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A Slight GOP Edge in the Mid-Terms

There are only 36 days until the mid-term elections.

The only thing we know for sure is that the Republicans will keep the House. They already have a majority and the president's party almost always loses seats in mid-terms. Our best guess is that GOP ends up with an enlarged majority.

The Senate, however, is completely up for grabs. More Democrats have to defend seats this year. President Obama's low popularity, a Plow Horse recovery, scandals, and continued problems in the Middle East, had set up 2014 to be an anti-incumbent election. It could have been a huge Republican wave. Instead, the GOP has put its collective head in the sand, avoiding any real controversy, passing bills just to get things out of the way. This is a "pro-incumbent strategy," managed by risk-avoiding GOP members already in power. As a result, the GOP Senate seat in conservative Kansas is up for grabs.

Despite this, the cards are stacked so high against the Democrats that the GOP will probably pick up enough seats to take the Senate. According to polls, they're running ahead in eight states now controlled by Democrats, although some of the leads are narrow, like in Colorado and Iowa.

The most likely result is that the GOP will end up with between 51 and 53 Senate seats, even though the GOP hasn't

put forward a broad positive policy agenda, and even though the GOP is behind in the money game. A "do nothing" strategy has left their base uninspired.

This outcome of a slight GOP majority in the Senate won't be able to overturn any vetoes, which means any hardball politics that attempts to use the budget process to extract major policy concessions from the President is unlikely.

We expect two more years of gridlock, with the possible exceptions of more oil exports and approval of the Keystone pipeline. The White House would go along with these moves because the changes would help spur economic growth, some of it in the heavily-unionized commercial construction business, which would help Democrats keep the White House in 2016.

President Obama will never face another election and doesn't need youthful environmentalists anymore. Meanwhile, any Democrat presidential candidate wouldn't be responsible for the policy changes. Cynical? Yes, but this is politics.

It's the next presidential election that has the ability to fundamentally change the policy course. And mounting debt will force our next president, from either party, to be more pro-growth. We will expound on this at a later date, but we expect policy to be supportive of equities in the years ahead.

| Date/Time (CST) | U.S. Economic Data | Consensus | First Trust | Actual | Previous |
|-----------------|--------------------------------|-------------|--------------------|--------------|-------------|
| 9-29 / 7:30 am | Personal Income – Aug | +0.3% | +0.3% | +0.3% | +0.2% |
| 7:30 am | Personal Spending – Aug | +0.4% | +0.4% | +0.5% | -0.1% |
| 9-30 / 8:45 am | Chicago PMI | 62.0 | 62.7 | | 64.3 |
| 9:00 am | Consumer Confidence – Sep | 92.5 | 92.8 | | 92.4 |
| 10-1 / 9:00 am | ISM Index – Sep | 58.3 | 58.9 | | 59.0 |
| 9:00 am | Construction Spending – Aug | +0.4% | +0.5% | | +1.8% |
| afternoon | Total Car/Truck Sales – Sep | 16.8 Mil | 16.5 Mil | | 17.4 Mil |
| afternoon | Domestic Car/Truck Sales – Sep | 13.6 Mil | 13.1 Mil | | 13.9 Mil |
| 10-2 / 7:30 am | Initial Claims – Sep 27 | 298K | 298K | | 293K |
| 9:00 am | Factory Orders – Sep | -9.3% | -9.3% | | +10.5% |
| 10-3 / 7:30 am | Non-Farm Payrolls – Sep | 215K | 220K | | 142K |
| 7:30 am | Private Payrolls – Sep | 210K | 220K | | 134K |
| 7:30 am | Manufacturing Payrolls – Sep | 13K | 6K | | 0K |
| 7:30 am | Unemployment Rate – Sep | 6.1% | 6.1% | | 6.1% |
| 7:30 am | Average Hourly Earnings – Sep | +0.2% | +0.2% | | +0.2% |
| 7:30 am | Average Weekly Hours – Sep | 34.5 | 34.5 | | 34.5 |
| 7:30 am | Int'l Trade Balance – Aug | -\$40.8 Nil | -\$40.7 Bil | | -\$40.5 Bil |
| 9:00 am | ISM Non Mfg Index – Sep | 58.5 | 58.7 | | 59.6 |