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Summing It Up

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In echoes of Brexit, Donald Trump rode a wave of dissatisfaction to win the Presidency of the U.S. His campaign was directed to white working class voters, formerly reliable Democratic voters. With the U.S. economy growing at a very slow pace, workers have not had a real pay raise in years. Many workers felt left out of the economy while the “elite” class prospered. Trump dispensed a bromide of nationalism and xenophobia which carried him to victory. It was the same message that worked in the Brexit vote to the surprise of pollsters and the ruling class. Although Trump had trouble staying on message, he eventually got his message across to unhappy voters who were willing to accept his approach.

The campaign was unorthodox, but that had an appeal to voters who saw themselves as left out. Voters wanted unorthodox solutions. The campaign was devoid of plans to solve the problems of the country and quickly descended into name calling. It stayed there for 18 months. Voters were fed up with the campaign. The country became deeply divided. Trump told a dark message. He portrayed himself as the only one that could make things better. The disaffected were receptive. At the end of the day voters did not vote for a candidate, but against the other candidate.

The immediate reaction to his impending win was a huge drop in the market averages. At one point in pre-dawn trading the Dow futures were down 900 points. Circuit breakers were triggered which required a time out. When the time out expired, the averages began a recovery. The dollar dropped in value, as did most other currencies, especially the peso. Notably the Russian ruble jumped in value. Trump has voiced admiration for Vladimir Putin.

Republicans won a clear majority in the Senate and retained control of the House, making it the first time in years that we have a unified government. Now it is up to the Republicans to show they can govern.

Trump gave a conciliatory speech to kick off his administration. Hillary Clinton was gracious in defeat, and President Obama urged people to “root” for Trump. The President and President elect scheduled a meeting for November 10. Obama pledged a smooth transition. The nation is coming together after its long acrimonious campaign.

With the market averages recovering, there were winners and losers. Winners included banks and pharmaceuticals as promises of repeal of Obamacare and less regulation prompted optimism in those categories. Losers included autos and some exporters. A surprise loser was Constellation Brands, an importer of Mexican beer.

Chances of a Federal Reserve rate hike in December held steady.

With the markets showing confidence and political leaders coming together, the country seems to be awakening from its long nightmare. People and the markets are showing confidence in the U.S. economy and capitalism. The U.S. shows it can have a peaceful transition after a contentious campaign. The institutions of government have held and the rule of law still governs, so far.

We have discussed uncertainty and volatility in these columns for some time. This recent tumultuous market action shows the need for steady hands at the tiller.

Remember, in times like this, there will always be times like this.

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