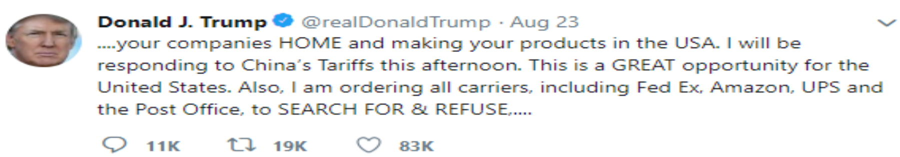
Monthly Global Market Commentary
August 26, 2019

The Trade War In Focus – 08/26/2019
By Peter Goodall, CFA, FRM

An unexpected escalation in the trade war caused markets to end the week in the red. The MSCI World Index dropped -0.63% while the S&P 500 lost -1.42%. The Barclays US Aggregate Bond Index ended the week up 0.08% as market participants seeking safe havens pushed the yield curve further into inversion.

The Trade War Escalates
Markets fell on Friday as China issued 5-10% tariffs on $75 billion worth of US goods. This is in addition to 25% tariffs on US cars and 5% on auto parts and components. China was responding to the resumption of the $300 billion tariffs President Trump has set to go into effect on 12/15. The US tariffs were postponed to December to avoid impacting holiday spending in the US.

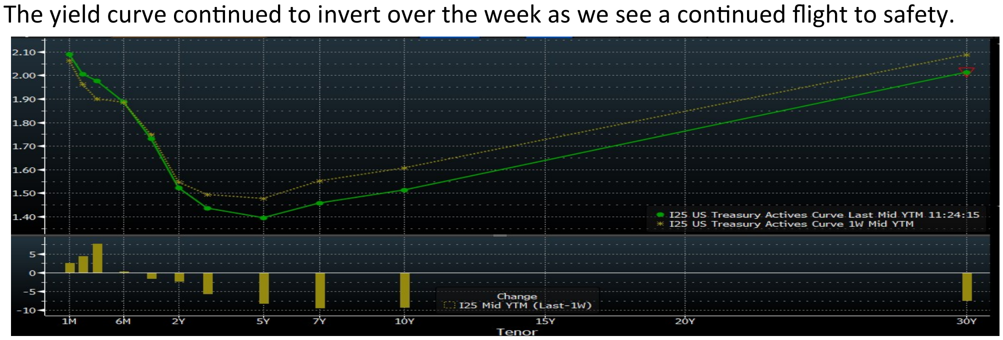
The escalation in tariffs was exacerbated when President Trump sent a number of tweets ordering US companies to "…start looking for an alternative to China, including bringing your companies home…"



While this has largely been dismissed as hyperbole, President Trump continued to assert that it is within his Presidential powers. There may be more truth to this than we would like to believe. It is possible the President could claim a national emergency and use a provision under the [International Emergency Economic Powers Act] to give himself the ability to block companies from trading with China. Alternately, increasing tariffs or placing limits on sourcing parts within federal contracts (e.g., private sector airplane production for government use). Tensions were partially abated over the weekend as China and the US agreed to continue negotiations.

Europe
Brexit barely registered for the week even as the deadline is expected on October 31st. Markets appeared to be more concerned with the German economy possibly slipping into recession. The German economy has been the backbone of much of the European stability in recent years. The Euro economy is heavily reliant on manufacturing, which has been hit as we a see a regional slowdown in China and Europe. If Germany reached a technical recession, it is expected to be relatively mild.

Yield Curve
The yield curve continued to invert over the week as we see a continued flight to safety.



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Stock Market Performance

	8/26/19	W-o-W	M-o-M	Y-o-Y
DJIA	25,899	-0.9%	-4.8%	0.4%
S&P 500	2,874	-1.7%	-5.0%	0.0%
MSCI World	2,095	-1.7%	-5.5%	-3.1%
S&P/TSX	16,134	-1.0%	-2.4%	-1.4%
BSX	1,919	0.1%	-12.2%	-34.4%
FTSE100	7,095	-1.3%	-6.0%	-6.4%
DAX	11,658	-0.5%	-6.1%	-5.9%
CAC	5,351	-0.4%	-4.6%	-1.5%
Nikkei	20,261	-1.5%	-6.5%	-10.4%
Hang Seng	25,680	-2.3%	-9.6%	-7.2%
Shanghai	2,864	-0.7%	-2.7%	4.9%

Key Rates and Prices

Currencies	8/26/19	Month ago	Year ago
EUR	$1.11	$1.11	$1.16
GBP	$1.22	$1.24	$1.28
JPY	¥106.16	¥108.68	¥111.24
CAD	$0.75	$0.76	$0.77
CHF	$1.02	$1.01	$1.02
AUD	$0.68	$0.69	$0.73
Fixed Income			
3M LIBOR	2.14	2.27	2.32
3M Treasury Bill	1.99	2.12	2.09
2Yr Treasury Note	1.55	1.85	2.62
10Yr Treasury Note	1.53	2.07	2.81
Fed Funds Rate	2.25	2.50	2.00
Commodities			
Gold/oz.	1,528.82	1,418.80	1,205.90
Silver/oz.	17.67	16.39	14.82
Copper/lb.	2.56	2.70	2.77
Oil	53.77	56.20	68.72

Global Economic Calendar (August 26th - August 30th)

Mon: Industrial Profits (CN); Durable Goods Orders (US)
Tues: Redbook (US); Consumer Confidence (US)
Wed: MBA Mortgage Applications (US); EIA Petroleum Status Report (US)
Thurs: Jobless Claims (US); Money Supply (US); Unemployment Rate (JP)
Fri: Baker-Hughes Rig Count (US); Money Supply (GB)

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