

Financial Wanderings

October 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.



Is the dollar our next big worry?

After the election, the US dollar rose quickly, presumably on optimism that Trump and a Republican Congress would do things to help the American business world and economy. However, around the time Trump was inaugurated, that started to change. In the nine months after Trump took office, the dollar fell to its lowest level in almost 3 years (to be fair, it's come back up a little).

A lower dollar is both good news and bad news. It's good for exporters because it makes American goods cheaper and more competitive abroad. 50% of the revenue from S&P 500 companies comes from outside America. So, a lower dollar can really help those big corporations.



The problem is that a weaker dollar can really hurt consumers. When the dollar falls, the stuff we buy from other countries gets more expensive (the most important one is oil). So, a lower dollar effectively creates higher costs for consumers (aka: Inflation). Since consumers make up 2/3rds of the economy, we don't want to make life harder on them.

Another problem is that a strong currency is typically a sign of a strong economy. If the best financial opportunities are in America, money will flow here, and the dollar will rise.



The fact that the dollar has dropped means money is moving away from us. However, even that isn't all bad. The falling dollar is evidence that the rest of the

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world is finally gaining some economic steam – which is ultimately good news for America.



However, there is a worry that the dollar could keep falling, which could convince global investors

to buy even less dollars. That’s the kind of thing that can build on itself and turn into a real problem. That scenario could equal high inflation and rising interest rates -- which is probably the quickest way to push us into a recession. I’m certainly not predicting this, but the falling dollar is a relatively new and important story, and it’s something I’ll be paying close attention to.

Do hurricanes help the economy?

I know it sounds heartless, and it is. But it’s just math. Rebuilding from something destructive takes a lot of workers and materials. That’s economic activity that wasn’t going to happen otherwise. So, the hurricanes will probably increase our GDP, employment and manufacturing numbers. Also, much of the rebuilding will be done to higher standards. So, we’re getting an infrastructure upgrade in a couple parts of America.

doesn’t consider how many people are suffering at any given time. It also doesn’t consider how productive the economic activity is. Rebuilding stuff can’t possibly be the most efficient use of all that time, money, and energy.



woohoo?

But none of this is good news. In a way, this highlights how ridiculous our economic numbers are. GDP measures total economic activity; it

As long as we’re talking natural disasters, don’t forget about the months of fires we experienced across the entire West Coast. Even major metropolitan areas like Seattle and Portland had long periods of smoke, which kept people at home rather than out spending money.

So, there’s just no good news when it comes to natural disasters, and there’s no way to gauge exactly what the economic impacts will be.

Lower taxes = higher stock market?

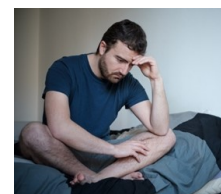
Trump and the Republicans are getting more serious about a tax cut. Their plan calls for corporate taxes to be cut from 35% to 20%. Paying less in taxes will absolutely help corporate earnings increase, which is one of the reasons the stock market is still high.

look forward to other than a few more months of cold weather.

My prediction is that a tax bill will eventually be passed. However, it will probably be a relatively small bill rather than a massive overhaul of the tax system, and it will almost certainly add to the debt.



In the same way, once a tax bill passes, the markets might wake up one morning and think: “That’s all we’re going to get from Trump, and now we have another 3 years of living with this guy.”



But the markets will still be pleased, at least for a while. However, sometimes there’s a bleak sadness that sets in after Christmas. It’s a realization that there’s not much to

After that, the markets might start worrying about future elections. What if we get a Democratic Congress and then Bernie Sanders or Elizabeth Warren as President? Just think about the roller coaster ride for the business world. Corporations have to start thinking about that, which means investors have to start thinking about that.

Health care is hard

As Donald Trump gloriously said after he was already elected President: “nobody knew that healthcare could be so complicated.” Although it took him far too long to understand that, he’s right. Healthcare really is complicated. Here’s a question I’ve been pondering that illustrates that point well: What level of health care is “enough?”

What if the US gov’t provided everyone with the very best healthcare, but rather than modern care, we’d get the best healthcare from 25 years ago? That would be very affordable, and we’re talking about healthcare that, at one point, people would have loved. So what’s wrong with this idea? The answer is that we all know there’s much better healthcare available.



Our healthcare is expensive because it’s awesome. It’s a wonderful problem to have, but it’s still a problem. Everyone wants the best care, but the best care is really expensive. What if we discover that the cure for cancer is a trip to the moon in a solid gold spaceship? That would be an amazing discovery and an incredible medical accomplishment. But it would only be for rich people.

There’s just no fair way to distribute medical care – unless we completely stop making medical progress. But we need cutting edge medical care because, over time, those advances bring better medical care for everyone.

So, it’s not fair, and it’s not going to be fair. Not everyone can have the very best medical care - and I have no idea how to determine who gets what. So, Donald Trump was right: Healthcare is complicated.

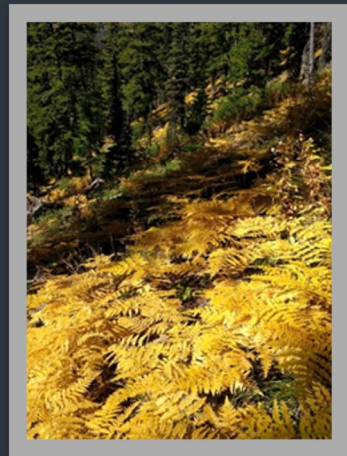
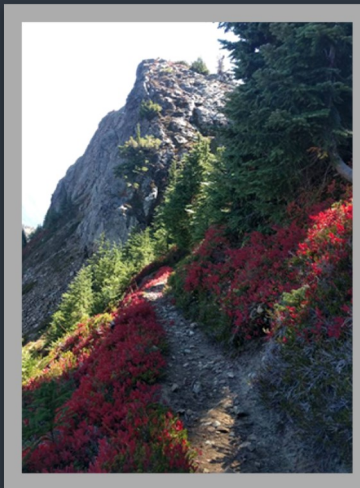
Probably a mountain or a lake

Every fall, landscape lovers like me flock to the mountains to find fall colors in their prime. Here are my favorite shots from this fall.



A larch and Mt. Stuart

Fall colors on the trail to Mt. David



Fields of yellow ferns



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