

In late 1997, I tried out for and was selected for the US Ranger Regiment, a division of the Special Operations Command (SOCOM). I was assigned to 1/75th Battalion at Hunter Army Airfield, Savannah, GA.

Anytime the military sends you to a new unit, the first few days are spent in-processing. Gear, equipment, weapons, room assignments, etc. In Ranger Batt, we were also assigned a pager/beeper, which a lot of readers are probably unfamiliar with. They were precursors to mobile phones. Someone calls the pager, it beeps, you look at it, and it says the number that was calling you. You found a pay phone (some of you probably don't know what those are, either) and called the number back. The fancy ones allowed for a brief message.

SOCOM has various procedures for rapid deployment. During peacetime, we had three stages of readiness. The Ready Reaction Force (RRF) stage your Battalion was in dictated what you could do with your off time. Each of the three Ranger Battalions rotated through the three stages every three months.

- RRF 1 was the most intense and required all Rangers within the Battalion to be wheels up within 18 hours of pressing go
 - Within RRF 1, each Company within the Battalion took a one month turn of being on call with wheels up being 9 hours of pressing go
 - Troops are restricted to base, no further than 15 minutes from the barracks, and no alcohol
- RRF 2 was when most new training was done, deployed within 36 hours of go
 - No more than one hour from base and limited alcohol
- RRF 3 was the least intense, when we did long-term deployments or two weeks of leave
 - This was as relaxed as a special ops unit can be, which is to say far more restrictive than pretty much anything else in the world

Anytime we left base, we had to take the pager with us. We thought we were so cool in the Savannah bars. "Oh, this little thing? Just in case my country needs me to defend your freedom..." We were such big talkers. We likened training without combat to practicing football without ever playing a game. We were full of swagger. We wanted the opportunity for combat. We wanted the pagers to go off, preferably while we were talking to a beautiful young woman. "Can I get your number? I'll call you if I make it back..."

And then one Friday night, the pager went off. "Return to base". I was out with four buddies and we all had the same message.

In those first few moments, reality sunk in. We were stripped bare of our bravado. All that tough guy talk was gone. Five buddies that had been through so much together in the last year were all staring at each other, searching for words.

As we drove back to the base in my buddy's Jeep Wagoneer, we slowly regained our confidence. We were trying to talk ourselves up. The bravado gradually returned, but clearly we had been shaken. We were confronted with our own mortality at the tender age of 21. We were changed.

When I saw Trump's diagnosis, I immediately flashed back to this moment. I wonder if he experienced the same flood of emotions in those first few seconds that I had experienced 20 years ago. That brutally honest

window of reflection, before he had time to regain his composure, to talk himself back up, to have his doctors reassure him. In those first few moments, was the tough talk of the last six months replaced with a stark realization of his own mortality?

I wish President Trump a full recovery and hope this experience will leave him with a level of empathy that will help us defeat covid. Not because it's the best way to win an election, bring back jobs, or to drive up stocks, but because human lives are being lost every day. A president with empathy is important, but never more so than during a pandemic.

Last Week This Morning

- 10 Year Treasury up a few bps to 0.70% on optimism over stimulus
 - o German bund down 7bps to -0.54%
- 2 Year Treasury unch at 0.13%
- LIBOR at 0.14%
- SOFR is 0.08%
- The economy added 661k jobs last month, much lower than the forecasted 859k
- The unemployment rate came in lower than expected, 7.9% vs 8.2%
 - o Unfortunately, much of that is attributable to a drop in the participation rate
- Consumer Confidence came in much better than expected
- Q2 GDP was revised slightly better
- The NYT's story about Trump's taxes was either just a week ago or 19 years ago
- Somehow NC is in the election headlines again, this time because the incumbent GOP Senator tested positive while the Democratic challenger admitted to sending suggestive texts to a woman he isn't married to, saying, "Would make my day to roll over and kiss you about now."
 - o With the new bar for what constitutes a scandal, isn't it at least possible this sort of text actually *wins* the women's vote? "He's so respectful..."
- The Presidential debate was basically two of my boys trying to explain why the other one was to blame
- I'd be totally fine with the NFL cancelling the season right now...for safety reasons...

Trump's COVID Diagnosis

The following discussion will consider some uncomfortable scenarios, none of which I take lightly.

Markets hate uncertainty, so the base case for rates is that Trump's health will weigh on yields. I've done a ton of statistical analysis in newsletters over the last six months, and it is clear that he is at elevated risk. Furthermore, even lower risk cases can encounter nasty effects for two weeks. There is no light at the end of the tunnel within the next few days just because he may start to feel better.

Additionally, many people have reported feeling better after a few days, only to deteriorate again. If positive news comes out today that Trump is feeling better, it should not be interpreted as an all-clear signal yet.

Trump's Health Deteriorates

This likely pushes rates down and would be true regardless of who was in the White House. The market hates uncertainty. Trump's age and health likely puts his mortality rate somewhere between 1-5%. It's not high, but it's not 0%, either.

Although he's in an at-risk category, the fact that he's the president means he is getting literally the best treatment in the world. If things go badly for him, it may serve as a stark reminder for markets that this pandemic has a long way to go.

At a minimum, rates hold steady. If things get worse, however, I would expect rates to move lower.

Trump's Health is Stable

Base case. Like millions of Americans, he struggles over the next one to two weeks. He has every possible advantage to get through this. Rates muddle along, awaiting guidance.

More of the same, rates remain rangebound.

Trump's Health Improves

Delayed base case, probably at least a week out. If his health takes a turn for the better, that alone doesn't suggest rates will move higher. It just means a risk has been taken off the table and the market can focus on other factors instead.

Furthermore, the impact of a full recovery is more muted than usual with an election just a month away. A tweet saying he's negative is unlikely to cause rates to jump more than a few bps.

Trump's Health Effecting Stimulus Talks

This is the single biggest risk to higher rates. Perhaps Trump's diagnosis forces both sides to come to the table?

Think of stimulus and Trump's health as two different levers that move independently of each other. They could both be pushed forward, both set to neutral, move in opposite directions, or both pulled back.

Trump's Health on Market Uncertainty

A deteriorating health situation isn't just about Trump's health right now, it's coming during the election cycle.

And it's not just about the election, it's about the odd window of unusual procedures that surround the election.

The election is November 3rd, but the Electoral College doesn't actually convene until November 14th, and *that* vote isn't certified by Congress until January 6th. What if something happens during any one of those windows? The 20th Amendment dictates that the VP becomes president if the president-elect dies before inauguration. But it does *not* specify whether the candidate becomes president-elect after the Electoral College votes on November 14th or after Congress certifies the vote on January 6th. *And that* timeline assumes no legal challenges.

Because of the pandemic, we already have more than 2.2mm mail-in ballots. Most states have deadlines that have already passed about who can appear on the ballot. And many states have laws that require the electoral votes to be cast for the name on the ballot.

What if Trump succumbs to covid before the election? Does the GOP nominate Pence? Do they call for a delay in the election? Congress has the authority to delay the vote, but that would mean Democrats agree to it...so probably not.

What if Trump is incapacitated on election day?

What if Trump refuses to transfer power to Pence at any point when he really should have?

What if a legal battle ensues over the election results while Trump's health is still up in the air?

Furthermore, this administration has been less than fully transparent over the last four years. Even the most ardent Trump supporters can concede Trump and his team frequently send mixed messages. Saturday's press briefing by Dr. Conley was a case study in what *not* to do in a situation like this. Can the WH refine the messaging? Will markets trust the information being provided?

And...what if Biden gets it?

Week Ahead

Trump's health and a stimulus deal are the only thing that matters this week.

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