

Morgan Stanley Government Relations Election Outlook Report

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In our inaugural edition, we provided an overview of the presidential primary process and offered guidance on what can be anticipated as the primary season accelerates in the coming months, leading to the party nominating conventions in late July. Today, we follow with an update on the race for delegates, and guide you through the first two weeks of March, when voters from over twenty states and territories will provide the long awaited direction for the race to secure each party's nomination.

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 we enter March, the delegate count is as follows:

Democratic Primary Delegate Count 2,383 Needed to Secure the Nomination As of 2/28/2016

Candidate	Current Delegate Count	Remaining Delegates needed to secure nomination
Secretary Clinton	543 (includes 453 superdelegates)	1,840
Senator Sanders	85 (includes 20 superdelegates)	2,298

Republican Primary Delegate Count 1,237 Needed to Secure the Nomination As of 2/28/2016

Candidate	Current Delegate Count	Remaining Delegates needed to secure nomination
Donald Trump	81	1,156
Senator Cruz	17	1,220
Senator Rubio	17	1,220
Governor Kasich	6	1,231
Dr. Ben Carson	4	1,233

The above numbers and the intensive March schedule invariably point to March as the most important month during the primary season, as throughout the month over 1,500 delegates will be awarded on the Republican side, and 2,502 delegates on the Democratic side (including already pledged superdelegates). The delegate count will change significantly in the first two weeks of the month, and perhaps even before we enter April, we may have clarity on the nominees.

South Carolina and Nevada

While neither South Carolina nor Nevada are large delegate states, they nonetheless are important bellwethers for gauging the relative strengths and

weaknesses of candidates heading into the March primary slog where the campaigns face over 30 primary and caucus events.

For Secretary Clinton, victory in Nevada may have helped to stanch any momentum that Senator Sanders enjoyed following his victory in New Hampshire. Moreover, her strong showing in South Carolina highlighted her strength with minority voters, and may bode well going forward in the southern states that comprise the bulk of March 1 Super Tuesday primaries, allowing her to build upon her delegate lead and bolster the perception that she is the presumptive nominee. She clearly heads into March with momentum tilting her way.

For Donald Trump, winning three of the first four Republican primaries shows the reach of his campaign message and his ability to translate that message into actual votes. In stark contrast, Governor Bush's exit after a weak showing in South Carolina winnows the Republican candidate count to five, leaving Senator Rubio and Governor Kasich as the two remaining "GOP establishment" candidates and conservatives Senator Cruz and Ben Carson to counter Trump's surprising early successes. After the first four contests, Cruz and Rubio remain deadlocked in the delegate count behind Trump, jockeying to eliminate each other and establish themselves as the alternative to Trump. That said, every Republican presidential candidate to win both the New Hampshire and South Carolina primaries has eventually secured the party's nomination.

Going Forward – the First Two Weeks of March

Delegate apportionment in March will define the path forward for securing the party's nomination. To help illustrate the importance of these early weeks, we breakout the dates and delegate allotment below:

- March 1 (Super Tuesday) -- a total of 1,034 delegates will be awarded to Democratic candidates (including superdelegates) and 595 delegates to Republican candidates in 12 different states.
- March 5 through March 13 – a total of 354 delegates will be awarded to Democratic candidates (including superdelegates) in 8 primary elections and 356 delegates to Republican candidates (still proportional) in 10 primary elections/caucuses.

Outcomes during these first two weeks will continue to thin the Republican field, and while no candidate can mathematically clinch the nomination, it is possible that the nominees are effectively decided by the end of this period. Evolving delegate counts will make it mathematically impossible for certain candidates to secure the nomination, and funds necessary to continue campaigning effectively will begin to dry up. Below is a detailed breakdown of what to expect over the next two weeks:

Democratic:

On March 1, twelve states/territories will award the Democratic candidates with 1,034 delegates (counting superdelegates): Alabama, American Samoa, Arkansas, Colorado, Georgia, Massachusetts, Minnesota, Oklahoma, Tennessee, Texas, Vermont, and Virginia. Then on March 5 - Kansas, Louisiana, and Nebraska hold contests (125 total delegates); March 6 in Maine (30); and March 8 in Michigan and Mississippi (188 total).

With a total of 1,388 delegates up for grabs in these early March primaries, the candidate that performs best during these two weeks could emerge in an almost insurmountable position as the pace slows in April. While the states award their delegates proportionately in Democratic primaries, the combination of currently-pledged superdelegates to Secretary Clinton, along with her strong polling in all but Vermont (Senator Sanders' home state), all point

to a consolidation of the delegate count in her favor as March progresses.

Republican:

The following states participate in the March 1 Super Tuesday on the Republican side, which will award 624 delegates (proportionally for the most part) through either primary voting (9 states), or party caucus events (4 states): Alabama, Alaska, Arkansas, Colorado, Georgia, Massachusetts, Minnesota, Oklahoma, Tennessee, Texas, Vermont, and Virginia. As with the Democratic primary calendar, this will be followed closely by primaries on March 5 in Kansas, Kentucky, Louisiana, and Maine (155 total); on March 6 in Puerto Rico (23); on March 8 in Hawaii, Idaho, Michigan, and Mississippi (150); and on March 12 in the District of Columbia (19). These post-Super Tuesday primaries will allocate an additional 347 delegates to the candidates.

While these two weeks represent the largest delegate haul during the primary season for Republican candidates, most all of these states apportion the delegates based on voting percentages, making it difficult in close contests for any particular candidate to run away from the field. Yet, the rules in some states also have minimum vote-qualifying thresholds that a candidate must achieve (ranging from 10% up to 20%) in order to be awarded any delegates. Delegates for candidates below the threshold are awarded to the first place winner, so the candidate that wins the most votes in a state with a qualifying threshold may still be able to pad his delegate count.

Because the early March Republican primary states have confusing vote allocation structures, it may be more important for the candidates to simply be able to claim a “win” regardless of the actual delegate count. In this regard, a “win” by any of the candidates other than Trump would help that candidate claim that he can in fact beat Trump, while additional “wins” by Trump will further

develop the narrative that his nomination is an inevitability. As we move forward in March, when the Texas (Cruz), Ohio (Kasich) and Florida (Rubio) primaries will be held, the viability of these candidates as alternatives to Trump will be tested. A poor showing in their home states could hasten their exit from the race, while a win or otherwise good showing could help bolster their claims as legitimate alternatives to Trump.

Stamina will be important to all of the campaigns in the coming two weeks, as the sprint for delegates hits full stride. Beyond the massive delegate haul from March 1-14, the Florida and Ohio primaries set for March 15 will receive considerable political and media focus. These two critical bellwether primaries are “winner take all” contests, where with a winning plurality of the vote begets all 99 and 66 delegates, respectively.

The Next Two Weeks – What to Look For

A few obvious trends have emerged from the February contests. On the Democratic side, Sanders has outperformed at almost every turn. Where he hasn’t won, he has pushed Clinton to the limit and forced her to reexamine tactics. His ascension underscores *the defining dynamic* in this race – the anti-establishment mood of the American electorate. But despite these relative successes, the calendar and current polling in upcoming primaries bode well for Clinton. In the next two weeks, Clinton could take an insurmountable delegate lead. Should this occur, we do not expect a quick exit from Sanders, who seems eager to continue to shape the debate regardless of outcome, at least for some time. That said, Clinton hopes to win stronger performances with younger and women voters, as these constituencies are key to her general election strategy. Accordingly, it will be worth watching not only if she wins, but how she wins -- the numbers inside the numbers matter for her in the long run.

On the Republican side, clearly momentum favors Trump. Furthermore, polling for most upcoming contests has him positioned to continue his first place trend line. The x-factor for his candidacy, as the field narrows, seems to be whether his unfavorites truly translate into a hard ceiling, or whether he can continue to build support from voters whose favored candidate has exited the race. Early polling analysis to flesh out this question is mixed, but overall suggests that he may have upside. He has defied conventional wisdom to this point, and his numbers seem to keep rising.

For Cruz, March 1st is critical. His support among “very conservative” and evangelical voters is his bedrock, and cracks in that support have formed of late. After March 1, the proportion of evangelical voters in subsequent states declines, making a strong showing on March 1 critical, possibly even decisive. It also wouldn’t hurt Cruz for Carson to step aside, though surveys of Carson supporters indicate that Trump would equally benefit from his departure. A win in Texas is necessary, and strong showings in other southern states are as well. This

is crunch time for Cruz.

Senator Rubio has regained his footing after a shaky New Hampshire week. He seems to be coalescing the establishment vote as other candidates depart, though analysis shows that he is sharing displaced Christie, Fiorina and Bush voters with the other candidates, which will make catching Trump even more difficult. Rubio doesn’t necessarily need to win most contests from March 1-14, but he does need to firmly entrench himself as the clear number two in this race, augmenting delegates in these proportional voting states and pushing Cruz into irrelevancy.

Kasich’s departure would help him here. Assuming he can do this, the big date for Rubio becomes March 15, when he faces a crucial battle for 99 delegates in his home state of Florida. Should he lose there, it is hard to see him winning the nomination.

We will return in two weeks to recap the early March primaries, and set up the late March and April delegate sprint when we expect the delegate race to reach a crescendo.

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