

HERE'S THE THING!

There is a populist revolution underway worldwide. It is a largely peaceful revolution with some very surprising twists and turns and a sense of foreboding and uncertainty in the minds of many. We should not be intimidated by what we heard and saw through two years of US election campaigning. It was bravado whose purpose has been served. It bears little relationship to decisions that will be made going forward.



WE'VE LEFT THE LOCKER ROOM!

LOCKER ROOM TALK!

I am thinking about the populist revolution that is now so global, so well advanced that only the most dedicated ascetics may justify their innocence of the events and of curiosity regarding the potential outcomes. Collectively, we in the financial services industry can claim much credit for this state of affairs as we, through our naiveté and our pursuit of material gain, led the world to the brink of economic collapse in 2008. The Financial Crisis and the Great Recession that followed then served to exacerbate income inequality around the world and spurred the working class of the free world to rise up by exercising their right to vote above all, for CHANGE. For hope was taken from them.

But events of this past week have led many to believe that hope has returned! A mindset that, beyond journalistic representation, expressed itself in the Occupy Wall Street movement of 2011 and matured with the Brexit vote in June of this year, has found new impetus, in the form of the new President Elect of the United States of America. Once the initial shock of the US election result was out of the way, equity markets settled down and posted some modest gains; U.S. Republicans (and leading Democrats) scrambled, and quite successfully, to discount the vitriolic exchanges of the election campaign and to tone down the rhetoric that has formed such a large part of the debate around the real issues. And in optimistic quarters, a new hope has arisen, that despite his outrageous and persistent claims during the campaign, and despite his past personal and corporate transgressions, Donald J. Trump may not be such a bad guy after all.

On this account, call me naïve, but label me optimistic. And here's why:

I am familiar with locker room talk. I grew up in locker rooms through sports programs in high school, university and "old-timers' leagues and I witnessed and joined in the bravado that young men share in the joy of victory, less of course in the agony of defeat. Locker room talk is not a good thing. In my experience, locker room talk can be sexist, but it is not predominantly so. The greater impetus as the sweat, dirt and blood is cleaned from young, muscular bodies, is to substantiate one's invincibility and superior strength, intellectual and physical. Locker room talk is thus a means to impress, and if necessary to intimidate others, to test your worldviews and to press your ideas in an attempt to bring those around you into your own circle of influence. By this definition, Donald J. Trump is a master of locker room talk. And sadly for the Democratic Party, the party that once was the party of the people, Hillary Clinton allowed herself to be bated into a contest of hostility, hatefulness and vitriol right there on Mr. Trump's playing field – in his locker room!

This understanding of locker room talk infers of course, that it is not and it is not intended to be, truthful. It may include threads of truth to preserve credibility but both the agent and the audience implicitly accept that its primary purpose is to win over the audience by whatever means is necessary. Truth is willingly sacrificed by all concerned in pursuit of the main goal which is to appoint a strong team leader. Only once the psychological battle for power is won, is the acknowledged leader able to reveal, as time and circumstances permit, their real character. Only at that point can we begin to judge their motives, their sensitivity or insensitivity to the opinion of others and their willingness or otherwise to reverse their stance on critical issues as the facts are revealed and clarified. I expect that now that we are out of the locker room, Donald Trump's behavior will subtly, but significantly transform. This weekend's Financial Times says "His policy ideas are a spaghetti bowl of priorities and philosophies, which show Mr. Trump to be less of an ideologue and more of a dealmaker."ⁱ In all respects, as a dealmaker, it cannot be denied that Donald Trump has established a very strong opening negotiating position on behalf of his country. But as a dealmaker, and not an ideologue, he will bend before he allows his country to suffer the consequences of excessive isolation from trade and immigration arrangements that serve in direct and indirect ways to benefit the US economy and his own chances for a successful presidency. He will attend to working class demands but not allow them to undermine the potential for growth in the corporate sector in spite of stated and implied promises to his largest support group. He will "reduce the weight of government on businesses and individuals by cutting taxes, regulations and healthcare obligations"ⁱⁱ but he will not overturn Obamacare as he promised he would. And I tentatively, and hopefully submit that he will demonstrate that he equally respects men and women who possess the skillsets, values and determination to help him see through his personal mission for his country. Donald Trump projects arrogance, but not ignorance, and not an inability to learn. Accordingly, the people of the world should not be intimidated. And as Mrs. Clinton herself has said, "We owe him an open mind and the chance to lead."

OUR CLOSING ARGUMENT: And what has all this to do with the investment business that we love? Just this: there is also a populist revolution underway in the investment industry. Investors are demanding a fairer share of returns generated on their assets and our largest banks are slow to respondⁱⁱⁱ. Regulators have worked effectively to identify these problems but the broad brush of increased regulation is effectively choking off new and independent firms from the investment industry by the imposition of reporting and compliance requirements that are unnecessarily onerous and prohibitively expensive for smaller firms. Donald Trump leans favorably in the direction of Wall Street."^{iv} Wall Street will certainly lobby for less industry regulation and honest brokers, entrepreneurs and their clients can always benefit from less regulation. But smaller, independent investment firms are seeking smarter, tailored regulation that recognizes differences in the potential for indiscriminate action by the size of firms and by the nature of their services. If Washington connects intelligently with Wall Street, opportunities in our industry will increase, for big and small investment firms alike, and our CLIENTS will be better served.

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OUR HOPE:

May this populist revolution remain peaceful and may our new world leaders possess the wisdom to respond for the betterment of all humankind.

ⁱ "The Next Four Years" by Demetri Sevastopulo, Sam Fleming and Barney Jopson; FT WEEKEND, US Edition; 12, 13 November 2016; p.8.

ⁱⁱ Ibid "The Next Four Years".

ⁱⁱⁱ According to a Reuters Canada, October 28 report, "CIBC has agreed to a no-contest settlement with the Ontario Securities Commission that will see CIBC compensate customers a total of C\$73.3 million for excess fees . . . (several) other Canadian financial institutions have agreed to similar settlements." (<http://ca.reuters.com/article/businessNews/idCAKCN12S2KR>)

^{iv} "Dimon rumours reconnect Washington with Wall St" by Ben McLannahan; FT WEEKEND, US Edition; 12, 13 November 2016; p.3.