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Super Tuesday Game Changer

What happened?

Former Vice President Joe Biden racked up a large delegate count on Super Tuesday making him the favorite to win the Democratic nomination for President. As early as last week, forecasting models, pundits, and overseas betting markets were all bearish on Biden's chances of securing the nomination. The tide turned following a blowout win in South Carolina followed by the endorsements from former opponents Amy Klobuchar and Pete Buttigieg. On Super Tuesday, Biden was boosted by late deciders, suburban areas, and large voter turnout. Bernie Sanders, though projected to win California, vastly underperformed expectations and his path towards a delegate majority appears much tougher as compared to just a week ago.

What's next?

Final results from Super Tuesday won't fully be known for a while. For example, in California mail-in votes can be sent out as late as midnight on election night. As these final mail-in votes are counted, Biden's advantage with late deciding voters could close some of the gap in California and add to his existing delegate lead overall.

It is our view that the democratic nomination is now a two-person race between Senator Sanders and former Vice President Biden. After failing to deliver a strong Super Tuesday performance, Michael Bloomberg has dropped out and endorsed Biden. Senator Elizabeth Warren's campaign is now sputtering following a third place finish in her home state of Massachusetts. Though she has continued to land hard hits in debates, the progressive wing of the party has decided to coalesce behind Sanders. Calls for Warren to drop out of the race are mounting, which would presumably lend additional support to Sanders' campaign.

Moving forward, the next delegate-rich contests are on March 17 with Arizona, Florida, Illinois and Ohio all voting. Biden currently polls well in those states and we should expect a bounce in his numbers as the momentum from Super Tuesday filters into voters' psyche. Sanders could potentially perform well in Arizona as he has garnered more support in western states and amongst Latino voters.

Our take

Though elections are always fluid situations, the Democratic primary now appears to be Biden's to lose. Barring a collapse over the coming weeks he is bound to either win more delegates than Sanders or enter a contested convention with a strong claim to the Democratic nomination. Biden's strength in states where he wasn't expected to do well, particularly Maine and Massachusetts, adds to our conviction on this point.

Whereas an overwhelming Sanders win would have likely been negative for risk assets, we view the latest developments as positive for markets. Biden has a long track record of centrist market-friendly policies, in stark contrast to Sanders' advocacy for substantial government control of key economic sectors such as healthcare and energy. A potential Biden presidency would also reduce the likelihood of future trade tensions with Europe. The Biden ascendancy – and Sanders flagging – removes some policy tail risk out of the market but larger market reactions will likely come as the general election heats up over the summer.

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