

NOTTINGHILL INVESTMENT ADVISERS, LTD.

Perspective

The Day After

November 9, 2016

“Our democracy may be imperfect, but in one way or another it eventually gets us where we want to go.”

-- Jude Wanniski

“I have two words for you: economic despair.”

-- Nicolle Wallace, MSNBC

The people have spoken, and Donald J. Trump is to become the 45th President of the United States. One hardly knows where to begin – there are so many astonishing aspects to this presidential campaign and election. But, begin we must, and we’ll lean once again on the well-stated musings of our friend Nick Colas from Convergenx. In an early-morning piece from yesterday, he listed a few lessons from the U.S. election. Here are four of them:

1) Money actually isn’t everything in U.S. politics. Ideas still have the capacity to move voters.

Neither Donald Trump nor Bernie Sanders was able to come close to Secretary Clinton in the all-important area of dollars raised. Yet each – Trump (as it turns out) to a great extent and Sanders to a lesser extent – effectively communicated non-mainstream ideas to a very energized base.

2) The highly competitive nature of online/print/video news has changed American politics. The beneficiaries are and will continue to be the more controversial candidates who can get the headlines and clicks.

Granted, this trend has been with us for a while, but at no time has it been more apparent than now. To paraphrase Colas, those who are waiting for a more civil, in-depth political discourse are destined to wait a little while longer, maybe a lot longer.

A news media still struggling to find a new equilibrium for their business model will have to continue focusing on candidates who can draw clicks.

3) No more secrets.

Again, the expansion of a candidate's public life at the expense of his/her private life has been going on for a while. But, the rise of WikiLeaks and the new-found aggressiveness of whistleblowers and other sources have made this public life expansion a brand new ballgame. A desire to throw one's hat in the ring and make his/her life entirely public requires more careful thought now than ever before.

4) Globalization requires a trip back to the drawing board before it loses even more popular support.

Wow! Sometimes, the things one takes most for granted surprisingly turn out to be (still) up for debate. For the last 50, 60, 70 years, almost every world leader and all serious economists have argued persuasively for free trade, which benefits everybody in the long run. Unfortunately, as Keynes said, in the long run we're all d--d. In the short(er) run, there are victims of globalization and free trade, and Donald Trump clearly tapped into those victims' immense and intense frustration. To quote Colas, "Those in favor of even more economic globalization have their work cut out for them, and just issuing white papers and pontificating in Davos, Switzerland, every year won't do the trick."

To these four, we'll add our own #5:

5) No one knows.

It's been 68 years since "Dewey Defeats Truman," and the science of polling and the overall expertise of pollsters supposedly have come a very long way. Really? The statistics involved and the computing power may have come a long way; but, how do you account for a respondent who tells you what you want to hear, or a large, silent group of statistical outliers from the other side of the political aisle? Polling's shortcomings were on full display last summer in the Brexit vote. Those shortcomings and the full extent of unmeasured or unmeasurable voter rage now have come to our shores.

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What to do? You know us. We are not inclined to let unexpected events in the world of politics or international affairs or just about anywhere for that matter alter our investment philosophies, policies, etc. If the election of 2016 teaches us anything, it teaches us that the unpredictable and unforecastable almost always dwarf that which is "certain." Things will be volatile for a while, but ultimately, they will be sorted out. This too shall pass. Our recommendation: As always, stay the course with a well-diversified mix of asset classes.

Please contact us if you have any questions.

Regards,
Doug, Jeff, and Lindsay