

Tariffs and Jobs
By Peter Goodall

Global markets rallied last week as fears of a trade war were tempered. US markets were boosted on strong jobs data. The S&P 500 (SPX Index) rose 3.59% and the MSCI World Index ([MSDUWI Index](#)) was up 2.85%.

Trade Wars

Fears of a growing trade war marked the beginning of the week. US allies are threatening retaliatory tariffs if they do not receive exemptions. The resignation of Gary Cohn, President Trump's top economic adviser, stoked concerns about the rising strength of protectionists in the White House. Cohn was regarded as an influential advocate for free trade. However, turnover in the White House staff is nothing new.

The Wall Street Journal reported that trade groups are looking to block Trump's tariffs in the courts. This would follow the template of the travel ban that the Trump administration is currently attempting to get through the justice system. It is unclear to us whether these groups would have legal grounds to challenge the tariffs. The travel bans were successful because they could be viewed as targeting a specific demographic of people based on race or religion. The tariffs are a flat tax on every country (with some waivers potentially being granted). European countries are discussing addressing the issue through the WTO.

Markets Rallied on Strong Economic Data

The Bureau of Labor Statistics released the [February jobs report](#) so get ready for some numbers! The US added 313K jobs, 131K more than economists were anticipating. There were 149K less discouraged workers than last year. (*Hey! Wake up!*) This all adds up to a stronger US jobs market, increasing the likelihood of the Fed raising interest rates.

Splitting the Atom

President Trump jumped on proposed talks of denuclearization coming from North Korea. There is a lot packed into this. On the surface, both sides can score political wins from the meeting. President Trump's willingness to meet validates the North Korean's missile program as a valid threat or bargaining chip. President Trump can claim that his increased pressure from sanctions and the crackdown of the shipping lifeline have forced North Korea to the table.

Unfortunately, it is unlikely that the offer to disarm is valid. North Korea has a long track record of using promises of disarmament to gain international aid or concessions. In 1985, North Korea signed the Nuclear Non-Proliferation Treaty. In 1992, it signed a joint declaration with South Korea to only use nuclear energy solely for peaceful purposes. In 1994, it pledged to the US that it would dismantle its program in exchange for international aid. The list goes on. Despite this, markets seemed optimistic on the news of talks. Crude oil recovered about 1.29% on the week on the anticipation of decreased global instability.

Conclusion

As the US economy continues to grow, increased interest rates appear more likely. This supports our fixed income positions in securities like floating rate notes, which benefit from rising interest rates. As the US bull markets mature, we continue to look for opportunities to drive outperformance to our benchmarks. The LOM Equity Growth Fund is continuing to benefit from our measured approach. As of 03/02/2018, the fund is outperforming its benchmark by 1.98%.

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Stock Market Performance

	3/12/18	W-o-W	M-o-M	Y-o-Y
DJIA	25,336	1.9%	3.0%	21.2%
S&P 500	2,787	2.4%	4.9%	17.4%
MSCI World	2,149	2.0%	3.5%	16.4%
S&P/TSX	15,578	0.2%	2.2%	0.5%
BSX	2,586	2.0%	14.0%	27.1%
FTSE100	7,210	1.3%	0.5%	-1.8%
DAX	12,391	2.5%	0.9%	3.6%
CAC	5,277	2.1%	2.7%	5.7%
Nikkei	21,824	3.7%	2.1%	11.3%
Hang Seng	31,594	5.7%	7.2%	34.1%
Shanghai	3,327	2.1%	5.5%	3.5%

Key Rates and Prices

Currencies	3/12/18	Month ago	Year ago
EUR	\$1.23	\$1.23	\$1.07
GBP	\$1.39	\$1.38	\$1.22
JPY	¥106.55	¥108.66	¥114.79
CAD	\$0.78	\$0.80	\$0.74
CHF	\$1.05	\$1.06	\$0.99
AUD	\$0.79	\$0.79	\$0.75

Fixed Income

3M LIBOR	2.09	1.83	1.12
3M Treasury Bill	1.67	1.58	0.74
2Yr Treasury Note	2.26	2.08	1.36
10Yr Treasury Note	2.89	2.86	2.58
Fed Funds Rate	1.50	1.50	0.75

Commodities

Gold/oz.	1,318.55	1,322.76	1,204.73
Silver/oz.	16.49	16.55	17.04
Copper/lb.	3.16	3.10	2.60
Oil	61.54	59.29	48.49

Global Economic Calendar (March 12th — March 16th)

Mon: Treasury Budget (US)

Tues: Consumer Price Index (US)

Wed: Business Inventories (US), EIA Petroleum Status Report (US), Retail Sales (US)

Thurs: Jobless Claims (US), Philadelphia Fed Business Outlook Survey (US), Import and Export Prices (US), Housing Market Index (US)

Fri: Baker-Hughes Rig Count (US), Housing Starts (US), Industrial Production (US)

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