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Wealth COACH Financial Services Inc.

Wondering Investor?

So, with the election now thankfully behind us, the ***real outcome*** looms and it will impact markets. On Tuesday night, S&P 500 Futures went 'limit down', stopped mechanically when the S&P was down 105 points, **-5%**. By the open of the markets Wednesday morning, the futures had been completely rescued, just like they were during the June 'Brexit' event.

Central banks are at play once more, stepping in to replace real market participants whenever needed. Last night, they were very active in the Emerging Markets currency markets.

The 'real outcome' we referenced in the opening sentence may quite possibly be the one Robert Prechter has written about for years: 'socio-economic break-down'. Prechter's theory simply states 'markets' reach major roll-over points when society breaks down, and society breaks down when trust in major institutions and the people running them is destroyed (at the end of credit cycles).

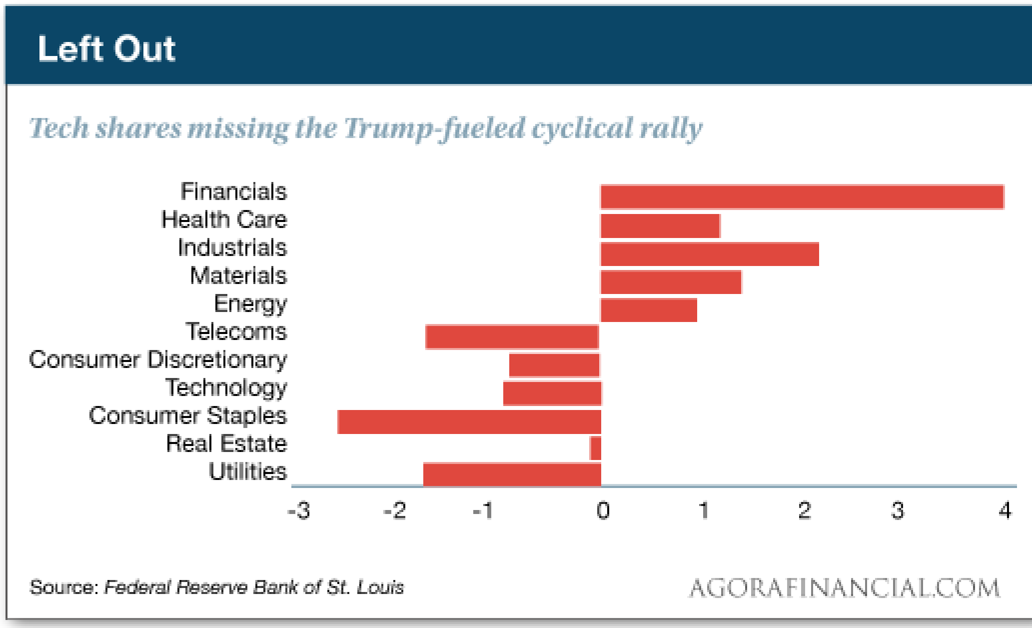
It is quite obvious now to Americans of both major political ideologies, Republican and Democrat, that the U.S. political process is very visibly rigged 'by and for' insiders. The media offers false narratives that support the power-base, blatantly defying what many Americans' see with their own eyes.

With Trump pulling off an upset, either legitimately or by design, the stage is now set for his agenda. Like Obama's agenda, Trump's will depend on first the willingness, then second the ability of Federal Reserve to print money endlessly to prop up economic activity. Make no mistake, the money printers are the true rulers of this country … hence the picture above.

Unlike Obama's term, however, Trump's entry finds the American middle class in a close to decimated state, with things about to get even worse in terms of living expenses. The Affordable Care Act has proven to be anything but affordable, and the real inflation numbers are far different than the propaganda that has been put forth. When Obama waltzed in the door, investment accounts were crushed, many Americans were out of work and the world was in a Wall-Street caused panic. Many Americans are still out of work, and while their investment accounts may have been re-inflated by the Fed's policies, the living costs they are now paying in most important areas of their lives have essentially crushed them. For years, we have stated 'math doesn't lie'. That sure looks to be true.

So, while the question remains 'what is an investor to do?', the answer remains the same as posed in our prior Quarterly Letter: make a determination on the Fed (both willingness, then capability), then pick your sectors of opportunity.

With Trump's entry into the oval office, there is a likely resuscitation looming for construction equipment and commodities that will be needed to rebuild infrastructure. Copper is flying, as are steel companies. Military suppliers should be in demand. Gun manufacturers should see weakness ironically (remember what happened in 2000 after everybody bought new computers heading into Y2k, then they did not need any more computers for several years?). Here is a look at how the various sectors have performed in the two-day 'Trump rally' as large investors re-arrange their portfolios:



Note the surge in construction and industrial stocks, led by the financial sector that will fund it all. On the flip side, interest rate sensitive stocks like utilities have been utterly waxed, likewise technology companies which were previously licking their chops over the Trans Pacific Partnership trade deal. The largest stocks that lead this year's market advance were also those led by some of the most vociferous anti-Trump leaders, in particular Amazon and Facebook. They are taking a beating.

Regarding the outlook for the markets overall, Trump's opposition to the aforementioned Trans-Pacific Partnership trade deal is quite likely good for the American worker long term, but not good for the markets short term. We agree with Trump the TPP was an insidious deal, crafted to result in more trade conducted in dollars (to provide support for the declining status of the USD as a reserve currency), while simultaneously boosting revenues for S&P 500 companies, and improving their margins (by reducing their costs through even more outsourced cheap labor. They also arranged for nice little ditties such as the right to remove warning labels from cigarette packages and other morally upstanding tactics. Makes one proud of our corporate ethics and those of the people representing us, does it not? Anything for the almighty dollar, as the expression goes.

Basically, the TPP was good for S&P companies and bad for just about everyone else. The deal's counterpart, the Trans-Atlantic Trade Agreement was summarily rejected, drawing fire from France, Germany and others who pointed out blatantly one-sided nature of the Act. The dismantling of these deals will likely take away the tail-winds on which the crony corporatists were depending.

One can see the logic for the TPP from the mindset of the ruling elite: to preserve the dollar, which is on the verge of destruction as a result of their endless money printing. In full daylight, however, it is easy to see that the same people posturing for these deals are the very same ones who have profited so handsomely from their destructive exploitation of the dollar in the first place.

It is difficult to speculate precisely when this will all come home to roost, but certainly all of the signs are quite visible to those who look for them. The market set-up we referenced in our June 22nd Update is directly upon us now: back then we said Wall Street would almost surely break the

two-year range (Labor Day 2014 through this July) to the upside for ... pick a reason ... before the cash out and let any major roll over take hold.
We will soon see if the central banks will willingly engage in the same wild manipulations they have engaged in for years while supporting Obama's agenda, or whether they instead opt out. Anemic growth, negative interest rates, false economic data and other tell-tale signs reveal a failed system. At some point it resets. Trump does seem to represent the perfect Fall Guy, doesn't he? Time will tell.

Note above all of the 'kick-saves' implemented by central banks leading into the Brexit, then the U.S. election. Heading into the election, the S&P 500 fell swiftly back into the two year range, in fact it fell all the way to the *bottom,* by the yellow arrow, then it was rescued and rallied swiftly back above they entire range! It was a very narrow rally however. While the Dow Jones Industrial Average hit all-time highs just yesterday, the Nasdaq 100 fell over 1.6% the same day, and the S&P 500 was essentially flat … not a sign of a healthy rally at all.

We continue to view these as high-risk markets. It has yet to be seen who Trump will pick for his cabinet. Will it be a cadre of insiders? If so, the markets may initially rally on, but the change people just voted for will not occur. Such a maneuver would instantly let down Trump's voting block, perhaps they'll join their counterparts who have taken to the streets three nights running. Once cannot help but give credence to Robert Prechter's theory of Socio-economic unrest.

So for now, continue to be careful out there. As always, call us if we can help you think through your allocations: 614-734-WLTH (9584).

Best Regards,

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