

Brexit Redux?

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It's not like we all don't know that certain media outlets favor certain candidates. Some outlets seem "more fair" than others, but some go to absurd lengths to spin the news.

We're referring to the news on Friday that the FBI was taking a second look at Hillary Clinton's emails, apparently due to messages uncovered in its investigation of Anthony Weiner.

In the two hours after the FBI news hit, the S&P dropped a grand total of 1%, finishing the day down just 0.3%, compared to its close on Thursday. Judging by media coverage of this mild decline, you would have thought NASA had found a 10-mile wide meteor hurtling toward earth.

The spin was blatant: Donald Trump is bad for the stock market. We find this highly misleading.

Don't get us wrong. We know the small selloff in equities was due to the FBI news. It was a shocking development. But just like after the Brexit vote, any selloff in stocks explained away by the election is a terrific buying opportunity.

Back on June 23rd, with the Brexit vote in progress but "Remain" expected to prevail, the S&P closed at 2,113. Over the next two trading days, stocks fell nearly 6%. But less than two weeks later, the S&P was hitting new highs.

If Trump pulls off a victory, we wouldn't be surprised to see a similar pattern. Please don't try to trade it. Our macro-economic models suggest that the US stock market is still undervalued. We remain committed to staying long. And, like with Brexit, the media analysis is misleading.

If Trump wins, he would have to choose between being the protectionist Trump or being the tax cutting and deregulating Trump. Protectionism is a loser, economically. And, if a President Trump focused on protectionism, weakness in equities would force him to back off as it eroded political capital. On the other hand, focusing on tax cuts and deregulation for energy and health care sectors would boost equities. That's why we think he'd ditch the protectionism.

THIS IS NOT AN ENDORSEMENT; it's what we think is an honest look at policy choices and political reality. We trust our readers to make up their own minds. One thing we are very disappointed about is that neither candidate is seriously discussing cutting the overall size of the federal government.

Nonetheless, current attempts by the media to spin stock market moves as support for one candidate or another are ridiculous. It's the actual policies that matter, and right now those policies are still up in the air.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-31 / 7:30 am	Personal Income – Sep	+0.4%	+0.4%	+0.3%	+0.2%
7:30 am	Personal Spending – Sep	+0.4%	+0.4%	+0.5%	-0.1%
8:45 am	Chicago PMI	54.0	53.1	50.6	54.2
11-1 / 9:00 am	ISM Index – Oct	51.7	51.6		51.5
9:00 am	Construction Spending – Sep	+0.5%	+0.4%		-0.7%
Afternoon	Total Car/Truck Sales – Oct	17.6 Mil	17.8 Mil		17.7 Mil
Afternoon	Domestic Car/Truck Sales – Oct	13.7 Mil	14.0 Mil		13.9 Mil
11-3 / 7:30 am	Initial Claims – Oct 29	255K	254K		258K
7:30 am	Q3 Non-Farm Productivity	+2.1%	+2.8%		-0.6%
7:30 am	Q3 Unit Labor Costs	+1.2%	+0.9%		+4.3%
9:00 am	ISM Non Mfg Index – Oct	56.0	56.1		57.1
9:00 am	Factory Orders – Sep	+0.2%	0.0%		+0.2%
11-4 / 7:30 am	Non-Farm Payrolls – Oct	175K	183K		156K
7:30 am	Private Payrolls – Oct	170K	175K		167K
7:30 am	Manufacturing Payrolls – Oct	-5K	-9K		-13K
7:30 am	Unemployment Rate – Oct	4.9%	4.9%		5.0%
7:30 am	Average Hourly Earnings – Oct	+0.3%	+0.2%		+0.2%
7:30 am	Average Weekly Hours – Oct	34.4	34.4		34.4
7:30 am	Int'l Trade Balance – Sep	-\$38.0 Bil	-\$39.0 Bil		-\$40.7 Bil