

## The new political and economic reality show

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Shock, horror, America voted for change and a new reality TV show – The White House.

Once again the so-called elites, the establishment, the think tank types and FT readers got it spectacularly wrong. Surely, after BREXIT, once bitten twice shy? No, the smartest men and women in the room, the masters of political analysis and commentary told us that Donald Trump would, could, never become President of the United States.

So what went wrong, again?

Anyone who has watched reality TV would know that the more sensational, the more outrageous, the more popular the show. America, as we all know, gave birth to reality TV, so is it any surprise we now have a White House version? Wikipedia has this to say about reality TV, *"It differs from documentary television in that the focus tends to be on drama, personal conflict and entertainment rather than educating viewers."*

So, why the so-called elites got it wrong is very simple – they were watching the wrong show! And it might come as a shock to those who read the *NY Times* and the *Financial Times*, but in the ballot booth all votes are equal.

You see Trump offered Americans entertainment and Clinton gave them a documentary. And, in a 'post-truth' world, entertainment trumps facts every time!

Of course, in reality, there was more to it than this.

In truth, Trump heard the cries of the disillusioned and the disenfranchised that the Washington elites had forgotten or had chosen to ignore. He heard their anger and frustration and their desire for change.

On Saturday 5 November I published, in *The Weekly Pain Report*, my prediction that Trump would win. Why did I make that call? To cut a very long and agonising story short, my call for a Trump victory was based on the view that Americans would vote for change. And, critically, it must be said, I applied a closet Trump voter factor to all my electoral college analysis – being that, in the privacy of the ballot booth, many Americans would vote for Trump having told the pollsters, and possibly their friends, they were undecided.

That's the easy bit.

Now it's time to consider what a Trump Presidency means for the global economy and financial markets. Maybe it is sensible to listen to what President-elect actually said:

"It's time to put America first again.

We will make America great again.

We will build the next generation of roads, bridges, railways, tunnels, sea ports and airports that our country deserves.

We will cut business taxes and regulation."

And, importantly, a Republican controlled Congress will enact all of these measures.

I think you get the picture. Yes, we are about to see a surge in fiscal stimulus which will significantly boost US GDP. Under Trump, fiscal policy will replace monetary policy as the primary policy tool to stimulate the economy.

This means stronger growth, higher inflation, rising bond yields and a stronger dollar. And, in terms of US equities, it means that companies most geared to the domestic economy will benefit the most – the banks, industrials and materials stocks. All things being equal, this means the technology sector will be de-fanged as investors rotate out of the tech darlings into cyclicals.

In time, all of the above will lead to an intensification of global reflationary forces, as other nations copy the Trump agenda.

Moving on from the domestic economic ramifications of the Trump victory – which it has to be said is the easy bit – what are the geopolitical implications? That is more complicated and we'll leave it for another time.

Here and now, you need to re-calibrate your portfolio settings to reflect the new fiscal and economic reality of a Trump Presidency.

A populist and Keynesian Trojan Horse has just ridden into The White House. Europe, take note – you too will soon be on that same horse.

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