

# Financial Wanderings

April 2017

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP®  
(and made even awesomer by Andrea Dickerson)



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Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.



## The economy is the big question

The stock market (S&P 500) is up approximately 10% since the election. Part of the reason for the strong market was optimism over the Republican controlled government and the end of gridlock. However, based on the health care bill that couldn't even get through the House, that ship may be setting sail.



Without the hope for fiscal stimulus, all the stock market eggs are in the economy basket. Fortunately, the economy seems very solid. However, it's been solid for years. To justify the lofty stock market gains we've seen, we're going to need something better than that. Unfortunately, this still seems like the same old slow growth economy we've had since the Financial Crisis.

The most positive economic news out there doesn't have to do with money, goods or services. It's something much less tangible: Confidence. Both consumer confidence and business confidence are at highs we haven't seen in more than 12 years. That's impressive.



The hope is for that confidence to translate into more spending, more investment, and more risk-taking. However, so far, that confidence hasn't trickled down into the economic numbers. The economy has clearly picked up a little bit since the first half of 2016. But we've had other short spurts of stronger economic activity in recent years. Over the last 9 months of 2014, our GDP aver-

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aged more than 4% - but it didn't last. So, the big question is whether America's newfound confidence is enough to break us out of the rut we've been in since the Financial Crisis. Confidence can be fleeting.



But the stock market is ignoring that question and charging ahead like an economic boom is a sure thing. That

disconnect between the economy and stock market can be rectified in one of two ways. Either the economy will finally reach a higher level - or stocks will have to fall.

The good news might be that while the economy hasn't picked up much, a recession looks very unlikely. So, I don't think there's another "crisis" coming anytime soon. But the stock market and the economy need to battle this thing out to see which side is right. Only time will tell.

## The gridlock society

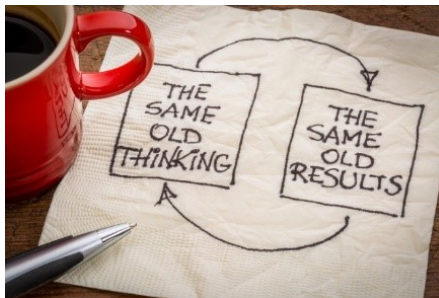
I'm afraid our system is totally broken. I'm afraid we're witnessing the end of America being great. I'm afraid China is going to win... Even with Republicans in control of all the levers of our government, we still can't get anything done.

What does that mean for the promises of tax reform and infrastructure spending that the markets are so happy about? Is there any way Donald Trump can convince the most Conservative Republicans in Congress to support massive tax cuts and a trillion dollars of infrastructure spending? I think not.



So, after eight years of being stuck, we are still stuck - and I'm ticked off about it. Donald Trump put out a health care bill that was accurately

described as "Obamacare lite." Yet, not one Democrat seriously reached out to Trump to get something done. Instead, they copied the same freakin' obstructionist playbook perfected by the Republicans during the Obama years.



As voters, we must do better. We must demand that our politicians work together. We also must fight the urge to be hypocrites ourselves. If you were upset over Republican obstructionism, please don't cheer the Democrats now. If you were livid over Obama's executive orders, please don't cheer Donald Trump now.

This stuff is too important for playing games. If everything your side does is

celebrated, and everything the other side does is demonized, we will never get anywhere. That blind partisan support is exactly what makes our system so dysfunctional. We absolutely must find a way to work together. Unfortunately, very few people are even trying, and voters don't seem to care.



So what does all this mean for investors? If our governing system is hopelessly broken, should we all invest more in China, or is China even more dysfunctional than us? What about Europe? Japan? Russia? Antarctica? Sigh... Perhaps my official recommendation should be to invest in guns & ammo, canned goods, and loyal friends.



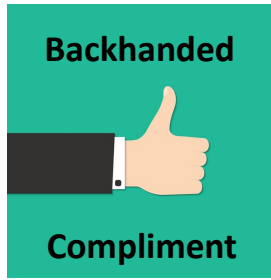
# Or... Trump to the rescue?

While I've been embarrassed and repulsed by Donald Trump since the beginning of his political career, I've also consistently expected him to change for the better. I'm about to make that same mistake again.



The one thing I've always liked about Donald Trump is that he's a true political outsider. I still think there's a small chance he could accidentally shake up Washington in a way that could really help. Towards that goal, it's a positive that Trump doesn't understand

actual policy or even care about it – he just wants to “win.”



Given the political realities in America, that might mean working with Democrats. Do you remember back in 2012, when Obama was working with John Boehner on a “grand bargain” to avoid the Sequester? Some tax cuts here, tax increases there, infrastructure spending here, entitlement reform there... It was beautiful – and it almost happened. The optimist in me thinks



something like that could happen again.

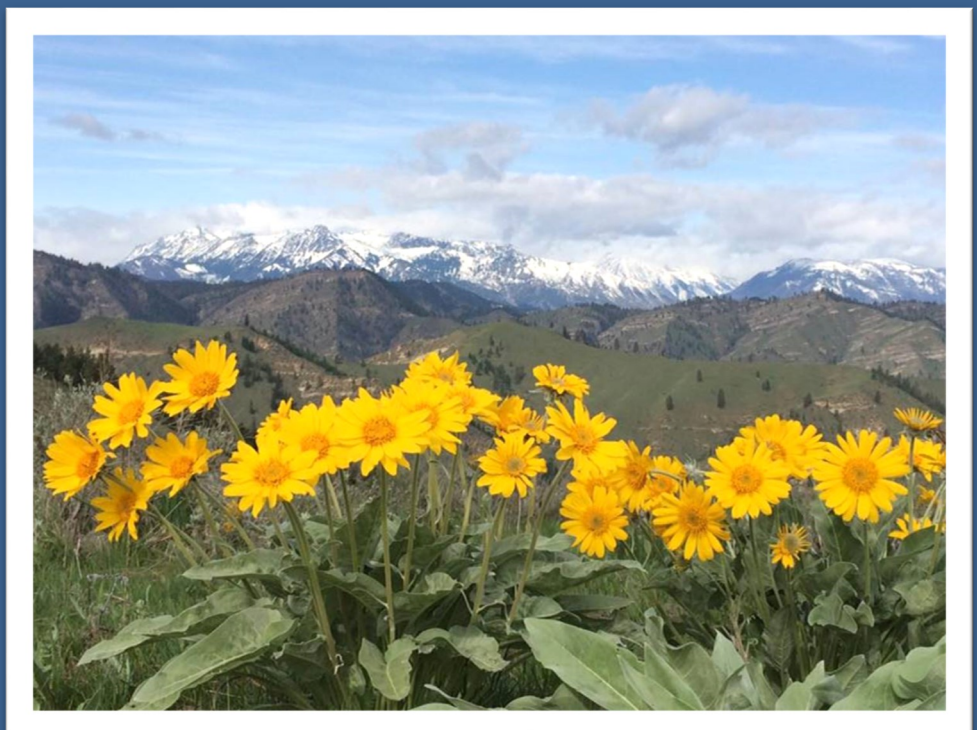
Donald Trump might just get so frustrated by working with Republicans that he'll try to work with Democrats. If he did, we might get the biggest priorities of the Democrats combined with the biggest priorities of the Republicans. That's how this thing is supposed to work.



Of course, that assumes the Democrats would work with him, which seems like a complete fantasy. Oh well, it was a nice thought.

## Bonus photo

It's almost  
spring



# Probably a mountain or a lake

Although I'm happy to feel the warmth of spring, it was a glorious winter. This picture is from a crisp zero-degree January morning. Unfortunately, I didn't do justice to the moon (that's not the sun).



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