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2020 post-election analysis: Biden wins, but the United States remains divided

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- *Final result: Former Vice President Joe Biden defeated President Trump to become the 46th President of the United States. While Trump has not conceded yet, he became only the third President to fail to win re-election since World War II. In the end, the election was a referendum on Trump as a man rather than an indictment of his policies. A political realignment is underway, with GOP emerging as a working-class party and dominating the vote in rural areas, while the 'Blue wall' of the Midwestern states of Pennsylvania, Michigan and Wisconsin has become competitive for both parties.*

- *Key takeaways: This election and its outcome may lead to the repudiation of Trump, but not necessarily of 'Trumpism', as the election turned into a referendum on Trump as a person versus Biden as a person. Character was a factor. In addition, turnout hit its highest level since 1952 at 62%, with 148 million votes having been tallied. Finally, polls still appear to be off the mark, especially on Trump's. It is possible that Trump's appeal brings out low propensity voters. Declining response rates is probably the strongest argument why polls were off.*

- *Investment implications: Divided government will mean that the incoming Biden administration will be hamstrung to pass a large fiscal stimulus package, a big infrastructure bill, and higher taxes. This could help contain the budget deficit. However, concerns about the growth outlook for next year without further fiscal stimulus will be mitigated by very positive news from Pfizer and the high efficacy of its vaccine. Both developments are a positive backdrop for investor sentiment that will help fuel risky assets to rally, bond yields to trend higher and the dollar to continue its bear market.*

Former Vice President Joe Biden defeated President Trump to become the 46th President of the United States. The election was called by multiple major US media outlets four days after Election Day on 3 November. While Trump has not conceded yet, he became only the third president to fail to win re-election since World War II. The race was remarkably stable despite potentially major moving events, such as Trump's impeachment, the Covid-19 pandemic, the recession, the death of Supreme Court Justice Ruth Bader Ginsburg, the raucous first debate, and, finally, Trump's own coronavirus diagnosis. **In the end, the election tightened, but not enough for Trump to stay in power.**

Trump tried to change the narrative from a referendum on his record to a binary choice between himself and Biden. Trump warned that Biden would bring socialised medicine and higher taxes. The exit polls suggested this may have helped sway last-minute undecided voters. However, in the end, **the election was a referendum on Trump as a man rather than an indictment of his policies.**

Political realignment underway
A political realignment underway could have long-term implications. Much of this alignment has been underway for the last decade but has accelerated since President Obama. Trump has engineered the alignment rapidly:

- **GOP has emerged as a working-class party** while the Democrats have become the home of educated whites, as well as growing numbers of minority voters. There appears to be an emerging undertow among non-whites towards the Democratic party.
- **The GOP still dominates the vote in rural America**, while the Democrats hold a tight grip in cities. However, the suburban vote that was a key to Trump's victory in 2016 swung back towards the Democrats.

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"The election outcome may lead to the repudiation of Trump, but not necessarily of 'Trumpism'."

- **The country is changing.** The 'Blue wall' of the Midwestern states of Pennsylvania, Michigan and Wisconsin has become competitive for both parties. Parts of the South and Southwest are also becoming competitive following likely Biden wins in Georgia and Arizona, two states that have not gone Democratic since 1992 and 1996, respectively. The outcome of the election in these states still has not been officially called, as mail-in ballots are still being counted.

Key takeaways

Repudiation of Trump, but not necessarily of 'Trumpism':

- The election turned into a referendum on Trump as a person versus Biden as a person. Character was a factor.
- Trump performed poorly in personal attribute questions in the 2020 exit polls that may have proved decisive. On exit poll, 46% of voters responded in the affirmative that Trump has the physical and mental health needed to serve as president, while 52% said no. Another question asked if Trump has the temperament to serve as president: 44% responded yes, while 53% said no.
- Trump averaged persistent net disapproval ratings throughout his term, a first in Presidential history.
- Trump has been on the defensive from day one since he lost the popular vote in 2016.
- Down ballot GOP (Congressional races) mostly outperformed Trump in the popular vote.
- Exit polls showed hot button issues like immigration, law and order, and keeping the economy open resonated with Trump supporters.

Turnout was near record levels:

- Turnout hit its highest level since 1952 at 62% with 148 million votes having been tallied. Votes are still being tabulated and the final total is expected to rise to 150-155 million when all the counting is completed.
- Trump performed better with every racial and gender group except white men, where Biden saw a gain of 13%. Trump saw notable gains among black and latino men, rising 7% and 6%, respectively from the 2016 exit polls. In fact, Trump won a larger share of the non-white vote than any GOP presidential candidate since 1960.
- Biden performed strongly with suburban voters, gaining 7%, and white men with a college degree, gaining 16% from the 2016 exit polls. Interestingly, Biden made gains in rural voters and with whites without a college degree, registering an increase of 18% and 10%, respectively.

Polls appear to be off the mark:

- Much will be written and debated about the polling industry and its apparent miss in the national and state polls. It is possible that Trump's appeal continues to bring out low propensity voters. Declining response rates is probably the strongest argument why polls were off. According to the Pew poll, telephone survey response rates have fallen from 36% in 1997 to just 6% in 2018, the lowest since the tracking of this measure. One polling analysis reported that "poll response rates have plummeted in recent years to the point where you need to dial over 15,000 phone numbers to get 950 responses." (VoX, 1 November 2020).

"Polls were wrong for Trump, as it looks like late deciders and third-party leaners broke for Trump in the last seven days and made up 11% of the electorate."

- **National polls were generally accurate for Biden's final vote total, but were off measurably on Trump's.** Our poll of polls showed Biden leading Trump by a comfortable margin of 50.0% to 42.4%. As of 9 November 202, the national popular vote stood at 50.6% for Biden and 47.7% for Trump, according to the Cook Political vote tracker.
- **Polls were wrong for Trump**. It looks like late deciders and third-party leaners broke for Trump in the last seven days and made up 11% of the electorate. In addition, there might have been a 'shy' Trump voter. According to Public Opinion Strategies Election night surveys from 4 November 2020, 19% of Trump voters said they kept their support for Trump a secret from most of their friends, compared to just 8% of Biden supporters.

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Biden had no coat tails

Contrary to expectations, Democrats did not gain control of the Senate, but are on target to gain just one seat as of 9 November 2020. There are only two races left to be declared, Alaska and North Carolina. Both are expected to remain in GOP hands. There remains a path for Democrats to take control of the Senate but is likely to be a long shot. There are two runoff elections in Georgia that will take place on 5 January 2021. While Republicans remain the favourites to win both seats, a lot will depend on turnout. In the House of Representatives, the Democrats are expected to lose seats rather than gain seats as they had hoped. But they are still projected to retain control. As of 9 November 2020, the Democrats lost five seats, while the Republicans gained six seats.

Investment implications

The market reaction to the election outcome of divided government was positive, with equity markets rallying, bond yields rising, spreads contracting and the dollar weakening. Divided government will mean that the incoming Biden administration will be hamstrung to pass a large fiscal stimulus package, a big infrastructure bill, and higher taxes. This could help contain the budget deficit. However, concerns about the growth outlook for next year without further fiscal stimulus will be mitigated by very positive news from Pfizer and the high efficacy of its vaccine. **Both developments are a positive backdrop for investor sentiment that will help fuel risky assets to rally, bond yields to trend higher and the dollar to continue its bear market.**

Regional equity market performances
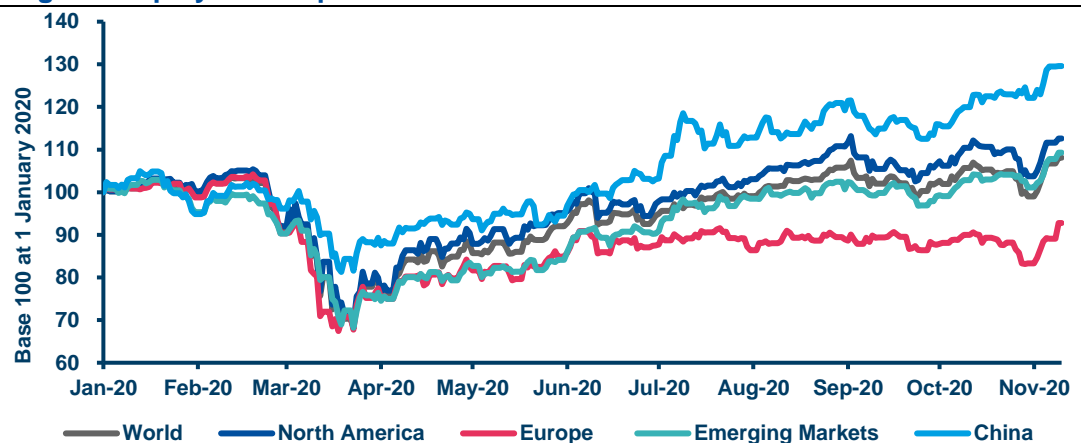
Source: Amundi, Bloomberg. Data as of 10 November 2020.

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Definitions

- ▪ **GOP:** Grand Old Party, the US Republican political Party.

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