

Thursday, December 05, 2019

Good Afternoon,

While the drama of Congressional hearings steals the spotlight, stocks are gyrating with the frequently changing messages from the White House on trade negotiations with China. Because stocks are at high valuations, they are susceptible to negative news regarding economic growth and trade. Trade issues have clearly hurt global manufacturing levels, caused a downshift in business sentiment and depressed corporate capital spending. The result appears to be that trade concerns have negated the economic benefits of the recent corporate tax cuts.

Regarding the China trade negotiations, President Trump seems to relish in his power to move stocks with his random messaging. One week the trade talks are going very well, and we're close to a deal. Markets rally with optimism. The next week, the President states he has no deadline and may wait until after the election in 2020 to make a deal. Markets sell off sharply. Wash, rinse, repeat. It's like Charlie Brown trying to kick the football and Lucy pulls it away at the last second. In this case, Charlie Brown (investors) may soon stop caring about the football and just ignore Lucy. By the way, new 15% trade tariffs on Chinese goods are set to be implemented on December 15th.

And, did you know....? When President Roosevelt proposed the Social Security retirement program in 1935, projections showed that total Social Security expenditures would reach \$1.3 billion in 1980 or 45 years into the future. The actual Social Security outlays in 1980 were \$149 billion. Thus, the analysts' 1935 projection was less than 1% of actual 1980 Social Security expenditures. Social Security outlays for fiscal year 2019 were \$988 billion, or roughly equal to the 2019 deficit. The Congressional Budget Office projects that Social Security outlays will double in the next ten years. Where will the money come from? I think we may have a problem here.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

I'll try to be more upbeat next week. Go Bills!

Wade

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