FRIDAY, JANUARY 22, 2025



Hello and welcome to another Dividend Cafe. I am your host, David Bahnsen, and I am excited to present a week's worth of excitement into a weekly Dividend Cafe. It has been a very fast moving week and we're doing something a little bit different this week in that though you're receiving this as you always do on Friday. We're recording in the middle of the week because we have our team retreat and off site meetings that I talked about last week on Thursday and Friday this week and I normally am writing Dividend Cafe and certainly recording it near the end of the week.

But this week, I not only am recording in the middle of the week because of the, the team festivities and activities and meetings, however, I'm also wanting to use the Dividend Cafe today to talk about the events of the inauguration and, and first couple of days after the inauguration in terms of public policy around the new administration coming in.

We had an avalanche. of executive orders signed. We've had a number of announcements. There's been press conferences. There's been tweets. There's been dogs and cats falling out of the sky. And there are some things that I don't think are particularly market sensitive. And there are some things that are.

And so I just want to kind of hit that. the right highlights in terms of what needs to be brought to your attention and, and really put our focus and emphasis in this talk on the things that are most market sensitive and economically relevant. The, I'm going to do the same caveat I did a couple of times last year when we were doing election, you know, kind of pre election dividend cafe issues when we were doing the aftermath of the election.

You know, there's some of these issues, talk about, I have opinions on this. Some of them actually don't have opinions or at least have strong opinions on. And then there is the way in which you present. That is very much in this case intended to present what may be.  markets, how something that does or doesn't happen with tariffs or does or doesn't happen with China impacts us as investors.

That's the context here. And what I have found is that it's a reasonably 50, 50 cost of 50, 50 ratio. of those that misunderstand or misinterpret or just simply don’t dislike what I'm doing in terms of either believing it to be me endorsing something that they don't think I should be endorsing or me. Condemning something they don't think I should be condemning when in reality there's some things I'm going to share my opinion on from time to time it is after all my dividend cafe But I really am not actually doing that in this case there And so that's just the caveat I want to give that I'm a little, if it's 50/50, you have to understand, it can't really be me here, you know, that, that you, I, I can't be saying the same thing and have half the people upset that I'm saying X and half the people upset I'm saying Y.

I can't be saying both at once. So, very honestly, I'm well aware of the kind of high emotions and rhetoric that exist around this particular president. You know, we no longer have to call him the president elect the Trump 2.0 administration as Trump 47 is now here. A lot of people have strong opinions from Trump 45, and there's certain things that can be said positive, certain things that we said negative, but that's just not really what we're doing here.

What you had was a crazy week in terms of volume. Okay, just dealing with the volume of activities and markets trying to absorb some of that. Markets were closed Monday because of MLK Day, which happened to be the inauguration. So, what I want to do is go through some of the main executive orders, and then if I can go through this efficiently, then it will leave us time for me to make a few other market comments that I have in The Dividend Cafe this week.

I'm going to just start with kind of what I thought were the three biggest nonmarket sensitive executive orders that got a lot of press, got a lot of attention, were, were consequential in, in the magnitude of what they're addressing. But I think not consequential in terms of what the obvious and discernible measurable impact economically may be.

The declaration of an end to birthright citizenship, people can like it, they can dislike it. I just, it's somewhat moot because it's clearly headed to courts. There's 20 lawsuits filed. And it will be an issue that is either changed at the courts right now there's a, a 14th amendment that says that if one is born in the United States, they're a citizen of the United States.

And yet, the issue is that if they were born in with a parent who was here illegally, what would happen there? And short of Congress acting on that you know, that we're, we're going to kind of see where that goes. But that, that was, it's going to get a lot of attention. It's got a lot of aftermath, but, but I don't think the markets are gonna respond.

And, and ultimately it's probably very unlikely to go anywhere. The second being the end to DEI programs in federal government agencies. And this is one where I'm actually not sure it belongs in this list because it could end up having some indirect market impact. It could end up being relevant. If it is used in a way that expands the permission structure in corporate America to also further move the pendulum in a more meritocratic way.

I think that's happening anyways, but to the extent that they've now put on paid leave all federal employees across a lot of different agencies, bureaus that are part of these so called DEI type programs what happens around that governmentally and politically is not super relevant economically, but there is a potential, I would acknowledge of it having some economic significance if it is, again kind of infectious inside of publicly traded companies and, and, and just the overall private sector of the corporate economy.

The third being this and again, a lot of these executive orders have links to the actual orders themselves in Dividend Cafe. In order to end the weaponization of the federal government, and this is again, it was sweeping, it was big, it had a lot of big statements in it, but it isn't market sensitive per se, and it was, it's more political, it's more rhetorical, it's more, you know, a declarative statement.

but doesn't necessarily have a lot of teeth to it in specifics, let alone things that affect economic policy. So the areas that I think do have more impact, none of these should have been a big surprise. I think people were somewhat surprised at the way in which a lot of it was announced or, or how organized some of it was or prepared, but you know, most of this, I think should have been in a lot of cases was very clearly known was coming.

The declaration of a national energy emergency in and of itself is more rhetorical and, and, and whatnot, but the way in which that executive order is written, to tie specific issues in our national energy condition to those things that are prohibiting, at a federal agency level, things that are prohibiting the expansion of our own production or distribution of oil and gas.

And, so there were some specifics done, there's a big major order that was also done around expanding Alaska's allowance for energy. Exploration. It was the Biden era kind of ban or moratorium on LNG export permits was rescinded and they are now able to look and receive proposals to go build new liquefied natural gas. Ports, and so forth. Identifying areas where federal restrictions or regulations are impeding ability to produce and distribute U. S. energy sources. So, tere, you know the Paris Climate Treaty is an example. We entered that by executive order. President Trump, 45, pulled us out by executive order. President Biden, 46 put us back in by executive order and President Trump 47 pulled us out again by executive order. So that stuff is is hard to take real seriously when it's more cosmetic executive order by executive order going in and out of something, but I think that when you look at the mandate that this has for pretty substantive need to report back to the Department of Interior, to the Department of Energy specific findings around where there are impediments in the production and distribution of oil and gas.

It is more meant to try to set a deregulatory climate around some of these energy related issues. I think it's meaningful in that it is setting a tone for a presidential policy priority. It's well known. It should have been well known to voters. It was certainly well known to us that this was going to be a priority.

And that was one of the more meaningful things of the week. Now, secondly, I would say that there were no tariffs mentioned at all regarding Mexico. but a national emergency at the border with Mexico was declared. The remain in Mexico policy for asylum seekers was reinstated. But again, the, there were not specifics about deportation plans and, and I think people could say, Okay, well, David, you're getting into kind of cultural policy or, or domestic policy.

It's a little unrelated to, to the economic side. The reason why I don't agree with that is that I get a lot of questions from people saying, what are we going to do if he does deport 2 million workers? Isn't that going to be inflationary? So, if people are concerned about deportation as an economic issue, then we have to be able to look at the potential mitigation of some of that as an economic issue.

My view from what we saw this week and some of the actions taken both rhetorically and in these policies with Mexico is that it was really a reinforcement of their focus on targeted deportation, and I believe that the fact that there were no sweeping orders around that indicates we're more than likely going to see a targeted deportation that's very likely, in my opinion, to be politically popular and not something that is going to be needle moving in terms of any labor market conditions.

He issued an executive order to delay the ban on TikTok, which had been congressionally passed and legislate, legislatively last year. A delay of 75 days. And you go, again, why do we care that much about the TikTok thing economically? And I don't in and of itself.  from a matter of economic and market impact.

But what I believe it indicates or, or incrementally points to is something that is market sensitive, which is I think the desire to formulate a deal with China that is part of a larger deal and the ticked-on negotiations playing into that. Now, very likely what's going to happen here is that the executive order will get overturned in the courts which I would say just, I'm not a lawyer, but I think probably for pretty good reason.

But in the meantime, it's bought time until that happens to try to put a deal together, which I think is his intent. Fourthly, the Biden era electric vehicle mandates 2030 requirements were, were fully repealed. And, and that also has implications in auto industry and supply chain. Certainly in the EV space directly, and, and it kind of ties into point number one about some of the environmental and energy agenda.

So, some big differences, three things I want to point out, very, very different from 2017. In 2017 when it came in with a couple of these priorities Steve Bannon was the White House Policy Advisor Reince Priebus was Chief of Staff, and there were a few other people around, Bannon but it was a skeleton of a team relative to what he's coming in with now.

The biggest difference is that there's a lot more organization. And so, if you like some of what's being done, that is probably a good thing. If you don't like it, it's probably a bad thing. But it isn't a rough shot and it isn't as lacking strategy. It isn't as sloppy. And, and a lot of that's just simply because when you're doing something for the second time, you've learned a lot relative when you do it for the first time.

You know, I keep hearing the term from my friend, Mark Halperin, that this is one of the first times you had a presidency where it's kind of a mulligan. wanting to redo some of the things that you don't feel like you got done the first time. I think the analogy's a good one, but it's really more than just let's go replay that whole a golf, or replay that shot.

It's a kind of entirely new caddy and entirely new set of golf clubs and, and whatnot. I mean, it's really being done differently. And, and so I expect certain elements to carry out with more efficiency and they're to use chaos in the public sphere, but a little bit more order privately. And that's very different than 2017.

Number two is definitely an almost complete indifference about the reaction or perception. The notion of there'll be a big shock and awe to the way certain things were done or what was being done and that press reports expressing this complete shock and awe about something would,  mute it, neutralize it and otherwise kind of moderate it is very unlikely.

I do not think POTUS is remotely concerned about the perception this time around. Certainly not perception from mainstream media. So reports from people being aghast at certain things is not, is not going to make the difference. Some could say it didn't make a difference before. I happen to think it did on the margin, but I don't think it is now.

And the number three is it does. Feel like a lot, and this is maybe contradictory to the organization in number one, but I think there's actually a method to the madness. Signing 40 plus executive orders in 24 hours, 25 on Monday, and another 20 cents, you're drinking the fire hose just to read what was done and then to die to discern What has real teeth to it versus what is just kind of a sort of you know cosmetic announcement?

a Narrowing of priorities behind the scenes is likely happening more than the very broad  Throwing a million things at the at the window that you see publicly  so It feel, if what you were seeing behind the scenes of what they were doing on the scenes was 40 things going on at once, it's unlikely the way government works.

You can get those things done very effectively, but if you've chosen a few that are your main priorities in the meantime, you throw a bunch of other stuff at, you know, the public, that’s a different story. That is kind of where I think from my vantage point, my view, my conversations with people, that's what I think is going on.

So, then that asks, that really forces us to say, what are these big priorities? And I, I want to say the kind of key takeaways here in terms of bottom line on that. No executive orders were signed.  Trying to use any rationale for a unilateral setting of tariffs. Universal. Tariffs against China, against anyone.

Some tariffs may be coming. There are gonna be plans and there are gonna be talks and there are gonna be threats. Out of the gate, all the things were done, 45 executive orders. The one thing the markets would have been most concerned about didn't happen at all in some form of unilateral tariff setting.

I think Q1 will be largely spent without that happening and mostly deal talk and things being set up to get to a deal. And Q2 is where more actions could come. Wether for good or for bad You know, things could get worse, escalate, they could get better, but I think Q2 is more likely to see some activitied there and less so in Q1.

The overall converstions with China We're hearing, you know reports of phone calls That they're saying we're on our way to balancing trade. We're addressing fentanyl. We're addressing tick tock.  That we both Xi and Trump agree they want to make the world more peaceful.  I think that my 2025 theme written about in our early year white paper is on to something.

That I, even though I suspect there could be periods of apparent increase in escalation of conflict, tension, I think for the most part, they're working on something that will feel more like a grand bargain than a escalation. Point number two is rather easy, but I can't emphasize enough how important it is.

Energy is very clearly to me the top priority out of the administration this week. I think that's expected. I don't mind saying on this front, from my vantage point, it's candidly welcome. It is not something he's remotely worried about who it would alienate and he's quite confident that the people will not alienate represent well over 50 percent of voters and then to the extent it can create some disinflation in their control of energy prices now, but I would argue the longer term structural benefits it could bring that have geopolitical national security implications are more important.

Number three, this, the universal tariffs on all countries, there's a quote, was talked about in the campaign. I didn't take it seriously, markets didn't ever take it seriously but on Monday, forget the fact that there were no executive orders implementing any of these tariffs. The president was specifically asked, are you looking at doing universal tariffs?

You had talked about just sort of a unilateral tariff against everyone, just to kind of kick things off. And he said, yeah, I may still do that, but we're not ready for that.  So look, there is a risk of a full blown global protectionism risk that comes on at some point.  That risk is not zero, but that risk has come down significantly.

It's lower now than it was a few weeks ago. It was lower a few weeks ago than it was after the election. It was lower after the election than it was a few months before the election. And it was lower throughout this whole campaign than it was back in 2018.  Now it's still there. I want to be clear. The risk of some protectionist global by product of a lot of this.

Is not zero, but it is far less than some have feared, and that needs to be understood, and that's reinforced in a lot of the activities of this week.  All right that's the major takeaways, okay, from all of this avalanche of stuff. If you're sick about talking about if you're sick of talking about all the political things I understand, It was a big week in our national political scenes.

I had to cover some of it. There's a few other market tidbits that I think are worth noting. President Biden has left office and right now the energy sector is 3. 2 percent of the market as he's left. Apple. was 7. 6%. Microsoft was 6. 3. The entire energy sector is basically half of Microsoft and well, less than half of Apple.

It's, it's a pretty fascinating statistic, but energy was up 284 percent in the Biden administration. Technology was second best. It was up 120%. I dare you to find people that are aware of that statistic before they just heard it at the Dividend Cafe. But it speaks to the kind of contrarian messages and also the math of what happens when you have a sector get walloped in one year like 2022.

Massive returns in 23 and 24 were real in technology. Muted returns in energy in 2024 was real. But the math of you spending a whole year dropping and then the other years having to recover changes things. Nevertheless that's the, that's the hard facts of what took place for the last few years.

Energy, the rig count, this is a real amazing statement on the productivity of American energy. that our rig count is 10 years ago and we're producing more than double. So when you're producing more than double from less than half of the rigs, you have just simply increased the efficiency of what you're doing at the with wells.

And then the rig counts ability to efficiently produce is reality of the American energy story that continue it's a story that continues to give. And I think it needs to be Pointed out the other thing that I'm going to close with deals with this announcement about the 500 billion dollar so called Stargate investment These things are always tricky is a big splash big press conference President Trump loves those things and you got some big heavy hitters from Oracle and open AI And then you had some, you know, kind of international investors, a SoftBank represented, United Arab Emirates is going to be one of the big investors in the equity of this.

They're talking about committing 100 billion, but they want to get up to 500 billion. And then other than that, there's more or less no specifics announced at all. But it's a ton of foreign equity coming in to build data centers. And you look at companies like Blackstone and Brookfield and other U. S.

based that this has been a big priority for a while and still is. The data center story is something we've written about for a year. It's not new. No surprise they need to build more data centers as a part of artificial intelligence infrastructure. And so let's put a headline around it of a few hundred billion and whatnot coming in.

There could be some good investments that come out of it. There could not be that it's gonna have a lot of foreign investment in it. There's a story here, but I don't think anyone can really say what the story is yet. But for this week, it was one of many, many stories that has a lot of glitz and glamour around it, and that's what I'd leave you with.

So I'm going to point you to dividendcafe.com for a couple other charts and, and things that we cover there that we're not going to cover here now. To the extent anything significant has happened by the time you're listening to this, since I was recording on Wednesday afternoon. I apologize, but I've explained why there's that gap.

And, and so if a world changing executive order comes Thursday and it wasn't mentioned today, Now you know why. Thank you as always for listening, reading, and watching The Dividend Cafe. Please reach out with any questions you have any time questions@thebahnsengroup.com. Have a wonderful weekend.

We look forward to coming back to you next week and maybe, just maybe, it might even be an apolitical Dividend Cafe. We shall see. Take care. Please go to the show notes in Dividend Cafe for any references to things we mentioned about certain companies, links, headlines, and stories.