# Weekly Market Insights

**January 21, 2020**

# Impeachment!

Today begins the impeachment proceedings against Donald Trump, the third time for a president in the history of the United States. Last week, investors appeared to shrug off the coming momentous event and, again, moved equity markets to new record highs. The Dow Jones Industrials closed at 29,348.10 up 1.82%, the S&P 500 increased 2.97% to 3,329.62, and their smaller cousins, the NASDAQ Composite, rose 2.29% to close at 9,388.94.

## ***Tensions Subdued***

In the face of impeachment proceedings, investors appeared to find comfort in a relaxed atmosphere on the trade front. Another reason investors may have shrugged off the forthcoming impeachment proceedings is that they have assumed, as most political analysts have, that the process is doomed in the Senate. We agree that the most likely outcome is acquittal in the Senate. There are other reasons why investors remain positive. Tensions appear to have calmed a bit between the United States and Iran. This is not due to any successful diplomacy, but Iran has its hands full trying to cope with their accidental shooting down of a Ukrainian airliner. They first denied it and then were forced to admit to it.

China and the United States signed the first of a series of trade agreements. The agreement was certainly not momentous, but enough to encourage investors. China's bargaining position continues to deteriorate. Their economy continues to slow; the last economic release indicates a marked slowdown in car sales. China experts continue to lower their expectations for GDP growth, with some as low as 3%. Hong Kong remains inflamed. Add to that, with a new virus outbreak and President Xi's growing domestic problems, he doesn't need a trade war to add to his problems. We have written before that we think China has more problems than most are aware of and can ill afford a full blown trade war. The only danger is a mistake. Mistakes are the most predominant reason for economic crises. The mistake China may make is trying to shift public unrest due to domestic problems to evil foreign interests.

As economic releases are published, they show the U.S. economy growing steadily at a reasonable rate, not so fast as to create inflation, so the worry about the Federal Reserve raising interest rates is on the back burner.

## ***The Fed***

The Senate will have more on its plate than impeachment. The President is reportedly ready to put forward his nominees for the two vacant Fed Governors seats. As readers will recall, the President had earlier put forward two candidates that even his own party wouldn't go for, Herman Cain and Stephen Moore. Both were highly political candidates and backers of Trump. Before running for president briefly in 2016, Mr. Cain started and ran a very successful pizza chain. Mr. Moore was a campaign aide to Mr. Trump and a journalist. They both dropped out of consideration.

The new candidates are better. Mr. Christopher Walker is a respected researcher at the St. Louis Federal Reserve, well known to the economics community. He should have no trouble in the Senate. Ms. Judy Shelton is an economist and was an advisor to candidate Trump. She is a more interesting, if not slightly controversial, nominee. Ms. Shelton has, in the past, been in favor of returning to the Gold Standard. This is an interesting fact, since as an advisor to the Trump campaign, she advocated monetary tightening, but subsequently when she switched to advising the Trump campaign, she argued for continued monetary easing. This would appear to fly in the face of advocating the Gold Standard. She may have trouble.

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