



Why 2018 Will Make 2017 Seem Tame



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10 Reasons

Why 2018 Will Make 2017 Seem Tame

POLITICS

House & Senate Majorities Up for Grabs.
Intense State-Level Elections With Big Redistricting Impact.
DEM Civil War Growing, Temporary GOP Cease-Fire Possible.

PERSPECTIVES

Both Sides Think They're Winning & Plan to Double Down.
Trump-Media Feud Will Intensify.
Market Volatility Likely to Increase.

2018

PEOPLE

Trump Team Will Turn Over Faster.
More Congressional Departures & Bipartisan Harassment Allegations.
Another WH vs. Special Counsel War Likely.

POLICY

Intense Q1 Agenda Demands Deals.
Global Populism Will Spread, Challenging Trade & Tech.
Geopolitical Risks Will Grow.

#1

**Both Sides Think They're Winning &
Plan to Double-Down**

Trump Sees Significant First Year Accomplishments

22:1
deregulatory to regulatory actions



ANWR, Keystone & EPA
reversing Obama climate policy



Gorsuch & 12 circuit ct
judges appointed, most in U.S. history



**TAX
REFORM**

WINNING



Individual
Mandate
Penalty
REPEALED

98%
territory taken back from ISIS



70%
drop in illegal border crossing (CBP)



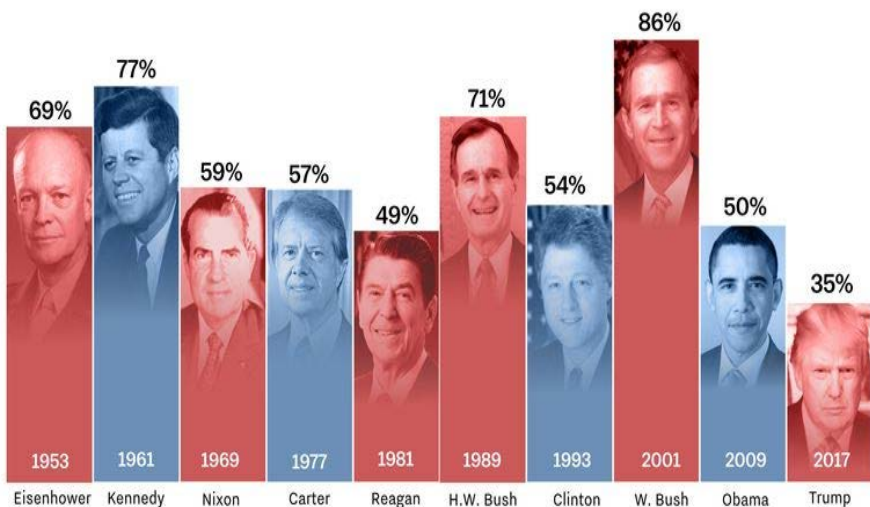
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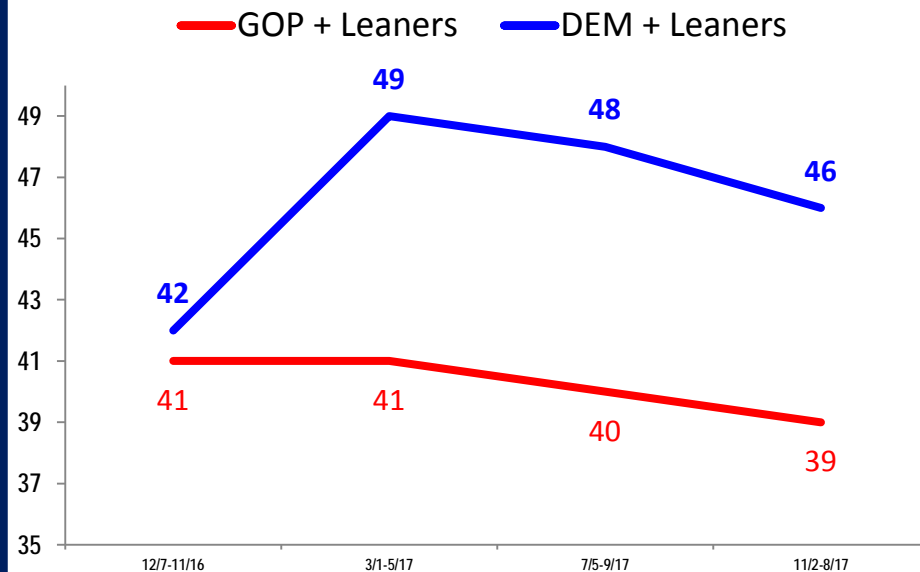
Opponents See Anti-Trump Tide Rising

Trump Remains Historically Unpopular Overall



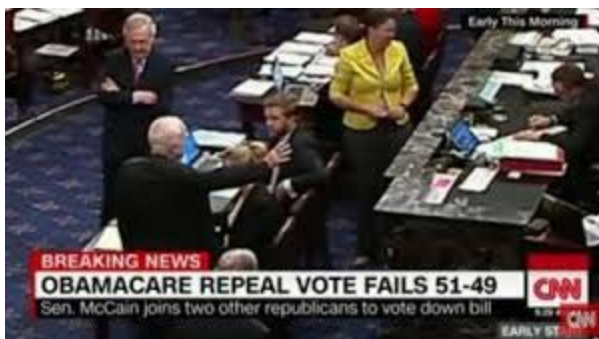
Source: VOX graphic showing Gallup data in December of President's 1st year

Voters More Eager to Identify as DEM, Not GOP



Source: Gallup, Nov. 2017

Trump Lost: ObamaCare, Border Wall



Hyper-Energized Base



Winning Elections

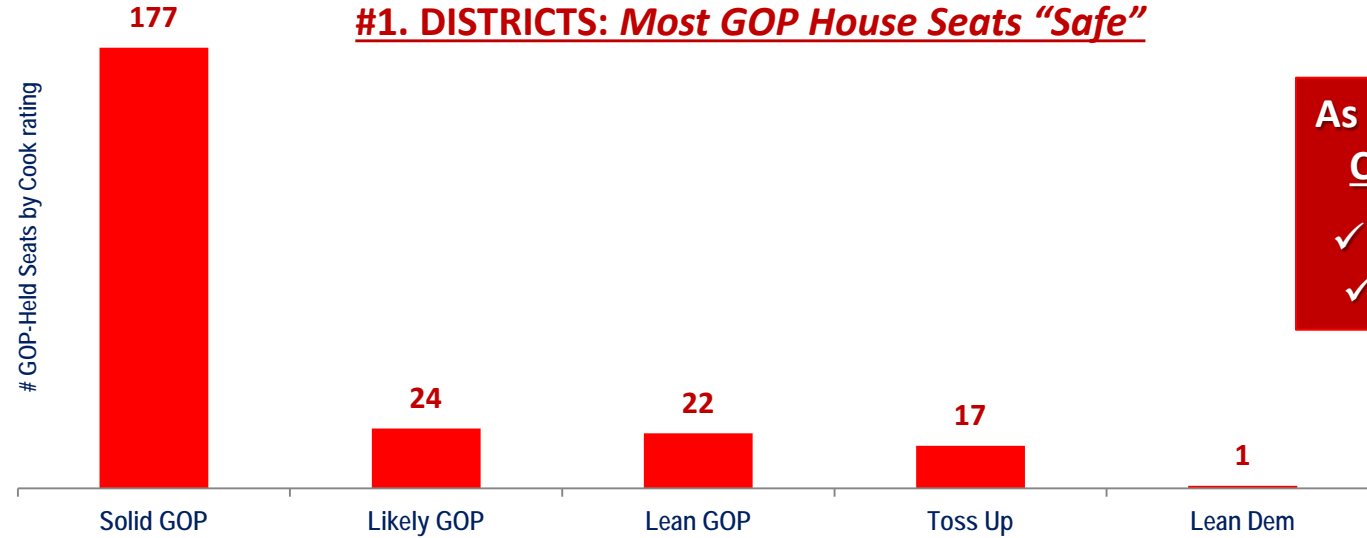


#2

Majorities in the U.S. House & Senate Are Up For Grabs

The Case for the GOP Maintaining House Majority

#1. DISTRICTS: Most GOP House Seats "Safe"



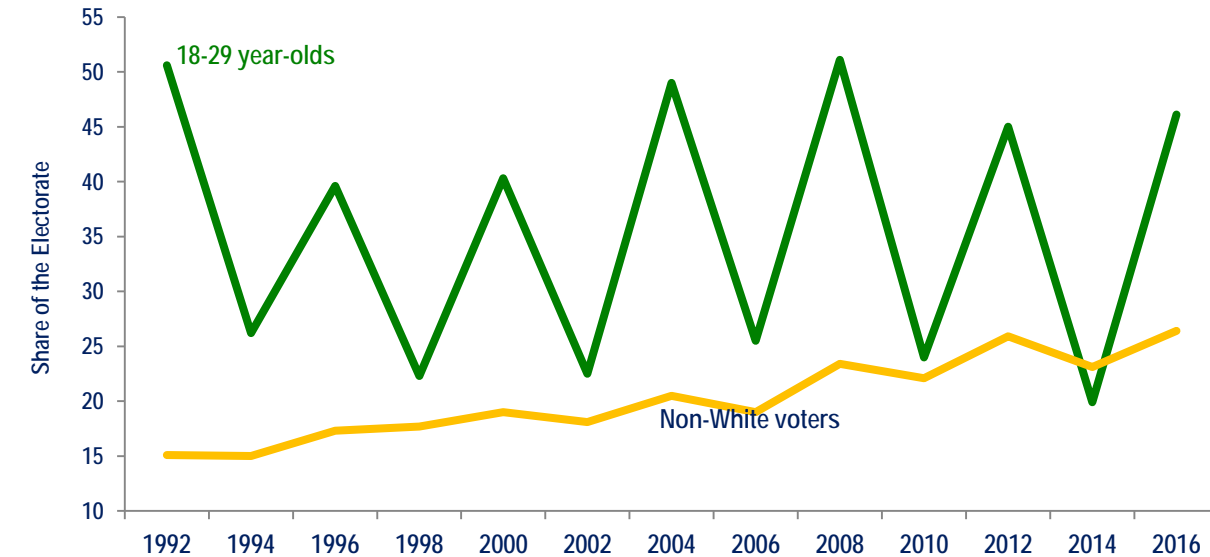
As of Dec. 2017 in GOP-held Congressional districts...

- ✓ Prefer GOP Control: +8
- ✓ Trump Approval: 50%

Source: Cook Political Report, Dec. 15, 2017

Source: NBC/WSJ, Dec. 2017

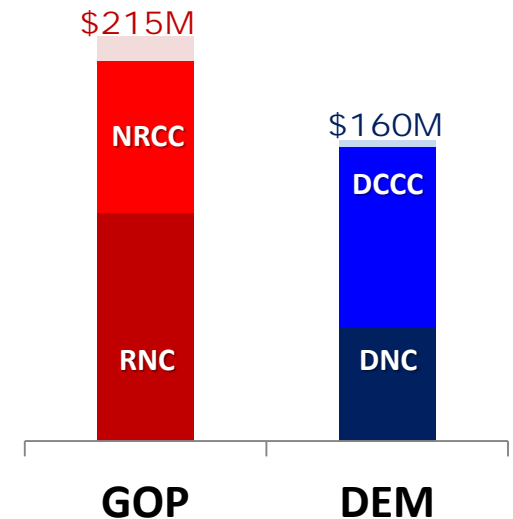
#2. DEMOGRAPHICS: Midterm Electorate Always Older, Whiter



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Source: VFP, FEC (\$\$)

#3. DOLLARS: GOP Out-Fundraised Dems in '17



Source: FEC, per Open Secrets

The Case for Democrats Winning the House

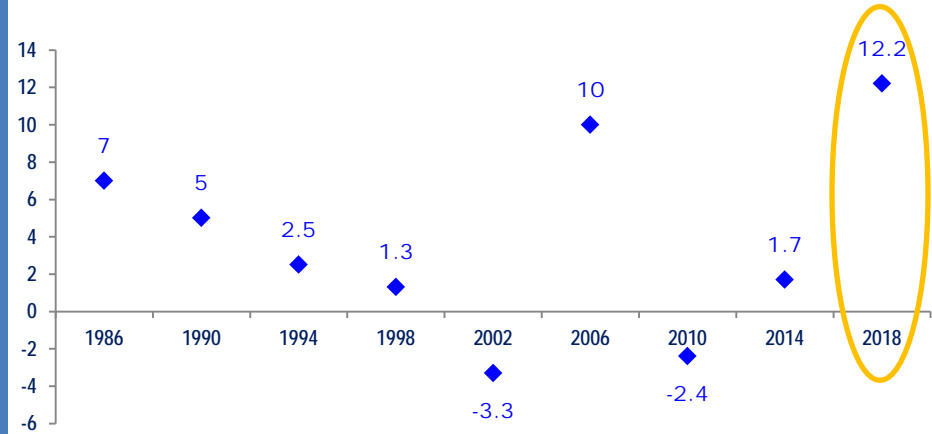
#1. POTUS Approval Predicts Midterm Outcomes

POTUS Approval	Under 50%	50%-60%	Over 60%
Avg. Seat Gain / Loss since 1962	-40	-12	+3

1/1/18 Trump approval: 40.0%

Sources: Cook Report in Nat'l Journal, 11/9/17; RCP avg. approval 1/1/18

#2. Significant Dem Lead in Early "Generic" Polls



Source 538, Dec. 2017

#3. Dems More Motivated to Vote in 2018

% voters "extremely or very enthusiastic about voting for Congress next year"

49%
DEM

32%
GOP

#4. Huge Dem Leads Among Key Sub-Groups

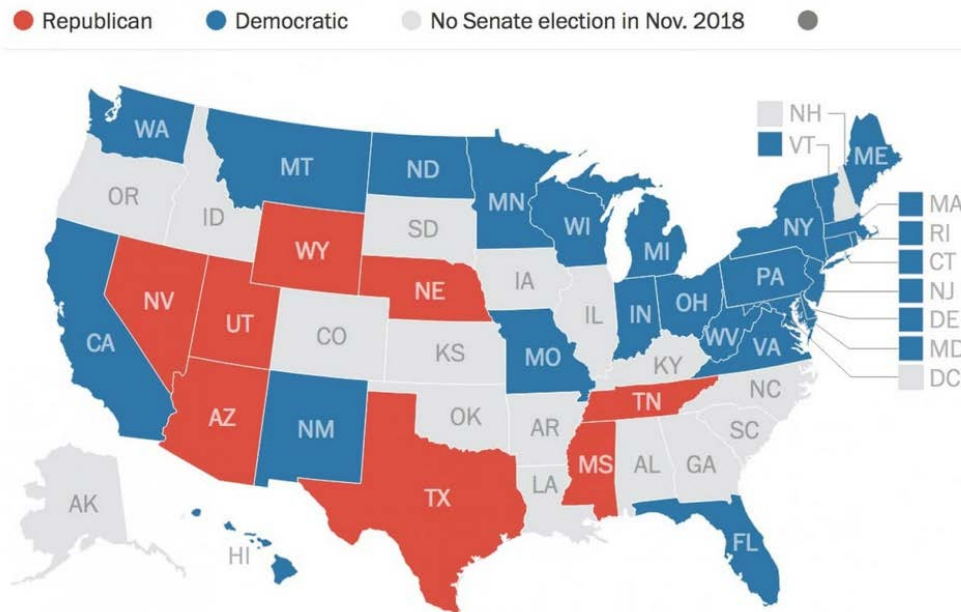
Generic Preference (NBC/WSJ)	2006 Margin	2014 Margin	Today
Ages 18-29	+22%	+11%	+48%
Moderates	+22%	+8%	+25%
Independents	+18%	+12%	+12%
Midwest	+5%	+8%	+12%
Suburban	+2%	+12%	+5%
White Women	+1%	+14%	+6%

Source: NBC / WSJ polling per Public Opinion Strategies, Dec. 2017

From Current 51R-49D Margin, Senate Could Go Either Way

While Democrats Are Defending 25 Seats Including 10 That Trump Won in 2018 (vs. GOP 8 Total, 1 Clinton)...

...Since 1982, in Midterm Senate Elections...



96.5%
re-elected from the opposite party from the President (110/114)

80.5%
re-elected from the same party as the President (103/128)

Source: 538 (Harry Enten)

Note: Following Sen. Al Franken's resignation, both Minnesota seats are up in 2018.

SOLID D		LIKELY D	LEAN D	TOSS-UP	LEAN R	LIKELY R	SOLID R
CA-Feinstein	NY-Gillibrand	MT-Tester	FL-Nelson	IN-Donnelly			TX-Cruz
CT-Murphy	RI-Whitehouse	NJ-Menendez	ME-King (I)	MO-McCaskill			MS-Wicker
DE-Carper	VT-Sanders (I)	PA-Casey	ND-Heitkamp	WV-Manchin			NE-Fisher
HI-Hirono	VA-Kaine	WI-Baldwin	OH-Brown	MN-Smith			UT-Open (Hatch)
MD-Cardin	WA-Cantwell	MI-Stabenow		AZ-Open (Flake)			WY-Barasso
MA-Warren	MN-Klobuchar			NV-Heller			
NM-Heinrich				TN-Open (Corker)			

Source: Cook Political Report, Dec. 15, 2017 Ratings

#3

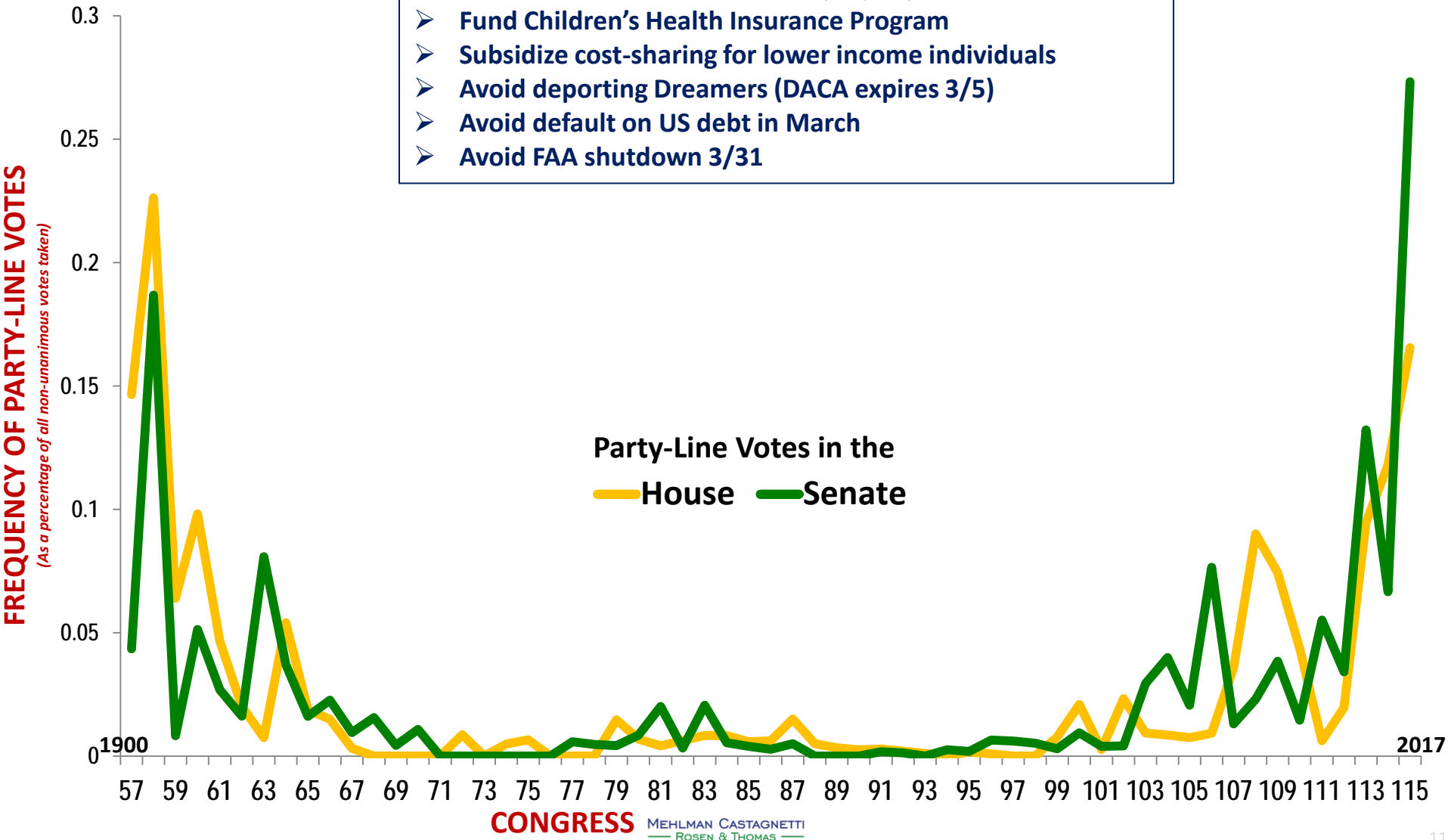
Intense Q1 Agenda Will Require Bipartisan Compromises

(None of Trump's 2017 wins needed 60 votes in the Senate)

115th Congress Unable to Compromise Much So Far...

... And bipartisan compromises now needed to:

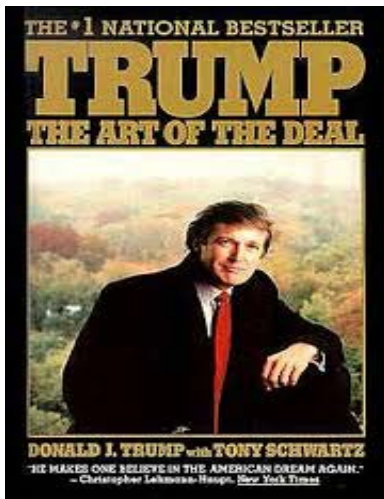
- Avoid gov't shutdown 1/19
- Maintain NSA surveillance of global terrorists 1/19
- Provide more disaster aid to TX, FL, PR, etc.
- Fund Children's Health Insurance Program
- Subsidize cost-sharing for lower income individuals
- Avoid deporting Dreamers (DACA expires 3/5)
- Avoid default on US debt in March
- Avoid FAA shutdown 3/31



Meanwhile, in an Alternate Universe...

WHY DEALS MAY HAPPEN

- ✓ Trump got highest ratings of 2017 for Sept. deal with “Chuck & Nancy”.
- ✓ Primary filing deadline passes for most by Q2.
- ✓ 11 Dem Senators in red Trump states.



BIGGEST OPPORTUNITIES FOR BIPARTISAN COOPERATION

INFRASTRUCTURE

BUDGET & SPENDING

(debt ceiling, sequester relief)

IMMIGRATION

(border security, Dreamers)

TECH / TELECOM

(online sex trafficking, election cyber, political ad disclosure, open Internet, data breach)

HEALTH CARE

(Opioid remediation, device tax, premium support for poor / high cost, expired Medicare extenders)

OTHER ISSUES

(CFIUS reform, GSPs, Dodd Frank reform, higher ED, tax corrections, pensions)

WHY DEALS LESS LIKELY

- ✓ Growing % of Dem base demands 100% opposition, No Deals!
- ✓ No moderate Dems in the House to replace lost right wingers.
- ✓ Base muckrakers attack Trump for deals w/ Dems.








#4






Agencies Will Staff Up While WH & Congressional Turnover Accelerates

White House Turnover & Agency Staffing

AT THE AGENCIES: Still Arriving

STAFFING UP <i>(as of the end of the first year)</i>					
% Top Jobs Confirmed	Data not available	74%	77%	70%	47%
% Top Jobs Nominated	Data not available	97%	96%	100%	75%

AT THE WHITE HOUSE: Increasingly Departing

TURNING OVER					
WH Top Staff Turnover Yr 1	17%	11%	6%	9%	34%
WH Top Staff Turnover Yr 2	40%	27%	27%	15%	<i>tbd</i>

Expect More Harassment Accusations & Departures

Allegations No Longer Survivable, Especially for Democrats

Franks



Conyers



Farenthold



Franken



Kihuen



More Accusations of Improper Behavior Are Expected in 2018

Townhall

Hoo Boy: WaPo, CNN Preparing to Expose Dozens of Members of Congress on Sexual Harassment and Misconduct?

VANITY FAIR

CONGRESS'S SECRET HISTORY OF SEXUAL HARASSMENT IS ABOUT TO EXPLODE

RedState

Bipartisan Bill Filed To End 'Sorry Your Congressman Groped You' Hush Fund

What Did Leaders Know & When Did They Know It?



#METOO

#5

State-Level Elections Will Be Intense With Big Redistricting & Litigation Impacts

History Suggests Dems Will Gain Down Ballot

Party In Power (WH) Usually Loses Seats in 1st Midterm

President & Year of 1 st Midterm	Net POTUS Job Approval	Governorships	Seats in State Legislatures
TRUMAN (1946)	-19	-2	-456
IKE (1954)	+35	-8	+483
JFK (1962)	+36	0	-76
LBJ (1966)	+3	-8	-762
NIXON (1970)	+31	-11	-288
CARTER (1978)	+13	-5	-357
REAGAN (1982)	-6	-7	-201
GHW BUSH (1990)	+26	-1	+32
CLINTON (1994)	0	-10	-514
GW BUSH (2002)	+33	-1	+127
OBAMA (2010)	-3	-6	-708
TRUMP (2017)	-15.6	-1 <i>(in 2017)</i>	-34 <i>(thru 1/17/18)</i>

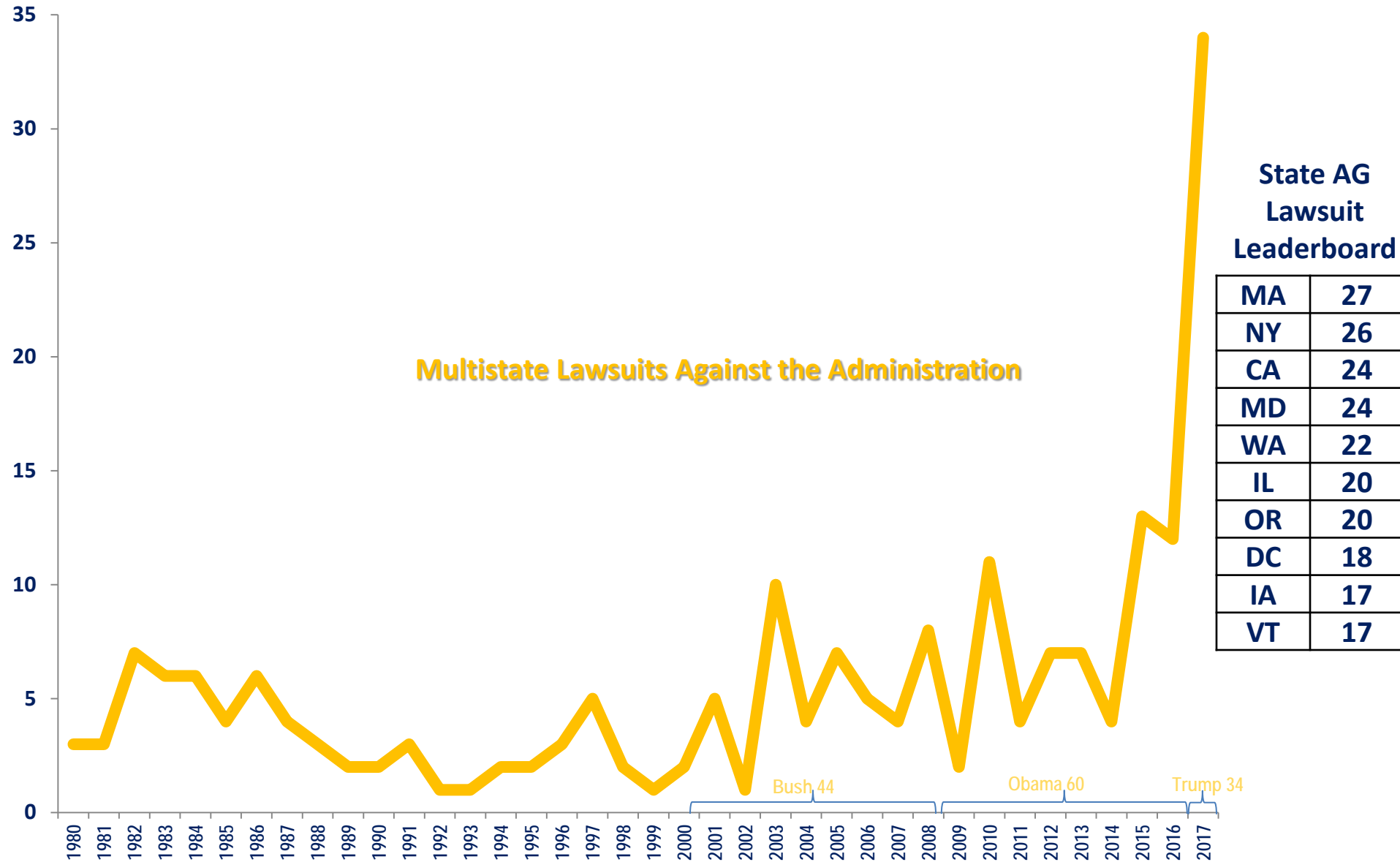
2018

GOP DEFENDING
 26 Governorships
 15 open seats
 6 Toss-Up /worse

DEM DEFENDING
 10 Governorships
 4 open seats
 3 Toss-Ups

State AG Lawsuit Tsunami Will Grow, Esp. if More Dems Win

AGs Challenging Trump on Immigration, Net Neutrality, Tax, Energy, etc.



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#6

The Trump-Media Feud Will Intensify

Trump vs Media Feud Will Intensify

Why It's Working for Trump

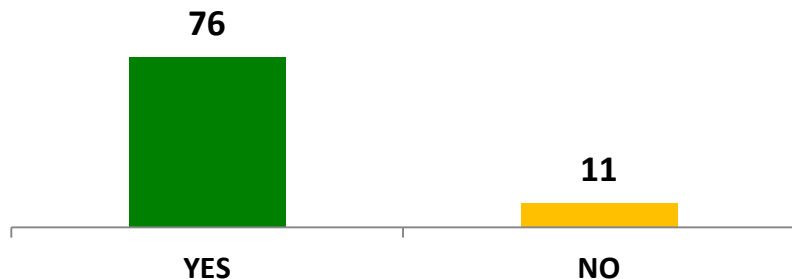
1. The Base Loves It

(politically-incorrect & anti-elite)



2. Neutralizes Dangerous Foe

*Does Media Fabricate Trump Stories?
(% GOP voters)*



Source: [Morning Consult](#), Oct. 2017

3. Commands Center Stage

“Trump was the #1 story every week for every audience.”



THE YEAR IN NEWS 2017

Why It's Working for the Media

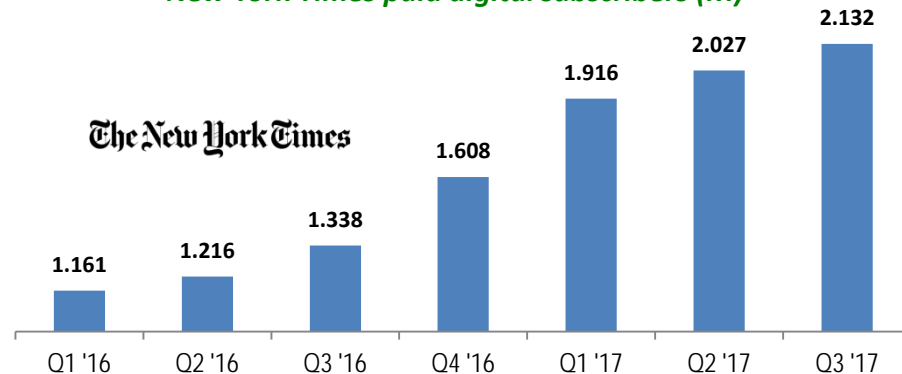
1. Total Viewership Up in 2017



Source: Nielsen, per [Variety](#), Dec. 2017

2. Total Readership Growth in 2017

New York Times paid digital subscribers (M)



Source: [Statista](#)

3. Compelling Story Line

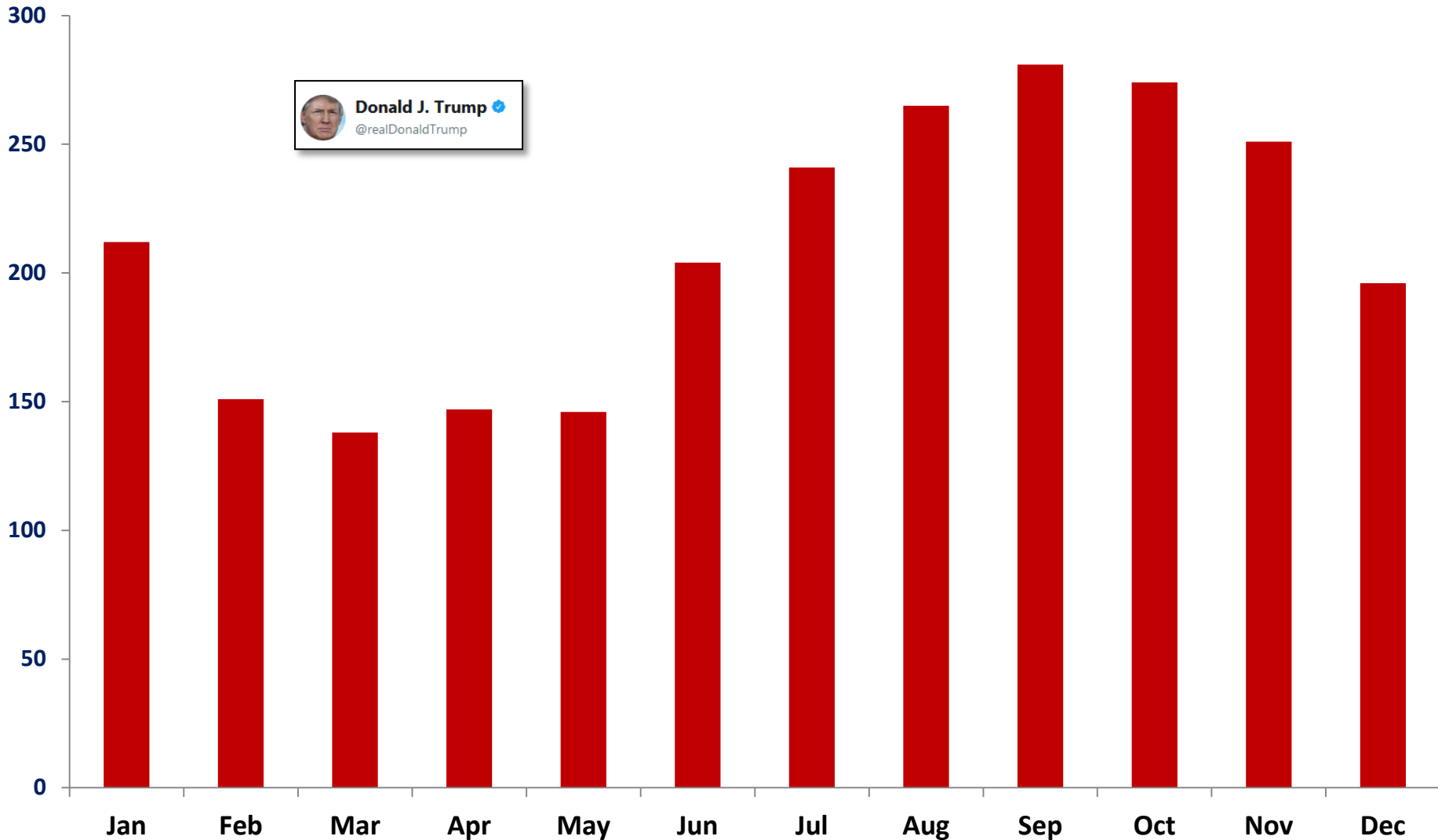


“[N]ewspapers, television, all forms of **media will tank if I'm not there** because without me, their ratings are going down the tubes...”

— President Trump to NYT, Dec. 29, 2017

Disruptor-in-Chief Speaks Directly to the People

President Trump averaged 5.84 Tweets/day before Gen. Kelly became Chief of Staff & 8.28 Tweets/day after



#7

**Democrats' Civil War Will Grow, While
the GOP May Temporarily Cease Fire**

“Dem Sens Fight to Out-Liberal One Another Ahead of 2020” (Politico)

De-Clintonification of the Democratic Party Accelerating



1994



2017



ON THE ISSUES

43% Liberal / Mostly Liberal Views 73%

32% Immigration is Good for the US 84%

28% Racial discrimination is “main reason black people cannot get ahead” 64%

<50% Single Payer Health care 65%

ON THE CLINTON ADMINISTRATION LEGACY

Victory Deregulating the Banks Mistake
(Glass-Steagall Repeal & GSE incentives to lend)

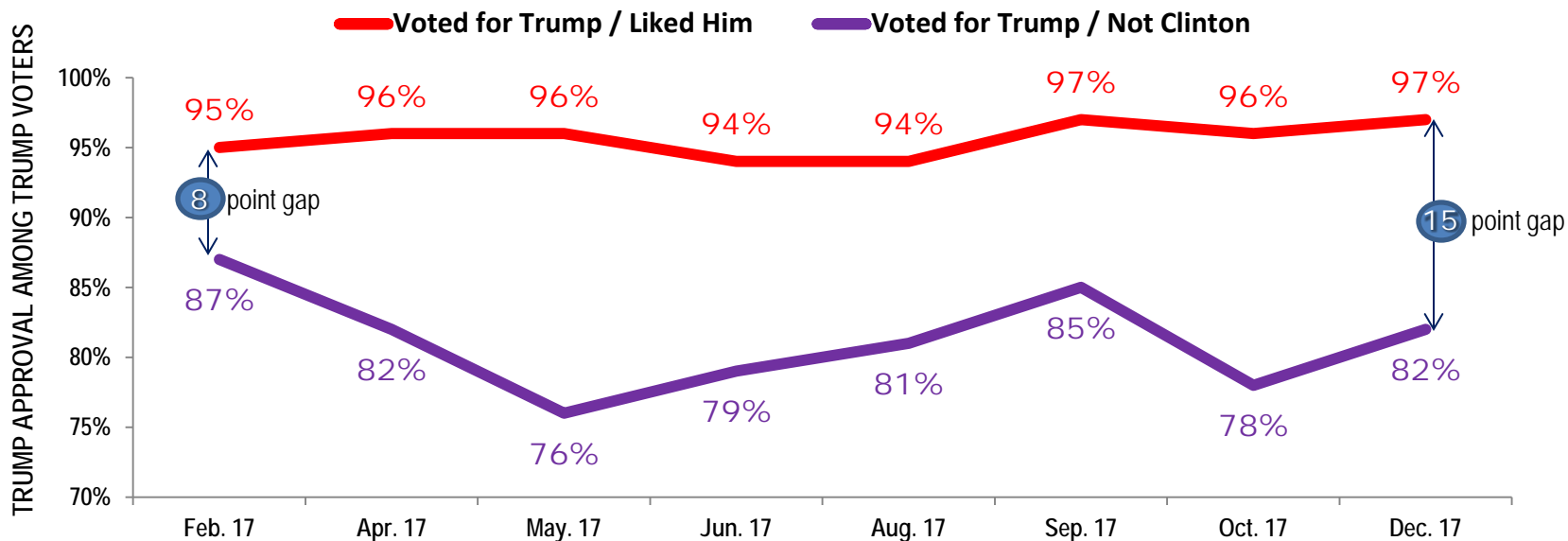
Victory Accelerating Globalization Mistake
(NAFTA & admitting China into the WTO)

Victory Welfare Reform Mistake

Victory Three Strikes Crime Bill Mistake

GOP More Likely to Close Ranks & Cease Fire

Voters "For Trump" Rather than "Against Clinton" Still Approve Strongly



Establishment-Wing Delivered Policy Wins, Bannon-Wing Delivered Political Losses

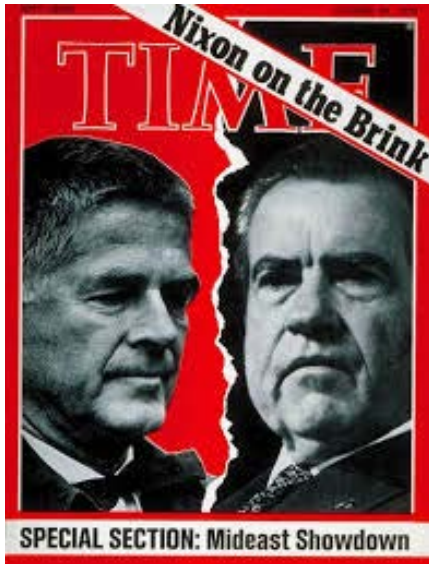


#8

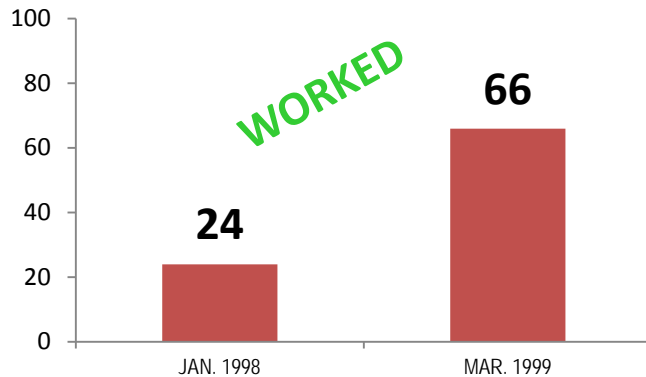
Another White House vs. Special Counsel War Seems Inevitable

WH Allies Will Attempt to Run the Ken Starr Playbook

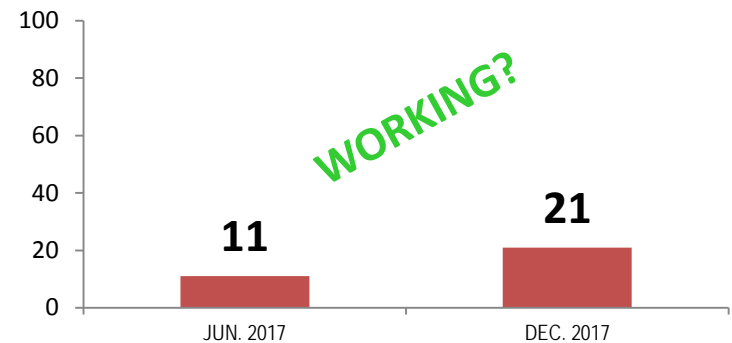
Vilifying the Special Counsel Worked for Clinton But Failed Nixon



Ken Starr Unfavorability



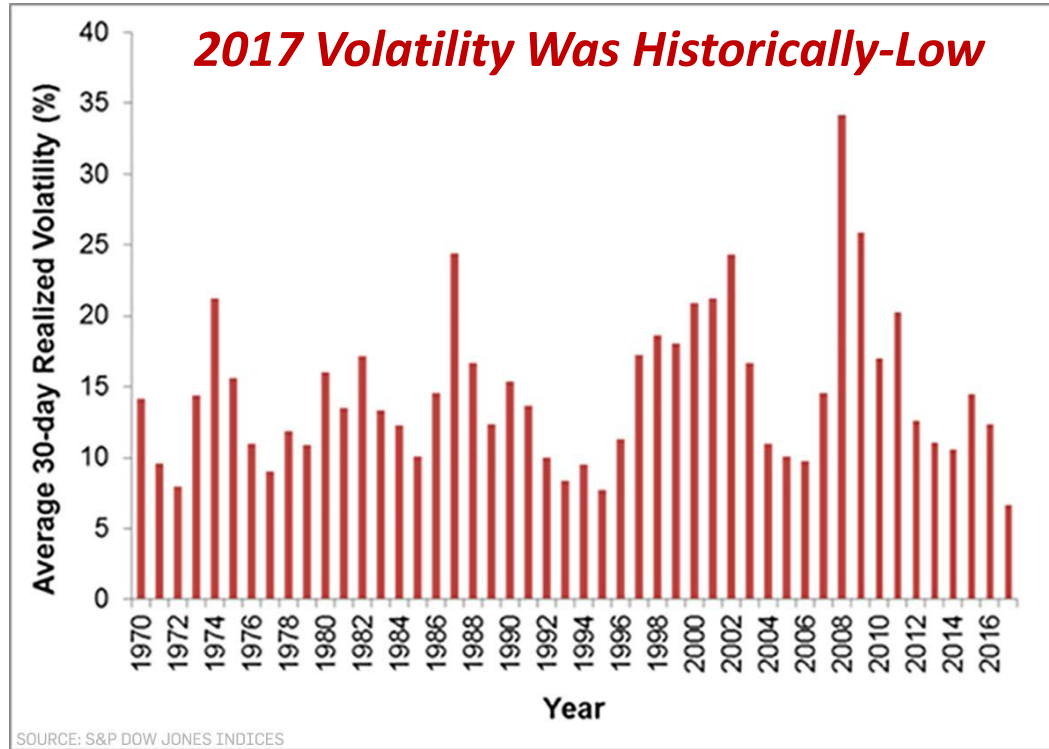
Robert Mueller Somewhat / Very Negative



#9

**Market Volatility Will Surely Increase
From Record Lows**

How Will Investors React When Markets Get More Erratic?



Where the Next Market Panic Might Come From?

FED Too Aggressive



Geopolitics



Political Shocks



Bursting Bubbles



#10

Geopolitical Risks Are Growing

Global Populism Marches On... What's Next?

USA: Anti-Trade



Impose Tariffs / Terminate Deals / Bring Complaints

EU: Anti-U.S. Tech



Tax / Antitrust / Liability for Hosted Content, Fake News

Significant Elections in 2018:

Will Anti-Establishment Forces Keep Winning?



ITALY
March



MEXICO
July



BRAZIL
October



USA
November

Riskiest Global Challenges in 2018



IMAGE: Via Wikimedia Commons



IMAGE: Via Wikimedia Commons



F

FRONTLINE EUROPE: HOW THE FORCES MATCH UP

KEY TO MAP

- NATO countries
- Also includes US, Canada and Iceland
- Russia
- Former Soviet states
- Russian forces
- Balkan forces

NATO RAPID REACTOR FORCE

- At least 40,000 troops - up from 13,000 last year - to send anywhere in the world by land, sea and air within a week.
- A 5,000-strong spearhead force, is able to deploy in as little as 48 hours.
- By 2022, 3,000 UK troops will be attached to the reactor force.
- Nato will have 4,000 troops on permanent rotation from the US, Germany, Britain and Canada in Poland, Lithuania, Estonia and Latvia.

BRITAIN ON THE FRONTLINE

ROMANIA

- Britain will deploy two RAF Typhoon jets, the world's most advanced multi-role combat aircraft.

ESTONIA

- A battalion of 800 UK troops expected to be joined by soldiers from Denmark and France.
- They will deploy alongside four Challenger 2 battle tanks, below. One of the best protected tanks in the world.
- Warrior armoured vehicle in an infantry fighting transport which can travel over difficult terrain.
- Hand-held Desert Hawk drones launched by personnel on the ground to spy on enemy forces.

RUSSIA ABROAD

- KALININGRAD:** Russia's Baltic Fleet base reinforced with two more warships armed with cruise missiles. Nuclear Iskander-M missiles already moved to province.
- BELARUS:** Base for jets and early warning system radar.
- UKRAINE:** Black Sea Fleet based in Crimea.
- MOLDOVA:** 1,500 troops in a breakaway region in the east.
- GEORGIA:** 3,000 troops based in Abkhazia and South Ossetia.
- ARMENIA:** 5,000 troops in the capital Yerevan.
- KAZAKHSTAN:** Site of ballistic missile testing.
- SYRIA:** Battalion of motorized infantry, marine battalion and 5,300 air defence missile systems at naval base in Tartus. Air equipment at Latakia.

RUSSIAN IN THE MEDITERRANEAN

- Aircraft carrier Admiral Kuznetsov, one of an eight-strong flotilla.
- The Kuznetsov is equipped with 40 fighter jets, helicopters, anti-aircraft guns and torpedoes.

Map labels include: ESTONIA, LATVIA, LITHUANIA, POLAND, BELARUS, UKRAINE, MOLDOVA, ROMANIA, HUNGARY, SLOVAKIA, BULGARIA, TURKEY, SYRIA, ARMENIA, IRAQ, SAUDI ARABIA, EGYPT, Black Sea, Caspian Sea, Mediterranean, Berlin, London, Paris, Moscow, Kaliningrad, Latakia, Tartus, Yerevan, Abkhazia, South Ossetia.



IMAGE: Via Wikimedia Commons by Andersson18824

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