

PENNOCK IDEA HUB

eResearch Corporation is pleased to feature an investment article by Edward Pennock, who is a seasoned investment professional. He, together with other experienced investment specialists, has formed a comprehensive investment website known as **Pennock Idea Hub**.

One of the features of the website is **The Morning Call**, a daily article that features an insightful commentary on the market.

Today's article begins on the following page, and is entitled:

So, Where To Now?

You can access the **Pennock Idea Hub** website at the following link:

<http://pennockideahub.com>

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Research Reinvented

Tuesday, February 21, 2017

The Morning Call

So, Where To Now ?

Unfortunately, we find that there does not seem to be much that has not been discovered before. It is not exactly the same, but it rhymes.

Here is Bernard Baruch.

"All economic movements, by their very nature, are motivated by crowd psychology. Without due recognition of crowd-thinking ... our theories of economics leave much to be desired. ... It has always seemed to me that the periodic madness which afflicts mankind must reflect some deeply rooted trait in human nature - a trait akin to the force that motivates the migration of birds or the rush of lemmings to the sea ... It is a force wholly impalpable ... yet, knowledge of it is necessary to right judgments on passing events".

When market uncertainty is rampant, we "risk off". Sell stocks, buy high-quality bonds, like Treasuries. And we wonder if it is time to buy Gold?

Our old friend, Neil Lovatt, told us that there are very few things that are certain in the market. When the yield curve inverts, it is time to sell. When real rates go negative, it is time to buy Gold. He asserted that they always work.

Our experience is that Neil is right. It is easy to get excited. It is easy to be bewildered by the Trump regime. But real rates are not YET negative. They will get there. Not YET. The yield curve has not inverted. Not YET.

There is a lot written about the market unleashed by Trump.

Here are the facts.



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Election Winner	30th day in office	DJIA	% Chg
Theodore Roosevelt (R)	4/3/1905	81.13	6.55%
William McKinley (R)	4/3/1901	71.35	5.58%
William Taft (R)	4/3/1909	85.94	5.07%
Franklin D. Roosevelt (D)	2/19/1945	159.01	4.13%
Donald J. Trump (R)	2/19/2017	20624.05	4.02%
George H. W. Bush (R)	2/19/1989	2324.82	4.00%
Franklin D. Roosevelt (D)	4/3/1933	55.69	3.44%
George W. Bush (R)	2/19/2005	10785.22	3.00%
John F. Kennedy (D)	2/19/1961	651.67	2.73%
William Clinton (D)	2/19/1997	7020.13	2.58%
William Clinton (D)	2/19/1993	3322.18	2.47%
Barack Obama (D)	2/20/2013	13927.54	2.04%
George W. Bush (R)	2/19/2001	10799.82	2.00%
Franklin D. Roosevelt (D)	2/19/1937	189.37	1.83%
Woodrow Wilson (D)	4/3/1913	82.16	1.80%
Ronald Reagan (R)	2/20/1985	1283.13	1.73%
Woodrow Wilson (D)	4/4/1917	95.83	0.83%
Warren G. Harding (R)	4/3/1921	75.27	0.21%
Richard Nixon (R)	2/19/1969	925.10	-0.66%
Lyndon B. Johnson (D)	2/19/1965	885.61	-1.08%

The holiday in Canada and the USA is behind us. The market is opening higher. Surveys of Manufacturing and Services will be released today. We get more FED speak too. We expect them to be upbeat. We would read that as potentially a June rate hike. Oil is pushing \$55. The markets see a stronger U.S. economy.



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The Flash IHS Markit Composite Index (Manufacturing and Services) is 56.0, up from January's 54.4. "It's Alive" as Gene Wilder famously said. Yesterday, as VP Pence headed over to meet the UE Council President Donald Tusk, he said he hoped for "the continued co-operation and partnership with the European Union". With the arrival of McMaster as the National Security Advisor, things may trend toward more normal protocols. The "New Normal" of course.

Cam Hui writes this morning that the European January CPI came in at +2.5%. That puts their 10-year into negative territory. Does one use the Core CPI? That would make the bull case for stocks. How does that correlate with the USD? How about Gold, as we said earlier? There is a huge disparity between core and headline. Stay tuned.

Invest the Money.

Regards,

Edward Pennock CFA, Founding Partner

ABOUT PENNOCK IDEA HUB

We are creators of independent equity research. The **Pennock Idea Hub** team members are veterans of the investment industry. Much of our team has spent their careers at Merrill Lynch, Deutsche Bank, RBC Capital Markets, and Wood Gundy. We have taken every aspect of research back to the studs and returned to first principles. The **Pennock Idea Hub** marries the interests of the sell- and buy-side.

We offer the best research for institutional investors by: only publishing research from veteran Analysts; eliminating the inherent conflicts of the traditional sell- and buy-side relationship; ensuring team accessibility; and collaborating with clients to nurture our collective success.

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