

FOREX TRADING

PRESIDENT TRUMP:  
THE NEXT 365 DAYS

#MAGA?



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# WHAT WILL HAPPEN NEXT?

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## FOREWORD

If the past few years have taught us anything, it's that predicting the future is incredibly difficult. Not many people would have backed Donald Trump to have completed his first year in office on November 7th, 2016 (the day before the US election).

But here we are. Trump has defied the odds - and who knows what's to come next? It's hard to be certain - but we do know the 'big topics' that are likely to define the US presidency in 2018. The purpose of this eBook is to explain what these topics are - and how they could affect your trading decisions.

**Patrick Latchford**  
**CEO, Blackwell Global Investments (UK) Limited**

# THE LAY OF THE LAND

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## SUMMARISING 2017

Needless to say, 2017 was a very memorable year. President Trump's first 365 days in office have been like no other. His tenure could be described as many things - but certainly not boring.

Much of the media's focus has centred on Trump's unorthodox approach to the presidency. The coverage has been relentless, analysing everything from controversial tweets to awkward handshakes with other world leaders.

However, there have been some interesting policy developments too. This includes the failed attempt at repealing 'Obamacare', abandoning the Paris accord and passing tax reform.

All of the above has affected the financial markets.

For instance, we've seen US stock markets break multiple records throughout 2017, while the US dollar has weakened against

other major currencies (often a temporary barometer for market sentiment for all things US).

All the while, the US economy remains strong. Growth is steady and unemployment remains low. Trump's actions have done nothing to dampen the economic bounce inherited from the Obama administration. In fact, some would argue they have added momentum.

So can we expect more of the same in 2018? Quite possibly. In the following sections, we've listed the 'big issues' that are likely to define his second year in office.

# THE BIG ISSUES FOR 2018

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## THE MUELLER INVESTIGATION

Special Counsel Robert Mueller is currently conducting an investigation into whether the Trump campaign colluded with Russia in order to win the presidency in 2016.

It's a topic the US media has rigorously pursued since President Trump's election victory.

Make no mistake, this investigation has the potential to shake the foundations, if not end, this presidency. We've already seen four Trump campaign associates criminally charged in 2017.

The individuals charged include: Mike Flynn, Paul Manafort, Rick Gates and George Papadopoulos.

In the case of Mike Flynn - the former National Security Adviser in the Trump administration - Mueller has secured 'witness cooperation'. Usually, this involves a person guilty of a crime

sharing incriminating evidence in return for a lighter charge.

With this in mind, it seems as though Mueller and his team are building an 'Obstruction Of Justice' case against President Trump's closest advisers, including Jared Kushner, Jeff Sessions and Don Trump Jr. The president himself could also be a target.

The 'Obstruction Of Justice' case relates to the White House's alleged attempts to disrupt the FBI's own Russia investigation in 2017 - which ultimately resulted in President Trump firing FBI Director James Comey.

At the time of writing (January 2018), we know that the president is set to be interviewed by Mueller's investigation team in the near future. This will be a very significant moment in the Mueller investigation.

Of course, it's impossible to pre-empt the outcome of this investigation, but there are clearly echoes of 'Watergate' here. If the investigation leads to serious charges being brought against President Trump or any of his senior aides, we can expect high volatility in the financial markets.

## PARTISAN POLITICS

Another pressing issue for the Trump administration is turning policy ideas into legislation. Over the course of 2017, we've seen various bills fail to get through the House and Senate (despite both being controlled by Republicans).

The first example of this involved health care. During his campaign,

President Trump promised to repeal and replace the Affordable Care Act (also known as Obamacare). Once in office, this became the first legislative priority of his administration. Ultimately, attempts to replace Obamacare with an alternative plan (called the American Health Care Act) failed.

Democrats opposed the plan, as they were concerned that it could leave millions of Americans without health care coverage. Meanwhile, some Republicans felt the proposals didn't go far enough in removing the federal government from health care provision.

Health care is indicative of the political divide that exists in Washington today. That's why the White House will continue to find it difficult to pass controversial bills in the House and Senate.

In fact, we've already seen these differences lead to political deadlock in early 2018. Disagreements between the Democrats, Republicans and the White House over immigration reform has already led to a government shutdown (which lasted two days).

At the time of writing (January 2018), immigration policy is still unresolved. Democrats want safeguards put into place for the so-called 'Dreamers' (children of illegal immigrants born in the US), while Republicans want to secure funding for the proposed southern border wall.

Considering the profound disagreement between the two parties on immigration reform, there's certainly a chance of another government shutdown in early February 2018.



The ability of the Trump administration to turn policy proposals into legislation matters to the financial markets because it can affect investor confidence. For example, on the back of Trump's election victory, we saw a huge sell-off of global bonds in favour of private equities. Much of this was fuelled by Trump's pledge to implement a \$1 trillion infrastructure plan in the US and cut corporate tax rates.

Clearly, should the Trump administration fail to deliver on the promises that excited investors, sentiment will quickly change.

## MID-TERM ELECTIONS

The year ahead includes President Trump's first electoral test. There's a whole host of political positions being contested this year - including seats in the House of Representatives and Senate.

Clearly, the results of these elections will give us a picture of the electorate's satisfaction with the Trump administration. But more importantly, they have the potential to change which party controls the House and Senate.

As previously mentioned, the White House is already finding it difficult to see its policy ideas come to fruition - despite its own party (the Republicans) controlling both the House and Senate. If Democrats ended up controlling either one of those chambers, political gridlock on President Trump's controversial policy ideas would follow.

Moreover, if Democrats have control of either the House or Senate, they would be able to sanction further investigations into

the Trump campaign's alleged collusion with Russia. Currently, both the House and Senate are running their own investigations into Russian interference in the US Presidential Election. But as Republicans control both chambers - they are less inclined to scrutinise their party's incumbent president.

It's difficult to determine how the mid-term elections will play out. Trump's approval rating has consistently polled in the mid-thirties for the last few months, which is historically low for a president entering his second year in office. This would suggest that Republican seat losses are a real possibility.

But it's important to recognise that local issues can also determine electoral results. That's why predicting election outcomes is a complex business.

Regardless, as a trader, you should be aware of how the legislative agenda of the US government could change if the Democrats gain control of either chamber, as political gridlock would only hamper investor confidence.

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