

Financial Wanderings

May 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 isn't impressing anyone

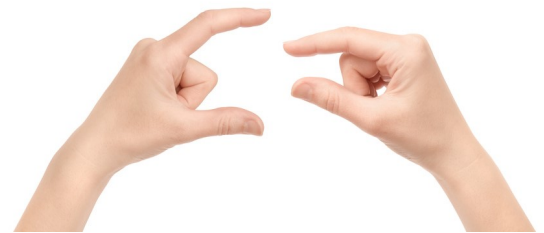
So far, the Trump economy looks a lot like the Obama economy, only worse. In the last full quarter of Obama's reign (Q3 of last year), our GDP grew 3.5%. However, in the 4th quarter of last year, GDP slipped to 1.9%, and in the first quarter of this year it only gained 0.7%.



Of course, GDP isn't everything. Unfortunately, many other economic numbers are similarly unimpressive. Recent reports on retail sales, housing starts, industrial production, productivity, and inflation were all disappointing. Even employment has slowed a little.

But here's the thing: In recent years, the first quarter of the year has almost always been weak. Whether it's because of the

winter weather, or a problem with our calculation of GDP (economists argue over the assumptions and nuances of the reports all the time), our first quarter GDP has only averaged 1% over the last 5 years. However, even with that in mind, the 0.7% Trump economy is a little less than average.

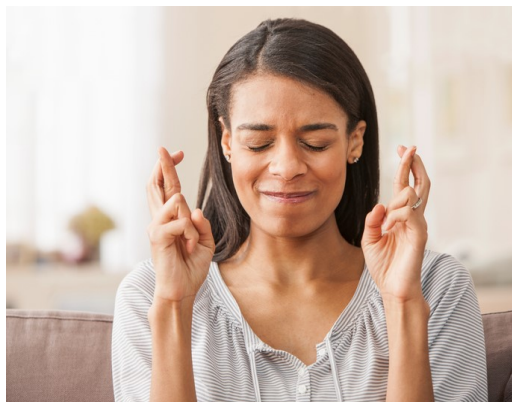


This could be a problem. The stock market is overvalued by almost every measurement. If this really is the same old economy, the stock market has some explaining to do.



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However, if the economy does hit a higher level in the coming months, everything will probably be okay. Thankfully, there are some positive signs: The economies of Europe, Japan, and China have all been surprisingly strong in recent months, and there is still plenty of confidence among American consumers and businesses.



However, I'm laying down the gauntlet: The time has come for the US economy to step up its game. Are we going to hit the next level, or is this the same slow growth economy? The next few months will be very telling.

Consistently Inconsistent

Remember all the bluster from Trump that China was a currency manipulator, and they were "raping our country?" He pledged to be tough on China and bring back good paying manufacturing jobs to America. Well, you can forget about all that... Just a few months into his presidency, Trump is selling out on that for help with North Korea.



On one hand, this is great news. My biggest worry about Trump was how wrong-headed his China rhetoric was. I am fully ready to give him credit for changing his position in the right direction. But surely, we should still blame him for believing ridiculous things in the first place, right? Is it too much to ask for our Presidents to give some thought to key issues *before* they become President? And given how quickly he's changed his mind,

we must also question how quickly he'll change it the next time.

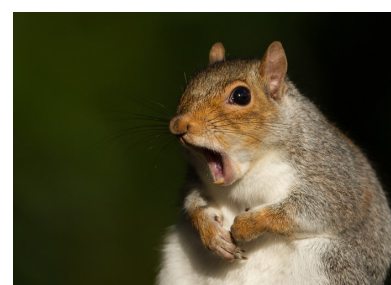


When the President of the United States changes his position on such important issues, it's not good for stability. It's one thing to keep our enemies off balance, but Trump is keeping the entire world off balance. It took him less than 100 days to completely change his mind on China, Russia, NATO, and more... If Republicans wanted this, they could have nominated Jeb Bush. In fact, if you consider all the personal enrichment Trump is doing while in office, they could have nominated Hillary Clinton.



Which of course brings me to another flip-flop... Doesn't anybody care that Trump repeatedly belched "lock her up" over and over during the campaign, but the day after the election he doesn't give a hoot? I understand that politicians break promises sometimes. George HW Bush raised taxes, and Obama droned the heck out of the Middle East and stole a Republican idea for Obamacare (rather than trying for universal health care). But Trump is taking it to a completely different level. I don't understand why his supporters aren't outraged.

However, I do understand why the markets are happy. Trump is shunning Russia and working with NATO and China. Despite his bloviations, he also hasn't done anything to disrupt global trade. Those were huge risks to the global economy. Let's just hope he doesn't see another squirrel.



Probably a mountain or a lake



This is the view from Tibbets Mtn., which is the highest point between Hay Canyon and Olalla Canyon (Cashmere area).

From there, you can see the Wenatchee River, Hwy 2, The Enchantments, Mt. Cashmere, Icicle Ridge, and more...



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