

PRESIDENT TRUMP

LOOKING AT HIS FIRST SIX MONTHS



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SIX MONTHS IN OFFICE

FOREWORD

We are now six months into President Trump's first term. During that time, we've seen a cycle of political deadlock that has made it difficult for key legislation to be passed.

As a result, doubts have been cast about this administration's ability to progress its agenda; a pro-business agenda that global investors were enthusiastic about in November 2016.

The purpose of this eBook is simple. We'll look President Trump's first six months in office and explore what it means for USD.

Patrick Latchford
CEO, Blackwell Global Investments (UK) Limited

THE STATE OF PLAY

So far, the presidency of Donald Trump has been anything but stale. Since January 2017, there have been a series of controversies that have dominated the mainstream news media. Some of these have affected the financial markets.

POLITICAL DEADLOCK

The White House is clearly an unorthodox administration. However, it's important to remember that investors were initially enthusiastic about Trump's unexpected 2016 election win. The Republican candidate had promised to implement an extremely pro-business agenda. This included slashing corporate tax rates, cutting regulation and starting a \$1 trillion stimulus programme for US infrastructure.

Reaction to this agenda was clear following Trump's election. In the week following November 8th 2016, there was a \$1.1 trillion sell-off of global bonds. Investors were confident that a Trump presidency would bring favourable conditions to invest in private equity.

However, since taking office in January 2017, this investor confidence seems to have dampened (the US dollar has lost its post-election gains). It's primarily because President Trump is finding it difficult to turn his campaign pledges into actual legislation. This is making many investors question how much of Trump's vision for America will come to fruition.

On a variety of policy proposals, President Trump is facing firm opposition from the Democrats in both the House and Senate. He is even facing opposition from his own party on some issues. It's because many of the policies that President Trump wants to implement are radical and bold.

RUSSIA

The other factor which is causing investors to lose confidence is the ongoing Russia investigation.

Allegations that the Trump campaign colluded with the Russian government to influence the 2016 US election have cast a shadow over The White House. It's an issue which has kept The White House press team on the defensive.

The Russia investigation has taken many twists and turns in the six months since President Trump took office. It has led to a special prosecutor - Robert Mueller - being appointed to investigate the issue. An FBI investigation is also ongoing.

There are two recent developments related to Russia which have caused widespread concern about the conduct of the Trump

campaign.

Firstly, it has been revealed that Donald Trump Jr. - the son of President Trump - attended a meeting with at least three Russian nationals in 2016. The meeting had been arranged on the premise of the Russian nationals presenting the Trump campaign with compromising information on Hillary Clinton. Other members of the Trump campaign - Jared Kushner and Paul Manafort - also attended the meeting. It's important to emphasise that the exact information (if any) that was shared in this meeting remains uncertain. But the revelation hasn't helped to ease the pressure on The White House.

Secondly, recent testimony from fired FBI director James Comey fuelled suspicion that President Trump attempted to stop the FBI investigation into Mike Flynn's discussions with the Russian ambassador. Again, this put The White House on the defensive.

Whether anything comes from these investigations remains to be seen. But the concern for investors is that the Russia investigation could significantly disrupt the current administration's ability to govern and implement its plans. It also heightens political divisions in Washington.

KEY POLICY AREAS

NO MOVEMENT YET

President Trump has yet to pass any significant form of legislation through the Congress and Senate. However, he has issued executive orders to address a series of issues. In the sections below, we'll explore two key policy areas and how they might affect the US dollar.

HEALTH CARE

During the campaign, candidate Trump promised to repeal and replace the Affordable Care Act (also known as Obamacare). He said the Republicans would pass an alternative that lowered insurance premiums and the burden on businesses to provide coverage.

However, the Republicans have been splintered on this issue. Some of the more conservative Republicans believe that the proposed American Health Care Act - also dubbed Trumpcare

- is simply a lighter version of Obamacare. Other Republicans have expressed concerns about the consequences of repealing Obamacare, potentially leaving millions of Americans uninsured.

At the time of writing, the Republicans have still not managed to draft a health care plan that has the full backing of its Senators.

The failure to progress health care has put downward pressure on the US dollar. It's indicative of the trouble the Trump administration is experiencing in passing legislation.

CORPORATE TAXES

President Trump has been unable to progress fiscal policy legislation within his first six months of being in office. The lowering of corporate tax rates (from 35% to 15%) is something that many investors and international businesses were excited for. However, delays in repealing and replacing Obamacare have meant these plans have been put on hold.

Lower corporate tax rates could be an attractive proposition for foreign investors and big business - which would act to strengthen the dollar. The question remains whether the current administration can actually progress tax reform through the House and Senate.

PROSPECTS MOVING FORWARD

While the US economy remains resilient, it's possible that paralysis of the administration will continue to put downward pressure on the US dollar. We also recently heard from the Federal Reserve

chair, Janet Yellen, who said that the central bank was open to adjusting its hiking cycle if inflation continued to undershoot its target of 2%. Remember, President Trump's plans to implement a \$1 trillion stimulus package for US infrastructure would put upward pressure on inflation.

However, we still back long-term strength for the US dollar. But traders should closely monitor developments regarding the Russia investigation and President Trump's legislative agenda.



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