



Weekly Worries and Opportunities Report

Economic Commentary by Randy Warren, Chief Investment Officer

Randy Warren

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What to Watch for (Catalysts):

1. **Politics!** It's not really a **WORRY**, per say, but it's a **BIG** catalyst. Trump is now president-elect.
2. **Rotation.** There is a rotation going on into new equities based on the new political reality. Sectors benefitting include: financials, defense and aero, healthcare, energy, consumer. Utilities seem to be suffering the most because as interest rates rise, the relative attractiveness of utilities compared to bonds declines.
3. **WORRY** about foreign exchange markets. Although these markets seem to have stabilized, the US Dollar is way too strong! This will hurt emerging markets around the world. And if Trump is successful in energizing US GDP to about 4% growth, then interest rates must surely rise causing an even stronger US dollar. The good news is that when the US dollar is strong, all goods imported are cheaper and travel abroad is easier and less expensive.
4. **WORRY:** Oil is rising but continues to be in the reasonable range of \$40-\$60/bbl.

The Key: Our Macro-VIX Indicator is 0 after a month of elevated readings

Buy:

Everything that is benefitting from the election because many of these ideas are long term, not just fads. Defense spending will go up over a long period of time – so buy defense and aero. Infrastructure spending will go up over a long period of time – so buy construction, industrials, and materials. Interest rates will go up over a long period of time – so buy financials. GDP will go up over a long period of time so buy consumer discretionary.

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Drivers in the Market

- Earnings season continues.
- Ugly politics are behind us (hopefully).
- Wednesday after the bell, CSCO and L-Brands (LB)
- Thursday before the open, Wal-Mart (\$.96), Staples (\$.34), and Best Buy (\$.47). After the bell Williams-Sonoma (\$.77), Salesforce (\$.03), Ross (\$.56), and Applied Materials (\$.65)
- Friday Abercrombie (\$.19), Buckle (\$.51), Foot Locker (\$1.11), and Hibbet Sports (\$.74) all report before the open.
- Thursday morning at 8:30 we get economic numbers including CPI, Housing Starts, Jobless Claims, and the Philly Fed outlook.

