



## THE WEEK AHEAD FROM WASHINGTON

# Capital Alpha Outlook

*A cross-sector look at what investors need to be aware of in Washington this week. Contact [Rich Linville](#), [Tom Butler](#), [Courtney Oldham](#) or [Mike Giordano](#) for more information.*

### **Macro** - Charles Gabriel

#### **Elections: Third And Last Presidential Debate, Wednesday (Oct 19)**

Held at University of Nevada-Las Vegas, the 90-minute event will be moderated by Fox News' Chris Wallace and cover immigration, entitlements/debt, the Supreme Court, the economy, foreign policy, and each candidate's fitness to serve.

#### **Elections: Hillary Clinton's Bump Seems Moderating. . .**

After weeks of Trump on defense, the Democrat's advantage may be trending toward +3-4 points, with the race stubbornly tight in key states. Leaking emails aside, Clinton's lead may be insurmountable entering the 3-week stretch.

#### **. . . And Her Victory May Have To Come w/o A Dem Senate or "Blue Wave."**

We acknowledged Trump's difficulty from this point in our seventh Election Risk Report Friday, raising our odds of a Clinton presidency to 65% but weighing against Dems' retaking the Senate, much less the House.

#### **Elections: Biggest Catalyst If We're Wrong: An Infrastructure/Repatriation Bill**

The two most likely partisan alignments after Nov., plus the two parties' competing tax reform and fiscal policy thrusts, make us skeptical about a 2017 infrastructure deal. That is, unless Dems take it all, or Washington girds for recession.

#### **Elections: Why Won't The Trump Movement Die?**

We received rare feedback on our call that Trump's defeat may now be "irreversible", with some clients reminding us that his "make America great" pledge, anti-elite campaign and resistance to globalism and trade deals hit a strong nerve.

### **Financials** - Charles Gabriel and Ian Katz

#### **SEC: Liz Warren Menaces White, Claims Stake for Big Role**

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The senator writes Obama a 12-page letter asking him to fire the SEC chief. That's not going to happen, but Warren's flame-throw through the heart of the agency makes it clear she will be heard if/when Clinton chooses White's successor.

#### **Banks: Execs Seem Relaxed About Fed's Stress Capital Buffer**

Wells, JPMorgan, Citi and PNC reported earnings Friday. Analysts on calls asked about Tarullo's idea of a "stress capital buffer" in the CCAR. Consensus among the bank execs was that the new tests will be manageable.

#### **Cards: Second Look At New Lay Of The Land In Brooklyn**

In round two of federal court hearings to reboot likely negotiations on another swipe fee settlement between merchants, V/MA and card-issuing banks, Judge Margo Brodie will host another status hearing this Wednesday, Oct 19.

#### **Cards: Thursday, Oct 20, 11 a.m. ET Spotlight Call w. Jeff Tassey**

Capital Alpha will host the veteran EPC advisor to discuss takeaways from the Oct 19 Brooklyn court status hearing as well as positive V-MA read-through from Amex's recent win over DOJ in the same 2nd Circuit.

#### **Health Care - Kim Monk & Rob Smith**

##### **CMS Extends Olive Branch on Final MACRA Rule**

The agency is winning good reviews for delaying performance penalties and moving to allow more providers to qualify for alternative payment model bonuses. Expect CMS to continue to work to help ease value-based purchasing changes.

##### **S&P Projects Weak ACA Enrollment Growth**

The global ratings report estimates ~11 million exchange enrollees for 2017. Higher premiums for the 15% of unsubsidized enrollees contributed to the slowdown in projected growth.

##### **You Can't Even Keep Your Obamacare Plan**

Insurer exits, including major carriers AET and UNH will leave at least 1.4 million people in 32 states left shopping for new coverage in the upcoming open enrollment period, according to a recent Bloomberg analysis.

##### **House GOP Joins DOJ Bid to Kill Risk Corridor Lawsuit**

House Republicans asked that the Court allow them to file a brief supporting DOJ's motion to dismiss a class action lawsuit brought by failed co-op Health Republic Insurance Co. of Oregon, likely decreasing the odds of a broad settlement.

##### **MA-PDP Plans Hit Quality Plateau as Humana, Cigna See Dip in Star Ratings**

Only 37 percent of Humana's enrollees were in plans rated four or more stars, down from 78 percent for the 2016 plan year and a drop that could have a significant impact on the company's revenue.

#### **Energy - James Lucier**

##### **FERC Meeting Keys on Bottlenecks and Bad Weather**



The annual winter market assessment headlines FERC's Thurs meeting. As FERC opens a docket on winter market operations, we will be looking for clues to where the agency sees future trouble spots.

#### **Comments Due on New England Capacity Payment Rebate Complaint**

Comments are due Thursday in the complaint challenging a feature of ISO-NE's market design that resulted in over \$100 million of capacity payment rebates charged to gencos on a single August day.

#### **MISO Stakeholder Group Approaches Filing on Market Changes**

The RASC will hold a special conference call Fri to continue work on MISO capacity market design changes, ahead of a target November 1 filing date. The changes would be beneficial to Illinois generators, like EXC and DYN.

#### **Telecom & Media** - Robert Kaminski

##### **Broadcast Incentive Auction Timing and Outcomes**

Forward bidding by wireless carriers and others resumes Wednesday, but at a ~\$55 billion broadcaster ask for 90 MHz, the bid-ask spread will remain high. We don't think supply and demand converge until middle-to-end of 1Q 2017.

##### **When is Special Access/BDS Happening?**

We are watching October 27 for the agenda to be released for the November 17 open meeting. October 27 is also an open meeting, but are expecting broadband privacy to remain the headlining item.

#### **Multi-Industry** - Loren Smith

##### **Will Cuban Govt Capitalize on Obama Embargo Tweaks?**

The Obama administration last week announced further softening of the 60+-year-old U.S. embargo. While it's possible that Congress will eventually end the embargo, the real stumbling block is policy reform in Cuba.

##### **Gateway Among Key 2017 Infrastructure Wishlist Items**

On Friday Sen. Chuck Schumer said future transportation nominees must back the proposed rail expansion to New York City, dubbed Gateway. This is among a handful of projects that could spur Congress to an infrastructure deal in 2017.

##### **Congress Has Water Infrastructure Teed Up for Nov-Dec**

With both houses of Congress having completed work on separate versions of legislation on water infrastructure and drinking water systems, we see 80% odds that a final version will be enacted this year.

#### **Defense** - Byron Callan

##### **A Subdued Defense Earnings Season?**

Weaker defense was a factor in lower guidance for 2016 issued by last week. This seems to be timing related and contrasts with DoD outlay data that showed 2% growth in investment during the September quarter.



### **Preliminary 2017 Guidance**

Preliminary guidance for 2017 has to consider the election and 2017 elections in France and Germany, length of CR, and when a new Admin national security team is up and running. These factors may compel managements to be a bit cautious.

### **Defense Week Ahead**

EuroNaval, 10/17-21. RUSI: Cyber & 21st Century War, 10/19. CSBA: Alternative Defense Strategies, 10/18. CSIS: Public-Private Partnerships & Defense, 10/18. Brookings: Fed Budget Reform, 10/18. ACUS: Hacking Elections, 10/19.

### **Other Noteworthies:**

Ten Trending Policy Issues for Investors (October 14th)  
DC Catalysts & Events for the Week of October 17th

Contact [Rich Linville](#), [Tom Butler](#), [Courtney Oldham](#) or [Mike Giordano](#) for more information. MP3 replays of our past calls are also available upon request.



#### ANALYST CERTIFICATION

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