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# FRANK KELLY ON COVID-19 AND WASHINGTON'S STIMULUS RESPONSE



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## There are a lot of moving parts.

As we all know, Senator Harris was chosen last week as former Vice President, Joe Biden's running mate. I think the consensus was she was the safe choice among the potential running mates. As we all know, Biden had committed to selecting a woman and I think this shows the true impact of the social justice movement this summer, that he would pick a woman of color, and unique in that way that her mother is from India, her father is Jamaican, of black heritage.

She is the only the second black, female senator in U.S. history and represents an enormous state in California and a voter bloc.

Now, to get right down to it, what does that really mean? California is a heavily Democratic state. It's not as if there was any risk that Biden wouldn't win it. So Senator Harris doesn't really pull something in. If she were from Texas or Florida, then it would be a serious game changer to the electoral outlook.

Senator Harris is a former prosecutor. In her time, starting in Alameda County, and then San Francisco and at the state level as California's Attorney General, she was tough. She was particularly tough on younger men and women— with drugs and things like that. Now, that's a point of criticism, strangely enough. But one thing it did was shore up Democrats who were worried that they may be exposed as somehow being weak on law and order, particularly with what's been happening in Seattle, Portland, Chicago, and New York.

I think another key here is Senator Harris, being of Indian heritage, it does reach out to a significant population. There is estimated to be as many as 6 million people of Indian heritage in the United States and that can help to solidify quite an influential voting bloc.

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## Thanks, Frank. The Democratic National Convention starts today. Any thoughts on it?

**Frank Kelly:** It's going to be very interesting. Two things that I would point to here is that normally when a vice presidential running mate is picked, there's ordinarily a substantial bump in the polls, because they're out giving speeches and you really get to see them. It shows that there's new energy or something new is coming.

But now in COVID times, we haven't seen that bump, and I don't think it has anything necessarily to do with Senator Harris. It's just that many people haven't really seen her being interviewed one-on-one yet.

We haven't seen speeches; there's been essentially one, maybe two events with Biden and Harris. Once when Biden formally announced her as his running mate and a second time where they came out and gave remarks. Because of the convention this week, I'm not aware whether we'll see more of that this week. But the convention itself is going to be problematic because of course, it's all virtual.

There's a serious risk with this convention that it could come off as feeling canned because there are going to be some people who are pre-taping their speeches, while others will be giving their speeches live. It's not clear whether Harris will be with Biden as he gives his speech in Delaware or if she will be in California.

As mentioned before, as things start going, you will see the polls begin to tighten. It will be interesting to see how all of this plays out in the polls.

## Aside from the presidential race, are there any others that you are watching?

**Frank Kelly:** We continue to watch the Senate races very closely. There's been some relief for Republicans in the last several weeks. One was in Kansas where a more mainstream Republican won, over a hard pro-Trump candidate which the party was very worried about and polls are suggesting could not carry the state if he won. So for now, Kansas is moving more safely in the stay Republican zone. There is also some polling data in Maine and a couple of other states suggesting that the Republicans are improving a little bit. Then there are other states like Iowa, North Carolina and even in Georgia which look like they are going to be very hotly contested.

Remember, Democrats only need four seats to win control of the Senate. If Biden should win and Harris is the vice president, she becomes a tiebreaker of the Senate.

That means Democrats only need three seats. So we will see what happens here.

Also, I will point out, this week is the first week that we're really seeing President Trump out. He is going to be in Minneapolis and in Wisconsin. Wisconsin, certainly is a battleground state that he carried last time. And, of course, it's Milwaukee that is technically the host of the Democratic Convention today.

President Trump is out giving speeches which will challenge Biden to get out there and do it too. Though I expect that to happen, Biden is being a little bit more cautious about it than I was expecting.

Another thing that we continue to keep our eyes on is this whole issue of the mail-in ballot. It's a little confusing, but what is clear is that with the newly appointed and confirmed Postmaster General, there are significant management changes taking place inside the Postal Service. This has led to reports of the blue mailboxes being picked up in key neighborhoods and states, and somehow this is being done to prevent mail and ballots from actually being mailed. There have also been reports of high speed sorting systems being decommissioned, etc.

What you're going to see this week is, even in the midst of the convention, Democrats are coming back in this afternoon in the House of Representatives and will vote on legislation that effectively will ban or bar the U.S. Postal Service from denying overtime, from disassembling any of these high speed sorters and four or five other things. The Senate will never pass it, but it will be a statement out there, a sort of shot across the bow that 'we're watching you'.

Also, you're going to see the House Oversight Committee, chaired by Congresswoman Carolyn Maloney try and haul up the Postmaster General to get him to testify as to what he is exactly doing. Recall that Maloney had a pretty tough primary about two months ago, in the 12th District of New York City, Upper East Side. She won, and it was clear, certainly, by the next day or two days after, that she

was up by two percentage points. However, there were a couple problems and it all went to mail in ballots.

It raises the issue of how are we going to address that if we have mail-in ballots, come November. It's Presidential, Senate, all 435 members of the House, governors, state legislatures and state judges. The potential here is not only for much chaos, but also we may not know winners of many of these elections for weeks, if not months.

So it goes to show the potential problem here and the risk of trying to figure it out.

One last thing about the difference between absentee and mail-in ballots. With absentee ballots, you traditionally have to request it give a reason for requesting it. Absentee ballots don't have to be counted in races where other votes have already been counted and statistically or numerically, there's no way that a candidate can overcome the deficit in votes even if every one of those absentee ballots went for the candidate trailing in vote count. So what happens? They don't even count the absentee ballots, they burn them. With a mail in ballot, you don't have to give a reason why you are requesting it and every mail in ballot must be counted.

[That's definitely something to watch. Switching gears here, any update on the stimulus?](#)

**Frank Kelly:** I probably should have started with this. The stimulus has gone nowhere. In ten days, there have been zero talks between Democrats in the House and the White House or with the Secretary of Treasury. I think quite frankly, there's now a 60%-70% chance that there will not be a stimulus done by the end of the month. And in all likelihood, the best-case scenario for a new round of stimulus discussions. Where we could see something happening would be the end September, when they have to get the federal budget done and/or do a continuing resolution to keep the government open and they can attach it at that point.

It's too early for me to put odds or percentages on what that stimulus might look like, and if it would happen. If they do not get any sort of stimulus done at that point, then we won't see a stimulus until after the election. That would be the next time that it would come up, barring

some significant nosedive between now and September 30 or September 30th and the presidential elections.

[You mentioned the conventions this week and next. Can you touch upon some of the elements in the party's platforms that may directly impact Wall Street?](#)

**Frank Kelly:** Every convention whether Republican or Democrat, traditionally has a party platform. I think some of the key things that the Democratic platform was pushing for is, one, Glass-Steagall, the forced separation of commercial banking and investment banking. They specifically call for the reinstitution of Glass-Steagall. Also asked for is the creation or elevation of the Consumer Financial Protection Bureau, which is very focused certainly on consumer finance. There's talk of returning the Volcker Rule. There's push for significant bankruptcy reform that would allow a host of bankruptcy protections for consumers that have not never existed before and include a significant focus on the mortgage sector that would allow bankruptcy judges to, quote unquote, 'cram down' on the issuer and the mortgage holders more financial responsibility to them vs the actual person taking out the mortgages.

So it's pretty populist, pretty anti Wall Street. I would also note in the overall document itself is much focused domestically, as you can imagine in a time of COVID. And it's very focused on health care, social equality, income inequality; what is really pushed to the far reaches of the document is certainly foreign policy and trade. Even though they try and differentiate themselves from President Trump and his administration on China, effectively it's the same policy. So that was sort of the interesting play out there. But again, Wall Street takes something of a beating. And the Democratic platform was just released today and will likely be approved today.

[We talked about the polls in the past, what are you seeing in the polls currently and what's driving the election?](#)

**Frank Kelly:** I think a month or two ago, you had those saying, 'I will never vote for Trump again,' or, 'I'm never going to vote for Biden.' And, now, things are shifting. There are a little more than 80 days until the election, it's a lifetime. What we're beginning to see is those polls tighten

a little bit. Biden on a national poll – and I hate national polls, but t you still have to look at them – is at 50%. Being at 50% matters because at 51%, you have a majority add that goes to show that the potential voters that are undecideds are starting to fade out.

But let me just go back to Kamala Harris here. Harris has been anti fracking. And this is something they've prevented in California and she has talked about needing to get rid of fracking, etc., etc. Well, I was just in Pennsylvania, upstate Central Pennsylvania and you would think the whole state had just renamed itself 'Trumpville'. I have never seen so many Trump signs in my life. It was surreal. And many of them were handmade. That's because fracking is enormous up there.

So, how is Harris going to explain her views on fracking where, in the state of Pennsylvania, there's estimates as many as 200,000 jobs have been created because of natural gas fracking? You can imagine not just the wildcatters out there, and the crews who are drilling but it's also the restaurants and support services. So it gets everybody who may not like Trump for any variety of reasons saying, 'Oh, wait a minute.

So you're seeing this confusion, and I think you're going to see more of it. And as we sort of see, where Biden and the party is on taxes. We've seen a little bit of Biden on capital gains, on corporate taxes and individual taxes, He wants to raise \$4 trillion over ten years. Press reports coming out today suggest that if elected, Biden doesn't want to just spend the first year healing the country, he wants to move hard and fast on health care and on taxes as well as the Green New Deal and the ESG component.

I think that's where you're going to see some shifting in the polls. Last thing, and I think I may have mentioned this even last week, that there was some data coming out of Pennsylvania again, where some researchers believe that there was at least a 5% differential on Trump on the numbers. We saw this with Boris Johnson. It's been interesting, by the way, to see how the UK has been a precursor to so many things that have eventually happened in the U.S. With Boris Johnson, there was at least a five or six percentage point differentiation in some of the polls for him, because they referred to it as the 'shy Tory', the 'shy Conservative'. Voters tell a pollster, 'No way am I voting for that guy, his hair's a mess. He's

crazy.' Whatever. Then voters go into the polling booth and they vote for him. And they vote for him because maybe they like the economic issues or something else about him, but they just vote for him. That this study in Pennsylvania suggested at least a 5% differential and you could have people not telling the truth to pollsters, if that is the case, we may see a race much closer than any of us thought.

**We talked about the importance of battleground states and counties within those battle ground states in the outcome of the election before and we also talked about unemployment and the impact it could have on the election. What are you seeing with that and otherwise?**

**Frank Kelly:** The changes to the unemployment levels in each state and the longer those numbers are up there can have an impact. People lose hope. And they're going to look for change. That plays to Biden, and particularly Pennsylvania and Ohio. But again, both Pennsylvania and Ohio also have significant fracking. So voters are likely to ask themselves how do I vote for Biden if his running mate doesn't like fracking, and where is he on fracking? They may also ask how restrictive is this going to be? Because for some voters, it's their livelihood as a truck driver that delivers water. There's all of these things that are sort of playing out. People are trying to figure this all out.

But I do think the unemployment numbers really matter state by state, not nationally. I mean, I found myself for the first time in my life, going online finding the Bureau of Labor statistics and signing up for all of their releases and studies. So that's I think what we're going to need to watch very carefully.

Another thing to watch this time next week is states like, Iowa. Senator Joni Ernst is a Conservative and veteran as well as a Trumper and she's losing in the polls. I think part of the problem goes to the trade issue and its impact on farmers. Many of them are Evangelical, and we're starting to see some movement of Evangelicals, and I suspect farmers, to Biden.

Well, today. The President announced that China has just announced its largest corn purchases to date. So does that mean all of sudden we are going to see a significant shift the next week or two in Iowa, where earnings

numbers are going up, Trump's numbers are going back up, because the Chinese came in and were buying corn? These are the variables and I believe they are almost all real time variables that are going to change from week to week. Again, I can't say it enough. This is far from over.

Thanks, Frank. Fascinating insight. The next question is around voter registration. Are you hearing anything about President Trump and the Republicans doing better-than-expected with voter registration and could that give them some momentum?

**Frank Kelly:** Voter registration is always critical. It's the first major step in the "get out and vote" process. And I have heard reports that Republicans were on a significant uptick in terms of voter registration, and Democrats weren't meeting the numbers that they were hoping for and expecting.

The key thing though, to voter registration is now that you got them registered, you have to get them to actually vote. Having worked on campaigns in prior lives, it's always an interesting thing because it's a grandma and you got her to register to vote. She's all in but on Election Day, it's raining out, and she doesn't really feel like going out in the rain, so then, you need to ask those grandma's 'Do you need a ride? Do you need somebody to walk with you? And that is really the meat and potatoes of elections in so many ways. It is just physically getting people out to vote and helping them get there. And if there are lines, and they hear there are lines, do they want to stand in lines particularly in COVID times? These are all factors that I would argue make this election far from over.

One last question and this is regarding the COVID pandemic, the role it will play in voter's minds, campaigning and the elections. Your thoughts?

**Frank Kelly:** I'm glad you raised this because I'm hearing this non-stop. I'm hearing more and more from Republicans about the Coronavirus. They're saying 'It's not going to exist the day after the election.' What? Literally, I've heard that from very intelligent people that this is all whipped up by Democrats and the media.

And then you get other Republicans who say, 'they're overplaying it, it's not as big. And then, of course, there are Democrats who've got variations going the other way.

I think the really big question here is, again, we're 80 days from the election, people are losing it. We've been cooped up for five, six months and we got to go back to school. Some of these schools are not going back and on and on, and where are we by November? Are people even going to care anymore? Are they going to feel like, 'I've dodged this bullet for eight months, it's not going to get me?' And are people going to start trying to force the situation to where they're trying to live the life they had wanted to live or closer to what it was before COVID?

This is sort of an interesting new factor in the campaigns; how serious is COVID? How much is this being played right down the middle? Has it been too politicized on either side? And what are the true facts? And I think you're going to continue to hear that. But the other side of it is it even worse and Trump's holding down the numbers and the death rate is even higher. You hear this in Washington constantly. And of course, it's coming from, the respective parties.

## Definitions

**Environmental, social and governance (ESG)** issues refer to non-financial issues that may affect the sustainability of an investment.

**Green New Deal (GND)** is a proposed United States legislation package that aims to address climate change and economic inequality.

None of the content in this publication is intended to promote a particular outcome to the elections due to take place in the U.S. in November 2020. Readers should, of course, vote in the election as they personally see fit.

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