
DISCUSSING POLITICS, INDEXING, MACRO AND MYRTLE BEACH CONFERENCE

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08/23/2017

We cannot avoid the discussion of politics in today's market, and last week we had one of the leading commentators on the subject—Greg Valliere, chief global strategist at Horizon Investments—on our podcast.

We also had a great conversation with Jared Dillian, author of *The Daily Dirtnap*, about his take on the market and what parts of the world he is over-weight. We previewed a debate that Dillian and I will be having on the case for ETFs versus active investing at the first *Daily Dirtnap* conference in Myrtle Beach, South Carolina, October 19–20. Dillian has a great lineup of speakers; I'd encourage you to make a trip if you have time.

Republican Agenda or Trump's Agenda?

Valliere's contacts in Washington have suggested that Republicans such as Senate Majority Leader Mitch McConnell and House Speaker Paul Ryan are moving on with their own agenda and consider President Trump largely irrelevant. They are looking to ignore all his tweets and focus on getting a budget passed, deal with the debt ceiling in September, then tackle tax reform. Valliere thinks we might have unrealistic expectations about the timing of when it all can be passed, given the budget and debt ceiling discussions; late winter, early spring is when he expects tangible progress.

Cohn, Bannon, Trump?

Valliere said very candidly that the problem we have is not with Steve Bannon, despite the market's rally Friday on news he was leaving the White House. The problem is Trump himself and the upsetting comments he has been making. There are open questions about Gary Cohn, who is reportedly an observant Jew, and whether his distaste for Trump's comments will cause him to resign as director of the National Economic Council. Valliere thinks he is a "loyal soldier" and will remain as part of the team, particularly as part of a bid to replace Janet Yellen as Fed chair.

Trump Uniting Country—Against Him

There were rumors this week that Democrats and Republicans are coming together to create a bipartisan plan to support infrastructure and tax reform. Perhaps the distaste for Trump might create a more bipartisan action plan united against the White House.

Democratic Civil War

Valliere pointed out that lost in discussions of action in the past week is how the Democrats are engaged in a real battle over the future of their party. Senators Bernie Sanders and Elizabeth Warren want a litmus test for all candidates running for office in 2018 to be support for a single-payer health insurance plan.

Around the world with Dillian

Turning to conversations on the markets, our discussion with Dillian focused on the following topics:

- We discussed why he believes a random selection of 10 stocks might lead to more diversified exposure than just the [S&P 500 Index](#) and how [passive](#) flows are being led by performance chasers (in his view).
- We talked about why he thinks the next decade can be about emerging markets, and we reviewed two countries in particular: India and Turkey. One is more long-term focused (India) and the other short-term (Turkey).
- Dillian shared his doubts about Bitcoin and how the case for gold today could be inversely tied to the prospects for Bitcoin. He suggested that if you want a “[short](#) Bitcoin strategy alternative,” just buy gold.
- We also touched on the case for Europe and the euro, which Dillian has been [bullish](#) on from early this year, ahead of the French elections. He nailed that call. He thinks Europe has more to go, and he still likes the euro.

Dillian and Valliere are both return guests for the show, and we enjoy chatting with them every time. You can listen to the full discussion here:

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Bullish: a position that benefits when asset prices rise.