

ECONOMY

People losing faith
in government inquiries

THINK STRATEGICALLY:

The Barometer of a Nation

U.S. Global Image Plummetes During President Trump's Tenure;
Trade War Leads to Weaker Manufacturing in 36 Advanced Economies

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President Trump's Behavior and its Impact on the Nation

Evangelista Torricelli was the scientist who invented the barometer in 1644, a device that can measure air pressure. The barometer has many uses but is especially crucial for weather monitoring and prediction. Oncoming storms cause fast drops in air pressure, so barometer readings provide essential warnings for ships at sea. We have at home a vintage Baromaster Barometer, made in France, that is 125 years old, and has served us well during the hurricane season.

We have been tempted to use it to

monitor the sentiment of a nation, in this case, the United States. You see, the United States' global image has plummeted during the tenure of President Trump, and now the world must add his impeachment inquiry and the widespread opposition to his erratic leadership and lack of understanding of his role as President.

The public trust in the government is at historic lows, and with only about 17 percent of U.S. Americans now saying they can trust the government in Washington to do what is right, these results have been falling consistently since the 1960s, as follows:

- President Kennedy: 77 percent
- President Johnson: 65 percent
- President Nixon: 54 percent
- President Ford: 36 percent
- President Carter: 28 percent
- President Reagan: 41 percent
- President Bush: 42 percent
- President Clinton: 40 percent
- President Bush: 24 percent
- President Obama: 22 percent
- President Trump: 17 percent

As President Trump is now embroiled in an impeachment inquiry that will surely derail his presidency, or even end it, the bigger picture suggests what has happened over the past 30 years or so may be that we have lost our faith in government. Whether we like it or not, the presidency remains the “Barometer of a Nation.”

Week in markets: Manufacturing contracts

The U.S. stock market declined for the third-consecutive week, erasing billions of dollars in value. The culprit is a combination of weaker-than-expected manufacturing activity across all 36 advanced economies, as ranked by the International Monetary Fund, and includes the seven largest economies in terms of gross domestic product: the United States, Japan, Germany, France, Italy, the United Kingdom and Canada.

The Purchasing Managers Index (PMI) is a diffusion index summarizing economic activity in the U.S. manufacturing sector. A PMI above 50 usually would represent an overall expansion of the manufacturing economy, whereas a PMI below 50 signifies a shrinking of the manufacturing economy. The PMI reported Sept. 30, 2019, fell to 47.80—its lowest level in a decade and 12 points or 20 percent

less than 59.80 reported Sept. 30, 2018.

As a counterbalance to this news, the U.S. Bureau of Labor Statistics reported the U.S. economy created 136,000 new jobs as of Sept. 30, 2019, which was significantly more the Dow Jones estimate of 125,000; however, compared to a year ago, the economy had created 223,000 jobs in that period. In addition, the unemployment rate decreased from 3.50 percent on Sept. 30, 2019, a 50-year low, from the 3.70 percent reported last month.

Volatility is predicted to be much higher as a result of continued trade tensions and a mixed bag of economic data. However, the fundamentals of the economy are strong enough to maintain the current expansion cycle beyond 2019.

With a review of the week, it is noted that the Dow Jones Industrial Average (DJIA) closed the week at 26,573.72 for a loss of 246.53 points, or minus-0.92 percent, and a year-to-date (YTD) return of 13.90 percent. The S&P 500 closed the week at 2,952.01, for a loss of 9.78, or minus-0.33 percent, and a YTD return of 17.80 percent. The Nasdaq closed the week at 7,982.47, for a loss of 42.84, or minus-0.54 percent, and a YTD return of 20.30 percent. Meanwhile, the U.S. Treasury's 10-year note rose during the week, closing at 1.52 percent, or a loss of minus-9.52 percent, with a YTD return of minus-1.10 percent, and the U.S. Treasury's 2-year note decreased during the week to 1.40 percent, or a decline of minus-14.63 percent for the week, with a YTD return of minus-1.080 percent.

The EU to face Trump's tariffs of up to 25 percent

The Trump administration announced the implementation of \$7.5 billion in tariffs on European goods starting Oct. 18, in a case involving European Union (EU) subsidies to aircraft manufacturer Airbus.

The administration received approval from the World Trade Organization, which ruled that the United States could impose the tariffs as retaliation for illegal aid that the 28-country EU has provided to Airbus to compete with U.S. rival Boeing during the 15-year legal fight over the EU's Airbus subsidies.

The EU will face the following tariffs:

- 10 percent on aircraft from France, Germany, Spain and the United Kingdom;
- 25 percent on single-malt Irish and Scotch whiskeys, various garments and blankets from the U.K.
- 25 percent on coffee, and specific tools and machinery from Germany;
- 25 percent duties on multiple kinds of cheese, olive oil and frozen meat from Germany, Spain and the U.K.; and
- 25 percent on certain pork products, butter and yogurt from multiple countries;

The markets also reacted negatively to this latest round of tariffs, and additionally, President Trump plans to raise taxes to 30 percent from 25 percent on \$250 billion worth of Chinese goods on Oct. 15, taking the trade war to new heights.

Final word: P.R. emerging from bankruptcy

Many have opposed the recently presented plan of adjustment by the Financial Oversight & Management Board (FOMB). The changes that need to occur in Puerto Rico, from central government employees to public companies and even municipalities, also seek to maintain salaries and benefits the island can no longer afford while keeping intact the payouts to the also-bankrupt government retirement plans.

The only way Puerto Rico can win is if the island turns around its finances—just like the city of Detroit recently managed to accomplish in its recent bankruptcy process. Puerto Rico cannot continue to act like petulant ingrates who oppose every single action the FOMB takes. As much as it may be a pain to admit, politicians from all parties got us into this bankruptcy, and politicians will not willingly get us out of this mess.

Puerto Rico must strive to create a new reality. Doing so signifies sacrifice, hard work and long hours. It also means adopting a scarcity mentality and frugality.

Emerging from bankruptcy is what Puerto Rico needs to mature, grow and prosper. This change is Puerto Rico's Barometer of the nation.

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The views and opinions expressed do not necessarily reflect those of Caribbean Business.

Weekly Market Close Comparison	10/5/19	9/27/19	Change	YTD
DJIA	26,573.72	26,820.25	-0.92%	13.90%
S&P 500	2,952.01	2,961.79	-0.33%	17.80%
Nasdaq	7,982.47	7,939.63	0.54%	20.30%
U.S. Treasury 10-Year Note	1.52%	1.68%	-9.52%	-1.100%
U.S. Treasury 2-Year Note	1.40%	1.64%	-14.63%	-1.080%