

Here's a schematic I have been using to discuss the **Trump administration and its impact on markets**, by drawing on prior Presidents and common issues/themes. For investors, most of the market-positive impacts occurred in 2017. Market-negative policies began in 2018, and may last into 2019.

Jackson	Hoover	JFK	Nixon	Reagan	Bush
Anti-globalization <sup>1</sup>	Tariffs and trade wars <sup>2</sup>	Criticizing individual companies <sup>3</sup>	Bullying of Federal Reserve <sup>4</sup>	Deregulation <sup>5</sup>	Large fiscal deficits outside of recession <sup>6</sup>
Loyalty based political patronage <sup>7</sup>	Deportation of undocumented workers <sup>8</sup>		Political scandals, constitutional risks <sup>9</sup>	Tax cuts <sup>10</sup>	Conservative court appointments <sup>11</sup>

<sup>1</sup> Trump's **anti-globalist** shift vs prior post-war Presidents is similar to Jackson's foreign policy compared to his predecessors. Key premise: America wants to be left alone and has little interest in the Wilsonian project of spreading democracy/liberty. But when attacked or at risk, wars must be fought with all available force.

<sup>2</sup> If all **tariffs** ever mentioned by Trump were implemented, the US tariff rate could rise from 1.5% to 10% and be the largest rise in 50 years. This includes taxes on all Chinese imports and taxes on US auto imports from Europe/Japan.

<sup>3</sup> In April 1962, **JFK** accused US Steel and other steel companies of inappropriate price increases, citing "pursuit of power and profits exceeding their sense of public responsibility" and a "wholly unjustifiable and irresponsible defiance of the public interest". Steel companies were threatened with audits and rollback of depreciation allowances, and Attorney General Robert Kennedy sent FBI agents to the homes of steel executives. After JFK's attack on US Steel, a 20% bear market took place (worst decline in the 1942-1974 period) as investors lost confidence. A few months later, JFK responded to market weakness with new depreciation allowances, an investment tax credit and a tax cut, but the damage was done. There are parallels to Trump's **attacks on Amazon** and other companies.

<sup>4</sup> So far, Trump has not threatened to double the # of Fed board members to dilute the Fed Chairman's powers, as Nixon did; but Trump's **criticisms of the Fed** at least rhymes with the Nixon approach.

<sup>5</sup> In 2017, the Federal Register of gov't **regulations** expanded by the lowest number of new pages since 1992; new pages were 25% below the 2009-2016 average. "Regulation and Red Tape" was the largest problem cited by small business in the 2014 NFIB small business survey. It has declined and is now 3<sup>rd</sup>, behind labor quality and taxes.

<sup>6</sup> The US has the largest **fiscal deficit** (4.2%) at a time of full employment in over 50 years.

<sup>7</sup> One example: Trump proposed that his **personal pilot** run the Federal Aviation Administration (Washington Post). Historian Robert Dallek goes into greater detail on the patronage issue in a November 2017 interview in Vox.com.

<sup>8</sup> 2017 ICE arrests of non-criminal **undocumented immigrants** rose by 171% vs 2016. This is occurring at a time of full employment and large job shortages in construction. There are parallels with Hoover's deportation of undocumented immigrants via the Mexican Repatriation of the 1930's, but unemployment was higher then.

<sup>9</sup> US equity markets dropped by 15% in the month after the October 1973 Saturday Night Massacre, when **Nixon** fired the Special Prosecutor and the Attorney General resigned. This price action was sudden, and part of a 40% stagflation-driven S&P 500 selloff from Sep '72 to Dec '74.

<sup>10</sup> The 2017 Tax Cuts and Jobs Act was the 4th **largest tax cut** as % of GDP since 1950, and only slightly smaller than the 2009 stimulus. Corporate marginal effective tax rates fell from the highest in the OECD to below median.

<sup>11</sup> 80% of Trump Federal **Judiciary** nominees have ties to the conservative Federalist Society.

*Note: this piece has been updated since April to reflect the latest information.*

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