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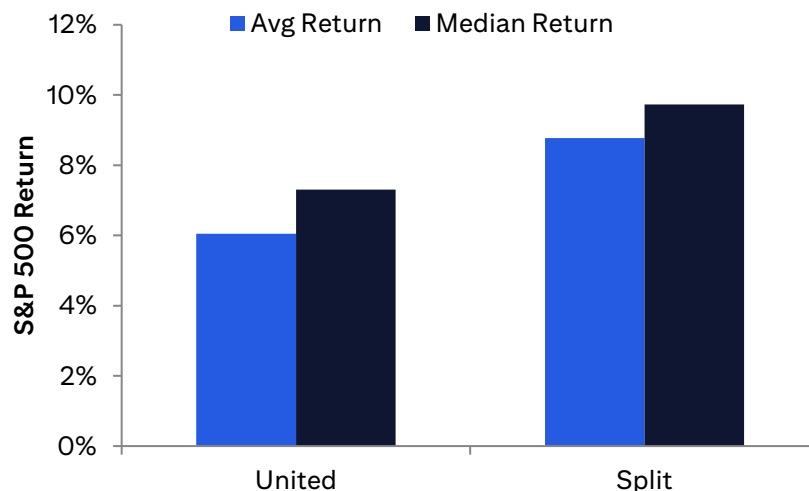
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Road to the White House: Part 5

- President Biden and former President Trump are set to square off in their first debate on June 27. It will last 90 minutes, use muted microphones to limit interruptions and involve standing at podiums determined by a coin toss. There will be no live audience.
- Heading into the first debate, the Real Clear Politics national polling average has Trump ahead of Biden by 0.8%. Trump has held a lead since September 12, 2023.
- Since televised debates began in 1960, meaningful shifts in the front-runner status resulting from a debate performance have only occurred in 1960, 1980, 2000 and 2012.
- Debates do provide an opportunity for the nominees to appear strong and presidential, to explain their priorities and vision, and to express their viewpoints on important issues. We believe certain sectors of the stock market could fare better at the margin if one party or the other has a very good showing on November 5. But the underlying fundamentals, valuation signals and the economic cycle will still be the main drivers, in our opinion.
- Stocks prefer a divided government (**FIGURE 1**). The US stock market has posted positive returns in 13 of the past 15 election years and during both the Trump and Biden presidencies.

FIGURE 1: S&P 500 Returns by Type of Government (Split or United) Since 1928



Source: Haver Analytics of June 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

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How Impactful Are Debates?

President Biden and former President Trump are set to square off in their first debate on June 27. It will last 90 minutes, use muted microphones to limit interruptions and involve standing at podiums determined by a coin toss. There will be no live audience.

Since televised debates began in 1960, meaningful shifts in the front-runner status resulting from a debate performance have only occurred a few times, in 1960, 1980, 2000 and 2012 (**FIGURE 2**).

The most consequential example may have been the first televised debate ever in 1960 where lore has it that listeners on radio thought Vice President Nixon won while those watching on TV thought Senator Kennedy did. In 1980, Ronald Reagan asked the viewing audience, “are you better off now than you were four years ago?” In 2000, Vice President Al Gore’s sighing during Governor George W. Bush’s answers coupled with invading his personal space cost him style points. In 2012’s second debate, Senator Mitt Romney, who had been gaining momentum in the polls, chided President Obama for not calling an embassy attack in Benghazi a terrorist attack. Obama asked the moderator to check the transcript which confirmed he had indeed called it an act of terror. There have been other memorable moments, gaffes, and one-liners, but they really didn’t change the course of affairs. There were no debates in 1964–1972.

Heading into the June 27 contest, the Real Clear Politics national polling average has Trump ahead of Biden by 0.8%. Trump has held a slim lead nationally since September 12, 2023. He also leads in key states such as Wisconsin (0.3%), Michigan (0.3%), Pennsylvania (2.3%), Arizona (4.6%), Georgia (4.8%), North Carolina (5.3%) and Nevada (5.7%).

FIGURE 2: Position of Winner Before and After the Debates

Year	President Elect	Before First Debate	After Last Debate
1960	Kennedy	-1	4
1964	No Debates	0	0
1968	No Debates	0	0
1972	No Debates	0	0
1976	Carter	15	5
1980	Reagan	-3	3
1984	Reagan	17	17
1988	G. Bush	8	9
1992	Clinton	18	12
1996	Clinton	19	24
2000	G.W. Bush	-8	4
2004	G.W. Bush	11	3
2008	Obama	3	7
2012	Obama	4	-5
2016	Trump**	-7	-7
2020	Biden***	9	9

Pct. points. Based on most recent Gallup poll after/before date

***NBC News, ***Morning Consult*

Source: Gallup, NBC News, Morning Consult and Citi Global Wealth as of June 10, 2024. **Past performance is no guarantee of future results. Real results may vary.**

Debates do provide an opportunity for the nominees to appear strong and presidential, to explain their priorities and vision, and to express their viewpoints on important issues. But when it comes to the issues that voters care about, Republicans are from Mars and Democrats are from Venus¹. They generally care about different things, a topic we discussed in [Road to the White House: Part 2](#). Among other things, broadly speaking, GOP voters currently tend to prioritize inflation, the deficit (**FIGURE 3**) and immigration. Democrats tend to focus more on gun violence, climate change and healthcare. Given the polarization between the US and China, a topic covered in [Road to the White House: Part 4](#) and our [Mid-Year Outlook](#), the war in Ukraine and events in the Middle East, global uncertainty is running higher than US domestic policy uncertainty and could be debate fodder for the moderators to probe (**FIGURE 4**). At this point, both Biden and Trump will need to win over undecided voters, especially those in the important battleground states, to win.

We believe certain sectors of the stock market could fare better at the margin if one party or the other has a very good showing on November 5 (**FIGURE 5**). For example, Trump has said he'd seek to extend and expand his 2017 tax cuts while Biden would preserve some of them but not for the wealthy or corporations where is looking to raise taxes. Lower personal taxes would be beneficial for a variety of Consumer Discretionary stocks. However, in the absence of offsets, the Congressional Budget Office (CBO)² estimates that extending the 2017 Tax Cuts and Jobs Act (TCJA) for ten years could cost \$4.6 trillion. If so, that could add to the national debt and pressure interest rates higher which might, in turn, impact some other sectors that compete against bonds among income-seeking investors. Meanwhile, a lighter regulatory touch could boost mergers & acquisitions (M&A) activity, providing a tailwind for diversified financial firms. Our sector reasoning is explained in more detail in [Road to the White House: Part 3](#).

While differences in policy can be material, we believe the underlying fundamentals, valuation signals and economic cycle are apt to be the main sector performance drivers.

FIGURE 3: Federal Spending and Revenues as Share of GDP (Fiscal Year, %)

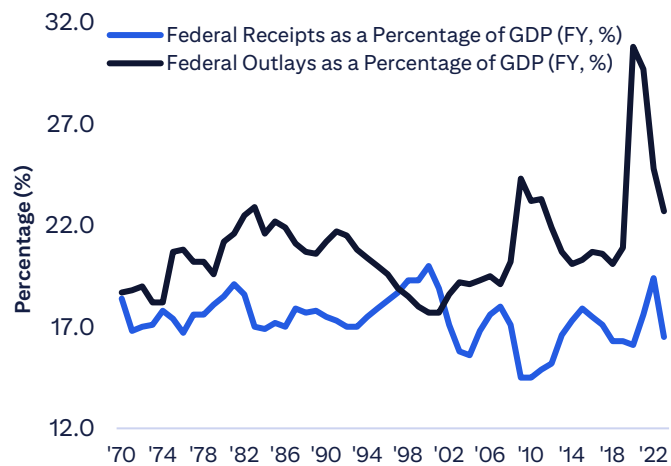
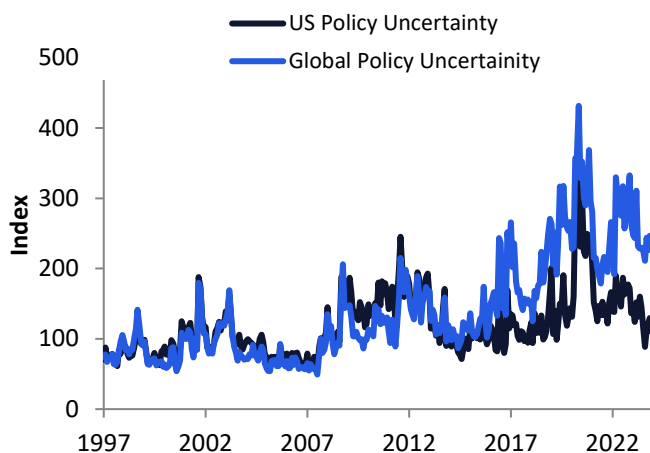


FIGURE 4: US Economic Policy and Geopolitical Uncertainty



Source: Haver Analytics as of June 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees, or sales charges, which would lower performance. For illustrative purposes only. **Past performance is no guarantee of future results. Real results may vary.**

¹ Pew Research Center, June 2024, “Cultural Issues and the 2024 Election”, <https://www.pewresearch.org/politics/2024/06/06/cultural-issues-and-the-2024-election/>

² Congressional Budget Office (CBO), May 2024, “Extending Trump Tax Cuts Would Add \$4.6 Trillion to the Deficit, CBO Finds”, [Chairman Press | Chairman's Newsroom | Chairman | U.S. Senate Committee On The Budget](#)

FIGURE 5: Sector Preferences and Rationale

Sector	Favoring Party (R/D)	Rationale
Consumer Discretionary	R	Lower taxes
Defense	D Near-Term, R Long-Term	Support for Ukraine versus long-term spending
Information Technology	Largest Firms R, Social Media & Smaller Firms D	Different regulatory focuses on business models and censorship
Financials	R	Fewer regulatory risks
Health Care	Divided Government	Less disruption / expanded volumes
Renewable Energy	D	Carbon emission tax and increased regulation
Non-Fracking Oil	D	Higher prices, lower competition
Fracking Oil/Pipelines	R	Fewer regulatory risks
ESG	D	Tax or regulatory incentives
Infrastructure		
Utilities	D	Extending the sunset provisions in the 2017 tax cuts could add to the nation's debt and lift interest rates
Real Estate		
Consumer Staples		

Source: Citi Global Wealth as of June 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events.

Upcoming Dates / Odds ‘n Ends

After the June 27 debate, upcoming events include former President Trump’s selection of a Vice Presidential running mate, each party’s convention and a second debate on September 10. Conventional wisdom has it that Trump will seek a candidate who could step into the oval office if needed. In addition, the likely candidate should have a clean and vetted record, as to not add to the former president’s outstanding list of dealings. The candidate must also be loyal and willing to fight on Trump’s behalf but cannot be so charismatic as to upstage him. Compared to criteria often valued in the past, Trump probably won’t put a lot of weight on his pick being able to deliver a certain state or voting bloc, thinking that voters almost always vote for the top of the ticket and not the running-mate. The US Constitution mandates the selection hail from a different state from the President.

By tradition, the party outside the White House holds their convention first. This year’s Republican Convention is scheduled to be held July 15 to 18, 2024, at the Fiserv Forum in Milwaukee, Wisconsin. The Democratic Convention is scheduled to be held August 19 to 22, 2024, at the United Center in Chicago, Illinois.

Historically, it has been hard to unseat a sitting President in the absence of a recession. In the nine such cases since World War II, seven sitting Presidents went on to be re-elected. Two others lost in years touched by an NBER³-dated recession. By contrast, when the incumbent party ran anyone other than the sitting president, that candidate lost in six of seven instances.

The S&P 500 has risen in 13 of the past 15 election years. It has also posted positive returns during both the Trump and Biden presidencies.

³ NBER: National Bureau of Economic Research

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High quality (very strong)	Aa	AA	AA
Upper medium grade (Strong)	A	A	A
Medium grade	Baa	BBB	BBB
Not Investment Grade			
Lower medium grade (somewhat speculative)	Ba	BB	BB
Low grade (speculative)	B	B	B
Poor quality (may default)	Caa	CCC	CCC
Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	D	C
In default	C	D	D

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- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single advisor is utilized;
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