

# Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



## Is This the Start of the Trump Stock Slump?

When it became clear that Trump would be the next president the market panicked. Then the market rose on expectation that Trump might replicate Reagan years supply side economics and prosperity. This was the Trump bump that lasted until **Trump reality set in**. NBC News writes how stocks hit a three week low after the inauguration and Trump's protectionist speech. Is this the start of the Trump stock slump?

*European stocks and bond yields dropped on Monday and the dollar hit a six-week low after President Donald Trump began his term in office with a protectionist speech that pushed a nervous market into safe-haven assets.*

*World stocks hit multi-year highs earlier this month on expectations Trump would boost growth and inflation with extraordinary fiscal spending measures. However, his inaugural address on Friday saw investors retreat to the safety of higher-rated government bonds as the new president signaled an isolationist stance on trade and other issues.*

Investors who bid up the market in expectation of fiscal stimulus measures are concerned about protectionist rhetoric and lack of focus on measures to stimulate the economy and add jobs. Uncertainty has been the order of the day for the last month. Every trading day the market opens with a substantial gap up or down. Will the new president pursue rational policies to build the economy or will he focus on the grievances of the folks who voted for him and tear up trade deals and start deporting a substantial portion of the work force? We wrote recently about the **extraordinary uncertainty** of Trump and how this may affect the market.

*Lawrence Summers, former Harvard Prof. and Secretary of the Treasury during the Clinton years, believes that **markets are underestimating risks** associated with a Trump presidency. Bloomberg reports.*

*"This is probably the largest transition ideologically and in terms of substantive policy that we've seen in the U.S. in the last three quarters of a century," Summers told Tom Keene in a Bloomberg Television interview Tuesday. "Those kinds of transitions have to be – given the central role of the U.S. in the global system – matters of enormous uncertainty. I don't think that's fully recognized by markets."*

*This concern is compounded by the people Trump has advising him. Peter Navarro (head of the White House National Trade Council) and Wilbur Ross (Secretary of Commerce) have written a report that Mr. Summers calls beyond voodoo economics and the economic equivalent of creationism because it is so far from responsible economic thinking. Summers does not believe that repatriated corporate cash will create new jobs.*

Summers' concerns as well as those of other economists are focused on how well Trump's proposed stimulus measures will work. The concern about this being the start of the Trump stock slump is the focus on protectionist rhetoric and the danger of a global trade war.

### **Who Gets Hurt in a Trade War?**

If a full blown trade war erupts between the USA and China everyone suffers. But specifically which **companies are at risk in a U.S. China trade war**? Bloomberg offers their opinion.

*It's still far from clear how plans will shape up under Trump, who on the campaign trail blasted trade deals with China that generated record U.S. deficits. What is clear: China will retaliate against any protectionist steps – not only are there reported contingency plans, but the historical example of measures against Japan when tensions flared in 2012.*

*Widespread boycotts of American products in China could hit brands including Nike Inc., General Motors Co., Ford Motor Co. and Tiffany & Co., while U.S. sanctions would put Chinese electronics exporters such as Lenovo Group Ltd. and ZTE Corp. under pressure, according to Credit Suisse Group AG. Domestic competitors stand to gain from diminished commerce.*

Experts expect major drops in both Chinese and American stocks with companies that do business domestically being the least affected. However, if global trade shrinks precipitously think of the Great Depression and millions out of work, stocks down to small fraction of their previous value the rise of militarism with its associated risks.

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