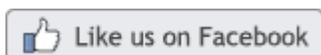




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Everything Good About Being in CT

First off, I hope you had a great Thanksgiving surrounded by those important to you. Between the Cowboys victory, my family, great wine and food, I couldn't ask for much more. It's also great to be home! After going from Connecticut to Orlando to Dallas to Austin in 6 days, there was nothing better than seeing this sign on the door as I wearily arrived the middle of the night.

UCONN basketball kicked off their season this month and as usual, the women are very strong. However, it's not your typical dynasty team that beats opponents by 50 as the top three players in the country all graduated from the school and were drafted 1-2-3 in the WNBA. That leaves the team with a lot of youth and inexperience and not much size. They will have some trouble scoring against better opponents.

None of my kids have ever seen the team lose a game in person and I have tried very hard to temper their expectations as a few losses would not be a surprise this year, especially with the incredibly difficult schedule they have. Notre Dame on the 7th. Ohio State on the 19th. My daughter keeps reminding me of the streaks. 80 in a row now. 90 in a row before that. 170-1.

The team has always had trouble finding non-conference opponents, so it's funny that all of a sudden 9 top 20 ranked schools want to play the Huskies the year after their big 3 graduate. Coach Auriemma has often commented that this is the year where teams get payback for four straight years of total and utter dominance by UCONN. He expects his peers to exact their revenge. However, he also quipped that everyone better take advantage of that now as next year's team looks stacked with All-Americans!

Below is D with Jonathan the Husky at luau night at UCONN last week.

If you missed my segment on FOX Business' The Intelligence Report last week, you can watch it here. <http://video.foxbusiness.com/v/5222373557001/?#sp=show-clips>.

Nothing like trying to get somewhere on the highway the Wednesday before Thanksgiving with a car fire in your way. Luckily, I left uncharacteristically early and made it with 90 seconds to spare.

As I mention from time to time, in between Street\$mart's issues I am often very active on www.investfortomorrowblog.com, especially when markets are volatile like now. If you would like to be notified when a new posting has been made, please see this link. <http://www.investfortomorrow.com/BlogAlerts.asp>

Trump, Ryan et al to Throw Everything at Economy

I have a pretty strong memory and I can't recall a more interesting post-election three week period than now. Sure, the Bush/Gore contested election of 2000 comes to mind, but besides the day to day battle which eventually ended up at the Supreme Court, there were not many crosscurrents.

Today, we have almost unprecedented financial market behavior, a lame duck president seeking to secure his legacy, a republican Congress positioning for control, a possible three state recount and a president-elect who publicly vets potential administration members and takes to Twitter like no one before. It seems like everyday we see a new parade of public figures walking into the elevator at Trump Tower not to mention Donald Trump preferring to tweet over a press conference.

Paul Ryan as Important as Donald Trump

Anyway, for the purpose of this article, I want to separate election rhetoric from potential market and economy moving policies. As I have said for many months, I believe that Trump's fiscal and economic policies have a much better chance of success and kick starting the economy than Hillary Clinton's. Part of that conclusion was predicated on the GOP retaining control of the House and Paul Ryan steering that ship. I wasn't so sure about the Senate.

Let's assume for the sake of argument that Trump, Ryan and the GOP are in full agreement regarding economic policy. That gives us a very energized Congress who have been in total gridlock for six long years their first opportunity to govern with little resistance. That's what the democrats had in 2009 and 2010. Over the first 100 days, you can expect all kinds of chatter on taxes across the board, infrastructure and reduced regulations. However, let's recognize that it will take Congress many months to pass just one bill.

Corporate Taxes

It is likely that the corporate tax rate will be one of the first items to take up in the new Congress. The U.S. currently has the highest rate in the developed world, however, the effective tax rate which is what percent corporations actually pay is very competitive given all the deductions and loopholes. Should the corporate tax rate be cut to 25, 20 or maybe 15%, that would be a strong shot in the arm to corporations. Higher earnings, more R&D, more jobs. It would likely also serve to rid the system of endless loopholes and deductions that are industry specific.

Repatriation of money abroad also falls under cutting the corporate tax rate. There is arguably more than a trillion dollars of corporate cash offshore that doesn't want to pay high taxes. Cutting the rate will certainly help some of that money find its way home. Additionally, Trump & Ryan could offer some kind of one time tax amnesty or even further reduced rate to incentivize the money back home. Finally, the government could create a program whereby this pool of money can be brought back into the U.S. to help fund an infrastructure program. No matter how you slice it, it's a win-win all around.

Individual Taxes

Staying on the topic of taxes, individual tax rates will likely be changed on two fronts. First, federal income tax rates will likely decline and second, tax brackets will likely be cut from seven to three. Although I haven't heard mention of this so far, I would very much be in favor of cutting the tax rates so much that we could eliminate so many of the complicated deductions and really simplify the tax code. In the end, lower taxes for Americans potentially equals more money to put to work in the economy.

Regulation

On the regulation front, Donald Trump and Congress are planning on rolling back hundreds of regulations and executive orders. Whether you agree with this tact or not, almost every economist agrees that regulation is costly and reducing them can provide some economic stimulus. There is a fine line between healthy regulation and onerous regulation. I don't think anyone is advocating for no regulation or the Wild West, but business leaders on both sides have often commented that added regulation is stifling earnings growth.

Infrastructure

Certainly not during the first year, but likely to be addressed before the 2018 mid-term elections, Trump has long expressed a desire to create a massive trillion dollar infrastructure program paid for by private money. This is a unique and controversial approach. As I mentioned above, perhaps offshore corporate cash can be one source of funding. Hedge fund and private equity could be another with general tax breaks given for investment and paid back with usage tax dollars.

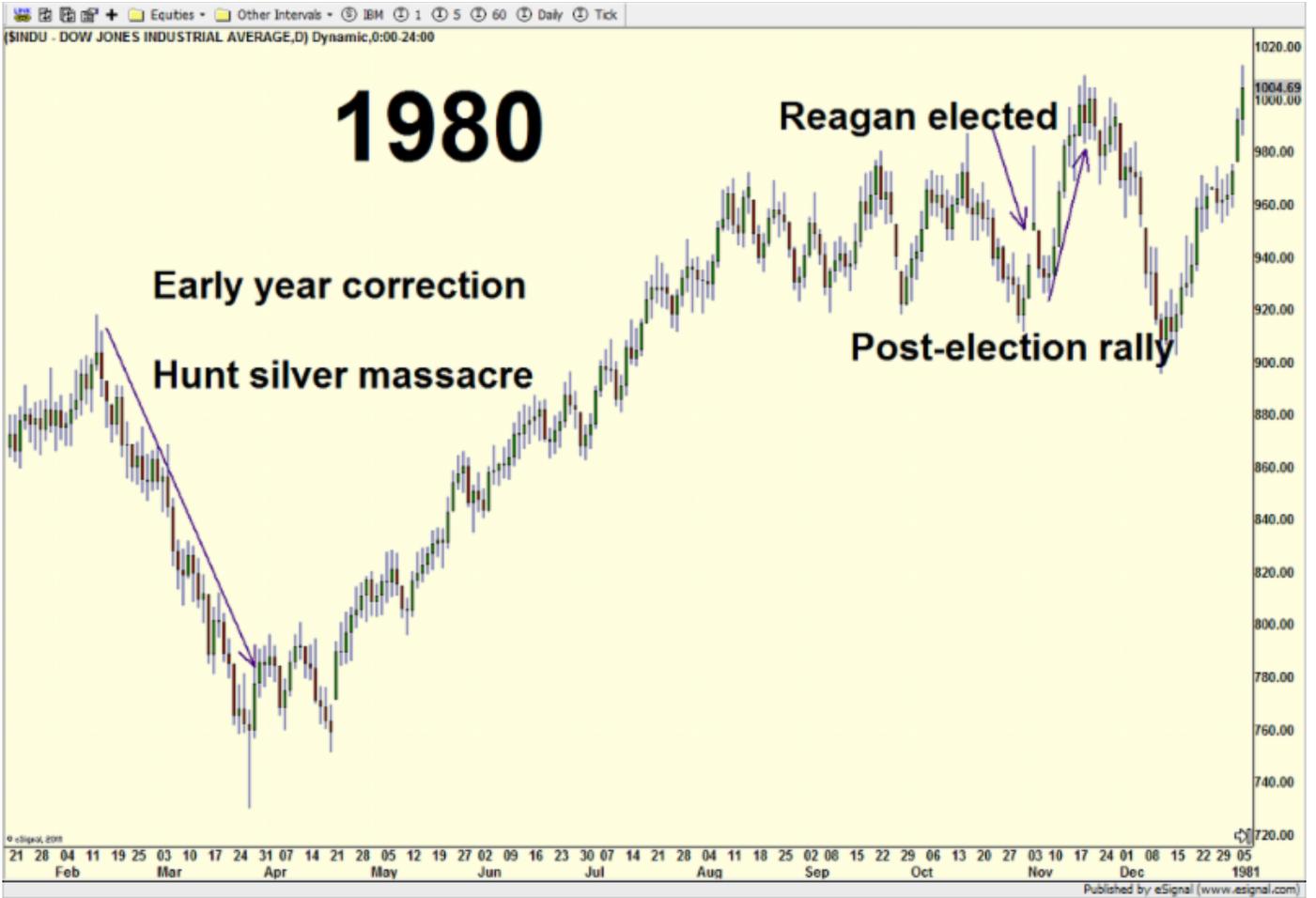
If Donald Trump, Paul Ryan, Mitch McConnell and Congress can get their act together right away, I believe the aforementioned policies give the American economy the best chance of getting out of the current malaise since it began. It will be the ultimate test for the GOP as well as determine if our economy is fixable or faced with much larger, Japanese-like structural problems.

1980 a Good Analog for 2016

Since the election the financial media and pundits have been fascinated with labeling the stock market's strong run as The Trump Rally. I get it. And it's really only a silly name anyway. However, the market isn't rallying just because Donald Trump was elected. If the Senate went blue, I would argue that we would see a muted response. Equally, if not more important, is the fact that the GOP now controls Congress and similar to how the government looked in 2009 & 2010 when the democrats were in the same position, the republicans have at least the next two years to pass their highest priority legislation and jump start the economy.

I went back 100 years to try and find similar stock market behavior post-election as well as during the year and the only remotely close parallel was 1980 when Ronald Reagan defeated Jimmy Carter as you can see below. In 1980, the Senate went to the GOP for the time since the mid-1950s, however the House remained blue.

I added a chart of 2016 so you can see how they line up. Take away the BREXIT decline at the end of June and they look interesting.





The important takeaway is found on the far right of the charts. In both cases, stocks rallied to new highs after the election, however the current rally is stronger and longer than the one in 1980. Perhaps that is because Congress is all red now, but was split in 1980. If this analog is to continue, stocks should be peaking shortly as they typically do during this time of year and pullback for a few weeks. I would only expect a mild bout of weakness in the 2-3% range.

If you would like to discuss how these possible scenarios could impact your own portfolio, please reply to this email or call the office directly at 203.389.3553.

1991 & 1992 Offering Good Clues Too

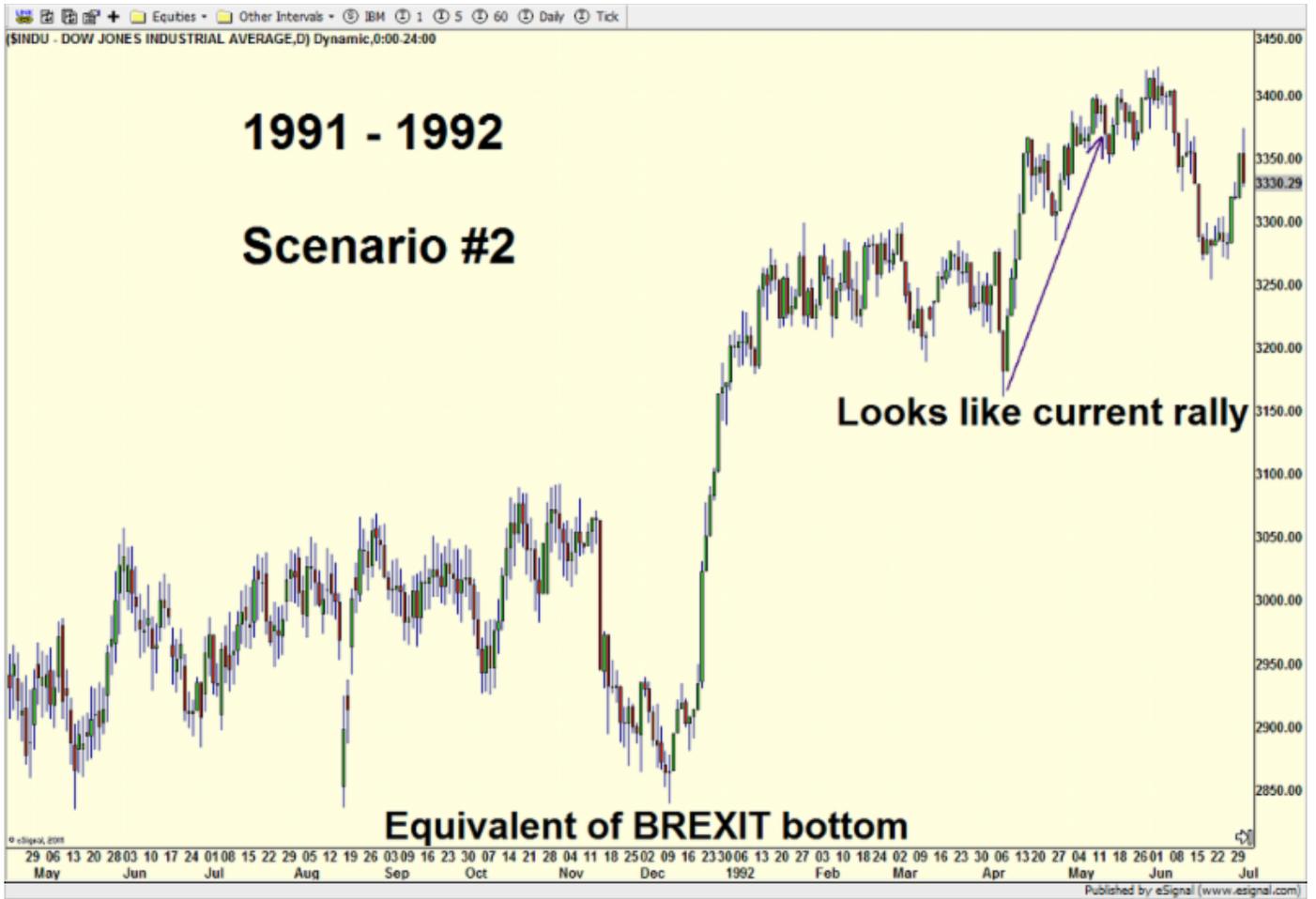
If I change my research parameters from presidential elections to similar price behavior during any year, I come up with a very different analog. The current market is first below and you can see the BREXIT bottom in the middle, followed by the big summer rally and period of digestion before the current rally began on the right side.



In 1991, we saw a massive rally after the U.S. and its allies expelled Iraq from Kuwait in Operation Desert Storm or the Gulf War. Stocks were range bound until December of that year before exploding higher like we have seen this month.



The other similar period just happens to be right after the scenario I discussed above. I shifted the BREXIT bottom to December 1991 with the current rally beginning in April 1992 as you can see below. This scenario more closely resembles today when you look at the number of stocks participating in the rally.



The good news is that in both cases stocks resolved themselves to the upside without any meaningful correction for some time.

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Upcoming Appearances

Yahoo Finance Live Show - December 5th at Noon

You can view most of the past segments by clicking below.

Media Appearances

(<http://www.investfortomorrow.com/InMedia.asp>)

Investment Quotes/Adages To Live By

"In God we trust, all others bring data."
- The Elements of Statistical Learning

"The only easy day was yesterday."
- The U.S. Marines

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."
-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."
-Robert Rhea

"Luck is the residue of effort."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."
-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.
-Milton Friedman

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of

the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it." - Dr. Adrian Rogers, 1984

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is often erroneously assumed to be the beginning of a bull market."
- Robert Rhea

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."
- Mohamed El-Erian

"A little bit at a time adds up to a lot in no time"

To Your Financial Success,



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