

Tony Yarrow's Investment View

NOVEMBER 2016 – Donald Trump becomes the 45th
President of the US



Blog November 9th 2016

Shock, surprise, horror, confusion.

Is your reaction to the result the same as ours? After Brexit, you knew that the unthinkable could happen. Could it possibly have happened again so soon?

A man who has never before held public office has become President, beating possibly the most experienced candidate in history.

Trump was a complete outsider, the longest-odds candidate out of 17 Republican nominees. He has won despite an astonishing lack of grasp of international issues, an almost complete lack of credible policies, despite running a mean-spirited, negative campaign, and being such an apparently repulsive character - a narcissistic, racist, misogynistic bully.

There are obvious parallels with Hitler. He is talking to people who see themselves as disadvantaged and believe that the establishment doesn't care for their plight. He rouses them up to a frenzy of enthusiasm by talking to them in simple, black-and-white terms. America is in a long decline, caused by illegal immigrants, unfair Chinese competition, an expensive and thankless role as global policeman, and a corrupt establishment only interested in enriching itself, of which Hillary Clinton is a prime example. He offers them simple remedies. He will make America great again. He will send the immigrants home, build a wall between the US and Mexico, force China to revalue its currency, re-write trade deals, make client countries pay for US aid, and 'clean up the establishment', including throwing Mrs Clinton into jail (on Trumped-up charges, no doubt).

It's as if the world has been turned upside down. Bad behaviour has been rewarded. Harry Flashman has been appointed Head of School by the popular vote - for his prowess in bullying.

In hindsight, Mrs Clinton probably wasn't the ideal opponent for Mr Trump. She doesn't have Mr Obama's charisma. For the Clintons, public office, for-profit public speaking, and the Clinton charitable foundation have been more intertwined than was good for them. It was said that giving to the Clinton Foundation was a good route to advancement in the party. Mrs Clinton was never the criminal of Mr Trump's imagination, but some of the mud stuck.

Mr. Trump won't become President until January 20th. He will have a Republican Congress and Senate behind him, though many in both houses can't stand the man or his policies. Some of what he has said may be empty rhetoric, and some of his plans are undeliverable, but at least some of it will pass into law.

To us distant observers, Mr Trump's unfitness for office is blindingly obvious. To his supporters, he is a superstar, a billionaire business man and celebrity, who is prepared to take a stand on issues that matter to them, who uniquely understands their point of view, and who will take on the establishment and deliver real change.

As fund managers, our job is to make the best of any situation in which we find ourselves. Our instinct this morning is to make no changes until we get a better sense of what Mr. Trump is really going to do.

Financial websites had predicted a melt-down this morning, with US markets down by as much as 10%, the UK by perhaps 5%, a weak dollar and a flight to gold. None of these predicted moves has happened so far. The UK market is down by just 0.5%, and is currently (12 noon) heading back up. Perhaps this lack of panic reflects the situation post-Brexit, where the market rallied strongly after falling for just two days. But there is a long way to go before we can gauge the true Trump effect.

Mr Trump's success looks like another step in the worldwide trend for politics to become more extreme and authoritarian, and another step towards trade protectionism.

I would be very happy to hear your views on the subject of Donald Trump, and will as always be happy to answer questions.

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