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The buoyancy of the stock market reveals the prevailing notion that things probably are going to be fine, and if not that, then at least acceptable...but certainly not bad. We concur. The signs look benign in three important subject areas: economic, political and legislative.

The one exception is the primitive version of jihadism in the unstable Middle East. More death and destruction is ahead, judging from the vitality of ISIS, and it raises the concern that the US could be drawn into the conflict if Russia or Iran suddenly invaded the oil lands. If that happens, we should remember that the US is almost fully self sufficient in energy. If world energy traffic was disrupted by warfare, restoration would have the highest priority and after a short panic and some price instability, things would probably return to normal because whoever controls the oil is going to want to sell it. More broadly, the stability of Europe and everywhere nearby will benefit, as Europe's low birth rate and the prospect of depopulation is being offset by new arrivals from Arabia and Africa. Although socially disruptive while underway, the wave of immigrants, drawn by the promise of peace and prosperity, will certainly stimulate long term economic activity.

In the US, it appears that our reaction to this international stress has been relaxed. The past century is instructive with respect to our willingness to go to war for the benefit of historic allies. While the outcomes of two World Wars and Korea were arguably positive enough to make the sacrifices worthwhile, a repeat of Vietnam would be voted down. Now, the appropriate means of opposition would likely be in the form of unfriendliness toward the offending nation, especially with respect to trade and tourism.

The potential for active warfare from traditional sources, Russia, Iran and North Korea, has been diminishing. The first two have been entering the modern world with Iran maybe a generation behind. The only wildcard is North Korea where, maybe, the removal of a single pimple on the ass of progress would bring a cornucopia of benefits. But, that bit of fancy is controverted by the probability that the existing power structure would simply pick a successor.

The recent strike by US Navy cruise missiles against a Syrian airbase and poison gas storage facility in retaliation for Syria's use of Sarin against its own people was done for the purpose of re-establishing respect for American combativeness. Reports of an approaching Russian warship add an element of tension, but it would seem foolish for the Russians to do more than posture. It is comforting to think that knowing when to hold 'em and when to fold 'em, is within Trump's skill set.

The domestic political mood seems on the upswing as America gets better acquainted with Trump. So far, he has been energetic. His economic instincts, though not perfect, seem reasonable, and he gets the difference between stimulation and suppression, especially with respect to taxation. This entire year and next will be humming with governmental action and it is to be hoped that our two parties will produce sane and healthy legislation. That brief feeling after the election that policy ideas would easily be made into law was pleasant while it lasted.

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Elements of policy in the Trump administration seem valid and doable even after allowance is made for purposeful delay by the opposition party. The president will need all of his deal making skills to bring us tax breaks, infrastructure projects and medical care while simultaneously deciding how to react to provocations from ISIS and North Korea.

The economic outlook looks promising in that there is room for economic expansion and all of the necessary elements are present: comfortable finances, ample labor, positive demand outlook and a business friendly government. Equity and real estate values are robust but not overdone. What could go wrong? Aside from a flare up of warlike action, the only other potential source of trouble would be the financial deterioration of several nations in southern Europe and South America.

Aside from that, the latest American statistics are positive with respect to new jobs, available production capacity and entrepreneurial energy. So, if nothing new emerges to rock the economic boat, the year ought to be pleasantly productive.

Sincerely,

John May