

Tax Plan In Motion

Monday, 11/20/2017



Jeremy Schwartz, Director of Research for WisdomTree, hosts a weekly discussion with Professor Siegel, typically on the Wharton Business Radio podcast. The notes below summarize their conversation along with further commentary and context.

Like last week, much of the market activity is being driven by discussions around progress of the tax packages going through the House and Senate. The House passed its own measure by a very comfortable margin and now we wait for the Senate to review their version of the bill after Thanksgiving. If all the Democrats remain united against the bill, there could be only two Republican defections to pass it. It will be more difficult than the House bill with this slim margin and then we'll need reconciliation between both the Senate and House bills. That said, I believe there is a chance (say 2-1) we can have a tax package approved by Christmas.

Earnings continue to come in very nicely – including large cap companies in the retail and technology sectors. That success shows that retailers can make progress, even in this post-Amazon world, when they employ the right strategies.

On the economic front, there was great housing starts data on Friday and the NAHB Housing index jumped nicely. Macroeconomic advisers lifted their 4th quarter GDP growth estimate from 2.4% to 2.9% and many other forecasters are starting to think about 3% GDP growth for the 4th quarter. Of course, much of 4th quarter success will be tied to the holiday season, with the kickoff being the day after Thanksgiving.

On the Fed Vice Chair speculation that Mohammed El-Arian is being considered, Professor Siegel believes Mohammed would make for a very good choice. His knowledge of the markets and Fed policy—from all his days working at PIMCO and alongside Bill Gross – make him an astute observer of the markets and give him a solid foundation to lead monetary policy. This would be a very welcome choice for vice chair.