

Hello Everyone,

So, the worst December stock market in 100 years was followed by the best January stock market in 32 years.

I didn't see that coming.

So, the question is---- where do we go from here?

Today's missive tries to look ahead to the 2020 campaign and election...and what it will mean for stocks, the economy, and our nation.

I hope you find this one thought provoking.

Signed, Your Gladys-Knight-National-Anthems-Rock Financial Advisor,

Greg

KKOB 02.04.2019 Recession and the 2020 Election

Bob: So, Greg, last week we talked about what little affect the government shutdown had on the markets. But, this week, you want to look ahead to the 2020 election and talk about how Wall Street might shape the 2020 presidential race. Right?

Greg: Well, sort of. I am going to speculate. And, then your intrepid listeners can decide if my scenario makes sense or not. So, here goes.

Let's start with a question. Bob, we have not had a recession in 10 years. Do you think we might be due for one before November of 2020?

Bob: Sure. Recessions are natural. They are part of those cycles you always talk about.

Greg: Ok. Obviously, I agree. Typically, recessions last 11-18 months--- and then we recover. Now, during recessions, markets historically fall 30-40%. Unemployment rises. Debts pile up and defaults increase. Pension funds come under duress.

Bob, in this environment, people will do three predictable things:

- Demand government "do something."

- Look for a scapegoat.
- Believe almost anything a politician says, even if it's flimflam.

Does any of that sound farfetched?

Bob: No, and I'm tracking with you. So, looking ahead to 2020, President Trump will be on the defensive, but he is a good counterpuncher. So, how do you see the intersection of politics and economics coming together during the campaign?

Greg: Given what I am hearing from the far left, we are about to get a large dose of something called Modern Monetary Theory...or MMT. Basically, this is an economic theory that says, *"Hey, don't worry about debts. Spend what you want to get an economy going."* And, they'll have all kinds of charts and graphs to support their view.

So, this will be the so-called scientific cover for people like Alexandria Ocasio Cortez, Elizabeth Warren, and Bernie Sanders. And, NY Times economic columnist Paul Krugman will back them all up.

So, the message to the frustrated-and-angry will be, *"We will help you! We'll tax the rich! And, when that isn't enough (and it won't be), we'll just print what we need because we love you."*

Bob: But my question is, will people buy it? I know most people aren't economic geniuses, but they have to know you can't print your way out of every mess.

Greg: You'd think that, but when the next recession eats up jobs, remember this--- simultaneously, robots will be eating up jobs as well.

Uh oh.

And, frustrated people tend to embrace ideas that pass emotional tests, but not the mental tests.

Thus, if the Modern Monetary Theory types win, it's Katie-bar-the-door for spending. New spending will put the debt past \$30 trillion faster than you can say Pocahontas. And, even if Trump holds on, there will still be incredible pressure on him to "do something". Can you see it?

Bob: Sure. So, let me connect the dots. A recession means more government spending with lower tax revenues. That means more debt and more printing. Therefore, an inflationary cycle (a cycle you think is

already in the cards) is in our future.

Greg: Exactly. Over the next decade (because this will take years to play out), you'll see stimulus (translation: money printing & big government) that will put Bernanke's QE's programs to shame. Spray and pray baby! Let's put people to work! Let's build a wall around Canada! At that point, though, our best bet would be to build a wall around Washington, D.C.

Bob: OK. So, unless there is a huge education campaign, "***We the People***" may embrace even more socialism in the next election...even if Trump is reelected.

Greg: That's my take. Oh, and make no mistake, the recession will be blamed on free markets and capitalism...even though we don't really have either anymore. But a return to them will be the only hope for a quick recovery. Anyway, next Monday, let's talk about how my industry is unprepared for what I just described...and how the phrase, "*past performance is not indicative of future results*" will take on a whole new meaning.

Bob: Sounds good. How do people reach you?

Greg: My number is 508-5550, 508-triple 5 zero, or go to my website at zanettifinancial.com

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