



HAIL TO THE (NEW) CHIEF

President Elect Donald J Trump- 45th President of the USA

"If you are not a liberal at twenty, you have no heart, and if you are not a conservative at forty, you have no brain"

Prime Minister Winston Churchill

It took a lot for me to refrain from writing about the US election, it was such a polarizing issue, even here in Canada where we don't even get to vote on the issue. No doubt I drove my wife Sharon bonkers the last 12 months or so as I flipped between CNN and FOX on a nightly basis.

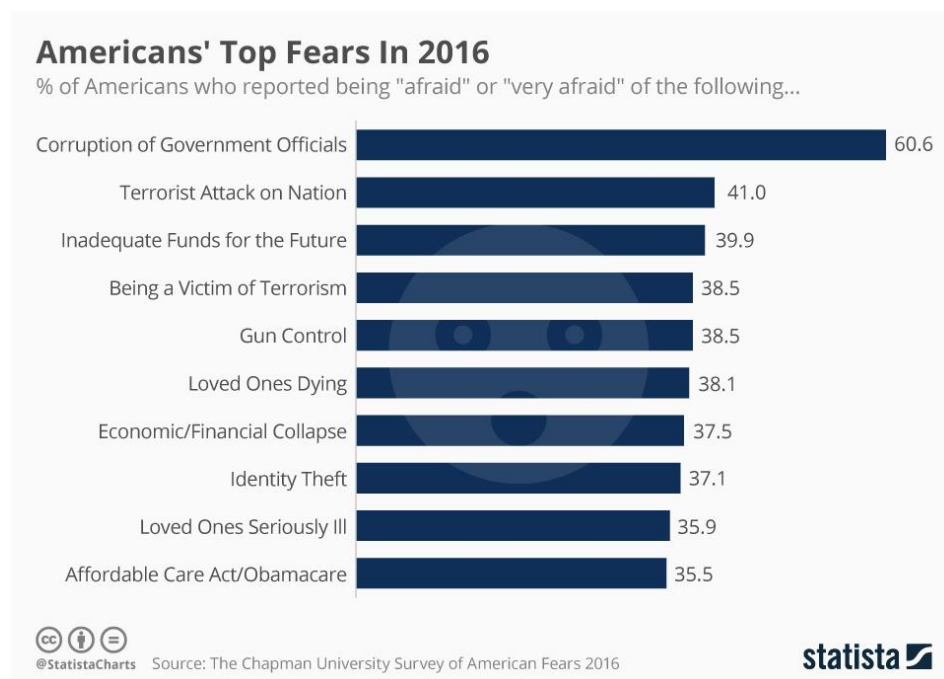
Here's three words many thought they'd never hear: President Donald Trump. In a year full of surprises, first the Chicago Cubs and now a President Trump. Now that its done, and both parties will dissect and do autopsies on the campaigns for some time to come, it really doesn't matter. Not only did Mr. Trump win, but we won BIG on the electoral college, even winning traditionally "Blue" states like Michigan, Pennsylvania and Wisconsin. The Republicans also won the Senate, the House and cleaned up the Gubortorial races as well. As we said growing up in Niagara, someone opened a giant can of whoop.....well you know.

To say Mr Trump's decisive election victory was a stunning development would be the understatement of the century. No one, and no one, saw this coming. Even those of us who thought he could pull it off never thought he could win in such a big fashion. Even more surprising was the market reaction. For months we heard how much the markets would drop if he was elected, and while on election night, as the possibility looked more and more like it could be reality, US market futures were down about 5% well into the night. But when markets reopened Wednesday morning, a funny thing, markets actually exploded higher for two days and as I write we are coming

off the best week in the US markets in 201, with the S&P 500 up almost 4.0%.

First and foremost, Trump's victory is a loud and clear rebuke to the legions of talking heads, armies of pollsters, celebrities, and all of the elite "establishment", who said it couldn't happen. Most notably in that group would be the bulk of the mainstream press who seemed to declare an all-out war on his candidacy.

Incredibly, in a survey conducted just weeks before the election, the Top Fear for Americans was corrupt government officials ranking well above a terrorist attack, a death of a loved one, or even running out of money! Here's the entire list:



Like him or hate him, one has to admit Mr. Trump defied the odds. When he declared his intentions to run, many thought it was a "publicity" stunt. When he was up against 16 other Republicans, many with deeper pockets and with much more political experience, no one gave him a chance. And when he disposed of the 16 quicker than Hillary could dispose of only Bernie Sanders, still no one gave him much odds against the mighty Clinton political machine. Even more amazing is he carried this thing pretty well solely on his back, with not much help from the Republican party, its leaders, Wall Street or celebrities. While Hillary had herself, Bill Clinton, President Obama, Joe Biden, Michele Obama, LeBron James, Bon Jovi, Bruce Springsteen, pretty well all of Hollywood, most of Wall Street and over 90%

of Silicon Valley stumping for her (and to me there is where she lost it). Most of those represented the establishment or the extreme wealthy and entitled. They did not "connect" to a movement that's been fomenting under the surface for some time. Electing Mr. Trump was a gigantic finger in the eye of a political establishment that had grown too insular, too corrupt, and Washington had become too far removed from the needs of the people they are supposed to serve.

When they didn't get the "Hope and Change" Obama had promised they decided they'd force the change. The Washington establishment (on both sides) abhorred a Trump presidency not so much because of the man, but because of the real risk he poses to their cozy taxpayer supported way of life. There are too many at the trough in Washington and tax payers have had enough.

The election was also a direct repudiation of President Obama, who along with wife Michelle, campaigned fiercely for Mrs. Clinton and a great portion of Mr. Trump's platform was to reverse a lot of what President Obama had done (for example Obamacare, countless Executive Orders and intense regulation amongst them).

Trump's top priority will be to get the US economy rolling again, an economy which for the past eight years could barely break 2% GDP growth. With the right policies- fiscal reform, small and less intrusive governments, less regulations, etc.- should help. I would guess at some point in 2018 the US economy could grow in the 4-6% range, something it has not seen (4%+ growth that is) since the year 2000. Long time.

The Republican House and Senate will have to work hard to temper Mr Trump's anti free trade instincts. A trade war would be a risk not only to the US economy, but to the global economy overall.

In foreign policy, I think most will agree we live in dangerous times, and the USA as a nation is the least respected it has been in some time. Trump needs to rebuild the military and reestablish a solid US foreign policy.

While its only been a few days, it may be difficult to contemplate the intermediate and long-term impact of the Trump Presidency, here are some thoughts:

- 1) A reduction in Taxes (Personal & Corporate- 35% to 15%)

This would be generally favorable for both corporations and consumers, and in theory should encourage increased spending and investment. Making US

corporate taxes more competitive with those overseas should be a job creator as well. Since the Great Recession of 2008-09, the world's central banks have carried the recovery on their backs with only monetary policy and no help from the politicians. Fiscal policy/tax reform in the planet's largest economy should help. This will also increase the "wealth effect" and stimulate consumer spending.

2) Less Regulation & Smaller Government

Washington has boomed the last sixteen years, as government got bigger and bigger. That has come to an end. Less regulation should support business development which should help job creation. Smaller government puts that capital back into the private sector which hands down operates better and makes better use of capital. "Skin in the Game" is the phrase I believe.

3) Globalization to Protectionism?/Trade

This is one area Trump's critics worry about. Protectionism , tariffs, etc lead to the a decline in global trade and other trade wars. He said he wants to re-negotiate NAFTA and not pass TPP.

4) Increased Defense Spending

Based on his comments. Trump believes in a strong military and vowed to do a better job of taking care of veterans.

5) Infrastructure Spending

This was the only area both candidates agreed on. Let's face it, Mr. Trump built things, I would think he is going to build a lot more. (Note: caveat here is if the debt is used, will it pay off?)

6) US Dollar

A Trump win was supposed to be negative for the US dollar. Well, the pundits were wrong again. In the first three days, the US dollar was on wheels, and incredibly strong.

7) Energy

Mr. Trump supports "Frack Now and Frack Fast". He supports offshore drilling and exploration and his goal was to use all sources of energy (including coal) to become 100% energy independent of OPEC oil by 2022.

He also was a supporter of the Keystone Pipeline deal (which would help Canada to the tune of about \$4 billion per year).

What about with respect to Canada, what are the implications of the Trump win?

- Trump's proposed stimulus measures- tax reform, infrastructure spending notably should provide a boost to short term growth and an increase in commodity demand
- Canada has never come up with respect to Trade reforms, but a change in NAFTA could have an impact
- Will lower US corporate taxes force Canada to cut to remain competitive?
- Less hospitable USA immigration policy could enhance Canada as a destination for skilled immigrants
- The passing of Keystone Pipeline would be a shot in the arm for Western Canada

Historically, the markets tend to perform well between election day and inauguration day (Jan 20, 2017). The outcome of this election has not inspired unity, so this time might be different. In the end, a Trump Administration means a significant shift in Washington policy, for at least four years. That could worry markets for a while initially as they wait and see how a Trump Presidency takes shape.

For his part, Mr. Trump now has to prove that he is the leader he claimed he can be, the guy who can make tough decisions and the man who knows how to get the economy moving, who can protect its citizens, and who can eliminate the USA's enemies who wish to do it harm.

If President Trump initiates a massive infrastructure program, we might see inflation finally rear its head, interest rates rise, bonds lose money (note re: my recent commentary predicting this), and money will flow out of bonds big time and into? Well stocks and equities.

The United States has almost 20 years of what can be described as incompetent government from Presidents and Congress from both parties. Mr Trump has defied seemingly endless predictions that he would fail, over and over again. So logic would dictate that there's reason to believe that he could defy the so called "experts" once again and become a good, if not great, President. Mr. Trump is the first US President to not serve in the military or hold a prior political position. Last night on 60 minutes in his first major interview since winning, Mr. Trump said he would not take the

Presidential salary and most likely will not take many holidays. That is a good start.

As leader of the free world and overseeing the planet's largest economy and military, we all need him to succeed.

Stay tuned,

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