

What Happens to Your Investments in a Leadership Vacuum?

There are times when foreigners may have a better perspective of the USA and its stock market than Americans. The US stock market has had a good run but many stocks are getting pricey. That by itself is a good reason to pull a little money out of the market. But another insight comes from a private sector pension fund in Finland. *Bloomberg* reports that these folks are selling US stocks because there is **no president in the U.S.**

A leadership vacuum in the world's biggest economy has driven the largest private-sector pension fund in Finland to cut the weight of U.S. stocks in its 45 billion-euro (\$53 billion) portfolio.

"It seems as if there is no president in the U.S.," Risto Murto, chief executive officer of Varma Mutual Pension Insurance Co., said in an interview in Helsinki on Wednesday. "If I look at what is the moral and practical power, there is no longer a traditional president."

Mr. Murto who is responsible to making sure that folks in his fund have pension money available when they retire is concerned about both global risk and a dysfunctional US government.

The unorthodox start to Donald Trump's presidency – dominated by Twitter outbursts that have included nuclear saber rattling with North Korea and a defense of white nationalist protesters – has turned the U.S. into a source of global political risk. The legislative program that many investors had hoped would support economic growth looks to have stalled, and Murto says Trump's apparent inability to work with Congress is particularly worrying, given the global ramifications of decisions made in Washington.

The USA has the world's largest national economy, roughly equal to the entire EU and when things go wrong in the USA like in 2008 the effects are felt throughout the world. Thus those with a more distant vantage point have a different perspective and are concerned about what happens to their investments in a leadership vacuum.

Hedging Your Risks

Assuming that the Finnish pension fund manager is right and we should be worried about the US government how can you order your portfolio to hedge your risk? How can you **reallocate your investments**?

After spiking downward the night of the election the S&P 500 has gone up 400 points or 20%. And if you picked your stocks well you have done even better. But, it is apparent that despite lots of hype that the Republican president and Republican congress are 1) not getting much done and 2) unwilling to work across the aisle to negotiate, pass legislation and govern effectively. Thus the Trump trade is fading.

Reducing exposure to banks and the FANG tech darlings that have driven the market is a rational choice. Moving into European stocks and a market that appears to be heading up as the US market is wavering might also be wise. And, cash is always an option as it allows an investor to wait and see what bargains might arise after a market correction. And as always look at your portfolio, determine the **intrinsic stock value** of each investment and sell, hold or buy more accordingly.

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