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The Friday before the election, our quantitative election model forecasted that Donald Trump was going to be the 45th President of the United States. I didn't believe it myself, yet I didn't question whether the model was broken. After all, it's accuracy rate has been higher than 80%, correcting predicting every election since 1996.

After a barrage of media interviews where some questioned whether I was just a shill for Mr. Trump, the election came and he was in fact elected President. In follow up interviews the day after the election, I offered that any pullback in stocks would be a buying opportunity for a run to all-time highs by the first quarter or so on the way to my longstanding target, first offered in 2010, of Dow 20,000.

I also opined that while Mr. Trump may have run under the GOP label, he was certainly not conforming to any traditional Republican platform and was really a populist who leaned right. Although he often fought with Speaker Paul Ryan during the campaign (and many other mainstream Republicans), Trump knew he needed Republican leadership and they needed him to advance their pro-growth and America First nationalistic agendas. "Politics makes strange bedfellows"

Economically, I believed that the corporate tax rate would be one of the first and easiest items to pass. I even expected a few Democrats to join the party. Individual tax reform would be next with the individual brackets being cut from 7 to 3 and rates for everyone making less than a million to go down. Legislation to terminate hundreds of Barack Obama's executive orders would also be seen in the first 100 days. Infrastructure, where I have my own idea of how to pull this off without having the government borrow, would be tabled until 2018.

While Donald Trump began his term with an approval rating of 42%, 66% of the people believe better times are ahead. Consumer Confidence spiked for the past two months to a 13-year high. People may seem to dislike President Trump, but they have very high expectations for the economy and their own well-being. Some could argue that's because the GOP controls Congress and they believe Speaker Ryan will get the job done.

In any case, with the stock market breaching 20,000 and at all-time highs and the economic data from Q4 still stuck in neutral, the markets and public hopes seem to be priced for perfection. That means there is not a lot of margin for error. With that in mind, it got me thinking about things that could go wrong or different paths President Trump could take

1 - Economy sees recession during the next four years.

With all of these pro-growth economic plans from Speaker Ryan, this surprise may seem counterintuitive. The past 8 years have seen the worst economic recovery of the modern era. While it may be the typical post-financial crisis expansion, it's still underwhelming. I think Barack Obama inherited part of this, but I also think his policies caused part of it and prevented more robust growth. There is a chance that our economy has significant structural problems, like Japan on a smaller scale, and even a strong, pro-growth agenda won't help.

Additionally, presidents who follow two-term presidents typically see a recession within four years. Obama followed Bush 43 and he inherited the Great Recession. Bush 43 followed Clinton and he had the post 9-11 one. Bush 41 succeeded Reagan and he saw the S&L crisis/Gulf War oil recession. Carter followed Nixon/Ford and the economy pulled back in 1980 from Fed rate hikes. Nixon succeeded Kennedy/Johnson and he faced recession at the end of 1969 from higher inflation. JFK followed Eisenhower and he inherited a Fed-driven recession. Ike succeeded Truman and saw another inflation-led recession in 1953. Lastly, Truman took over for FDR and presided over two recessions during his first term as the economy was changing back to a peacetime economy with less government spending.

2 - Bear market in stocks by 2020.

The U.S. stock market has been driving ahead since March 2009. From a low of 6500 in the Dow to 18,300 on Election Day, Barack Obama has seen one of the best stock markets of any president in history. It's a bit ironic that the president who most railed against wealth inequality enjoyed one of the greatest booms ever and couldn't really celebrate that.

Bear markets come in two forms: with and without recession. Recessionary bear markets typically last longer and experience a larger decline. If I believe that recession is possible under Trump then so should a bear market. The next bear market will likely see a loss greater than the largest decline of the current bull market but not nearly as great as the financial crisis bear market. In that case, the next bear market should see a drop between 25% and 40% and last 6-15 months.

3 - Not all cabinet nominees confirmed

Another surprise that seems counterintuitive since the Senate is controlled by the GOP. No president since Ronald Reagan saw all of their cabinet nominees confirmed. Every single president had at least one nominee who was rejected, John Tower in 1989 under Bush 41 or withdrawn, all of the rest since Clinton. In fact, Clinton, Bush 43 and Obama all had at least two nominees withdraw their name. While Betsy DeVos seems to be the most controversial at the moment, my sense is that a less public nominee will withdraw.

4 - Trump and the GOP fall out of love

It was a vicious campaign that saw allegiances move all over the place. In the end, after attacking a good number of his fellow candidates, Donald Trump reconciled in one way, shape or form with every single one of them. Given Trump's personality and populist and nationalistic tone, there is a good chance that Paul Ryan, Mitch McConnell and the GOP end up at odds with President Trump over the details of legislation or executive orders which don't sit well with the GOP and their constituents.

5 - Trump and Chuck Schumer kumbaya

As recently as 2011, Donald Trump may have been or was aligned with the Democrats. He and Senate minority leader, Chuck Schumer, used to be pals in New York City. If President Trump and the GOP have a falling out, it's very likely that Chuck Schumer and some of the Democrats will fill that void, especially if it's during a period where a Supreme Court Justice vacancy needs to be filled.

6 - Moderate Justice chosen for the Supreme Court

Whether Donald Trump has a fight with the GOP or not or if the President finds common ground with the Democrats, a moderate Justice for the Supreme Court will be nominated from one of the judges whom the GOP already approved of at a lower court. All indications are that Trump's first nomination to the bench, due in early February, will have similar views to that of Antonin Scalia whom he or she will be replacing. That will please and appease the party base. From there, it is likely that one of the liberal Justices will retire by 2020 and Trump, the consummate dealmaker, will nominate a moderate to sail through the Senate.

7 - Trump and Putin have a falling out

This is probably the least surprising of all on the list. One of my theories is that Trump has been so pro-Putin because Obama and Hillary Clinton were such adversaries of Russia. It was yet another good way to differentiate during the campaign. The U.S. and Russia's interests are so inversely aligned that it would be almost impossible for the two countries not to have a falling out by 2020. I will venture a guess that the impetus for a disagreement comes from Russia's dealings with Iran or Syria, or Russia's military taking aggressive positions along a bordering nation.

8 - Donald Trump is not on the ticket against the Democrats' candidate in 2020

I find it very hard to believe that Donald Trump will want to run again in 2020. While 74 is by no means old, he will have literally done it all by that time. I think there is a binary path to his party's nomination in 2020. First, things go so well that Trump opts to leave on top, securing his legacy with the country in great shape. On the flip side, after an amazing honeymoon, his policies get bogged down first in committee and then on the floors of Congress. For the first time in his life, he is unable to make a deal.

At the same time, Angela Merkel already lost the 2017 election in Germany and the euro currency and euro zone are breaking apart in 2018 and 2019. This causes major recessions in Europe and Asia that spillover into the U.S. Along with the bear market in stocks, Trump's popularity and approval rating plummet so much that he is primaried by several in the GOP. Seeing no path to reelection, Trump withdraws from the race to retake control of his empire.

There you have 8 unexpected, outside the box surprises over the next four years. Clearly, not all of them will happen, but in a vacuum, each one has a puncher's chance. President Donald Trump is certainly going to have his hands full.

To Your Financial Success,



Paul Schatz
President
Heritage Capital LLC

1 Bradley Road Suite 202
Woodbridge CT 06525

203.389.3553 Phone
203.389.3550 Fax

www.InvestForTomorrow.com

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