Market Review
June 11, 2019

Market Commentary

Stock markets have basically done a round trip since last fall. U.S. tariffs on imports from its largest trading partners combined with a less accommodative U.S. Fed policy first drove equities down through December. The subsequent recovery to new highs in the first four months of this year was driven by rising optimism on a resolution in the U.S/China trade war and the Powell pivot to a dovish stance, putting further rate increases on hold. The abrupt pullback from the April highs reflected escalating trade tensions resulting in a second round of tariffs on certain Chinese imports as well as Trump's unexpected announcement of tariffs on all Mexican imports, the latter now resolved.

Trade uncertainty continues to be the largest risk for equities. Investors have been assuaged by Powell's recent suggestion that he is prepared to act should trade-related disruptions weigh on growth. Muted inflationary pressures provides him the capacity to react accordingly.

Economic data and indicators point to slower growth in most regions around the world. While monetary policy by central banks have become a tailwind for equities, the prospect of a prolonged and more pronounced trade war remains a significant head wind for continued economic and profit growth. Within the U.S., the divergence between the manufacturing and much larger service sector is persisting.

We remain patient for opportunities to invest in financially sound, growing dividend income stocks and well-positioned companies in secular growth industries at attractive prices.

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