



THE CHAOS CONTINUES



37 days



95 days



765 days

How a Close Election, Fraught Lame Duck & Very New Congress Promise More Disruption in DC

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THE CHAOS CONTINUES

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QUOTH THE MAVENS

Big Data Models See House at Risk, Senate Safer (& Hillary President)

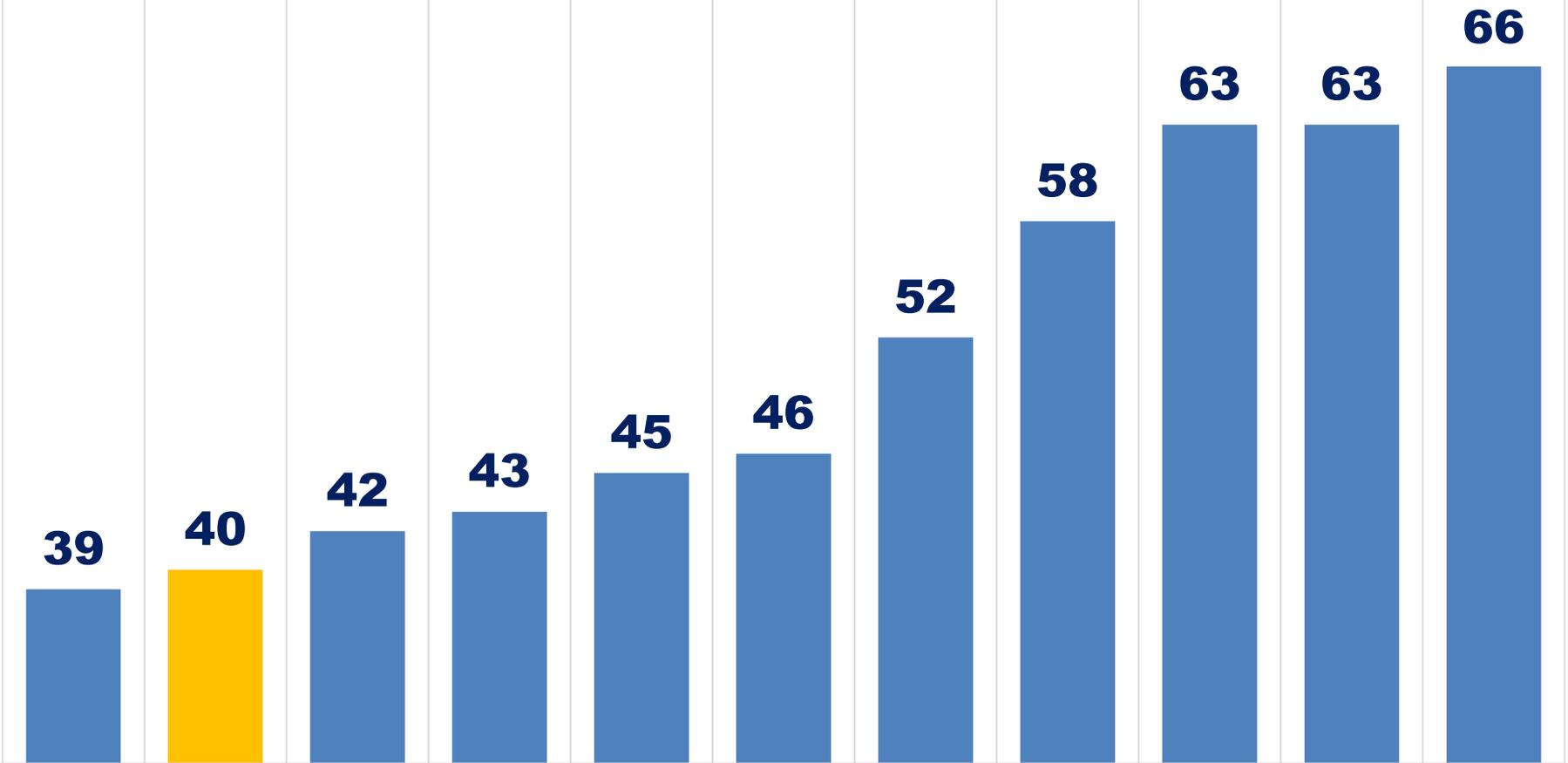
**Senate
GOP**

Odds Democrats Win...		
HOUSE	Forecaster	SENATE
80%	 FiveThirtyEight	31%
78%	 IEM Iowa Electronic Markets	27%
68%	 PredictIt Let's Play Politics™	34%



House GOP

PRESIDENTIAL APPROVAL CONSISTENT w/ PRIOR WAVES



	2006	2018	2014	1982	2010	1994	1978	1990	1986	2002	1998
H	-30	?	-13	-26	-63	-54	-15	-8	-5	+8	+5
S	-6	?	-9	0	-6	-9	-2	-1	-8	+1	0

Chamber lost

Already in minority

MEHLMAN CASTAGNETTI
ROSEN & THOMAS

Chamber gained

OTHER KEY ELECTION INDICATORS MIXED

FAVORING GOP

Economy

Red States & CDs

Electorate

(Midterms historically older, less diverse)

FAVORING DEMS

Recruiting

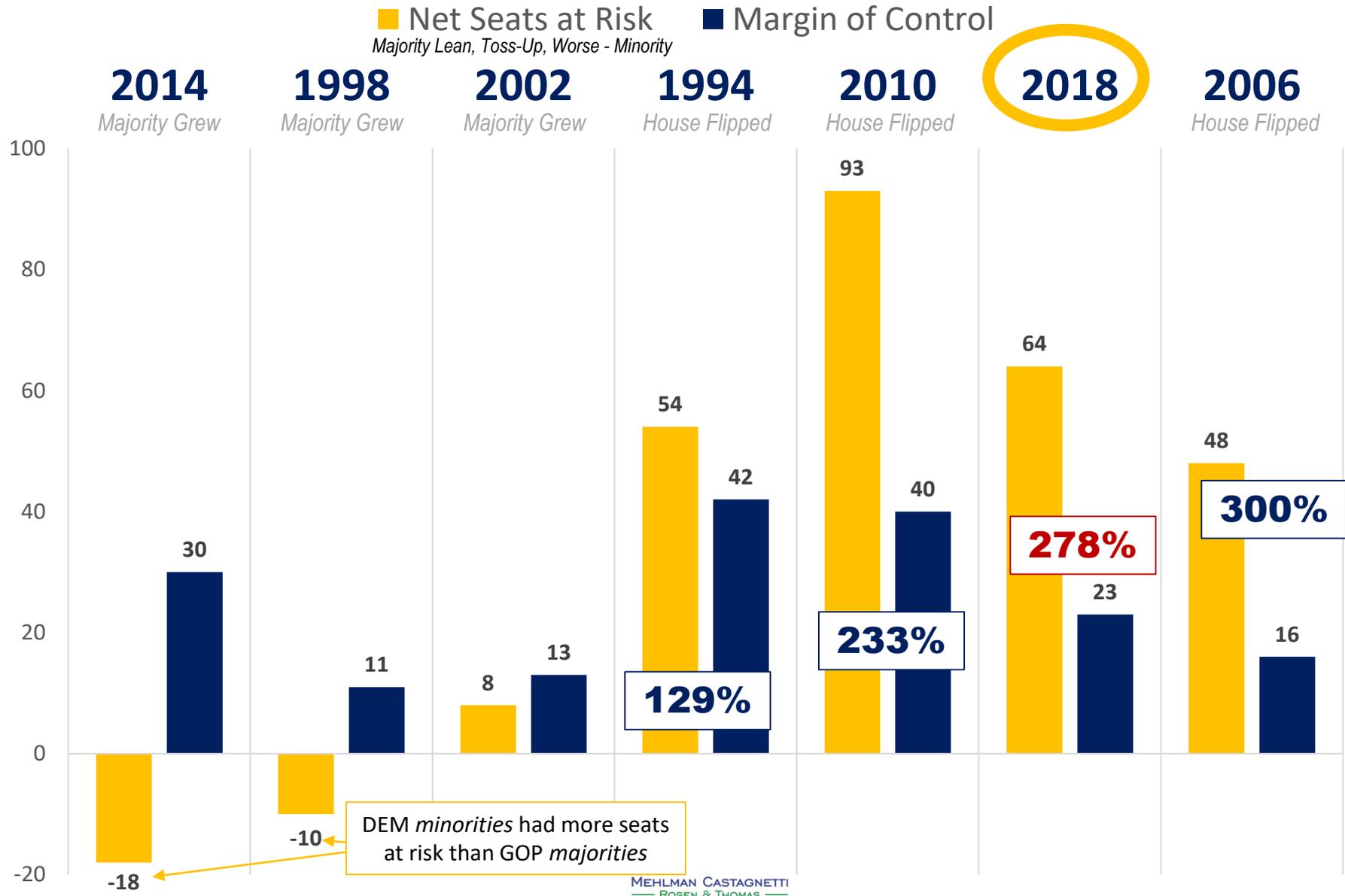
“Generic Ballot”

Turnout in Primaries

	1994	1998	2002	2006	2010	2014	2018
Congressional Control Preference <i>(NBC/WSJ)</i>	R+6	R+1	Even	D+9	Even	R+2	D+12
Recruited More House Candidates <i>(FEC)</i>	R+11%	R+1%	R+4%	D+12%	R+51%	R+21%	D+24%
Primary Turnout Advantage <i>(NBC)</i>	+2.2M	+1.2M	+1.2M	+3.0M	+4.9M	+2.1M	+4.3M
Very Satisfied with U.S. Economy <i>(NBC/WSJ)</i>	4%	27%	4%	10%	3%	4%	26%
Consumer Confidence <i>(U. Michigan, Nov.)</i>	91.6	102.7	84.2	92.1	71.6	88.8	100.1

HOUSE MAJORITY VERY VULNERABLE

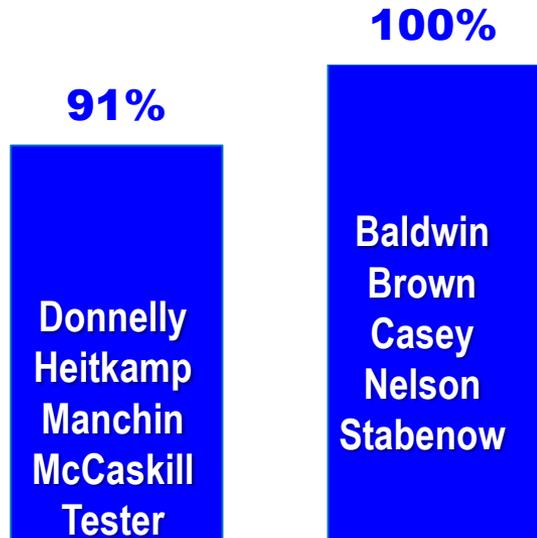
Seats-At-Risk-to-Margin Ratio High



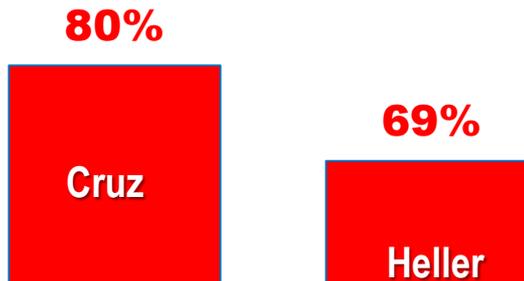
BUT... OUT-PARTY INCUMBENTS RARELY LOSE

Historical Winning Percentages in Modern Midterms (1978-2014)

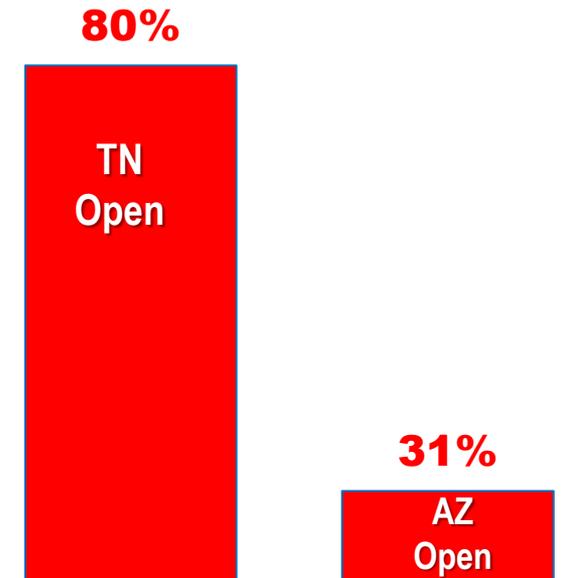
OUT-PARTY INCUMBENTS



IN-PARTY INCUMBENTS



IN-PARTY OPEN SEATS



State Voted
For POTUS
(10+)

State Voted
For POTUS
(0-10)

State Voted
For POTUS
(0-10)

State Voted
Against
POTUS

State Voted
For POTUS
(10+)

State Voted
For POTUS
(0-10)

BUT, BUT, BUT... IT'S ALL ABOUT TURNOUT

% Absolutely Certain They Will Vote

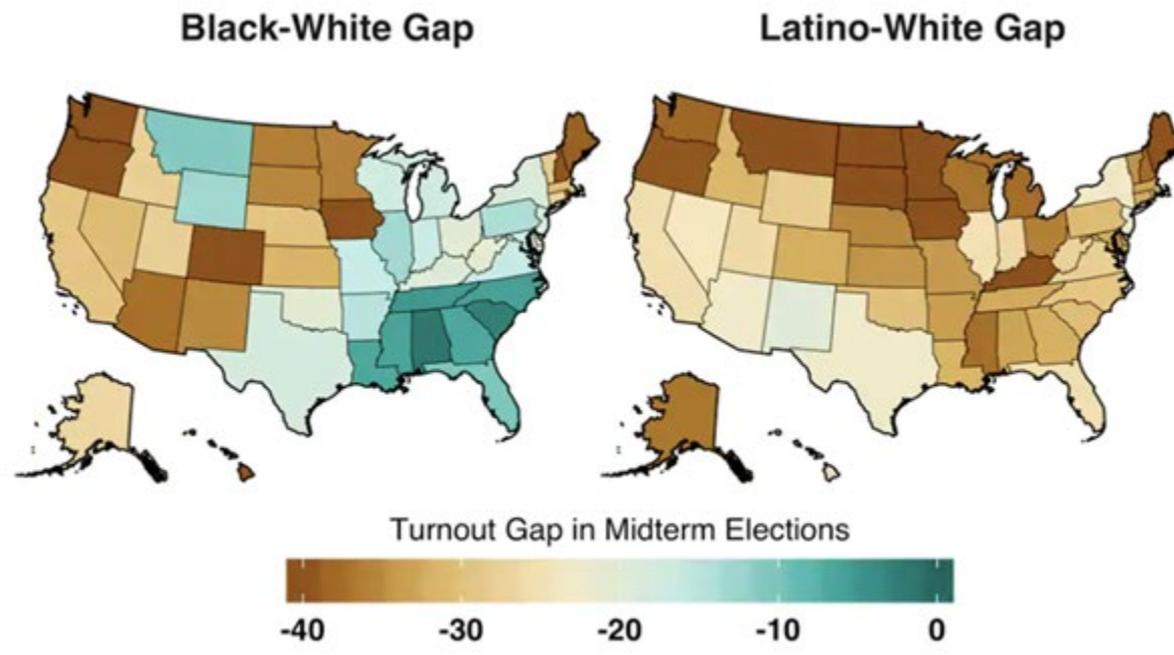
TRADITIONAL DEM CONSTITUENCIES

TRADITIONAL GOP CONSTITUENCIES

Afr. Am.	Hispanics	18-29	Dems
66%	27%	26%	63%

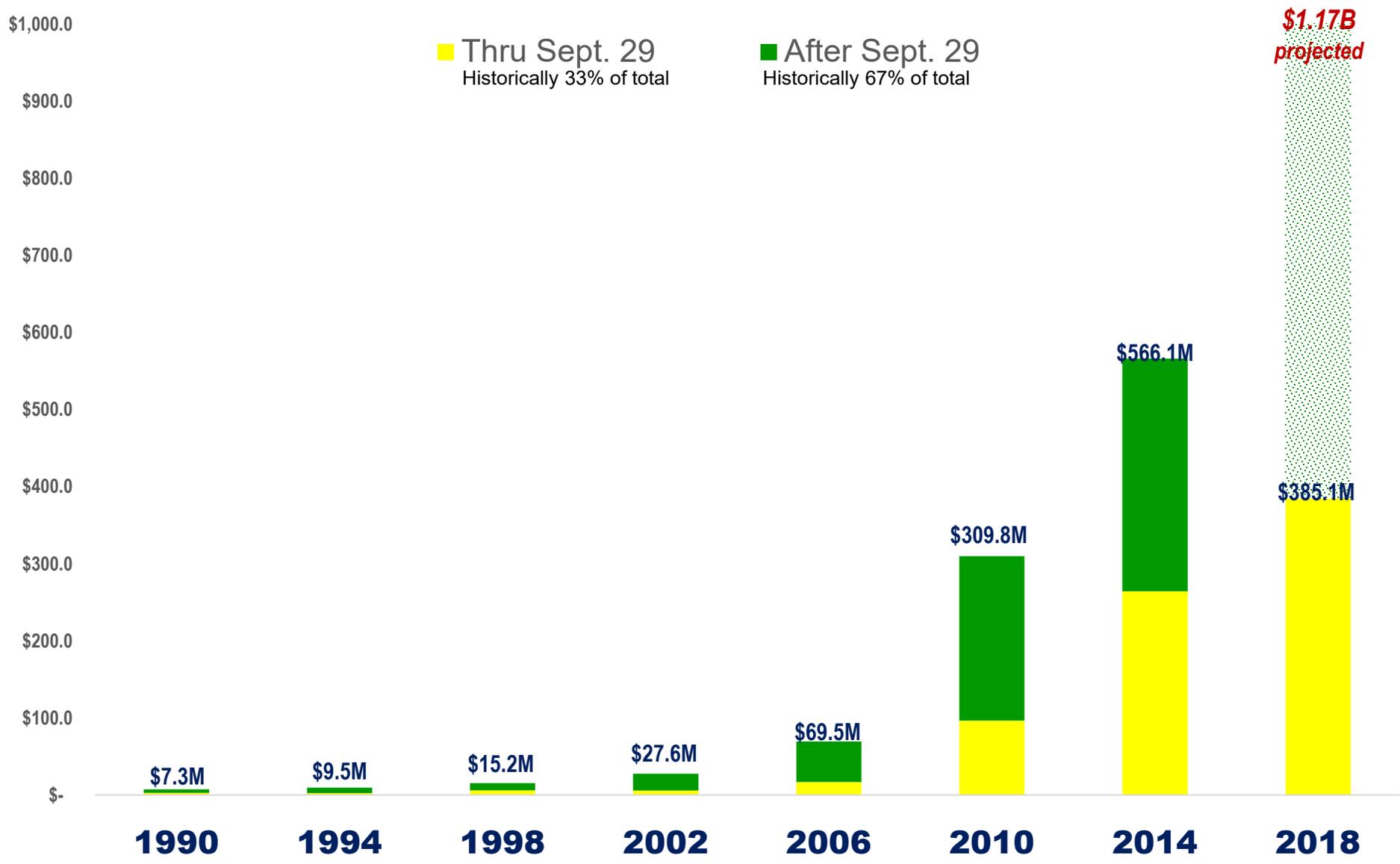
Whites	50-64	65+	Reps
65%	69%	82%	65%

Source: Gallup, Sept. 28



PARTIES GETTING WEAKER, ROBBER BARONS STRONGER

Record Outside Spending in a Midterm Election



Source: [OpenSecrets](https://www.opensecrets.org) (FEC) excluding Party Committee independent units

The Future of the 115th Congress

Four Key Questions

Nov. 7, 2018 – Jan. 2, 2019



#1. WILL ELECTION RESULTS BE CONTESTED?

The Losing Side May Not Accept Defeat Quietly

Democrats Allege GOP Illegalities in Every Election



Likely to Blame:

- 1. Russian Hackers**
- 2. Elbridge Gerry (Gerrymandering)**
- 3. Billionaires**
- 4. Voter suppression**



Licensed from AP

President Trump Alleged Widespread Fraud in an Election He Won...



Likely to Blame:

- 1. Media (MSM, Social)**
- 2. The Deep State**
- 3. Illegal Immigrants**
- 4. Chinese Hackers**

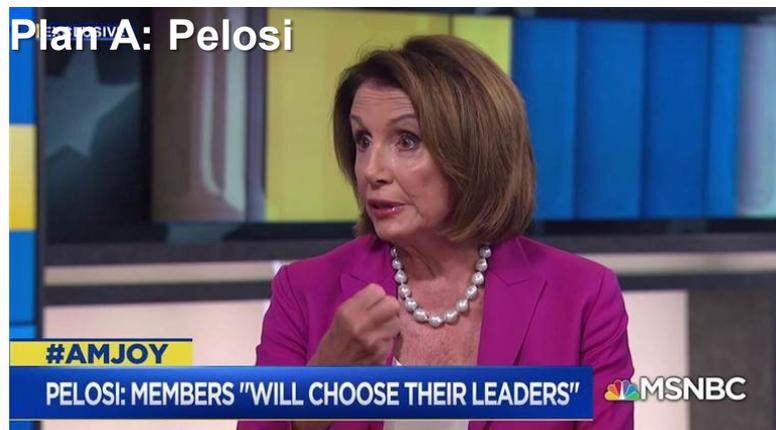
#2. HOW COMPLETE THE REVOLUTIONS?

The Next Battles in the Parties' Civil Wars

Both Nancy Pelosi (D) & Kevin McCarthy (R) have majorities for Speaker.
Neither may have 218 votes.

DEMOCRATS

Plan A: Pelosi



Plan B: ???



REPUBLICANS

Plan A: McCarthy



Plan B



Plan C



#3. WHAT REMAINS FOR THE 115TH CONGRESS?

Battles Over Wall-Funding & Nominees Likely

1. Funding Government Past 12/7

- Continuing resolution expires
- Pres. Trump may veto spending bill that fails to significantly fund border wall.



2. 154 Nominees awaiting Senate Confirmation (on Executive Calendar)

3. Farm Bill / Food Assistance (SNAP)

4. Intelligence Reauthorization

5. Nat'l Flood Insurance Program

6. Higher Education Act

7. Tax Extenders & Technical corrections

8. IRS Reforms

9. Election Security

10. Violence Against Women Act

** Opioids & WRDA Bills (expected to pass pre-election)

#4. WHAT PROBES, PURGES, PARDONS & PARTINGS?

Mueller Report Expected



Firings Widely-Rumored



Post-Election Turnover?



End of Year Pardons?



PAST PERFORMANCE IS NO GUARANTEE... BUT...

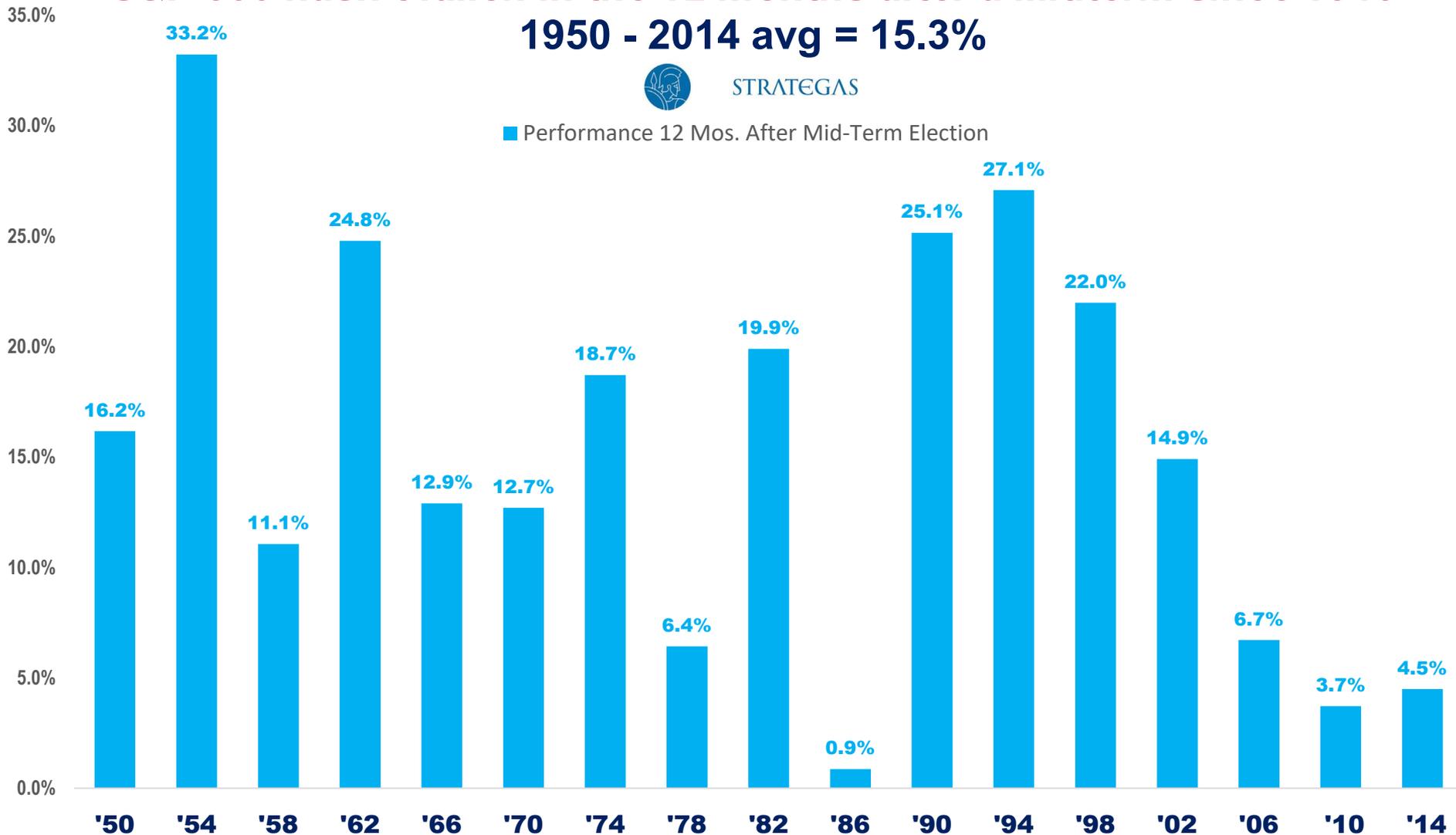
S&P 500 hasn't fallen in the 12 months after a Midterm since 1946

1950 - 2014 avg = 15.3%



STRATEGAS

■ Performance 12 Mos. After Mid-Term Election





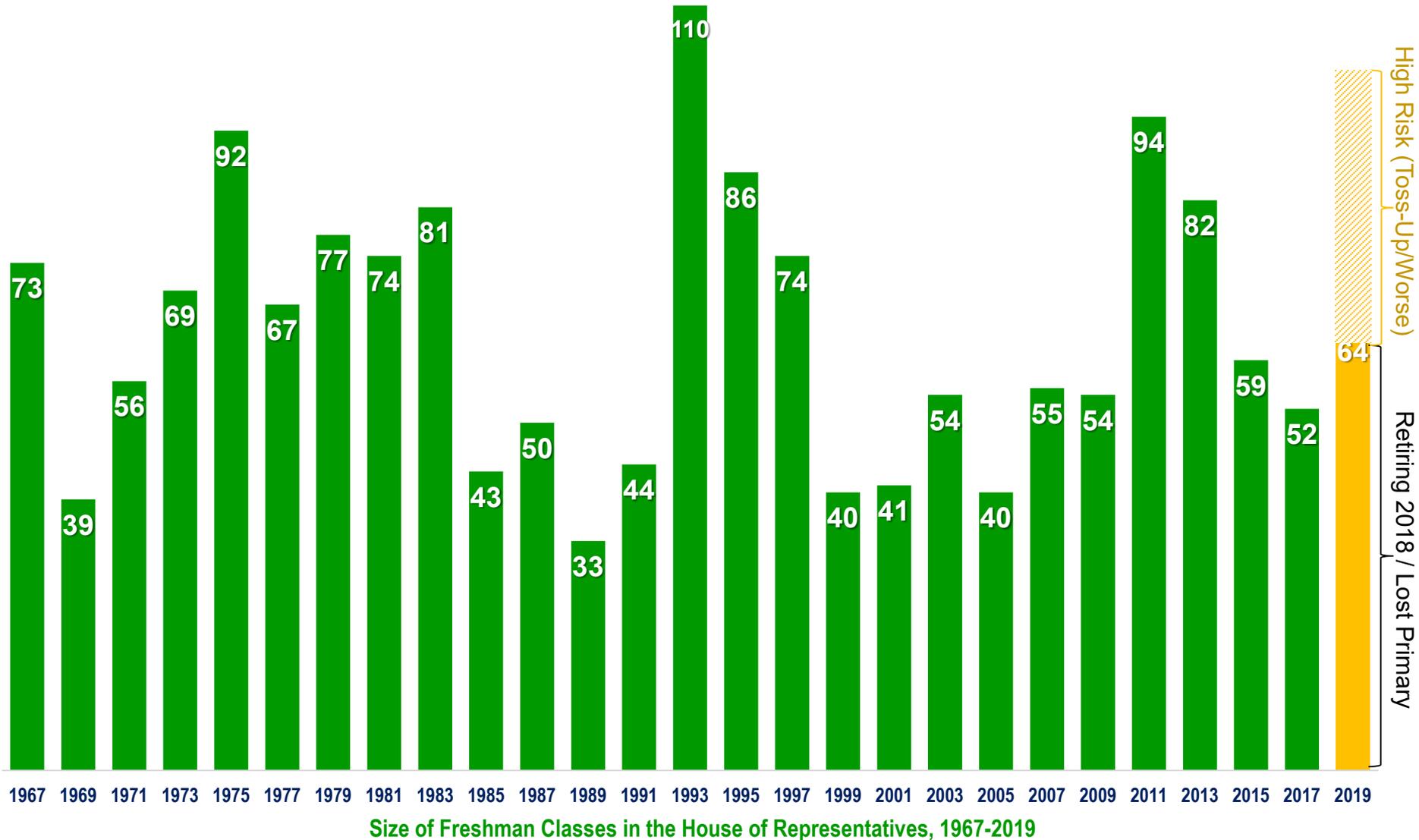
The 116th Congress

Brand New Congress, Same Old Challenges

Jan. 3, 2019 – Nov. 3, 2020

15%-25% OF THE HOUSE WILL BE NEW

Freshmen Classes 1967-2019



Size of Freshman Classes in the House of Representatives, 1967-2019

MAJOR TURNOVER IN COMMITTEE LEADERSHIP

Term Limits & Retirements Guarantee Changes, Others May Lose

	1980	1982	1984	1986	1988	1990	1992	1994	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014	2016	2018
# Departing House Chairs	6	1	2	2	3	2	5	7	4	2	5	3	2	8	3	5	2	4	3	10

HOUSE COMMITTEES WITH NEW CHAIRS / RANKING MEMBERS

Administration
 Appropriations
 Financial Services
 Foreign Affairs
 Homeland Security
 Judiciary
 Oversight & Government Reform
 Space, Science & Technology
 Small Business
 Transportation & Infrastructure
 Veterans' Affairs

SENATE COMMITTEES WITH NEW CHAIRS / RANKING MEMBERS

Commerce, Science & Transportation
Commerce, Science & Transportation
 Finance
 Foreign Relations
Homeland Security

Italics = Toss Up race

EXPECT TRUMP ADMINISTRATION TO DOUBLE DOWN

STYLE

(Disruptor)

- Proudly politically-incorrect
- Intentionally unpredictable
- Media-obsessed
- Speaking direct to public



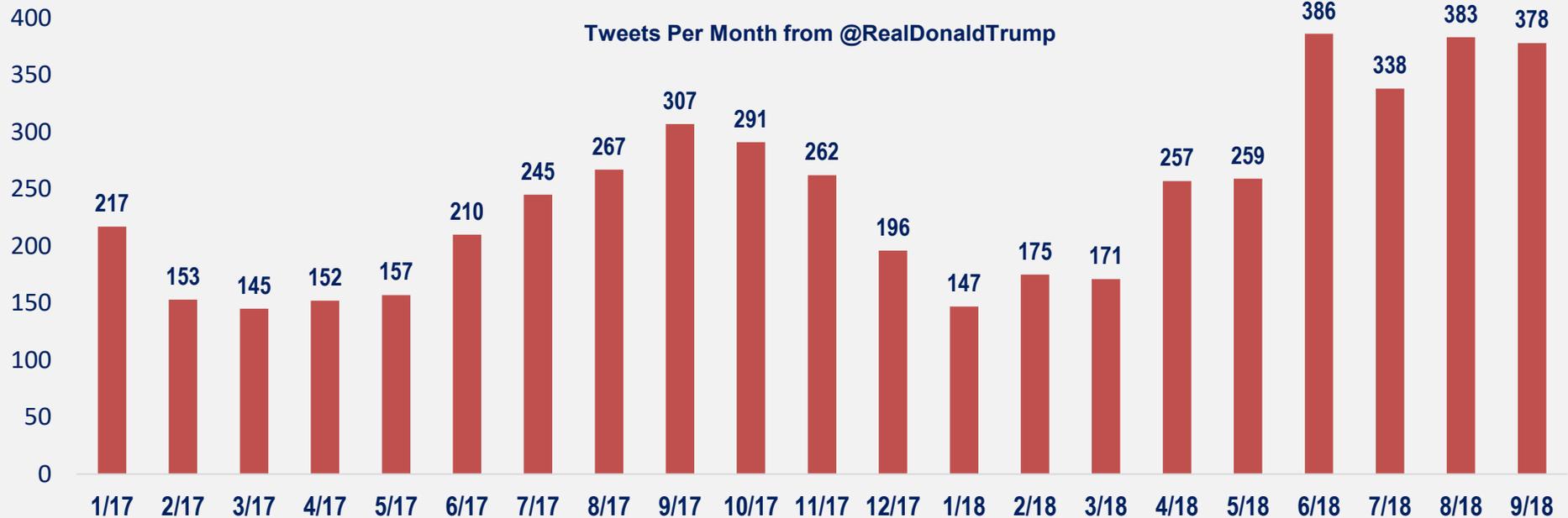
SUBSTANCE

(Doing what he promised)

- Remaking global trade
- Controlling immigration
- Ending ObamaCare
- Rebuilding infrastructure

THERE WILL BE TWEETS

Tweets Per Month from @realDonaldTrump



WHAT A DEM-LED HOUSE WILL DO

Aggressive Oversight

- Trump (*campaign, business +*)
- Cabinet & Agencies
- Investigating Industries
 - CEO Pay
 - Board diversity
 - Antitrust
 - LGBTQ rights
 - Health costs
 - Net Neutrality
 - Climate
 - #MeToo



Stop / Reverse Trump

- Block Deregulation (*Labor Environment, Banking*)
- Protect / Save ACA
- Undo Tax (*Corp rate, SALT*)
- Block Judges / Noms (*If Dems take the Senate*)



Potential Deals

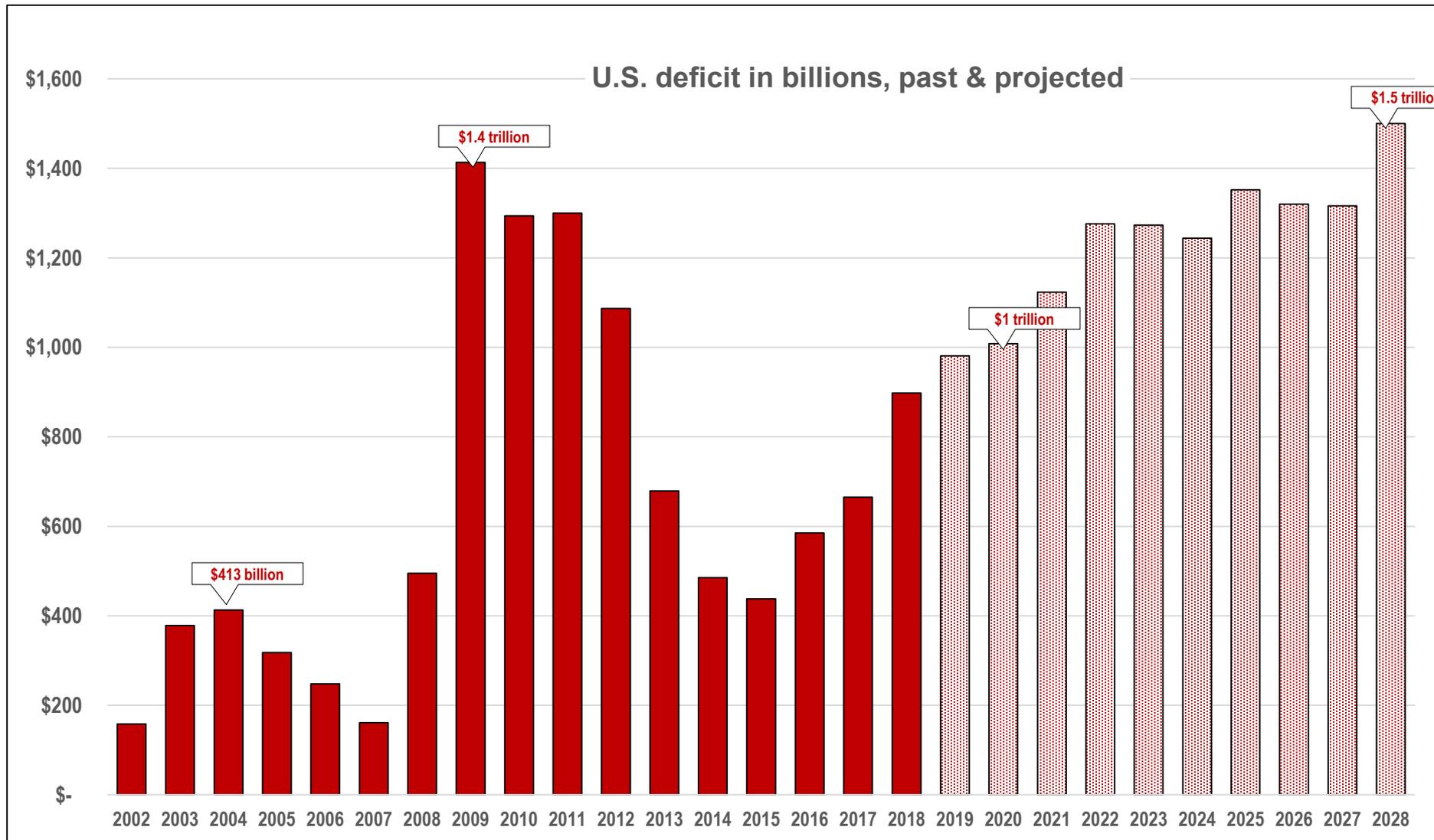
- Infrastructure
- Rx Prices
- Trade / USMCA & China
- Carried Interest
- Techlash (*Privacy, Antitrust*)

Rally the Base

- Immigration/ Dreamers
- Ethics Reform
- Gun control
- Pay Equality
- Voting Rights
- Medicare for All

DEBT CEILING FIGHT RETURNS Q1 2019

***Congress Must Increase Debt Ceiling in 2019,
As PAYGO is Re-imposed & Trillion \$\$ Deficits Return***



COMPANIES WILL FACE EVEN MORE PRESSURE

Social Issues Increasingly Inescapable, Fraught With Peril & Promise

New Accountability



New Opportunities



New Audiences



New Risks



2020 SENATE: CAN IT FUNCTION?

Intense Kavanaugh Confirmation Acrimony Will Linger

Rules Require Compromises, Politics Prevent Them

116th SENATE BY THE NUMBERS

0-1: Likely margin of control

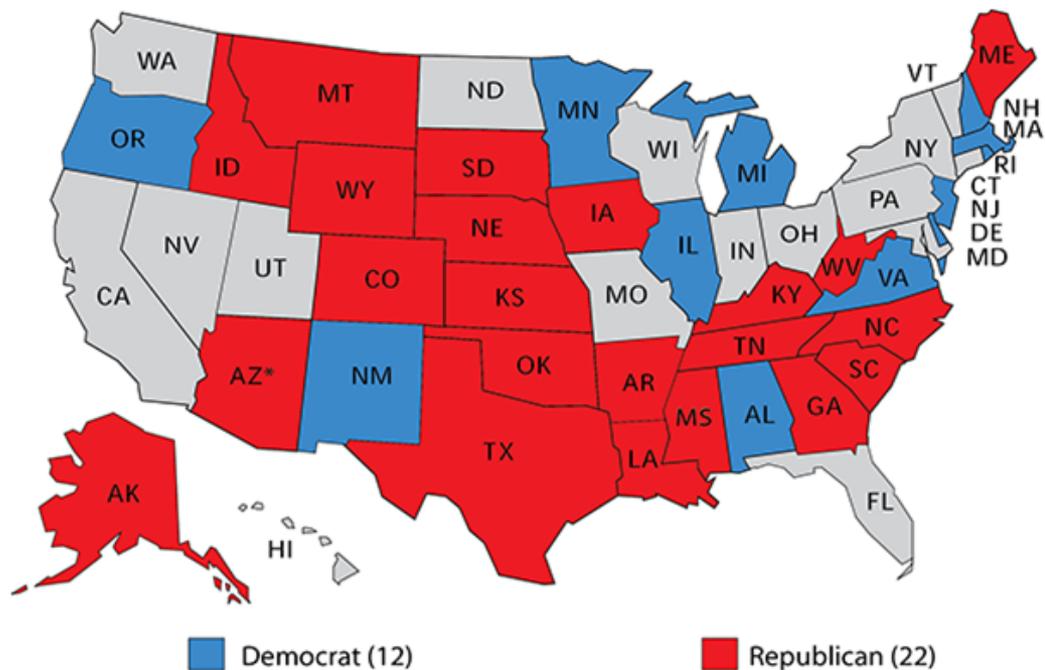
9+: Dem Sens may be running for WH

12: Seats defended by Democrats
(2 in Trump '16 states: AL, MI)
(4 in swing states: MN, NH, NM, VA)

22: Seats defended by Republicans
(2 in Clinton '16 states: CO, ME)
(4 in swing states: AZ, GA, IA, NC)
(1 Majority Leader)

0: States split 2016 Sen/Pres. vote

2020 Senate races, shaded by current party control



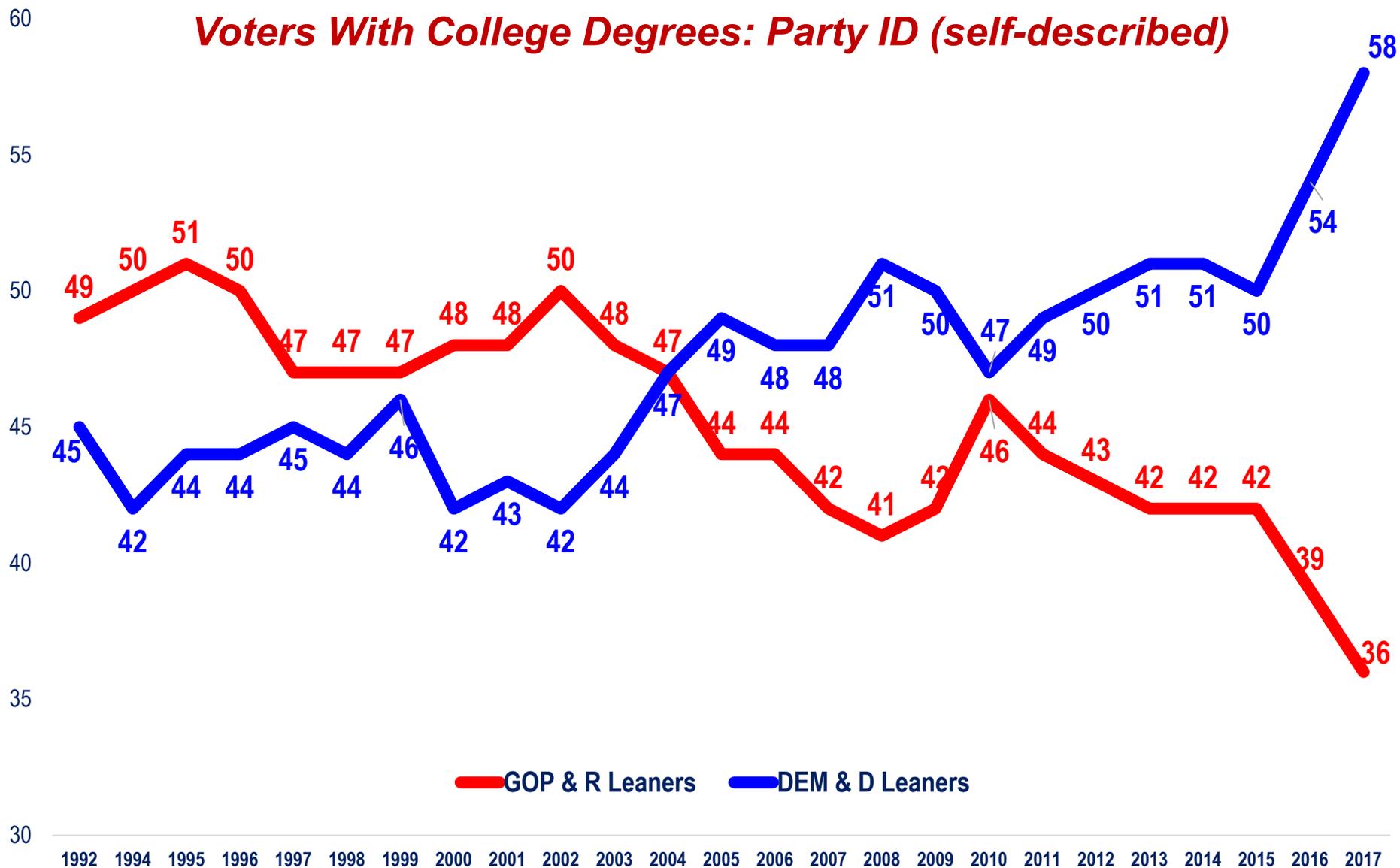


The Road to 2020



FUTURE OF THE GOP #1: LESS COLLEGE

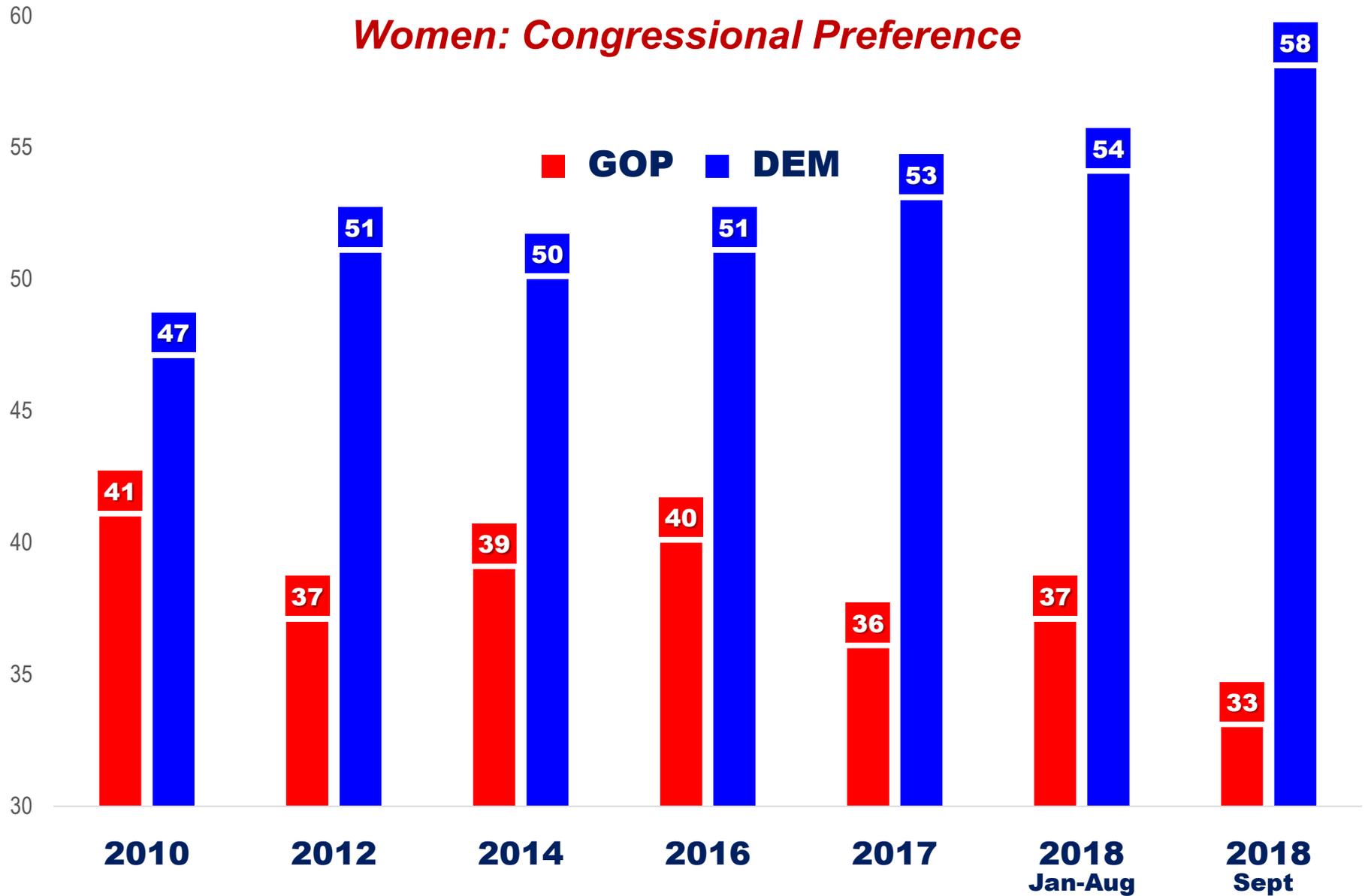
Voters With College Degrees: Party ID (self-described)



MEHLMAN CASTAGNETTI
ROSEN & THOMAS

FUTURE OF THE GOP #2: FEWER WOMEN

Women: Congressional Preference



2020 BEGINS: HAIL TO THE CHIEF

It's Trump's Party

(He Can Tweet If He Wants To)

90% likely



No incumbent Republican President ever failed to win re-nomination.

(Major challengers in 1912, 1932, 1976 & 1992 all failed)

Take Back the Right

(What Would Reagan Do)

9% likely

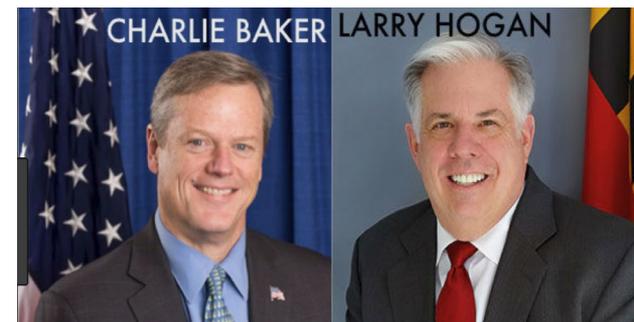


Insurgent runs as “truer conservative” (Reagan 1976)
(e.g. UN Amb. Nikki Haley, Sens. Ben Sasse, Marco Rubio, Ted Cruz)

Rockefeller Restoration

(Return of Kinder, Gentler)

1% likely



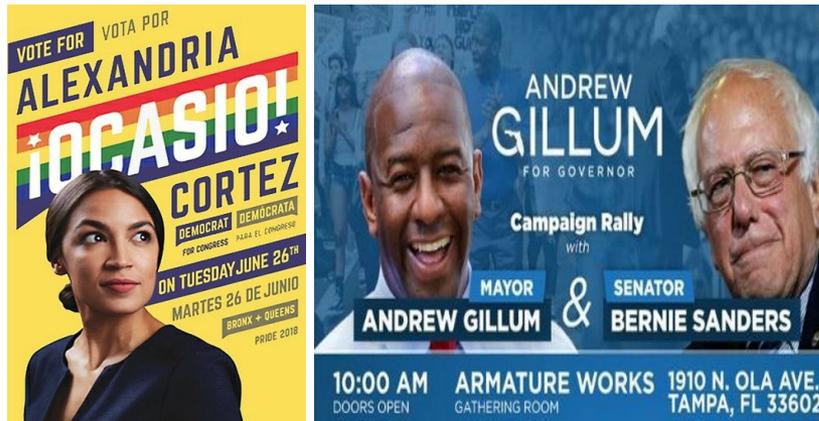
GOP turns to popular moderate with proven record (Eisenhower 1952)
(e.g. Governors John Kasich, Larry Hogan or Charlie Baker)

FUTURE OF THE DEMOCRATS: '18 DETERMINES '20

A Tale of Two Democratic Parties

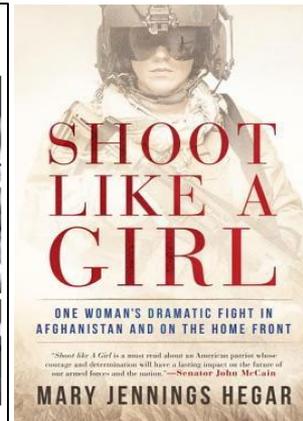
LEFTWARD HO!

(Party of the Popular Vote)



WIN BACK "REAGAN DEMOCRATS"

(Party of the Electoral College)



Do You Think President Trump should be impeached & removed from office, or not?

Liberal		Moderate
74%	YES	39%
17%	NO	41%

2020 BEGINS: WHICH DEMOCRATS AREN'T RUNNING?

DISRUPTERS ↑

ESTABLISHMENT ↓



B. Sanders



E. Garcetti



B. O'Rourke



T. Steyer



M. Bloomberg



K. Harris



J. Castro



H. Schultz



J. Delaney



E. Warren



S. Brown



O. Winfrey



T. Ryan



S. Bullock



C. Booker



A. Klobuchar



M. Landrieu



J. Hickenlooper



E. Holder



K. Gillibrand



D. Patrick



J. Biden



T. McAuliffe

MORE



PROGRESSIVITY



LESS

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