



Let me suggest a warning. [Two week's ago](#), I discussed the failure of Congress to get the Affordable Care Act (ACA) repealed, much less replaced. The problem, of course, **is the failure to repeal the ACA leaves in question the ability to pass other agenda based items such as tax reform, border wall construction, repatriation or immigration reform.**

*"Reaching an agreement on the FY budget resolution will not be easy; in the past, conservatives have demanded a balanced budget within ten years **but this would require endorsing spending cuts (in non-binding form) that some centrist Republicans might oppose along with the BAT. Of course, while Wall Street believes 'tax reform' will be a much easier process than repealing health care, the reality is it could be just as tough as government entitlement programs, funding for Planned Parenthood, and other programs central to the Democrats, and some left-leaning Republicans, come under attack.**"*

This past week, while Congress still hasn't made any advance towards solving the current health care debate, Paul Ryan, House Majority Leader, confirmed **my discussion on the rising risk of tax reform failure.** [To wit:](#)

*"U.S. House of Representatives Speaker Paul Ryan said on Wednesday that tax reform will take longer to accomplish than repealing and replacing Obamacare would, saying Congress and the White House were initially closer to agreement on healthcare legislation than on tax policy. **'The House has a (tax reform) plan but the Senate doesn't quite have one yet. They're working on one. The White House hasn't nailed it down. So even the three entities aren't on the same page yet on tax reform.'**"*

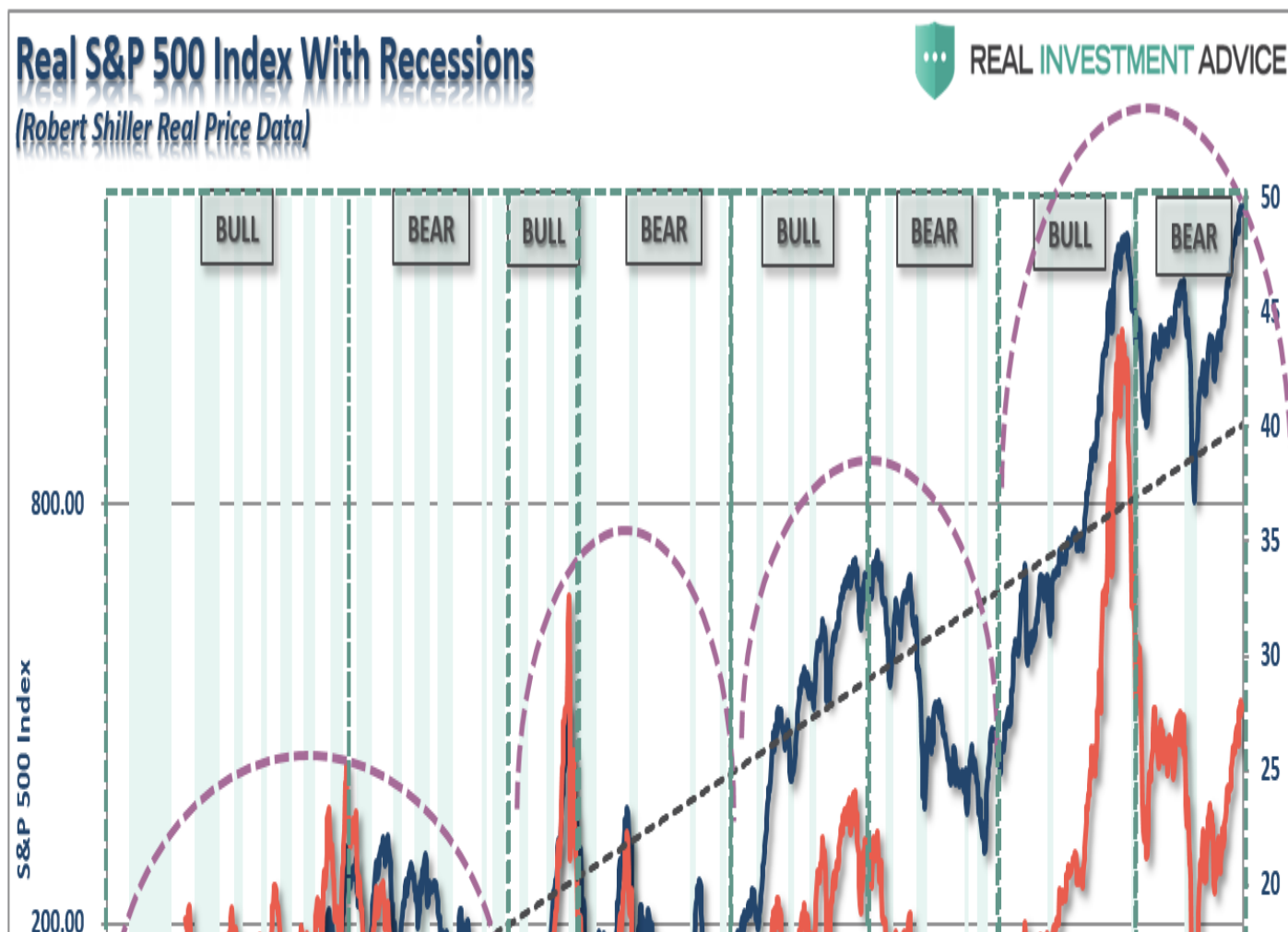
Just to remind you, **the entire catalyst behind the post-election rally has been the "hope" that tax cuts will boost earnings enough to support current market valuations.** However, interestingly, while the markets continue to hope for "fiscal policy" reforms, according to the release of the FOMC minutes there is little consideration being given to Trump's agenda. [From the minutes:](#)

*"Participants continued to underscore the considerable uncertainty about the timing and nature of potential changes to fiscal policies as well as the size of the effects of such changes on economic activity. However, several participants now anticipated that meaningful fiscal stimulus would likely not begin until 2018. **In view of the substantial uncertainty, about half of the participants did not incorporate explicit assumptions about fiscal policy in their projections.**"*

Furthermore, the FOMC also raised concerns over the level of valuations in the markets.

*"Broad US equity price indexes increased over the intermeeting period, **and some measures of valuations, such as price-to-earnings ratios, rose further above historical norms. A standard measure of the equity risk premium edged lower, declining into the lower quartile of its historical distribution of the previous three decades.** Stock prices rose across most industries, and equity prices for financial firms outperformed broader indexes."*

Of course, valuations have been a topic of great debate in recent months particularly as they pushed into levels only witnessed prior to the 1929 and 2000 crashes.



This leaves markets with the "hope" trade in peril as Congress continues to trip itself up in moving legislative agenda forward while, at the same time, the Fed has decided to accelerate the pace of monetary tightening and sending clear warnings to the markets. **This has "bad" written all over it.** Just some things I am thinking about this weekend as I catch up on my reading.

Trump/Fed/Economy

- **Fed's Balance Sheet Headed For The Crapper?** [by Danielle DiMartino-Booth via Money Strong](#)
 - **3-Precursors Of '08 Crisis Repeating Now** [by Nomi Prins via Daily Reckoning](#)
 - **The Economy Is Ruined For Many Americans** [by Wolf Richter via Wolf Street](#)
 - **Fed Minutes Show Move To Shrink Balance Sheet** [by Edward Harrison via Credit Writedowns](#)
 - **Cohn: Supportive Of Glass-Steagal Return** [by Bob Bryan via BI](#)
 - **Bond Market Says "Show Me!"** [by Caroline Baum via MarketWatch](#)
 - **Fed Is Worried About The Market** [by Frank Chaparro via BI](#)
 - **Dimon Warns Something Is Wrong** [by Tyler Durden via ZeroHedge](#)
 - **Fed Making A Historical Mistake** [by Pedro Da Costa via BI](#)
 - **Trump Ignores Monetary Policy** [by Brendan Brown via Mises Institute](#)
 - **Fed Touched On Soft/Hard Data Debate** [by Elena Holodny via BI](#)
 - **"Super Mario" Comes To The Rescue** [by Phillip Davis via Seeking Alpha](#)
 - **Of Course Trump's Tax Cuts Are In Trouble** [by Brett Arends via MarketWatch](#)
 - **The Message Of Falling Real Yields** [by Ben Emons via Bloomberg](#)
 - **GOP Is Blowing Tax Reform** [by Jake Novak via CNBC](#)
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Markets

- **Is The Trump Trade Fading** [by James Picerno via Capital Spectator](#)
 - **Expensive Stocks & End Of Trump Trade** [by Akin Oyedele via BI](#)
 - **What Happens To The Market When Fed Warns Of Valuation** [by Tyler Durden via ZeroHedge](#)
 - **Death Of The Reflation Trade** [by Eric Parnell via Gerring Capital](#)
 - **Stock Bond Ratio Back To 2007 Peak** [by Bryce Coward via Gavekal](#)
 - **Markets Are Set Up To Fail** [by James Rickards via Daily Reckoning](#)
 - **Trump Trade Is Over, Now What?** [by Myles Udland via Yahoo Finance](#)
 - **Not 2000, Not 2007 - A Nasty Bit Of Both** [by James Mackintosh via WSJ](#)
 - **Here's What Determines What Stocks Do Next** [by Anthony Mirhaydari via Fiscal Times](#)
 - **This Will Send Stocks Soaring** [by Michael Foster via Forbes](#)
 - **Odds Still Favor New Market Highs** [by Chris Ciovacco via Ciovacco Capital](#)
 - **Dividend Cuts Surge In March** [by Ironman via Political Calculations](#)
 - **Smart Money Vs. Dumb Money. Who's Right?** [by Simon Maierhofer via MarketWatch](#)
 - **Market Has A Wall Of Worry To Climb** [by Michael Farr via CNBC](#)
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Research/ Interesting Reads

- **World's Largest Investor Warns Of Overvaluation** [by Frank Chaparro via BI](#)
- **What Could Possibly Go Wrong** [by Axel Merk via Merk Investments](#)
- **50% Of Americans Live Paycheck-To-Paycheck** [by Quentin Fottrell via MarketWatch](#)

- **Student Debt Lender To Borrowers: "You're On Your Own"**[by Shahien Nasiripour via Bloomberg](#)
 - **Robots: Summers vs. Mnuchin**[by Brad DeLong via Project Syndicate](#)
 - **What's Hyperconvergence?**[by Therese Poletti via MarketWatch](#)
 - **Age: It Makes You Both Richer & Poorer**[by Timarr via Psy-Fi Blog](#)
 - **Millennials Are Killing Marriage**[by Ben Steverman via Bloomberg](#)
 - **5-Alarming Facts About Student Loan Debt**[by Eric Pianin via Fiscal Times](#)
 - **Phil Fisher's Investment Checklist**[via Market Folly](#)
 - **Peak Auto?**[by Vince Golle via Bloomberg](#)
 - **Very Slow Growth Already Baked In**[by John Hussman via Hussman Funds](#)
 - **Is Mexico The Unlikely Winner Of Trump?**[by Dana Lyons via Tumblr](#)
 - **Fed's Market Warnings Should Be Heeded**[by Jesse Felder via The Felder Report](#)
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?There is no training that prepares for trading the last third of a move, whether it's the end of a bull market, or the end of a bear market." -Paul Tudor Jones

Questions, comments, suggestions ? please [email me](#).