

Morgan Stanley Government Relations Election Outlook Report

March 16, 2016

Yesterday, primary voters in five states – Florida, Ohio, North Carolina, Illinois and Missouri – selected their Republican and Democratic presidential nominees. As we detail below, the polling trends outlined in previous issues of the Morgan Stanley Government Relations Election Outlook Report largely continued in these contests, as frontrunners Hillary Clinton and Donald Trump dominated the delegate haul, while runner-up challengers Bernie Sanders and Ted Cruz continued to nip at their heels and stay relevant.

Current Delegate Count

Across all states, the candidate that wins a simple majority of their party's delegates wins the nomination to represent the party in the general election. As of mid-March, the delegate count is as follows:

Democratic Primary Delegate Count
2,383 Needed to Secure the Nomination
As of 3/16/2016

Candidate	Current Delegate Count	Remaining Delegates needed to secure nomination
Secretary Clinton	1568 (incl. 472 superdelegates)	815
Senator Sanders	797 (incl. 23 superdelegates)	1586

Republican Primary Delegate Count
1,237 Needed to Secure the Nomination
As of 3/16/2016

Candidate	Current Delegate Count	Remaining Delegates needed to secure nomination
Donald Trump	640	597
Senator Cruz	405	832
Senator Rubio	168	1069
Governor Kasich	138	1099

Perhaps yesterday's biggest development was the withdrawal of Marco Rubio after a Florida defeat. As we previously forecast, a torrid early March calendar has winnowed the field and allowed the shape of the race to come into focus, but has failed to produce irrefutable winners just yet.

On the Democratic side, Clinton is slowly pulling away. Yesterday's five wins and sizeable margins in several states underscores this trend. Sanders continues to outperform in many states, and though he trails notably in the delegate count, he continues to influence the debate and forcibly shape Clinton's campaign rhetoric.

For Republicans beyond Trump, consolidation of the field in recent weeks has allowed Cruz, and in some states John Kasich, to augment the support of the anti-

Trump movement, much to the detriment of now-departed candidates Rubio, Ben Carson and Jeb Bush.

At this point, the most compelling subplot in the Republican race is whether Trump can achieve the 1,237 delegates needed to secure the nomination at the convention in July. The Republican Party, desperate to find a way to stymie Trump's advance to the nomination, rests its hopes on either a Cruz surge and/or a contested convention. A look into yesterday's results yields some clues about the likelihood of each occurring.

March 15 Primary Results

Florida was yesterday's single biggest prize, with 99 winner-take-all delegates for the Republicans and 246 for the Democrats. As presaged by recent polls, Trump defeated Rubio in Rubio's home state by almost 20 percent, and Clinton handily defeated Sanders by over 30 percent – both large margins in a critical general election swing state. Florida was a damning loss for Rubio, and his campaign was immediately faced with the existential question of whether to fight on in the face of mounting losses, declining poll numbers and dwindling financial support. Perhaps sensing that he had little remaining hope even in a contested convention toss up, Rubio gracefully opted for the exit, looking to salvage his future political aspirations.

Trump and Clinton also both won in North Carolina, though their delegate haul was constrained by the proportional nature of delegate allocation in the state. This was especially true for Trump, who won narrowly over Cruz and gained only three delegates more than his rival. Clinton ran strong in North Carolina, as she did in Florida, winning by nearly 15 points and outgaining Sanders by 17 delegates.

Tighter contests loomed in Ohio, Illinois and Missouri, where polling for both parties was considerably closer going into yesterday. Clinton hoped to shore up her support in Midwestern Rust Belt states following her loss in Michigan last week and greater media focus on the cracks evident in her

support among working-class men, not to mention younger voters.

In Ohio, Clinton reversed her Michigan defeat, besting recent polling and beating Sanders with a double-digit win. It was a sweet turnaround for a campaign searching for an improved performance in heavily unionized blue and purple states.

Like Rubio, Ohio Governor Kasich hinged his campaign strategy on winning a home state with a sizeable winner-take-all delegate count. Unlike Rubio, Kasich delivered. Kasich beat Trump by 11 percent, capitalizing on a double-digit surge in the final two weeks. Though it seems unlikely that Kasich's Ohio win can propel his campaign into true contention, the result is nonetheless important for a number of reasons. One, it denies Trump 66 vital delegates, which could ultimately determine whether Trump reaches the 1,237 threshold. Second, victory in Ohio advances Kasich's cause in the vice president sweepstakes by demonstrating his strength in a crucial swing state. The stronger Kasich performs in primaries, especially in moderate swing states, the more appeal Kasich has as a running mate. And the longer he siphons votes from the two front-runners, the more likely it is that he cuts a deal with one to step out and lend his endorsement – at a price.

Trump continued his winning ways in Illinois, where he beat the second-place Cruz by 8 points. And he finished the night by edging out Cruz in Missouri, by less than 1 percent, as well. Illinois and Missouri were open primaries – allowing anyone to participate regardless of party affiliation – and the Trump campaign has done well in open primary states so far.

Illinois and Missouri were also razor thin for the Democrats as Clinton took both states by a mere two points. Clinton picked up 66 delegates (versus Sanders' 64 delegates) in Illinois, while the delegation distribution remains undetermined in Missouri at this point.

Trump also won all nine delegates from yesterday's Republican-only Northern Mariana Islands caucuses, securing an impressive 73 percent of the vote.

What Does Tuesday Mean?

Trump enjoyed another strong day generally, winning four states and dominating the headlines, padding his delegate lead and further supporting the momentum he has built in previous contests. At the same time, Trump's day was marred by the Ohio loss.

Returning to the critical question of whether Trump can achieve a 1,237 delegate majority, the Ohio defeat was at a minimum impactful, and at worst, determinative. Conventional wisdom holds that Trump would have taken a large, possibly decisive lead had he won in both states, forging a smooth path to 1,237. Current polling numbers and demographics in upcoming states suggest that Trump's road to 1,237 gets questionable without Ohio's delegates in his corner.

Moreover, Trump's delegate math hinges on a number of variables, but certainly one key factor has been how long the field remains divided among several men. Blue-collar Republicans, those without a college degree, are heavily flocking to Trump and providing the foundation for his wins, while college-educated Republicans have fractured among the alternatives. Rubio's supporters seem more likely to seek shelter with either Cruz or Kasich, and thus his departure further complicates Trump's road to the nomination. The narrowing of the field, together with the heavy barrage of anti-Trump messaging from the party establishment, will continue to provide a potentially strengthening headwind pushing against Trump's air of inevitability. Still, despite these distant clouds forming, Trump walked away the headline winner Tuesday evening.

Similarly, Clinton too emerged impressively victorious and advanced her candidacy last night by winning all five contests and widening her delegate lead over Sanders to 760. Like their Republican counterparts, establishment Democrats have been increasingly concerned about the numbers inside the numbers for Clinton. Much as it was in 2008 and

2012, turnout will be key for the Democrats' general election chances. Assuming Clinton wins the nomination, one of the x-factors in the race is whether she can galvanize Sanders' primary voters to turn out for her in November. If she cannot, several Democratic stronghold states could be increasingly in play, depending on the Republican choice.

Going Forward – March into April

From here, the pace of nominating contests slows considerably into April. On March 22, Arizona's 58 delegates are up for grabs in a winner-take-all state where Trump's anti-immigration stance could do well among Republican primary voters. On the same day, Utah holds its caucuses to award 40 delegates on a proportional basis. Though polling is scant, Cruz seems poised to do well, given the state's ideological bent and his strong performance in neighboring Nevada, where he received almost 46 percent of the vote. Democrats hold primaries in those states as well, and in Idaho, Alaska, Hawaii and Washington to close out March.

Early- to mid-April is relatively quiet, with Wisconsin (both parties) and Wyoming (Democrats) leading into New York (April 19) and a slate of states on April 26 (Connecticut, Delaware, Maryland, Rhode Island, Pennsylvania).

Clinton will look to effectively close out the Democratic race in these upcoming primaries, though Sanders' enduring presence and Northeast strength could be a hurdle in the shorter run.

Trump may perform well in many of these states, especially those concentrated in the Northeast in late April. But without a sweep yesterday, Trump is unlikely to close in on 1,237 during this next stretch. Media coverage of the Republican race for 1,237 should steadily increase over the course of the month, and we expect Trump to continue to come under heavy assault from all sides.

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CRC 1445182 03/2016