THE National Investor

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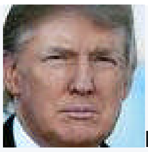
TRUMPONOMICS IN DANGER -- WHAT TO DO?

1.  **Donald J. Trump** Verified account @realDonaldTrump 4 minutes ago

ObamaCare will explode and we will all get together and piece together a great healthcare plan for THE PEOPLE. Do not worry!

Monday -- March 27, 2017 --

Above is the Tweet sent out Saturday morning by the 45th president, trying to put the best face on a political and policy blunder I'm sure he regrets.

Even before this, I have been saying since pretty much the day after last November's election that *even if* the new president was able to implement pretty much everything he had promised, the overall effect on the economy was going to be slight. Over the first several weeks of this year I discussed sector-by-sector and subject-by-subject what I expected. (NOTE: For those of you reading this who have NOT yet received that compilation of "All things Trumponomics" send an e-mail to chris@nationalinvestor.com and I'll send it to you.)

Even before President Trump was **gamed by Speaker Ryan** on the now-dead American Health Care Act (AHCA) and now has nothing to show for his--and the G.O.P.'s--promise to "repeal and replace" Obamacare, it was looking questionable whether there would be much of ANYTHING done in 2017 that would broadly benefit the economy *this year*.

And the odds are much longer now that any *major* part of the Trump agenda will make it.

The president will continue to repeal a myriad of regulations and whatnot where he has the unilateral power to do so. Many of those things are good and sensible and will have some benefit. *But otherwise most of this will be akin to watering the flower beds in front of a house infested with termites.*

Trump, Ryan and some others now insist they can brush off the *partially self-inflicted* damage they just did to themselves in the AHCA debacle and move right on to other big issues. Don't hold your breath that any of them go any better.

The biggest problem is that both the president and Republican numbers-crunchers were counting on being able to "spend" the $1 trillion in "tax savings" from their *alleged* repeal of Obamacare on tax reform and infrastructure spending. Now they need to figure out another gimmick; and that's going to be a problem possibly as insurmountable as the roadblock they just ran into on the health care bill.

Staring everybody in the face is what is now described as a hard deadline of April 28 to have a budget/debt deal sufficiently palatable to avoid a possible government shut down as early as then. That will be the biggest thing in the near-term sucking all of the oxygen out of the room politically.

One of the other keystones of the Trump agenda that he was counting on -- his B.A.T., Border Adjustment Tax -- won't ever make it to a vote. Opposition has come from Republicans as much as from Democrats; and from some key business and free-market lobbies that want the present-day free-trade regimen unharmed. Here again--as with healthcare, in my opinion--I think Trump *on his own* had good inclinations of what *he* wanted to accomplish; but as soon as the Establishment G.O.P. in the Beltway get a hold of them it's game over.

As far as a broad "Tax reform" measure, the president infamously (and embarrassingly) told us all *way back on February 9* that we were going to be feted with a "phenomenal" bill within two or three weeks. We're still waiting.

This afternoon his Press Secretary Sean Spicer promised an accomplishment on that front before Congress' August recess. But a few days ago, Treasury Secretary Mnuchin hedged on whether such a deadline was feasible; *and that was before the death of the AHCA, on whose passage a more seamless tax bill process depended.*

About the only thing where the president and Congress seem able to work shoulder-to-shoulder on might be the corporate tax issue; **and specifically coming up with a way to get that $2 trillion-plus of corporate profits overseas back to good old American terra firma.** But even on that score, little is going to be done that will lead to the kind of economic strength many have still baked into the current level of stock prices. That was one of many subjects I covered on today's podcast, where I talked about what I see in store for all the asset markets in the near term; you can listen in to an archive at http://www.kereport.com/2017/03/27/selloff-2-forms/

Beyond that, this morning I issued **some new trading recommendations for Members** as well as lay out a road map for riding our larger Odd Couple-related ETF's and when we might be taking our profits and exiting. (**If you didn't get those yet, log in at http://nationalinvestor.com/**)

WHAT *KIND* OF STOCK MARKET CORRECTION?

Though we gave Members some VERY timely instructions a while back to load up much more on Treasuries and gold-related positions in anticipation that those trades would work out very nicely, I have remained squeamish about shorting stocks no matter what I think *should* be happening.

But it's becoming more clear that the market has peaked for a while (I discussed this somewhat on that podcast of this morning as well.) Indeed, as I quipped at the time of the Nasdaq's big reversal last week and a couple times since, that particular day might be as close as we'll ever get to someone "actually ringing a bell" at the end of a bullish move!

The following is what I wrote to Members this morning at the beginning of one e-mail to them:

"The sell off that is seemingly underway for stocks will most likely take on one of two characters:

1. **It will be a sharp, quick pain.** This would be the best case if you are a bull; a 4 - 6% correction in stocks that will be over in a matter of *days*. Recent, weak hands will be shaken out. Things will quickly "re-set" at modestly lower levels; but the core momentum/bullishness will remain in tact.

In such a case, perhaps the S&P 500 settles back down to that 2250-2275 area; maybe even in the end its 200-day moving average down near 2200.

Much of that will depend on how quickly the markets "buy" the idea that the Trump agenda can shake off last week's AHCA debacle and move on to tax reform, etc. *and get something done*.

2. **It will be a slow, dull ache that significantly changes core sentiment.** This is the scenario you want if you are rooting for the bear case. Here, it becomes ever more obvious that 1. Trumponomics' expectations have been dashed pretty much irrevocably, 2. GDP growth and corporate earnings expectations will be dialed back considerably and 3. recession risks have risen.

The one good thing that will help take the sting out of this scenario *somewhat* is the growing chance that long-term yields have resumed their secular down trend. But especially if we DO see renewed downward pressure on interest rates, it will to at least some extent be a ratification that all is NOT well. . .and is getting worse. Not a cause for cheer and risk-taking. . ."

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