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CURIOUSER AND CURIOUSER. . .

Commentary -- Tuesday, November 1, 2016

by Chris Temple -- Editor and Publisher

With but a week remaining in what is the craziest presidential election contest since at least 1992, we are now in the home stretch of a campaign that is still too close and risky to call. *It certainly is one that you don't want to have too much money on one way or the other as an investor.* The time WILL come that we can be a bit bolder; but as those of you reading this who are our regular Members/audience know, I have been advocating increased caution. . .**and cash**. . .until we can be more sure of things.

The purpose of this commentary is--first--to lay out for you some general expectations and parameters. **Most of that will be on several investment themes I am looking at.** As I'll explain, some will be affected by next Tuesday's election outcome.

Some won't.

As we go into this last week, Donald Trump (according to an ABC poll out this morning) has his first national poll lead since May. At first glance, this is due to two factors. First--as we all know--the resurrection of Hillary Clinton's e-mail antics have tightened the gap that existed just a few days ago between the two major candidates.

Secondly--and rather interesting--is that most of Trump's gain in the polls has come *not* at the expense of Mrs. Clinton, but of Libertarian Party nominee Gary Johnson, the former Governor of New Mexico. The entrenched Establishment "Uniparty" has been counting on a good many Republicans refusing to vote for Trump since such a thing is so distasteful. Yet, the more Hillary's dirtier baggage is kept in front of people, the less the Establishment's line will sell. A good many G.O.P. faithful may swing back to a place where they will hold their nose and vote for their party's improbable nominee.

In any event, I have long pointed to the former governor of Minnesota, Jesse "The Body" Ventura, as **a HUGE reason why Trump should not be written off no matter what the polls say.** I vividly remember being asked in September, 1998--at a prominent Washington, D.C. political watering hole--my prediction of that year's governor's race in Minnesota, since I lived next door in Wisconsin. Without hesitation, I predicted Ventura would win; this, despite the fact that the independent candidate was at that point in *third* place in most polls.

Neither Norm Coleman, the G.O.P.'s candidate, nor Democrat Hubert Humphrey, Jr. wowed voters a whole lot. Both of them had the charisma and energy of a damp dish rag. Ventura--clown act and all--prove to be the vehicle by which Minnesota's voters expressed their displeasure with the status quo.

Just as Ventura did in Minnesota, Trump has *nationally* brought legions of non-voters out of hibernation. His rallies' attendance and the number of votes he received during the G.O.P>'s primaries were off the charts. We saw here firsthand in Florida last week some of this, as the general election campaign winds down. Here in St. Augustine. . .and in Tampa and Pensacola. . .Trump drew over 20,000 people. In Jacksonville, it was astonishingly over 50,000. The Clinton/Kaine campaign must depend on isolated camera angles to even give the appearance that their own rallies draw a fraction of such crowds.

Yet--most likely--the Establishment will continue to favor Hillary Clinton. Further, as the hapless Mitt Romney (who snatched defeat from the jaws of victory in 2012) pointed out, any Democrat nominee starts with a "head start" of MILLIONS of voters on the dole who vote their (truly, YOUR, if you are a taxpayer) pocketbook. This morning's new ABC poll notwithstanding, most of the intelligentsia still expects a Clinton victory next Tuesday.

But a lock, it is not. A far more articulate Trump of recent days is helping his own cause, too. He's getting some big-name help in the closing days as well. It's being reported as I write this that casino magnate Sheldon Adelson is dumping $25 million (or more) into targeted media campaigns in states where Trump still has a viable chance. (This is no guarantee, of course; $100 million of Adelson's money in 2012 did not defeat Barack Obama as was Adelson's stated intention.)

More controversial than that has been the promise of a mere $1.25 million of help in the closing days from billionaire technology pioneer Peter Thiel. And that's for a host of reasons, chief among them that Thiel was as detailed and eloquent as he was yesterday in a widely-covered speech at the National Press Club not so much in his support of Trump, *but in his condemnation of the ruling Establishment.* In my opinion, this speech will one day be regarded (especially if Trump *loses*) in the same way as was that of Ronald Reagan's prior to the 1964 election: a defiant "We're coming for you, and we won't give up!" to the Establishment. If you missed it, the complete Thiel speech is at https://www.youtube.com/watch?v=ob-LJqPQEJ4.

Of course, in the last week who knows what more we're going to hear? An election campaign that has reached new levels (or sunk to new lows, if you like) of lunacy might become ever more "curioser and curioser," Alice!

THE MOST IMPORTANT FIGURE TO WATCH AFTER NEXT TUESDAY

As I explained in some considerable detail in the recent webinar that the *Korelin Economics Report's* Cory Fleck and I did (you can watch it still; it's archived at http://nationalinvestor.com/1049/webinar-replay-ecuador-trip-recap-opportunities-election-implications/) there is one public figure more important *anyway* to your investing future than either Trump or Clinton. **And that is current Fed Chairwoman Janet Yellen.**

The hapless head of America's private central bank had her chance to raise short-term interest rates again in September; but was STILL afraid to act. Now it may be too late again. And in any event, she pretty much told us all in her Boston Fed speech a bit over a fortnight ago that she intends to let the economy and inflation run "hotter" down the road. Translation: She wants to pull the Fed back toward the "Inflate or Die" mode that is still being practiced by most other major central banks.

Undeserved blame

For our purposes--and while there are indeed some differences between what a President Trump or a President Clinton might do at the margins for the markets, or perhaps better or worse for certain sectors--**we recognize that the overall environment is set by the Fed.** Presidents have received far too much blame--or credit--for what *the central bank* has done.

There is no bigger example of this than former President Jimmy Carter. One of the more decent people to be president in recent memory (even more so in comparison to today's contestants!) he is blamed *to this day* for the stagflation that was actually given to us 1. by former President Nixon taking the U.S. off the gold standard and then 2. by Nixon unleashing Fed Chairman Arthur Burns on the world to debauch the dollar more aggressively than had *ever* been done up to that point.

Volcker backed Reagan--and DEBT

On the flip side, the late President Ronald Reagan is still regarded by many as more of a hero to America than most presidents of the last generation. And that is not without some merit. However, "Reaganomics" to a great extent was **only made possible after Fed Chairman Paul Volcker--a Carter appointee who eventually tamed the inflation that started thanks to Nixon/Burns--flipped for his new boss and enabled the size of the federal deficit to EXPLODE.**

This is not to say that there was no merit to many of the things Reagan *said*. And in a perfect world, so-called "supply-side economics" WORKS. But more than any other factor, Volcker's enabling of the federal debt to SOAR--while pushing interest rates back *down* at the same time--paved the way for the debt-fueled boom of much of the 1980's and 90's. And it paved the way for that same mindset to get even more entrenched, to the point where we have the quantitative easing and Z.I.R.P. policies of recent days.

INFRASTRUCTURE SPENDING--AND NEWLY SOARING DEFICITS--OR BUST!!

"Fortunately" (I guess) there is one way in which Yellen, Trump and Clinton are all singing from the same song sheet.

And that is, they all (though for different reasons) are pushing for a MASSIVE increase in so-called *infrastructure spending*.

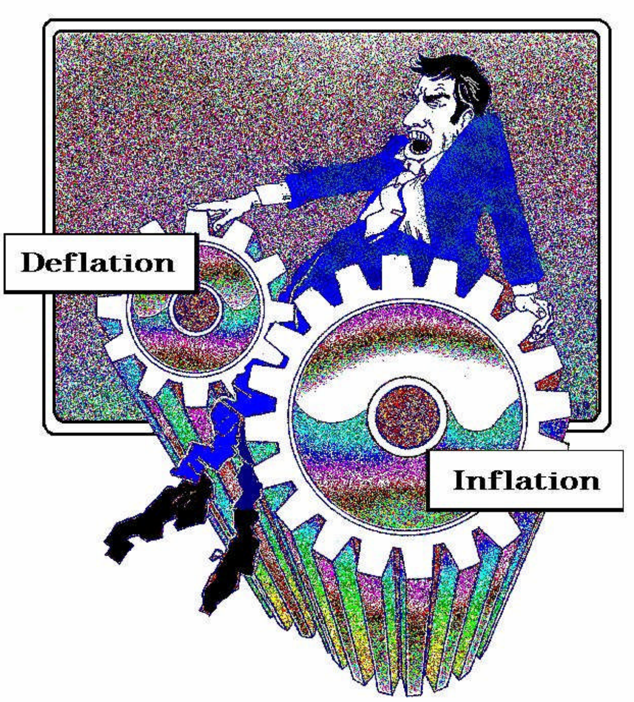
I have discussed this growing drumbeat on the part of ALL the major central banks, in fact; but especially the Fed. When you understand the nature of *our fractional reserve system*--as I explain in my "signature" work, *Understanding the Game*--you'll know that the Fed MUST come up with some new manner, on its own and via Wall Street, to blow more debt bubbles.

We had the overall stock market. . .then real estate. . .the mortgage bubble. . .the *ongoing* financial alchemy of the *unregulated* derivatives "markets". . .and the anchor of the next wave of DEBT (which will be euphemistically called "investment") will be infrastructure spending.

Among other things, this will give an increasingly-despised Fed some political cover as it monetizes ever more debt. Previously, a disproportionate benefit of the Fed's money-printing and the like was Wall Street. That's no longer *politically* tenable. This time, mountains of NEW debt won't have Wall Street fat cats as their chief beneficiary; at least, so overtly. Instead, the Fed (and *either* a President Trump or Clinton) will point out that, yes, deficits are rising, BUT the guy who was recently delivering pizzas is now pouring cement. The woman who was waiting tables is back to her job in the school system. That guy flipping burgers is back to building a new school for her. Other jobs in updating the energy grid, water systems, roads, bridges and more will replace at least some of the more menial, lower-wage jobs of recent years.

As I have already informed our regular Members here at *The National Investor*, I continue to mull over all kinds of good companies that will benefit from this, many of which incredibly continue to trade near multi-year *lows*.

"STAGFLATION LITE" IS ALSO *ASSURED*



As I have long been predicting, we also seem to be moving ever more toward the kind of "Stagflation" type of environment we had for much of the 1970's and early 80's. In the years ahead we'll have what I have called *Stagflation Lite*; the pattern will be largely the same, even if some of the constituent elements of those days are a bit different this time around.

For consumers by and large, there will continue to be an agonizing combination of factors--often, deflation AND inflation operating in different places at the same time--that continue to make life challenging. For investors, the outcome will be the same as back in the 1970's: essentially being *forced* to put more money into real assets, commodities, precious metals and (unlike the 70's in this respect) cyclical-type companies that will benefit from the infrastructure spending "boom."

Here, too, there may be slight differences *as to degrees* under a President Clinton or a President Trump. But--as I will be laying out in further detail still in the weeks ahead--you'll want to depend less in the immediate future on the stock market generally and on sovereign debt, *and more on the beneficiaries of more aggressive policies still from both the Fed and the fiscal authorities.*

Precious metals have been leading the way in 2016 in this regard. Oil will NOT enjoy the kind of run it did in the late 70's, even if the strong dollar turns around again. Elsewhere, we will need to be much more selective where commodities are concerned; it certainly won't be as easy an environment for them as was, say, the 2002-2007 time frame where *everything* went up.

OTHERWISE, LOTS OF VARIABLES. . .

Apart from the above, we're essentially going to have to wait until next Wednesday (hopefully!) to figure out what sectors, themes and so forth might have some merit. Do we *first* have a contested or sufficiently murky election so as to extend the present *misery* and further worsen the foul mood of Americans generally and of increasingly frightened investors specifically? It's not outside the realm of possibility.

While much of the Establishment has been prepping itself and the rest of us for a Clinton victory, the broader view among Wall Street types and economists continues to favor the notion that a President Trump would be better for business and the markets. **Either way, though, it will likely be a rocky start for whoever wins.** The winner will be deemed such after having received less--perhaps considerably less--than 50% of the popular vote. A tight race could bring about a challenge, especially from Trump (though as I write this, the Clinton campaign is bringing legal action against Trump in at least three states where alleged heavy-handed tactics have been used in early voting.)

Perhaps the most unsettling thing that *could* happen would be a President-elect Trump making good on a campaign threat and telling Janet Yellen to start cleaning out her desk at the Eccles Building in Washington. That could at least temporarily roil markets.

Longer-term, there WILL be implications of various degrees for cyber security stocks. . .health care. . .energy, including "clean" versions. . .and much more. In addition to all of the above I'll be keeping Members apprised as well about WHAT we'll want to be doing as the weeks go on, and just as important WHEN.
