

Could Trump bring the bull market to a halt?

The recent high profile news in the US is about Trump (no surprise there then!) and his seemingly irrational behaviour with regards to the abrupt firing of his FBI Director and the Russian influence that portended it. This has taken centre stage and caused the first real short-term market setback for months.

Hark the doomsayers, "it's all over, the game is up!". Could the bull market come to a grinding halt here today?

We think not. Whilst accepting the political rhetoric will shake out traders and those eager to take profits, we are not part of the 'woe, woe and thrice woe!' mentality, but we do remain mindful of the ongoing effects. It is of course extremely unnerving that the leader of the free world can attract this attention and his demeanour, we have always said, will lead to volatility at times. Let's not get too surprised when it happens. Just earlier this week one of my Senior Investment Managers expressed his concern over the lack of volatility…!

With Trump, however, given his press bashing and false news prognostications during his limited time in office, it is now his time to be torn apart by a baying press keen for revenge. Never a good idea to attack your enemy and leave your flank open to a sucker punch - Sun Tsu would have something to say about that!

With European politics looking to stabilise and fears in the European theatre subsiding, it was always time for US politics to take centre stage and it will now do so, likely rumbling on for weeks. This in turn will lead to the potential of a market pull back, but along with a flying US economy, just enough inflation to drive expansion without denying growth, corporate profits on the up and strong balance sheets. The economic factors are stable and we see any setback as temporary, based on the present glide path.

I think the highest risk here is that Trump may actually resign in the coming weeks. If the going gets tough and his credibility is continually thrown into question, his shooting from the hip could lead him to walk away. That is unheard of, but already complaining of how tough the job is and having been thwarted a couple of times on 'matters of state', he is just as likely to throw his toys out of the pram as he is to knuckle down and take on the establishment. We await that one with interest.

In short, the US people who voted for Mr Trump are getting what they wanted - a combative, forthright and no-holds-barred leader. For financial markets, the choice they made has meant periods of heartache and inevitable volatility. This is likely to occur in the shorter term, and periodically, for as long as he remains in office.

We are not oblivious to the consequences of what is unfolding and have no doubt the knives are being sharpened in dark places. Mr Trump could indeed bring the bull market to a halt… but just not yet. Looking through the political smog that will dominate headlines for the short term, we are still comfortable with economic drivers and the inflation trade, which is core to TAM's present investment stance.

End of the bull market? No, but a minor earthquake on route. It's a shame we have a madman in the white house, otherwise this would

This document is not intended in isolation as an offer or solicitation or recommendation to use or invest in any of the services or products mentioned herein. Investors should be aware that the value of the portfolio and the income from it can go down as well as up so you may get back less than you invested. Past performance is not necessarily a guide to future returns. The value of investments denominated in foreign currency may fall as a result of exchange rate movements. The investments and services referred to in this document may not be suitable for all investors and, if in doubt, you should seek qualified independent financial advice. Any opinions, expectations and projections within this note are those of TAM Asset Management International Limited, represent only one possible outcome and do not constitute investment advice.

TAM Asset Management International Limited is regulated by the Financial Services Commission of Mauritius and is an authorised Financial Services Provider regulated by the South African Financial Service Conduct Authority.