Article | 2 July 2020

US Politics: Troubling times for Mr President

President Trump is languishing in the polls both nationally and in the swing states that are key to winning the electoral college and re-election. Democrat rival Joe Biden is keen to keep this a referendum on Donald Trump, but the President has other ideas and is going on the offensive

Former Vice President Joe Biden,left, and President Donald Trump

Source: Shutterstock

Biden - from also ran to race leader

Four months ago the implied probability of Democrat challenger Joe Biden winning the presidency was just 10%. However, a big win in the South Carolina Democrat primary breathed new life into his campaign. As party rivals dropped out of the race, a quick consolidation of the centrist vote gave Biden the momentum to overcome his populist rival, Bernie Sanders, to secure the Democrat nomination.

The coronavirus pandemic has since turned the race on its head. President Donald Trump, who has long portrayed the strength of the economy and stock market as his signature success, is now challenged by an unprecedented economic downturn. The highly polarised criticism of his

handling of the crisis has since been given a dramatic twist by his response to the protests over the police killing of George Floyd in Minneapolis.

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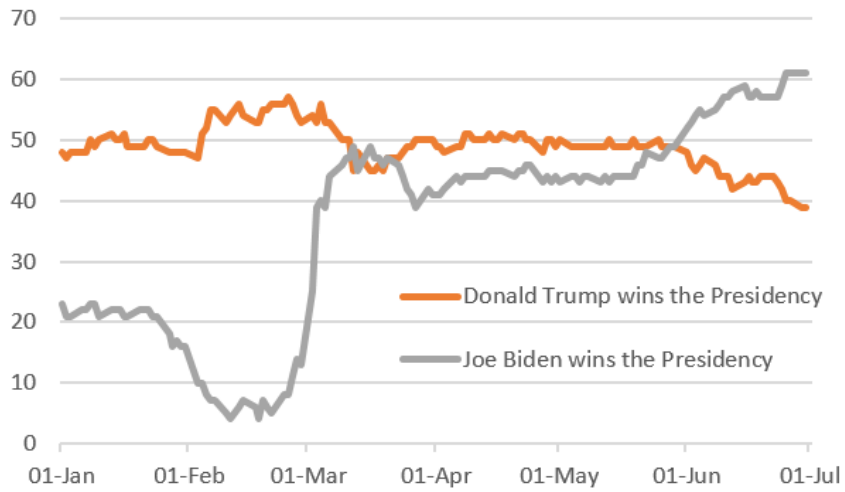
In several national polls, Biden now has a double-digit lead while in the five key swing states that will likely determine the election outcome, (Arizona, Florida, Wisconsin, Michigan and Pennsylvania), Biden has opened up a 4-8 point lead. As a result, betting odds are implying a 62% chance of a Biden presidential victory.

But the election isn't today, it's in four months and as we have seen, a lot can change in that time. Opinion polls offer just a snapshot and a mistake here or some out of the blue news there can quickly change things - exactly what President Trump needs.

Implied probability of presidential victory based on betting quotes available on the PredictIt website



Source: Bloomberg, ING

President Trump will make it personal

President Trump's support amongst rural voters and white evangelicals remains solid, but his handling of healthcare and Covid-19 has seen support waver amongst older voters. The onus is therefore on the president to shake things up and we are already seeing some of this happen with actions such as restricting visas for foreign workers and proposals to put new tariffs on European imports. Rhetoric towards China remains tough and could get tougher as we head towards election day.

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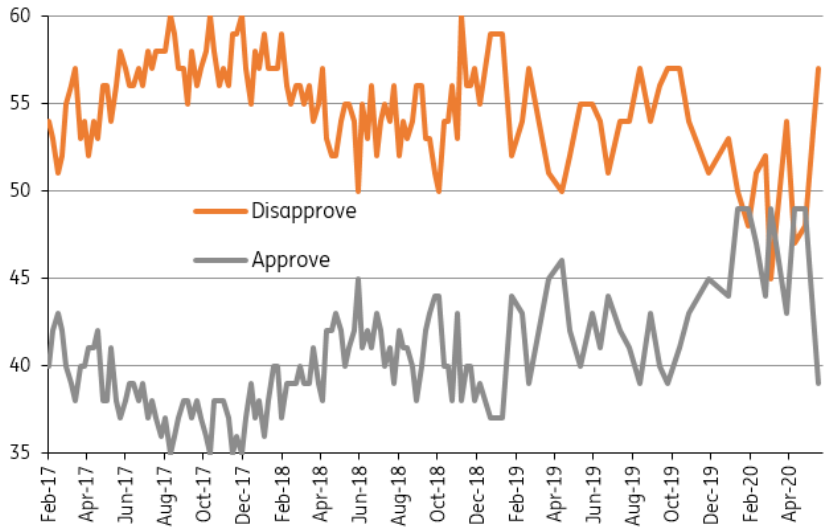
This election is also likely to be even more personal, aggressive and nasty than the 2016 Trump-Clinton battle. The social media campaigns, the name-calling and the personal attacks suggest President Trump wants to paint Joe Biden as unreliable and unfit for the presidency. Biden's campaign also risks being blown off course given sexual harassment claims from former staffer Tara Reade and the growing momentum behind getting Joe Biden's son, Hunter, to be more fully investigated regarding his business dealings. Televised debates could influence the outcome and will put immense pressure on Biden with his responses closely scrutinised for missteps.

Another problem for Biden is that he doesn't have the unflinching support of highly active and vocal campaigners of former rival Bernie Sanders. He also doesn't ignite audiences to anywhere near the same extent. However, he arguably can win a broader range of support across the nation by being the middle of the road candidate. His supporters push his "nice guy" image and he is viewed as the person who, by not being Donald Trump, can bring a return to presidential "normality".

President Trump's approval rating



Source: Gallup

The economy will be the swing factor

The Covid-19 pandemic has limited the opportunities for Biden to be heard and seen, but the strategy so far appears to make the 2020 vote a referendum on President Trump. Although Biden has a large lead at this point, the dislocations and disruptions from the coronavirus make him far from a guaranteed winner.

In that regard, we believe the economy will be the key swing factor. Should renewed lockdowns and consumer caution lead to a faltering of the recovery and millions of people remain out of work on election day, we will likely see a change of president. But if the recovery gains significant traction, it'll become more difficult for Biden to beat Trump.

What a Biden presidency could mean

As for what a Biden presidency may bring, he has already promised that his administration will be "Rooseveltian".

This implies a major stimulus package and a series of reforms from across the party including new regulations on the financial sector and the tech sector plus a greater focus on climate change and green infrastructure. It would also likely bring higher taxes, particularly on corporates and the wealthy with an investigation into the merits of universal basic income.

> *Joe Biden has already promised that his administration will be "Rooseveltian"*

Such policies may not be favoured by the equity market and could contribute to further dollar weakness, but a greater willingness from Biden to work with international partners may offer some mitigation through the reduced threat to global trade.

Author

James Knightley
Chief International Economist
james.knightley@ing.com

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