

DEALBREAKER

President Trump Will Work Magic On Your Dystopian Nightmare Stocks Portfolio

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For a glimpse of what an America made great again might look like, try assembling a portfolio built for a Trump presidency.

There's a whole genre of articles in the popular financial press right now offering stock advice for a potential Trump win. Taken together they tell a striking story: Wager on a future flush with walls, weapons, prisons and gold.

All told, Trumpian "Greatness" looks a tad dystopian.

But like the last time a powerful electorate threatened to reject a century's worth of policy and progress – i.e. Brexit – Wall Street analysts seem happy to do their jobs by setting aside existential dread and talking about opportunity.

Walls And Prisons

The foundation of any Trump portfolio is concrete. The real estate scion's promise to erect a wall on the U.S.-Mexico border would require nearly \$1 billion in cement, according to analysts at Sanford Bernstein. All that rock has to come from someplace, and Mexican building giant Cemex is the likely choice.

Still, while we know our neighbors to the south will pay for the wall, it remains to be seen whether Trump would feel comfortable letting Mexico's Cemex seal the deal. Will he go for the bargain? Will he make American grout again?

Speaking of masonry, why not take a look at private prisons. If you're going to round up 11 million undocumented immigrants for deportation, you're gonna need some holding cells. Setting aside the \$400 billion price tag – and the substantial human costs – the effort would likely be a boon to for-profit prison operators like the GEO Group.

"The only businesses that would benefit would be those with government contracts to enforcing these new rules," the Cato Institute's Alex Nowrasteh told The Street.

As broader incarceration rates have edged down, deportation facilities have emerged as the fastest-growing corner of the incarceration system. The Street reminds us that 18 percent of GEO's revenue derives from immigration enforcement. If the average time and cost of detention for immigrants in the deportation process holds – 33 days at \$119 a night, according to the Department of Homeland Security – GEO and its peers could see more than \$40 billion in revenue from Trump's deportation bonanza.

Then there's defense. Embodying exactly half of Teddy Roosevelt's famous big-stick dictum, Trump has made lavish promises on military spending. "I will make our Military so big, powerful and strong that no one will mess with us," Trump's declares on his issues page.

Today, the government spends a measly 54 percent of its discretionary budget on the military. Trump has promised to up that number, and defense is the obvious winner: Lockheed Martin, Northrop Grumman, Boeing, Raytheon.

In a note to investors, these were some of the very few stocks Cornerstone Macro recommended holding in a Trump portfolio. Otherwise they were net short equities.

Turning To Gold

But how reliable are these picks? Can Trump really make good on his promises?

On the fiscal side, the numbers don't come anywhere near adding up. Trump wants to dole out \$12 trillion in tax breaks, maintain entitlement spending and beef up the military. All while *reducing* the national debt. There's no way to square that. The right-leaning Tax Foundation estimated his plans would grow the government deficit by \$10 trillion over a decade.

But that muddle does provide at least one clear message for investors: Buy gold. "If someone like Donald Trump does get himself elected, it will stimulate some fear within the economy as to where things are going," Richard Hayes, CEO of Perth Mint, told Bloomberg.

"It is not easy to position a portfolio to capture the risks a Trump presidency could raise," the Cornerstone analysts wrote. A potential recession would drive investors to the shiny stuff, lifting gold and everything it touches.

It would be oddly appropriate for Trump, whose name only ever appears in gold leaf. The Apprentice star even put out a book called Midas Touch. "I've never seen anything like it, everything he touches turns to gold!" Trump's dad once said, according to a tweet.

Perhaps Fred forgot to tell his son how the Midas myth ends.

Trump And Brexit

If the prisons and concrete sound too bleak a picture, there are some even more speculative picks included in the Trump stocks literature.

Apple could benefit from Trump's plan to slash corporate taxes and let multinationals repatriate their overseas cash hoards – Apple's stash stands at around \$200 billion. But Trump (no stranger to irony) has assailed Apple for building phones in China, and his proposed 45 percent tariff on Chinese imports would take a huge bite out of Apple's potential tax savings.

The Street recommends gun companies like Smith and Wesson. But firearm manufacturers have sold record numbers of guns under the anti-gun Obama. The Democrats' top gun priority, meanwhile, is a ban on gun sales to people on the no-fly list. It's hard to imagine that policy moving any bottom lines.

But beyond the grim picture it paints, there's a deeper problem with this kind of bloodless prognostication on events of world-historical import. It's too often wrong.

Before the British referendum, every investment site worth its salt put out a story on what to buy in the event of a Brexit. An examination of the three most-clicked stories in this genre shows a decidedly uneven record. A month after stories from Marketwatch, The Street and 24/7 Wall Street, their combined recommendations lost 0.57 percent relative to national stock indices.

Marketwatch did best, calling seven out of nine of its tips correctly. The Street bombed, missing three of its five recommendations and losing an average 12.18 percent on post-Brexit picks. Much of that decline stemmed from the abysmal performance of its preferred real estate plays, which went south after the Brexit vote and have yet to recover.

Which is all to say that a portfolio built on a bet on Trump may not be a great insurance policy. Brexit was one of the most highly anticipated and closely studied political events in recent memory, and still analysts whiffed. Now imagine trying to anticipate Trump, who reverses policy positions mid-sentence.

Then again, maybe this is all beside the point. Because let's be frank, "Make America Great Again" isn't a motto aimed at investors.