

Morgan Stanley Government Relations

2016 Election Results Report

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In an end to a highly contentious Presidential campaign driven less by substantive issues, and more by the personalities of the candidates, the American people have selected Donald J. Trump to lead their country over the coming four years. President-elect Trump, having secured at least 289 electoral votes, was declared the winner in the early hours of November 9. On January 20, 2017, he will be sworn in as the 45th President of the United States. He will enter into office facing a divided country, where many will be eager to see him deliver on his varied campaign promises, while others may oppose his every move.

While his victory speech presented a good start to the healing process that must now begin, his ability to unite the country behind his policies will be challenging in the coming months and years. However, his success in the electoral vote (he may, after all votes have been counted, still lose the popular vote), will also aid his policy agenda, as down ballot Republican victories in key states and districts ensured that Congress will remain in Republican control when the 115th Congress convenes. Below we walk you through the election results, providing a brief analysis of the outcome and what it portends for the national policy agenda going forward.

The Electoral and Popular Vote

As we approached Election Day, Mr. Trump not only faced a series of national polls that showed him trailing Mrs. Clinton by, on average, over three

percentage points, but also an electoral map that was daunting. When Americans headed to the polls, all indications were that it would be a close race, but certain advantages that Mrs. Clinton's campaign enjoyed would propel her to victory in the end. The electoral map clearly advantaged her campaign, where the path to the 270 electoral votes necessary to win, was aided by certain "firewall states" that have voted for the Democratic Presidential candidate in each of the last six elections. The ability to keep these 16 states within the firewall would clear, for her campaign, a number of pathways to victory, as she would start with 242 electoral votes with these states alone.

While all indications were that Mrs. Clinton was favored to maintain her advantage within this firewall of Democratic states, Mr. Trump nonetheless took his campaign to several of these states in the weeks leading to the election. That decision worked to his advantage, as he was able to win not only Wisconsin (11 electoral votes), but Pennsylvania (20 electoral votes) as well. When these two states were combined with Trump wins in traditional Republican strongholds (e.g., Indiana), as well as the battleground states of Florida, Ohio and North Carolina, it propelled him beyond the 270 votes he needed to win the Electoral vote.

While Mrs. Clinton's likely win in the popular vote should provide some consolation, Mr. Trump's ability to amass victories in the states he needed to reach 270 electoral votes, overshadows the popular vote count.

Congressional Results

Senate – Heading into 2016, the conventional wisdom was that Republicans would likely lose control of the Senate, where the party’s 54-46 margin was threatened by an outsized number of seats with which to defend (24 Republican seats versus 10 Democratic seats). The Senate map clearly favored Democratic candidates, with at least 11 Republican-held states considered vulnerable (Arizona, Florida, Illinois, Indiana, Iowa, Missouri, New Hampshire, North Carolina, Ohio, Pennsylvania and Wisconsin), while only one open Democratic seat was considered to be “in play” (Nevada).

Despite odds that favored a Democratic takeover of the Senate, Mr. Trump’s success yesterday in all of these Senate battleground states may have been the catalyst that propelled otherwise vulnerable Senators to victory. With victories in Pennsylvania (Toomey), Ohio (Portman), Indiana (Young), Missouri (Blount), North Carolina (Burr), Florida (Rubio), Wisconsin (Johnson), Georgia (Isakson), Arizona (McCain), and with New Hampshire remaining too close to call (Ayotte), the Republicans will experience a net loss of only one to two seats at most, allowing them to retain the majority. Thus, when the 115th Congress convenes, Sen. Mitch McConnell (R-KY), will return as the Majority Leader, and in charge of coordinating the Senate’s policy agenda with the Trump Administration. However, because the Republicans will remain far short of the 60 votes necessary to move legislation thorough the upper chamber, bi-partisanship will remain a goal, no matter how elusive, as policy initiatives will face little chance for passage in the absence thereof.

House – Republicans entered the 2016 election with a 246-186 majority (their largest margin since 1930) in the House, presenting a difficult 30 seat hurdle for the Democratic Party to overcome if it was to return to majority control. Even with a strong showing by Hillary Clinton, the conventional wisdom was that the Democratic Party could achieve sizeable gains, but still fall well short of the 30 seats necessary to regain control. Yet, as we entered into October, the sinking poll numbers for

Donald Trump led Democratic leaders to express optimism that an outsized win by Mrs. Clinton could yet propel them into the majority.

Any poll-driven tailwinds that Democratic leaders envisioned evaporated by late October, and on Election Day Republicans, again likely aided by Mr. Trump’s strong national showing, emerged with a majority of 237-192 (six seats remain too close to call) seats, ensuring that they will control the lower chamber when the 115th Congress convenes. As Republicans were successful in holding net losses to between 9 -15 seats, they ensured their majority for the next two years, controlling the Speaker’s Office, the Committee Chairmanships, and the House floor agenda when the 115th Congress convenes in January 2017.

The Trump Administration Transition and the 115th Congress

As the 115th Congress convenes on January 3, 2017, followed shortly thereafter by the inauguration of Donald Trump as President on January 20, the process of building out the President’s Administration will accelerate. While that process is underway within the Administration, Congress will begin to develop the policy agenda to reflect and further the promises and pronouncements made during the campaign. From the Affordable Care Act, to tax reform, to immigration reform, to infrastructure investment, Congress and the Administration are likely to hit the ground running in an attempt to meet certain first-100-day milestones. The one item that will most certainly dominate the first months of the 115th Congress is the nomination and confirmation of a new Supreme Court Justice.

In the coming days and weeks, the Trump transition team will be in high gear compiling and fine tuning lists of prospective cabinet members and senior people that will drive the Trump Administration agenda. From Treasury Secretary to Secretary of State to Attorney General to every independent agency across the U.S. government, a decision needs to be made and the position filled.

The individuals who have been closest to and most loyal to the Trump political organization seem most

likely to find senior roles in a newly formed Trump Administration. It is likely that prominent Trump loyalists, such as Newt Gingrich, Rudy Giuliani, Governor Chris Christie, Senator Jeff Sessions, Senator Bob Corker, Trump Finance Chairman Steve Mnuchin, Lt. General Michael Flynn, UN Ambassador John Bolton and potentially some of his immediate family may be a major part of the Trump Administration.

In the early months of 2017, this group, and other political appointees that will fill out the government, will also begin a comprehensive review of the eight years of the Obama regulatory agenda and will look to move forward on a significant amount of revision and modification across the existing administrative and regulatory

landscape. Every cabinet member and agency head will be charged to review and prioritize the regulations that need to be revisited. Republican Senate and congressional committee leadership will also be focused on the same.

With the Republicans controlling both the White House and the Congress, with the exception of funding the government through September 2017, we do not expect much to occur in the final days of November/December lame-duck session. All eyes will be looking forward to the Trump administration taking over in January. As we approach the end of this Congress, we will put forth a more substantive Outlook Report that focuses, in more depth, on the new players and the policy agenda we anticipate in the coming year.

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