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The Colorado Supreme Court ruled that Donald Trump is ineligible to be on the state's ballot. In the Court's opinion, he violated the Fourteenth Amendment's prohibition against those who have engaged in insurrection or rebellion from holding office. The decision could raise questions for investors who are already thinking about the impact of the 2024 election.

We expect the case will go to the U.S. Supreme Court and will be overturned. We explain why and what the practical ramifications are in the event that our view is wrong – a backlash against the Colorado decision probably helps Trump more than the decision hurts him.

THE FOURTEENTH AMENDMENT'S APPLICABILITY TO PRESIDENTS OR VICE PRESIDENTS

On Tuesday evening, the Colorado Supreme Court ruled that President Donald Trump engaged in insurrection against the United States, thus violating the Fourteenth Amendment to the U.S. Constitution and rendering Mr. Trump ineligible to appear on the state's ballot. The Colorado Court overturned a decision by a lower court in Colorado which had found that the Fourteenth Amendment does not apply to Presidents and Vice Presidents. We expect the U.S. Supreme Court (the Court) will hear the Colorado case on appeal and overturn the case. While the case might turn on any number of legal issues, the Court could focus on the applicability of the Fourteenth Amendment to Presidents and Vice Presidents.

The Fourteenth Amendment bars a list of federal office holders from holding office if they have engaged in insurrection or rebellion against the United States. The amendment specifically lists people "having previously taken an oath, as a member of Congress, or as an officer of the United States, or as a member of any state legislature, or as an executive or judicial officer of any state, to support the Constitution of the United States." The lower court in Colorado ruled the amendment does not explicitly mention a President or Vice President, while it explicitly lists numerous other office holders. The Colorado Supreme Court disagreed with this view. However, we expect the U.S. Supreme Court is likely to agree with the lower court's opinion and reject the Colorado Supreme Court's ruling.

Although some might argue that the President and Vice President are included under "officer of the United States," we believe the U.S. Supreme Court will hold that this term is limited to appointees to federal positions who serve within an administration and not the President or Vice President under whom they serve. If the Fourteenth Amendment was meant to apply to the President and Vice President, the text would have explicitly named them as it did with the other offices, in our opinion.

PRACTICAL IMPACT: A POTENTIAL BACKLASH

What if our prediction for the U.S. Supreme Court's handling of the case is wrong, and the Colorado decision is upheld?

The Colorado decision applies only to that state. Colorado has become a reliable Democratic state, and Mr. Trump's prospects there (if he is the Republican nominee) are weak, in our view. Thus, on its own, this decision would not impact the 2024 election

outcome. The 2024 election outcome does not rest on Colorado, but nothing happens in a vacuum, so if the decision is upheld by the U.S. Supreme Court, it could invite other states to follow suit.

Other states that follow Colorado would likely be Democratic strongholds. Keeping Mr. Trump off of Democratic leaning state ballots would probably not impact the national outcome. That suggests Mr. Trump might not be harmed politically by the ruling since he would be kept off of ballots he will probably lose anyway. However, instead of a no impact, the Colorado decision (if upheld) could create a backlash among Republican voters which might actually help Trump.

If the Supreme Court upholds the Colorado decision, GOP voters would probably view Mr. Trump as the victim of a political attack. Also, the ruling would likely be seen as an attempt to disenfranchise Republican voters by preventing them from voting for their chosen candidate. This could boost Trump's already good chances of winning the GOP nomination and may further fuel Republican turnout in the general election.

As investors wonder if the Colorado decision hurts or helps Trump's electoral prospects, and what the 2024 election could mean for the economy and financial markets, we think they should consider the possible backlash which may be more likely to help Trump in 2024 than hurt him.

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