

# ECONOMY

Trade war escalates,  
global stocks fall

THINK STRATEGICALLY:

## The Measure of Success & Failure

As Election Cycle Picks up and Trump Reveals His Action Plans,  
Gallup Poll Lists Voters' Criteria for Nation's Chief Executive

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### The measure of success & failure

When Gallup asked U.S. voters what they hoped for in a president of the United States, their top-five responses were:

- Honesty
- Consistency
- Morally Sound
- Good Judgment
- Experience

It is quite telling that more than 85 percent of U.S. voters place honesty, consistency and morally sound ahead of good judgment and experience. We also note that on this list of qualities, a U.S. president could include other highly used political arts such as:

- Deception
- Flip-Flopping

- Hypocrisy
- Lying
- Action out of Self-Interest instead of the public good.

Before President Trump was elected, experts thought any candidate who could not identify with any of these traits would not make it past the Iowa Caucus. Obviously, President Trump was a phenomenon.

During a speech at Gettysburg, Pa., the president spelled out his action plans. Our goal is to review those plans versus his accomplishments with the following proposals.

**A constitutional amendment to impose term limits on all members of Congress.** Republican Sens. Cruz, Rubio and others proposed a constitutional amendment that would impose

term limits, but with no success.

**A hiring freeze on all federal employees.** Implemented and shortly eliminated.

**A requirement with every new federal regulation.** Two existing regulations must be eliminated, which President Trump signed as an executive order on Jan. 30, 2017. The order required the elimination of two federal regulations with every new federal regulation implemented.

**Renegotiate Nafta.** This change was made with the new trade deal called the USMCA.

**Withdraw from the Trans-Pacific Partnership.** Done.

**Repeal the Affordable Care Act (Obamacare).** Attempted but failed.

**Infrastructure investment.** A proposal to invest \$1 trillion to rebuild the nation's infrastructure over the next 10 years. Being negotiated with Congress but depends on bipartisan support.

**Regulatory reform.** President Trump ordered regulations be reduced by 75 percent.

**Tax reform.** The tax reform became law in December 2017 and economic growth has increased along with the gross domestic product at 3.0 percent, job creation grew and unemployment was reduced to historic levels.

As you can see, a lot of what the president had planned to implement has indeed happened, and it has allowed the U.S. economy to grow and prosper. As we note by comparing the movement in all these variables, at first glance it seems the president is doing an excellent job in terms of the metrics used

to judge how the U.S. economy is performing. In addition, when we compare our economic benchmarks during his tenure, we note that of the 13 benchmarks, only three are worse than when he took office.

On the negative side, most experts agree that most of the president's challenges have been self-inflicted. Below are our top four:

**• Use of his Twitter account.** He continues to overshadow his policy achievements by tweeting mundane and even Byzantine and divisive topics.

**• The U.S. image and influence abroad are at their lowest levels.**

**• Failure to accept climate change.** Backing out of the Paris Climate Agreement is generally seen as a significant misstep.

**• Little effort to seek bipartisanship.** For a president who boasted about his abilities as a negotiator and deal-making magician, it seems odd that he would only focus on the Republicans and not seek to unite the country.

**• Not understanding his role as president.** It seems to most that the president lacks an understanding about how to approach his job and the power that comes with it. Petty issues have eroded his standing as a world leader. Investors may be pleased with the president and, regarding the economic performance, most conclude it was an excellent year for the economy; however, regarding image, policy, perception and approval, most U.S. Americans find he has his work cut out for him.

### Week in markets: Trade war escalates, global stocks impacted

The trade situation continues to have an impact on the markets. On that front, China—one of the biggest foreign creditors to the U.S. government with an investment in treasuries of more than \$1.2 trillion—sold a whopping \$120 billion in U.S. paper with maturities exceeding 12 months. This is the latest move from China to defend itself from U.S. pressures made while implementing a new round of tariffs. We have often worried that since China is such a large owner of U.S. treasuries, if it decided to sell its entire \$1.2 trillion in holdings, it

would create vast financial instability that would have an impact on global markets in a very tangible way, especially after last week's 600-point drop.

The Dow Jones Industrial Average closed the week at 25,585.61, a loss of 178.31, or 0.69 percent, and the S&P 500 closed at 2,826.06, with a loss of 33.39, or 1.17 percent, and the Nasdaq closed at 7,637.01, a loss of 179.28, or 2.29 percent, and a year-to-date return of 23.00 percent. Meanwhile, the U.S. Treasury's 10-year note fell to 2.14 percent, or a loss in yield of 10.61 percent for the week.

As for the rest of Wall Street, we continue to review the week's most active NY Stock Exchange-traded stocks:

- General Electric \$9.45
- Ambev SA DRC \$4.26
- Bank of America \$28.18
- Hewlett-Packard \$14.39
- Vale SA ADR \$12.02
- Encana Corp. \$5.91
- Ford \$9.83
- Snap Inc. \$11.56
- Nokia ADR \$5.12
- Itau Unibanco ADR \$8.28

### The Final Word: Brexit & Theresa May

Brexit has claimed the office of another British prime minister, Theresa May, who could not rally the needed support to pass the latest version of the Brexit Bill, which was rejected by parliament three times. Brexit is the withdrawal of the United Kingdom from the European Union.

The situation created by former Prime Minister David Cameron, even though he had campaigned to remain in the European Union, now calls for a referendum to fulfill a campaign promise made during the 2015 elections. The past election, held June 23, 2016, had 51.9 percent of the voters supporting leaving the EU and thus forcing Brexit.

For Britain, this decision has created a loss of wealth in the country, and the per capita income will be significantly reduced in the near term. Brexit will also cause the eventual breakup of the United Kingdom because Ireland and Scotland will probably decide to leave the UK to return to the EU and its benefits.

I am sure 66,040,229 British citizens will regret ever embarking on Brexit.

Market Close Comparison	5/17/2019	5/24/2019	Change	YTD
Dow Jones Industrial Average	25,764.00	25,585.69	-0.69%	13.60%
Standard & Poor's 500	2,859.45	2,826.06	-1.17%	17.50%
Nasdaq	7,816.29	7,637.01	-2.29%	23.00%
U.S. Treasury 10-Year Note	2.39%	2.14%	-10.61%	-0.16%

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