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Thoughts on the Trump Presidency

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Please allow me to say this first before I begin with my investment views.

Like most of you I've in a deep funk of disbelief since the election. I've tried to explain to my step-daughters that the Trump election IMO is a modern day palace coup but without the blood or the guillotine. And, for not one moment believe that the past behavior of our President-elect is somehow validated in any way.

The election has shown the severe double standard that exists regarding accountability between men and women and race. I've told my step daughters it's extremely important to follow the words of HRC in her post-election speech. That as young women they should view the election as a significant impediment to progress which must be countered with undeterred grit and determination.

Perhaps we as liberals took too much for granted and just assumed the better candidate would win by default which is both lazy and arrogant. My wife and I have chosen to pay our penance and fight for our beliefs regarding race, religion, LGBTQ and the environment by becoming much more involved activists for our chosen causes.

Now to the financial impact of a Trump presidency:

First off, below is a chart of the FTSE Index pre and post Brexit. Brexit was June 23 and it's quite clear that if someone cashed out over Brexit they would be crying in their Guinness by now. The lesson learned was that the substantial fear created by Brexit created a London market low and a major rally. This is why using emotions to guide investment decisions leads to major errors.



So far Trump is very market friendly. Investors love the opiate of lower taxes, regulation and increased government spending. Yes, it's very short sighted but in the meantime Trump's future policies are having a positive effect.

I know many of you are worried and I would like to say that in the early going Trump may have quite a positive impact on the stock market. The real drama in the stock market occurred in the overnight session of the futures market on 11/8 to the morning of the 9th. During the election I had my eye on the futures market and the sell-off was very severe, however during Trump's acceptance speech he spoke of a very large fiscal stimulus plan that he will likely get passed with a Republican congress. A large infrastructure plan would be very good news for employment and the stock market. Based on the market's reaction it's possible that a Trump presidency would end the flat market malaise that has lasted for two years.

Losers: In the short term, Technology. Tech and many of its related branches like Facebook and video game makers are probably going to be hurt by the new administration. They'll be hurt by potential trade wars and immigration. Tech relies on the best and brightest from around the world and while many firms allow remote based employment, on site firms may have employment issues.

Winners: Financial stocks especially banks. Trump's probable policies have caused a severe sell-off in the Treasury bond market. The sell-off has been especially hard on the long maturities of 20 years or more but this sell-off and likely policy changes are very favorable to financial stocks, especially banks. And, as a result many financial stocks are rallying hard. They're rallying hard because the increased spread between short term and long term rates allows banks to be more profitable regarding loans. Trump has also promised to repeal Dodd-Frank which is also a very significant positive for banks and financials.

There is also a rumor today that Jamie Dimon of JP Morgan is to be nominated for Treasury.

Summary: The opinion of the majority is that a Trump presidency could be a disaster. It may well be long term but in the short term the opinion of the majority, as usual appears to be wrong. Don't forget that the stock market was down 9! Straight days before the election and that sell-off triggered a mean – reversion buy signal for us.

Here are some charts of recent post-election purchases. We are largely finished with rebalancing with a Trump presidency in mind and the stocks we've purchased are not the type to trade but to be held for an extended period of time.

Morgan Stanley: our cost basis \$35.92



Direxion Financial Bull 3x ETF our cost basis \$30.98



Independent Bank Group our cost basis \$48.70



Credit Suisse Group (this could be a potential home run stock due to the profound effect of increasing interest rates. The stock has made a very strong move above its 200 day moving average, which is a green-light to buy for technical traders. Our cost basis \$13.89



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