I've got nothing against national anthems, and I wouldn't kneel even if I was Colin Kaepernick. I just think as a country, “America the Beautiful” might have been a better choice for ours and that in some cases, some words of “The Star Spangled Banner” don't ring true. A few countries’ anthems are, in fact, quite pleasing to my ear. “O Canada” has a beautiful melody and words to match, although you'd probably have to be watching hockey to hear it. Our “Star Spangled Banner”? For me – not so much. I can sort of see the “rockets' red glare”, but it's hard to sing and quite long – especially if you're waiting for the kickoff. But like I said, I have nothing against it, except maybe the last stanza. Not the “Home of the Brave” part. Having spent two years in Vietnam, ferrying Navy SEALs up the Mekong Delta, I witnessed a lot of bravery. Not me. I was duckin' quicker than Bill Murray's gopher in Caddyshack. The SEALs though. Yeah – tough guys – very brave.

I quarrel however, with the part about “Land of the Free”. Free? For almost all of us – “yes” – but for 3+ million of us? Not really. Take a look at Chart I, and be honest if your eyes don't bug out. More than any country on Earth – in total numbers, or as a percentage of the population, Americans are incarcerated, imprisoned – freedomless. Of course there's a legitimate explanation for many of them, but what's the reason for the rest? Restrictive laws that went too far and tied judges' hands: California's “three strikes and you're out” legislation, for one, that was approved by voters long ago but is perhaps outdated now due to the growing acceptance of marijuana. The privatization of prison management and ownership is even more damning. “Orange Is the New Black” focuses on race and classism themes, but there's more to the show than that. I'd affirm lead character Aleida Diaz when she says, “We a for-profit prison now. We ain't people no more. We bulk items, sardines in a can.” I spent one night in a Danish pokey 50 years ago for intoxication, and it was 18 hours too long. We owe it to 1-2 million orange clad prisoners to clean up the system and give validity to our own national anthem.
Well, solving the "Orange Is Not Free" dilemma may take time just as the solution to a global debt crisis (now seven years running) may take even longer. It helps though to understand what the plan is in order to invest accordingly. While I and others have been critical of its destructive, as opposed to constructive elements, it is the current global establishment’s (including Trump’s) overall plan, and the establishment’s emphatic "whatever it takes" monetary policies are the law of our financial markets. It pays to not fight the tiger until it becomes obvious that another plan will by necessity replace it. That time is not now, but growing populism and the increasing ineffectiveness of monetary policy suggest an eventual transition. But back to the beginning which was sometime around 2009/2010:

How policymakers plan to solve a long-term global debt crisis:

1. As in Japan, the Eurozone, the U.S., and the UK, central banks bought/buy increasing amounts of government debt (QE), then rebate all interest to their Treasuries and eventually extend bond maturities. Someday they might even “forgive” the debt. Poof! It’s gone.

2. Keep interest rates artificially low to raise asset prices and bail out over-indebted zombie corporations and individuals. Extend and pretend.

3. Talk about “normalization” to maintain as steep a yield curve as possible to help financial institutions with long-term liabilities, but normalize very, very slowly using financial repression.

4. Liberalize accounting rules to make some potentially “bankrupt” insurance companies and pension funds appear solvent. Puerto Rico, anyone?

5. Downgrade or never mention the low interest rate burden on household savers. Suggest it is a problem that eventually will be resolved by the “market”.

*Metropolitan France, excluding departments and territories in Africa, the Americas and Oceania
Source: Business Insider (as of 6/21/16)
6. Begin to emphasize “fiscal” as opposed to “monetary” policy, but never mention Keynes or significant increases in government deficit spending. Use the buzzwords of “infrastructure” spending and “lower taxes”. Everyone wants those potholes fixed, don’t they? Everyone wants lower taxes too!

7. Promote capitalism – even though government controlled, near zero percent interest rates distort markets and ultimately corrupt capitalism as we once understood it. Reintroduce Laffer Curve logic to significantly lower corporate taxes. Foster hope. Discourage acknowledgement of abysmal productivity trends which are a critical test of an economic system’s effectiveness.

8. If you are a policymaker or politician, plan to eventually retire from the Fed/Congress/Executive Wing and claim it’ll be up to the Millennials now. If you are an active as opposed to passive investment manager, fight the developing trend of low fee ETFs and index funds. But expect to retire with a nest egg.

That’s the plan dear reader, and President-elect Trump’s policies fit neatly into numbers 6, 7 and 8. There’s no doubt that many aspects of Trump’s agenda are good for stocks and bad for bonds near term – tax cuts, deregulation, fiscal stimulus, etc. But longer term, investors must consider the negatives of Trump’s anti-globalization ideas which may restrict trade and negatively affect corporate profits. In addition, the strong dollar weighs heavily on globalized corporations, especially tech stocks. Unconstrained strategies should increase cash and cash alternatives (such as high probability equity buy-out proposals). Bond durations and risk assets should be below benchmark targets.

On TV, “Orange Is the New Black” yet, in the markets, “Red” (in some cases) may be the new “Green” when applied to future investment returns. Be careful – stay out of jail.
This material does not constitute and should not be construed as investment, legal or tax advice or a recommendation, solicitation or opinion regarding the merits of any investments. Nothing in the material shall be deemed to be a direct or indirect provision of investment management services or an offer for securities by Janus Capital Group and its subsidiaries (“Janus”) and is not considered specific to any client requirements. Anything non-factual in nature is an opinion of the author(s), and opinions are meant as an illustration of broader themes, are not an indication of trading intent, and are subject to change at any time due to changes in market or economic conditions. Janus is not responsible for any unlawful distribution of this material to any third parties, in whole or in part, or for information reconstructed from this material and do not guarantee that the information supplied is accurate, complete, or timely, or make any warranties with regards to the results obtained from its use. It is not intended to indicate or imply that current or past results are indicative of future profitability or expectations. As with all investments, there are inherent risks that need to be addressed.

The distribution of this material or the information contained in it may be restricted by law and may not be used in any jurisdiction or any circumstances in which its use would be unlawful. This presentation is being provided on a confidential basis solely for the information of those persons to whom it is given. Should the intermediary wish to pass on this material or the information contained in it to any third party, it is the responsibility of the intermediary to investigate the extent to which this is permissible under relevant law, and to comply with all such law.

Note to Hong Kong, Taiwan and Singapore Readers: Issued in: (a) Taiwan R.O.C independently operated by Janus Capital Taiwan Limited, licensed and regulated by the Financial Supervisory Commission R.O.C, (b) Hong Kong by Janus Capital Asia Limited, licensed and regulated by the Securities and Futures Commission of Hong Kong, and (c) Singapore by Janus Capital Singapore Pte. Limited (Company Registration No. 200617443N), which is regulated by the Monetary Authority of Singapore. In Singapore, only available to accredited and institutional investors as defined under section 4A of the Securities and Futures Act (Cap.289), and may not otherwise be distributed in Singapore.

Note to Australia and New Zealand Readers: Issued by Janus Capital Asia Limited (ARBN 122 997 317), which is incorporated in Hong Kong, is exempt from the requirement to hold an Australian financial services licence and is licensed and regulated by the Securities and Futures Commission of Hong Kong under Hong Kong laws which differ from Australian laws. In New Zealand, this document may only be distributed to ‘wholesale investors’ within the meaning of the Financial Markets Conduct Act 2013. This includes (i) selected institutional clients whose primary business is the investment of money, or (ii) persons who meet the prescribed investment activity criteria or who exceed certain prescribed asset and turnover thresholds, or (iii) a person who has completed a prescribed certificate attesting as to their experience in buying or selling investment products, or (iv) investors who invest a minimum sum of NZ$ 750,000. This is not a registered prospectus or investment statement or product disclosure statement under New Zealand law and does not constitute an offer of securities to the public for the purposes of the Securities Act 1978 or a regulated offer under the Financial Markets Conduct Act 2013. It should not be copied or distributed to any other person in New Zealand. In Australia and New Zealand, for wholesale client use only.

In Australia, Janus Capital Management LLC, Enhanced Investment Technologies and Perkins Investment Management LLC are permitted to conduct financial services pursuant to an exemption from the need to hold an Australian financial services licence under the Australian Corporations Act 2001. Janus Capital Management LLC, Enhanced Investment Technologies and Perkins Investment Management LLC are regulated by the Securities Exchange Commission of the U.S. under U.S. laws, which differ from Australian laws.

Note to China (PRC) Readers: Janus is not licensed, authorised or registered with the China Securities Regulatory Commission for investment management business or otherwise approved by any PRC regulatory authorities to provide investment management services in the PRC. This material has not been reviewed by or filed with any PRC regulatory bodies and the use of this material shall be limited to the extent permitted by applicable laws, regulations and relevant requirements. Nothing in this material shall be deemed or construed as providing investment management services by Janus in the PRC, nor shall it be will viewed as investment advice in relation to PRC capital markets, securities and mutual funds, which may require Janus to obtain or be subject to any approval, licensing, filing, registration, or other qualification requirements of the relevant Chinese regulatory authorities. This material is being provided on a confidential basis solely for the information of those persons to whom it is given.

Note to South Korea Readers: Issued by Janus Capital International Limited, authorised and regulated by the U.K. Financial Conduct Authority. In South Korea, only available to Qualified Professional Investors.

Note to Europe Readers: Issued in Europe by Janus Capital International Limited (“JCIL”), authorised and regulated by the U.K. Financial Conduct Authority and also issued by Janus Capital (Switzerland) LLC, authorised and regulated in Switzerland by FINMA.

Note to Middle East Readers: JCIL is regulated by the Dubai Financial Services Authority as a Representative Office. JCIL is authorised and regulated by the U.K. Financial Conduct Authority. The contents of this presentation have not been approved by, licensed or registered with the Central Bank of Bahrain the Regulatory Authority of Botswana, Qatar Central Bank Saudi Arabian Capital Market Authority, UAE Central Bank, the Securities and Commodities Authority, the Kuwaiti Capital Markets Authority or any other relevant licensing authorities or governmental agencies in the Middle East. This presentation does not constitute a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98) or under Kazakhstani law. No transactions will be concluded in the Middle East and any enquiries should be made to JCIL.

Note to Africa Readers: JCIL is not authorised in South Africa for marketing. The contents of this presentation have not been approved by, licensed or registered with the Regulatory Authority of Botswana.

Note to Colombia Readers: JCIL’s products and/or services may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities-related products and/or services in Colombia or to Colombian residents. Neither JCIL nor any related person or entity has received authorisation or licensing from the Financial Superintendence of Colombia or any other governmental authority in Colombia to market or sell its products and/or services within Colombia or to Colombian residents.

Note to Canada Readers: In Canada, Janus Capital Institutional products and services are offered through Janus Capital Management LLC which is registered as an adviser in the category of portfolio manager and as a dealer in the category of exempt market dealer in each of the provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec. In these provinces, these services are offered only to “Accredited Investors” as defined in National Instrument 31-103. Janus Capital Management LLC serves as investment adviser, Janus, INTECH and Perkins are registered trademarks of Janus International Holding LLC.© Janus International Holding LLC. In Australia, INTECH is trading as EIT and INTECH is not its registered trade mark. For more information or to locate your country’s Janus representative contact information, please visit www.janus.com.

Outside of U.S.: For institutional/ sophisticated investors / qualified distributors use only. Not for public viewing or distribution.

C-1216-6091 12-15-17 188-15-44062 12-16