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Trump revisited

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- **Financial markets disagree completely with all my friends what the Trump presidency will bring**
- **There is a big difference between European populists and Donald Trump**
- **Trump is perhaps Machiavellian, more so than crazy**
- **A lot of the campaign rhetoric may not make it onto the policy agenda**
- **The economic agenda will dominate and will be strongly pro business**

Almost all of my friends think that Donald Trump is crazy. In fact, most of the people I know think he is crazy. In addition, my American friends all think that Trump winning the presidency is a catastrophe. Emotions are running high.

Who am I to suggest so many highly intelligent people are wrong? Indeed, presidential candidate Trump has said quite some disturbingly weird stuff during the campaign. Equally disturbing are the enthusiastic congratulations he quickly received from many populist politicians around the world. But the short-term reaction in financial markets suggests that market participants see things somewhat differently from all the people I know.

It seems to me a little premature for a final verdict on the Trump presidency, but perhaps it is worthwhile thinking about what has happened and what might happen next, or to put it differently, to think about who is right, all the people I know or the financial markets.

Is Trump the Mother of all Populists?

The way Trump has won the presidency must certainly be labelled populist, depending, of course, on one's definition. It is very important, however, to stress the one, big and crucial difference between, say, the populists in Europe and Trump. What strikes me about the likes of Marine Le Pen, Nigel Farage and Geert Wilders is that these people are essentially career politicians, although Farage worked in the City of London for years, but never in a very senior role, and Le Pen worked as a lawyer. I may have missed it in the fact checking I did, but as far as I can see, these populists have never been in a position to bear responsibility for hugely important decisions. Whatever one thinks of Trump, he is different. He is used to taking decisions with big consequences. His business is big enough that he must also be used to delegating and taking advice from experts, even if that didn't really show during the campaign. In addition, he must know what it feels like if one takes a wrong decision.

What I mean to say is that European populists say disturbing stuff because they believe in it, while I think it is conceivable that Trump does not really believe himself in all the weird stuff he said? Let me explain myself.

If you are able to build the business that he built, you must be lucky, but you must also be very pragmatic, if not opportunistic, or better even, Machiavellian. What light does this shed on his election campaign? A possible explanation is that Trump realised he was not a politician and that he did not stand a chance in the campaign if he tried to be like the career politicians. He had to stand out. And so he did. He also realised that there is growing resentment against the political establishment. So he tried to mobilise it. And very successfully. My guess is, therefore, that Donald Trump is extremely Machiavellian and that he may have said all this weird stuff to get elected without actually believing it himself. This could be the biggest difference between European populists and Trump and I think it is somewhat laughable that Le Pen etc welcome him as their great informal leader. In fact, I think it is likely that Trump couldn't care less about Le Pen etc. Compare, for example, Trump's economic agenda with what we know of the PVV economic agenda in the Netherlands: very, very different.

Cause for concern

I have indicated in my initial response to the election result that I have all sorts of concerns about the Trump presidency. They include his views on international trade, immigration, Fed independence, climate change, his (lack of experience in) foreign policy to name a few. Given the possibility that Trump is extremely Machiavellian and that he is used to taking advice from experts, I would not assume he will try to carry out all the things he has said about these topics. In the case of a person like Donald J. Trump, there may be an even bigger difference than with regular politicians between campaign rhetoric and the actual policy agenda.

Cause for hope

There are also several reasons to be hopeful about the Trump presidency. First, Trump's choice of Mike Pence for his running mate and now Vice President shows realism as Pence seems to be a stable factor and a person of integrity. He disagrees with Trump on some of the disturbing stuff Trump has said during the campaign such as immigration and foreign policy. Hopefully, there are enough checks and balances in the system to prevent many extreme policies. Some of the names of the people involved with the campaign so far are also reassuring in my view. For example, David Malpass was named economic advisor to the campaign in August and may well play a key role in the new Administration. One can disagree with Malpass' views, but he is a respectable economist.

A second area of hope is the economy. Trump will want to show what he is about sooner rather than later. And the most likely early policy initiatives are in the area of economic policy. I think he is likely to provide the economy boost through tax cuts and infrastructure spending. This will increase the budget deficit, but that is something we can worry about later.

In addition, I think that Trump will surround himself by economic advisers focussing on the supply side of the economy, David Malpass, mentioned above, being one of them. That is not a bad thing in my view. Let's face it, as Barack Obama highlighted in a recent essay he published in The Economist, one of the biggest economic challenges we face is low productivity growth. Isn't that a supply-side problem? I am not saying the Trump team will find the solution, but it is possibly a refreshing approach compared to all the 'there is a lack of demand school of thought'.

Politically incorrect?

Do not get me wrong. I am not a Trump fan. What I do want to say, however, is that many people make assumptions about the Trump presidency that may prove incorrect. When Ronald Reagan won White House most of my friends thought he was crazy and we could not understand how the Americans could elect such a man. Then the economy improved a lot and Reagan is now seen by many of his initial critics in a positive light. The same may happen in this case.

What is crucial to watch now is the composition of the new Administration, the names of the economic advisors and the tone of the President-elect. Trump was elected democratically and he must have a chance to do what he thinks he should. There are quite some areas of concern, but I would suggest that it may be a mistake to assume that a lot of the campaign rhetoric makes it onto the policy agenda. It is understandable that Trump opponents feel disappointed and angry and that emotions are running high. It is also understandable that these emotions contribute to the conclusion that the Trump presidency will be a disaster, but we should try to focus on the future as much as possible in a rational way.

On balance then, I think financial markets may well be right responding positively to the election result after initial gyrations.

Main economic/financial forecasts											
GDP growth (%)	2014	2015	2016e	2017e	3M interbank rate	03/11/2016	10/11/2016	+3M	2016e	+12M	2017e
United States	2.4	2.6	1.5	1.9	United States	0.88	0.89	0.9	0.90	1.20	1.4
Eurozone	1.2	1.9	1.5	1.3	Eurozone	-0.31	-0.31	-0.35	-0.35	-0.35	-0.35
Japan	-0.1	0.6	0.6	0.7	Japan	0.06	0.06	0.0	0.00	0.00	0.0
United Kingdom	3.1	2.2	1.9	1.3	United Kingdom	0.40	0.40	0.4	0.40	0.40	0.3
China	7.3	6.9	6.7	6.5							
World	3.4	3.2	3.0	3.4							
Inflation (%)	2014	2015	2016e	2017e	10Y interest rate	03/11/2016	10/11/2016	+3M	2016e	+12M	2017e
United States	1.6	0.1	1.4	1.9	US Treasury	1.81	2.12	1.8	1.80	1.80	1.8
Eurozone	0.4	0.0	0.3	1.5	German Bund	0.16	0.28	-0.1	-0.10	0.00	0.1
Japan	2.7	0.8	-0.2	1.0	Euro sw ap rate	0.53	0.67	0.4	0.35	0.50	0.6
United Kingdom	1.5	0.0	0.5	2.3	Japanese gov. bonds	-0.06	-0.04	0.0	0.00	0.00	0.0
China	2.0	1.4	2.0	2.0	UK gilts	1.20	1.34	1.1	1.20	1.30	1.4
World	3.4	2.9	3.0	3.2							
Key policy rate	10/11/2016	+3M	2016e	2017e	Currencies	03/11/2016	10/11/2016	+3M	2016e	+12M	2017e
Federal Reserve	0.50	0.75	0.75	1.25	EUR/USD	1.11	1.09	1.10	1.10	1.10	1.10
European Central Bank	-0.40	-0.40	-0.40	-0.40	USD/JPY	103.0	106.8	103.0	103.0	108.0	110
Bank of Japan	-0.10	-0.10	-0.10	-0.20	GBP/USD	1.25	1.25	1.25	1.25	1.30	1.33
Bank of England	0.25	0.25	0.25	0.25	EUR/GBP	0.89	0.87	0.88	0.88	0.85	0.83
People's Bank of China	4.35	4.35	4.35	4.10	USD/CNY	6.77	6.80	6.80	6.80	6.95	7.00

Source: Thomson Reuters Datastream, ABN AMRO Group Economics.

Day	Date	Time	Country	Key Economic Indicators and Events	Period	Latest outcome	Consensus	ABN AMRO
Monday	14/11/2016	00:50:00	JP	GDP - % qoq	3Q P	0.2	0.2	
Monday	14/11/2016	03:00:00	CN	Industrial production - % yoy	Oct	6.1	6.2	
Monday	14/11/2016	03:00:00	CN	Retail sales - % yoy	Oct	10.7	10.7	
Monday	14/11/2016	03:00:00	CN	Fixed investment - % yoy	Oct	8.2	8.2	
Monday	14/11/2016	05:30:00	JP	Industrial production - % mom	Sep F	0.0		
Monday	14/11/2016	11:00:00	EC	Industrial production - % mom	Sep	1.6	-1.0	-1.3
Monday	14/11/2016		RU	GDP - % yoy	3Q A	-0.6	-0.5	
Monday	14/11/2016	19:20:00	US	Fed's Kaplan, speaks in Wichita Falls				
Monday	14/11/2016	23:00:00	US	Fed's Lacker, speaks in Chestertown, MD				
Tuesday	15/11/2016	08:00:00	DE	GDP - % qoq	3Q P	0.4	0.3	0.3
Tuesday	15/11/2016	09:30:00	NL	GDP - % qoq	3Q P	0.6		0.3
Tuesday	15/11/2016	10:30:00	GB	CPI - % yoy	Oct	1.0	1.2	
Tuesday	15/11/2016	11:00:00	EC	GDP - % qoq	3Q P	0.3	0.3	0.3
Tuesday	15/11/2016	11:00:00	DE	ZEW index (expectation economic growth)	Nov	6.2	7.9	6.0
Tuesday	15/11/2016	13:00:00	IN	CPI - % yoy	Oct	4.3	4.1	
Tuesday	15/11/2016	13:30:00	US	Fed's Rosengren, speaks in Portland				
Tuesday	15/11/2016	14:30:00	US	Empire State PMI - Manuf. general business conditions - index	Nov	-6.8	-3.0	
Tuesday	15/11/2016	14:30:00	US	Retail sales - % mom	Oct	0.6	0.5	
Tuesday	15/11/2016	15:05:00	US	Fed's Tarullo, speaks in Washington				
Tuesday	15/11/2016	16:00:00	US	Business inventories - % mom	Sep	0.2	0.2	
Tuesday	15/11/2016	19:00:00	EC	ECB's Nowotys speeches on Brexit in Vienna				
Tuesday	15/11/2016	19:30:00	US	Fed's Fisher, Brookings Institution Market Liquidity				
Tuesday	15/11/2016	19:30:00	US	Fed's Kaplan, speaks in Dallas				
Wednesday	16/11/2016	09:00:00	US	Fed's Bullard, speaks in London				
Wednesday	16/11/2016	10:30:00	GB	Change in claimant count - thousands	Oct	0.7	2.6	
Wednesday	16/11/2016	10:30:00	GB	Claimant count unemployment rate - %	Oct	2.3	2.3	
Wednesday	16/11/2016	13:45:00	US	Fed's Kashkarin speaks in New York				
Wednesday	16/11/2016	14:30:00	US	Prod. prices index excl food and energy - % mom	Oct	0.2	0.2	
Wednesday	16/11/2016	14:30:00	US	Prod. prices index - % mom	Oct	0.3	0.3	
Wednesday	16/11/2016	15:15:00	US	Industrial production - % mom	Oct	0.1	0.2	
Wednesday	16/11/2016	16:00:00	US	NAHB home builders' confidence index	Nov	63	63	
Wednesday	16/11/2016	23:30:00	US	Fed's Harker speaks in Philadelphia				
Thursday	17/11/2016		NE	Unemployment rate	Oct	5.7		5.7
Thursday	17/11/2016	10:30:00	GB	Retail sales - % mom	Oct	0.0	0.4	
Thursday	17/11/2016	11:00:00	EC	Core inflation - % yoy	Oct F	0.8	0.8	
Thursday	17/11/2016	14:30:00	US	Inflation excl food and energy - % mom	Oct	0.1	0.2	
Thursday	17/11/2016	14:30:00	US	Inflation excl food and energy - % yoy	Oct	2.2	2.2	
Thursday	17/11/2016	14:30:00	US	Inflation (CPI) - % mom	Oct	0.3	0.3	
Thursday	17/11/2016	14:30:00	US	Housing starts - % mom	Oct	-9.0	10.9	
Thursday	17/11/2016	14:30:00	US	Philadelphia Fed - business confidence - index	Nov	9.7	7.6	
Thursday	17/11/2016	14:30:00	US	Inflation (CPI) - % yoy	Oct	1.5	1.6	
Thursday	17/11/2016	16:00:00	US	Fed's Yellen testifies to joint Economic Committee on Economy				
Thursday	17/11/2016	20:00:00	MX	Policy rate - %	Nov 17	4.75		
Thursday	17/11/2016	22:45:00	EC	ECB's Praet speaks in New York				
Friday	18/11/2016	06:30:00	NL	Consumer confidence - index	Nov	12		10
Thursday	17/11/2016	09:00:00	EC	ECB's Draghi speaks in Frankfurt				
Friday	18/11/2016	10:00:00	EC	BOP Current account - EUR bn	Sep	23.6		
Friday	18/11/2016	11:30:00	US	Fed's Bullard speaks in Frankfurt				
Friday	18/11/2016	15:30:00	US	Fed's George speaks in Houston				
Friday	18/11/2016	19:30:00	US	Fed's Kaplan speaks in Houston				

Source: Bloomberg, Reuters, ABN AMRO Group Economics (we provide own forecasts only for selected key variables and events)

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