

STORM WARNING

Weekend Reading

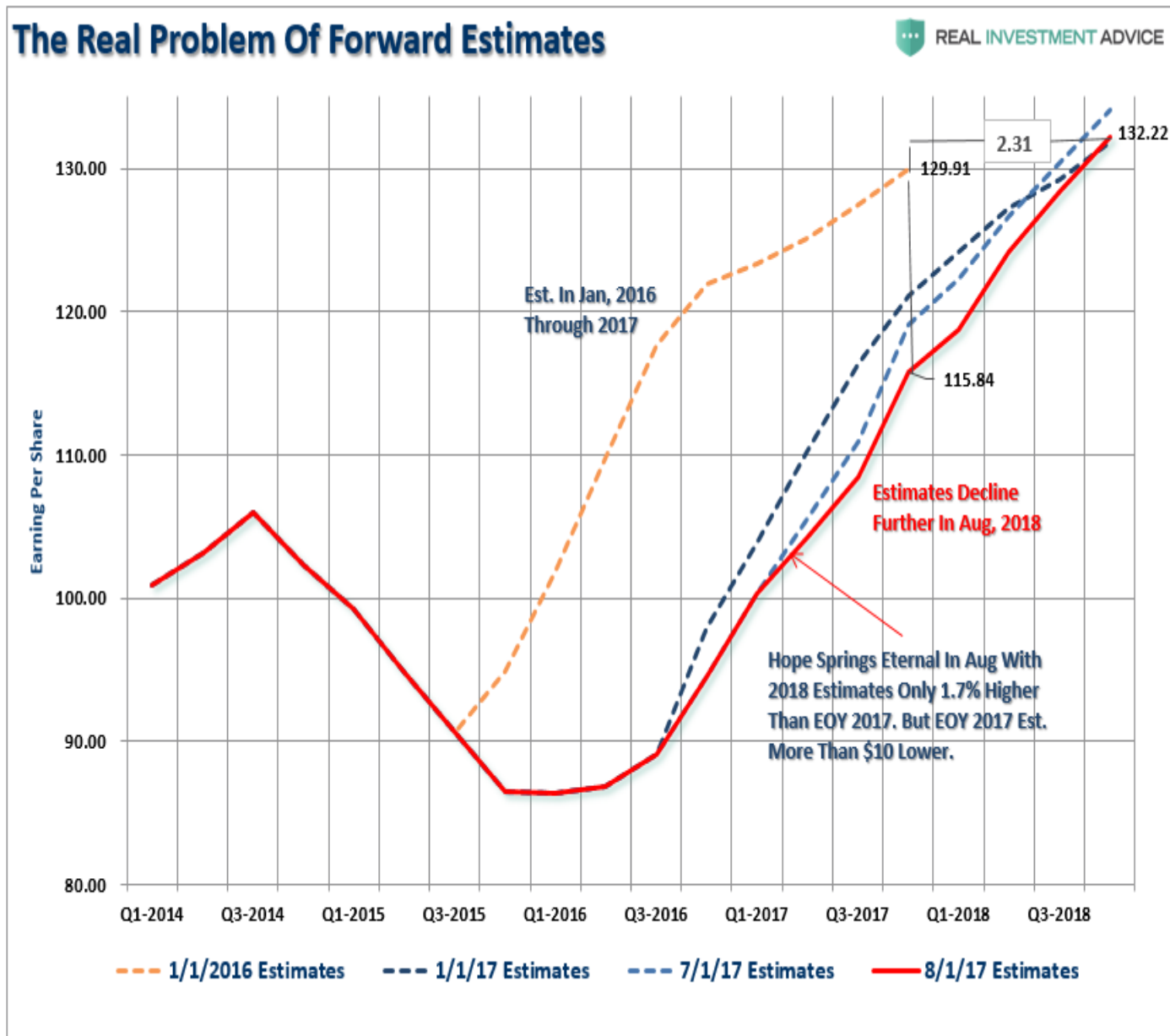


No, I am not talking about "Hurricane Harvey"•which will likely be the first hurricane to strike the Texas coast since 2008, but rather the potential for another "debt ceiling" debacle brewing in Washington. Just recently, Goldman Sachs raised its odds for a government shutdown from 33% to 50% which was further supported by recent statements from President Trump that he would be willing to risk a Government "shutdown" to get his border wall funded. However, as [Axios.com](https://www.axios.com) noted yesterday:

"A top Republican source•put the chance as high as 75%: The peculiar part is that almost everyone I talk to on the Hill agrees that it is more likely than not.' This may all come down•to Trump's mood. As Swan puts it: 'Trump is spoiling for a fight and the [conservative House] Freedom Caucus haven't had a fight for a while. That's a dangerous dynamic.'"

While a Government shutdown is often used as a mechanism to force legislative action by threatening default on the national debt. **Let me just reassure, the Government WILL NOT default on its mandatory spending requirements which include the social welfare system**

and interest payments on the debt. Given those items comprise 75% of the budget, the remaining 25% of discretionary categories could see cuts such as the temporary furloughs of some 900,000 government workers considered to be *"non-essential."* **Of course, if you have a job that is considered to be "NON-essential," maybe that is a good place to start cutting Government spending to begin with.** Sorry, I digress. **The REAL problem with a government shutdown is it will serve as another distraction to keep the current Administration off of their primary task of passing their legislative agenda of tax reform, cuts, infrastructure spending and immigration reform.** As I have stated many times previously, this is one of the biggest risk to the markets currently. While much of the mainstream analysis ballyhoos over the recent increase in operating earnings, it is often overlooked that operating earnings still haven't surpassed their previous peak. Reported earnings and actual sales even less so. Importantly, a large chunk of forward estimates and guidance have been based on the assumption of the *"dollar for dollar"* impact of tax-related legislation.



Quick Note: It is worth noting that while mainstream analysts continue to point to the *"number of companies beating estimates,"* can I just remind you that it took estimates being DRAMATICALLY lowered in order to achieve that goal. **In fact, for the end of 2017 estimates are more than \$10 LOWER than where they began.** After all, we live in a society where *"everyone gets a trophy"*, right?

That will only go so far, and if Congress fails to push through the tax forms to support the currently

elevated estimates and valuations, at some point, the markets are going to demand -**"Show Me The Money!"** But that is for another day. For now, since I live in Houston, I am going to hunker down, spin up my special blend of "Frozen Hurricanes," and delve into my reading list.

A Frozen Hurricane "Harvey":

1. 2 oz light rum.
2. 2 oz dark rum.
3. 2 oz passion fruit juice.
4. 1 oz orange juice.
5. • oz fresh lime juice.
6. 1 Tablespoon simple syrup.
7. 1 Tablespoon grenadine.
8. Garnish: orange slice and cherry.
9. Blend with sufficient ice to make a "*slushy concoction*"

Feel free to join me.

Politics/Fed/Economy

- **The Fed's Job Is Getting Tougher**[by Lawrence Summers via Washington Post](#)
 - **Is Trump Bump Running On Vapor?**[by Caroline Baum via MarketWatch](#)
 - **The Unintended Consequences Of QE**[by Jean-Michel Paul via Bloomberg](#)
 - **Tax Reform In 2017 Is Doomed**[by Henry Aaron via Real Clear Markets](#)
 - **The Goldman Sacks Regency**[by David Stockman via Daily Reckoning](#)
 - **Why Tax Reform Won't Get Done**[by Jake Novak via CNBC](#)
 - **Congress Just Got A Big Warning About A Debt Ceiling Fight**[by Bob Bryan via BI](#)
 - **Charlottesville, Trump & A Broken Gov't.**[by Daniel Payne via The Federalist](#)
 - **How The Corrupt Media Works**[by Dennis Prager via Real Clear Politics](#)
 - **Trump's Zero-Sum Choice, Wall Or Tax Cut**[by Howard Gleckman via Forbes](#)
 - **Fed Just Released A Stark Warning About Stocks**[by Joe Ciolli via BI](#)
 - **The Failure Of The Trump Presidency**[by Edward Harrison via Credit Writedowns](#)
 - **McConnell, Trump Spat Puts GDP Agenda At Risk**[by Susan Milligan via US News](#)
 - **We Live In Fear Of Online Mobs**[by Megan McArdle via Bloomberg](#)
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Why You Suck At Investing

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Markets

- **Here's The Big Deception In The Market**[by Jack Bouroudjian via CNBC](#)
- **The Last Plunge In Stocks Was Pedestrian**[by Sean Williams via Motley Fool](#)
- **Stock Market Has Been Magical, It Can't Last**[by Jeff Sommer via NYT](#)
- **S&P 500 Offers Little In Way Of Returns**[by John Coumarianos via MarketWatch](#)
- **The Truth About The Russell 2000 P/E Ratio**[by Mark Hulbert via MarketWatch](#)
- **Markets Are Losing Patience With Trump**[by David Ader via Bloomberg](#)
- **August Storm Before The Calm?**[by Michael Kahn via Barron's](#)

- **3-Do's And Don'ts For Boosting Portfolio Returns**[by Simon Constable via US News](#)
 - **Another Red Flag For Shale Oil**[by Nick Cunningham via OilPrice.com](#)
 - **What Wall Street's Most Bullish Strategist Is Saying**[by Myles Udland via Yahoo Finance](#)
 - **Indicators To Watch During The Correction**[by Bryce Coward via Knowledge Leaders](#)
 - **Stock Market Returns Are Not Normal**[by Dean Curnutt via Bloomberg](#)
 - **Investors Should Embrace Uncertainty & Volatility**[by Doug Kass via Real Clear Markets](#)
 - **7-Signs The Market Could Hit The Wall**[by Mark DeCambre via MarketWatch](#)
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Research•/ Interesting•Reads

- **When There Is Blood In The Streets**[by Nick Maggiulli via Dollars and Data](#)
 - **Crowded Trades & The Next Quant Meltdown**[by Michelle Celarier via Institutional Investor](#)
 - **The Inconvenient Truth About Gore & Climate "Experts"**[by Lawrence McQuillan via IBD](#)
 - **Housing Recovery Suffers, Don't Blame Millennials**[by Diana Olick via CNBC](#)
 - **It Looks A Whole Lot Like 1937**[by Ray Dalio](#)
 - **13-Ways Successful People Get More S*** Done**[by Dan Waldschmidt via CNBC](#)
 - **How Far Will \$1 Million Go In Retirement**[by Suzanne Woolley via Bloomberg](#)
 - **10-Questions You Should Ask BEFORE Taking A Job**[by Liz Ryan via Forbes](#)
 - **Electric Vehicle Goals Ignore Scientific Facts**[by Steve Pociask via Forbes](#)
 - **The Unsolvable Puzzle**[by Morgan Housel via Collaborative Fund](#)
 - **Softbank's Brilliant Plan For A Smarter Internet**[by Vitaliy Katsenelson via Contrarian Edge](#)
 - **Facebook Faces A Demographic Time Bomb**[by Tyler Durden via ZeroHedge](#)
 - **Valuations Are Totally Divorced From Reality**[by John Hussman via Hussman Funds](#)
 - **Nice Stock Bounce, But...**[by Dana Lyons via Tumblr](#)
 - **Have We Learned Nothing From The Financial Crisis**[by Jesse Felder via The Felder Report](#)
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?The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell.? - John Templeton

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