



High Frequency Economics[®]

Daily Data Analysis and Assessment of the Global Economy

The Big Trump Rethink: Implications for the U.S. and Global Economy

Jim O'Sullivan, Chief U.S. Economist

Carl Weinberg, Chief Economist



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Market Reaction Thus Far: Just Wishful Thinking, Or Not As Bad As Feared? We Are Wary, But Hopeful

...Fed Tightening Increasingly Likely

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Daily Notes on the **United States**

HFE Global Webinar — November 15, 2016

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1. President Trump Versus Candidate Trump?

“The press takes him literally, but not seriously; his supporters take him seriously, but not literally.”

Salena Zito, on Donald Trump (before the election)



2. Donald Trump's 100-Day Plan

“What follows is my 100-day action plan to Make America Great Again. It is a contract between myself and the American voter—and begins with restoring honesty, accountability and change to Washington.

Therefore, on the first day of my term of office, my administration will immediately pursue the following six measures to clean up the corruption and special interest collusion in Washington, DC:

FIRST, propose a Constitutional Amendment to impose term limits on all members of Congress;

SECOND, a hiring freeze on all federal employees to reduce federal workforce through attrition (exempting military, public safety, and public health);

THIRD, a requirement that for every new federal regulation, two existing regulations must be eliminated;

FOURTH, a 5 year-ban on White House and Congressional officials becoming lobbyists after they leave government service;

FIFTH, a lifetime ban on White House officials lobbying on behalf of a foreign government;

SIXTH, a complete ban on foreign lobbyists raising money for American elections.”



3. Donald Trump's 100-Day Plan (Continued)

“On the same day, I will begin taking the following seven actions to protect American workers:

FIRST, I will announce my intention to renegotiate NAFTA or withdraw from the deal under Article 2205

SECOND, I will announce our withdrawal from the Trans-Pacific Partnership

THIRD, I will direct my Secretary of the Treasury to label China a currency manipulator

FOURTH, I will direct the Secretary of Commerce and U.S. Trade Representative to identify all foreign trading abuses that unfairly impact American workers and direct them to use every tool under American and international law to end those abuses immediately

FIFTH, I will lift the restrictions on the production of \$50 trillion dollars' worth of job-producing American energy reserves, including shale, oil, natural gas and clean coal.

SIXTH, lift the Obama-Clinton roadblocks and allow vital energy infrastructure projects, like the Keystone Pipeline, to move forward

SEVENTH, cancel billions in payments to U.N. climate change programs and use the money to fix America's water and environmental infrastructure”



4. Donald Trump's 100-Day Plan (Continued)

“Additionally, on the first day, I will take the following five actions to restore security and the constitutional rule of law:

FIRST, cancel every unconstitutional executive action, memorandum and order issued by President Obama

SECOND, begin the process of selecting a replacement for Justice Scalia from one of the 20 judges on my list, who will uphold and defend the Constitution of the United States

THIRD, cancel all federal funding to Sanctuary Cities

FOURTH, begin removing the more than two million criminal illegal immigrants from the country and cancel visas to foreign countries that won't take them back

FIFTH, suspend immigration from terror-prone regions where vetting cannot safely occur. All vetting of people coming into our country will be considered extreme vetting.”



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5a. Donald Trump's 100-Day Plan (Continued)

“Next, I will work with Congress to introduce the following broader legislative measures and fight for their passage within the first 100 days of my Administration:

Middle Class Tax Relief And Simplification Act. An economic plan designed to grow the economy 4% per year and create at least 25 million new jobs through massive tax reduction and simplification, in combination with trade reform, regulatory relief, and lifting the restrictions on American energy. The largest tax reductions are for the middle class. A middle-class family with 2 children will get a 35% tax cut. The current number of brackets will be reduced from 7 to 3, and tax forms will likewise be greatly simplified. The business rate will be lowered from 35 to 15 percent, and the trillions of dollars of American corporate money overseas can now be brought back at a 10 percent rate.

End The Offshoring Act. Establishes tariffs to discourage companies from laying off their workers in order to relocate in other countries and ship their products back to the U.S. tax-free.

American Energy & Infrastructure Act. Leverages public-private partnerships, and private investments through tax incentives, to spur \$1 trillion in infrastructure investment over 10 years. It is revenue neutral.

School Choice And Education Opportunity Act. Redirects education dollars to give parents the right to send their kid to the public, private, charter, magnet, religious or home school of their choice. Ends common core, brings education supervision to local communities. It expands vocational and technical education, and make 2 and 4-year college more affordable.

Repeal and Replace Obamacare Act. Fully repeals Obamacare and replaces it with Health Savings Accounts, the ability to purchase health insurance across state lines, and lets states manage Medicaid funds. Reforms will also include cutting the red tape at the FDA: there are over 4,000 drugs awaiting approval, and we especially want to speed the approval of life-saving medications.”



5b. Donald Trump's 100-Day Plan (Continued)

Affordable Childcare and Eldercare Act. Allows Americans to deduct childcare and elder care from their taxes, incentivizes employers to provide on-site childcare services, and creates tax-free Dependent Care Savings Accounts for both young and elderly dependents, with matching contributions for low-income families.

End Illegal Immigration Act Fully-funds the construction of a wall on our southern border with the full understanding that the country Mexico will be reimbursing the United States for the full cost of such wall; establishes a two-year mandatory minimum federal prison sentence for illegally re-entering the U.S. after a previous deportation, and a five-year mandatory minimum for illegally re-entering for those with felony convictions, multiple misdemeanor convictions or two or more prior deportations; also reforms visa rules to enhance penalties for overstaying and to ensure open jobs are offered to American workers first.

Restoring Community Safety Act. Reduces surging crime, drugs and violence by creating a Task Force On Violent Crime and increasing funding for programs that train and assist local police; increases resources for federal law enforcement agencies and federal prosecutors to dismantle criminal gangs and put violent offenders behind bars.

Restoring National Security Act. Rebuilds our military by eliminating the defense sequester and expanding military investment; provides Veterans with the ability to receive public VA treatment or attend the private doctor of their choice; protects our vital infrastructure from cyber-attack; establishes new screening procedures for immigration to ensure those who are admitted to our country support our people and our values”

Clean up Corruption in Washington Act. Enacts new ethics reforms to Drain the Swamp and reduce the corrupting influence of special interests on our politics.”



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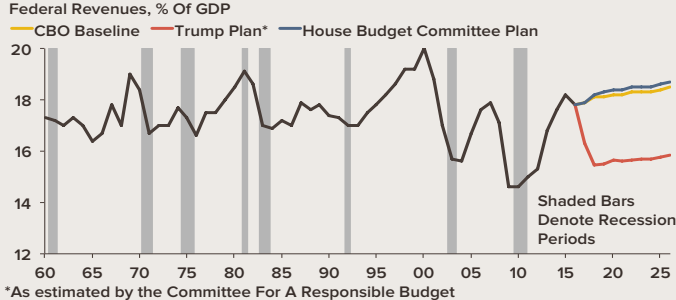
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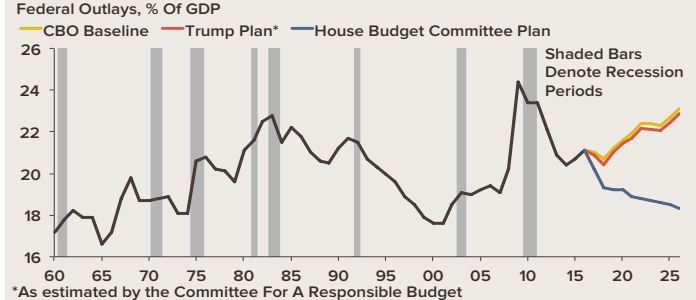
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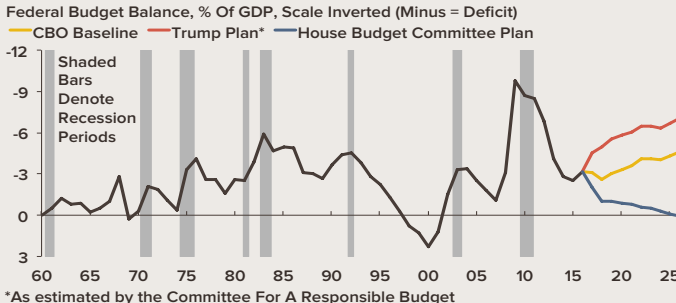
6a. Trump Plan Implies A Large Tax Cut Relative To CBO Baseline



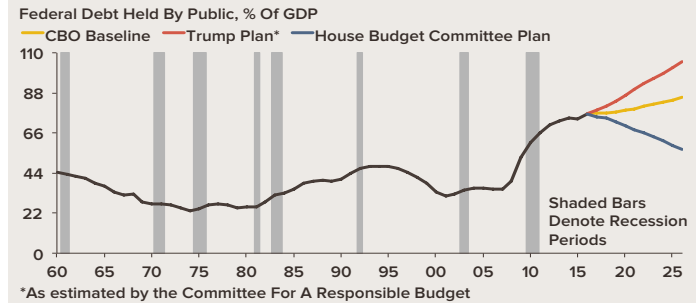
6b. ...With No Significant Net Change In Outlays



6c. Trump Plan Implies A Sizable Boost To The Deficit



6d. ...And To The Level Of Debt





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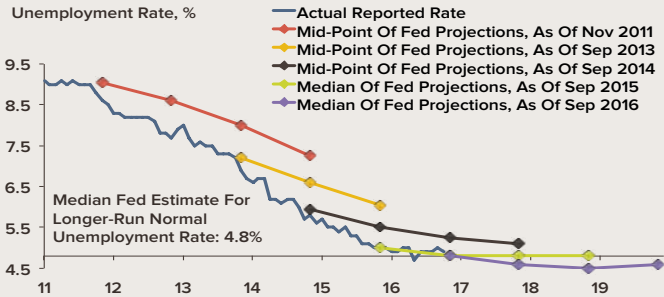
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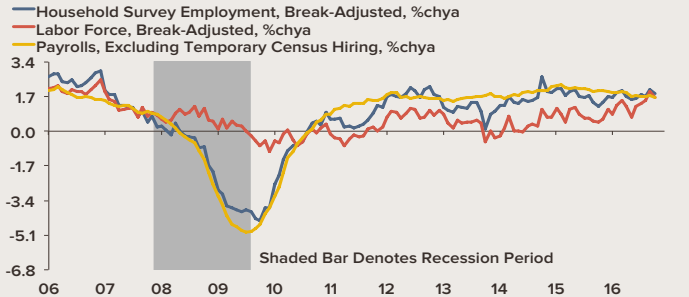
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8a. We Expect Unemployment Rate To Resume Its Downtrend



8b. ...As Labor Force Growth Moderates Again





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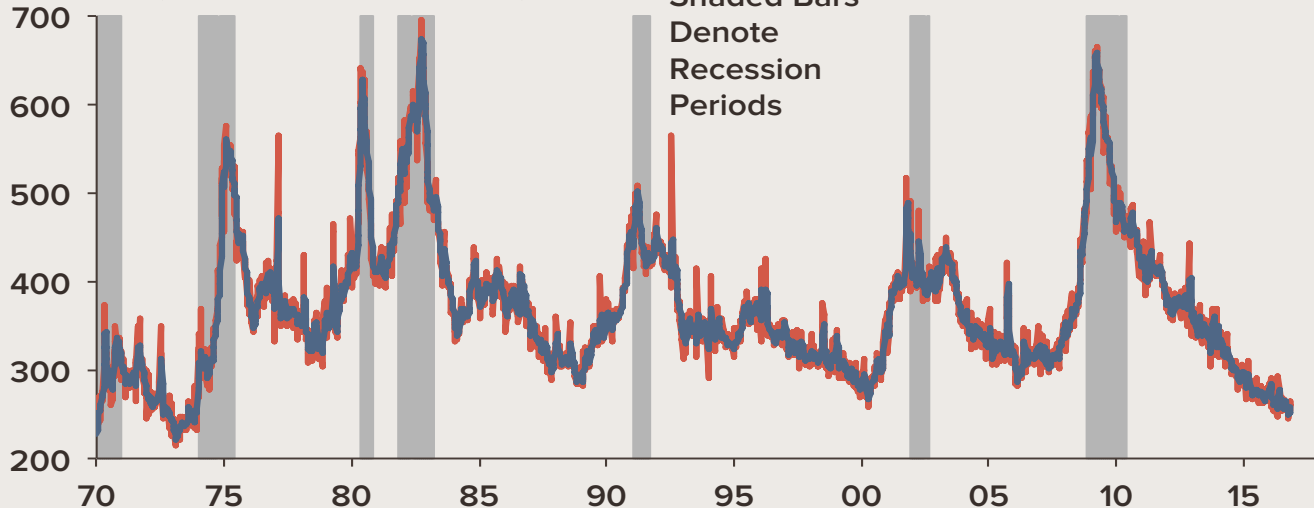
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9. No Sign In Claims Of Labor Market Market Losing Momentum

Initial Claims, Thousands Per Week

— Weekly — Four-Week Average





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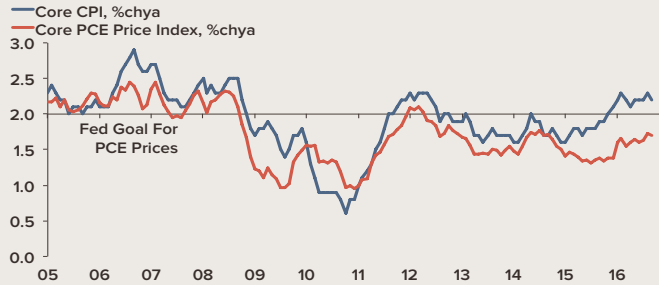
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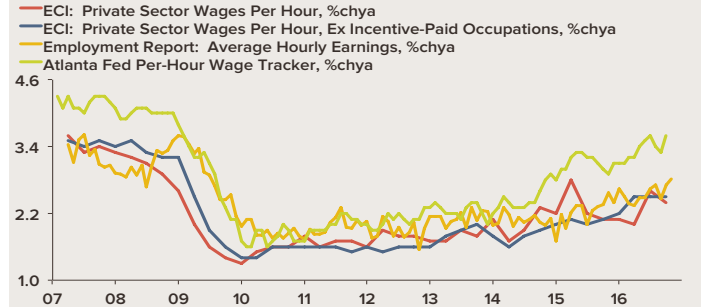
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10a. Core Inflation Has Started To Edge Up



10b. Wage Gains Are Accelerating





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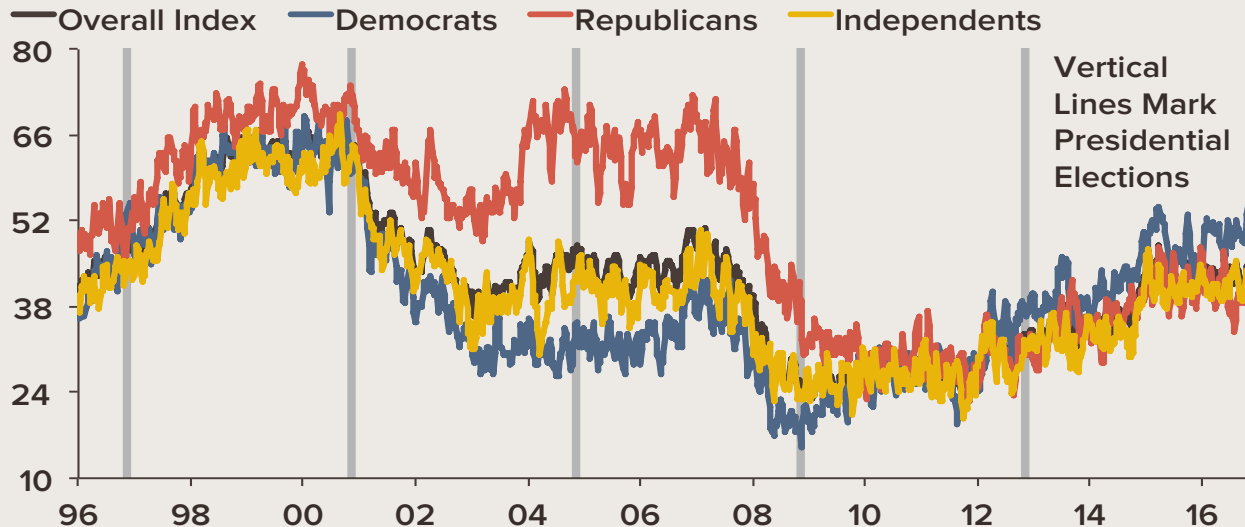
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11. Recent Rise In Confidence Has Been Led By Democrats

Weekly Bloomberg Consumer Comfort Index





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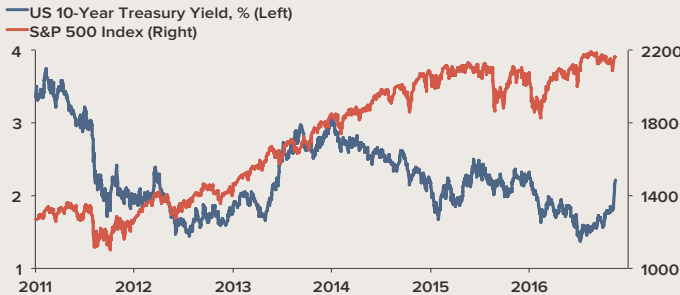
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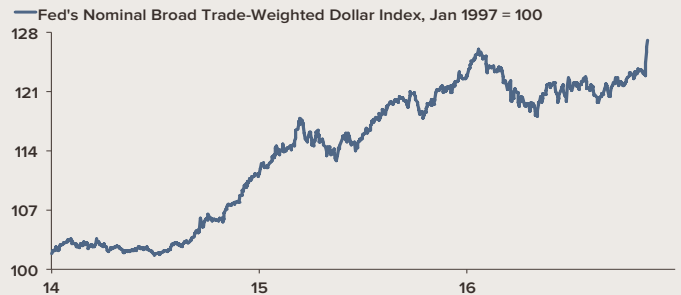
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12a. Equities Are Near Their High; Bond Yields Have Bounced



12b. The Dollar Has Been Moving Up Again





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13a. Equity Markets And Presidential Terms

% Change in S&P 500

President (Party, Year)	Year 1	Year 2	Year 3	Year 4	Full Term
Kennedy/Johnson (D, 60)	23.1	-11.8	18.9	13.0	45.8
Johnson (D, 64)	9.1	-13.1	20.1	7.7	22.5
Nixon (R, 68)	-11.4	0.1	10.8	15.6	13.7
Nixon/Ford (R, 72)	-17.4	-29.7	31.5	19.1	-9.0
Carter (D, 76)	-11.5	1.1	12.3	25.8	26.3
Reagan (R,80)	-9.7	14.8	17.3	1.4	23.2
Reagan (R, 84)	26.3	14.6	2.0	12.4	66.1
Bush (R, 88)	27.3	-6.6	26.3	4.5	56.9
Clinton (D, 92)	7.1	-1.5	34.1	20.3	70.0
Clinton (D, 96)	31.0	26.7	19.5	-10.1	78.2
Bush (R, 00)	-13.0	-23.4	26.4	9.0	-8.2
Bush (R, 04)	3.0	13.6	3.5	-38.5	-25.5
Obama (D, 08)	23.5	12.8	0.0	13.4	57.9
Obama (D, 12)	29.6	11.4	-0.7		
Median (1960-2008)	7.1	0.1	18.9	12.4	26.3
Democrats	16.1	-0.2	19.2	13.2	51.9
Republicans	-9.7	0.1	17.3	9.0	13.7
Median, First Terms Only	-1.3	-0.7	18.1	13.2	36.1

13b. GDP Growth And Presidential Terms

Real GDP Growth, % Change, Calendar Year Average

President (Party, Year)	Year 1	Year 2	Year 3	Year 4	Full Term
Kennedy/Johnson (D, 60)	2.6	6.1	4.4	5.8	4.7
Johnson (D, 64)	6.5	6.6	2.7	4.9	5.2
Nixon (R, 68)	3.1	0.2	3.3	5.3	3.0
Nixon/Ford (R, 72)	5.6	-0.5	-0.2	5.4	2.5
Carter (D, 76)	4.6	5.6	3.2	-0.2	3.3
Reagan (R,80)	2.6	-1.9	4.6	7.3	3.1
Reagan (R, 84)	4.2	3.5	3.5	4.2	3.9
Bush (R, 88)	3.7	1.9	-0.1	3.6	2.3
Clinton (D, 92)	2.7	4.0	2.7	3.8	3.3
Clinton (D, 96)	4.5	4.4	4.7	4.1	4.4
Bush (R, 00)	1.0	1.8	2.8	3.8	2.3
Bush (R, 04)	3.3	2.7	1.8	-0.3	1.9
Obama (D, 08)	-2.8	2.5	1.6	2.2	0.9
Obama (D, 12)	1.7	2.4	2.6		
Median (1960-2008)	3.3	2.7	2.8	4.1	3.1
Democrats	3.6	5.0	3.0	3.9	3.9
Republicans	3.3	1.8	2.8	4.2	2.5
Median, First Terms Only	2.7	2.2	3.0	3.8	3.0



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The Big Trump Rethink... The Whole World Is Watching **Carl Weinberg, Chief Economist**



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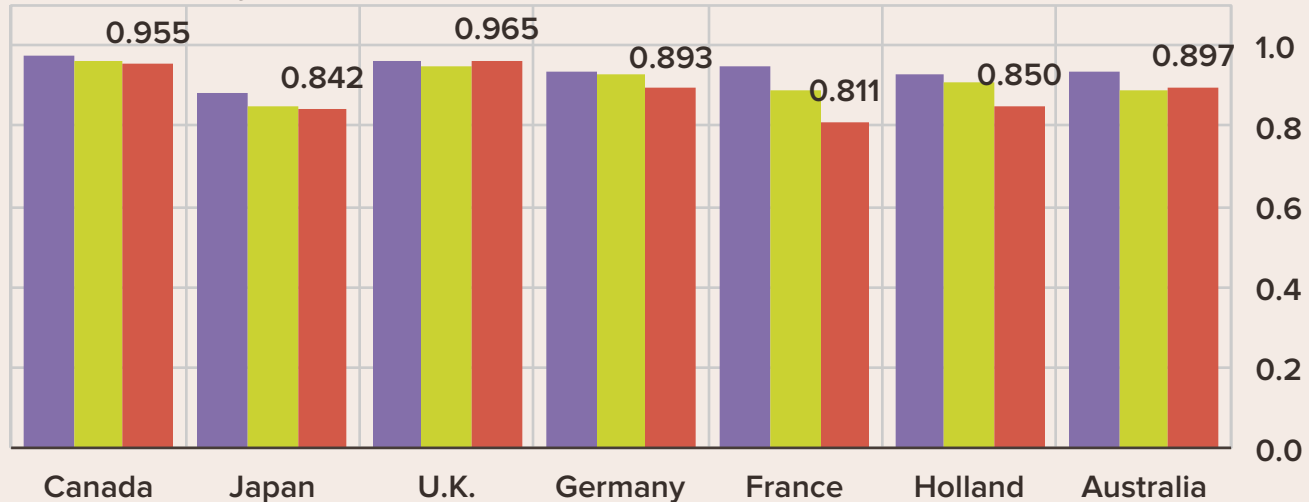
Correlations Between 10-Year Bonds Yields

Based On Weekly Data

■ 1986-2016

■ 1996-2016

■ 2006-2016





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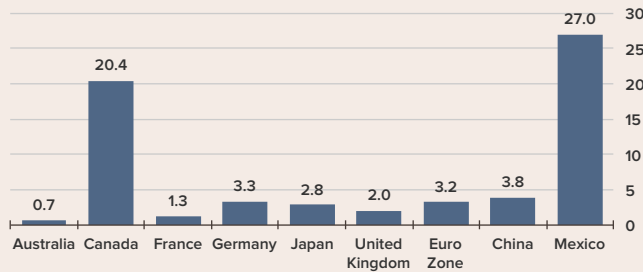
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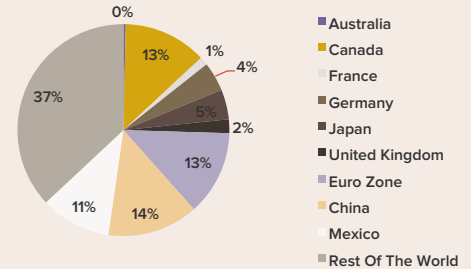
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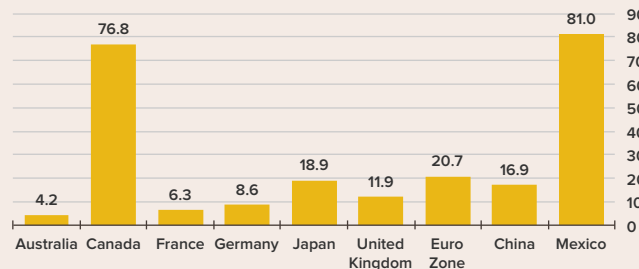
Exports To The United States, Percent Of National GDP, 2015



Exports To The United States, Share Of Total U.S. Imports, 2015



Exports To The United States, Percent Of Total Exports, 2015





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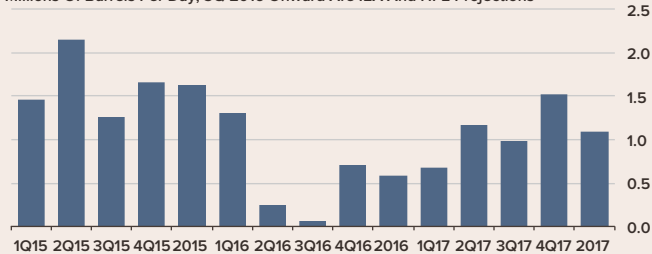
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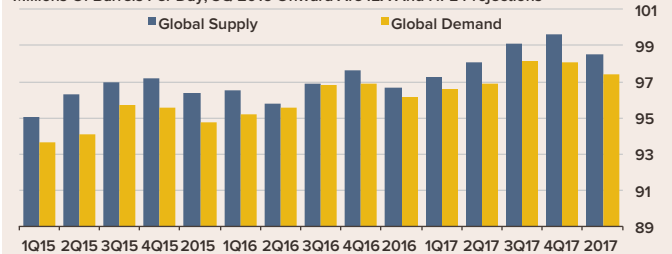
Global Oil Inventories And OECD/IEA Projections

Millions Of Barrels Per Day, 3Q 2016 Onward Are IEA And HFE Projections



Global Oil Market Trends And OECD/IEA Projections

Millions Of Barrels Per Day, 3Q 2016 Onward Are IEA And HFE Projections





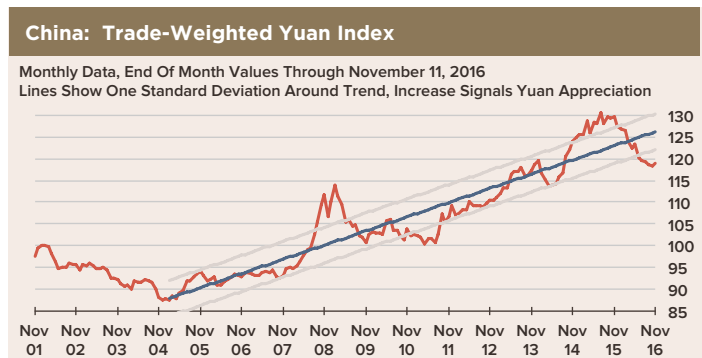
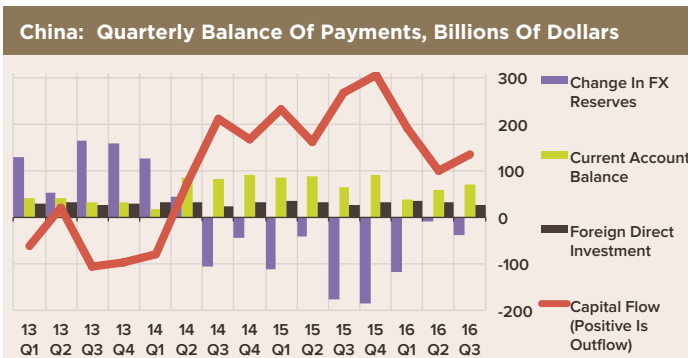
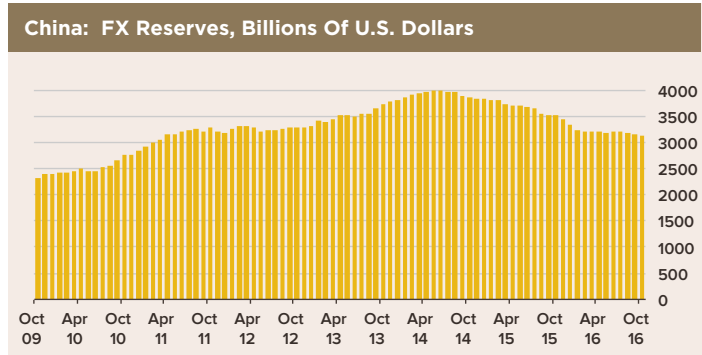
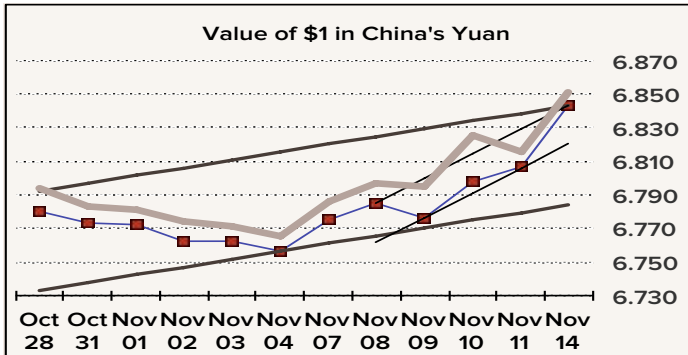
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“Just as the past 25 years have seen numerous shocks to the global economy, chances are, so too will the next 25 years. In the past, we have been served well by the economy’s flexibility and the buffers that we had.”

Philip Lowe, RBA Governor, November 15, 2016



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