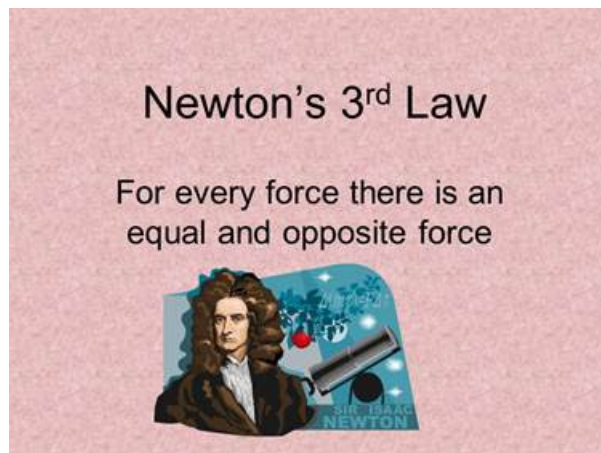


From: Ermes Monaco
Sent: June-05-17 4:13 PM
To: Ermes Monaco
Subject: VALUED CLIENT MAIL LIST: Economic Commentary - A Look at the Big Picture

HollisWealth^W MonacoAdvisorTeam

A PHYSICS LESSON FOR THE GLOBAL ECONOMY



Source: Google Images

It's been increasingly hard to ignore the elephant in the room when discussing the state of the global economy and financial markets. As we've recognized in recent newsletters, the financial markets have unwound the Trump "bump", the post-election market rally that was driven by expectations that the Trump administration would fast track tax cuts and infrastructure spending. What has become clear is that the President's agenda is unclear short of trying to fulfill campaign promises which were the product of electioneering. As a result, the financial markets are now more fully focused on corporate performance and intrinsic value assessments which is a healthy return to basics. ***Money will always quickly and effectively gravitate to where it can earn the best return sooner.***

However, the implications for the global economy are more profound. The U.S. administration's change of posture is disrupting the established post-war economic order which has been largely based on a strong leadership role played by the U.S. The historical approach has not only produced a number of global cooperative agreements such as NAFTA, NATO and most recently the Paris Climate

Accord, but, over the past decades, has allowed other nations to align their activities with the more powerful U.S. economy. Concurrently, the U.S. has also combined its democratic values in the process. This has provided a platform for developing countries to help expand their growth. The risk with this Manager/Subordinate model is that the entire process is disrupted when the Manager stops managing for all. According to the model, the subordinates play a participatory role which has never included a requirement to step in and take over in a leadership capacity. This has always been the domain of the U.S. until now.



Source: Google Images

What has changed in the U.S.? The Trump administration has assumed a more competitive, less cooperative global posture, abandoning and threatening the protocols and channels that have been the chief mechanisms for guiding global economic order. Political journalist and author Fareed Zakaria, who writes for the Washington Post and is featured on CNN, has interviewed an extensive cast of political analysts whose opinions represent a broad consensus that the Trump administration is abandoning the country's traditional global leadership role in favour of national centric focus addressing specific domestic interests. In the process, his contrarian and confrontational style is also damaging the prospects for an orderly global transition, leading critics to declare his lack of leadership skills.

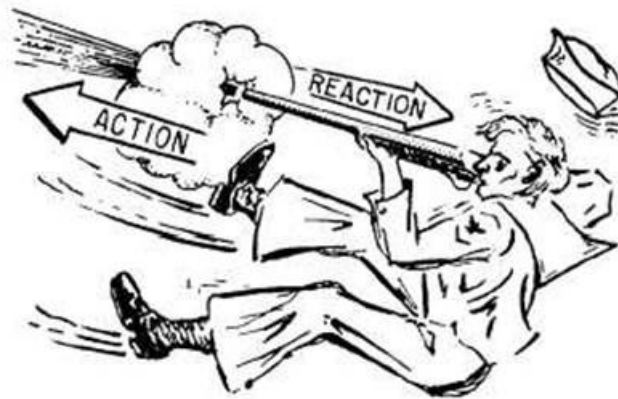
The difference between

Boss	Leader
Demands	Coaches
Relies on authority	Relies on goodwill
Issues ultimatums	Generates enthusiasm
Says "I"	Says "We"
Uses people	Develops people
Takes credit	Gives credit
Places the blame	Accepts blame
Says "Go"	Says "Let's go"
My way is the only way	Strength in unity

 HIGHER PERSPECTIVE
INSIGHTS • IDEAS • INNOVATIONS

Source: Google Images

BUT, and there's always a but, this is where the physics comes in. As Newton theorized, for every force there is an opposite and equal force:



Source: Google Images

Let's look at some of the opposite reactions to a changing U.S. role:

- A new show of unanimity has been most recently seen with world leaders re-affirming their commitment to the Paris Climate accord after Trump declared the U.S. will withdraw. There has been a tremendous cohesiveness amongst these leaders not only for the accord but in opposition to Trump.
- Countries are discussing new trade agreements amongst themselves to compensate for the possibility of further deterioration in U.S. – global trade.

- U.S. business leaders of such large companies as Boeing, Microsoft, Tesla, Ford, Starbucks, Nike and Apple are speaking out against and distancing themselves from the U.S. administration's stance on global issues as they believe this will be hurtful to the best interests of their companies and the U.S.
- Tourism to the U.S. is declining and is estimated it will cost the U.S. \$7.4 billion alone this year in lost tourist revenue (the Independent.co.uk).



Source: Google Images

This is how constructive change sometimes occurs. Joseph Schumpeter, an early to mid-20th century economist, referred to what he described as “creative destructivism” as an economic model that creates new innovation and opportunity from the breakdown of the existing order. However, a critical loss of intrinsic value will also occur in the process.

And then, there is always the possibility that the U.S. will resume its traditional role once Trump's term is up or is impeached. ***When this happens, we can be certain the markets will adapt without a hesitation in their continual quest for the best returns.***

Regards
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