

TRUMPONOMICS!



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Donald Trump is the first American businessman (non-politician) elected to serve as President of the United States.

Many of his ideas are controversial. He can be volatile, abrasive and unpredictable, to say the least.

Can he behave himself well enough and long enough, to convince the mainstream politicians in Washington DC, and the mainstream media, to implement his Agenda Items, designed to Make America Great Again?

And if so, what is the potential impact Trumponomics may have on you, the state of Illinois, our country and Illinois Police & Fire Pension Funds!

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What is the Trump Agenda & what has he accomplished in his first year in office?

- 1) **Deregulation**
- 2) **Trade Agreements**
- 3) **Improve Military Capability/Defense Systems**
- 4) **Increase Domestic Employment**
- 5) Education: Privatization and Alternative Choices
- 6) **Immigration Policy & Boarder Security**
- 7) Restoring Fiscal Responsibility
- 8) **Developing Our Energy Resources**
- 9) Health Care Fix: Repealing Obamacare. And then?
- 10) Restoring our Crumbling Infrastructure
- 11) Tax Reform and **Tax Cuts**
- 12) **Repatriating Assets Back to the USA**

ISSUES ADDRESSED ITEMS NOT YET ADDRESSED

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1) Deregulation (Cut the RED tape) *****

Donald Trump promised to cut 2 existing regulations for every new one his administration enacts. He actually beat that goal by a wide margin!

***** His administration actually cut 22 new regulations for each new regulation enacted in calendar year 2017!

The Trump Administration is indeed cutting the red tape! In his first eight months in office, covered federal agencies issued just 3 new rules while taking 67 deregulatory actions (a 1:22 ratio) resulting in an annual cost savings of \$570 million for the federal government.

The Trump Administration has repeatedly credited his deregulation push with the economic growth that has flourished in his first year in office. And for good reason! It is estimated that the Congressional Review Act, which passed 13 resolutions repealing federal regulations related to Education, Obamacare, EPA, etc., will save \$30 billion annually and \$241 billion dollars over the lifetime of these programs.

Deregulation & Increased Business Optimism is what initiated the TRUMP BUMP in the stock market!

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Global stock and bond markets have added \$28trn in market cap since US elections in November 2016



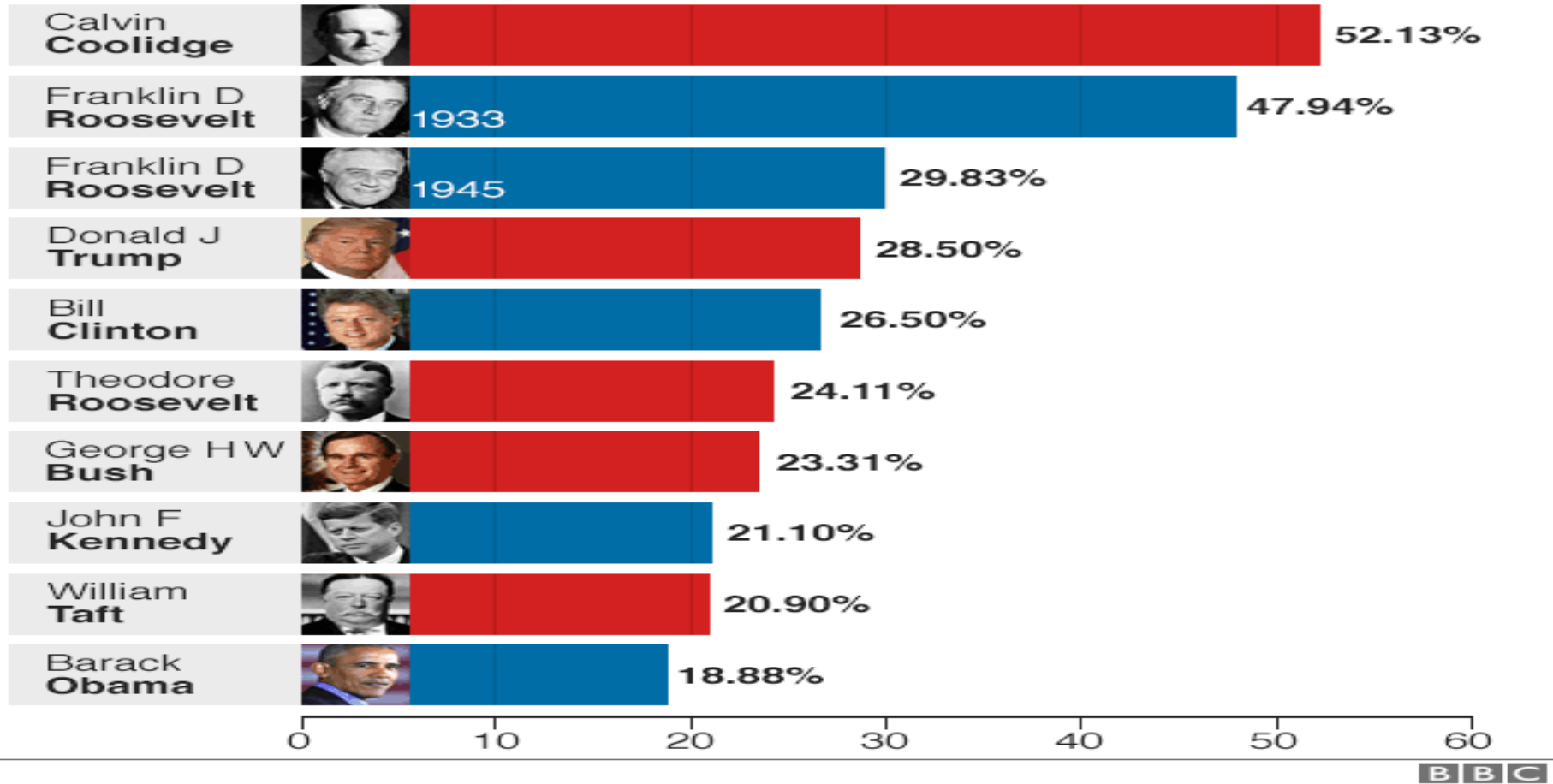
Source: Bloomberg Finance LP, DB Global Markets Research

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Soaring stocks

Greatest percentage rises in the Dow Jones during first year of each presidential term



- Performance of the DOW – 12 month gain – first year of the Trump four year Term!
- The Trump Bump (2017, 29%) ranks only as the fourth best 12 month gain following a presidential election since 1925.

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President Trumps’ Make America Great Again Agenda has increased consumer and business sentiment. There is a new sense of optimism that has certainly made investors optimistic about the future! The TRUMP BUMP in the equity markets is depicted in the chart below.

Time period 11-8-16 to 8-21-18, 21 months.

Equity Markets Gains Since Election Day			
11-8-16 to 8-21-18			
	DOW	S&P 500	NASDAQ
August 17, 2018	25,867	2,870	7,884
November 8, 2016	18,332	2,139	5,193
Point Gain	7,535	731	2,691
Percentage Gain	41.10%	34.18%	51.82%

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Longest Bull Market in US Stock Market History
March 9, 2009 through August 21, 2018, 9 ½ Years
Obama Administration 8 years, Trump Administration 1 ½ years



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2) Renegotiate Trade Agreements

Renegotiating all trade deals, North American Free Trade Agreement (**NAFTA**) Trans-Pacific Partnership (**TPP**), etc. Trump argues that the other nations in these agreements have been taking advantage of the United States for many years. The Goal is to have other countries remove the trade barriers on goods & services we export.

Example: China (classified as an emerging nation by trade organizations) has been breaking the rules for many years:

- 1) Copyright infringement (movies, DVD's, information technology, etc.)
- 2) Stealing Intellectual Property or forcing US firms to share IP to gain entry to Chinese market.
- 3) Manipulating prices of commodities
- 4) Imposing tariffs on American made products, making them more expensive, driving American firms out of business.

Not just bad for our economy, but bad for our national security, as well.

It is imperative for American Industry to start making things again. Manufacturing is the wheel that drives the economic engine. Manufacturing is the beginning of the economic food chain and everything else flows from it If you manufacture you need resources, you employ people, your employees buy at local merchants, etc.,.....

Trade Agreements must be Fair and Reciprocal!

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3) Defense

Trump has increased the annual defense budget to \$886 billion. His goal is to rebuild our military and negotiate from a position of strength. Those comments have given a bid to stocks in the Aerospace and Defense Industries.

AEROSPACE & DEFENSE

Name	Description	Symbol	Stock Price 11/08/16	Stock Price 08/17/18	Stock Price Gain \$	Stock Price Gain %
Lockheed Martin Corp	Helicopters, Jets, Planes	LMT	168	324	156	93%
General Dynamics	Ship Builder	GD	152	195	43	43%
Raytheon Co.	Patriot Missiles, Cyber Defense	RTN	98	200	102	104%
L3	Weaponry Surveillance	LLL	116	211	95	82%
Boeing	Aircraft Defense & Commercial	BA	142	349	207	146%
ITA	ETF – Defense	ITA	122	204	82	67%
S&P 500 Index	S&P 500 Index	IVV	211	287	76	36%

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4) Increase Domestic Employment. Job, Jobs, Jobs

President Trump intends to increase the number of jobs by:

- 1) Stimulating the economy through a massive infrastructure plan
- 2) Increasing energy exploration and production & coal production and consumption
- 3) Encouraging American Company's to build plants in the US and hire American workers
- 4) Renegotiate Trade Agreements to bolster exports
- 5) Curtail Illegal Immigration and employ current US citizens
- 6) Tax cuts & tax Reform

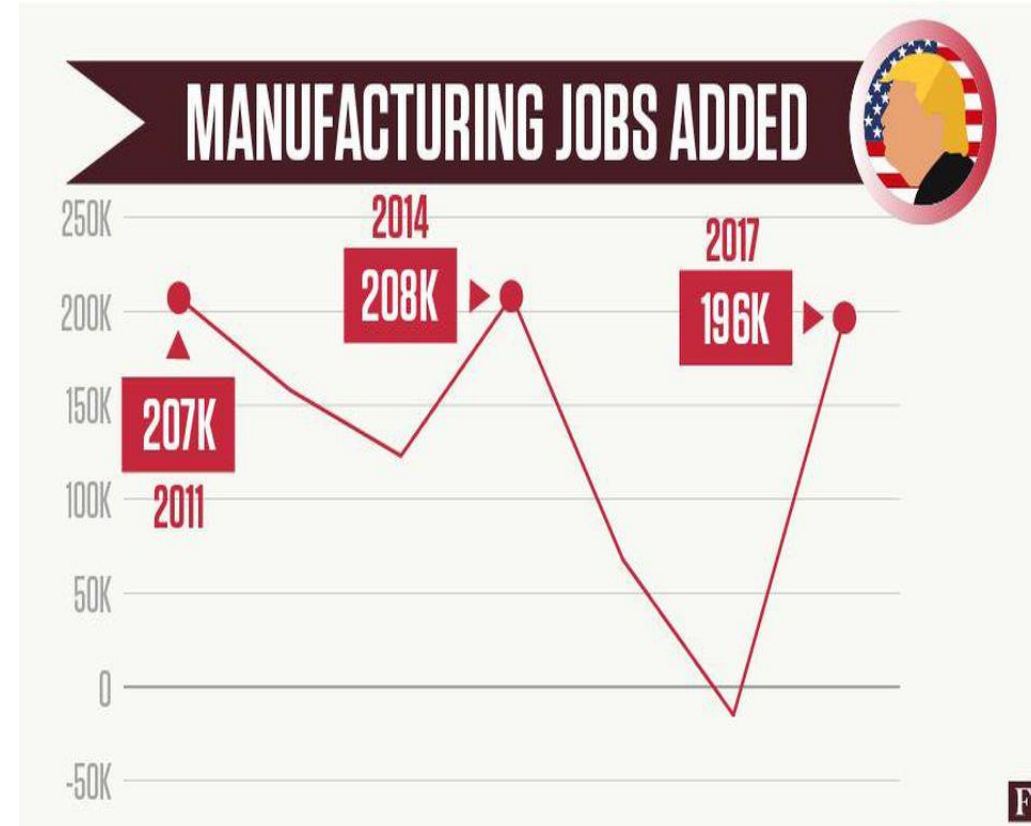
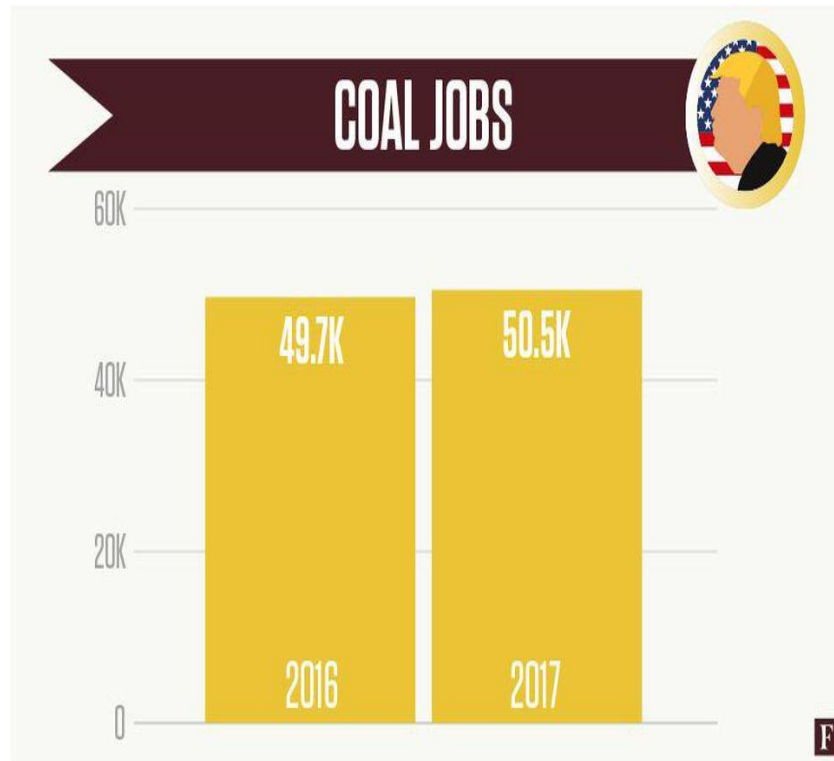
Far too many Americans:

- 1) Had given up hope of finding work
- 2) Don't have employable skills, are poorly educated, their expertise is not in demand.

The movie Dave.

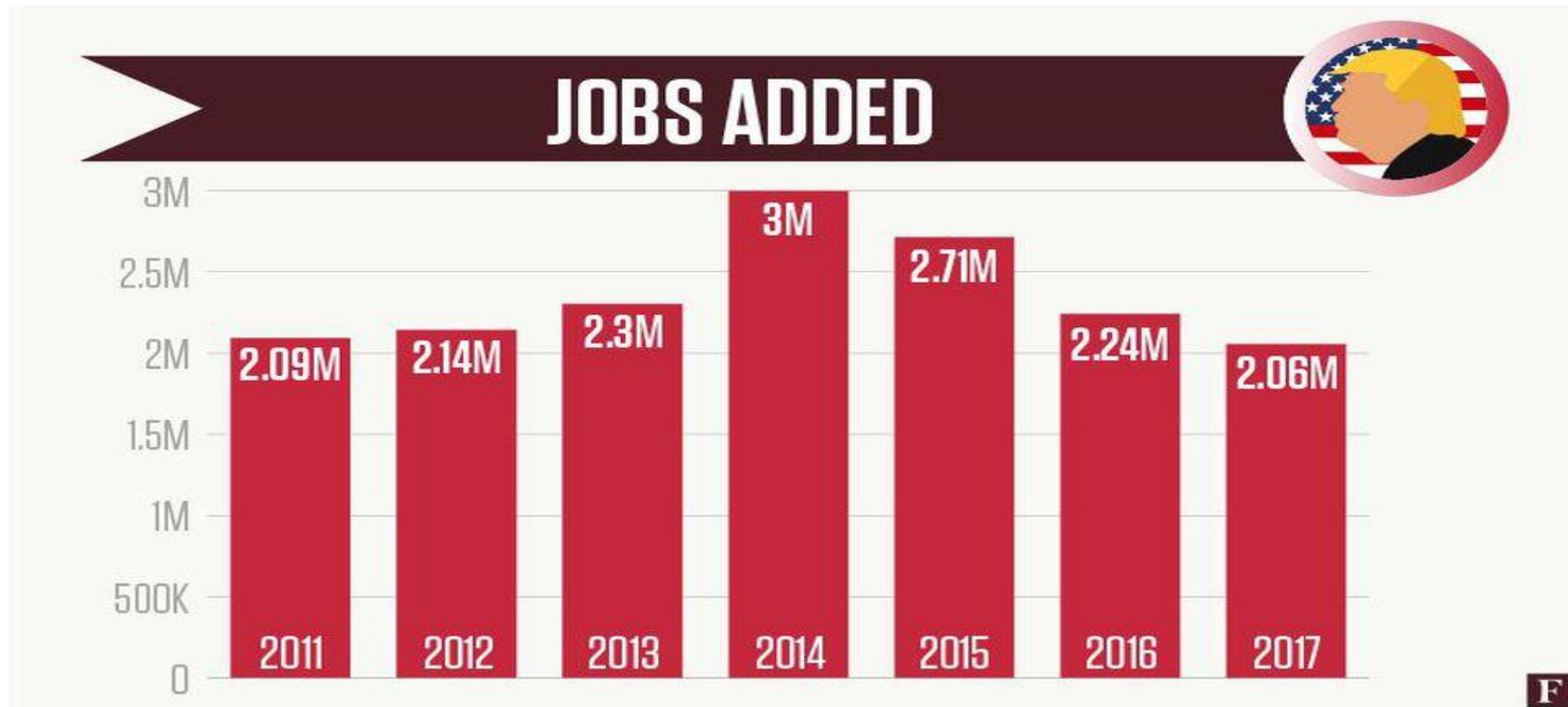
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4) Coal jobs not much change yet. Manufacturing jobs are up dramatically in 2017



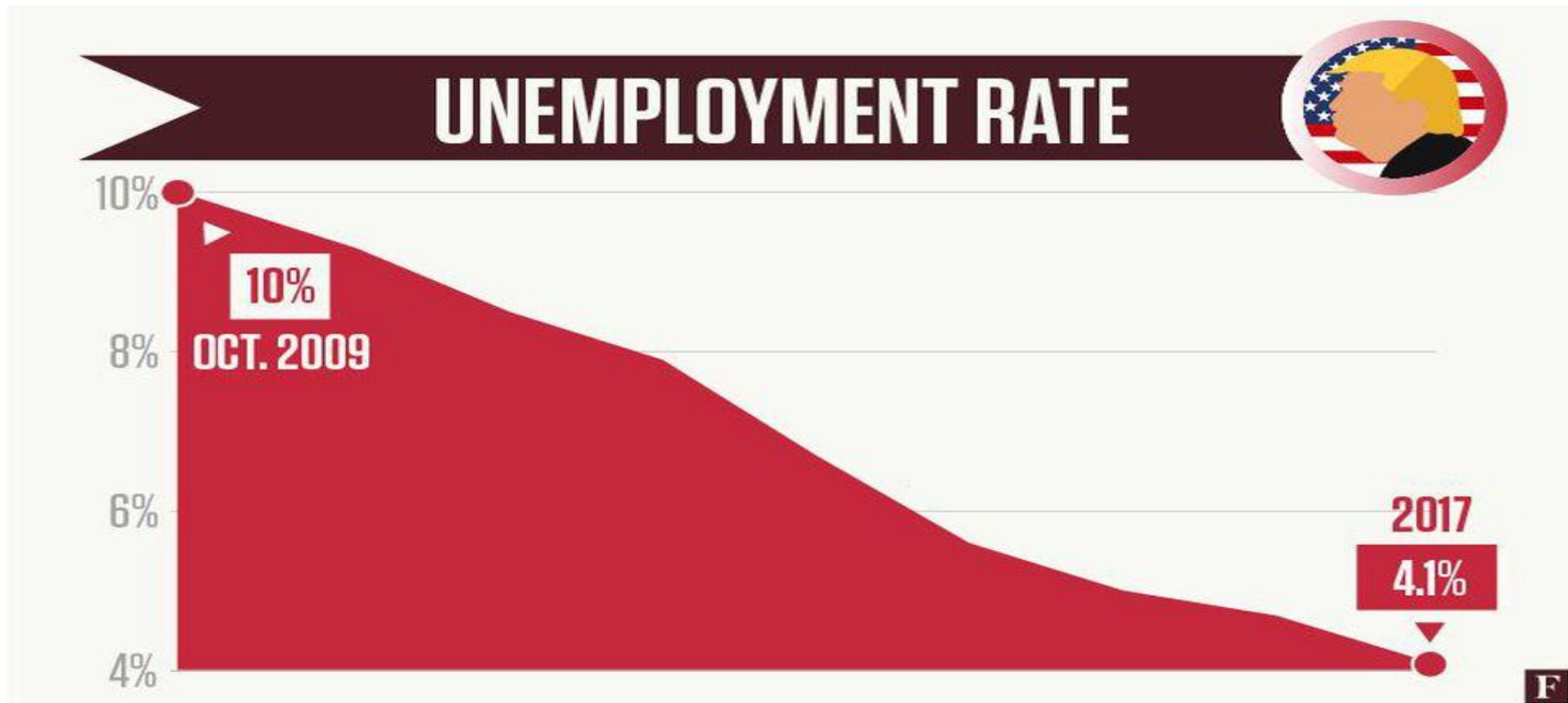
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4) Total Jobs Added: Not up much in 2017 but 2018 is showing higher job gains.



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4) The Unemployment Rate continued to move lower in 2017.



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5) Education: Privatization and Alternative Choices

The cost of education is spiraling higher but the education of our students is not improving significantly. Plus, the total cost of educating students in the US including post high school education is more than any other nation in the world.

Companies are searching for people with trade skills and can't find them, hence the need to hire foreign immigrants to fill these jobs.

If we are going to compete successfully in the global economy, it is imperative that our educational system is revamped to provide our workforce with the necessary skills to become employable in an everchanging world.

It is time to revamp the educational system to provide the skills to put people back to work. Bring back Trade Schools! Congressman Raj Krishnamoorthi spoke at a recent IGFOA luncheon on his efforts to bring back federal funding for trade schools.

Putting people back to work increases the wealth of individuals, governments and businesses.

A rising tide lifts all boats!!!

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6) Crackdown on Illegal Immigration

There are approximately **3.7 million** unlawful immigrant households in the U.S. These households impose a net fiscal expenditure of around **\$545 billion** per year: public education, welfare benefits, Social Security, Medicare, unemployment insurance, and workers' compensation.

Once unlawful immigrant households become fully eligible for means-tested welfare and health care benefits under the Affordable Care Act, the aggregate annual deficit would soar to **\$160 billion**.

In addition, there are many illegal aliens that are entering our county and being sheltered by sanctuary cities and states!

Unfortunately many criminal and gang members (MS-13) cannot be deported and when captured by police and they are released back into the community to commit more crimes!

Republicans and Democrats must work together to resolve these immigration issues!

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6) Total Cost of Government Benefits Provided to Illegal Immigrants

- 1) \$90 billion is spent on welfare
- 2) \$22 billion for Food Assistance (Stamps, WIC, school lunches)
- 3) \$2.5 billion on Medicaid
- 4) \$12 billion Primary & Secondary School
- 5) \$17 billion Education for American Born Children of Illegal immigrants
- 6) \$1.2 billion to incarcerate illegal immigrants
- 7) Etc., etc.

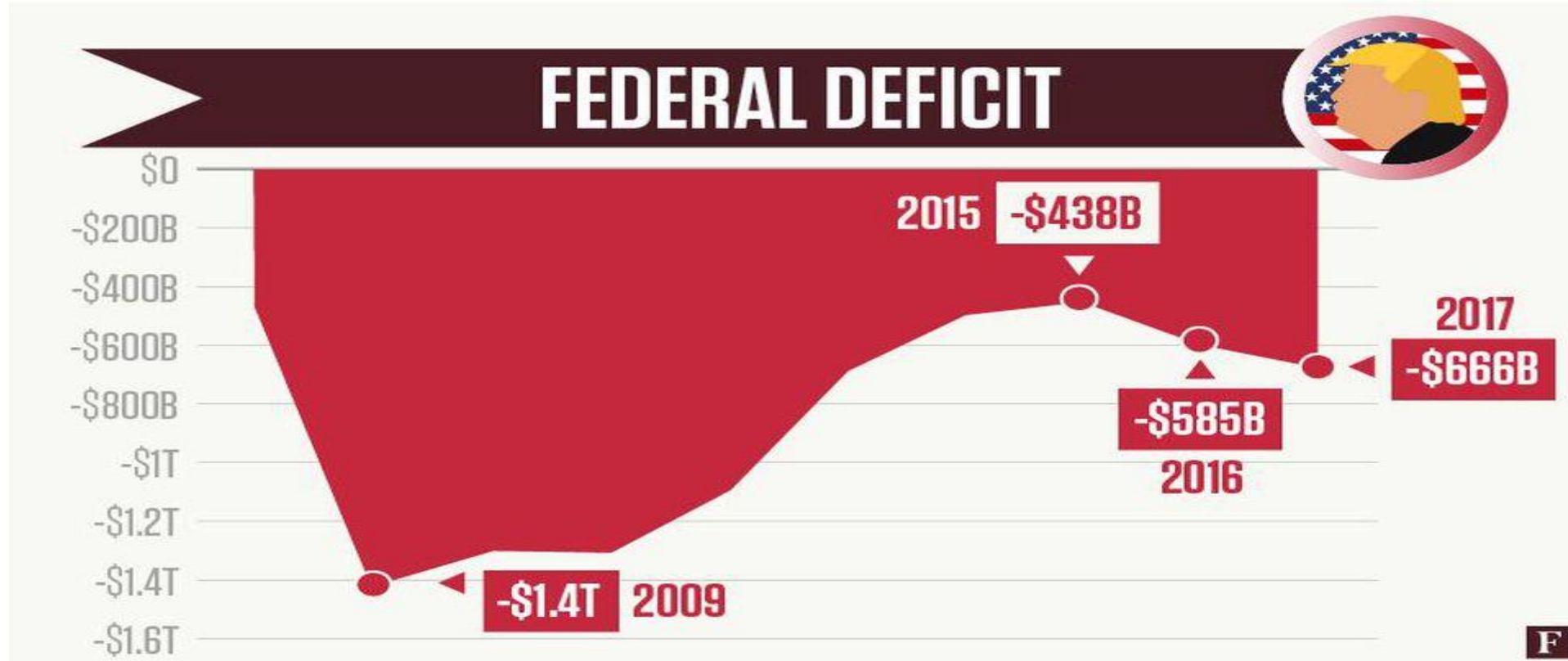
Total of \$545 billion paid annually to Illegal Immigrants

In addition, illegal immigrants send **\$45 billion** back to their home countries each year.

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7) Restoring Fiscal Responsibility

Our Annual National Debt Totals started to increase again in 2016!



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7) Restoring Fiscal Responsibility:

In fiscal year 2018, the federal government spent \$310 billion on debt service payments, on a total national debt amount of 15,790 trillion.

That represents 7.4% of the national budget.

Interest on the National Debt and How It Affects You

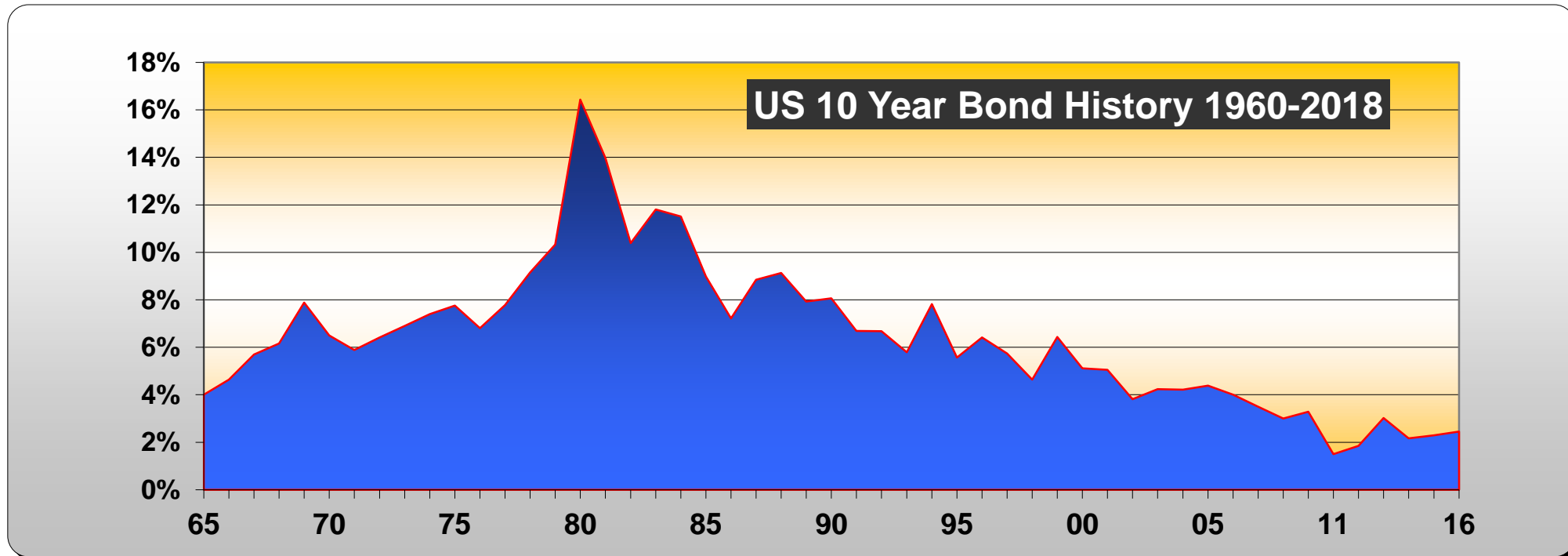
Fiscal Year	Interest on the Debt	Interest Rate on 10-Year Treasury	Public Debt	Percent of Budget
2008	\$253	3.7%	\$5,803	8.5%
2009	\$187	3.3%	\$7,545	5.3%
2010	\$196	3.2%	\$9,019	5.7%
2011	\$230	2.8%	\$10,128	6.4%
2012	\$220	1.8%	\$11,281	6.2%
2013	\$221	2.4%	\$11,983	6.4%
2014	\$229	2.5%	\$12,780	6.5%
2015	\$223	2.1%	\$13,117	6.0%
2016	\$240	1.8%	\$14,168	6.2%
2017	\$263	2.7%	\$14,824	6.8%
2018	\$310	2.6%	\$15,790	7.4%

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7) Restoring Fiscal Responsibility

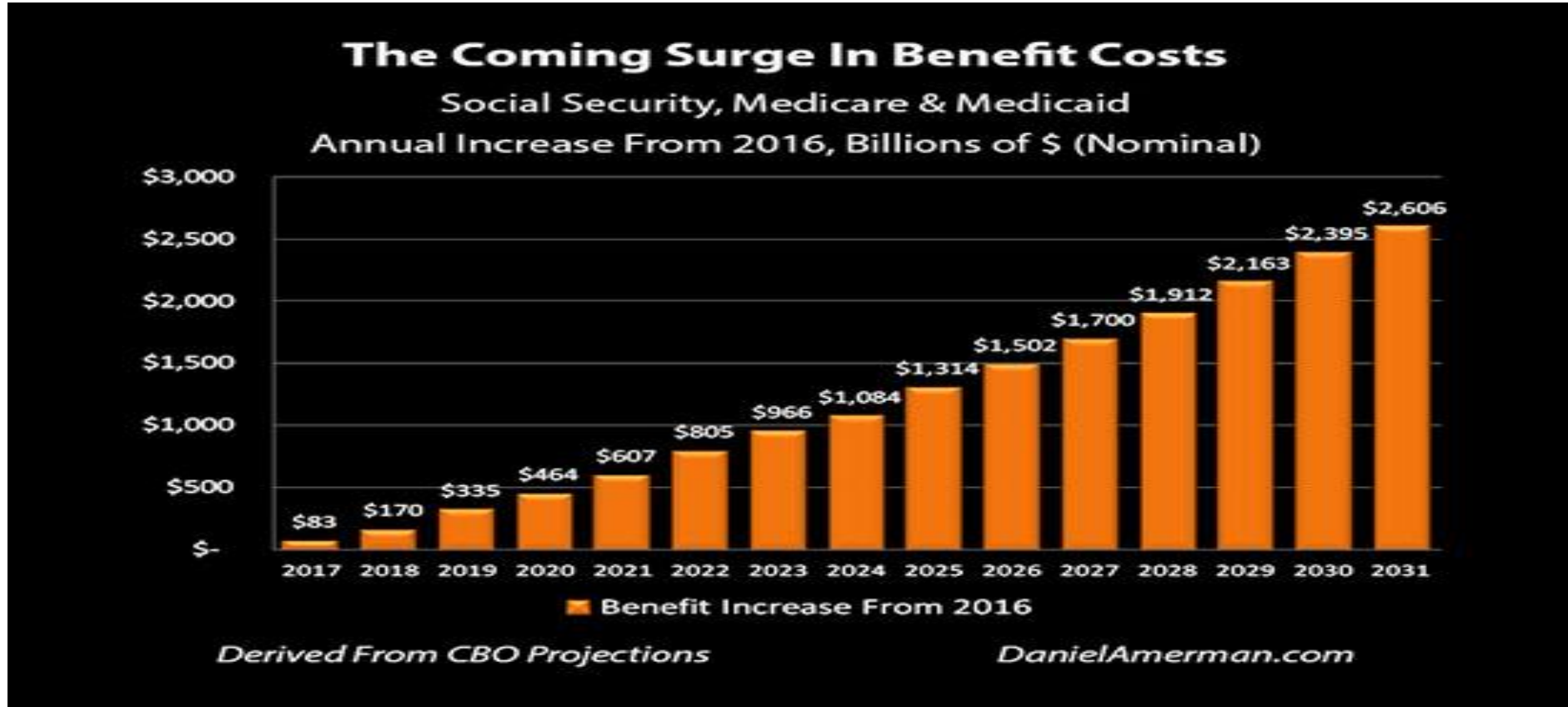
Our National Debt of **\$16 trillion** is going to be extremely troublesome if interest rates rise significantly.



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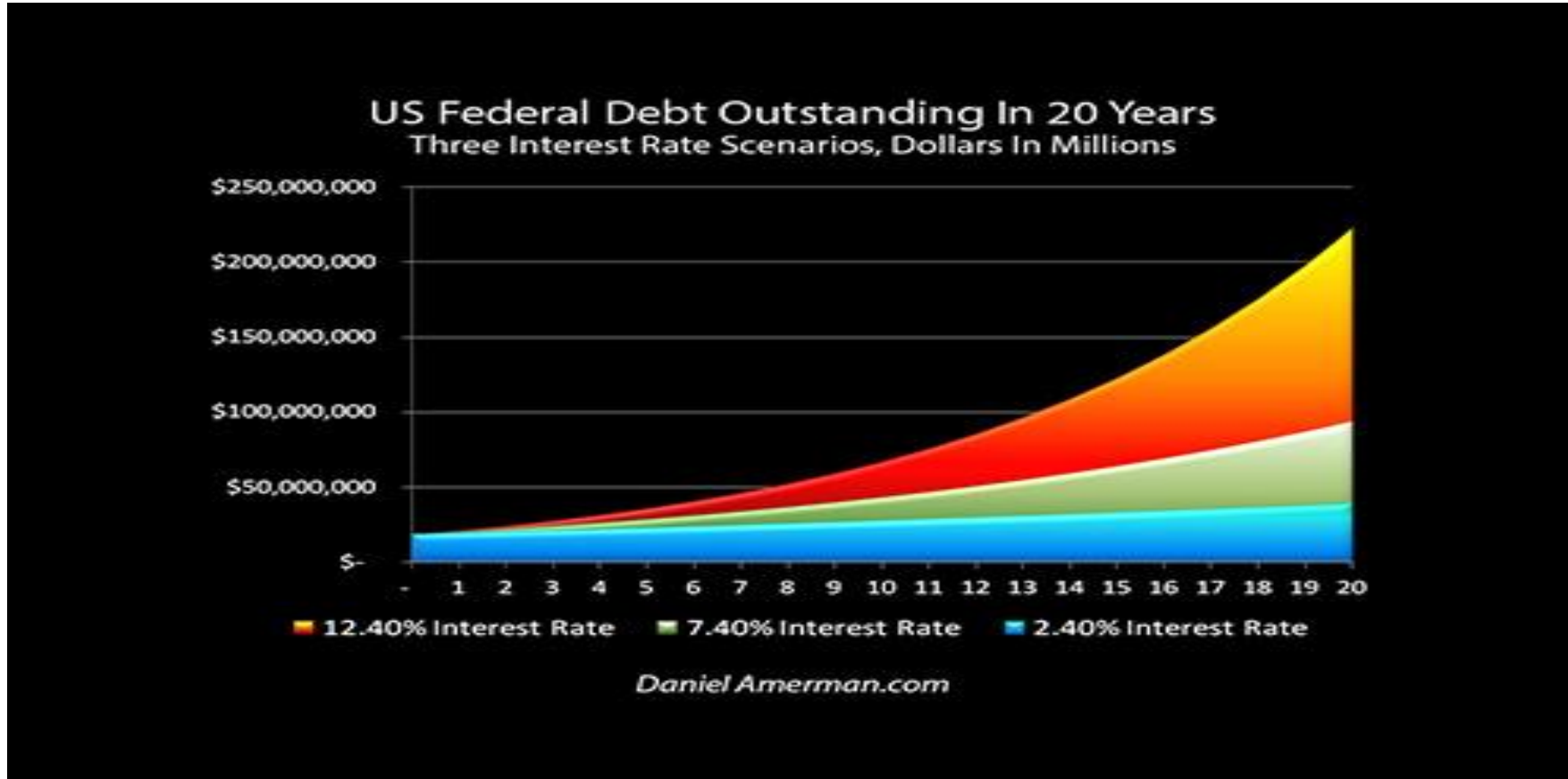
7) Restoring Fiscal Responsibility – The coming surge in Social Security, Medicare and Medicaid costs.



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7) Restoring Fiscal Responsibility – Rising national debt combined with higher interest rates could cause the total national debt to soar!



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7) Restoring Fiscal Responsibility:

Rising debt levels and higher interest rates, could push debt service payments up from the current 7.4% of the total budget to 10%, 20% or higher!

Leaving far fewer dollars available to pay for vital government services .

Interest on the National Debt and How It Affects You

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8) The American Energy Revolution

Energy is an essential part of American life and a staple of the world economy. The Trump Administration is committed to energy policies that lower costs for hardworking Americans and maximize the use of American resources, freeing us from dependence on foreign oil. He approved the **Keystone XL Pipeline TransCanada pipeline** which will deliver oil from Canada, North Dakota and other northern US states to the Gulf Coast for refining.

By lifting burdensome regulations, increased energy production could generate over **\$30 billion**, in **additional wages** for oil industry workers, over the next 7 years.

Trump's energy policy begins with the recognition that we have vast untapped domestic energy reserves right here in America. The Trump Administration will embrace the oil and gas revolution to bring jobs and prosperity to millions of Americans. He wants to take advantage of the estimated **\$50 trillion** in untapped **oil and natural gas reserves**. He will use the revenues from increased energy production to rebuild our roads, schools, bridges and public infrastructure. Less expensive energy will hopefully be a big boost to American agriculture, as well.

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Top Energy Producers and Consumers

The American Energy Revolution
– Who produces and uses the most energy?

The United States produces the most energy, followed by China and Russia!

The US also consumes the most energy at 21% and China is in second place consuming 16% of the worlds energy.

PRODUCERS: Total World BTU Production:

United States	71 Quadrillion BTU
China	68 Quadrillion BTU
Russia	53 Quadrillion BTU
Saudi Arabia	25 Quadrillion BTU
Canada	19 Quadrillion BTU

CONSUMERS: Percent of Worlds Energy Consumption

United States	21%
China	16%
Russia	6%
Japan	5%
India	4%
Germany	3%

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8) The American Energy Revolution - Performance of Energy Stocks

Immediately after the election, Energy stocks shot out of the gate and many were up 20% to 50% during the thirty (30) day period immediately after the election. However, since December of 2016, most energy stocks have given back most of their gains and have fallen back to pre-election levels. Energy production is up but energy prices are down.

ENERGY					
Name	Description	Symbol	Stock Price 11/08/16	Stock Price 12/10/16	Stock Price 8/17/18
Transocean	Deep Water Drilling	RIG	11	15	11
Chesapeake	Oil & Nat Gas Driller	CHK	5	8	4
Cheniere Energy	Liquified Nat Gas	LNG	38	41	60
Exxon	Energy	XOM	83	93	79
iShares Energy	Energy ETF	XLE	67	78	73
FRAK	Fraking Energy	FRAK	16	19	16

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9) Health Care: Repealing Obamacare. And then?

Obamacare is imploding, and the Republicans have not put forth a viable option!

All of the provisions in the convoluted and highly complicated legislation, and many of the members of congress who saddled us with it never even read it. The Act itself is only 800 pages, but the regulations to implement it, are well in excess of 20,000 pages.

The Affordable Care Act (Obamacare) became a contradiction in terms:

- 1) It is no longer affordable
- 2) Insurance carriers are pulling out of state agencies
- 3) The success of the program is predicated on the premise that millions of healthy people who rarely use the insurance would more than make up for the sick people who use it constantly or those that cannot afford to pay for it. A huge transfer of wealth program.

This, of course, never materialized as the healthy people who could afford private insurance programs, for the most part, stayed with their employer-provided or personally funded programs, and the insurance companies in the Obamacare Program were left holding a very heavy bag of losses numbering into the billions with no feasible end in sight.

Despite the critical condition of Obamacare, the current Republican Administration cannot agree on a comprehensive plan to replace Obamacare!

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10) Restoring our Crumbling Infrastructure

The Trump administration tried to unveil a **\$1 trillion infrastructure plan in 2017, year, to be implemented over a ten year period, but could not get it through the Republican congress!**

The proposal will cover transportation infrastructure, energy, water, broadband and veterans hospitals. In addition, the Trump infrastructure plan will modernize U.S. roads, bridges, airports, electrical grid and water systems.

The administration also plans to offer incentives for public-private partnerships rather than simply fund improvements. **Repatriating assets from abroad, may be a way the government could tap into over \$2 - 5 trillion in private sector monies held by American Companies, in accounts overseas, and could provide hundreds of billions of dollars to revitalize our country's infrastructure.**

Construction of The Wall?

No comment

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10) Infrastructure - Top Performing Infrastructure Stocks

Despite the fact that a formal Infrastructure Program has not been approved by Congress, infrastructure stocks are performing quite well!

INFRASTRUCTURE

Name	Description	Symbol	Stock Price	Stock Price	Stock Price	Stock Price
			11/08/16	08/17/18	Gain \$	Gain %
US Steel	Steel Manufacturer	X	19	31	12	63%
Vulcan Materials	Cement	VULC	50	117	58	134%
Caterpillar	Industrial Equipment	CAT	80	140	60	75%
Steel Dynamics	Steel Manufacturer	STLD	27	46	19	70%
S&P 500 Index	S&P 500 Index	IVV	211	287	76	36%

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Since the November 2016 election, which stock market categories have benefited the most?

<u>FINANCIALS</u>			Stock Price
Name	Description	Symbol	Gain %
S&P 500 Index – ETF	S&P 500 Index	IVV	36%
Financials – ETF	Banking	XLF	40%
US Technology - ETF	Technology	IYW	56%
Defense – ETF	Aerospace/Defense	ITA	67%
Infrastructure - ETF	US Infrastructure	INFR*	86%

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Current performance of the 11 major stock market sectors, since the November 2016 election!

Name of ETF	Symbol	Stock Price
Technology	IYW	Gain % 56%
Consumer Discretionary	XLY	50%
Healthcare	XLV	42%
Financials	XLF	40%
Industrials	XLI	37%
Materials	XLB	28%
Utilities	XLU	17%
Energy	XLE	9%
Consumer Staples	XLP	8%
Real Estate	VNQ	7%
Telecom	IYZ	0%

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11) Tax Reform & Tax Cuts

Unfortunately, the Republicans could not get their act together and pass a legitimate tax restructuring/simplification plan. They did push tax cuts through the Congress and will address tax simplification/reform in 2018 & 2019.

Tax brackets for single filers

	2017		2018
10%	\$0-\$9,325	10%	\$0-\$9,525
15%	\$9,326-\$37,950	12%	\$9,526-\$38,700
25%	\$37,951-\$91,900	22%	\$38,701-\$82,500
28%	\$91,901-\$191,650	24%	\$82,501-\$157,500
33%	\$191,651-\$416,700	32%	\$157,501-\$200,000
35%	\$416,701-\$418,400	35%	\$200,001-\$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard deduction:	\$6,350	Standard deduction:	\$12,000
Personal Exemption:	\$4,050	Personal Exemption:	Eliminated

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11) Tax Cuts

About 70% of Americans claim the standard deduction, and their paychecks will almost certainly increase, albeit slightly. **A married couple making \$120,000 per year will save approximately \$3,600 per year under the new tax plan!**

Tax brackets for married taxpayers filing jointly

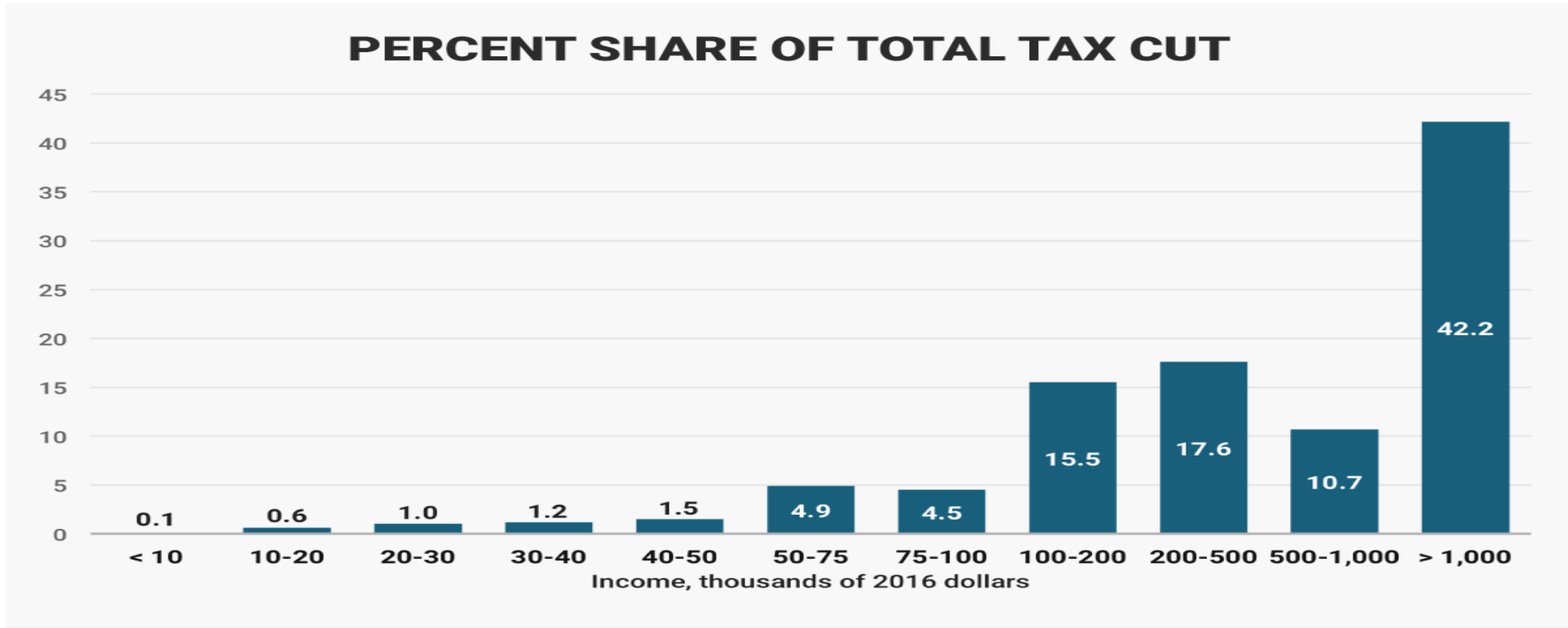
2017		2018	
10%	\$0-\$18,650	10%	\$0-\$19,050
15%	\$18,651-\$75,900	12%	\$19,051-\$77,400
25%	\$75,901-\$153,100	22%	\$77,401-\$165,000
28%	\$153,101-\$233,350	24%	\$165,001-\$315,000
33%	\$233,351-\$416,700	32%	\$315,001-\$400,000
35%	\$416,701-\$470,700	35%	\$400,001-\$600,000
39.6%	\$470,701 or more	37%	\$600,000 or more
Standard deduction:	\$12,700	Standard deduction:	\$24,000
Personal Exemption:	\$8,100	Personal Exemption:	Eliminated

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11) Revising the Tax Code – Who comes out ahead?



SOURCE: Tax Policy Center

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11) Reducing the Corporate Tax Rate

Much lower business tax rates: Trump slashed the corporate tax rate for all businesses from 35% to 21%. This will generate larger corporate profits, with the hope that these corporations will pass some of that newfound wealth down to employees, in the form of higher wages and bonuses.

A 21% rate would also be a huge drop from the 39.6% top rate paid by owners and shareholders of so-called pass-through businesses (sub-chapter "S" corporations) that run the gamut from small investment firms, mom-and-pop shops, law firms and hedge funds. In a pass-through business, the owners and shareholders report profits on their personal tax returns.

These lower tax rates will provide a significant amount of money for businesses and individuals to stimulate economic activity in the US economy.

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12) Repatriating Assets Back to the US

President Trump has successfully closed tax loopholes that have allowed American corporations stash \$2.4 to \$5 trillion in untaxed profits outside the United States.

By changing the corporate federal tax rate from **35 percent to 21%**, the impact of any tax payments collected on the repatriated cash profits are ginormous!

If all of that money had been taxed at 35%, it would have amounted to \$637 billion in taxes collected. That lost corporate tax revenue would amount to almost 45% of all the money (\$1.39 trillion) paid by Americans in personal federal income tax in 2014.

And the lost tax revenue is 200% more than the income tax paid annually by American corporations.

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12) Repatriating Assets Back to the US – where will the money go?

A gigantic pot of gold is overseas. Corporate tax rates have been lowered, now we can bring that money back into the USA.

If \$1 trillion of the \$2.5 to \$4 billion, were repatriated and companies used nearly all of it to buy back their own stock, the windfall to stockholders would be very large indeed:

- 1) It could come close to the \$975 billion in buybacks and dividends for all S&P 500 stocks over the past 12 months.
- 2) Dividends and buybacks are important, they push stock price higher.
- 3) For these reasons, investors might consider buying shares of companies with the biggest untaxed foreign earnings: Microsoft, General Electric, Apple and Pfizer, which also top the list of untaxed earnings giants.

The administration also plans to offer incentives for public-private partnerships rather than simply fund improvements. Repatriating assets from abroad, is one way the government could tap into private sector monies held by American Companies, in accounts overseas, and could provide hundreds of billions of dollars to revitalize our country's infrastructure.



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President Trump is only nineteen months into his Presidential Term and he has implemented a significant portion of his Agenda, despite the fact that the Republican Administration has been unable or unwilling to rally behind the President and achieve many of his objectives. The progress on his agenda has been held back by the fact that the Republicans can't get their act together, or convince any Democrats to support his agenda. If his Agenda is implemented, there should be a significant increase in prosperity, resulting in more jobs, increased wealth, better (fair) trade deals, an increase in exports, higher corporate profits, higher employee wages, a stronger dollar, global stability (financial & political) and a newfound respect for the United States of America, by foreign countries.

It is already having a major impact on the domestic economy. **People have more money in their pockets to spend (tax cuts & deregulation) and it is starting to show up in the economic data:**

- 1) July Retail Sales – largest monthly jump in 10 years
- 2) Unemployment rate 3.9%. Unemployment at/near record low levels for minorities, women and for youth (lowest in 50 years)
- 3) Walmart recently reported an 8% increase in sales, double their normal growth rates
- 4) **1st Qtr GDP = 4.1%, 2nd Qtr GDP = 4.2% annualized rate of growth, highest since 1st Quarter of 2012!**



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- 5) Business optimism is soaring (tax cuts, deregulation, pro business environment, etc.)
- 6) Mergers & Acquisitions activity broke the \$1 trillion mark in the first half of CY 2018
- 7) Repatriated assets are finding their way back into the economy
 - A) Building new plants & infrastructure – which creates more jobs
 - B) Stock buy back plans are pushing stock prices higher
 - a) Higher stock prices help investors (pension funds)
- 8) Higher interest rates, the result of more robust economic growth, increase bank profits, increase borrowing costs, but also increases investor returns on Bonds & CD's.
- 9) Initially the national debt will continue to grow, until increased economic activity generates more tax revenue to reduce the deficit. Debt levels must be reduced, because rising interest rates, will increase national debt service payments.

There is merit to the Trump Administration Agenda! Economic activity is accelerating! If the Economic Agenda of the President of the United States is implemented the result should be increased prosperity for all Americans!

LET'S WORK TOGETHER TO MAKE AMERICA GREAT AGAIN!



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THANK YOU!

**I appreciate the opportunity to make a
presentation at the
IGFOA 2018 ANNUAL CONFERENCE**

Enjoy the remainder of your day!

The IGFOA does not advocate for specific outcomes of legislation or take positions in regards to matters of public policy. Accordingly, the views or opinions expressed in this presentation should not be construed as representing the IGFOA's position as an organization.