

# It's Trump vs Biden again!

## Super Tuesday results sealed 2020 Presidential Election rematch

**Equities rallied and bonds sold off after the 2 previous elections; USD reaction was mixed  
Biden has tiny edge in latest polls but trajectory of US economy will determine the victor**

### No surprises on Super Tuesday, as frontrunners win big

Both the leading candidates for the US presidential elections this year virtually sealed their candidacy after results of the primaries of 15 states two weeks ago, in what was the most predictable Super Tuesday in recent memory. Donald Trump's only remaining challenger Nikki Haley dropped out of the race shortly after the results of Super Tuesday, and after a few other primaries this week, both candidates have now picked up enough delegates to be their parties' presumptive nominees and we are looking at a rematch of the 2020 presidential elections (the first rematch election in almost 70 years), barring any legal challenges to Trump's candidacy, or health issues for either the 81-year old incumbent or the 77-year old ex-President.

Given that both candidates have previously won elections, we take a historical glance at how markets reacted a month post the election. Also we take a look at Fed action during previous election years to see if there is any discernible correlation between Fed policy and election years.

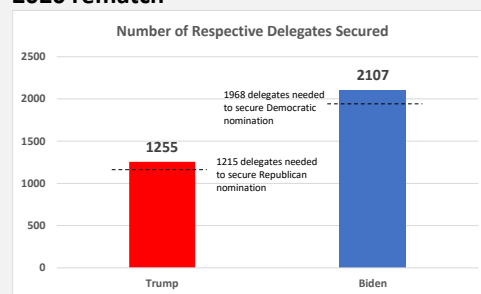
### A historical perspective of market's reaction in the aftermath of the previous two elections

- How did the different asset classes react in the aftermath of the previous two elections in 2016 and 2020? Reactions across equities, bonds and the Dollar differed, and we take a look at how they did a month after the election date in both cases:
  - **Equity market rallied** quite significantly in both instances (Figure 2). A month after Trump's 2016 victory saw the Dow Jones Industrial Average higher by 7.0%, and in the case of Biden in 2020, the index soared by 9.1% in the month after his victory.
  - **The USD picture was different** in the two elections. A month after Trump's 2016 victory, the DXY was higher by 2.4%. But Biden's win in 2020 saw the currency declining by 2.6% (Figure 3).
  - **The reaction also differed somewhat in the case of the bond market** (Figure 4). In the aftermath of the 2020 election, bonds were little changed, with the 10yr US Treasury yield sitting 4bps higher after a month, but Trump's win in 2016 saw bonds sell off sharply, with the 10yr UST yield surging 49bps in the month after.
- All else being equal, while equities were indifferent to either candidate's victory in the 2 election years, the historical moves showed Trump's win being good for the USD but bad for bonds, and Biden's win being bad for the USD.

### Fed policy in election years

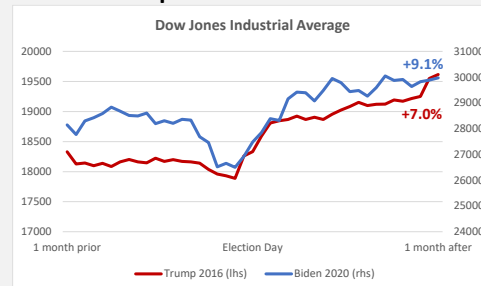
- Taking a glance at Fed action in past election years from 1972 - 2020, the Fed has moved policy rates during 12 out of the last 13 election years, with the only

**Figure 1: Both candidates have secured enough delegates from their parties for a 2020 rematch**



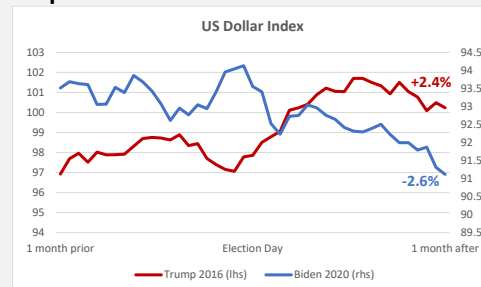
Source: The Associated Press

**Figure 2: Equity markets rallied in the aftermath of previous two elections**



Source: Bloomberg; HLBB Global Markets Research

**Figure 3: Different reactions for the USD; rallied post Trump victory in 2016, but sold off post Biden win in 2020**



Source: Bloomberg; HLBB Global Markets Research

exception being in the 2012 election which was won by Barack Obama. The central bank hiked rates in 5 of those years, cut rates in 4 of those years (including the most recent election in 2020), and undertook a combination of raising and cutting rates in 3 of those years. The table below details the policy moves during those years:

Election Year	Hike in election year	Hike (bps)	Cut in election year	Cut (bps)	Net (bps)
1972	Yes	200			200
1976	Yes	188		88	100
1980	Yes	1450	Yes	1050	400
1984	Yes	225	Yes	350	-125
1988	Yes	225		38	187
1992			Yes	100	-100
1996			Yes	25	-25
2000	Yes	100			100
2004	Yes	125			125
2008			Yes	400	-400
2012					0
2016	Yes	25			25
2020			Yes	150	-150
2024			?	?	

- On a net basis for the last 13 elections, rates have been raised 7 times, cut 5 times, and left unchanged a single time (Figure 5). So we find that there is no discernible pattern and little correlation in Fed policy during election years. Fundamentals still matter the most!

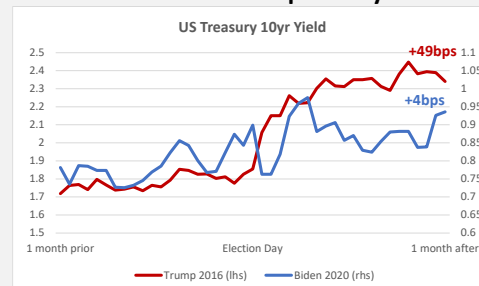
#### Who is leading the polls

- The latest polls shows that it's still all up in the air. Fresh results from the latest poll by Reuters/Ipsos carried out during March 07-13 (Figure 6) shows Biden with a very slim lead of 39% to 38%.
- In a reflection of both candidate's general unpopularity, 11% of the survey respondents said they would vote for some other candidate, while 12% of respondents said they either don't know yet or wouldn't vote.
- The margin of error of the poll was of 1.8%, and with the poll only giving Biden a 1% lead, it further underscores how close a contest currently is.
- It is important to note that US pre-election polls have limited predictive power for the final result until then end of summer in an election year. Coupled with the high numbers of undecideds, it's all still up for grabs.

#### What happens next

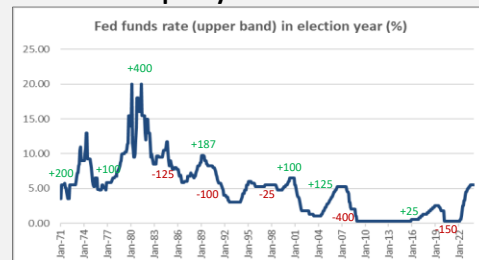
- Both candidates are now the presumptive nominees of their respective parties, and their candidacies will be formalised during the party conventions in 3Q, as well be their vice-presidential candidates.
  - The Republican National Convention is scheduled for Jul 15-18 in Milwaukee. The choice of a running mate for Trump, where there is no visible leading candidate, is a key decision for the party's chances of recapturing the White House.
  - The Democratic National Convention on the other hand, will take place on 19-22 Aug in Chicago. It is likely that incumbent Vice-President Kamala Harris is selected to be Biden's running mate again.
- Although it is highly unlikely as we edge closer to the November 5<sup>th</sup> matchup, Trump could yet be disqualified from the contest. The first of Trump's four criminal trials begins on Mar 25.
- Both the candidate's age will also continue to be a factor as the election date draws nearer. At 81 years of age, Biden will be the oldest ever major-party

**Figure 4: Bond yields little changed during Biden's 2020 win, but were sharply higher in the aftermath of Trump victory in 2016**



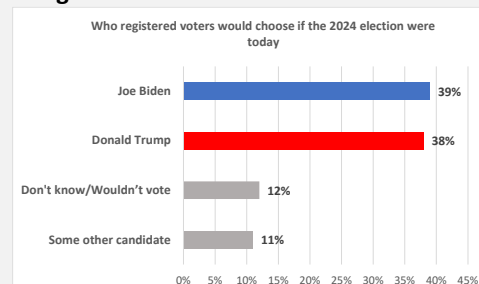
Source: Bloomberg; HLBB Global Markets Research

**Figure 5: History shows little correlation between Fed policy and elections**



Source: Bloomberg; HLBB Global Markets Research

**Figure 6: Latest polls show it's still neck and neck, with Biden's slim lead within the margin of error**



Source: Reuters/Ipsos

presidential candidate, breaking his own record set in the 2020 election. Trump is not much younger at 77, and voters will be paying attention to how they perform during the upcoming presidential debates, the first of which is scheduled for Sep 16.

- As always with US elections, the trajectory of the US economy as we progress through this year will be crucial in determining the outcome of this contest. A strong performance will favour the incumbent, and a shaky economy will increase the challenger's chances. With the outlook for the US economy remaining cloudy thus far in 2024, it's still all to play for.

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