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## ELECTION 2020

# COVID-19 ALTERS ELECTION PROCESS

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*A lull in primary elections and the overwhelming focus on COVID-19 shoved the presidential election into the background. Nonetheless, the 2020 presidential election will be held November 3, 2020. COVID-19, however, already has altered the process.*

The Democratic National Convention had been scheduled for July 13-16, 2020, in Milwaukee, Wisconsin. This quadrennial gathering, however, was rescheduled for August 17-20, 2020, in order to put the convention as far as possible from what hopefully will be the peak of the virus infections. Custom dictates that the party in control of the White House holds its convention after the opposition party gathering. This will be true this year, but the Republican National Convention in Charlotte, North Carolina, uncharacteristically will be held only one week after the Democratic convention.

In an effort to comply with federal virus distancing guidelines, 15 states postponed their primaries. Others altered their voting process. Alaska, for example, moved its party-run primary to an entirely vote-by-mail process while also postponing the voting deadline three weeks. Hawaii, likewise, said in-person voting has been canceled and the primary will be conducted by mail-in ballots. Puerto Rico postponed its primary a second time to a date that still has not been determined. Wisconsin became the only state with an election scheduled for April to avoid postponing in-person voting or move entirely to mail-in balloting because of the coronavirus.

Until April 8, the Democratic selection of a presidential candidate was in doubt. As of the end of the initial round of primaries, Joe Biden held a 1,217-to-914 delegate lead, but he still needed 46.4% of the remaining pledged delegates to secure the required 1,991 for a first-ballot nomination. The candidate selection process, however, appeared to be resolved when at midday April 8, Bernie Sanders told his staff that he ended his run for the White House, which should end the possibility of a contested or "brokered" convention. Sanders, however, indicated he will stay on the remaining primary ballots, and because he suspended his campaign rather than withdrawing, previously raised funds can be used to promote the agenda he and his followers have endorsed.

### KEY ELECTION CONSIDERATIONS

The condition of the economy often is a key determinant of a presidential election. COVID-19 may have changed things this time.

It is widely assumed that the U.S. economy faces a precedent-setting rough patch due to the widespread shutdown of many businesses. History hints that how close the economy is to exiting the depths of this slowdown could sway the outcome. For example, as successful as the economy was during President William Clinton's eight-year tenure in the White House, a recession late in his second term led to the Democrats ceding White House control to the Republicans.

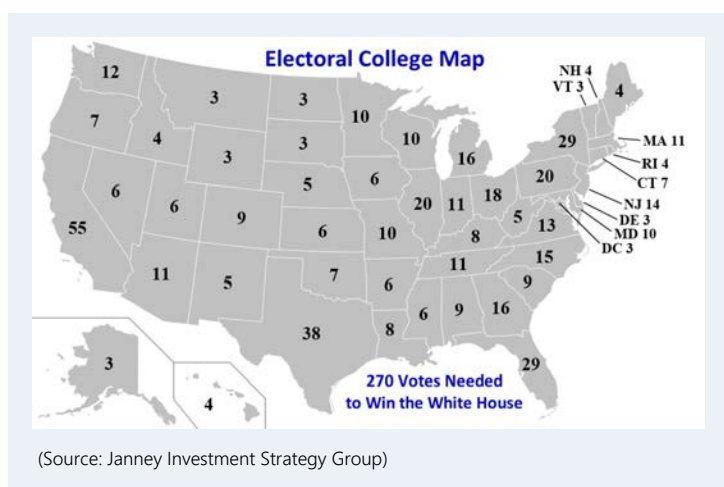
The spread of COVID-19 has not been uniform across the country, which suggests that the response for aid regionally could sway voters and affect the Electoral College tally, which ultimately determines how a president is selected.

The Electoral College was a compromise between the election of the president by a vote in Congress and election of the president by a popular vote of qualified citizens. The phrase "electoral college" does not appear in the Constitution. Article II of the Constitution and the 12th Amendment refer to "electors," but not to the "electoral college." The Electoral College today has a critical role in the presidential election process, but it has come under renewed scrutiny after the Electoral College decided two of the past five presidential elections. George W. Bush and Donald Trump both lost the national popular vote in their respective elections in 2000 and 2016, but went on to become president.

Electoral College Margin				Electoral College Margin			
1944	Franklin Roosevelt	Democrat	4.38	1984	Ronald Reagan	Republican	40.67
1948	Harry Truman	Democrat	1.60	1988	George Bush	Republican	3.84
1952	Dwight Eisenhower	Republican	4.95	1992	William Clinton	Democrat	2.21
1956	Dwight Eisenhower	Republican	6.28	1996	William Clinton	Democrat	2.38
1960	John Kennedy	Democrat	1.38	2000	George W. Bush	Republican	1.02
1964	Lyndon Johnson	Democrat	9.31	2004	George W. Bush	Republican	1.14
1968	Richard Nixon	Republican	1.57	2008	Barack H. Obama	Democrat	2.11
1972	Richard Nixon	Republican	30.22	2012	Barack H. Obama	Democrat	1.61
1976	James Carter	Democrat	1.24	2016	Donald J. Trump	Republican	1.34
1980	Ronald Reagan	Republican	9.99				

(Source: Janney Investment Strategy Group)

The table above shows the multiple of the percentage of Electoral College votes the president-elect achieved versus the opponent beginning with the 1944 election. For example, Franklin Roosevelt's Electoral College vote percentage was 4.38 times the percentage of his opponent, Thomas Dewey.



Through all the listed elections, the winning candidates on average got 6.70 times the percentage of the losing candidate. This, however, is skewed significantly by the 30.22 and 40.67 multiples achieved respectively by Richard Nixon (1972) and Ronald Reagan (1984). Backing these two elections out leaves an average of 3.31 in all other elections.

Periods of strife might appear to be prime times for major shifts in the White House residency and an overwhelming Electoral College win. However, it is clearer that the U.S. electorate is willing to stay with a sitting president when strife is not an issue, as was true when Eisenhower and Reagan were awarded two terms.

Despite facing the Great Recession early in his first term, Obama won a second term as the economy worked its way out of the depths of the recession. Richard Nixon was an anomaly. He achieved two terms despite significant economic disruption and political turmoil. The nation's unwillingness to change course during turmoil was never more obvious than when George W. Bush was given a second term on the heels of the 9/11 attacks.

President Trump enjoyed a strong economy until COVID-19 turned the economy upside down. Whether voters harken back to the pre-virus economy and not blame him for the weakness is crucial for him to win four more years at 1600 Pennsylvania Avenue. Whether voters do not want to change course amidst the COVID-19 crisis is another key factor.

## THE PRESIDENCY IS NOT THE ONLY CONSIDERATION

In the November 2018 midterm elections, the Democratic Party won a majority in the House of Representatives, while the Republican Party increased its majority in the Senate. Consequently, this is the first split Congress since the 113th Congress of 2013–2015, and the first Republican Senate/Democratic House split since the 99th Congress of 1985–1987. This Congress has the youngest incoming class by mean age in the past three cycles.

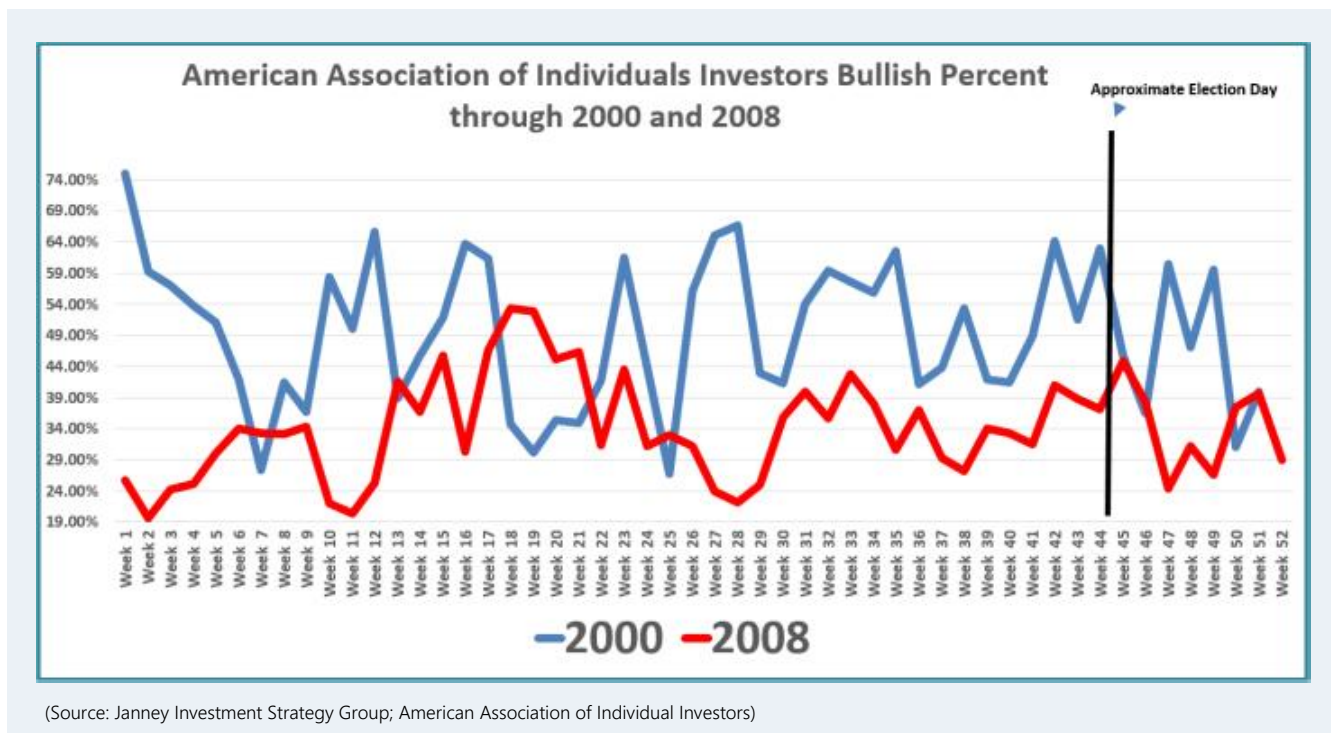
Presently, the Senate consists of 53 Republicans, 45 Democrats and two Independents who according to Senate documents caucus with the Democrats. There are 35 seats up for election this year, including special elections in Arizona and Georgia.

Of these, Republicans hold 23 seats. Winning senatorial candidates tend to be affiliated with the same party as the winning presidential candidate. Conventional wisdom suggests that the odds are high that regardless of who wins the presidency there will be a split federal government, but the number of Senate seats up for grabs leaves open the chance for a major political power shift.

Sander’s withdrawal suggests the race for the White House largely will be focused on sharp policy differences. A COVID-19 effect, however, is likely to persist throughout the campaign, as economic fallout from the virus is expected to influence wide sections of the U.S. economy, at least through the second quarter and possibly longer.

Economic issues were prime election considerations in the two most recent recession and election years. Interestingly, investment sentiment remained in a wide but not unusual range in 2000 and 2008.

The American Association of Individual Investors measure of bullish market sentiment in both years fluctuated widely before falling notably after the election.



Interestingly, in these years, the incumbent political party lost the White House. Both newly elected presidents faced recession-related problems.

### ECONOMIC CONDITIONS TO FURTHER IMPACT ELECTION

With nearly seven months remaining before Election Day 2020, numerous economic reports will sway the equity market and could alter election sentiment. Election campaigning will be intense through all seven months, but campaigning usually reaches a fever pitch after Labor Day.

S&P 500 Results - First Terms			
George W. Bush		Barack Obama	
2001	(13.0)	2009	23.5
2002	(23.4)	2010	12.8
2003	26.4	2011	(0.0)
2004	9.0	2012	13.4

(Source: Janney Investment Strategy Group)

However, the stock market’s performance roughly a month before Labor Day through the end of October often is the most telling indication as to whether a sitting president or his party continue to call 1600 Pennsylvania Avenue their principal address. A future edition of this Election 2020 report series will detail this more specifically.

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