

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



Watch Out for the Trump Economic Slump

Investors like predictability. Markets may be volatile but so long as they have a means of predicting where the market is going investors are generally happy. Such has been the case with the Trump bump, the stock rally based on the expectation of lower taxes, less regulation, repatriated corporate offshore cash and infrastructure spending. After all the USA has the same party in control of the White House and both houses of congress. Unfortunately, when the same party has all of the control they tend to fight among themselves such as happened in the Carter years when Jimmy Carter referred to congress as an albatross around his neck. The Republican controlled congress was going to repeal the Affordable Care Act, better known as Obama Care but they could not get the votes to do what they have been promising for seven years and what Trump promised to immediately upon assuming office. Now we need to watch out for the Trump economic slump as investors wonder if the Obama Care repeal debacle is a hint of things to come when congress addresses Trump's economic agenda.

Trump Slump

The stock market rally after Trump election has been referred to as the Trump bump. Now *Reuters* writes about the **Trump slump** of the dollar and stock prices.

The dollar and share prices tumbled on Monday, as investors worried that U.S. President Donald Trump's defeat over healthcare reform foreshadowed difficulties delivering other key campaign promises, in particular fiscal stimulus.

Trump's failure to rally enough support from his own Republican party – which controls both houses of U.S. Congress – to repeal and replace Obamacare spurred a rush to safe haven assets such as gold XAU=, the Japanese yen JPY= and the Swiss franc CHF=.

Bets that pro-business policies promised by Trump would boost growth and consumer price rises after years of very low inflation, leading to a faster pace of U.S. interest rate rises, took stocks to record highs earlier this year and the dollar to its highest levels in 14 years.

But those "reflation trades" have since come under selling pressure as Trump has concentrated his efforts on areas other than economic reform, and that selling intensified after the healthcare bill's failure late on Friday.

The markets have suddenly become much more risk adverse and that could intensify the downward trend so watch out for the Trump slump as you consider your portfolio.

What to Sell ASAP

CNBC looks ahead to congress considering a **corporate tax cut** and expects an impressive market correction if congress and the president do not deliver.

The market is already pricing in a corporate tax cut, which means there could be trouble if those cuts don't get done, expert Robert Luna told CNBC on Thursday.

President Donald Trump has promised to slash the corporate rate from 35 percent to 15 percent, while the House Republican plan calls for a 20 percent corporate rate.

"If that's something that doesn't get passed, I think watch out below. A 10 to 15 percent correction is definitely something we're preparing our clients for," the chief investment officer for Surevest Wealth Management said in an interview with "Closing Bell."

What goes up can certainly come down. Bank stocks have had a nice run up and may suffer as investors anticipate a Trump economic slump. Health care stocks may be able to breathe easier as any further adjustment of the Affordable Care Act will require the sort of due diligence that comes from both parties negotiating seriously for an optimal solution. Gold mining stocks anyone?

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