

U.S. Municipal Bond Market

Politics and the Democratic Convention, Polls Narrowing

Summary

- The Democrats' nominating convention begins tonight.
- An important part of this week's convention will come, surprisingly, from Republicans. Several prominent Republicans are scheduled to cross party lines and not only speak in favor of former Vice President Biden but also appear during the Democrat's virtual convention.
- Some polling data shows Biden's lead over President Trump could be narrowing.
- The stalemate in Washington, D.C. is likely to continue through at least September 8. Both sides seem comfortable with the status quo, which is moving in favor of Republicans. For now, that means there is no near-term relief coming for state and local governments.

The Democratic Party's Virtual National Convention

Under more typical circumstances, thousands of supporters would be flocking to Milwaukee, Wis. for the Democratic Party's national nominating convention, which begins tonight. As we all know, there is not much typical about 2020. The COVID-19 pandemic is forcing the Democrats to hold their convention virtually, instead of in-person. Tonight kicks off four nights of virtual presentations and will feature former First Lady Michelle Obama and Senator Bernie Sanders. The virtual convention will end Thursday when former Vice President Joe Biden is scheduled to remotely accept his party's nomination.

The Democratic Party's policy initiatives remain focused on expanding health care, reducing economic inequality, combatting climate change, and addressing infrastructure. As of May, Democrats have added to that list with another round of COVID-19 relief that includes a focus on state and local government aid.¹ We are not expecting much more detail about the status of where another round of relief stands, nor are we expecting much detail about additional policy initiatives to be announced during the convention. The party's initiatives are likely to cost upwards of \$4 trillion over the next 10 years and would be paid for by the country's highest earners and corporations through higher taxes.² We likely will not be hearing much about how the Democrats are planning to pay for the party's agenda in the coming days either.

What We Expect From the Democratic Convention

Tonight's theme is: "We the People."³ We expect the Democrats will take time to hone the message it plans to communicate through the beginning of November. A key aspect is likely to include more information about how former Vice President Biden and his newly named running mate, Senator Kamala Harris, will unite their policies and political views before Election Day.

Another important part of this week's convention will come, surprisingly, from Republicans. Several prominent Republicans are scheduled to cross party lines and not only speak in favor of former Vice President Biden but also appear during the Democrat's virtual convention.⁴ Former Ohio Gov. John Kasich is scheduled to speak Monday in support of the Biden/Harris ticket. Other Republicans that may appear are former Rep. Susan Molinari of New York, former Hewlett Packard CEO Meg Whitman,

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and former New Jersey Gov. Christine Whitman, and they are all slated to speak in favor of candidates Biden and Harris.⁵

Some Polling Data is Narrowing in Favor of the President

We know and understand why most observers are skeptical about polls leading up to the 2020 election. This is likely because most 2016 polls showed former Senator Hillary Clinton beating President Donald Trump. Much has been made in recent months of the gains the Biden campaign made in the June polls. A June 2-5 CNN poll showed Biden leading Trump 55% to 41%.⁶ To some this seemed like an insurmountable lead. There was even talk of the Democrats taking the Senate as a result. The trouble is that as of June the election was still five months away, which is plenty of time for opinions to change.

Former Notre Dame football head coach Frank Leahy once said, "Give me a lead of 14-0 at halftime and I will dictate the final score." Even if it can be said that the Democrats took a lead at halftime, where we stand now is much different than in June, and today we are only about 80 days away from the election. The reality and political tone have changed much since June. That tone at least now seems to be moving more into the Republicans' and President's favors.

Coach Leahy also famously said, "When the going gets tough, the tough get going." Perhaps the June polling data was all the President needed to see in order to "get going." At the beginning of June, President Trump reiterated his view on law enforcement, saying, "I am your President of law and order"⁷ which was repeated in the middle of the Black Lives Matter and Defund the Police movements. The president also resumed his COVID-19 press conferences. And just today, President Trump and Secretary of Housing and Urban Development Ben Carson penned an op-ed in the Wall Street Journal titled, "We'll Protect America's Suburbs."⁸

The most important presidential movements that have helped change the political picture were probably the Executive Actions taken on Saturday, August 8, after Congress missed the August 7 deadline to come to an agreement on a fifth phase of COVID-19 relief.⁹ The president came through with three executive memoranda and an executive order meant to act as a holdover to whenever, or if ever, Congress is able to get back to action and legislate on the topic. The Republicans likely feel as though they received a boost from the August 8 executive actions. And while some polls are still showing an above the margin-of-error lead for Biden, such as this WSJ/NBC poll which shows Biden leading by nine points or 50% to 41%,¹⁰ other polling results are narrowing in favor of the president. Today, the CNN poll is showing that former Vice President Biden's lead has narrowed to 50% to 46%, within the poll's margin of error.¹¹ This is an important result if it continues, and is strengthened if similar results show up in other polls.

Impact of Recent Polls on Likelihood for Near-Term COVID-19 Relief

Talks for another round of COVID-19 relief are no longer occurring. The Democrats are talking about coming together to support action on the Postal Service, but the leadership on either side is no longer negotiating on aid. It seems as though each side is too far apart. The Democrats' plan called for another \$3+ trillion, and the Republicans were closer to \$1 trillion. Word is the Democrats were willing to come down closer to \$2 trillion, but Republicans are not willing to go much higher; The negative political consequences seem to outweigh the need for relief. It is not likely that anything happens on another phase of relief until something new is added to the equation. In other words, something needs to change for lawmakers to move past the status quo that is currently at a stalemate. The something new could be lower equity market values, negative data as it relates to the spread of the virus, more trouble in the labor market, or something that is not even on our radar right now.

We should highlight that the Dallas Fed's Mobility and Engagement Index continued to decline last week to -47.38, down from -45.25. This is a sign that economic activity is

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likely to continue to grind lower and not rise as most are hoping.

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¹ Please see where we wrote about the HEROES Act: Kozlik, Tom; *The HEROES Act*; [The House Democrats' Opening Proposition](#); HilltopSecurities; May 12, 2020.

² Gleckman, Howard; [Biden Would Raise Taxes by \\$4 Trillion Over 10 Years, Mostly on the Highest-Income Households](#); Tax Policy Center; March 5, 2020.

³ Kinery, Emma; [A Viewer's Guide to the Democratic National Convention: Monday](#); Bloomberg; August 17, 2020.

⁴ Beckwith, Ryan Teague; [Three Republicans Join Kasich to Back Biden: Convention Update](#); Bloomberg; Aug. 17, 2020.

⁵ *Ibid.*

⁶ [CNN Presidential Poll](#); Released August 16, 2020.

⁷ Swan, Jonathan; [Trump Goes Full Law and Order](#); Axios; June 2, 2020.

⁸ Trump, Pres. Donald J.; and Ben Carson; [We'll Protect America's Suburbs](#); *The Wall Street Journal*; Aug. 17, 2020.

⁹ Please see more in: Kozlik, Tom; [Something is Better Than Nothing As President Attempts to Assist But Offers No Adequate Alternative to Congressional Action](#); HilltopSecurities; Aug 10, 2020.

¹⁰ McCormick, John; [Biden Leads Trump, 50% to 41%, in Poll Ahead of Party Conventions](#); *Wall Street Journal*; Aug. 16, 2020.

¹¹ [CNN Presidential Poll](#); Released August 16, 2020.

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