

Hail to the Chief

Weekender

November 9, 2024

It is always easier to fight for one's principles than to live up to them.

Alfred Adler

After each war, there is little less democracy to save.

Brooks Atkinson

Nobody makes a more significant mistake than someone who does nothing because he can only do a little.

Edmund Burke

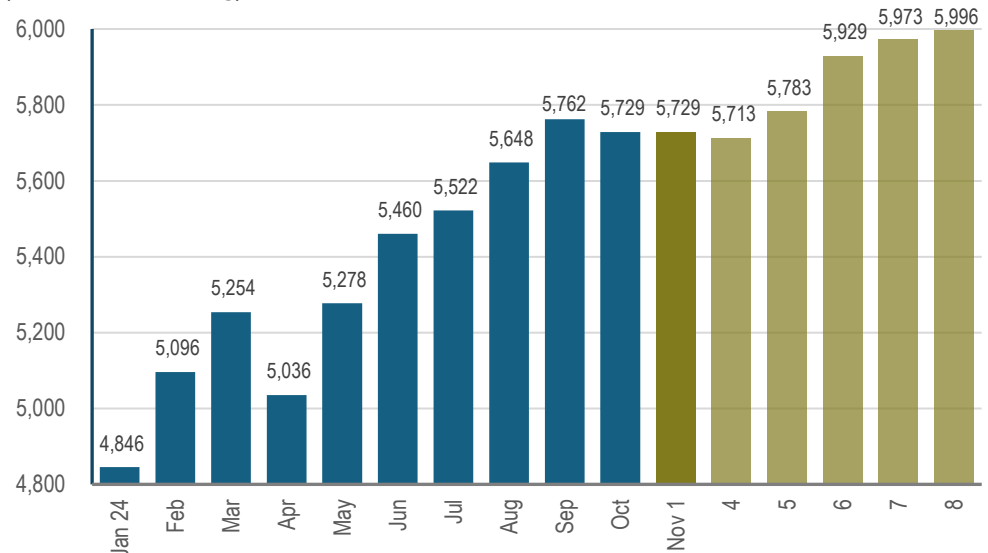
Many forms of government have been tried and will be tried in this world of sin and woe. No one pretends that democracy is perfect or all-wise. Indeed, it has been said that democracy is the worst form of government, except for all those other forms that have been tried occasionally.

Winston Churchill

Good morning and welcome to the *Weekender* for Saturday, November 9, 2024. Last week, elections in the United States were undoubtedly the biggest drivers of financial markets worldwide. An unexpected red wave permitting conservative views to exert influence in the Supreme Court, Congress, and Presidency creates a unique environment. Political analysts and financial market pundits test the limits of folly by trying to equate such

S&P 500 Index Levels

(Source: Bloomberg)



environments with their historical analogs. We won't do that here.

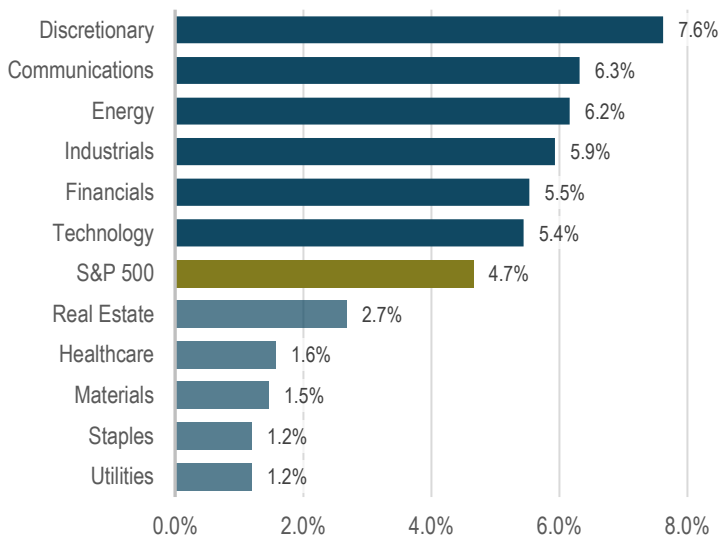
What surprised almost all the would-be experts was that the statistical dead heat between presidential candidates turned into a red wave favoring Republican Donald Trump. Election results often reflexively move markets in the days following the tally. But those are saccharine gains. Policy implementation, leading to economic stability and earnings growth, catalyzes sustainable market shifts. Any attempt to predict them at this juncture is nothing short of a fool's errand. Even so, a congratulatory rally took hold last week, and President-elect Trump will no doubt use it to ensure the validity of his triumph. As measured by the S&P 500, equity markets were higher by 4.7%.

Last week's sector performance showed a market that was convinced that the need for defensive positioning was gone. Cyclical sectors, mainly consumer discretionary, led the market. Safety and security went wanting.

Weekly Sector Gains

November 1 - November 8, 2024

(Source: Bloomberg)



Elon Musk expects to play a vital role in Trump's new administration. While the details haven't been ironed out yet, his likely role will be that of a bloodhound, sniffing out inefficiencies and legacy thinking wherever he can find it. American bureaucracy is a deep swamp. But betting against Musk isn't where we would put our money. If he can pull it off, it will benefit every American. In anticipation of his emerg-

ing prominence, Tesla shares rose 28.9% last week. It makes no sense, but not much about Telsa's stock does.

In addition to equities, interest rates were also higher on the week. The US government ten-year bond yield rose to 4.3%, while the average 30-year fixed mortgage was at 7.2%. Fixed-income markets are betting that a Trump administration must endure higher rates from increased inflation, more robust economic performance, or a combination of the two.

In another sign of changing guard, Bitcoin returned to its all-time high territory. While my view on extra-sovereign currencies continues in line with Warren Buffett's, the data show an increasing appetite for the "rat poison." BlackRock's Bitcoin exchange-traded fund (ETF) has more assets than its gold ETF.

Bitcoin US Dollar Cross

November 8, 2023 - November 8, 2024

(Source: Bloomberg)



Election

An excellent book, *The Tyranny of Experts*, highlights the fecklessness of global economic development efforts designed by "do-gooding" non-governmental organizations worldwide. The lessons from William Easterly's book can easily be generalized to an increasingly complex modern society. Exponential information growth drives deeper specialization where specific remedies are theoretically correct but practically worthless. At almost every level of society, we yearn for diagnosticians who understand complexity

and can cobble together solutions that work instead of targets that cannot be hit.

In the days following Donald Trump's unexpected electoral win, economists, analysts, and pundits were all aflutter trying to divine where things are headed. All their precision belies an absolute truth: Nobody knows. The populist message that got Trump elected will not survive five minutes of congressional scrutiny and horse-trading. Expected thin control margins in each house of Congress ensure difficulty in passing any sweeping changes. Executive orders will be his old, reliable weapon of choice.

Newsletter mills were rolling full tilt all week, picking through Trump's statements to conjure a view of the next four years—such a waste of time. Trump is coming into the presidency with an economy primarily healed from the pandemic, although it is still the beneficiary of its largesse. Many metrics traditionally used to gauge consumer well-being are at their zenith. The stock market, housing prices, Bitcoin, spending, net worth, and corporate profits are at all-time highs. Keeping all these plates spinning at once will be a challenge.

Trump is business-friendly and does not see profit as evil. Expect an extension of a lighter tax regime for consumers and corporations. Conversely, government revenue must be increased through economic growth or debt. Probably both. An "America First" mantra will translate into initiatives that bring more manufacturing jobs back to the United States. These jobs will likely be much higher paying than existing manufacturing positions since they will be related to or incorporate advanced technology. Geopolitical risks will heighten from their boil position at present. Here, Trump's populist dogma will need to give way to the practical realities of battlefields where he has no control and little influence.

With Trump back in the hot seat, comedians will have much more age-appropriate material. Legacy media will increasingly give way to streaming, where Trump successfully magnified his message and consolidated the electorate. Siren sounds from the pecuniary princesses of *The View* will not be realized. Sunny Hostin and her ilk will not be rounded up and put into camps for re-education, although some education would be helpful.

We believe America is unique—not better, but indeed exceptional. A city on a hill that is founded on ideals to which we aspire and inevitably fall short. At times, we have abdicated our role for the practicality of urgent ideas that make us fall short of our nation's birthright. A broad swath of citizens just voted for a return to the ideas that made us great: life, liberty, and the pursuit of happiness.

We wish the president well and continue to pray for him and the country. God bless the United States of America.

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