



PHILEQUITY CORNER

By **Wilson Sy**

Never a dull moment

There is never a dull moment with Trump. The US President has once again grabbed news headlines with his brash and sudden unilateral actions. These were a series of bold, unprecedented steps that shocked and puzzled many people.

Trump's recent actions

Below, we list Trump's latest moves that have unsettled investors and various sectors of the society.

- Raid in Venezuela and capture of Maduro.** Trump ordered a military raid in Venezuela that led to the capture of former President Nicolas Maduro. This came as shock as it changes the rules of engagement. It raises concerns that countries with strong military might can invade other countries, kidnap their leaders and initiate regime changes.
- Punitive tariffs on Iran's trading partners.** Trump announced that the US will impose a 25% tariff on countries that do business with Iran. This could scuttle the US-China trade truce as China is the top destination of Iranian exports which are mostly energy products.
- Threatened takeover of Greenland.** This month, Trump reiterated his desire to take control of Greenland despite opposition from European officials. This would jeopardize the NATO alliance and US relations with Europe. Trump stated that the US would impose an additional 10% tariff on France, Germany, the UK, Denmark, Finland, Norway, Netherlands and Sweden. He said that the tariff would take effect on February 1 but would rise to 25% on June 1 if a deal on Greenland is not reached. Trump justified the potential acquisition of Greenland as vital for US national security. In addition, he wants to take over Greenland due to its potential reserves of oil, gas and rare earth minerals.
- Filing of criminal charges against Powell.** Trump pushed for a criminal inquiry by the Justice department on Fed Chair Jerome Powell. This pertains to alleged cost overruns related to the renovation of the Fed's main office in Washington. Former Fed chairs Ben Bernanke, Janet Yellen and Alan Greenspan, ex Treasury secretaries, global central bankers and bank executives criticized the move and warned that it would greatly undermine the Fed's independence. Trump has made frequent complaints against Powell, claiming that the Fed has lowered interest rates too slowly.
- Proposed cap on credit card interest rates.** Trump is advocating for the implementation of a 10% cap on credit card interest rates and the reduction of transaction charges. He said that these would make credit card borrowings more affordable. Banks warn that a rate cap on credit cards would lead to a sharp contraction in lending and curtail loans to riskier segments.
- Prohibition of dividends and share buybacks for defense companies.** In order to increase weapon production, Trump proposed to prohibit US defense companies from paying dividends and initiating share buybacks.
- Ban on home acquisitions by large institutions.** Trump called for a ban on home acquisitions by large institutional investors to make housing more affordable for retail buyers.

Populist pivot and electioneering

Trump's recent moves can be viewed as populist actions that are meant to boost his popularity while bolstering the election bid of Republicans. His net approval rating has continued to plummet since the start of his term and is currently in negative territory. He also intends to support Republican candidates in the midterm election later this year. Republicans still hold the majority in the Senate and the House but only by a very thin margin. He wants to prevent Democrats from securing a majority as this could halt his plans and result in the filing of impeachment complaints against him.

Challenging the American institutions

Trump's unilateral decisions and actions are a direct challenge to American institutions. However, these moves are sudden, unplanned, impulsive, surprising and are based on his personal agenda. These directives typically bypass approvals by the Congress, the court system and other government institutions. It appears that Trump's political pressure is replacing protocol. His chaotic leadership has raised concerns and opposition from investors, businessmen, central banks, US courts and politicians from both parties.

Cracks on dollar dominance

Investors do not like uncertainty. In this case, they are disturbed by Trump's unpredictable management and mercurial personality. These have dented the US dollar's dominance, resulting in the greenback's persistent weakness since the beginning of Trump's term. Moreover, the dollar's status as the primary reserve currency is being compromised.

Historic highs for metals

There are also growing concerns regarding the viability of investing in dollar-denominated assets and fiat currencies. These have resulted in the hoarding of metals that have driven the sharp rallies of gold, silver, copper and other metals.

Rotation and broadening

US exceptionalism is now being put into question due to erratic governance under Trump. Investors are currently rotating out of the US and are instead moving to international markets such as Europe, Japan, Korea and Latin America, as well as other emerging and Asian markets. As part of emerging and ASEAN indices, the Philippines has benefited from foreign inflows as the market breadth continues to broaden.