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Advantage Biden after the first Presidential Debate

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- *President Donald Trump and Former Vice-President Joe Biden met yesterday in their first Presidential debate in Cleveland, Ohio. This was an important milestone in the 2020 Presidential election, and the early indications on the morning after the debate are that it has changed the trajectory of the race in Biden's favor. For Trump, it was one of his few opportunities to change the narrative of this election and define Biden. For Biden, it was to reassure voters that he has the mental and physical stamina to handle the office of the Presidency. Polls, surveys and the investment betting markets immediately following the debate indicated Biden with a clear advantage following one of the most raucous and chaotic debates in US history.*

- *The debate covered six pre-planned topics, plus one last-minute addition. The candidates debated their Records, the Supreme Court, COVID-19, the Economy, Race and Violence in our Cities, the Integrity of the Election, and also Climate Change. It was a messy, freewheeling debate. The tone was set early with name-calling, shouting and constant interruptions. Trump claimed that if Biden is elected, the United States would experience "a depression the likes of which you've never seen before." When Trump repeatedly interrupted Biden during a discussion about the Supreme Court, Biden retorted, "Will you shut up, man?" The exchange captures the acrimonious tenor of the debate. From a policy perspective, no new ground was gained.*

Key takeaways from the debate

- Trump failed to highlight key policies he would implement in a second term. The debate would have been a perfect opportunity to display key economic and tax policy initiatives that could help sway undecided and marginal Biden supporters. **Instead, voters have been left asking Trump's rationale for a second term.**

- Biden failed to articulate his active agenda for a Biden Presidency but was able to address some of his **climate change and healthcare policy initiatives**. In a response on how he planned to fight Trump's appointment to the Supreme Court vacancy, Biden warned Trump's nominee could eliminate Obamacare and impinge on women reproductive rights.

- Trump added fuel to his culture war. He reaffirmed his white supremacy position with his comment that the white nationalist group Proud Boys should "Stand back and stand by". This will not allay concerns among many Americans troubled by racial injustice and protests on the street.

- On election legitimacy, Trump failed to say whether he would accept the election results. He continued to raise doubts on mail-in ballots raising the prospect of fraud.

- Finally, Trump tried to delegitimise the process in the hope it depresses turnout.

Americans found the debate to be messy, incoherent and full of personal attacks. Trump employed a debate tactic called *Gish Gallop*, a technique that focuses on overwhelming an opponent with as many arguments as possible, without regard for accuracy or strength of the arguments. This was evident during last night's debate. According to the CBS poll, a whopping 83% found the tone of the debate negative. The poll also found 69% of Americans said the debate made them feel annoyed, while 19% pessimistic. Sadly and tellingly, only 17% felt informed after the debate.
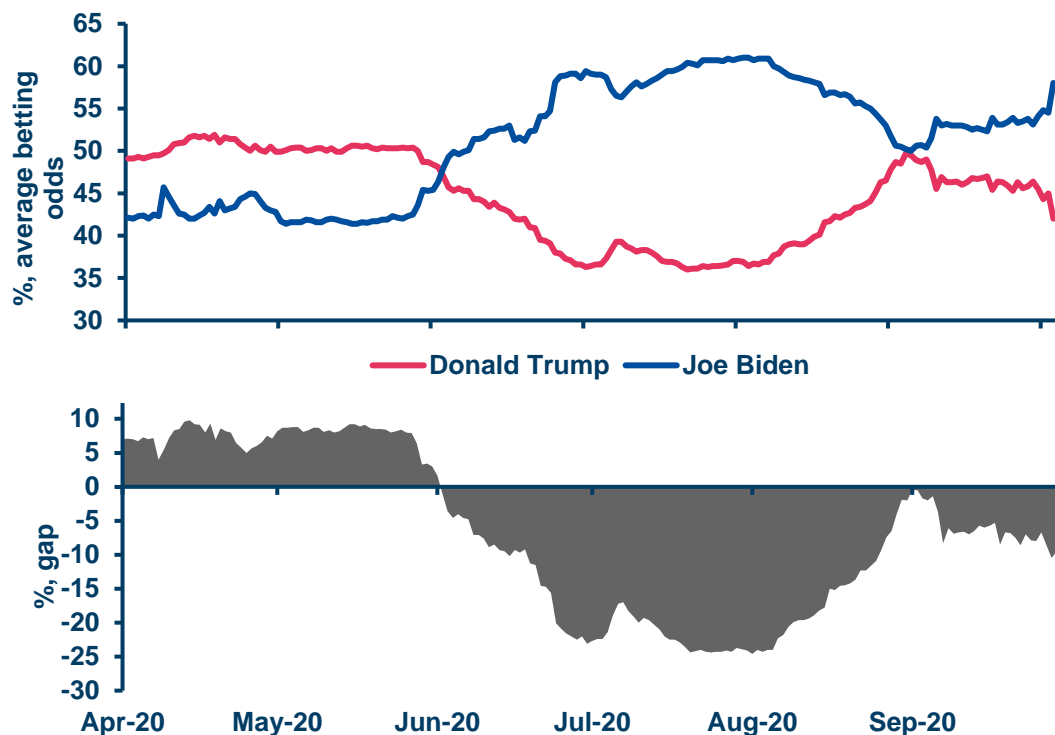
Overnight polls found Biden to be the winner

Going into the debate, Americans expected Trump to be the winner by a 47-41% margin, with independents favouring Trump by a 47%-37% spread, according to a USA Today/Suffolk University poll taken on August 28-31. This comes as no surprise since Trump lowered

"After the first debate, investors are left with no new information from a policy perspective".

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expectations on Biden's performance by calling him "sleepy Joe" and "low energy Joe". In two instant polls conducted after the first debate, voters felt Biden won. A CBS poll found 48% thought Biden won, 41% chose Trump, while 10% thought it was a tie. The poll asked if the debate made you think better or worse of either candidate, Biden had a net positive +6% (better over worse) while Trump had a -18%. In another poll, CNN found a massive 60% saying Biden won the debate, while just 28% thought Trump won.

The RealClearPolitics (RCP) betting average moved in favour of a Biden victory from 55-45% the day of the debate, and by 10 am on the morning after the debate, **Biden's odds increased to 58-42%. The debate may also have an impact on crucial races for the US Senate, where the Democrats hope to take majority control from the Republicans. The RCP odds of a Democratic sweep rose from 49% prior to the debate to 50% immediately after.**

"The debate may also have an impact on crucial races for the US Senate: the odds of a Democratic sweep rose to 50%".

Biden's odds increased to 58-42%

Source: RealClearPolitics, as of 30 September 2020, as of 10 a.m.

In the end, Trump needed to change the narrative. His style of interrupting and personal attacks kept the focus on himself and reminded voters why many voters don't like him rather than making it a binary choice between him and Biden. As a result, **Trump failed to change the arc of the race and therefore lost round 1 in the first of three planned Presidential debates.**

Investment implications

With market expectations of a Biden victory having grown since the debate, we could see some market volatility in the coming days as the markets start to factor a Democratic sweep. For further market implications please refer to our last Investment Talks on US presidential election.

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Definitions

- **GOP:** Grand Old Party, the US Republican political Party.
- **Volatility:** A statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

Important Information

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