

The World Has Taken a Turn for the Surreal...

By Bob Deitrick

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One of my favorite movies of all time is the epic from Steven Spielberg - [Saving Private Ryan](#) - which was in theaters 20 years ago this summer and grossing over half-a-billion dollars for DreamWorks. Tom Hanks has a line in that film which I believe is appropriate today:

“The World Has Taken a Turn for the surreal...”

The volume of news last week was surreal, and it has become exhausting trying to keep track of it all. President Trump is on his third national security adviser in 14 months. Further, Trump introduced major trade sanctions against China last week. Here are 6 of the stories driving the markets today:

Congress Passed a Spending Bill to Keep the Government Open

- *The House passed a \$1.3 trillion omnibus government spending bill on Friday, laden with pork, funding the federal government through September. The Senate passed the bill, then without warning, President Trump threatened to veto the bill. The President ultimately signed it; however, his veto threat and the trade sanctions sent the market into a tailspin late Friday.*

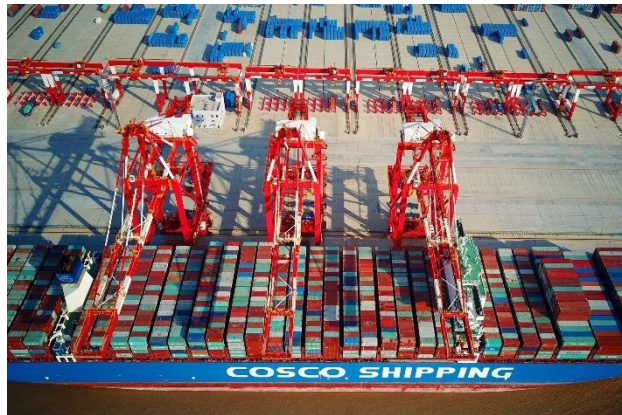
NSA Adviser HR McMaster is out, John Bolton, his Replacement Is In



3-Star general and American hero, HR McMaster, became Trump's NSA adviser after Michael Flynn was pushed out early last year. Trump fired McMaster last week and introduced Ambassador John Bolton to take his place. Bolton is a hawk among hawks who has recommended pre-emptive strikes and regime change in both Iran and North Korea – as recently as last month. Bolton, in my view, is a threat to our financial markets, and this concerns us, for you, our client. I am not endeavoring to be political as Bolton's rhetoric is a matter of public record.

Conservative columnist George Will wrote on Sunday: "Emboldened by the success of America's Iraq War adventure, as Bolton sees it, that began 15 years ago, Bolton actually favors real wars against North Korea and Iran. Both have odious regimes, but neither can credibly be said to be threatening an imminent attack against the United States. Nevertheless, Bolton thinks bombing both Iran and North Korea might make the world safer. What could go wrong?" – Will asks.

Trump hit China with tariffs on \$60 billion worth of imports Last Week



The White House initiated tariffs in response to China's pressure to steal American technology and trade secrets. We agree that China needs to be dealt with for stealing our proprietary and intellectual property, but the scatterbrain Swiss cheese-style approach to tariffs is sloppy and reflects little forethought. Trump told no one of this strategy as he rolled out on March 1st. This lack of communication caused tremendous strain and instability to the markets all month. So, instead of coming out of the correction and moving forward, we were re-testing the lows again last week.

The Chinese Ministry of Commerce responded proposing its own tariffs on American goods. Financial markets plunged last week on fears of a trade war between the world's two largest economies. The market dropped over 1100 points in two days over these concerns and the faux veto threat. The larger macro-concern is that China threatened not to purchase U.S. Treasuries any longer. These are the unintended consequences of a trade war.

Former U.S. Treasury Secretary Larry Summers, attending an economic summit in Beijing last week, stated: "The world needs a strong China and a strong U.S. We do not need a public fight in which we reduce future opportunity." Summers compared trade wars "to a nuclear war, which can never be won", he said. Author of the CAPE Index and Nobel Prize winning economist Robert Shiller, predicted pain for the U.S. economy if 'tit-for-tat' trade penalties begin.

If China initiates tariffs, they will target the U.S. where the discomfort will be maximized. A quick decline in the markets may cause P/E compression, resulting from policy risk and a weaker than projected GDP. If this trend materializes, PFP will begin moving to more defensive investment positions. A trade war would impact our cost of living, create higher interest rates, and the dynamic scoring model for GDP will be in peril. We hope Trump is using this as a negotiating tactic, but little is clear at this moment.

Business leaders from around the U.S. have emphasized that open trade is the best policy for American business. PFP agrees that fair and equitable trade is best for our great nation. We believe the notion of manufacturing steel in the United States is not as important as importing less expensive steel and aluminum and other raw materials allowing U.S. manufacturers to build more expensive by-products which are sold here and exported around the world. Please see the video below created by the Associated Equipment Manufacturers (representing firms like John Deere, Case IH, Caterpillar and 52 others) sent by our client and board member David Kahler, illustrating my point:



The New York Times revealed that Cambridge Analytica (CA), which consulted for the Trump campaign, harvested private information on Facebook (FB) to influence Americans in the 2016 election. The NYT reported that CA was hired by a PAC founded by John Bolton, Trump's incoming NSA Director. Facebook has come under intense scrutiny since the revelation that its data was breached. Mark Zuckerberg released a statement saying he would be happy to testify before Congress if necessary... In my view, Zuckerberg needs to step up, take actual responsibility and assure FB users this will NEVER happen again! Zuckerberg's apology tour so far has been too little too late.

Lead lawyer on Trump's Team for the Russia Inquiry Quits

John Dowd resigned as the head lawyer on the president's team relative to the special counsel's investigation. He left over a disagreement about whether Mueller should interview Trump. This strategy signals that the president is ignoring the advice of his legal team in favor of a more aggressive strategy toward the investigation to clear his name. In a Marist poll that came out yesterday, 72% of Americans want Robert Mueller to finish the investigation he started in May.

A Former Playboy Model Speaks About her Affair with the President

Prime time last Thursday went to Karen McDougal, a former Playboy model. Appearing on CNN, Ms. McDougal told Anderson Cooper new details about the 10-month affair she says she had with Mr. Trump after he married Melania. Mr. Trump is also facing accusations of an affair with Stephanie Clifford, a pornographic film actress who goes by the name Stormy Daniels.

The volume of news of late has been exhausting. As we stated in our seminars last week: "the world has taken a turn for the surreal". Having said that, we are hopeful that calmer heads prevail in Washington. Please keep in mind as well that - this too shall pass.

If you have any questions, please do not hesitate to contact Steven or myself at any time.

We wish all of you a Happy Easter and a Happy Passover as well!