# Financial Wanderings

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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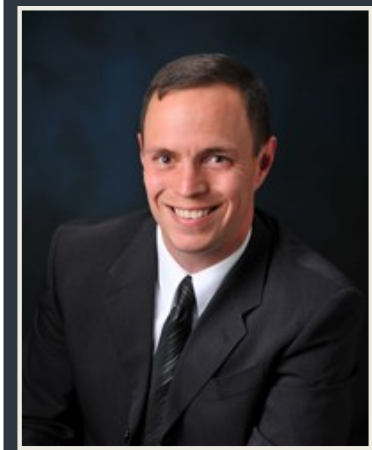


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Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't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

## A little Trump, a lot of economy

The booming stock market run since the election has been dubbed the "Donald Trump Rally," and he should definitely get some credit. So should the Republican Congress and the resulting end of gridlock. However, my vote for the #1 reason the markets are rising is the improving economy.

Unfortunately, the improving economy is something I got completely wrong. For months, I've been telling everyone who would listen that the economy was weak, which was correct. But then I went on to say that the economy was probably going to slow down even more. However, the recent economic statistics have been pretty good, so I will happily admit defeat.

The economy has definitely picked up.

The job market is still strong, home prices are still rising and consumer spending and retail sales were up, which means Americans are still spending money. The broadest measurement of US economic growth is GDP, and it was up more than 3% in the 3rd quarter, after a year of being below 2%.

It's even more impressive that all these economic numbers were recorded before the election, at a time when most economists assumed Americans would be stressed out and clinging tightly to their wallets. Instead, we got a nice little pop in the economy. Go America!

# Donald Trump and the stock market

Now that the election has soaked in a little bit, it's time for people like me, who incorrectly predicted nearly everything about the election, to make bold predictions about what might happen next.

The most important takeaway from the election is that Republicans have nearly complete control of things. It's a game-changer relative to the total gridlock we've experienced over the last 6 years. Over that period, I openly longed for a government that could actually get a few things accomplished – and now we have it.

Donald Trump and the Republican Party have at least 2 years to show America what they can do. That probably means big changes are coming. To some people that's exciting, and to others, it's horrifying…

Here's the advice I'd give to those people who are horrified: Don't let your fear impact your investment strategy too much. Over the last eight years, I've spoken with many people who were so terrified of Obama, they stashed their money into CD's, savings accounts, or mattresses. That cost them a lot of money because the stock market nearly tripled under Obama. Terrified Democrats should learn this lesson – don't make the same mistakes your Conservative friends made. The markets are bigger than the presidency; try to take the emotion out of it.

From an investment standpoint, there could be some positives from a Trump Presidency. The markets like tax cuts. The markets also like less regulation. That is the classic Republican, business-friendly recipe that the markets love.

Donald Trump has also talked about building up our infrastructure, which would likely be welcomed by the markets. Infrastructure spending is one of the rare things that most people on both sides of the political spectrum agree is a good idea. Improved infrastructure greases the wheels of the economy; the smoother everything runs, the better. If our infrastructure is smoother than China's, it's a real competitive advantage for us, and to our businesses over the long-term.

Infrastructure spending is particularly appealing in today's world because it could put a chunk of Americans to work. If you want to bring back good paying middle-class working jobs to America, building stuff is a great way to do it. Even though Hillary Clinton talked about infrastructure spending, it probably wouldn't have happened, because the Republicans were never going to work with her. But Trump and a Republican Congress might just be able to pull it off.

Of course, the markets have worries about a Trump presidency too. The first is all about global trade. If he follows through on his threat to slap big tariffs on Chinese or Mexican imports (and he just recently tweeted a similar threat), there's a potential for trade war, which would probably be a disaster for the stock market.

It's a fair argument that trade and globalization have hurt many Americans, and many of those people voted for Trump. But global trade has absolutely helped big business. Free trade

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means more consumers, which means bigger profits. That's what the stock market likes.


A different worry for the markets might be Trump's immigration stance. If an immigrant takes your job, it's probably because they are either better, or cheaper, than you. In other words, they are more profitable. That's an easy point to understand from here in North Central Washington, where it would be much more expensive to run an orchard if you had to pay Americans to pick your fruit. The same phenomenon goes on at every level of employment, including technology, where there's real competition for the best minds. We should be rolling out the red carpet for smart people from across the globe to come to America.


For those reasons, if Trump decides to push hard on limiting trade, or cutting back on immigration, the stock market might get worried. However, at this point, the stock market seems to be assuming the best-case scenario, where Trump lowers taxes and cuts regulations, but completely wusses out on any significant trade or immigration reforms. The markets might turn out to be right, but I'm not sure anyone knows what Donald Trump's priorities will actually be once he's the President.

# OPEC deal

One of the biggest concerns the markets have had over the last couple years has been the price of oil. In just more than a year, the price of a barrel of oil fell from nearly $100 to less than $30. Recently, it's recovered to approximately $50 a barrel.

Typically, it's great news when the price of oil goes down. Cheaper oil means cheaper gas, which means people have more money to buy cool stuff with. But the price of oil dropped so fast, that it put huge oil companies at risk – and therefore the big banks that loaned the oil companies money were at risk. Then there are countries like Saudi Arabia, which could run out of money and completely fall apart if oil prices stayed low for a long time.

So, the markets have been worried about the low price of oil; but recently, there was surprisingly good news. OPEC, which is a cartel of oil producing countries, came to an agreement to limit the supply of oil they are producing. If you remember supply-demand, limiting the supply of something keeps the price high. In theory, this OPEC deal should really help keep oil prices from falling too far – which is a positive for the markets.

One thing to understand is that everyone expects that OPEC countries will immediately start cheating on this deal. They'll all sell some amount MORE oil than the agreement states. How bad that gets, how much they cheat, we'll see. But there's definitely a chance this whole agreement falls apart, or just won't work from the start.

If it's successful, then there's another potential downside to all this. The biggest reason the economy has been solid is that consumers have been spending. If gas prices go up, people won't have as much money to spend. It would be an interesting turn of events if oil prices continue to rise, and the markets all of a sudden stop worrying about low oil prices - and instead start worrying about high oil prices.

## Probably a mountain or a lake

Winter is officially here.

So here are a couple more pictures of the Enchantments under a fresh coat of snow.

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