

PRIMARY STAGES

The fight for the Democratic nomination moves into the next round.

IN A NUTSHELL

- _ Compared to 2016, the progressive candidates' performance so far has been rather disappointing.
- _ The vote share of moderate Democrats on the other hand has held up very well.
- _ We remain doubtful that Sanders can win the nomination.

By now, you have probably heard that Senator Bernie Sanders narrowly won the first primary in New Hampshire and prior to that the Iowa caucus was a bit of a mess. So, how to make sense of it all from a market perspective? Well, here is one way to sum up Sanders's 2020 performance so far. Back in 2016, the Vermont Senator won with 60% of the popular vote (i.e. just over 152,000 votes), and, crucially, captured 15 delegates against 9 for Hillary Clinton. This time around, Sanders looks set to leave New Hampshire with just 9 delegates, having won 25.6% or 76,000 votes. The remaining delegates went to Indiana Mayor Pete Buttigieg (also 9 delegates) and Minnesota Senator Amy Klobuchar (6 delegates). Erstwhile front-runner and Vice-president Joe Biden and left-wing Senator Elizabeth Warren both fell short of 10% and did not secure a single delegate (though both won some in Iowa).

All of which illustrates some of the reasons why we remain doubtful so far that Sanders can win the Democratic nomination. To be sure, performance in a straight fight between two candidates (which the 2016 Democratic primary rapidly turned into) is very different from the present, multi-candidate contest. Back in 2016, plenty of exit polls suggested that Bernie partly benefited from voters being skeptical of Hillary Clinton as being a representative of the old system. This time around, voters remain spoilt for choice. This is why we suggested comparing the total of both Sanders and Warren with Sanders's 2016 performance. By that yardstick, 2020 has been fairly disappointing for progressive Democrats in both New Hampshire and Iowa. Moreover, the Democratic primary process lacks winner-takes-all contests.¹ That means it won't be enough for a factional candidate, such as Sanders, to win the nomination simply by

beating everyone else in state after state (as Trump did on the Republican side in 2016).

There are already signs of a backlash brewing. In Nevada, where the next caucus takes place on February 22, the powerful Culinary Workers Union² on February 13 sent a flyer to its 60,000 members, warning that Sanders' "Medicare-for-all" plan would be the end of the union health care. It remains to be seen how this will go down with unionized hotel and casino workers—a powerful and well-organized Democratic constituency within the state. There has not been much polling in Nevada since the start of the year. Back then, the results were mixed, and in any case, polling for a Nevada caucus is always tricky. For now, it remains anyone's guess whether the moderate vote in the state will revert to Joe Biden, or perhaps Buttigieg or Klobuchar, or split between the three. Similarly, Nevada could see a revival in the fortunes of Senator Warren.

From a market perspective, though, two lessons can already be drawn from how the two Democratic contests went. First, the vote share of candidates in the moderate lane has held up very well, compared to how Clinton, the eventual nominee, did back in 2016. And second, the two candidates doing by far the best among late deciders, independents, Republican-leaning cross-over voters and in rural areas that voted for Trump in the general election 2016 are Buttigieg and Klobuchar. Based on the data so far, either one of those candidates (or another one, with similar positions and geographic strengths) could probably give Trump a run for his money in key swing-states.

By contrast, the vote for Sanders (and Warren) is concentrated in cities and college towns to a much larger extent than the 2016 primaries would have suggested. For these

¹ The winner-takes-all concept (in the case of the U.S. election primaries) awards all of a state's delegates for the national convention to the candidate securing the plurality of the vote.

² <https://www.nytimes.com/2020/02/16/us/politics/sanders-nevada-medicare-for-all.html>

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reasons, if either of these two somehow secured the nomination, we are a lot more skeptical now than we would have been a month ago that Democrats could win in November. Keep in mind, though, that the picture might easily change. Neither New Hampshire, nor Iowa, is representative of the rest of the country. The results in Nevada, however, where there are plenty of younger and non-white voters, promise to be a lot more revealing.

Even after Nevada, however, there will still be 47 states and 7 non-state constituencies that have yet to hold their con-

tests for sending delegates to the Democratic convention. And the current incumbent in the White House remains as unpredictable as ever. In our view, the left-wing sweep that we labelled "Progressive Pop" in our latest publication [see <https://dws.com/insights/cio-view/acp/an-early-roadmap-to-us-politics-in-2020-and-beyond/?setLanguage=en> outlining our expectations for politics this year] therefore remains quite unlikely. We expect some market volatility down the road, however, as any perceived increase in the likelihood of this scenario might trigger a negative market reaction.

GLOSSARY

For presidential elections in the United States, some states hold **caucuses** in which the local party members in a convention/ town-hall meeting gather around their candidates in a multi-step voting process in order to determine their favorite.

The **Democratic Party (Democrats)** is one of the two political parties in the United States. It is generally to the left of its main rival, the Republican Party.

Primary elections in the United States are the part of the voting process where candidates are selected for the general election,

usually with each party choosing a nominee for the office in question.

The **Republican Party (Republicans)**, also referred to as Grand Old Party (GOP), is one of the two major political parties in the United States. It is generally to the right of its main rival, the Democratic Party.

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

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