

“The Trouble with the Truth”

By Tommy Williams, CFP®

You’ve read it before – and it’s true. Markets hate uncertainty.



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Failure to pass the American Healthcare Act, which was supported by Republican leaders in Congress and President Trump, may have shaken U.S. stock markets recently.

In an article titled, [“How To Make Investing Decisions Based On Politics: Don’t.”](#) Nasdaq.com reported controversy over the bill was “*raising questions about [Republicans’] ability to focus on and pass policies that the market has been eagerly anticipating, such as tax reform and infrastructure spending.*” Financial Times concurred,

“The post-election stock market rally has been largely powered by hopes Donald Trump’s administration would

swiftly launch a bevy of aggressive economic stimulus measures, including tax cuts, deregulation, and infrastructure spending. However, Mr. Trump’s difficulty in Congress over the government’s healthcare plan has prompted some reappraisal by investors of the prospect of significant stimulus arriving later this year.”

Financial Times pointed out its likely other factors played a role in investors’ decision-making, as well. Some professionals have become concerned about market valuations. About 34 percent of fund managers believe global equity markets are overvalued and 81 percent say U.S. equities are the most expensive in the world, reported Fortune Magazine citing Bank of America Merrill Lynch’s survey of fund managers.

In addition, estimates for corporate earnings have

been revised lower for the first quarter of 2017. Take that with a grain of salt, though. FactSet wrote, *“In terms of estimate revisions for companies in the S&P 500, analysts have made smaller cuts than average to earnings estimates for Q1 2017 to date...”*

Politics is one factor affecting markets, and partisanship may be affecting consumer sentiment. Richard Curtin, chief economist of University of Michigan Surveys of Consumers, said consumers’ expectations about future economic growth were split along party lines in March. *“...among Democrats, the Expectations Index at 55.3 signaled that a deep recession was imminent, while among Republicans the Index at 122.4 indicated a new era of robust economic growth was ahead.”* So what is the truth?

In fact it was Mark Twain who wrote *“It ain’t what you don’t know that gets you into trouble. It’s what you know for sure that just ain’t so.”* Perhaps one of the causes for financial disagreement and confusion is that people don’t always tell the truth! In 2016, NerdWallet commissioned a survey to get a better handle on Americans’ thoughts about lying when money is involved. It’s interesting to note which money-saving lies participants found acceptable. The list included:

- Logging on to someone else's retail or media account to avoid subscription fees (33 percent)
- Not reporting under-the-table income to avoid taxes due (24 percent)
- Lying about your age or your child's age to receive a discount at a restaurant or retailer (21 percent)
- Lying about annual mileage to lower auto insurance rates (20 percent)
- Lying about income on a loan or credit card application (12 percent)
- Lying about smoking tobacco to lower life insurance rates (11 percent)

(The number in the parentheses reflects the percent of those surveyed who said the lie was okay.)

The survey found far more men than women believe it is acceptable to tell lies to save money. For instance, 30 percent of men said it was okay not to report under-the-table income to the IRS. Only 18 percent of women agreed. One-fourth of male survey participants thought it was okay to fudge annual mileage to receive lower auto insurance rates, while just 16 percent of female respondents agreed.

Age also makes a difference. Americans who are age 65 or older were far less likely to find financial dishonesty

acceptable. When it came down to it, *"For all questions, retirees had the lowest rates of acceptance of lies compared with students, employees, and the unemployed."* In an era of *"alternative facts"* and *"fake news"* perhaps a heavy dose of truth would be very helpful.

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