

100 days to deliver

2016 was tumultuous in the context of political upheaval but 2017 promises to be no less interesting. Decisions made by the electorate in the UK over Brexit and the US over Trump, will see their expectations or fears unfold in 2017-2018.

mponderables will nonetheless predominate the political landscape with multiple European elections again set to muddy the waters. Le Pen and Merkel are at the heart of the European theatre with either Act 1 or Act 2 being the potential to surprise. The European elections and the debate over soft, hard or any other form of Brexit, will gather momentum as somebody somewhere on the latter comes to the negotiating table and the political rhetoric is dialled up. There will be more political 'noise' in Europe this year than last. Though that's not where the fun will be. Trump will ascend his throne in the US and I think we are going to be in for the most defining of first 100-day presidential periods, possibly ever. Where he does not need congressional approval or is stonewalled on to get it, he will move fast. For investors, some of these are less interesting - repatriation and immigration, corruption and lobbying laws and US worker job security. Nice US local politics to ingratiate him further to his followers and the American people. It's what comes after that which will define his first 100 days in office, potentially his entire

presidency, and the potential returns to investment portfolios. Will he overplay his actions and;

- Confirm and begin implementation of broad and definitive personal tax cuts to improve the capacity for spend of the middle classes as promised,
- Define the depth of proposed infrastructure spend (a trillion dollars supported by private enterprise?!),
- Release the shackles on US energy construction and infrastructure build blocked by the previous administration,
- Announce a cascade of 'pro-business' planning, incentives and corporate tax breaks,
- Deliver on the promise for regulatory roll back – allowing the financial sector elements of self-control not seen for a number of years?

Or, will he chicken out and underplay them? It's the trillion dollar question.

The rhetoric in this context is now over. The plan has to be cemented (no infrastructure pun intended) and work is frantically going on behind the scenes in a typical lobbyist way to get the statutes required negotiated, drawn up and agreed for implementation. It's a mammoth undertaking and a huge switch in emphasis in the US is underway. It would be a massive sea change for the economies and portfolios if he were to put the 'pedal to the metal' on these promises.

The US is in good shape economically and its financial system (outside government) is as robust as it has been for many, many years. There is an element of 'needed' inflation emerging and we are almost promised a normalisation of interest rates in 2017-2018 – so why the need for accelerating?

Could he (Trump) wimp out and not be as dynamically minded as his electioneering would suggest? I don't see that - this is a man that is going to deliver on the bulk of his promises. For sure he will not deliver on them all... a wall between Mexico and the US and banning all Muslims - really?

Trump is built for financial markets and if he espouses delivery of all the goodies in his first 100 days outlined earlier in this note, the first six months will likely see a drive to inflation, rising yields/falling bond prices, boosts for infrastructure and related industries (minerals, precious or otherwise) and a priming of consumption spending for later in the year.

Inflation is an emotive word – moderate inflation is no bad thing and in this context we are talking about, up to 3%. For those of us who remember the heady days of 8-12% inflation, this is powder puff stuff! This generation of managers (and there are many new kids on the block) will see this move upwards as somewhat of a mild shock and it will play on minds. It should be embraced as a good thing and not feared. 'Normalisation' has become the hackneyed phrase that for once I concur with.

Thoughts for the first six months and TAM action

I have a strong feeling that this man will have many a point to prove, and looking through all the international rhetoric (which may be a niggling negative) may indeed seek to ensure delivery, or possibly

even over deliver, on his pre-election campaign points as a whole. If he does… the markets will be impressed and could go much higher in the first six months of the year, the US$ will remain firm, and inflation, infrastructure and corporate America will benefit.

As always, we temper this enthusiasm with the factual realisation that politicians in the US or Europe have uncanny knacks of disappointing. That being said, we think the next six months will be both fascinating and potentially profitable. TAM is repositioning portfolios so that should this scenario unfold, we will be in a position to benefit and will be an avid watcher of this potentially presidency-defining 100 days.

For UK and European investors I believe that the US is the safer haven at present, as is the currency. So don't be surprised to see overweight US positions relative to history, but of course remaining within risk profile.

It will be a roller coaster… when is it not? But TAM is ready for Trump and whilst he won't be leading us to the 'promised land', he just might give his first 100 days an almighty push in that direction.already happening.

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