

It was a busy week for politics and earnings both. We were happy to see that French voters heeded our admonition from last week, and think that the election of Macron bodes well for Europe throughout what we believe will be an unstable period of Brexit negotiation and Britain's final exit from the global stage. US politics continues on the crazy train, as we foresaw in November of last year. The fact that equity markets have shown resilience in the face of clearly growing political and economic uncertainty does not bode well for bulls, in our opinion. Here are the stories that caught our eye this week.

[Why Macron Won: Luck, Skill and France's Dark History](#) (NY Times).



Figure 1. Vive La France!

As an American citizen, I did not have a dog in this fight, but I was very happy with the result nonetheless. From an economic perspective, nationalism is an enormously damaging influence that shrinks the size of the pie. The fact that the French polity offered such a resounding defeat to Le Pen - a woman whose ideas are, in my opinion, sanitized, but no less dangerous than her father's - should be good news to Europe and to the world.

[Sturm, Ruger & Co says gun demand slid after US elections](#) (The Financial Times).

A Republican took office, so now, the fevered apocalyptic fantasies popular among a certain class of wackos involving a Muslim, socialist president using the UN to confiscate all guns in America have waned, apparently (Full disclosure: I am a gun owner and regularly shoot at a nearby range. I have had fellow shooters explain the above fantasy in great detail to me on multiple occasions, so am offering a factual account, not hyperbole).



Figure 2. "Happiness is a warm gun." - John Lennon

On Monday, Sturm, Ruger has reported a steep drop off in demand for firearms and ammunition. This article caught my eye because it relates to an idea that I heard at this year's Grant's Conference - an ammunition-maker named Vista Outdoors [VSTO](#). Vista reported on Thursday was down 11% in pre-market trading, but has rebounded. I plan to highlight Vista Outdoors in a Five-Minute valuation video next week.

[President Trump fires FBI Director Comey](#) (Washington Post).

In our November special report on Investing in the Trump Era ([FWI member copy](#), [Non-member copy](#)), one of the main issues we highlighted was the potential for President Trump's executive efficacy to be low due to the likelihood that his management style would create a "chaotic and uncertain environment." Quod Erat Demonstrandum. ([Financial Times Opinion](#), [NY Times Coverage](#))



Figure 3. Ya' win some, ya' lose some...

At present, there are at least three grand juries convened regarding Trump associates' relationships to Russia and a lobbying firm that has ties to Trump's former campaign manager, Paul Manafort, was recently raided by the F.B.I. The Treasury Department's money laundering investigation team is digging into the real possibility that Trump the casino and property owner survived bankruptcy and eventually thrived due to his helpfulness to Russian mafia figures.

Meanwhile, J. Edgar Hoover rolls in his grave.

[Snap investors yet to see a long-term picture](#) (The Financial Times).



Figure 4. This Luddite does not know and does not care what Snapchat is

On Wednesday, Snapchat SNAP, reported its first quarterly earnings since going public and the market responded by sending shares lower by around 20%. Valuing young firms is phenomenally difficult, a point brought home to this week's [Five Minute Valuation of Globus Medical](#) - a video article we published to FWI members only.

[China Stocks Are Tumbling Again. Unlike 2015, World Doesn't Care](#) (Bloomberg).

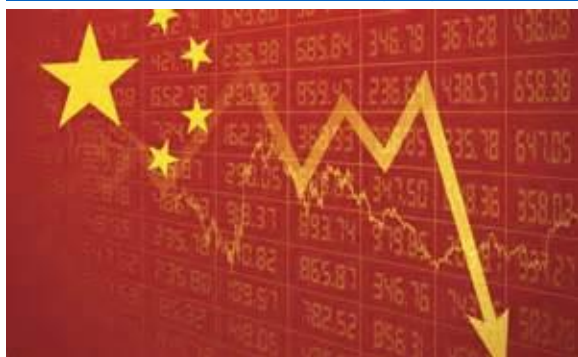


Figure 5. Ho-hum

Toward the end of 2015 and the beginning of 2016, the world was abuzz about the "collapsing" Chinese market and worried that the contagion would spread to US and European markets ([here's an article I wrote at that time](#)). Now, as Bloomberg points out, the Chinese market is collapsing again, but most of the world doesn't care. I say "most" because the slowdown in China - fueled by uneconomic decisions by state banks and state-supported companies - has hit the commodities market pretty hard. This gets back to an observation I made a few weeks ago, that it seems like the edge is starting to come off the "reflation trade."