Market Review
May 14, 2019

Market Commentary

The unexpected escalation in the U.S./China trade war has rattled stock markets, putting downside risk to economic growth prospects. With higher tariffs in place and the potential expansion of tariffs to all Chinese imports, concerns of short-term inflationary pressures are resurfacing. For now, inflation remains contained, providing the U.S. Federal Reserve leeway to keep interest rates increases on hold. The longer term impact of tariffs is negative for global economic growth and by default, corporate profits.

Geopolitical uncertainty is by nature unpredictable and difficult to forecast. The strong rebound in stock markets from the December lows was driven in part by a consensus view that trade concerns would be abating. Therefore, the ensuing pullback when this did not unfold should not be surprising. Other catalysts that buoyed stocks included better than expected first quarter corporate profits and supportive economic data/indicators.

While it is arguably in the best interests of both the U.S. and China to avoid a full blown trade war, it is also highly unlikely the two countries can resolve all trade issues in one negotiated agreement. We continue to monitor developments and the extent global economies are affected.

Our discipline remains to invest in financially sound, growing dividend income stocks and well-positioned companies in secular growth industries at attractive prices.