

Morgan Stanley Government Relations Election Outlook Report

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New York Primary Results

The road to the presidential nomination took a turn Northeast yesterday, as New York's Democratic and Republican primaries kicked off the next phase of the race. Frontrunners Hillary Clinton and Donald Trump had hoped to reverse recent setbacks and regain momentum in their quest to wrap up their respective nominations before mid-summer conventions in Philadelphia and Cleveland. They both did just that.

Clinton won the state for which she served as U.S. senator for eight years and gained 135 delegates to Sanders' 104 (Clinton 58 percent, Sanders 42 percent in overall vote), while Trump handily defeated his opponents by a 36 percent margin (Trump 61 percent, Kasich 25 percent, Cruz 15 percent, with 98 percent reporting) en route to a pickup of 89 delegates. With seven weeks remaining on the primary calendar, these were unquestionably vital results for the two candidates.

As of mid-April, the delegate count is as follows:

Democratic Primary Delegate Count 2,383 Needed to Secure the Nomination As of 4/20/2016

| Candidate | Current Delegate Count | Remaining Delegates needed to secure nomination |
|-------------------|---------------------------------|---|
| Secretary Clinton | 1948 (incl. 502 superdelegates) | 435 |
| Senator Sanders | 1238 (incl. 38 superdelegates) | 1145 |

Republican Primary Delegate Count 1,237 Needed to Secure the Nomination As of 4/20/2016

| Candidate | Current Delegate Count | Remaining Delegates needed to secure nomination |
|-----------------|------------------------|---|
| Donald Trump | 844 | 393 |
| Senator Cruz | 543 | 694 |
| Senator Rubio | 171 | 1066 |
| Governor Kasich | 148 | 1089 |

What Do The New York Results Mean?

Going into the New York primary, Trump needed to capture 60 percent of the total remaining delegates to hit the magic 1,237 number needed to wrap up the nomination before the convention. He had won 45 percent of delegates across all primaries thus far (despite receiving 37 percent of actual votes), and New York effectively presented a must-sweep for the hometown businessman. Trump understood the stakes; failure to land a comprehensive delegate haul would further imperil his ability to win on the first ballot in Cleveland, thereby damaging his prospects for the nomination, perhaps mortally. He delivered, but his is still a mighty hill to climb.

The pledged delegate math presents a short-run challenge for Trump, while Cruz's continued dominance in the behind-the-scenes selection of delegates presents a longer-term hurdle. As has increasingly been covered in the media, Cruz's strong state-by-state grass roots

organization is allowing his supporters to be selected as delegates to the convention. (After a primary decides the number of delegates allocated to each candidate, then individuals must be selected to serve as the actual delegates, in a selection process that varies by state.) Who gets selected as a delegate is important, first, because there will be approximately 112 delegates nationwide that are unbound going into the convention, and the more these individuals are Cruz loyalists, the harder it will be for Trump to get to the majority vote he needs to guarantee victory. By most estimates, Trump will land either north or south of 1,237 by a small number of delegates, so the identity and preferences of these 112 unbound individuals could tilt the election.

Second, as we have previously covered, most delegates are bound to vote for a particular candidate (whether it is their preferred candidate or not) *only on the first convention ballot*. However, if no candidate gets a majority on the first ballot, most delegates become unbound and free to vote for whichever candidate they prefer in subsequent ballots – commonly referred to as the “brokered convention” scenario. In this circumstance, the loyalties of the delegates become very important. The Cruz campaign’s success at having Cruz supporters selected as delegates could prove decisive in the event of a brokered convention, as presumably these pro-Cruz individuals will switch their vote to Cruz when no longer obligated to vote Trump. Trump’s need for a first ballot win is particularly acute in light of this, and thus a New York delegate sweep was critical.

In yesterday’s Democratic primary, Clinton needed to reverse the optics of having lost seven of the last eight state contests. Though comfortably ahead in the delegate race, Clinton has conceded ground nationally, as Sanders has narrowed the lead in some polls to a virtual tie after being down 20 points in January. Superdelegates underpin Clinton’s lead, providing her with a more than 450 delegate cushion (over half of her 700-plus overall delegate lead). That said, superdelegates *are* permitted to switch allegiances. The more Sanders surges, the weaker Clinton’s grip over the superdelegates could become, so a confidence-inspiring win in her adopted state was crucial to maintaining her air of inevitability. Scoring a big win in New York and stanching Sanders’ momentum provides an important boost to the Clinton

campaign in what could be a fruitful week for the former New York senator.

In earlier reports, we have discussed certain demographic weaknesses that have hindered Clinton’s results and the Sanders campaign’s ability to exploit these holes and keep the race surprisingly competitive. And while Sanders continues to perform strongly, Clinton’s lead is becoming insurmountable as the primary season enters the late innings. With a strong performance next week, the nomination could be in sight for Clinton.

Going Forward – April and May

The April 26 five-state primary slate continues the East Coast push, with Connecticut, Delaware, Maryland, Pennsylvania and Rhode Island voters heading to the polls. On the Democratic side, Clinton will look to cement the double-digit polling leads she enjoys in several of these states. She will be helped by the fact that these upcoming primaries are closed, or limited to registered Democrats, as Sanders has performed best in open primaries where independents may vote.

For the Republicans, Trump will look to augment his delegate lead in several winner-take-all, or modified winner-take-all, contests in these states. He has polled well in several states where recent data is available, and he must continue to build his lead in these more moderate East Coast states. Going into New York, Cruz had scored three successive primary wins by seemingly coaxing both Rubio and “anyone but Trump” voters into his camp. Exit polling demonstrates that Cruz’s recent wins relied a bit less on his typical “very conservative” voters and included a greater proportion of “somewhat conservative” voters, many of whom are former Rubio supporters. Whether Trump can halt Cruz’s momentum with his win in New York and a potentially strong showing next week remains to be seen. Momentum tends to be self-fulfilling in political races, and Cruz needs to continue to broaden his tent in order to deny Trump 1,237 delegates and an outright victory.

With that in mind, and looking into May, the geography shifts back to relatively more Cruz-friendly Indiana (May 3), Nebraska (May 10), Oregon (May 17) and Washington (May 27). Should Trump dominate the eastern states on April 26 and West Virginia (May 10) as expected, Cruz will need to surge in these other May states to form a bulwark against Trump getting to 1,237.

Current polling is limited for most of these primaries, so it is difficult to predict delegate totals with accuracy. Given that the candidates should continue to split the delegate haul, we are unlikely to know the Republican nominee before the final primary day of June 7, when five states, including California and its 172 delegates, will likely determine Trump's fate. Given polling and demographic projections for upcoming primaries, combined with the April 19 vote, it will be very close, but the base case is that Trump falls a few delegates shy of the majority he needs to lock up the nomination before Cleveland.

The Democrats continue to dominate national polling in hypothetical general election matchups. Clinton still leads the two GOP frontrunners, expanding her

lead slightly against Trump (8 to 10 percent lead, depending on the poll) and Cruz (2 to 5 percent). Kasich is the only Republican besting Clinton in a head-to-head, with 6 to 9 percent leads in various polls. Sanders fares even better than Clinton, leading *all* Republicans contenders – defeating Trump by approximately 15 percent, Cruz by 12 percent, and Kasich by 3 to 5 percent, again depending on the poll.

We expect Trump and Cruz to continue to trade wins in the coming weeks, and specific delegate totals will ultimately be determinative as to whether Trump can hit 1,237. Clinton should continue to pull away, slowly inching toward her magic number but failing to clinch until late in the campaign.

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