

Global Political Insights

Poll Position: Uncertainty on the Rise in Close US Election

- **Countdown to November 6th:** The US presidential campaign has entered its tightest phase yet, with President Barack Obama leading by 1% or less in national polls but still retaining his advantage in the Electoral College. According to the current electoral vote arithmetic, Obama leads by 24 votes, 281 to 257. Governor Mitt Romney would need to pick up Ohio, if not a whole set of states, to get to the 270 votes needed for victory.
- **Obama By A Nose Still Most Likely:** We retain our long-standing view that the most likely election outcome is the political status quo: Obama in the White House and a divided Congress. However, the race is undeniably tight, confounding prognosticators and heightening uncertainty. We note that the incidence of 'come-from-behind' victories in US presidential elections is rare, and that the quality of US polling is the best in the world. A Romney victory is possible but unlikely, though certainly more likely today than last month. If Romney wins, expect to see Republicans pick up seats in Congress as well.
- **Intrade & Outliers:** Given the closeness of the race, many observers are looking to online prediction markets. On Intrade, Obama has dropped 10 points to 55% on high volatility this week. But we are cautious because other predictions markets haven't shown similar movement. We advise observers to look at the totality of the data using techniques like rolling averages, rather than to individual data points. In the final days, both campaigns focus on 'getting out the vote' and winning the tiny proportion of undecided voters. With the race so close, the probability of outlier scenarios also increases.
- **Hanging Chads, Electoral College Tie or Popular Vote/Electoral College Split?** The winning candidate has won the Electoral College but lost the popular vote only once in the past 124 years. The possibility of outlier outcomes can't be eliminated, especially in today's fraught contest, but we underscore that the likelihood of a Bush-Gore split vote redux has about the same probability as NASA announcing the discovery of extraterrestrial life. Nevertheless, for audiences unfamiliar with the process, we deconstruct the procedural implications of such unusual and unlikely scenarios.
- **Resolving the Fiscal Cliff in an Environment of Partisan Acrimony:** As fiscal pressures increase and the political center declines across developed markets, we've seen that elections do not resolve political uncertainty, and the US may be no different. A close race or disputed result could reduce the political capital of the winner, diminishing prospects for a compromise solution for the "fiscal cliff" in the 'lame duck' session of Congress and potentially pushing negotiations into the new legislative session in January 2013.

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With thanks to

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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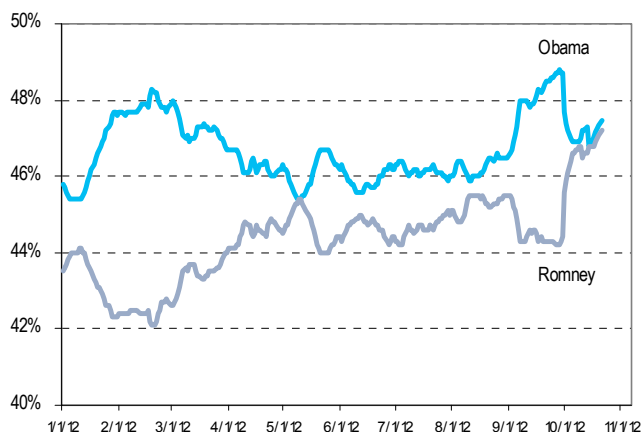
Countdown: State of Play in the US Race

With 12 days until US elections, the presidential race has tightened. Following his performance in the first debate, Republican challenger Mitt Romney's increased poll numbers have energized the race. President Barack Obama has maintained a consistent but ever-smaller lead all year, and remains under pressure.

Figure 1. Romney Surges, But Obama Maintains a Slight Lead With Under Two Weeks To Go. Half a Point Represents 750,000 Voters Nationwide.

National Ballot: **Obama +1/2%**

Latest Polling in the Swing States



Colorado	Obama + 1%	North Carolina	Romney +2%
Florida	Romney + 1%	Ohio	Obama +2%
Iowa	Obama + 2%	Pennsylvania	Obama +5%
Nevada	Obama +3%	Virginia	Romney +1%
New Hampshire	Obama +2%	Wisconsin	Obama +3%

Latest Intrade Quotes

"Barack Obama to be re-elected president in 2012."

55.1%

YTD High: 78.9% (September 29)
YTD Low: 46.5% (January 8)

"Mitt Romney to be elected president in 2012."

45.4%

YTD High: 45.4% (October 24)
YTD Low: 21.1% (September 29)

Source: *The Huffington Post/Pollster.com*, Intrade, accessed October 24, 2012.

We have not changed our view that the most likely outcome on November 6 is a continuation of the political status quo. But we have reduced the probability we assign to this outcome from high- to moderately-high.

We have not changed our view that the most likely outcome on November 6 is a continuation of the political status quo: Obama in the White House, Republicans controlling the House, and Democrats the Senate. But we have reduced the probability we assign to this outcome from high- to moderately-high.

The candidates have focused on the ten swing states, and the final outcome could therefore be decided by a few counties within a few of these states. In previous reports, we discounted the significance of such factors as debates and turnout in altering what has been a consistent macro trend, but in such a close race, shifts of only 1% can change the outcome.

Figure 2. Outcome Probabilities for the US Election from Models & Betting Markets

	Probability (Range)
Obama & Democratic Senate	52 – 61%
Romney & Democratic Senate	23 – 36%
Obama & Republican Senate	4 – 10%
Romney & Republican Senate	8 – 9%

Source: Citi Research. Probabilities derived from models from *The New York Times/Five Thirty Eight* blog and thirteen political scientists as published in the journal *PS: Political Science & Politics*, as well as prediction & betting markets like Intrade, Ladbrokes, and Betfair, all accessed October 24, 2012. Range is within one standard deviation of the median. Assumes Republican control of the House of Representatives.

Our base-case scenario of an Obama victory rests on three factors: the totality of the polling data, the marginal but positive growth trend in the US economy, and the fact that Romney's gains have not yet translated into a majority in the Electoral College.

While many US election models give significant weighting to GDP growth and unemployment levels, we speculate about whether this approach has continued utility in the post-financial crisis low-growth environment. Over the course of the past 18 months, we have observed victories for incumbents in a number of other developed-market elections where the economy has remained in positive growth territory even if nominal. We identify this phenomenon as the "Pessimistic New Political Normal."¹

With this in mind, the direction of travel of the US economy – slow growth and slight declines in unemployment – is technically upward. A ten-point improvement in the "right direction/wrong track" number favors the President as well. Such momentum may matter more than the traditional pollster's question: "Are you better off now than you were 4 years ago?"

¹ Tina Fordham. Citi Research note. "[US Elections Outlook: It's Not Just The Economy, Stupid.](#)" September 13, 2012.

Romney has largely repaired the damage from a grueling Republican primary season and his "47%" gaffe. But what would have to happen for him to win? The Republican challenger requires two significant accomplishments: overcoming deficits in enough swing states to shift in the Electoral College totals and overcoming the historical precedents for come-from-behind victories, namely that they're virtually unprecedented in post-war presidential campaign history.

Consensus View: Obama Still Leads in Electoral College

The polling averages largely agree when it comes to the Electoral College. This consensus opinion in support of Obama's Electoral College lead is central to our base-case scenario.

Observers should remember that US elections are not decided on a national level. The Electoral College means that the contest is really a collection of 51 mini-elections in the states and the District of Columbia. This adds a further layer of complexity to forecasting US election outcomes.

Rather than looking at individual polls and data points, we advise looking to averages and composites. Averages like RCP and Pollster.com, along with their competitors at Talking Points Memo and *The New York Times'* FiveThirtyEight blog, largely agree when it comes to the Electoral College.² This consensus opinion in support of Obama's Electoral College lead is central to our base-case scenario.

Figure 3. Consensus of Polling Averages Puts Obama Over The Top Today. Even Giving Toss-Ups to the Challenger Leaves Romney 13 Votes Short.

	Electoral Votes	Real Clear Politics	538	Pollster	Talking Points Memo	Obama/ Romney Lead	Cumulative Electoral Votes
Pennsylvania	20	Obama	Obama	Obama	Obama	O + 5%	237
Wisconsin	10	Obama	Obama	Obama	Obama	O + 3%	247
Nevada	6	Obama	Obama	Obama	Obama	O + 3%	253
Iowa	6	Obama	Obama	Obama	Obama	O + 2%	259
Ohio	18	Obama	Obama	Obama	Obama	O + 2%	277
New Hampshire	4	Obama	Obama	Obama	Obama	O + 2%	281
Colorado	9	Romney	Romney	Obama	Romney	O + 1%	257
Virginia	13	tie	Obama	Obama	Romney	R + 1%	248
Florida	29	Romney	Romney	Romney	Romney	R + 1%	235
North Carolina	15	Romney	Romney	Romney	Romney	R + 2%	206

Source: Citi Research. Real Clear Politics, *FiveThirtyEight*, *The Huffington Post*/Pollster.com, Talking Points Memo, accessed October 24, 2012. Obama has 217 safe electoral votes, while Romney has 191. A total of 270 electoral votes is required for victory.

Today, all four averages show Obama leading in six of the ten swing states (Iowa, Nevada, New Hampshire, Ohio, Pennsylvania and Wisconsin), and all four show Romney leading in two (Florida and North Carolina).

² Real Clear Politics.

http://www.realclearpolitics.com/epolls/2012/president/2012_elections_electoral_college_map.html

FiveThirtyEight blog, *The New York Times*. <http://fivethirtyeight.blogs.nytimes.com/>

The Huffington Post/Pollster.com. <http://www.huffingtonpost.com/news/pollster/>

Poll Tracker, Talking Points Memo. <http://core.talkingpointsmemo.com/election/scoreboard>

To get to 270, Romney would still need 13 votes from among the six states where Obama currently leads. He could win those votes in Ohio, where he trails by 2%. Or he could cobble them together from a mix of states like Iowa, New Hampshire, Nevada and Wisconsin.

To be clear: the Romney campaign has made notable gains. In our update six weeks ago, he led in only a single swing state. Now he leads in two, and has turned two more into toss-ups. But the math, at least today, is still on Obama's side.

The polling averages do differ on the direction of two swing states: Virginia and Colorado. But even if both these states are allocated to Romney, the Republican challenger would not have the 270 electoral votes to win. To get to 270, Romney would still need 13 votes from among the six states where Obama currently leads. He could win those votes in Ohio, where he trails by 2%. Or he could cobble them together from a mix of states like Iowa, New Hampshire, Nevada and Wisconsin. All of these states are "winner-take-all," meaning Romney needs a victory there to receive any electoral votes.

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Is this race unusually close? With so much at stake, so it's no surprise that the race is so tight. If it weren't, it would mean one campaign or the other wasn't doing its job. It's important to remember that Obama won by only 7% in 2008, but this margin was one of the largest in nearly 20 years of American presidential elections. Other recent margins of victory? 2%, one half percent, and 6%. So the exciting finale is the norm in the United States in recent years.

In the final two weeks, both campaigns will focus on getting their voters to the polls. Regular economic data releases such as the final pre-election jobs report are unlikely to have an impact, nor will this week's final debate in our view.

How might turnout affect the outcome? The key components of Obama's 2008 coalition (young people, people of color, and those with the highest educational attainment) are all traditionally Democratic and should break strongly for their candidate, but most commentators agree that Democratic enthusiasm is down compared to the last election.

At the same time, the Romney campaign has markedly improved the Republican 'ground game.' In 2008, Obama was able to contact 54% more voters than John McCain in the critical swing state of Virginia. But this year, the two campaigns' operations are roughly equal in their ability to contact voters, according to a survey conducted by *The Washington Post*. And in an official memo, Republicans claim to have contacted more than 26 million voters over the course of the campaign.³

Cherry-Picking the Polls Leads Election Watchers on Wild Goose Chases

Smart observers avoid the risk of 'house effects' and variability in individual polls by relying upon rolling averages, which help reduce the impact of these effects.

We have long cautioned the importance of looking at the totality of the data, resisting partisan commentators and pundits who cherry-pick the polls. Smart observers avoid the risk of 'house effects' and variability in individual polls by relying upon rolling averages, which help reduce the impact of these effects. But even these rolling averages vary in their approach.

³ Scott Clement. "[Can Mitt Romney's ground game close the gap in Virginia?](#)" *The Fix* blog, *The Washington Post*, September 20, 2012. McCain contacted 31% of voters in one survey, while Obama contacted 48%, a gain of 54%.

Rick Wiley. "[Ground Game Update](#)." Republican National Committee, September 24, 2012.

For example, the Real Clear Politics (RCP) polling average is a widely-used, simple moving average, similar to the SMA familiar to stock watchers.⁴ Like all moving averages, it is nevertheless subject to a certain amount of volatility which may or may not be indicative of real changes in the electorate.

This month, the RCP average has moved every day, and the lead between the candidates has changed no fewer than three times. In an electorate of 140 million voters, one percentage point represents 1.4 million voters. Do so many people actually change their minds on a day-to-day basis, back and forth? To us, this much volatility is likely to be sampling noise, not actual change in the electorate.

In our view, the Pollster.com rolling average better accommodates this noise in the data inherent to all survey research.⁵ Their model uses a modified local regression (*lowess*) model. The trend is smoother, and the numbers move in line with real change in people's opinions. In contrast to RCP, the Pollster.com lead has changed just once all year, not three times this month alone.

Electoral Vote/Popular Vote Split, or Extraterrestrials at Area 51?

How likely is it that a candidate may win the popular vote, but lose in the Electoral College? In our last note, we dismissed the likelihood of the so-called Bush v. Gore scenario, like in the 2000 election.

The closeness of the race and the discrepancy between Romney's national polling numbers and state numbers has revived speculation about a replay of such an outcome. But this has been the result only once in the past 124 years of presidential elections. We emphasize: neither the current data nor the historical perspective suggests we'll have a Bush v. Gore scenario in 2012.

Can we put a probability on such an outcome? *The New York Times'* Nate Silver, a noted political prognosticator, suggests a 7.2% probability of a popular vote/Electoral College split. By way of comparison, Intrade puts a 7.1% probability on NASA announcing the existence of extraterrestrial life by the end of calendar year 2013.

What happened in 2000? On the day after the election that year, officials in Florida announced that George W. Bush had won the state by less than 2,000 votes among 6 million cast. His Democratic opponent, Al Gore, had won the popular vote nationwide by 500,000 votes of 105 million cast, about half a percentage point. Florida state law required a recount of the votes and both sides, knowing that the result of the recount would determine the winner of the state and thereby the presidency, took the dispute to the county election supervisors, the ballot-counting rooms, and the courts.

After Florida courts issued contradictory opinions, the U.S. Supreme Court took up the case and on December 12, thirty-four days after the election, the court ruled in favor of Bush's arguments. Florida awarded Bush its 25 electoral votes, and he was sworn into office the following month.

Though the transition to the new administration was smooth, Bush entered office with limited political capital on account of his small mandate and, indeed, Democrats asserted he had no mandate at all. Bush passed his tax cut package in June of that year, but it was after the September 11th attacks that his administration was able to enact much of its major legislation. The subsequent spirit of national

⁴ Real Clear Politics rolling average, Obama vs. Romney.
http://www.realclearpolitics.com/epolls/2012/president/us/general_election_romney_vs_obama-1171.html

⁵ The Huffington Post/Pollster.com rolling average, Obama vs. Romney.
<http://elections.huffingtonpost.com/pollster/2012-general-election-romney-vs-obama>

unity paved the way for Bush to pass the Patriot Act national security bill, the Sarbanes-Oxley financial sector reform, the No Child Left Behind education bill and the creation of the U.S. Department of Homeland Security. Congress also passed the authorization of the Iraq War, which began in 2003.

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The electoral vote/popular vote split scenario, as unlikely as it is, would take weeks to resolve and would undoubtedly increase market volatility, as uncertainty would reign while the campaigns settle their disputes in the courts.

In the month after the 2000 election, the S&P 500 was down as much as 8%. Markets gained into the Supreme Court decision, but then dropped again through December, and with the added wallop of the September 11th attacks the next year, the S&P didn't return to its pre-election level until 2007.

In 2000, the Dow dropped more than 280 points intra-day after the Gore campaign announced they were contesting the results in Florida. In the month after Election Day, the S&P 500 was down as much as 8%. Markets gained into the Supreme Court decision, but then dropped again through December, and with the added wallop of the September 11th attacks the next year, the S&P didn't return to its pre-election level until 2007.

More Stalemates & Outliers: What Happens If We Don't Know Who Won?

What if there's a tie in the Electoral College, or some other inconclusive result? The election would then move to the House of Representatives, where the President is elected by the majority of state delegations.

Despite the low probabilities involved, we provide a quick primer on what happens after an inconclusive presidential election in the United States. First and foremost, the winner of a majority of the electoral vote becomes the President, whether he wins the popular vote or not.

What happens if no candidate wins a majority, or if there's a tie in the Electoral College, 269-269? Nate Silver's model puts a statistically negligible 0.6% probability on a tied result. The election would then move to the House of Representatives, where the President is elected by the majority of state delegations.

On January 6, both houses of Congress will meet in Washington to conduct the official count of the electoral vote. Should no candidate receive a majority, the House immediately moves to vote. Congressmen from each state vote together as a bloc, and the victorious candidate must win a majority of state delegations. The current House has a Republican majority among state delegations, 33-15 with 2 ties, though it would be the incoming House who would participate in this process. The Senate also meets to elect the Vice President, with a majority of the individual Senators (i.e. 51 of 100) required for victory.

This House scenario has not occurred since the rise of the modern political party system in the 1840's, though it did occur twice under the old system in 1801 and 1825.

⁶ In American movies about UFO's and aliens, Area 51 is the name given to the secret base where alien spacecraft are held. One example is the 1996 film *Independence Day*.

<u>Democratic States</u>	<u>EV</u>	<u>Republican States</u>	<u>EV</u>	<u>Swing States</u>	<u>EV</u>
California	55	Alabama	9	Colorado	9
Connecticut	7	Alaska	3	Florida	29
Delaware	3	Arizona	11	Iowa	6
Hawaii	4	Arkansas	6	Nevada	6
Illinois	20	Georgia	16	New Hampshire	4
Maine	4	Idaho	4	North Carolina	15
Maryland	10	Indiana	11	Ohio	18
Massachusetts	11	Kansas	6	Pennsylvania	20
Michigan	16	Kentucky	8	Virginia	13
Minnesota	10	Louisiana	8	Wisconsin	10
New Jersey	14	Mississippi	6		
New Mexico	5	Missouri	10		
New York	29	Montana	3		
Oregon	7	Nebraska	5		
Rhode Island	4	North Dakota	3		
Vermont	3	Oklahoma	7		
Washington	12	South Carolina	9		
District of Columbia	3	South Dakota	3		
	<i>Total</i> 217	Tennessee	11		
		Texas	38		
		Utah	6		
		West Virginia	5		
		Wyoming	3		
			<i>Total</i> 191		

270 Electoral Votes Needed To Win

Source: Citi Research. "Blue states" are Democratic, "red states" are Republican, and "swing states" are in yellow.

We expect another piecemeal, short-term fiscal deal that temporarily resolves the fiscal cliff problem. The question is the timing: during the lame duck Congress, or in January after tax rates expire and sequestration begins?

After the election, the outgoing Congress meets for an additional two months in what is traditionally called the 'lame duck' session. The topic on everyone's minds will be the fiscal cliff.

Our basic thesis on the fiscal cliff has been simple: if you have the same players and the same situation, you should expect the same outcomes. Our base-case scenario is that the players remain the same: Obama in the White House and a divided Congress.

We expect another piecemeal, short-term fiscal deal that temporarily resolves the fiscal cliff problem. The question is the timing: during the lame duck Congress, or in January after tax rates expire and sequestration begins?

A horizontal timeline with five chevron-shaped segments pointing right. Above the timeline are dates: Nov. 6, Dec. 31, Jan. 3, and Jan. 20. A large white arrow points from Jan. 3 to Jan. 20. The segments contain the following text: 'ELECTION DAY' (light blue), 'TAX RATES EXPIRE' (dark blue), 'SEQUESTRATION BUDGET CUTS' (grey), 'NEW CONGRESS TAKES OFFICE' (bright blue), and 'NEW PRESIDENT INAUGURATED' (grey).

Date	Event
Nov. 6	ELECTION DAY
Dec. 31	TAX RATES EXPIRE
Jan. 3	SEQUESTRATION BUDGET CUTS
Jan. 3	NEW CONGRESS TAKES OFFICE
Jan. 20	NEW PRESIDENT INAUGURATED

Source: Citi Research

During the third presidential debate on October 22, Obama said that defense sequestration "will not happen." This is in line with the conventional wisdom, which has long assumed that defense cuts will be the easiest for Congress to solve. Citi

analysts have written that the most likely result is a "face-saving deal for both sides" that still reduces defense spending but back-loads the cuts.⁷

What To Watch For

With the resolution of the fiscal cliff buried the minds of only a few, it's impossible to forecast accurately how the sausage will be made. Even so, we highlight these possibilities for investors:

- **The influence of psychology & election results.** Beginning the day after the election, legislative leaders and the President will look to see how their respective parties fared in the election, and how it might affect their leadership standing within their caucuses. This means that the roadmap for a fiscal cliff solution is determined by their psychology and their perceptions of the election results. We'll be paying close attention to leaders' statements in reaction to the election.
- **'Bungee jump.'** Policymakers are concerned less about winning than avoiding losing. Going over the cliff for a short period in January may allow both Republicans and Democrats to avoid the toughest of votes, and it's an option that has been discussed widely in the press, both by us and by others. While not necessarily our base-case scenario, we caution observers to be aware.

Figure 6. Key Dates in U.S. Politics

November 6	Election Day
November/December	"Lame duck" session of 112th Congress
December 31	Tax rates expire ("fiscal cliff")
January 3	Office of Management & Budget begins sequestration ("fiscal cliff")
January 3	113th Congress convenes
January 6	Congress holds official count of electoral votes
January 20	Inauguration Day

Source: Citi Research

- **Headline risk.** Regardless of what happens on November 6, we should expect to see a very vocal debate inside both parties about 'who won' and 'who lost.' If the news is particularly dire or suggests an impending showdown, there may be market action in response. But observers should remember that very few of these people, even seemingly senior Members of Congress, will have influence over the process.
- **Republican sweep.** A victory for Romney or Senate Republicans may mean that the GOP, fresh from victories at the polls and looking to put its own stamp on a fiscal cliff solution, will hold off until January for its own fix. Timing becomes important, as the new president Romney wouldn't take office until January 20, twelve market trading days after sequestration begins. (And January 20 is a Sunday, which could push 'day one' activities back another 24 hours.)
- **Blanket extensions.** Though few commentators have discussed it, the possibility of simple blanket extensions to expiring tax cuts and budget cuts is there. Political players tend to downplay this scenario, if only because the simplest solutions have seemed to bedevil Congress over the past few years, but that shouldn't exclude this case as a possibility.

⁷ Jason Gursky. Citi Research note. "[Sequester Playbook & the Way Forward](#)." June 13, 2012.

Figure 7. Only A Few Key Figures Will Be Players in Fiscal Cliff Negotiations

Democrats

President Barack Obama
Nancy Pelosi, House Democratic leader
Harry Reid, Senate Democratic leader
Sander Levin, House Ways & Means ranking member
Max Baucus, Senate Finance chairman

Republicans

Speaker John Boehner
Mitch McConnell, Senate Republican leader
Dave Camp, House Ways & Means chairman
Orrin Hatch, Senate Finance ranking member

Source: Citi Research

- **A summer tax package?** Obama and Romney have talked about passing comprehensive tax reform in the new Congress, though certainly their packages would look quite different. Both Republicans and Democrats see this commitment as credible, and Hill staffers have been taking meetings and drafting legislation. A new tax code would be about as big a piece of legislation as Congress considers, so the idea that there may be a tax package in the summertime will affect the fiscal cliff negotiations in the winter.

What Not To Worry About

Though multiple outcomes are possible, we feel comfortable putting low to negligible probabilities on these cases:

- **Republican 'capitulation.'** Some have suggested that Republicans will merely defer to a re-elected Obama or, alternatively, a rogue group of Republicans will bolt from their own party to join with the Democratic president. But this isn't a very accurate picture of legislative politics in the United States.

In reality, the one-year fiscal deals of the past few years have been cut between President Obama, House Republican Speaker Boehner and House Democratic leader Pelosi. The majority of both Republicans and Democrats signed off on the packages, leaving ample room for endangered Members on both the left and the right to protect their seats by voting against it.

- **The Tea Party.** In our view, the numbers don't support the argument by some observers over the past few years that there is undue 'Tea Party influence' over the US budget process. Today the Tea Party Caucus has 60 members, a fraction of the 241 Republicans in the US House.⁸ This proportion is neither enough to block legislation nor to unseat the Republican leadership, should they want to pressure Speaker John Boehner on these issues. Almost all these members sit in strong Republican districts and will be re-elected this year.
- **The 'grand bargain.'** Some commentators have suggested that policymakers can agree on a plan that will provide a definitive resolution to America's deficit problems and reform tax and budget policy. But even the historic budget compromises of the 1980's and 1990's weren't so far-reaching, so it stretches the mind to imagine that this option is in the cards for 2012.
- **No action.** Even in this era of polarized politics, no commentator believes that Congress will take zero action and send the US economy back into recession. The question is the timing of a deal, as well as the substance.

⁸ Office of Congresswoman Michele Bachman. "[Members of the Tea Party Caucus](#)." U.S. House of Representatives, accessed October 15, 2012.

Figure 8. Citi Research on the US Election & the Fiscal Cliff

Tina Fordham, Senior Global Political Analyst	October updates on the polls and the fiscal cliff: US Elections: Obama Victory Still Likely Despite Romney Boost	October 17, 2012
Robert DiClemente & Peter D'Antonio, U.S. Economists Nathan Sheets, Global Head of International Economics	The impact of fiscal cliff scenarios on the US economy: The Fiscal Cliff: Assessing the Policy Risks	September 21, 2012
Tina Fordham, Senior Global Political Analyst	The polls, the historical cases, Obama vs. Romney on policy, and the fiscal cliff: US Elections Outlook: It's Not Just The Economy, Stupid	September 13, 2012
Tobias Levkovich, U.S. Equity Strategist	Historical post-election market performance and the outlook for individual sectors: Tuesday Tidings	August 31, 2012
Jason Gursky, U.S. Aerospace & Defense Analyst	Trading defense sequestration: Making a List and Checking it Twice	August 15, 2012
Tobias Levkovich, U.S. Equity Strategist	Market reaction to the fiscal cliff: A Random "Cliff" Walk Down Wall Street	August 14, 2012
Tina Fordham, Senior Global Political Analyst	The global geopolitical scene and our first Obama call: Mid-year Outlook: Rising Geopolitical Risks and the New UltraVox Populi Will Carry On Into 2013	August 2, 2012
Steven Wieting, U.S. Economist	The fiscal cliff and the US economy: Event Study: Both Pain and Gain in U.S. Fiscal Tightening	July 16, 2012
Jason Gursky, U.S. Aerospace & Defense Analyst	Defense sequestration: Sequester Playbook & the Way Forward	June 13, 2012

Source: Citi Research

Conclusion

Our most likely outcome for the US election remains the same: Obama in the White House, Democrats in the Senate and Republicans in the House. Election watchers should use the most complete data and not cherry-pick the polls. Our fiscal cliff outlook is unchanged as well. We expect a last-minute piecemeal solution to the fiscal cliff, but observers should be wary of a 'bungee jump' into the next Congress.

Figure 9. What a Way to Pick the President! An Update of Actual Questions Asked By Pollsters in 2012.

	Barack Obama	Mitt Romney
Rather have as your employee	46	46
Prefer to listen to their music playlist	46	30
Prefer on a camping trip	48	34
Would rather have as the captain of a ship in a storm	48	44
Would rather have babysit your child	49	36
Prefer to see on <i>Dancing with the Stars</i>	51	26
Prefer as a dinner guest	54	32
Would win in a fistfight	58	22
More apt to go bungee jumping	60	21
More adept in dealing with an alien invasion	68	?

Source: Actual surveys conducted this year by *The Washington Post*/ABC News, Yahoo News/*Esquire*, and the National Geographic Channel/Kelton Research.

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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