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## Does Trump Really Matter?

### Global Markets and Regions

	1 <sup>st</sup> QTR	2017 YTD
US	6.20%	6.20%
Developed Europe	7.60%	7.60%
Asia	9.30%	9.30%
Emerging Markets	11.50%	11.50%

### US Markets

	1st QTR	2017 YTD
Dow 30	5.20%	5.20%
Large Cap Cos.	5.96%	5.96%
Mid. Cap Cos.	3.90%	3.90%
Small Cap Cos.	1.15%	1.15%
Bonds	0.82%	0.82%

Donald Trump wins the election as the 44<sup>th</sup> President of the United States on November 4<sup>th</sup> 2016. The next day stocks began a strong rally. Bond markets also responded with sharp price declines signaling higher interest rates. Both were investor reactions to the anticipated better economic times. The stocks of smaller companies responded the most dramatically. Their business tends to be more domestically US focused and would be the more immediate beneficiaries of improved domestic economic conditions. This rally response has continued into 2017 as larger, more globally diversified company stocks have begun to catch up to the price moves in smaller companies. So is Trump responsible for all of this?

The partial answer is yes. He won an election that he was not expected to. The surprise outcome meant investors had to position themselves for the unexpected new reality. The widely forecast Clinton victory was seen as a continuation of the policies of monetary stimulation and targeted government intervention. Trump ran against these policies. To a large extent the last few months has been the scramble to position for this new reality. The question is, what has changed?

The markets the last few years have been positioned for a slow growth low inflation economy both domestically and globally. The causes for this slow/low environment have been attributed to a broad range of developments and conditions. Lingering effects of the Great Recession are cited, as are the high global debt levels that have developed since. Low productivity growth and the lack of capital investment aimed at addressing productivity are cited. An ageing global population is also cited as a reason. There are as many opinions as there are analysts as to why the economy is as anemic as it is. Can Trump address these issues?

In the wake of the Great Recession, governments worldwide implemented policies to address the consequences. Most policies were centered on aggressive intervention by Central Banks and the Federal Reserve. Central Bankers and Federal Reserve Board members, for better or worse, became celebrities and household names. There was some fiscal intervention with industry bailouts and extended unemployment and disability benefits and such, but monetary policy has been the solution avenue of choice. Starting well before the election season Bankers, politicians and the analysts began to notice and discuss the limitations and diminishing results of such policies. The stage has been set for a change of strategies.

The economic reality has been one of slow and generally steady improvement. But the improvement has been barely above stall speed. This is an environment that pleases no one. The concern is the world will slip back into recession or worse. The anxiety of high unemployment and underemployment, looming retirement for an ageing and underfunded Boomer generation, the growing debt burden and the effects of accelerating globalization, among other developments, have created a generalized angst that is reflected in a market that has become highly sensitive to the day to day developments of these issues; maybe too sensitive.

The focus has begun shifting to what fiscal policy shifts might be able to better change the slow growth low inflation conundrum. Taxes and business regulations have been moved to the front of the line as potential solutions. This discussion has become a partisan one, as both sides have different visions of what tax and regulatory policy should be. Business surveys have turned decidedly positive since November. Hiring has begun to accelerate. It's safe to assume that business owners are both Republicans and Democrats, so the optimism appears to be non-partisan.

We are at a point where hard economic numbers will need to confirm the optimism and actions that we are seeing. We are entering earnings season as we do each quarter. Sales and earnings are what ultimately support stock prices. A growing economy is the backdrop for growing sales and earnings, which support growing payrolls and salaries. Does Trump really matter? He's only the President after all.

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