ended favouring heavily on Trump’s side. But first let us just recap some of the main eye-catching policies Biden has put in place in his 4 years in office:

- Lowering cost of families’ everyday expenses via the Inflation Reduction Act
- Making more in America ensuring more American made technologies
- Rescued the economy and changed the course of the Pandemic with 79% of adults reportedly fully vaccinated
- A first meaningful gun violence reduction legislation in 30 years through the Bipartisan Safer Communities Act
- Rallied the World to support Ukraine in response to Putin’s aggression

- Historic Student Debt Relief for middle and working class families – more than 40 mln borrowers stand to benefit
- Delivering on the most aggressive climate and environmental justice agenda in US history

(ref. whitehouse.gov)

Sounds nice and cosy does it not? So why then are more and more discontentment brewing at the core of the American voters?

Inflation went through the roof under his watch, with energy costs spiralling, its southern border overrun by illegal immigrants and worst of all, the US’ standing on the world stage has been compromised mainly because of Biden’s weak resolve. Over 1.7 MILLION illegals have been encountered at the southern border because of Biden’s open border policies and rhetoric. President Biden stacked illegals on top of each other in overrun border processing facilities, then dropped them off in communities around the country during a global pandemic and beyond. His foreign policy failures have hurt US’ credibility on the world stage, abandoned allies and emboldened adversaries in a series of blunders that have left Americans feeling less safe as a result. Following the disastrous withdrawal of Afghanistan, the Taliban is now in possession of American weapons, including helicopters, airplanes, tanks, Humvees, and other military-grade weapons. Biden is seen as being ineffective and incapable of being the strong, decisive leader the American people need, let alone a questionable state of health he is in. That is why.

The debate session did not help. All Joe Biden needed to do was deliver a repeat performance of his State of the Union address. Instead, he stammered. He stumbled. And, with fewer than five months to November, he played straight into Democrats’ worst fears — that he’s fumbling away this election to Donald Trump.

The alarm bells for Democrats started ringing the second Biden started speaking in a haltingly hoarse voice. Minutes into the debate, he struggled to mount an effective defense of the economy on his watch and flubbed the description of key health initiatives he's made central to his re-election bid, saying "we finally beat Medicare" and incorrectly stating how much his administration lowered the price of insulin. He talked himself into a corner on Afghanistan, bringing up his administration's botched withdrawal unprompted. He repeatedly mixed up "billion" and "million," and found himself stuck for long stretches of the 90-minute debate playing defense. And indeed, when he wasn't speaking, he stood frozen behind his podium, mouth agape, his eyes wide and unblinking for long stretches of time. First impressions matter — particularly to voters just tuning into the election and who were more likely to watch the first debate than the second that's scheduled for September. And instead of setting the tone of the next phase of the presidential campaign, Biden's shaky performance reignited fears among Democrats that the octogenarian whose mental acuity and physical fitness have stood as voters' chief concerns about returning him to the White House might not even be able to carry the party through to November. Afterward they didn't try to cover up his poor performance, but instead tried to emphasize that Trump remained a threat to American interests at home and abroad. It ain't enough, I'm afraid.

Word among the Democrat's camp is to replace Biden as a candidate but the party has little time left to change course before it's scheduled to name its nominee in advance of Aug. 7 and begin its national convention Aug. 19 in Chicago. What if Biden steps down before he's nominated?

He said he won't, both after the debate and the next day at a rally. President Joe Biden told deep-pocketed donors in New York's Hamptons just this weekend, that he acknowledges worries about his debate performance against Donald Trump, and he vowed to stick with his re-election bid.

But there is a precedent. President Lyndon Johnson, a Democrat, decided not to seek nomination for a second full term in 1968, as protests against the Vietnam War mounted. In an Oval Office speech, Johnson made the surprise announcement that "I shall not seek, and I will not accept, the nomination of my party for another term as your president." Instead, the Democrats nominated Hubert Humphrey, who was defeated by Richard Nixon.



Johnson's decision came at the end of March — at a time when the process for determining the major parties' presidential nominees wasn't nearly as front-loaded as it is today. Unlike Biden, Johnson hadn't yet secured enough delegates to nail down the nomination. So, this could still happen IF they want a hail-Mary outcome in November.

To ex-President Trump. It is a serious threat to the Democrats that he could reclaim office. What is he looking at bringing to the table?

Amongst his promises are:

- Trump has proposed giving the president more power to hire and fire government employees, replacing civil servants with political followers
- Opposes climate change legislation as it destroys the nation's energy industry
- Addressing public safety concerns particularly crimes committed by undocumented immigrants
- Promises the biggest deportation and border arrest programs in American history
- Calling for closing the US Dept of Education by giving parents more say in running schools
- Extension of the tax overhaul which would expire during the next president's term in 2025
- Being more skeptical of free trade initiatives and agreements than some of his Republican counterparts, going so far as to start a trade war with China during his term in office
- Continuing its "America First" policy, pull back on US defense commitments but to support Israel in its ongoing war against Hamas
- Improve healthcare and make it cheaper
- Promises to end the Russia/Ukraine conflict.

Trump is not without his faults, propagating isolationist policies. However, his campaign promises do challenge the establishment's hardline policies underpinning his MAGA agenda which makes this election ever more interesting, to say the least.

US Treasury market appears worried about the impact of Trump 2.0 on deficits, debt and yields, and former House of Representatives Speaker Paul Ryan says the next President runs the risks of a debt crisis in the US. But then again, isn't the US already in a debt spiral depending on the matrix one utilises to measure it?

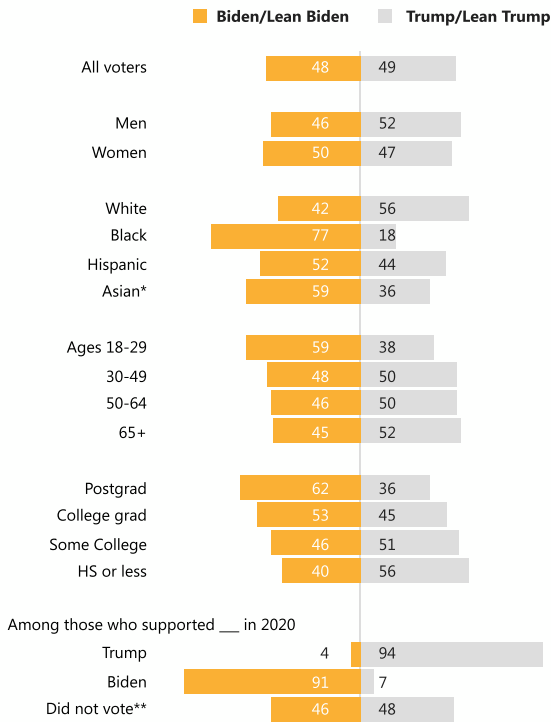
What we have at this juncture of the election journey is not really who will become the next President but more appropriately, who the Democrats could field in Biden's place. That would throw a spanner in the works for the Republicans. But first, the party plans to vote for a nominee before the convention begins on Aug. 19 via virtual roll call to allow Biden to be on the ballot in Ohio, which requires presidential candidates be nominated at least 90 days before the November election (in this case Aug. 7). The party has not announced an official date for the virtual roll call. My bet is that Biden will likely step aside.....

Here's a poll from PEW Research (dd. April 2024) that gives us a further breakdown of the voters.

As in recent national elections, there are wide differences in candidate support by voters' gender, age, race and ethnicity, and education:

Figure 1 : Biden and Trump in a virtual tie in presidential race

% of registered voters who would vote for ___ if the 2024 presidential election were held today



* Estimates for Asian voters are representative of English speakers only.
 ** Reflects registered voters who do not have a validated vote in 2020 (including those who were too young to vote in 2020).
 Note: Based on registered voters. White, Black and Asian voters include those who report being only one race and are not Hispanic. Hispanic voters are of any race. Those who said they voted in 2020 are citizens who said they voted in a post-election survey and were found to have voted in commercial voter files. Refer to methodology for details.
 Source: Survey of U.S. adults conducted April 8-14, 2024.
 PEW RESEARCH CENTE

And, more about the swing states we hear so much about (Forbes, June 2024):

Trump would beat Biden 37% to 35% overall in the seven swing states (Michigan, Pennsylvania, Wisconsin, Georgia, North Carolina, Arizona and Nevada), according to the Ipsos poll released Thursday, which breaks down the results by region and gave voters the option of choosing Robert F. Kennedy Jr. (6%), another candidate (4%), not voting (4%) or undecided (15%).

In a head-to-head matchup, with the option to skip the question, Trump would beat Biden 48% to 43%, according to the survey of 2,453 adults conducted June 4-12 (margin of error 2.5).

In a two-way race, Trump leads Biden by seven points in the Southeast (Georgia and North Carolina) and by 10 points in the Midwest (Michigan, Pennsylvania and Wisconsin), but trails Biden by 12 points in the Southwest (Arizona and Nevada).

A plurality of voters in all three regions said inflation and increasing costs is the most important issue facing the country, followed by immigration.

The survey is the latest to show Trump with an advantage in the seven crucial swing states (six of which Biden won in 2020, with the exception of North Carolina) that will likely determine who wins the November election—according to Real Clear Politics' polling averages, Trump leads Biden in all seven states.

Politicians and elections – that's the name of the game.

Either way, the US economy remains fairly robust, inflation is somewhat under control although not quite at the Fed's target yet and rates remain favourable for those relying on an income from vanilla deposits. As Bloomberg editor Mohamed El-Erian aptly puts it, the look-back data is good but forward looking ones aren't as rosy.

Careful what you wish for, rate cuts could come sooner than one might expect should the Fed pick up, or acknowledges this.

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