

JULY  
2016

Presidential Election

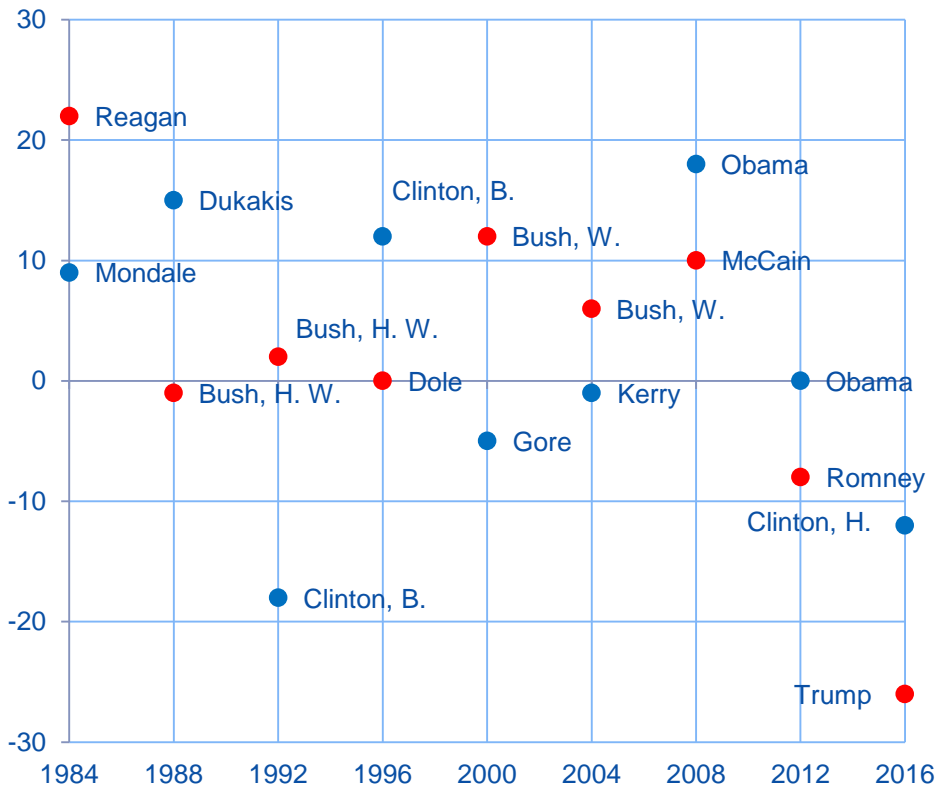
# Chartbook

## Bottom Line

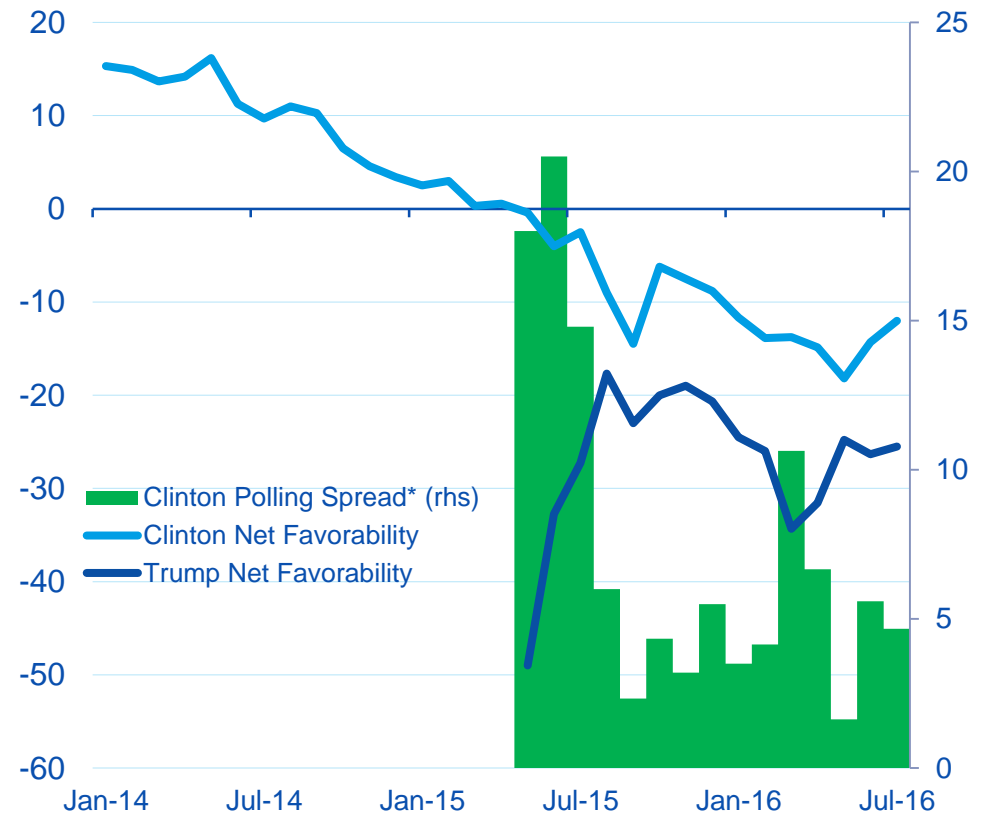
- Favorability of 2016 election candidates is historically low
- Economic and market-based indicators continue to suggest Democrat win in November, although geopolitical turmoil and volatility has reduced the lead for Democrats in our national vote-share model
- Issues that will reign throughout the campaign include investment in infrastructure, research & development, education, healthcare costs, and broad access to opportunity
- Polarization is lowering the likelihood of comprehensive reform
- Despite “do or die” campaigning, historical evidence suggests that neither party is significantly better at producing economic growth or market returns

# Election 2016 shaping up to be a contest between two historically unpopular candidates

Net Favorability %



Net Favorability Trend %



# Twitter wars



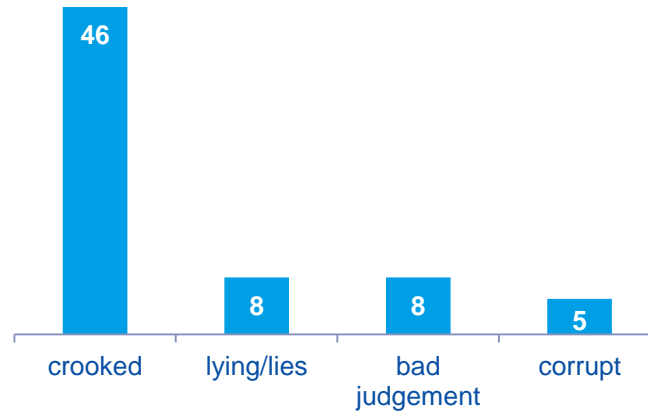
**Donald J. Trump**   
@realDonaldTrump

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TWEETS: 32.6K  
FOLLOWING: 41  
FOLLOWERS: 9.76M

\*as of 7/15/16

Trump re: Clinton\*



“After today, Crooked Hillary can officially be called Lyin’ Crooked Hillary.”

@realDonaldTrump



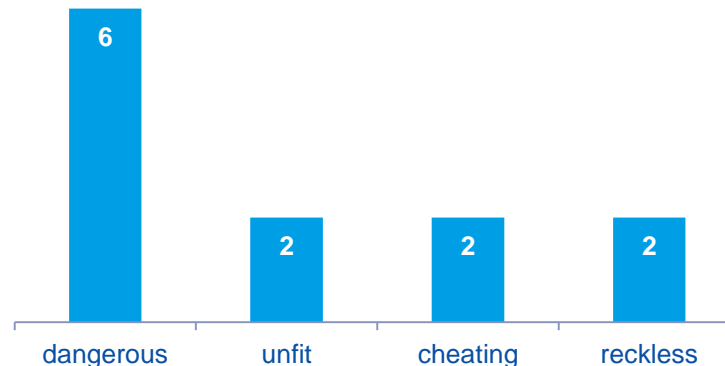
**Hillary Clinton**   
@HillaryClinton

---

TWEETS: 6,536  
FOLLOWING: 673  
FOLLOWERS: 7.4M

\*as of 7/15/16

Clinton re: Trump\*



“Next week in Cleveland, Republicans will nominate someone who thinks “Latino outreach” is tweeting out a picture of a taco bowl.”

@HillaryClinton

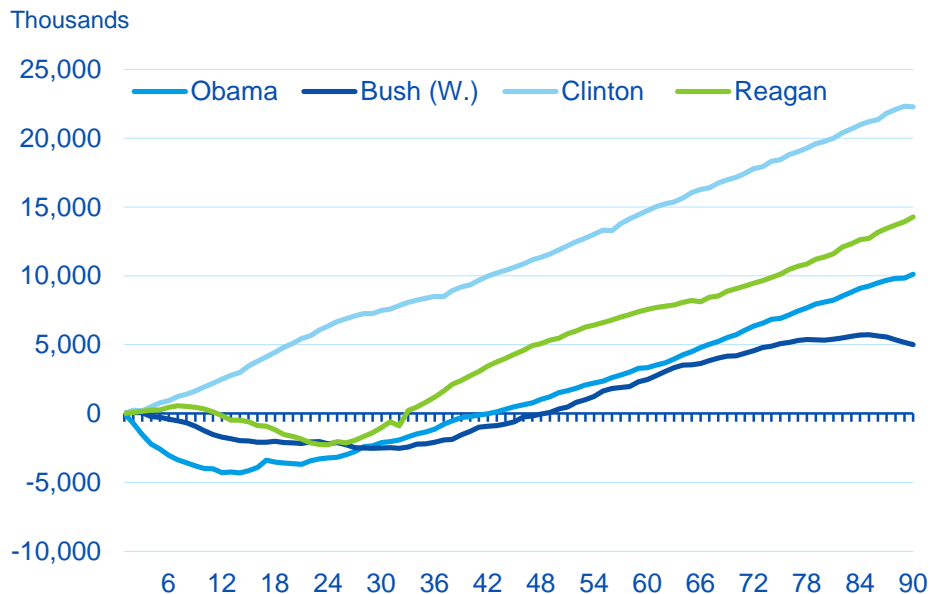
Source: candidates' official Twitter accounts  
\* Most common adjectives used to describe opposing candidate from June 15-July 15, 2016



# New administration faces challenge of promoting broad job and income gains

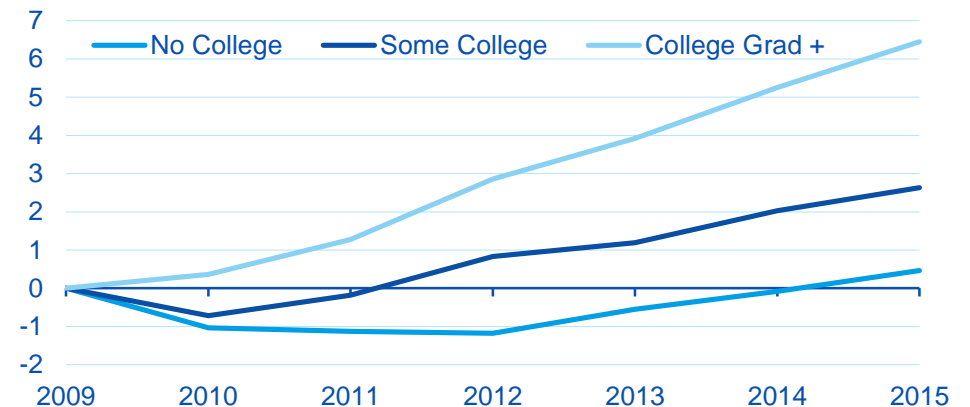
- Despite so-so job creation, 95% of jobs have gone to college educated
- Income growth for highest skilled
- These trends can deepen frustrations with status quo and increase populism

Presidential Job Creation

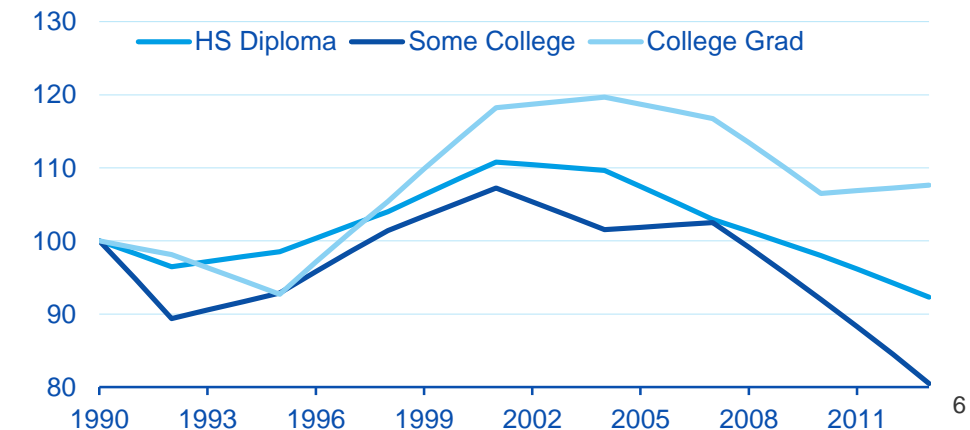


Source: BBVA Research & Haver Analytics

Post-Crisis Jobs Recovery  
Millions



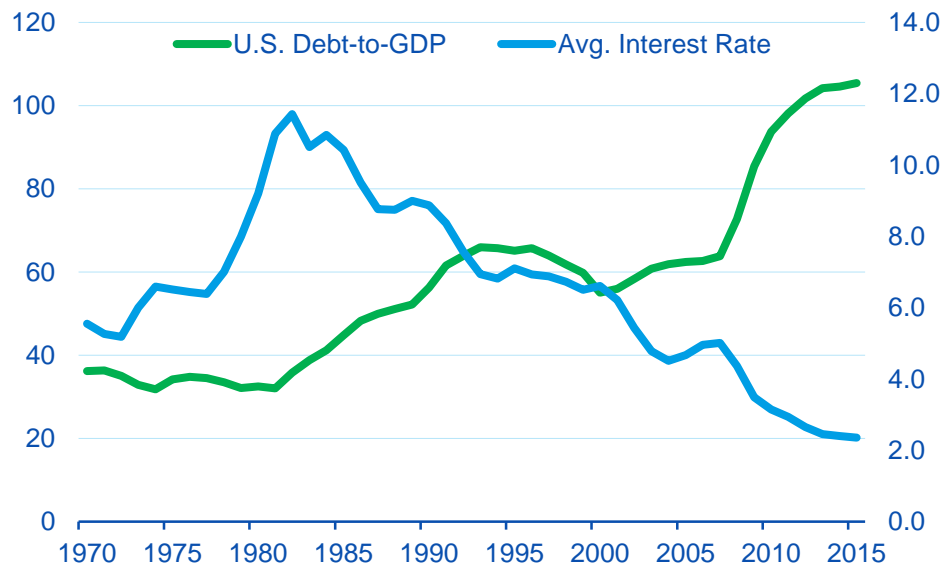
Inflation-adjusted Median Household Income  
Index, 1990=100



# Fiscal policy: Not all about deficits

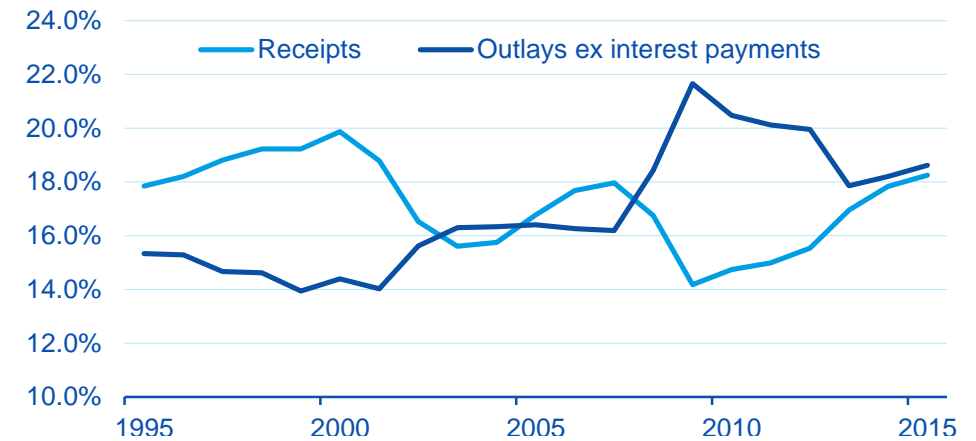
- Budget gap closing, as economy recovers to potential
- Real government investment contracting to historic lows
- Costs of financing trillion dollar infrastructure deficit low

Government Debt & Financing Costs  
Share of GDP, %

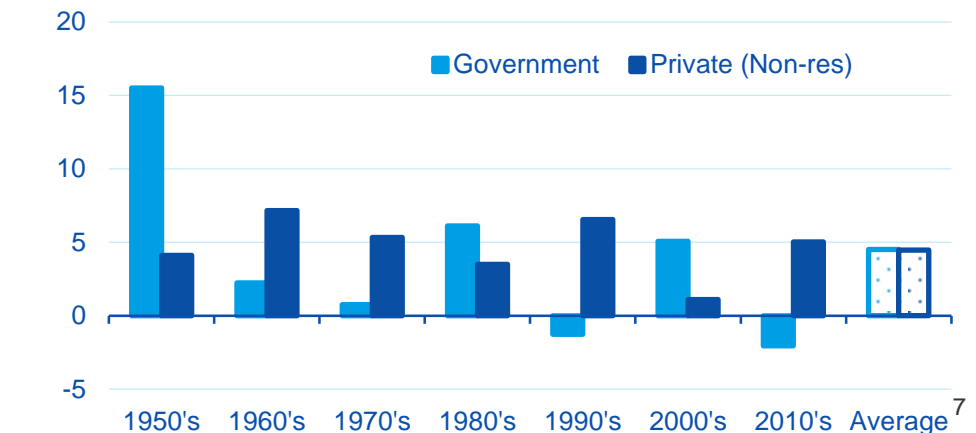


Source: BBVA Research & Haver Analytics

Revenues and Expenditures  
Share of GDP, %



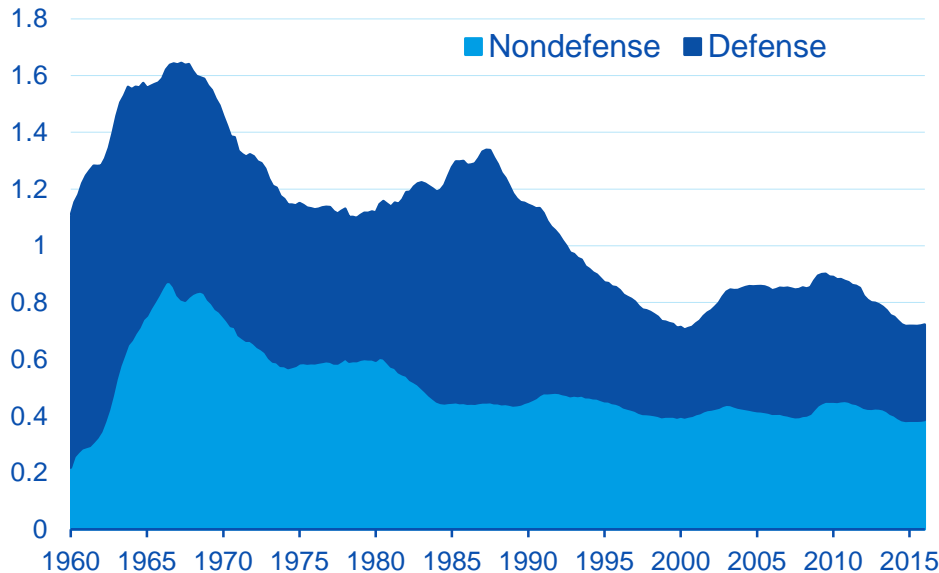
Real Fixed Investment  
Average YoY%



# Need to strengthen human capital

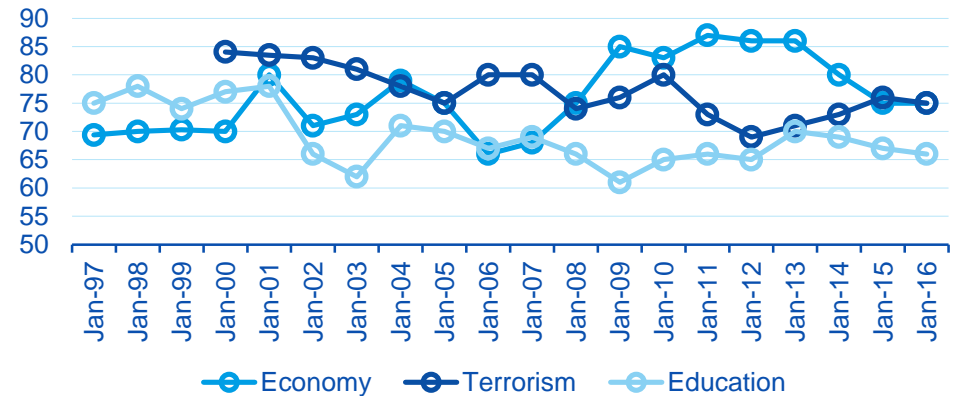
- Public investment in R&D near historic lows
- Despite ranking poorly amongst developed economies, divisions remain on importance of education<sup>1</sup>
- To remain competitive, educational outcomes need to improve

Federal Investment in Research & Development  
Share of GDP (%)

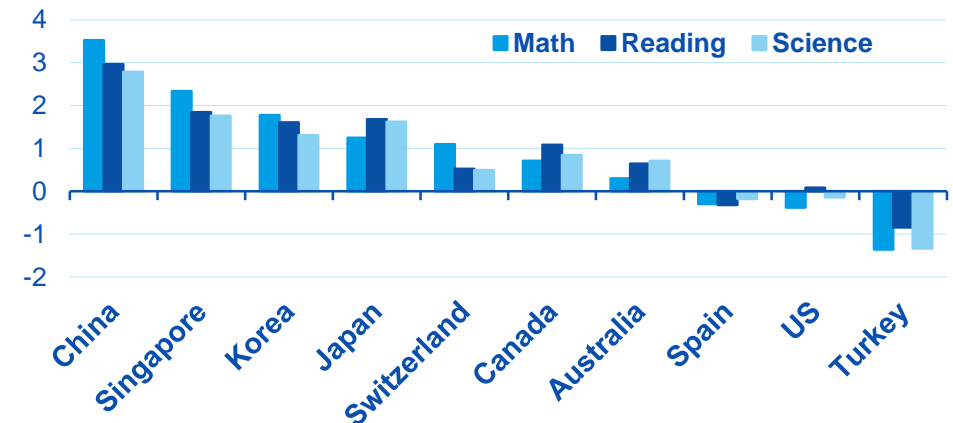


<sup>1</sup> See Slide 10 for more details

Top priorities for U.S. Policy Makers  
% of Respondents



PISA Scores Relative to OECD Average  
Standardized by OECD avg.

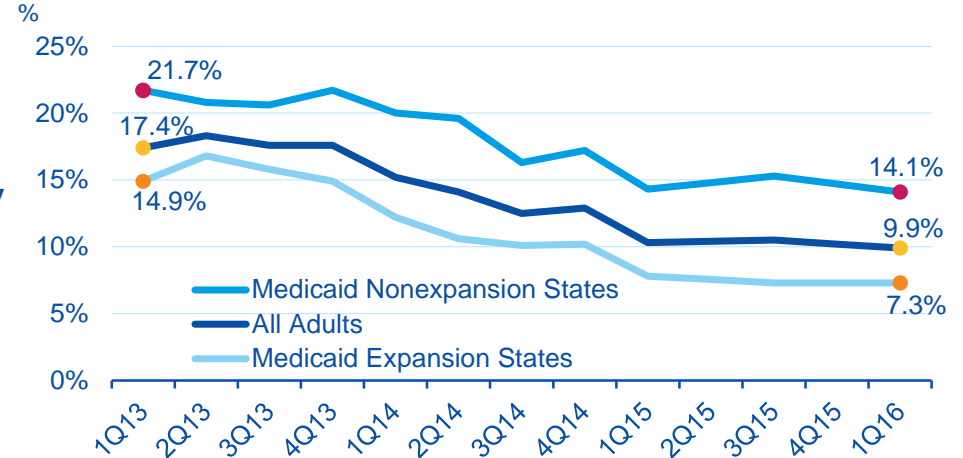




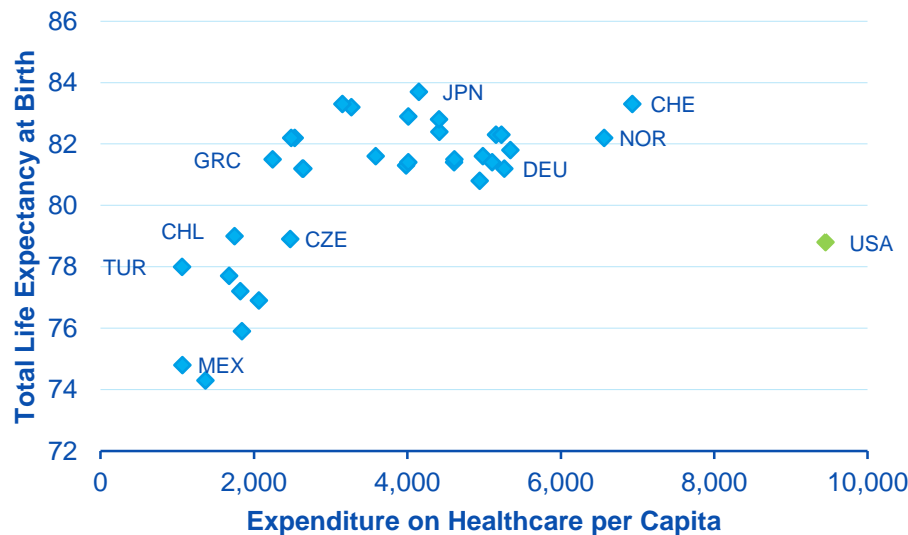
# Healthcare: Much to be done

- Insurance coverage growing after ACA, but reforms have yet to “bend the cost curve”
- Although per capita health spending is highest in OECD, outcomes compare poorly
- Looming healthcare crisis?

Uninsurance Rates for Adults Ages 18-64



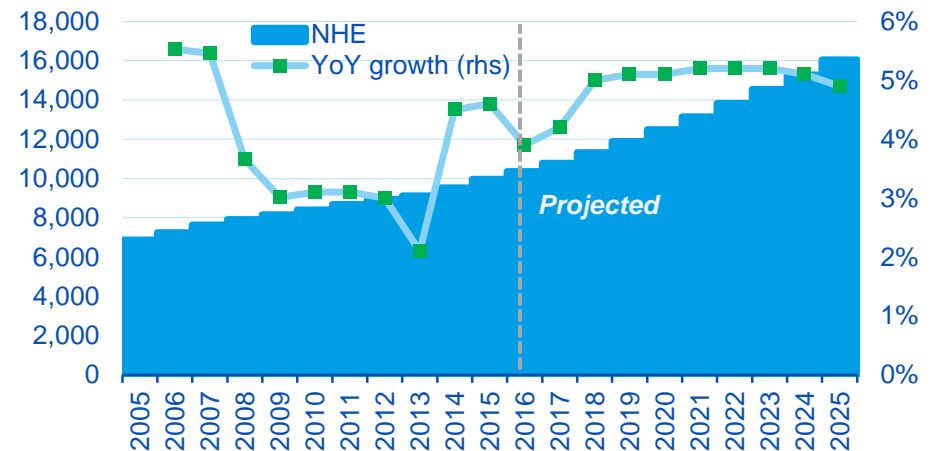
Health Expenditure and Life Expectancy in OECD Countries\*  
Current Prices (USD PPP), years



\*most recent available data used: life expectancy (2014), spending (2015)

Source: BBVA Research, OECD, Urban Institute & Center for Medicare and Medicaid Services

National Health Expenditures, Per Capita  
\$, YoY % change



# Polarization a risk to policy making

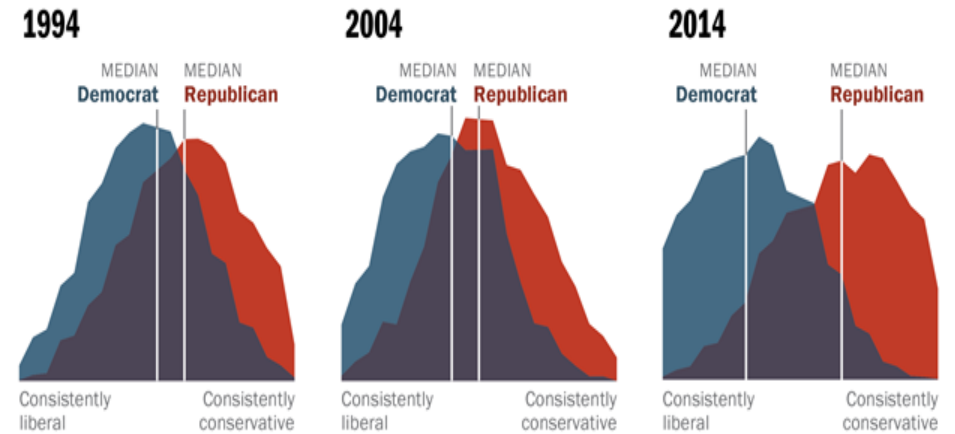
- Centripetal force pulling on party centers
- Some evidence that disparate outcomes are connected to political polarization
- Limited progress on structural reforms, as issues remain highly politicized

Ideological Priority %

	Republican	Democrat	Ind	R-D
Gun Policy	13	57	36	-44
Climate Change	14	55	41	-41
Environment	26	61	49	-35
Education	47	76	71	-29
Poor	34	63	59	-29
Criminal Justice Reform	32	49	47	-17
Job Situation	53	68	65	-15
Medicare	55	64	60	-9
Crime	54	62	56	-8
Health Care Costs	59	64	60	-5
Global Trade	33	28	32	5
Social Security	67	62	60	5
Economy	80	74	76	6
Taxation	52	40	45	12
Terrorism	87	73	70	14
Budget Deficits	70	48	54	22
Immigration	66	43	51	23
Military	76	33	53	43

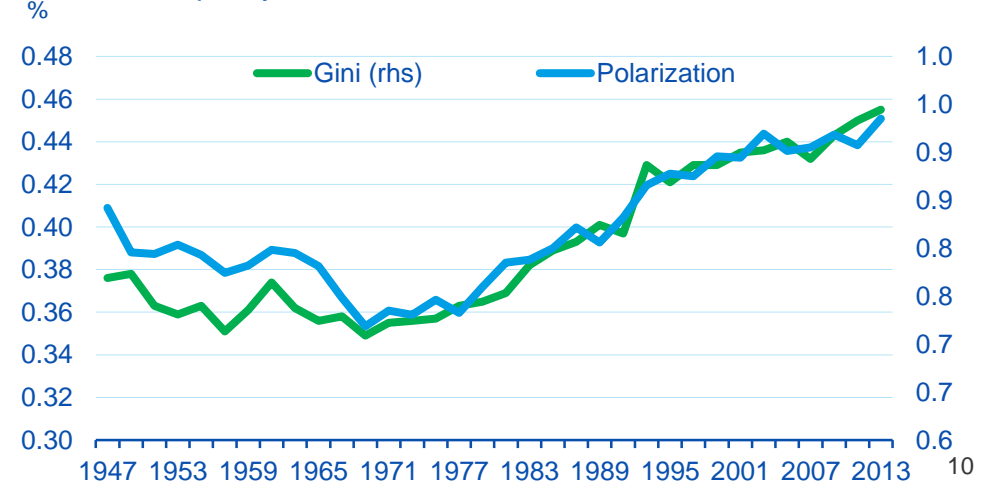
Source: BBVA Research, Pew Research Center & World Bank

Ideological Distribution



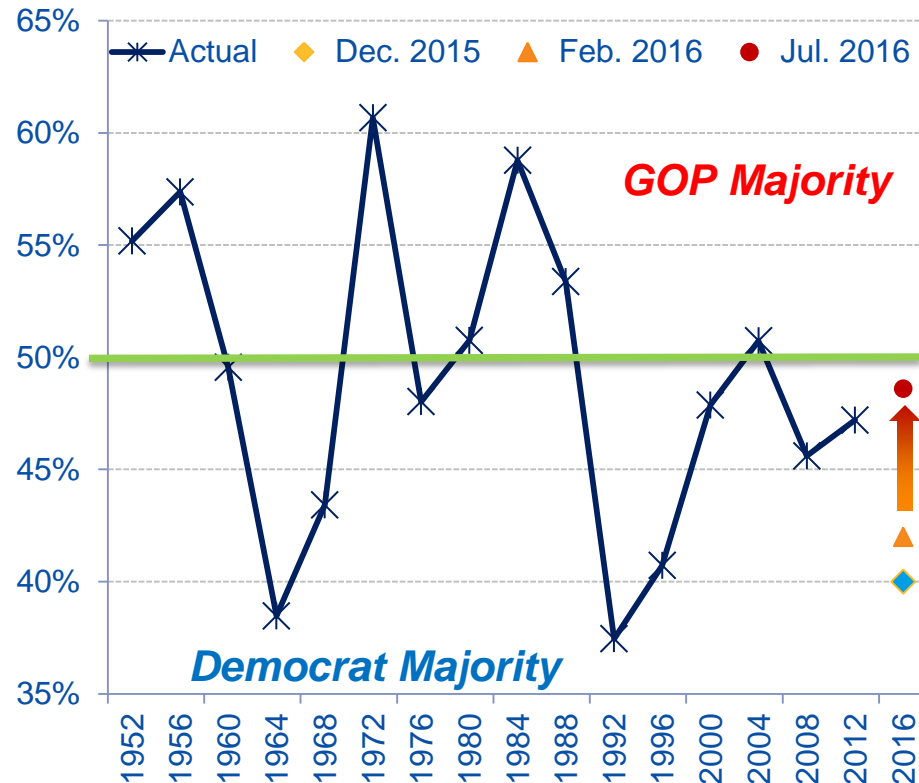
Source: 2014 Political Polarization in the American Public

Income Inequality & Polarization %



# Geopolitical tensions, financial turmoil and desire for “change” increase GOP chances

BBVA Research National Vote-Share Results\*



Democrat VP Candidate Probabilities

Candidate	Market	Odds
Tim Kaine	52%	30%
Elizabeth Warren	14%	19%
Tom Vilsack	13%	NA
Tom Perez	6%	7%
Julian Castro	4%	13%
Cory Booker	4%	10%
Bernie Sanders	2%	6%

\*Estimates based on linear vote-share regression (%)

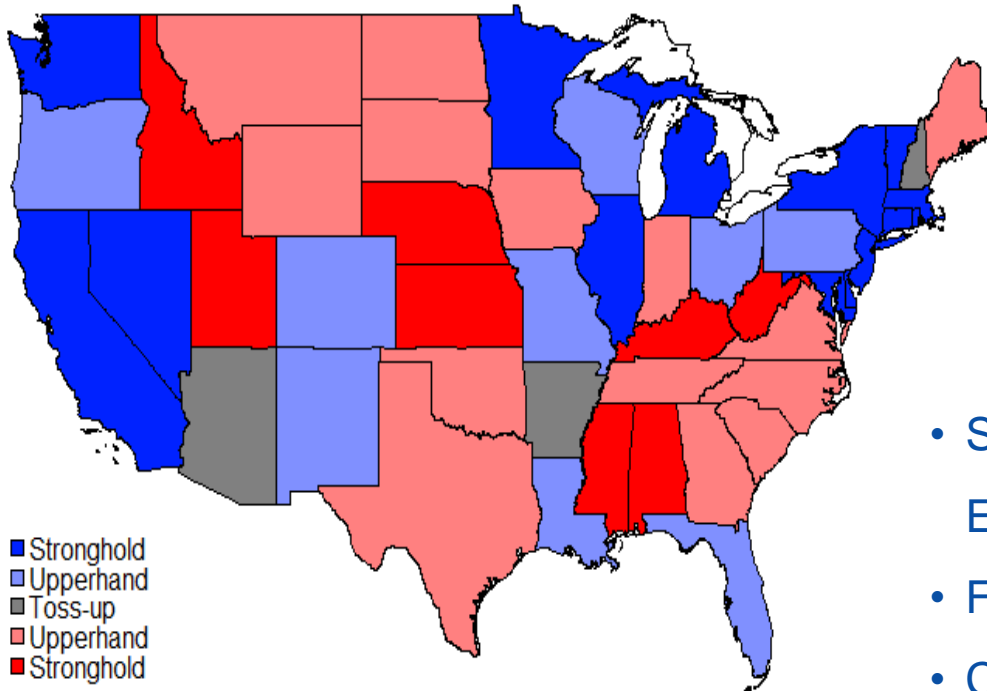
Last available  
Source: BBVA Research & PredictWise

# At state-level, Dems leading despite polling margins shrinking in key swing states

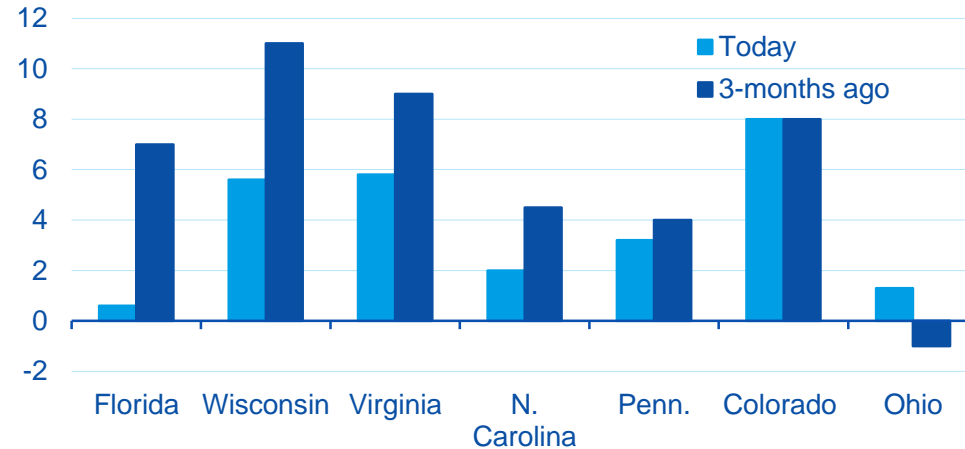
BBVA Research State Vote-Share Projection

**Dems**  
**323**

**GOP**  
**212**



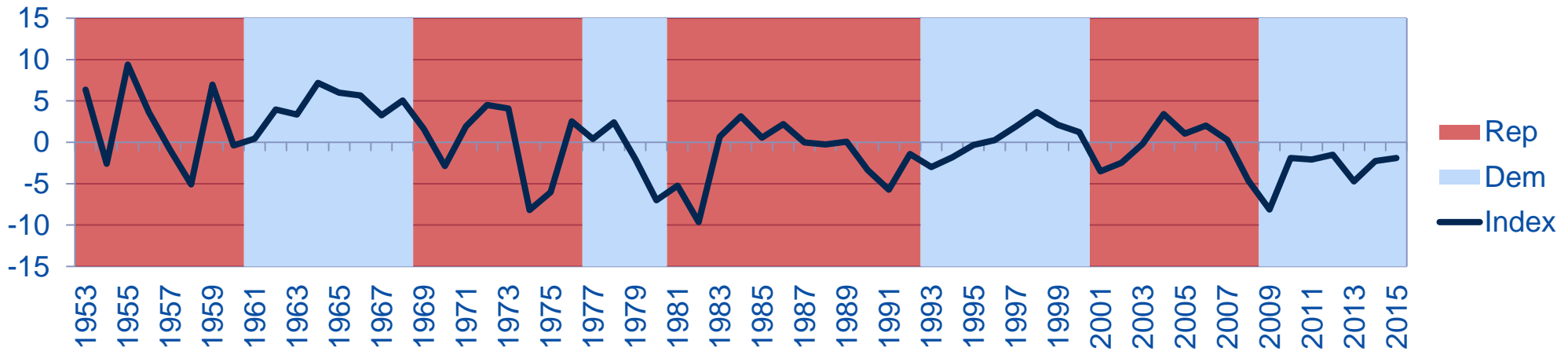
Polling Data (Clinton-Trump)



- State-level projections show Democrats gaining EC votes (318 (D) vs. 217(R) in February)
- Florida has seen largest shift in polling
- Current polling suggests Clinton leading in OH

# Doomsday scenario unlikely despite projections that candidates would imperil the economy

Economic Health Index, >0=better



Economic Performance

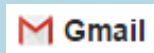
President 1953-2015	Real GDP Volatility	Real GDP % Growth	Unemployment Rate, %	Inflation, %	10-year Treasury, %	S&P500 % change	Real Income per capita, %	Payroll, % change	Home Ownership, %	Deficit % GDP	Debt % GDP	Income Inequality, Gini
Rep (36yrs)	2.3	2.8	5.9	3.9	6.7	6.6	2.0	1.4	65.5	-2.2	50.7	0.39
Dem (27yrs)	2.1	3.5	6.0	3.2	5.2	10.2	2.2	2.2	65.1	-2.5	62.2	0.40

## Previous Presidential Election Chartbooks

[https://www.bbva.com/wp-content/uploads/2016/03/Election-Chartbook\\_March-2016\\_Final3.pdf](https://www.bbva.com/wp-content/uploads/2016/03/Election-Chartbook_March-2016_Final3.pdf)

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