



HOW IS TRUMP FARING?



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My preference is to avoid discussing the Trump Presidency as much as possible. After all, an investor should focus on investing and not on politics. However, despite my reluctance, the recent stock market's gains are built around this President and his agenda. Therefore, discuss we must.

To do this analysis, I downloaded and categorized all news stories from Wikipedia since his inauguration until August 16th 2017. (Quarterly news links can be found [here](#)). Each story was categorized using three criteria in an attempt to classify and distinguish major policy initiatives, ongoing issues and/or broad catchall bins. The three criteria, and brief description, are as follows:

1. Category – Domestic or International
2. Sub-Category
 - a. Administration – broad catchall bin meant to include the running of the administration; appointees, nominees, firings, resignations, regulations, bill signings, etc.
 - b. Budget – specific category to cover any news story which discusses the budget, tax cuts, spending plans, etc.
 - c. Communications – any event where the President, or his representatives, give speeches or otherwise talk about events, policies or actions of the administration
 - d. Election – specific category to cover the ongoing Russian election scandal
 - e. Immigration – specific category to cover the administration's immigration agenda
 - f. Healthcare (Obamacare) – specific category to cover the administration's healthcare initiative
 - g. Foreign Relations – international category meant to cover US relations with the world
3. Impact
 - a. Positive – the news story reflects positively on the Trump administration (score +1)
 - b. Neutral – the news story has no material impact on the administration (score 0)
 - c. Negative – the news story reflects negatively on the Trump administration (score -1)

Before we begin, a few notes on scoring. Scoring was done as objectively as possible. While I have my own views, I tried not to let those interfere in the impact rating of news events. However, I imagine some bias is inevitable. Additionally, the impact of some news stories is difficult to interpret. Trump's handling of North Korea is an example. In a change of posture, Trump has taken a very hard stance on North Korea. Whether this is a good thing or not can only be determined in hindsight. North Korea backing down will be a solid win for Trump. War, a solid loss. Unless a clear outcome was determinable, I considered the event "to be determined" and scored as neutral. Likewise, Trump has signed a number of regulatory reforms which reverse, or rollback, Obama regulations. While I imagine those opposed might score these as negative, insofar as they have been signed in pursuit of Trump's agenda, they received a positive score in this review. There are other similar scenarios where positives and negatives can be assigned based on one's view of Trump and/or his agenda. In all cases, it was my intentional (whether successful or not can be determined by others) to assign scores based solely on a known result.

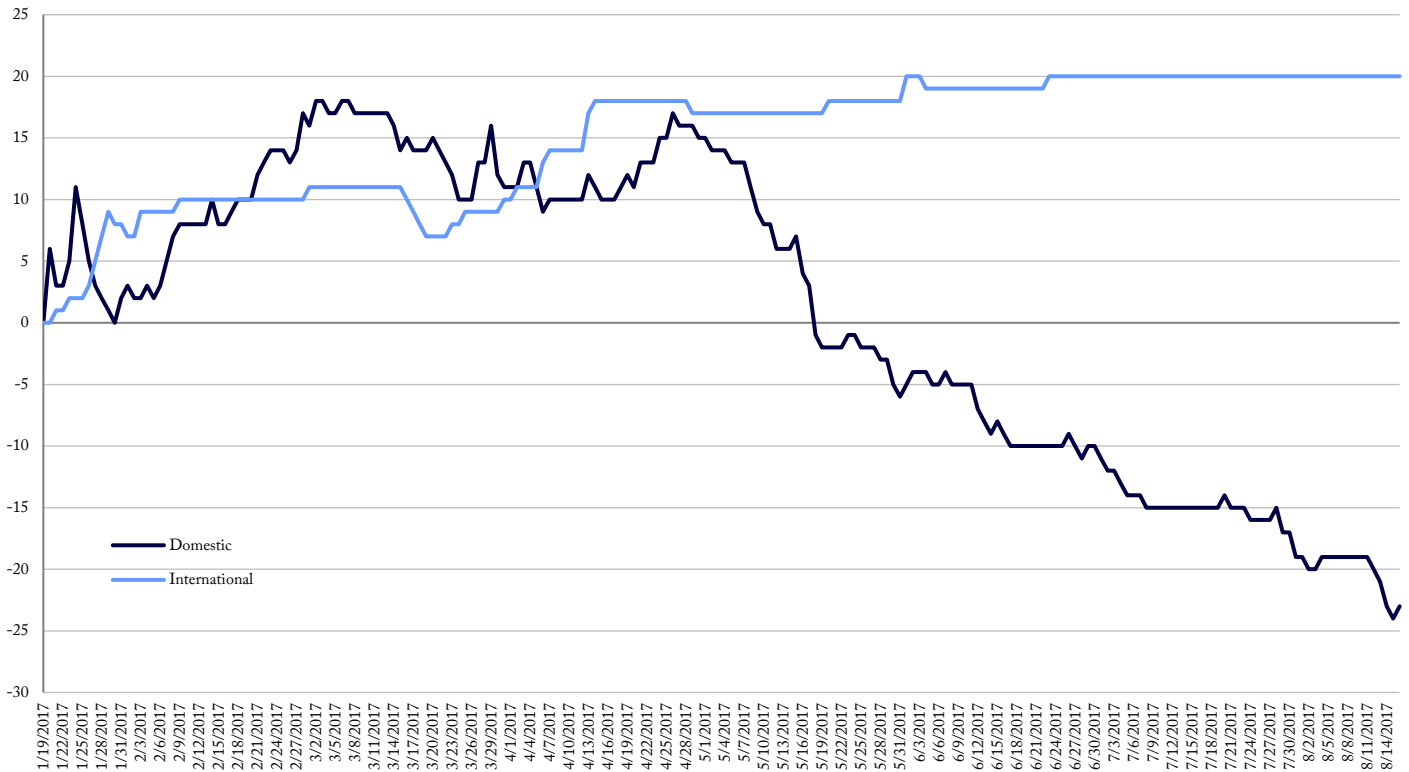
On with the show.



DOMESTIC VS. INTERNATIONAL IMPACT

As you can see from the chart below, Trump has had more net impact internationally than he has had domestically. More precisely, after initial progress, Trump's domestic agenda has stalled as a failed healthcare agenda, election collusion with Russia, immigration defeats and little progress on tax reform has tilted news against Trump. Adding to the net negative is the slowing pace of new hiring and quick-sign executive orders Trump benefited from at the beginning of his administration. On the international front, Trump benefited from the retaliatory bombing of Syria after their use of chemical weapons against their citizens.

President Trump Net Impact



DOMESTIC IMPACT

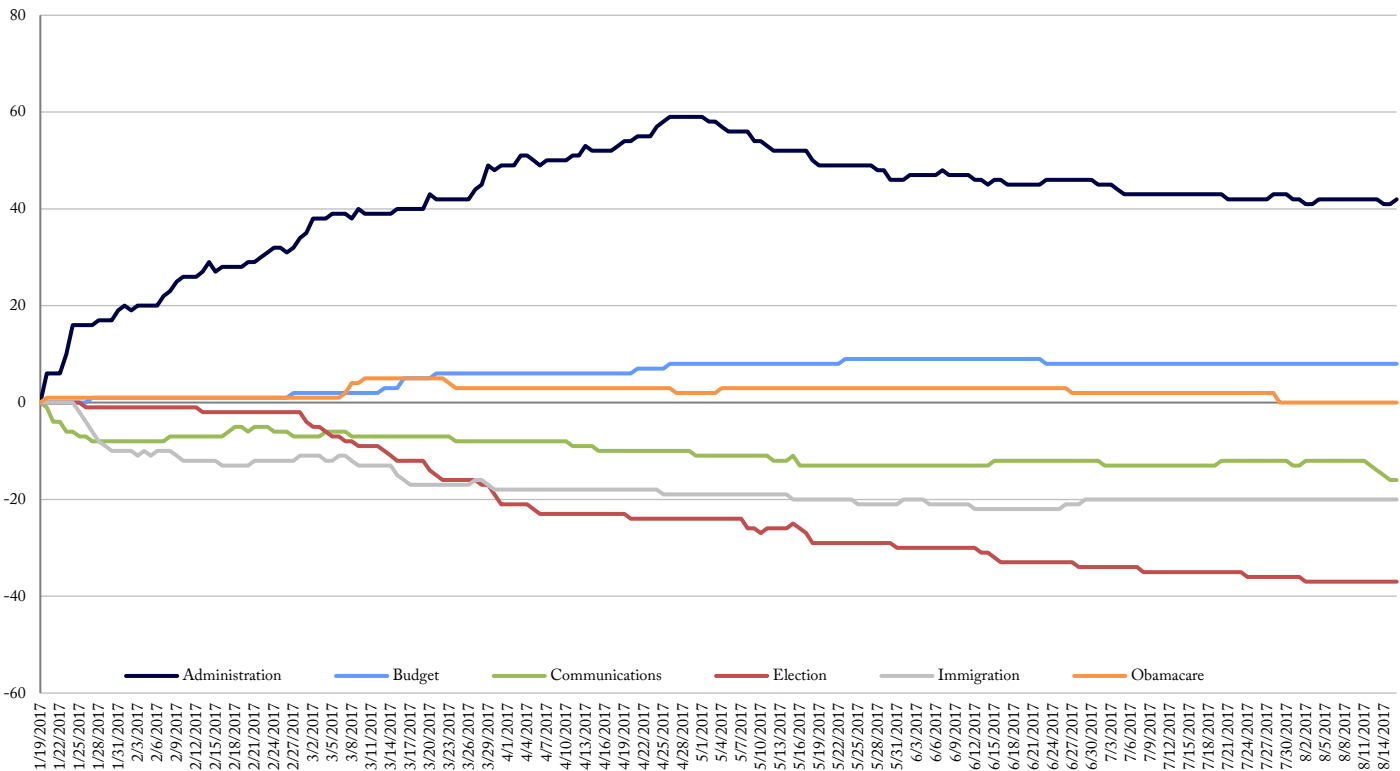
One can see the net impact Trump has had in the domestic arena from the chart below. The ongoing Russian election scandal has been a thorn in the Trump administrations side. Whether that wound is self-inflicted or media induced will hopefully be sorted out by Robert Mueller. Regardless of culpability, the regular drip of negative stories has consistently hurt Trump's ability to govern. Immigration is likely a bit more slanted based on political views. The stories here are consistently negative. However, Trump is following his stated agenda and receives positive marks for pushing his views. The negatives come in the defeats he has suffered as courts have rejected his attempts at immigration reform and/or a temporary ban on certain countries. In my view, White House communications have stymied this administration as mistakes are repeated and solutions have yet to be found. Despite my views, negative scores piled up as Trump and his mouthpiece representatives continued to pick at their own wounds in an effort to prove their innocence. Say what you want about political stonewalling, the end-result is effective and, in my view, communications is a major weakness of the Trump administration.

On the positive side, the healthcare debate is a wash as early positives were erased when Congress failed to pass any version of law. Like many Trump agenda items, healthcare could swing either way depending on your



political ideology – and may swing again if another attempt at reform is made. Progress on the budget has also mainly been positive, although admittedly there was much fewer news stories to analyze than other big-agenda items. Based on what’s coming out of Washington, I suspect news on this subject will get going shortly. Lastly, is the success of the overall administration of Trump’s White House. This category, I believe, is a bit deceiving. The initial upward trend is largely due to cabinet appointees, other hires and executive orders. These positives were inevitable and reflect an administration doing all that it can alone. The negative slide since April more accurately reflects (I think) the turmoil of the Trump Presidency as resignations, firings and set-backs have piled up.

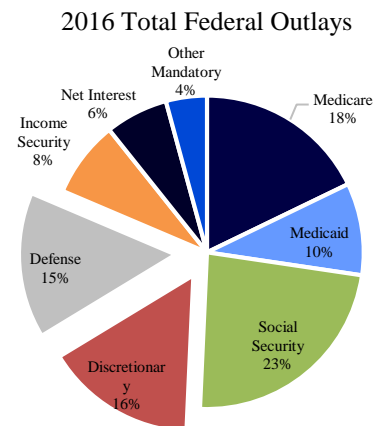
President Trump Net Domestic Impact



CONCLUSION

You don’t need my charts or analysis to know that Trump’s Presidency is currently struggling. Whether you agree with his agenda or not, losses outweigh wins. We can only assume that the effort to post a major win must have been the primary motivating factor in the recent staff shake-up. And while there are plenty of items left on his to-do list, the one the market has been hanging its hat on is tax reform. Were this current slight positive to turn negative on the administration, the market has only one way to go... down, and in a hurry.

The market has high hopes for a favorable budget including significant tax breaks for businesses and consumers, however the reality may be harder to come by. To right is a breakdown of total federal outlays with the two discretionary pieces pulled apart for clarification. As of 2016, 70% of federal outlays are mandated and untouchable, certainly politically so. Trump’s election and administration speeches suggest he





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will not touch defense spending, and may in fact increase it. If true, that leaves \$608.4 billion to cut in order to fund tax breaks (assuming current deficits are to be continued at the same level – although static vs. dynamic scoring is a subject for a different discussion, it has significant impact on how tax and spend policies are determined). Regardless of budget calculation methodology, 16% of federal outlays doesn't give Trump, or the market, much room to maneuver. Additionally, one has to believe that the opposition party will oppose any tax break proposals offered by the administration, making passage that much more difficult.

At the end of the day, the market is priced in such a way as to make tax reduction a must-win for the Trump Presidency. However, in this investors mind, given the growing negatives surrounding his administration along with the growing bravery of the opposition, tax cuts seem only a very small probability of success. As a result, investors should take caution at the market's high valuation and seek refuge from the coming storm.