

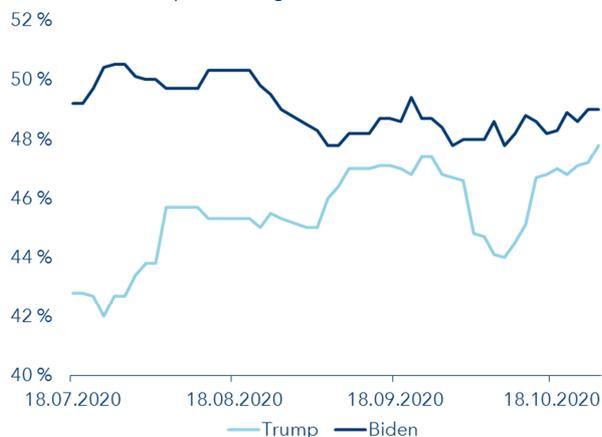
US Presidential Elections: Final vote count may take some time

News from the financial markets

The latest polls portend a clear victory for Joe Biden. But it is by no means sure who will actually be elected the next president of the United States. And the road to determining the final outcome could be a rocky one. Due to the coronavirus pandemic, millions of Americans will cast their votes via mail. This could delay the result - especially if the incumbent Donald Trump challenges the mail-in vote results. An overview of America's voting process.

The outcome of the 59 US presidential elections remains a toss-up with just a few days left before the vote on 3 November. Whilst several nationwide polls indicate that Democrat Joe Biden still commands an eight percentage-point lead over Donald Trump, that significant edge is not reflected in some of the decisive "swing states", where no traditional majority for one party or the other has been recorded. Florida plays an important role here: with its 29 votes in the Electoral College, the state is pivotal to the outcome. The Electoral College is the body that has the final vote on who the future US president will be. Trump has recently made a remarkable comeback in the "Sunshine State". According to RealClearPolitics, Biden's lead has narrowed considerably (see chart).

Florida: election poll findings



Sources: RealClearPolitics, VP Bank

Mail-in votes will decide

But it is not only the outcome of the popular vote at the nationwide polling stations that will be the cause of tension. The different ways people go about dealing with the COVID-19 pandemic could have a considerable impact on how things ultimately turn out. Republicans in general seem to be less fearful of the coronavirus, whilst Democratic voters are generally taking the matter much more seriously. A survey conducted in August by the University of Monmouth revealed that three quarters of the Republican electorate will vote in person. The number for Democrats is quite the opposite: almost three-quarters of those asked were prepared to cast their ballot by mail.

Concerns about the coronavirus will this year motivate many more voters to opt for the mail-in route, so those votes can be expected to play a decisive role in the final outcome. In 2016, almost one out of four, or 33 million, eligible voters cast their ballot via normal post. For 2020, the University of Florida's "United States Elections Project" estimates that 83 million people will do so. Counting all those mail-in votes could significantly delay the announcement of the final election result. In some states (e.g. Alaska, Arizona, California, Illinois, Kansas) people can vote by mail right up to Election Day. All such ballots will only get counted days after the elections. In California for example, a ballot postmarked on the Election Day arriving as late as 20 November will still be included in the final tally.

When will the first results start coming in?

The initial results on Election Day need to be taken with a pinch of salt due to the mail-in voting factor. Nevertheless, the media will pounce on each state's results as they become available. At first, the numbers will merely be projections based on "exit polls". If these findings reflect a clear trend in a given state, the potential winner will be announced. Otherwise the interim tally is considered "too close to call", in which case a sufficient number of voting districts must still be counted. When the polling stations close, however, it is usually possible to derive an initial projection (times refer to CET, in brackets the number of electoral votes per state):

- **1 a.m.** Georgia (16), Kentucky (8), Indiana (11), South Carolina (9), Virginia (13), Vermont (3)
- **1.30 a.m.** North Carolina (swing state; 15), Ohio (18), West Virginia (5)
- **2 a.m.** Alabama (9), Connecticut (7), Delaware (3), Florida (swing state; 29), Illinois (20), Maine (4), Massachusetts (11), Maryland (10), Mississippi (6), Missouri (10), New Hampshire (4), New Jersey (14), Oklahoma (7), Pennsylvania (swing state; 22), Rhode Island (4), Tennessee (11), Washington D.C. (3)
- **2.30 a.m.** Arkansas (6)
- **3 a.m.** Arizona (swing state; 11), Colorado (9), Kansas (6), Louisiana (8), Minnesota (10), Michigan (swing state; 16), Nebraska (5), New Mexico (5), New York (29), New Jersey (14), North Dakota (3), South Dakota (3), Texas (38), Wyoming (3), Wisconsin (swing state; 10)
- **4 a.m.** Iowa (6), Montana (3), Nevada (6), Utah (6)
- **5 a.m.** California (55), Hawaii (3), Washington (12), Idaho (4), Oregon (7)
- **6 a.m.** Alaska (3)

By around 5 a.m. Central European Time, the initial results should be available without including a full count of the mail-in votes.

US Presidential Elections: Final vote count may take some time

News from the financial markets

Just how long it actually takes to count all the mail-in votes depends on the various ways they are handled, but the first question is whether early processing of the votes is possible. Other factors include the physical opening of the envelopes and verification that the ballots have been completed correctly (e.g. signature, name in the right place, etc.). There is also the issue of when the counting may begin. In more than half of the states, this process has to wait until Election Day. Another factor is how many of the envelopes arrived early and could be pre-processed prior to 3 November. Reportedly, about 44 million mail-in voters have already cast their votes (source: United States Elections Project; updated: 27 October 2020). The following is an overview of the counting methods applied in the key battleground states:

State	Preprocessing	Absentee/Mail Ballot Counting
Florida	Yes	Election day 7 am
Pennsylvania	Yes	Election day 7 am
Michigan	Yes	After the polls close on Election Day
Wisconsin	No	After the polls open on Election Day
North Carolina	Yes	14 days before Election Day.
Arizona	Yes	14 days before Election Day.

Sources: Ballotpedia, National Conference of State Legislatures, VP Bank

Legal challenges could lie ahead

If the majority of Republican voters actually cast their ballots in person and most Democrats vote by mail, Trump could possibly lead the race for the White House once all the polls have closed. Later in the evening, though, Biden would gradually catch up once the mail-in voting results become available, and he might even overtake the incumbent US president. Such a scenario would be especially problematic if Trump were to declare himself the victor before Election Day is out. Should his challenger ultimately win the popular vote, though, it very well might be that the Republican camp claims “voter fraud”. A survey conducted by the “Center for American Progress” and “American Enterprise Institute” shows that 80% of the Republican electorate suspect that mail-in vote fraud will skew the election in favour of Biden. Thus Trump knows his base will have his back if he refuses to accept the official election results.

However, an accusation of “voter fraud” is on shaky legal ground. But there are ways to legally challenge mail-in votes. The US law acknowledges a number of possible violations in this regard, ranging from the imprecise placement of the signature to the illegibility of the voter’s name on the mail-in ballot. Vote recounts and reevaluations could therefore be on the agenda. In the end, a Supreme Court ruling might even be necessary. This was the case,

for example, in the 2000 presidential election. Due to the legal spats about the proper counting of votes in Florida, it took more than one month after Election Day until an official result was announced. Only once the Supreme Court, which at the time was composed of a majority of conservative judges, issued a final ruling prohibiting a recount in certain Florida voting districts, was the Republican candidate George W. Bush’s election victory official. With an edge of only 537 votes (a figure which is still disputed today) he won the state of Florida and hence its Electoral College votes. The curious thing is that Al Gore, his opponent, was initially declared the winner on Election Day, even though the vote counting had not yet been completed in certain parts of the state.

Whatever the case may be, a final result must be available by 8 December at the latest, as the Electoral College convenes on 14 December to formally elect the President. Things could become difficult if it is not clear by then who actually won the race, because at that point the US Constitution reaches its limits. It is conceivable that the parliament of affected state would then be charged with nominating its electors by majority vote.

However, in light of what portends to be the historically high voter turnout, we do not expect this “worst-case scenario” to materialise. The citizens expect that their vote will count, and that the two political parties (possibly with the help of the courts) accept their vote.

Summary

The high percentage of mail-in voters makes this year’s US presidential election a special one. It is uncertain whether a reliable result will be available in the evening hours of 3 November (local time). The closer Donald Trump and Joe Biden are to each other in the race for the Oval Office, the more likely it is that Election Day will turn into one or more “election weeks”. But a large number of mail-in ballots have already been received and are being prepared for counting in most of the states. The clearer the voting outcome will be in favour of one of the candidates, the lower the risk of legal action. But even if the result is a long time coming, there will be a final result. The catharsis that comes from knowing that the thorny 2020 election is finally over could be all the greater afterwards, and could even spark a relief rally in the equity markets.

US Presidential Elections: Final vote count may take some time

News from the financial markets

Contact

VP Bank Ltd	Aeulestrasse 6 9490 Vaduz · Liechtenstein T +423 235 66 55 · F +423 235 65 00 · info@vpbank.com
VP Bank (Switzerland) Ltd	Talstrasse 59 8001 Zurich · Switzerland T +41 44 226 24 24 · F +41 44 226 25 24 · info.ch@vpbank.com
VP Bank (Luxembourg) SA	2, rue Edward Steichen · L-2540 Luxembourg T +352 404 770-1 · F +352 481 117 · info.lu@vpbank.com
VP Bank (BVI) Ltd	VP Bank House · 156 Main Street · PO Box 2341 Road Town · Tortola VG1110 · British Virgin Islands T +1 284 494 11 00 · F +1 284 494 11 44 · info.bvi@vpbank.com
VP Bank Ltd Singapore Branch	8 Marina View · #27-03 Asia Square Tower 1 Singapore 018960 · Singapore T +65 6305 0050 · F +65 6305 0051 · info.sg@vpbank.com

Content responsibility

Bernd Hartmann, Head CIO Office

Author: Dr Thomas Gitzel, Senior Economist

Important legal information

This document was produced by VP Bank AG (hereinafter: the Bank) and distributed by the companies of VP Bank Group. This document does not constitute an offer or an invitation to buy or sell financial instruments. The recommendations, assessments and statements it contains represent the personal opinions of the VP Bank AG analyst concerned as at the publication date stated in the document and may be changed at any time without advance notice. This document is based on information derived from sources that are believed to be reliable. Although the utmost care has been taken in producing this document and the assessments it contains, no warranty or guarantee can be given that its contents are entirely accurate and complete. In particular, the information in this document may not include all relevant information regarding the financial instruments referred to herein or their issuers.

Additional important information on the risks associated with the financial instruments described in this document, on the characteristics of VP Bank Group, on the treatment of conflicts of interest in connection with these financial instruments and on the distribution of this document can be found at https://www.vpbank.com/legal_notice_en