

2020 Presidential Election Model

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Agenda

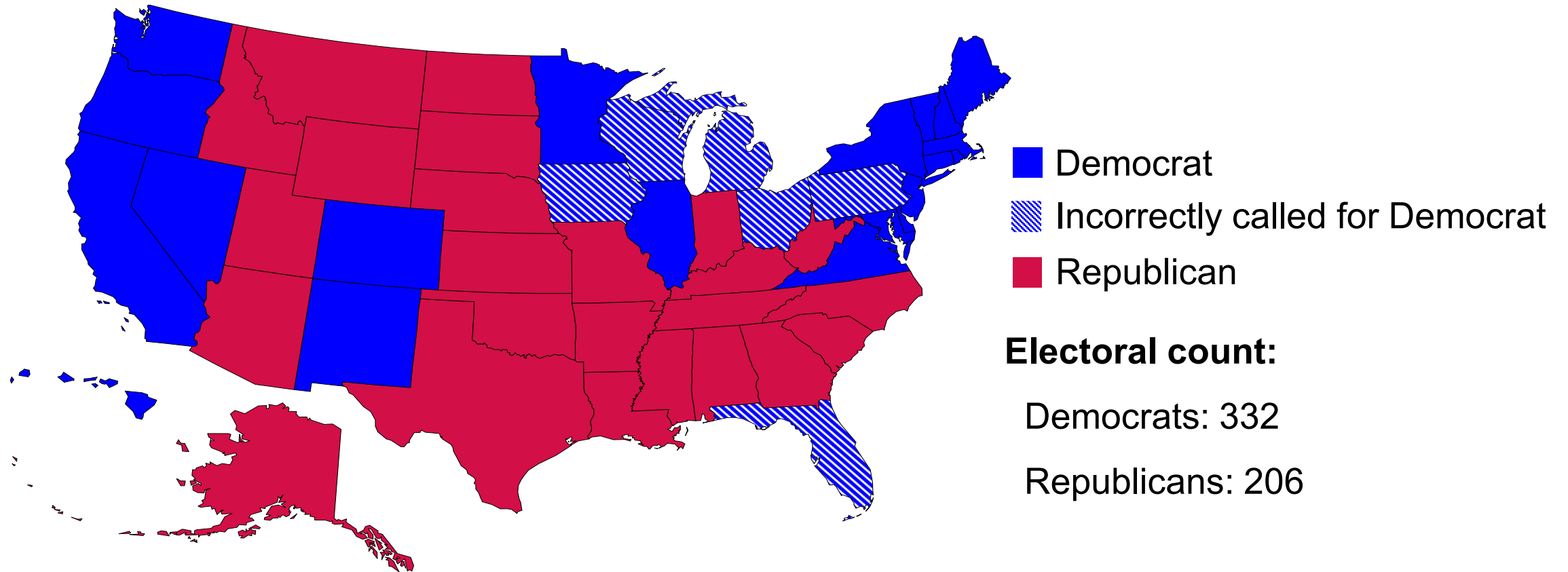
1. 2016 Election
2. Model Specifications
3. Model Accuracy
4. Who Wins
5. 2020 Wild Cards

1

2016 Election

2016 Election Ended Our Perfect Record

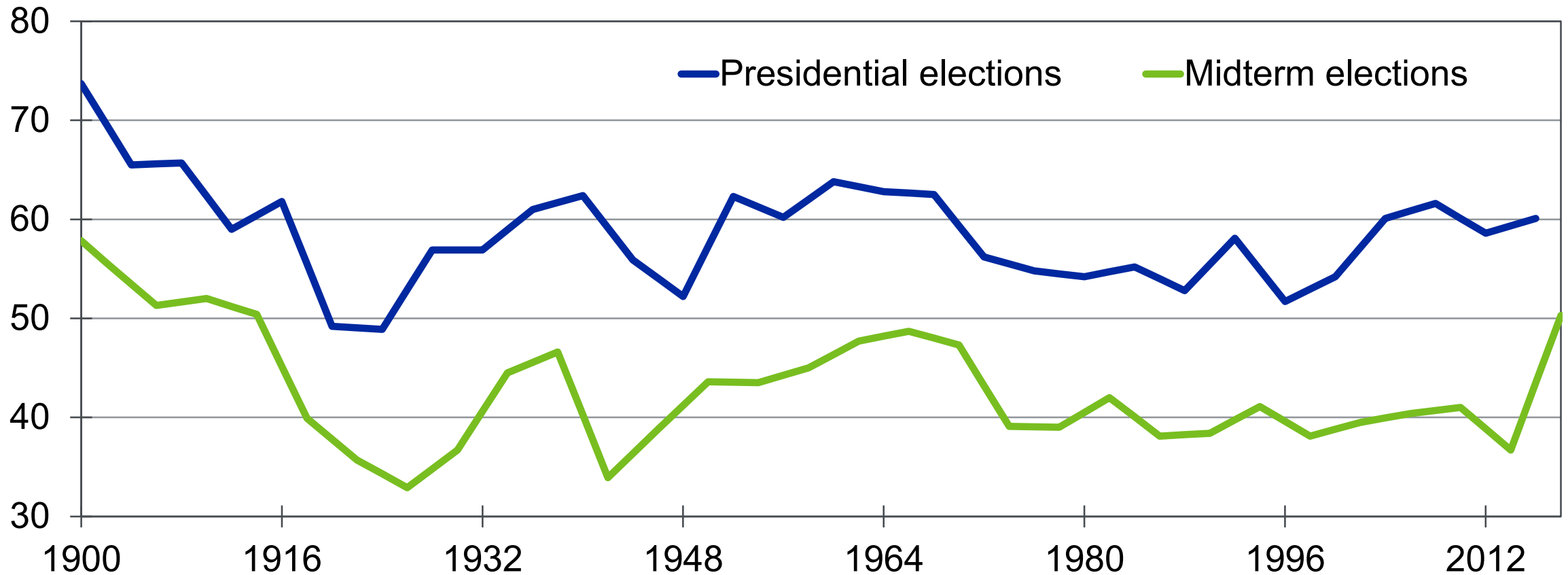
How we thought states would vote based on Oct 2016 economic forecast



Source: Moody's Analytics

2020 Outcome Will Hinge on Turnout

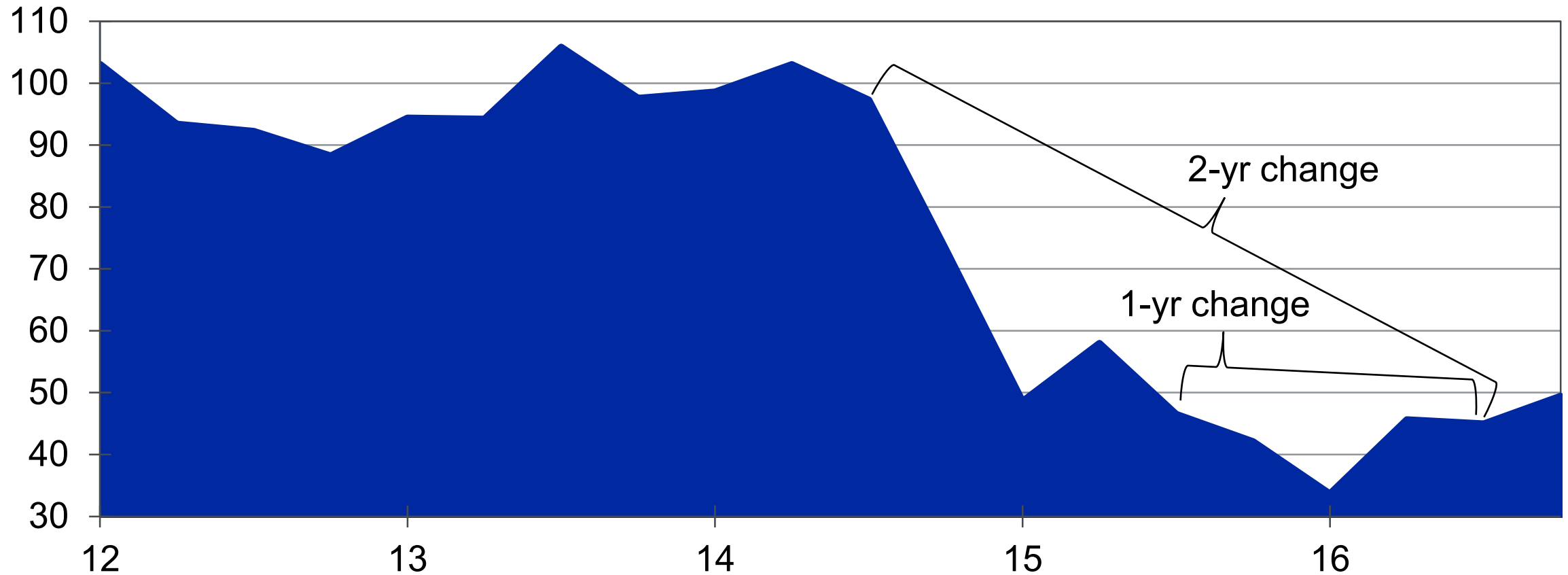
U.S. voter turnout, % of voting-eligible population



Sources: U.S. Elections Project, Moody's Analytics

Time Periods Can Tell a Different Story

West Texas Intermediate, \$ per bbl



Sources: EIA, Moody's Analytics

2

Model Specifications

The Pocketbook Model

Political variables

- » President's approval rating, 2-yr ppt change
- » Incumbent party share in previous election
- » Fatigue dummy
- » Nonincumbent party turnout, %, when incumbent is Democrat
- » Nonincumbent party turnout, %, when incumbent is Republican

Economic variables

- » Gasoline prices, 1-yr % change
- » Real income per household, 2-yr % change
- » Nominal house prices, 2-yr % change

The Stock Market Model

Political variables

- » President's approval rating, 2-yr ppt change
- » Incumbent party share in previous election
- » Democratic incumbent dummy
- » Nonincumbent party turnout, %

Economic variables

- » S&P 500, 1-yr % change
- » Real income per household, 2-yr % change

The Unemployment Rate Model

Political variables

- » President's approval rating, 2-yr ppt change
- » Incumbent party share in previous election
- » Democratic incumbent dummy
- » Fatigue dummy
- » Nonincumbent party turnout, %

Economic variables

- » Unemployment rate, change over 2 qtrs when unemployment rate is below NAIRU
- » Unemployment rate, change over 2 qtrs when unemployment rate is above NAIRU
- » Real income per household, 2-yr % change

3

Model Accuracy

All Three Election Models Get It Right (All the Time)

Incumbent party's electoral votes

Year	Actuals	Winner	Pocketbook	Stock Market	Unemployment	Winner
1980	49	Republican	105	75	115	Republican
1984	525	Republican	531	535	535	Republican
1988	426	Republican	504	494	504	Republican
1992	168	Democrat	141	172	133	Democrat
1996	379	Democrat	414	414	406	Democrat
2000	266	Republican	257	268	268	Republican
2004	286	Republican	274	291	274	Republican
2008	173	Democrat	164	174	174	Democrat
2012	332	Democrat	332	297	332	Democrat
2016	233	Republican	227	227	196	Republican
<i>Electoral votes missed, % of total</i>			7.9%	8.3%	7.5%	

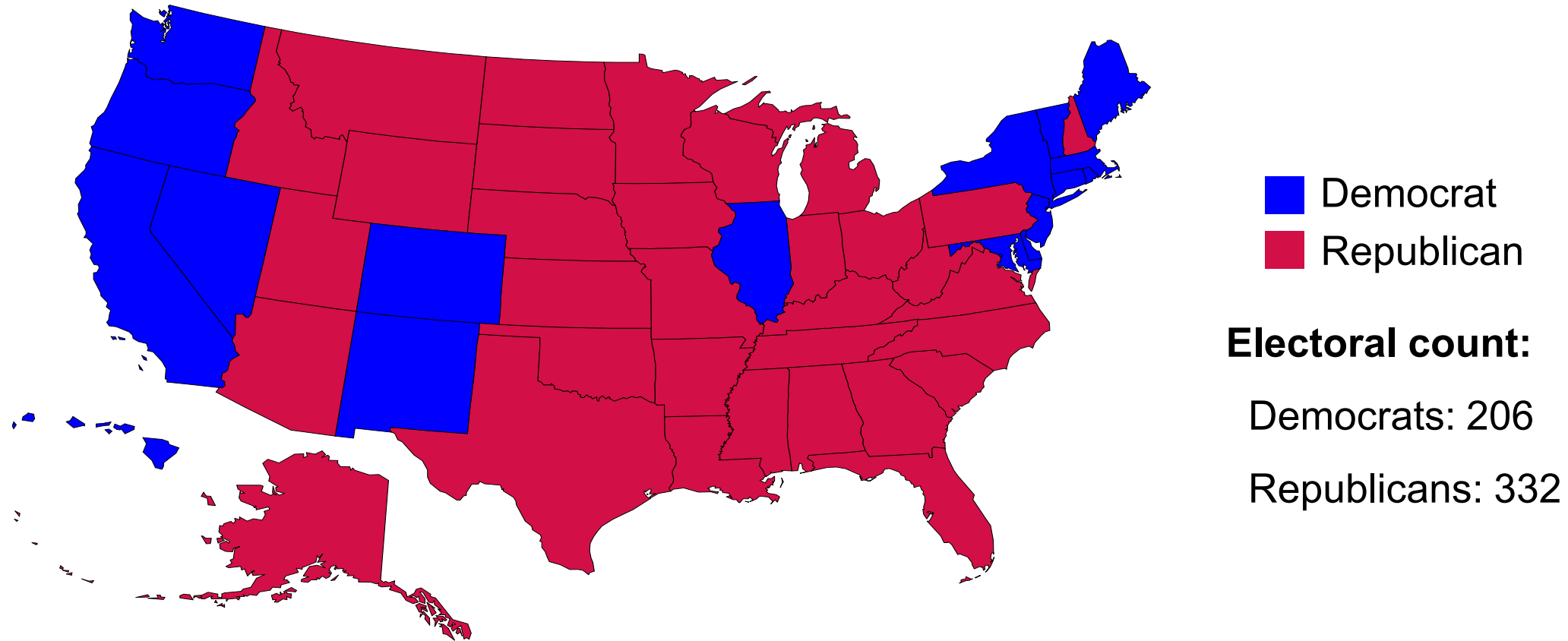
Source: Moody's Analytics

4

Who Wins

Trump Is Favored to Win With Typical Turnout

How states will vote if nonincumbent turnout is avg

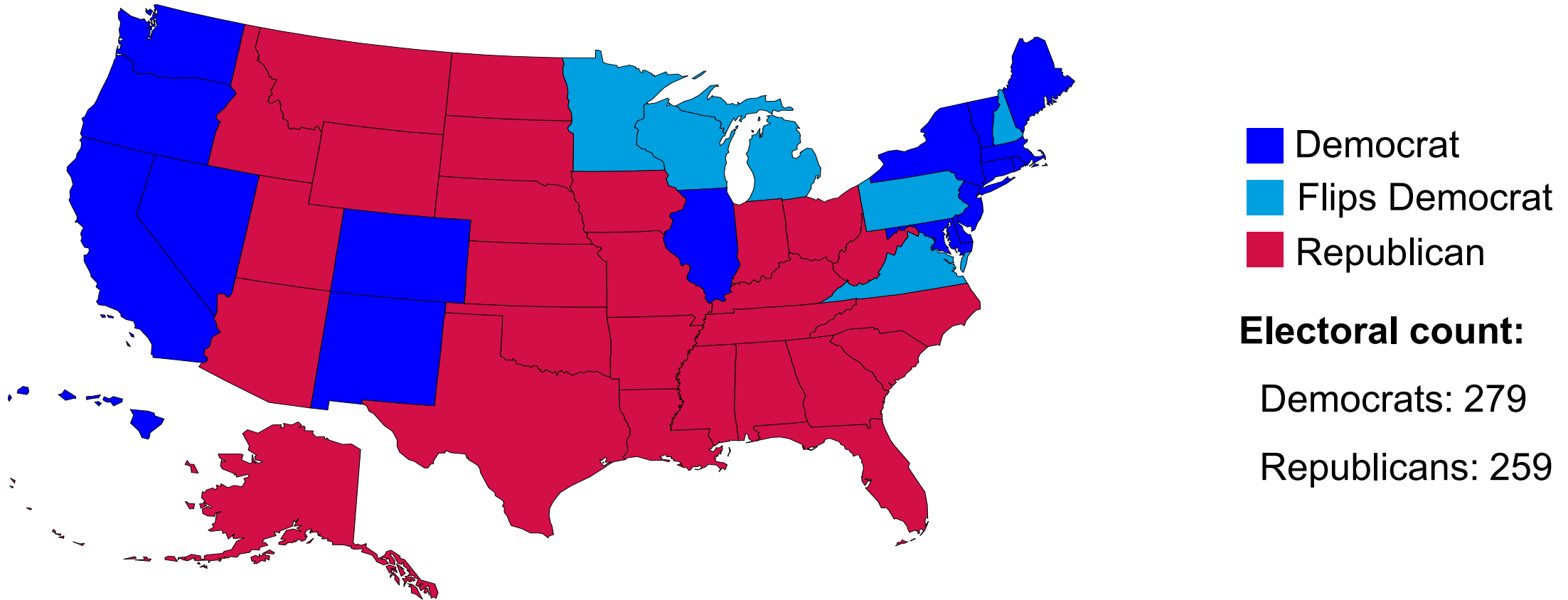


Source: Moody's Analytics

Note: Results reflect Sep 2019 economic forecast

Democrats Win a Nail-Biter if Turnout Is High

How states will vote if nonincumbent turnout is historical maximum

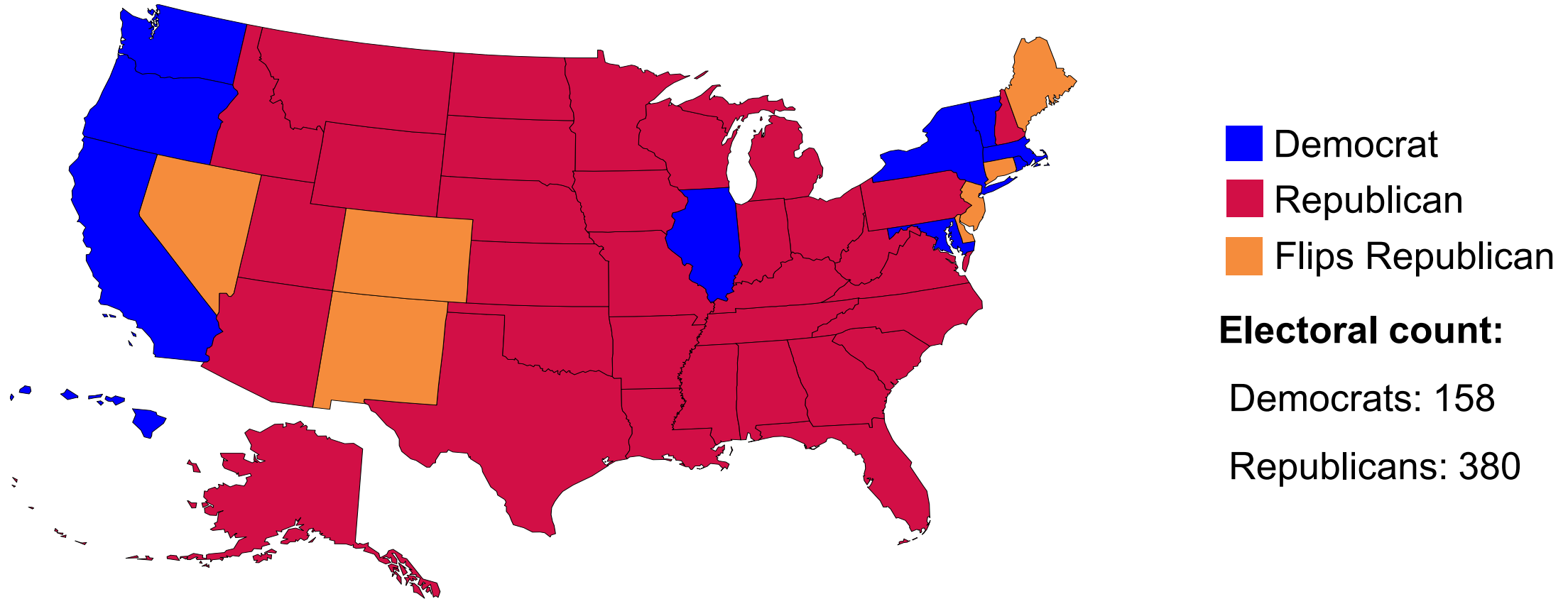


Source: Moody's Analytics

Note: Results reflect Sep 2019 economic forecast

Trump Cruises if Nonincumbent Turnout Is Low

How states will vote if nonincumbent turnout is historical minimum

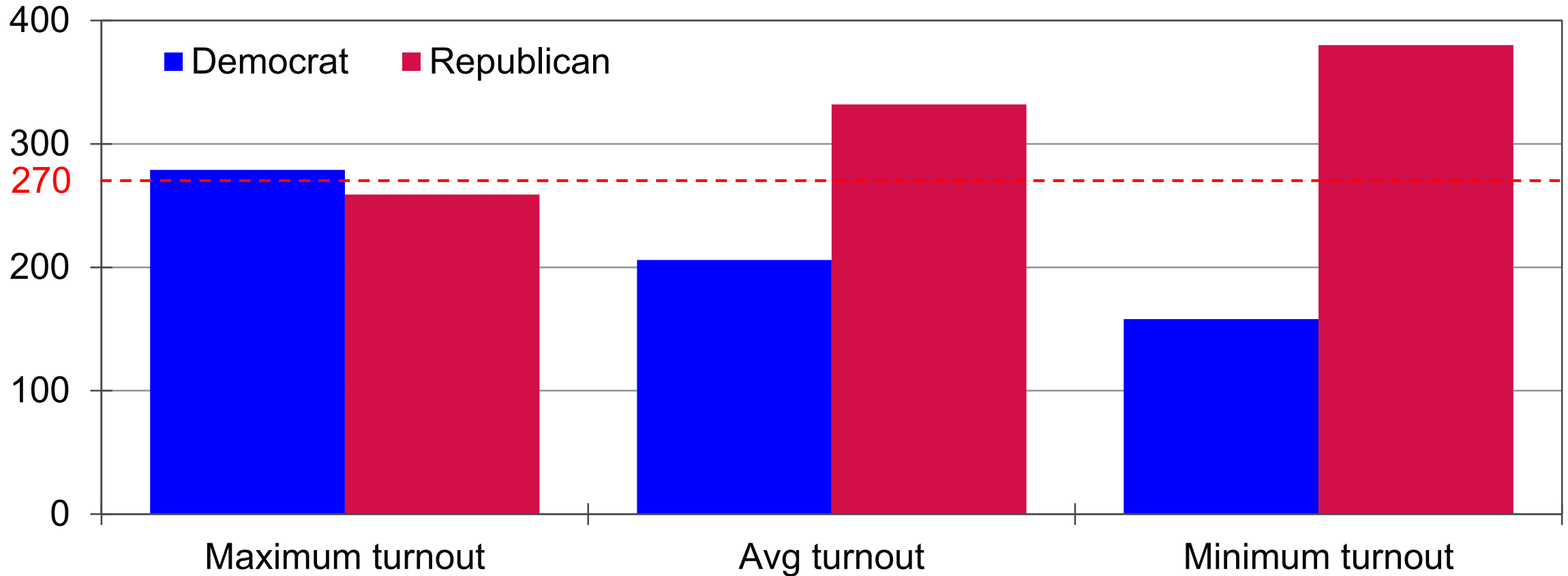


Source: Moody's Analytics

Note: Results reflect Sep 2019 economic forecast

It Comes Down to Turnout

Projected 2020 electoral vote by nonincumbent turnout



Source: Moody's Analytics

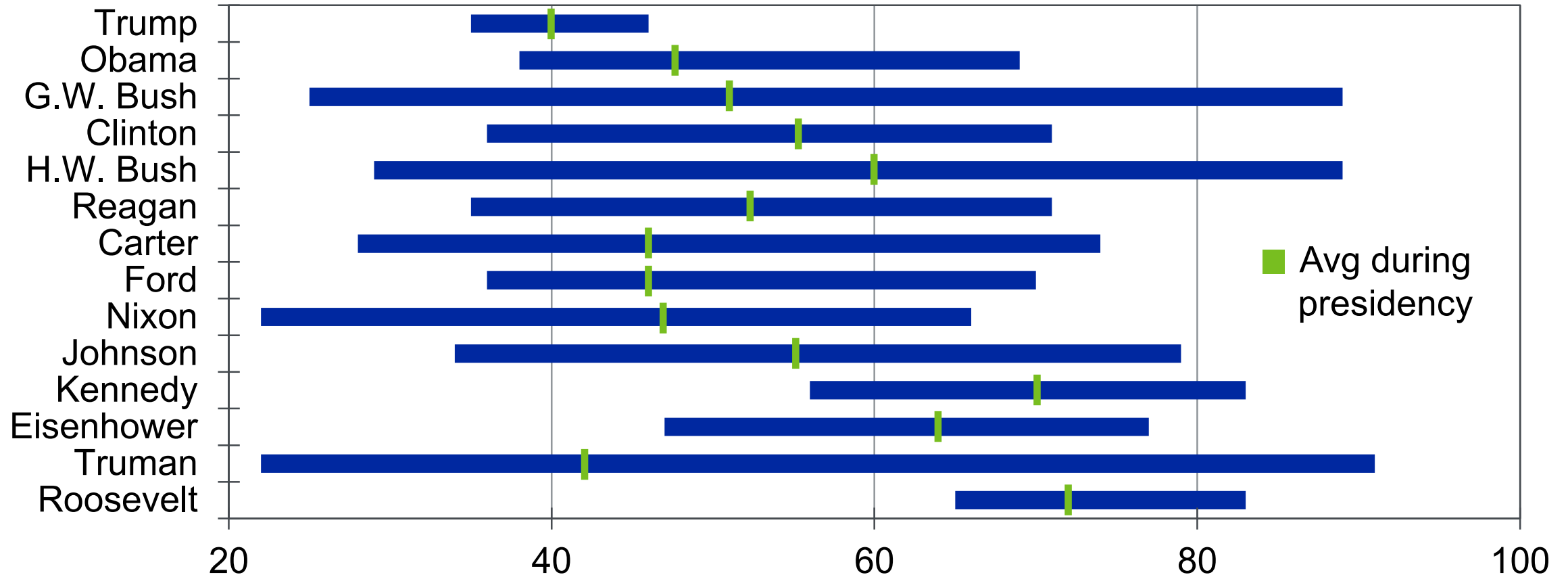
Note: Results reflect Sep 2019 economic forecast

5

2020 Wild Cards

Impeachment/Approval Rating Wild Card

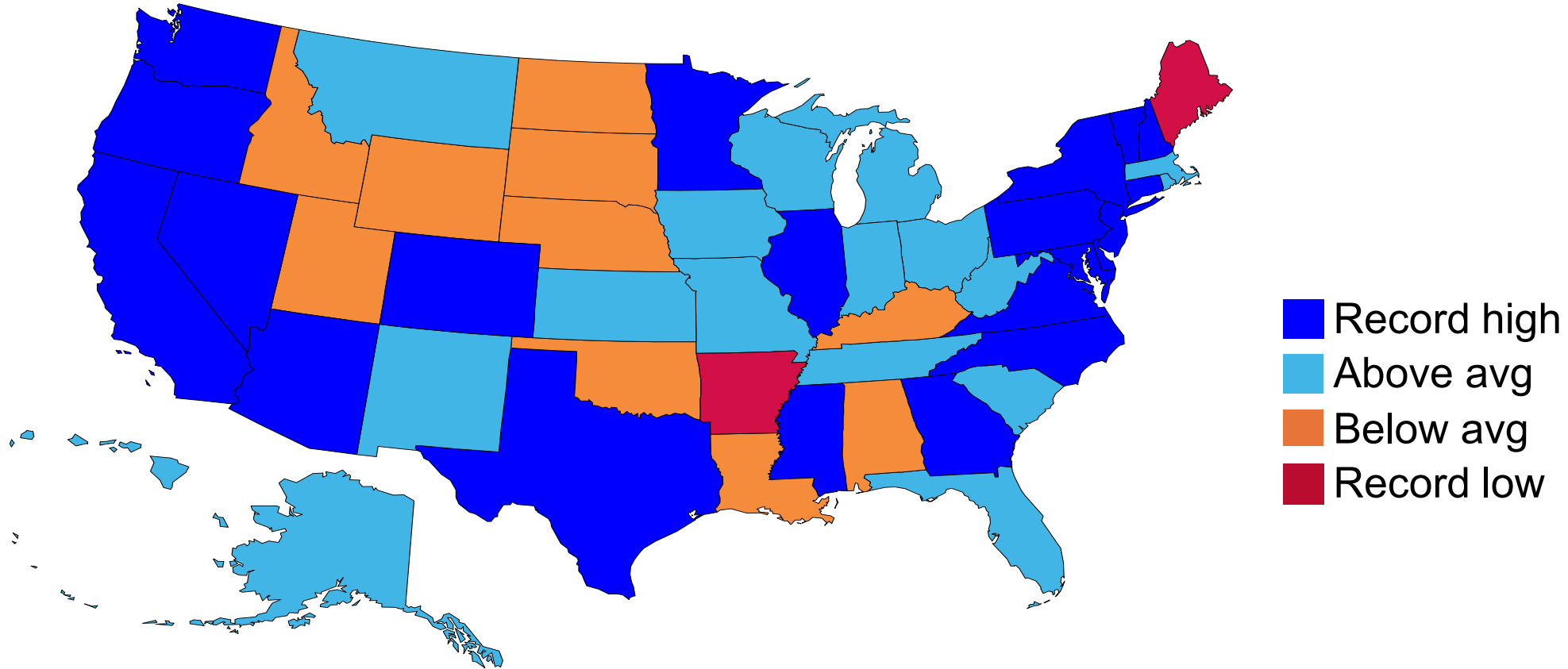
Historical range of approval ratings for U.S. presidents, %



Sources: Gallup, Moody's Analytics

Turnout Wild Card

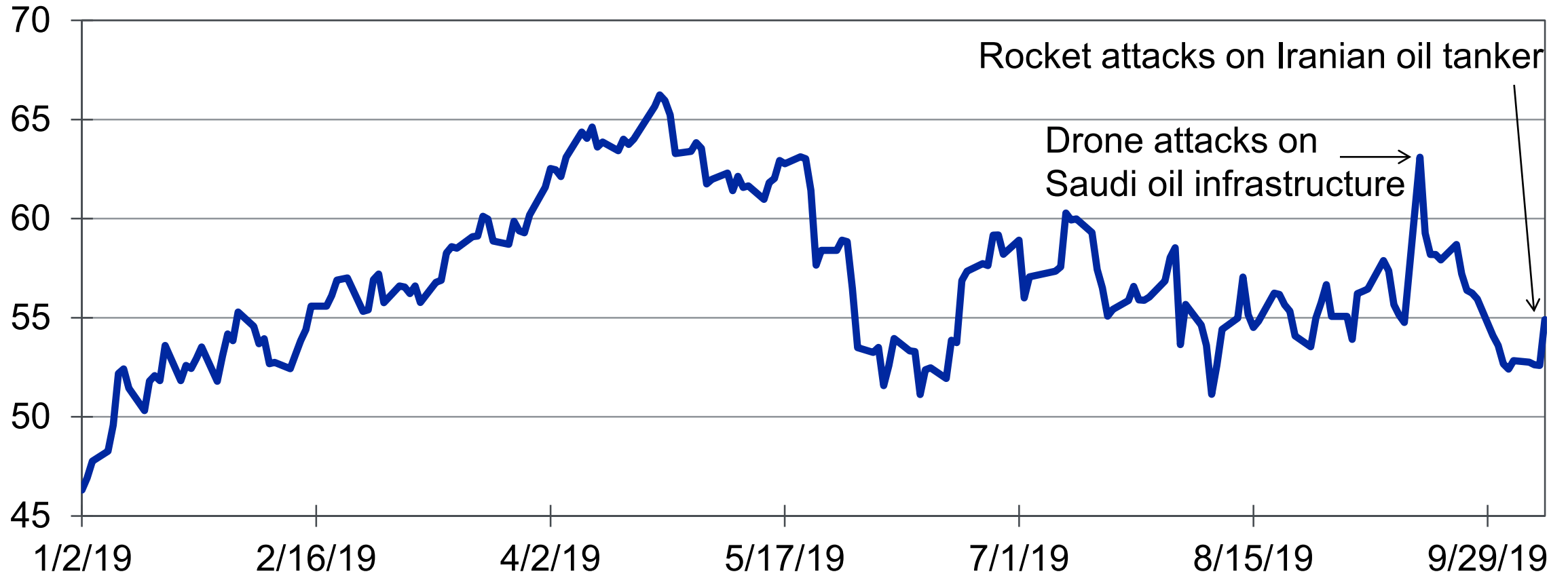
Nonincumbent party turnout in 2018 midterm vs 1982-2014 midterms



Sources: Clerk of the House, U.S. Elections Project, Moody's Analytics

Oil Price Wild Card

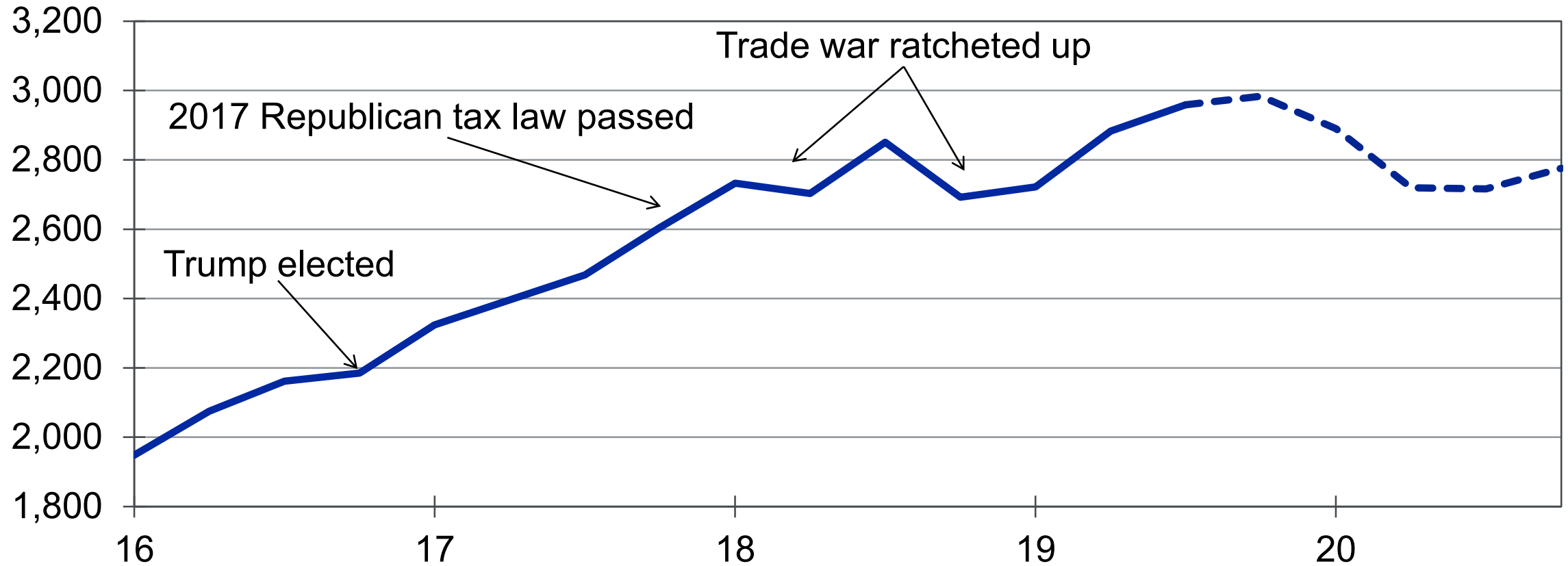
West Texas Intermediate, \$ per bbl



Sources: EIA, Moody's Analytics

Stock Market Wild Card

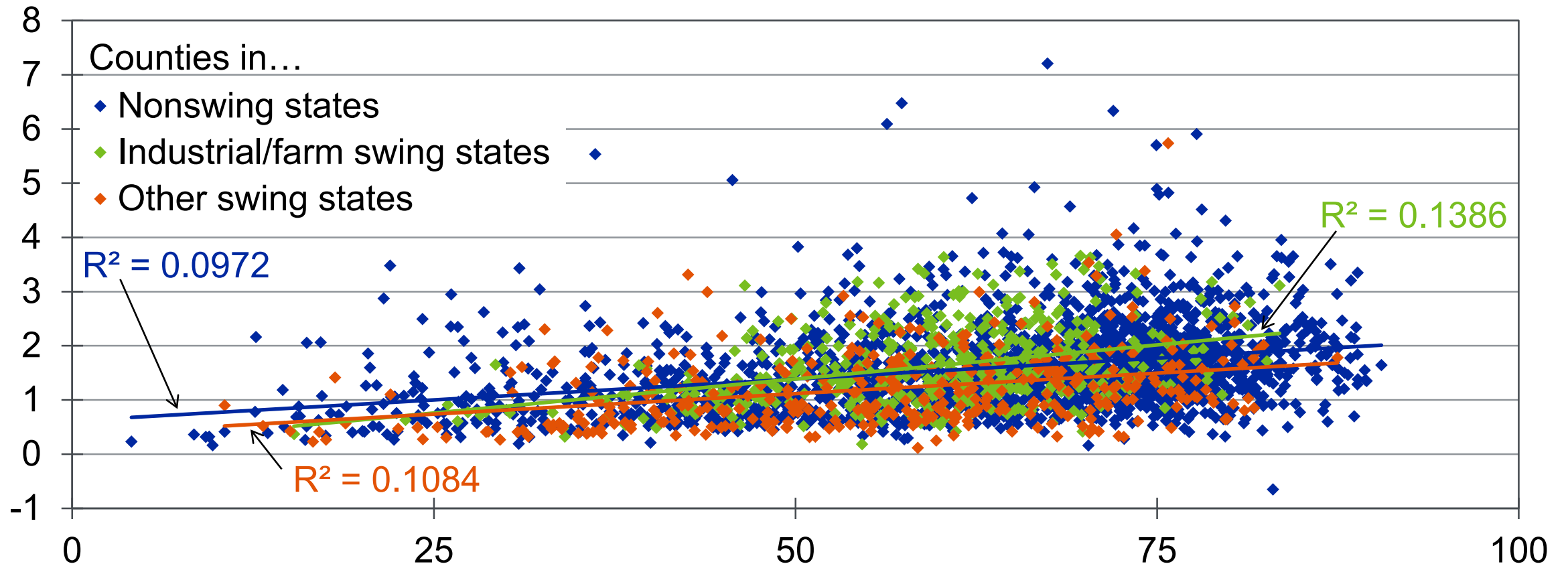
S&P 500 Composite Price Index, NSA



Sources: Standard & Poor's, Moody's Analytics

Trade War Wild Card

X-axis: Trump's 2016 vote share, %; Y-axis: Trade war impact index, U.S.=1



Sources: BEA, WSJ, Moody's Analytics

Note: Smallest 10% of counties removed

Q&A

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