

July 23, 2024

WASHINGTON POLICY STRATEGY

Potomac Perspective

Brian Gardner
Chief Washington Policy Strategist
bgardner@stifel.com



On Sunday, President Joe Biden did what many had expected and dropped his reelection bid. Vice President Kamala Harris followed that by announcing that she will run for the Democratic nomination. We think there is a good chance that she could effectively wrap up this process within the next 48 hours. The nomination is Harris's to lose.

Despite a likely jolt of adrenaline for Democrats, we do not think Sunday's announcement and Harris's likely nomination change the probable outcome of the presidential election. Donald Trump is still the favorite and the "Trump trade" remains in place.

In the wake of President Biden's decision to drop his reelection campaign, we think Vice President Harris is the likely Democratic nominee. Despite calls by some Democrats for an "open process," we believe that she could effectively secure the nomination within the next 48 hours.

Many Democrats have already endorsed Ms. Harris and party support appears to be coalescing around her campaign. So far, no serious rival has stepped forward, and we are skeptical that any legitimate threat to her will emerge. Ms. Harris possesses some big advantages, especially the ability to inherit the Biden campaign infrastructure and its funding. Other Democrats will struggle to organize a campaign and raise money in such a short period of time. Only Harris possesses these advantages, which is why we always thought she would succeed Mr. Biden as the Democratic Party's nominee in the event he decided to step aside. Furthermore, Democrats who think Mr. Trump is likely to win the election might decide that it would be better for their political careers to sit this one out and run in 2028.

If nominated, Harris will have to choose a running mate. Although we doubt that vice presidential candidates make a difference in an election, we think Ms. Harris would have two options in picking her running mate. She could opt to try and energize the base and lean into cultural issues such as reproductive rights, or she could try to regain working class voters, which Democrats have been losing, by picking a moderate candidate who has a record of winning in Republican areas. It is too soon to know which option she will pick, but it probably will not matter.

In the general election, we still view Donald Trump as front runner. Ms. Harris might enjoy a boost in the polls over the next few weeks as Democrats feel reinvigorated by the change in the top of the ticket, but we think any bump could be temporary as the Trump campaign pivots and runs attack ads focused on Ms. Harris. Her role as the Biden administration's point person on the border is likely to be featured in Republicans ads and will be one of several challenges for her campaign. In our view, Harris will struggle to win Sun Belt states, and she will have no room for error in the Rust Belt states. Mr. Trump has more paths to victory than will Ms. Harris.

With Mr. Trump continuing as the frontrunner, we think the "Trump trade" will remain in place. Small caps should do well as a hedge on a potential tariff war that could negatively impact larger firms with international exposure.

As for Ms. Harris's policies, some might think tech could be a winner given her connections to Silicon Valley from her time as a Senator representing California. However, if she were to win the presidency, we doubt she would have the same relationship with

STIFEL

the sector. We also think the Federal Trade Commission and the Department of Justice would continue antitrust enforcement actions against the industry. To illustrate our point, we note that as a Senator from Delaware, Joe Biden was seen as close with the credit card industry, but we doubt that anyone would say that Biden has been friendly to the industry as president.

SUBSCRIBE TO OUR PODCAST!



Season 3 of the Potomac Perspective podcast is underway. To access a broader discussion of these and other topics, please download and listen to the latest episode of our [Potomac Perspective podcast](#).

DISCLAIMER

This material is prepared by the Washington Policy Strategy Group of Stifel, Nicolaus & Company, Incorporated (“Stifel”). This material is for informational purposes only and is not an offer or solicitation to purchase or sell any security or instrument or to participate in any trading strategy discussed herein. The information contained is taken from sources believed to be reliable but is not guaranteed by Stifel as to accuracy or completeness. The opinions expressed are those of the Washington Policy Strategy Group and may differ from those of other departments that produce similar material and are current as of the date of this publication and are subject to change without notice. Past performance is not necessarily a guide to future performance. Stifel does not provide accounting, tax or legal advice and clients are advised to consult with their accounting, tax or legal advisors prior to making any investment decision. Additional Information Available Upon Request. Stifel Nicolaus & Company, Incorporated is a broker-dealer registered with the United States Securities and Exchange Commission and is a member FINRA, NYSE & SIPC. © 2024