THE DANA VIEWPOINT

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Uncertainty

You may forget politics, but politics won't forget you. That phrase has been used since the Roman Empire. Well, politics just played with investors' emotions last week. On Tuesday, November 8, it looked like Hillary Clinton was a shoo-in to win the presidency. The stock market rallied 371 points the day before the election. The market does not like uncertainty, and investors felt comfortable knowing they would get a continuation of the current administration policies. Investors may not have agreed with these policies, but they could invest accordingly. The voting public threw a slider at the stock market on Tuesday and elected Donald Trump to be our next President. Enter uncertainty. Investors in the futures markets dropped the Dow Jones Industrial Average over 800 points before the market opened – a knee-jerk emotional response. As cooler heads began to prevail, investors reconsidered a Trump presidency. Maybe his economic agenda would be good for America, creating growth in the economy and new jobs. The emotional tide turned, and we are now in a Trump stock rally with markets touching new highs. So what is an investor to do?

The negative pundits will be active, and the rally will likely stall and backtrack before consolidation follows. You can expect volatility in the marketplace for a while. Eventually investors will return to focusing on earnings and the drivers of growth including the Federal Reserve. The Fed meets again in mid-December, and odds favor an increase in short term interest rates by a quarter of 1%. Like Obama, Trump will have control of both the House and Senate as he begins his presidency. He promises an active first 100 days and will have every opportunity to implement his policies, as long as he can navigate his narrow margin in the Senate. Then the stock and bond markets should have a clearer picture of the investment future. The best investment policy in this transition period is not to chase the Trump stock rally, but buy securities that will benefit from Trump's economic policies.

The complaining has started from the Hillary supporters just like it always does from the party that loses the election. After all, she did win the popular vote. But guess what? The sun came out the next day and will for the next four years. We have had free elections for over 200 years and the country still embodies freedom. America is still the land of opportunity for those who choose to embrace it and become productive members of society. Now is the time to embrace John F. Kennedy's words in his inaugural address: "Ask not what your country can do for you, but what you can do for your country". Trump and his fellow Republicans have the perfect opportunity to move this country forward. Let us all pull together and pray that they can do it.

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It often looks like we will bypass Thanksgiving and go directly to Christmas. Christmas decorations were spotted in many stores even before Halloween. Merchants generally tend to be pessimistic before and during the holiday shopping season. This year may be different. Consumers may be in a more optimistic mood. The election is over but virtually all of America is surprised by the outcome, in either a positive or negative fashion. Wages have been increasing, so it is likely that people will spend more. The recent rally in the stock market will likely also help consumers loosen their purse strings. Weaker sales in recent quarters have put retailers in a good position for a rebound going into the holiday season.

Third quarter GDP (Gross Domestic Product) was recently reported and rose 2.9%. This comes on the heels of a lackluster 0.8% in the first quarter and 1.4% in the second quarter. The Atlanta Fed, which has been spot on in predicting GDP levels, is forecasting a 3.3% growth rate for the fourth quarter. It will be difficult for Janet Yellen and crew not to raise rates in December with these kinds of numbers. Inflation expectations are picking up, and the bond market has seen a significant rise in rates across the yield curve. The ten year U.S. Treasury bond is now over 2% and the thirty year touched 3%.

What's happening in the oil patch? Oil stocks have not been performing in this market advance. Currently the price of oil is in the mid-40's, down from $51 a barrel as recently as last month. The market is still experiencing oversupply. Saudi Arabia is trying to get OPEC to cut production, but agreements across the organization are difficult. Lower demand in China, because of their economic problems, is a big factor. As the economy picks up steam here we should see oil prices near $50 a barrel again.

As we approach the holiday season we wish all of you a joyous and safe Thanksgiving. We have much to be thankful for just living in this great country.

Random Thought for November 2016: "If you don't read the newspaper you are uninformed, if you do read the newspaper you are misinformed".

-Mark Twain

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