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Advanced Technical Analysis



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THE "TRUMP" TRADE

Exports

A Technical View



AGENDA

- **POLICY PLATFORM & INITIATIVES**

- PROMISES MADE – PROMISES KEPT!

- **WHAT WE CAN EXPECT**

- PROJECT 2025 v TRUMP PLAN
- FINANCIAL MARKET REACTION

- **FISCAL INVESTMENT v FISCAL SPENDING**

- BIG WIN – BIG PROBLEMS
- THE STRATEGIC IMPERATIVE OF TARIFFS

- **HIGH RISK v SURVIVAL**

- THE FOCUS TABLE
- WHAT COULD GO WRONG? (THE OTHER HALF)
- AN INVESTMENT (v SPENDING) REVIVAL

- **CONCLUSIONS**

- ARE WE BETTING THE COUNTRY? - CAN IT BE DONE IN 18 MONTHS?



USA Sovereign Risk (1Y USA CDS)



EXIT POLLS: A whopping 72% of Americans understood that their country was on the wrong path.

*Not immigration,
Not crime,
Not equity,
Not abortion,
Not climate change,
Not guns*

... in the end

"only inflation matters."

Chart 3: Main St vs Wall St Inflation

US CPI Index and YoY %



Source: BofA Global Investment Strategy, Bloomberg

BofA GLOBAL RESEARCH

A lower cost of living is politically wise for both Trump & Fed.

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PROMISES MADE, PROMISES KEPT

1-IMMIGRATION

- Since 2015, Trump has made curbing illegal immigration a cornerstone of his campaigns.
- Trump often said that he would initiate the largest “mass deportation” effort in U.S. history if elected.
- Recently, he also warned Mexico that he would impose a 25 percent tariff targeting the country if it fails to curb illegal immigration and that he would raise that tariff if Mexico doesn’t comply.
- Also, he’s suggested more enhanced screenings for immigrants, ending birthright citizenship—which may require a constitutional amendment—and re-imposing certain policies enacted during his first term such as the “remain in Mexico” protocol.
- “You’ve got to re-implement Donald Trump’s border policies, build the wall, re-implement deportations,” Vance said, adding that the United States has 20 to 25 million illegal immigrants in the country.

PROMISES MADE, PROMISES KEPT

2- TARIFFS

- **10% TARIFFS:** In multiple campaign stops Trump floated the idea of a 10 percent or more tariff on all goods imported into the United States, which he said would eliminate the country's trade deficit.
- He has also said he should have the authority to set higher tariffs on countries that have put tariffs on U.S. imports.
- **MEXICO:** He has threatened to impose a 200 percent tariff on some imported cars, saying he is determined in particular to keep cars from Mexico from coming into the country.
- **CHINA:** Trump has targeted China in particular.
 - He proposes phasing out Chinese imports of goods such as electronics, steel, and pharmaceuticals over four years.
 - He seeks to prohibit Chinese companies from owning U.S. real estate and infrastructure in the energy and tech sectors.
- "We're going to bring the companies back. We're going to lower taxes for companies that are going to make their products in the USA. And we're going to protect those companies with strong tariffs."
- Trump said that a number of countries, including "allies" have "taken advantage of us, more so than our enemies. "

PROMISES MADE, PROMISES KEPT

3- DRILLING

- **CUT FEDERAL REGULATIONS:** Trump wants to cut federal regulations on drilling for oil and natural gas, a move that he says would lower energy costs and inflation.
- **ANWR:** In multiple instances, Trump said he would reauthorize drilling in the Arctic National Wildlife Refuge in Alaska, which was suspended under the Biden administration.
- **PARIS ACCORD:** Trump would pull the United States out of the Paris Climate Accords, a worldwide plan that claims to reduce carbon emissions. Trump also said he would roll back some federal policies around electric vehicles.
- **LOWER GASOLINE PRICES:** He has suggested that prices would again fall when he takes office.
 - “When I left office ... gasoline had reached \$1.87 a gallon. We actually had many months where it was lower than that,” Trump told reporters over the summer. “But we hit \$1.87, which was a perfect place, an absolutely beautiful number.”
 - According to AAA, the average price for a gallon of regular gasoline stands at around \$3.10. The highest recorded average price for a gallon was on June 14, 2022, when it reached \$5.01, AAA figures show.
- The federal Energy Information Administration’s data show that the average annual price for a gallon of gasoline did not exceed \$3 under the first Trump administration.

PROMISES MADE, PROMISES KEPT

5- TAXES & REGULATIONS

- Throughout the 2024 campaign, Trump promised to curb federal regulations that he said would limit the creation of new U.S. jobs. He also has pledged to keep intact a 2017 tax cut that he supported and signed while in office.
- **His team has also proposed a further round of individual and corporate tax cuts beyond those initiated in his first term.**
- Trump has pledged to reduce the corporate tax rate from 21 percent to 15 percent for companies that make their products in the United States.
- In a bid to win Nevada, Trump earlier this year pledged to end the taxation of tips and overtime wages to aid some service workers and waiters.
- **He has pledged not to tax or cut Social Security benefits.**
- Trump also has said that as president, he would pressure the Federal Reserve to lower interest rates but wouldn't make any demands on the central bank.

\$11.5T IN REVENUE TAX CUTS

10-Year Revenue Loss:

- Extend the 2017 Trump tax cuts: \$5.350T
- Exempt overtime income: \$2.000T.
- End Taxation of Social Security benefits: \$1.300T.
- Exempt Tip income: \$300B.
- Exempt Income of Firemen, Policemen, Military and Veterans: \$2.500T trillion.
- Trump Total Revenue Loss: \$11.500T.
- CBO Income Tax Baseline Revenue: \$33.700 trillion.
- Trump Revenue Loss As % of Baseline: 34%.

PROMISES MADE, PROMISES KEPT

6- SOCIAL PROGRAMS

- **PURGE DEI:** Trump has pledged to require U.S. colleges and universities to “defend American tradition and Western civilization” and to purge them of diversity and inclusion programs, which he and Republicans have said are leftist in nature.
- **LITIGATION:** He said he would direct the Justice Department to pursue civil rights cases against schools that engage in racial discrimination.
- At K–12 schools, Trump would support programs allowing parents to use public funds for private or religious instruction.
- **DEPARTMENT OF EDUCATION:** Trump also wants to abolish the federal Department of Education and leave states in control of schooling.
- **ABORTION:** Regarding abortion, Trump has said that a federal ban on abortion is not needed and that the issue should be resolved by states. He’s also said he backs rules that advance in vitro fertilization, birth control, and prenatal care.
- **TRANSGENDER COMPETITION:** In campaign events and interviews, Trump has been critical of schools allowing transgender individuals to compete in women’s sports, saying that he would impose a ban on such practices. “It’s a man playing in the game,” Trump said at an October town hall event. “Look at what’s happened in swimming. Look at the records that are being broken.”

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PROJECT 2025 – THE PRESIDENTIAL TRANSITION PLAN

FOUR PILLARS

1. A Policy Agenda,
2. Personnel,
3. Training, and
4. A 180-day playbook.

COMMITTED AND ALLIGNED TO TRUMP 2.0

1. Secure the border, finish building the wall, and deport illegal aliens.
2. DeWeaponize the Federal Government by increasing accountability and oversight of the FBI and DOJ,
3. Unleash American energy production to reduce energy prices,
4. Cut the growth of government spending to reduce inflation,
5. Make federal bureaucrats more accountable to the democratically elected President and Congress,
6. Improve education by moving control and funding of education from DC bureaucrats directly to parents and state and local governments,
7. Ban biological males from competing in women's sports

WHAT WE CAN EXPECT

1- TAX CUTS:

- A full extension of the 2017 tax cuts that expire at the end of 2025,
- Likely including reinstatement of some expired business investment incentives.
- Likely some modest additional tax cuts to accommodate Trump's campaign proposals,
- Expect these proposals to be scaled down (would only cut taxes by a few tenths of a percent of GDP, primarily focused on individual income taxes and not corporate).

2- FISCAL SPENDING:

- With the Republican sweep federal spending growth will likely rise somewhat, particularly on defense.

3- REGULATIONS:

- Likely a lighter-touch approach, particularly with regard to energy, financial, and labor policies.
- While some aspects of antitrust policy might ease slightly, expect scrutiny of the tech sector to continue.

WHAT WE CAN EXPECT

4- TARIFFS:

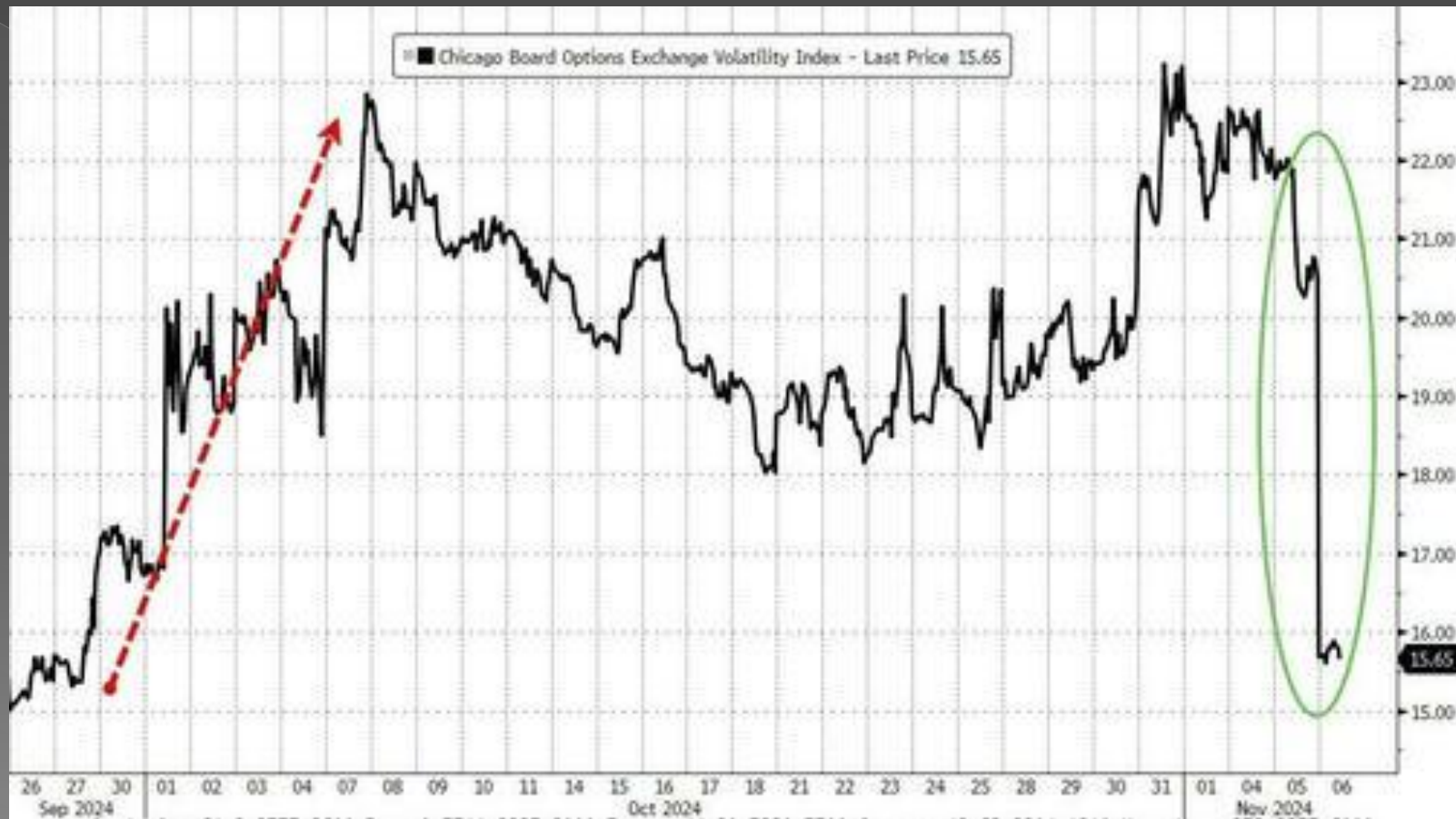
- Expect Trump to impose tariffs on imports from China that average an additional 20pp.
- The 10-20% across-the-board tariff that Trump has proposed is very possible with a 40% chance it will be implemented.
- Expect auto tariffs to come into focus on auto imports from the EU (though this could be applied more broadly).
- Estimates are that this combination of tariff policies would provide a one-time boost to core PCE inflation that peaks at 30-40bp and a modest drag on GDP.
- **Trump Tariffs could derail the Fed cutting cycle.** The Fed is likely to *pause* the cutting cycle if large tariff increases are announced, assuming the economy is still on solid footing.

5- IMMIGRATION:

- Expect reduced immigration to around 750k/year, slightly below the 1mn pre-pandemic trend.

6- EUROPE:

- Expects Trump's policy agenda to affect the European economic outlook via several channels.
- **First**, renewed trade tensions are likely to weigh materially on growth. While the proposed 10% across-the-board tariff is a clear risk, expectation are that Trump imposes a more limited set of tariffs on European economies, targeting primarily auto exports.
- **Second**, Trump's re-election will likely entail renewed defense spending and security pressures for Europe. Any resulting growth boost, however, is likely be limited by modest military spending multipliers in Europe, upward pressure on long-term yields from higher deficits and negative confidence effects from elevated geo-political risk.
- **Third**, Expect small net spillovers from shifts in US macro policy and financial conditions. Taken together, analysis points to a 0.5% hit to real GDP in the Euro area, ranging from 0.6% in Germany to 0.3% in Italy, with a moderate 0.4% hit to the UK. Expect the bulk of the growth hit to materialize between 2025Q1 and 2025Q4.



FINANCIAL MARKET REACTION

NON-DOLLAR EQUITIES

- *Japan is the winner (reflation play, US defense partner, winner by process of eliminating most everything else).*
- *Europe remains in a tough spot (remember, a 10% tariff wipes out the entirety of EU earnings growth).*
- *China has the most to lose.*

DOLLAR BULLISH (notably vs CNH, MXN and EUR).

- *Overnight flows skew clearly in this direction - the charts have clearly broken out.*

HIGHER RATES

- *Steeper curves, wider inflation breakevens.*

CRYPTO

- *The market is showing its hand on BTC which has convincingly taken out the highs.*

OIL

- *The supply story gets worse and worse.*

GOLD

- *Complicated short-term, very good medium-term.*

BOUNDARY CONDITION REALITIES

- 1. INFLATION RISKS** will mount further from here, given likely tariffs and fiscal stimulus. Moreover, the backdrop is already one where central banks are easing policy, whilst growth data is surprising on the upside. So this is a prominent concern that could prompt a more hawkish reaction from the Fed. DB has warned about inflation risks in recent months, and since the bank's most recent piece in September the 2yr US inflation swap has risen nearly 50bps.
- 2. FISCAL CONSTRAINTS:** The financial context is very different to Trump's first victory in 2016. Fiscal constraints are tighter given higher Treasury yields and a higher federal debt, whilst asset valuations are much higher as well.
- 3. DEBT CEILING:** Assuming we get unified government (which Polymarket places at 99%), the risk of a debt ceiling crisis has just collapsed for the next two years.
- 4. POLITICAL WINDOW:** US politics is very volatile: In 9 of the last 10 presidential/ midterm elections, at least one of the White House/Senate/House of Representatives has changed control. So it's entirely plausible the political landscape changes quicker than many expect today.

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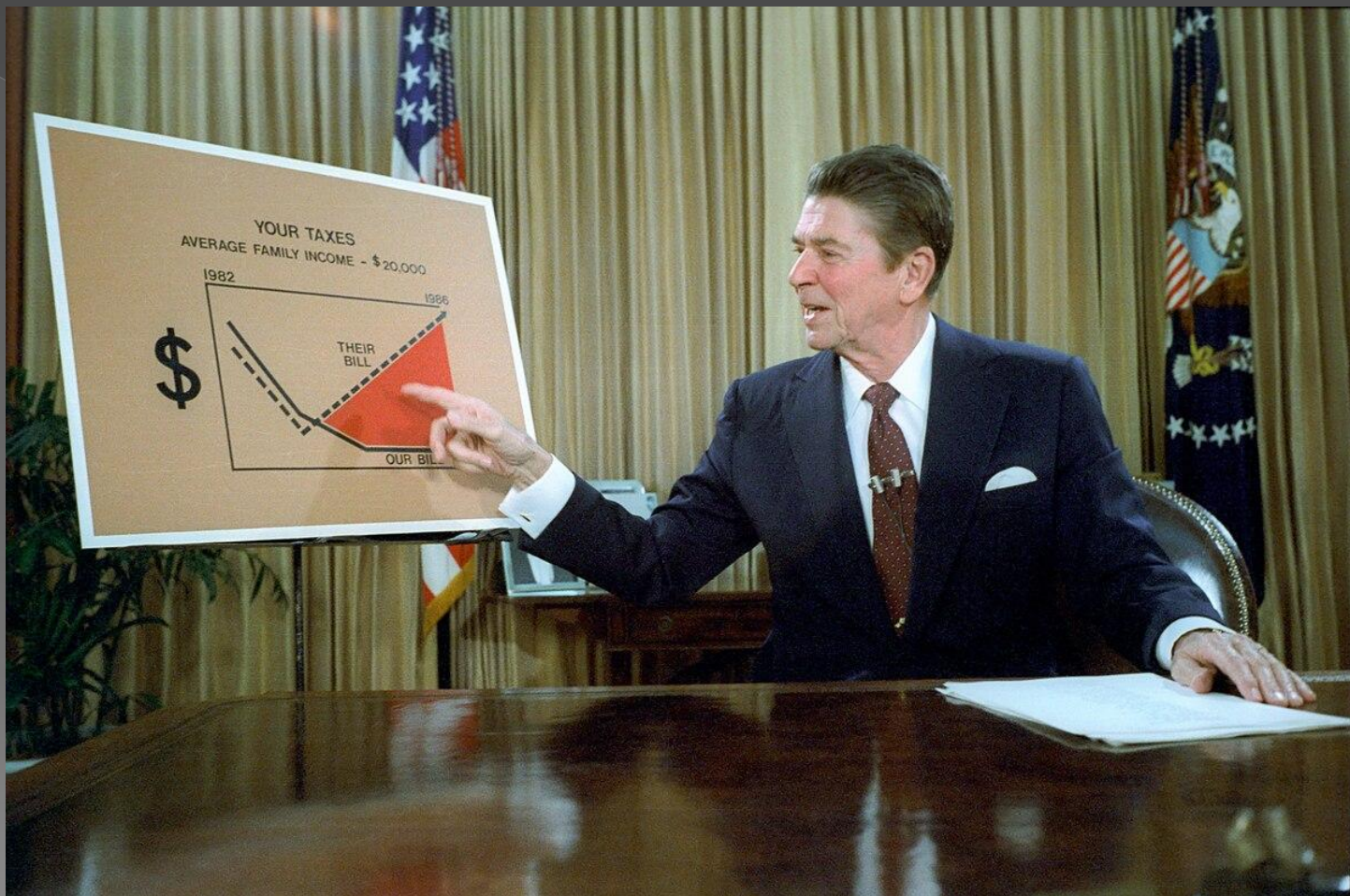
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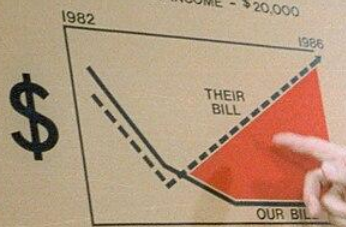


**Time to Try
Something
Different**



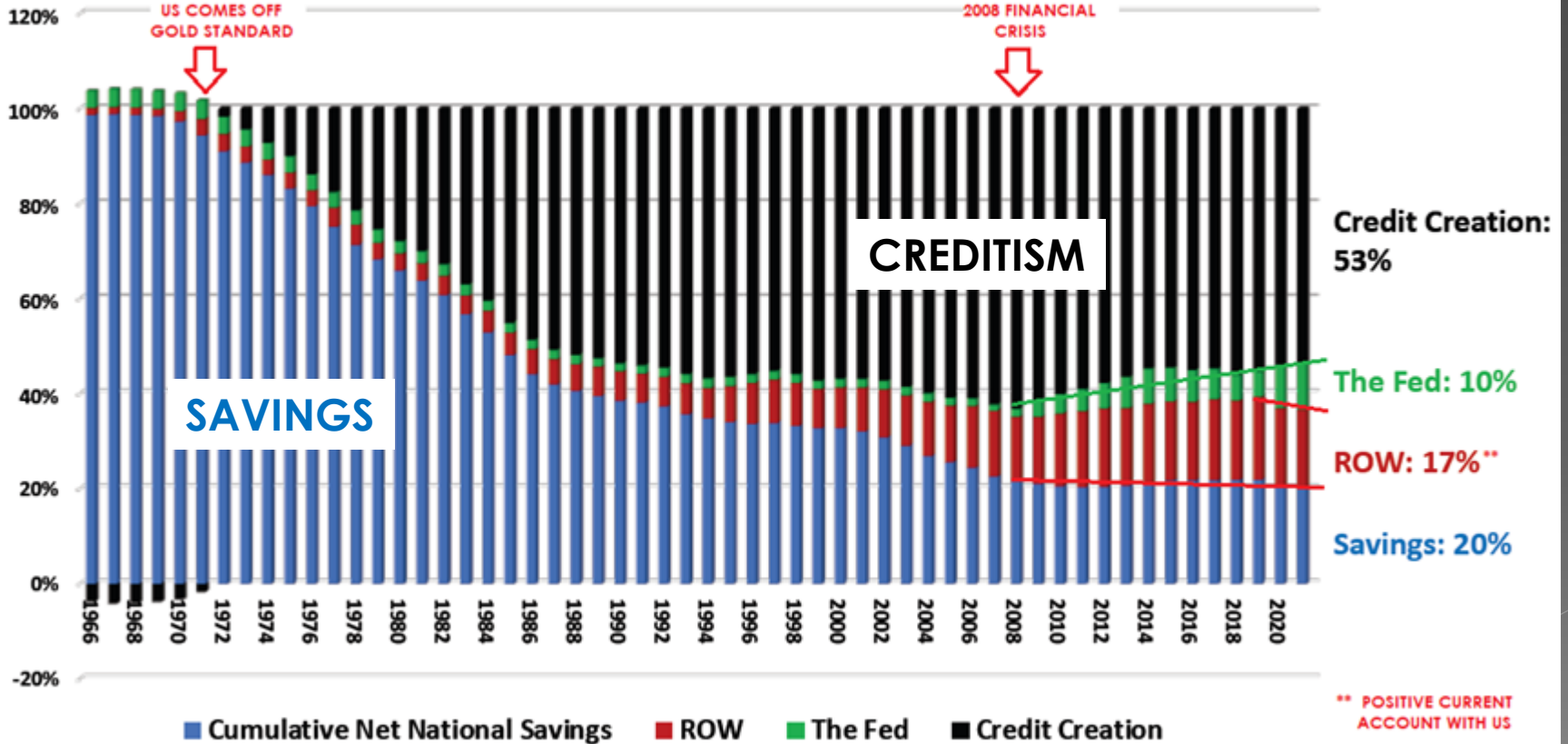


YOUR TAXES
AVERAGE FAMILY INCOME - \$20,000



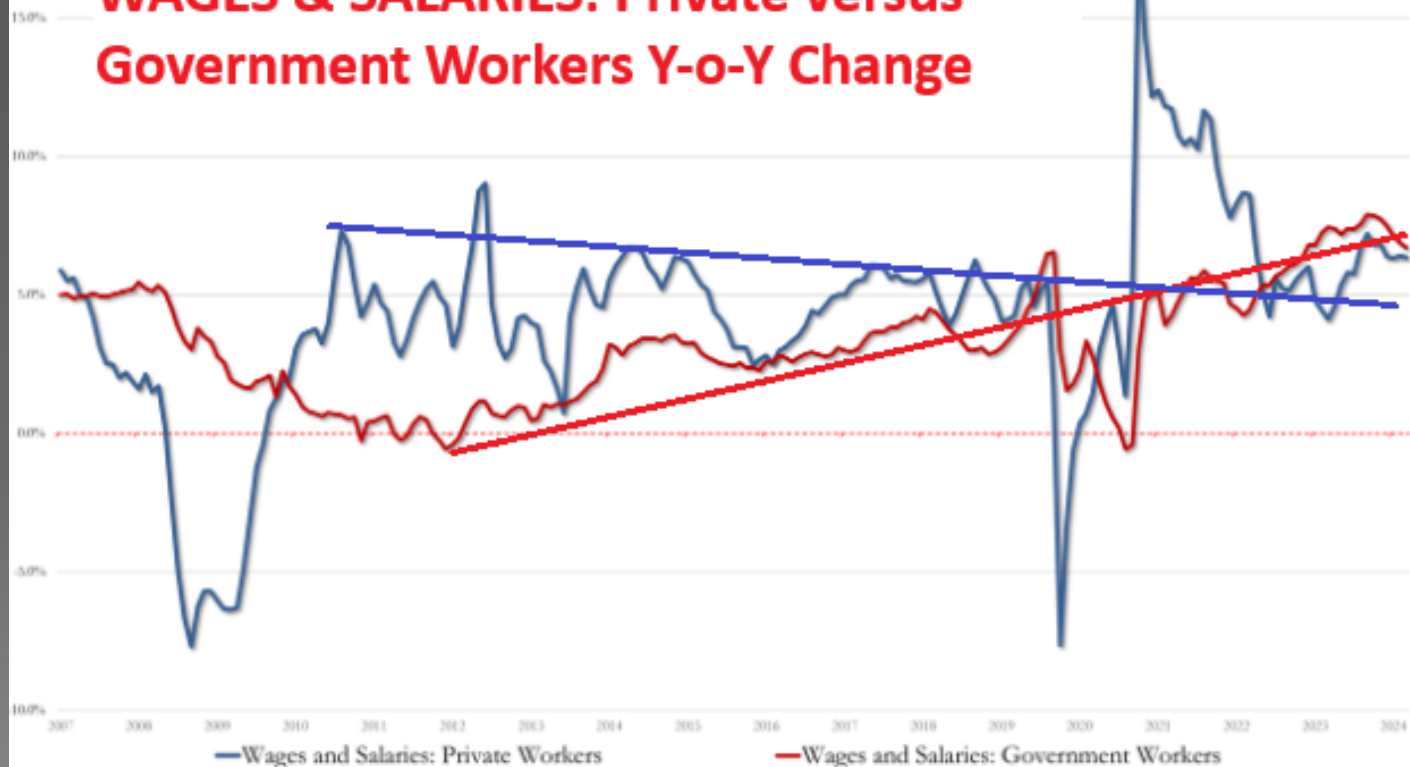
Where Does The Money Come From To Fund The Debt?

Source Of Funding, % Breakdown from 1966 to 2021



Source: The Fed's Financial Accounts Of The United States; and the Bureau Of Economic Analysis

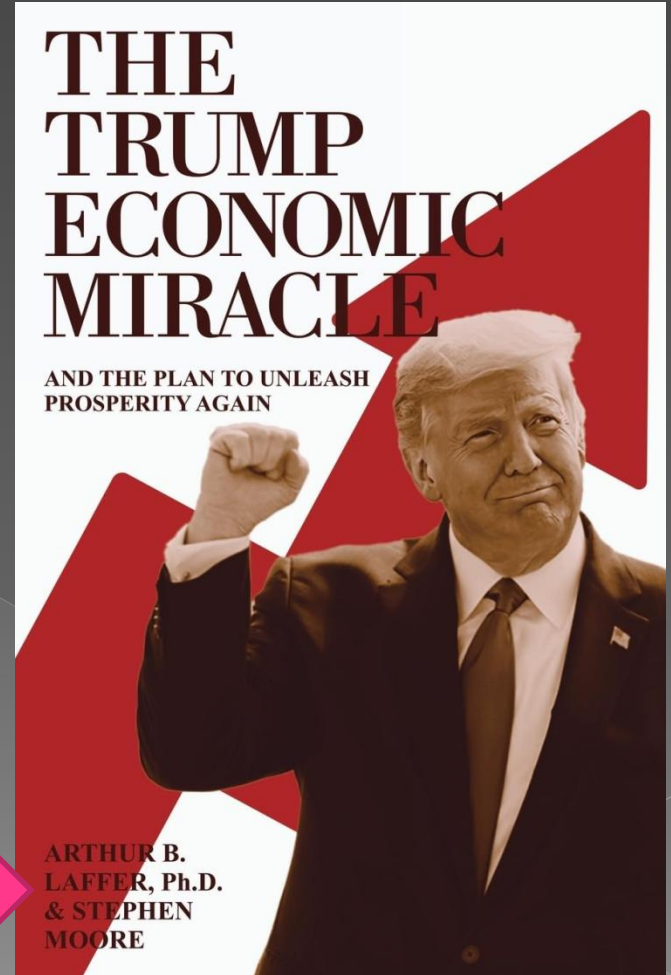
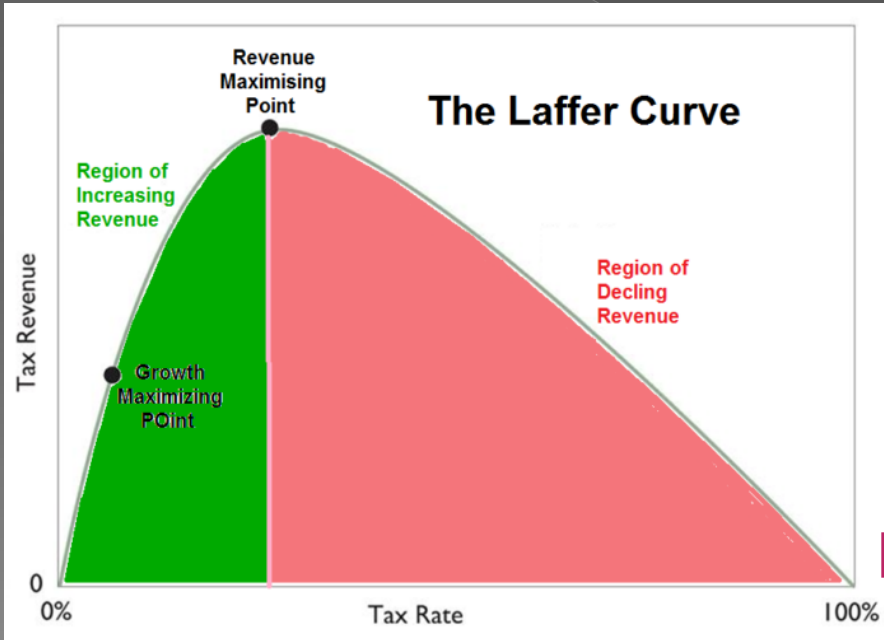
WAGES & SALARIES: Private versus Government Workers Y-o-Y Change



GOING TO AMERICA



THERE IS A STRATEGIC PLAN!



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TARIFFS

“To me, the most beautiful word in the dictionary is ‘tariffs,’” Trump said in an interview with John Micklethwait, editor-in-chief of Bloomberg News, in October. “It’s my favorite word.”

RESHORING

He added at the time, “**You see these empty, old, beautiful steel mills and factories that are empty and falling down,**” referring to facilities that used to make goods in the United States.

“We’re going to bring the companies back. We’re going to lower taxes for companies that are going to make their products in the USA. And we’re going to protect those companies with strong tariffs,” Trump said.

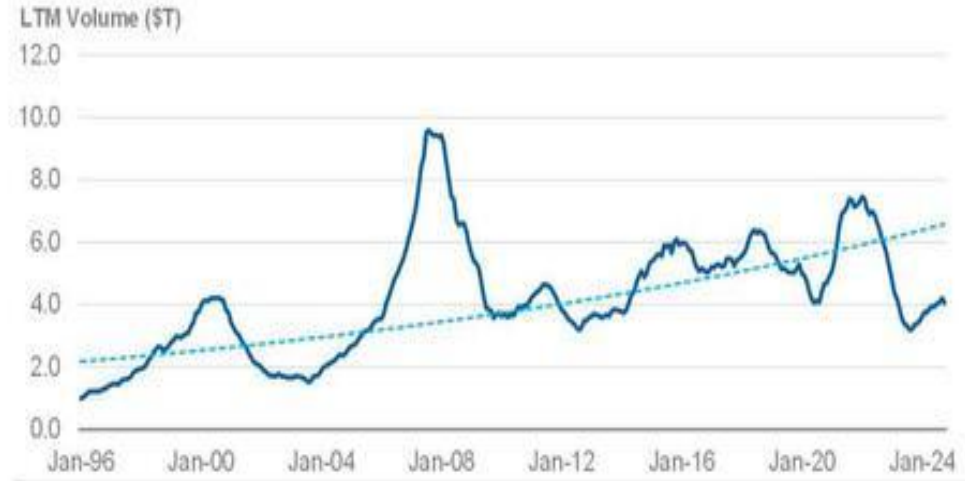
'Animal Spirits' could be unleashed, accelerating corporate deal-making.

It is worth noting that **M&A activity relative to GDP is starting from well below-trend levels, leaving room for some acceleration before it becomes credit negative.**

Further, given the level of rates, debt-funded M&A initially might see a more gradual uptick versus strategic activity, accelerating appreciably as we get closer to the end of the cutting cycle.

Expect More 'Animal Spirits', but a Long Way from Extreme

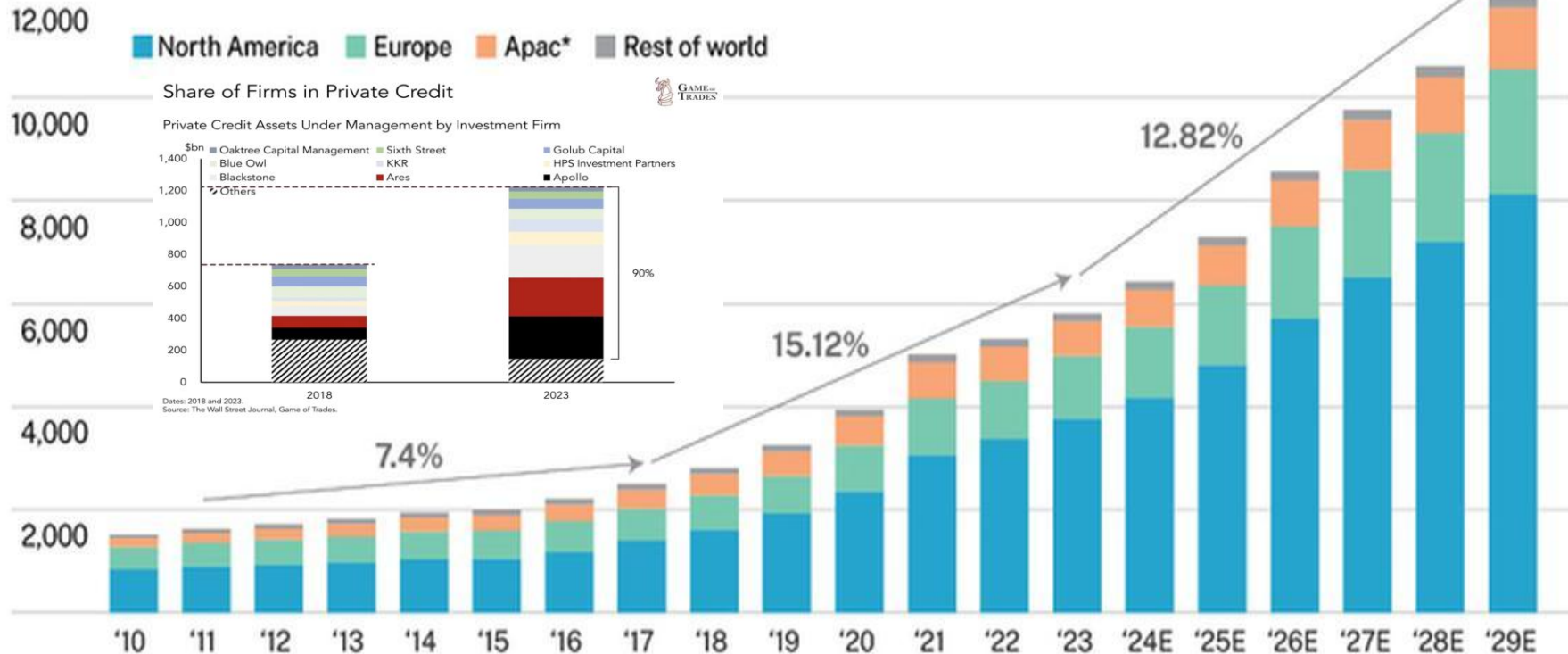
We continue to expect a 'return of M&A'. But activity so far below trend may give some space before increased volumes are a credit-negative



Source: Dealogic, Morgan Stanley Research

Private equity AUM and annualised growth rate

AUM (US\$B)

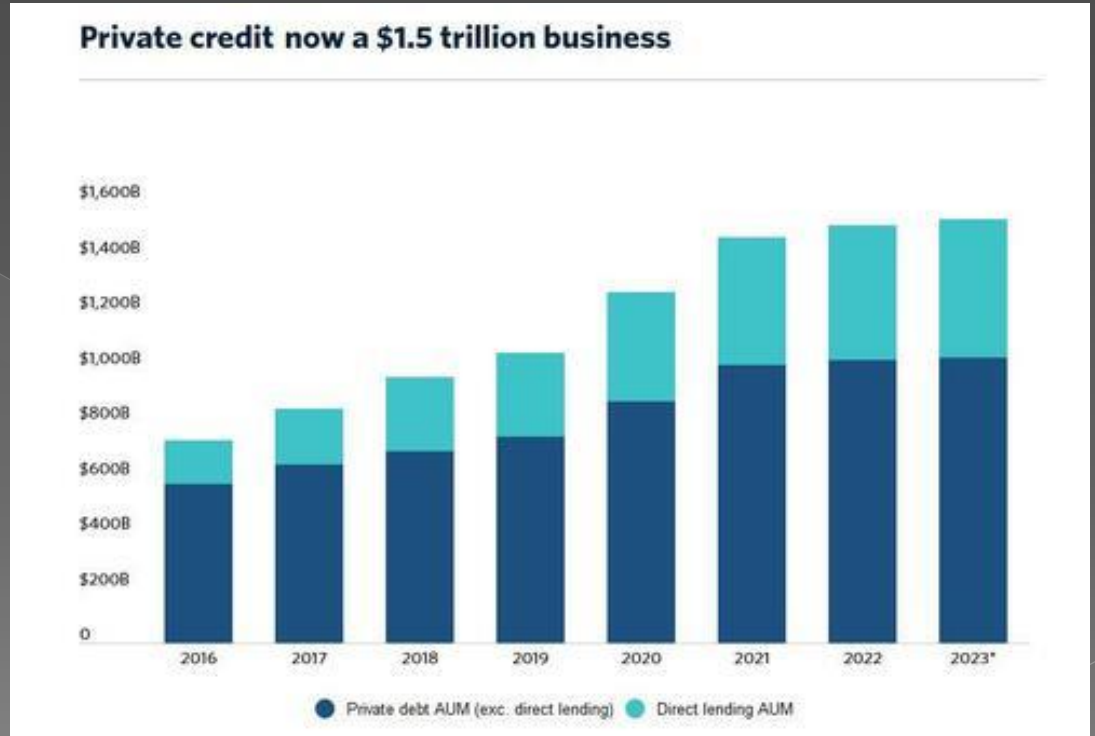


*Excludes funds denominated in CNY

SOURCE: PREQIN GRAPHIC: HYRIE RAHMAT, BT

The dramatic growth in private credit has been a major theme in credit markets, prompting talk about greater regulatory oversight and scrutiny.

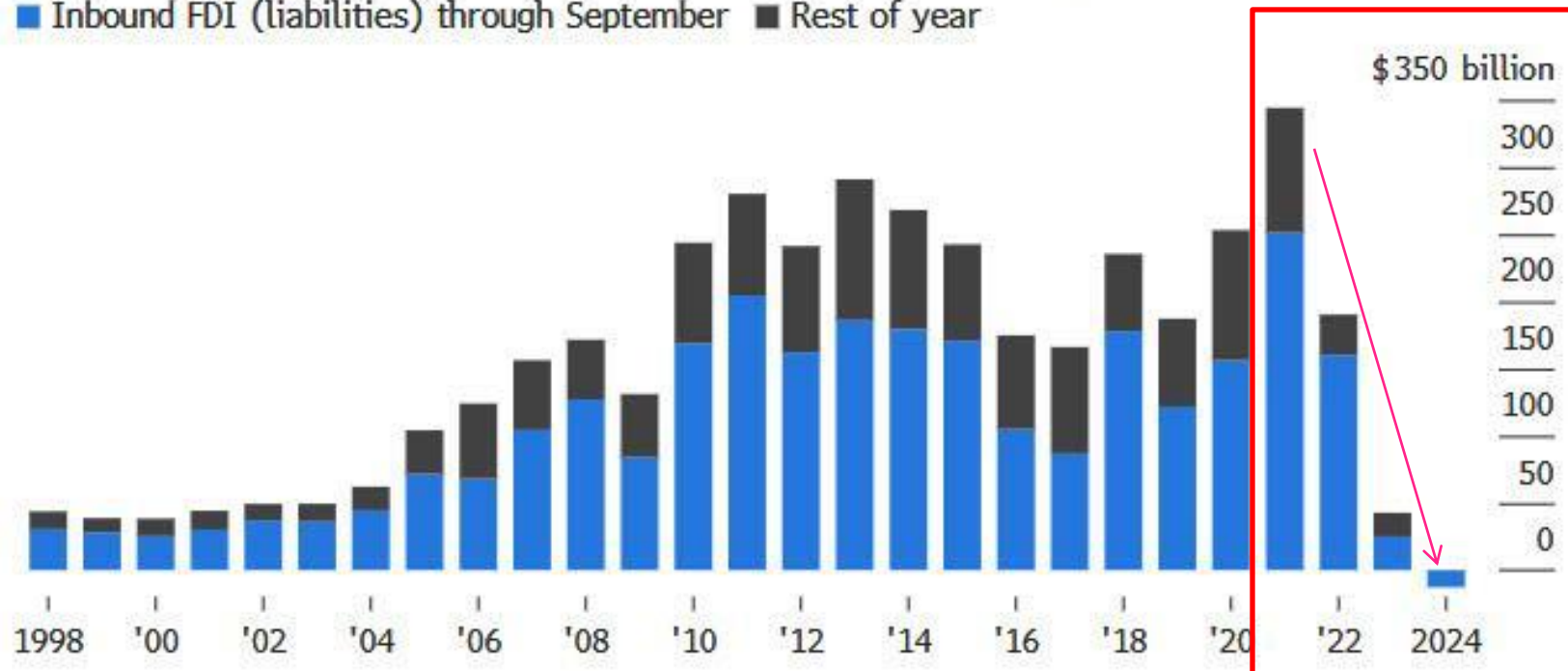
The expected focus on deregulation in Trump's second term dampens this prospect, which bodes well for the continued growth of private credit.



Foreign Firms Continue to Pull Money Out of China

Foreign investment liabilities drop almost \$13 billion so far this year

■ Inbound FDI (liabilities) through September ■ Rest of year



Source: China's State Administration of Foreign Exchange

Bloomberg

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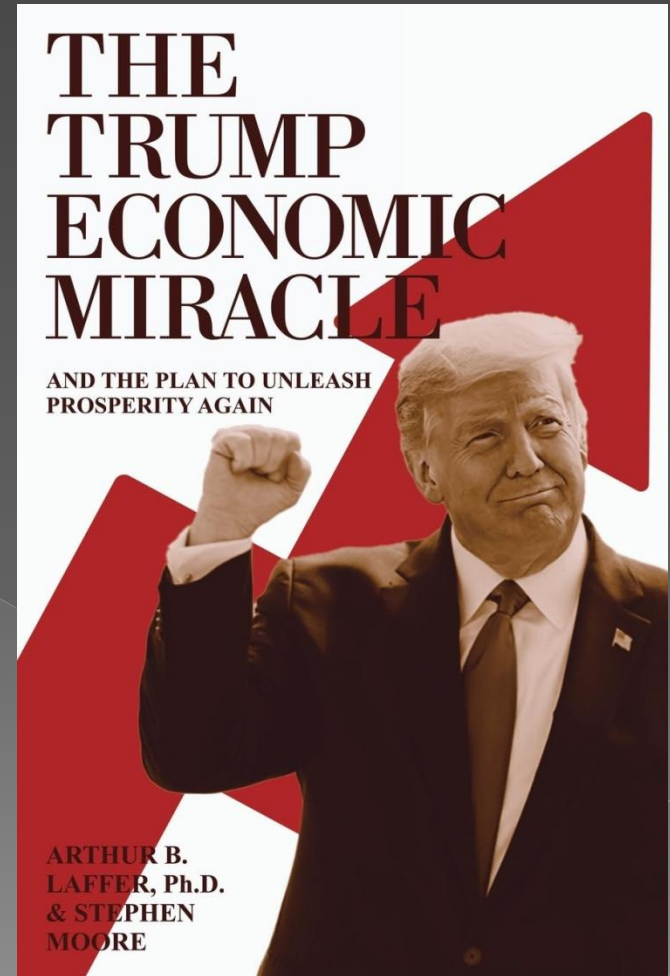
CONCLUSION

The “Trump Trade” may actually be about the
“Trump Card”
that Trump now holds in his hands!!

The future of America depends on it!

RE-PRIVATIZATION OF THE US ECONOMY

- STOP FALSE & UNPRODUCTIVE ECONOMIC GROWTH
- STOP THE DISTORTION OF CAPITAL ALLOCATION
- RESTORE FAITH IN THE US ECONOMY & DOLLAR (* CRITICAL)



ADMINISTRATIONS CHANGE – BUT THE PRINTING NEVER DOES

DON'T WORRY, THEY WILL PRINT THE MONEY!

EVERYONE IS NOW IN PLACE & READY!!



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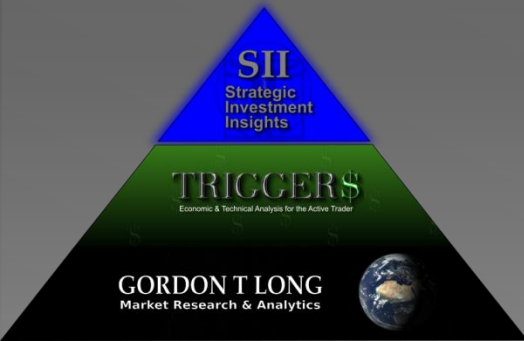
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