

ECONOMY

‘The Chosen One’ has created the basis for a global economic downturn

THINK STRATEGICALLY:

Scaramouche and the Magic Carpet

Trump Continues Trade War with China, Rocks Stock Markets

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J. S. Grimaldi as Scaramouche, c. 1815

Trumpsession

Scaramouche comes from the Italian word scaramuccia, which is a clown character of the 16th-century featured in “Commedia dell’arte,” one of the earliest forms of professional theater. Scaramouche was usually fitted with black garb and imitated a noble, important man, while Harlequin often beat him for his boasting and cowardness. It seems a fitting comparison to President Trump.

As last week was ending and the president was due to leave on Air Force One for the G-7 Meeting in Biarritz, France—Scaramouche and his magic carpet were forced to arrive in a less

spectacular fashion because the Biarritz airport could not accommodate Air Force One.

The president announced he would increase tariffs on China even further. The duties, at a rate of 30 percent, would be implemented Oct. 1 on about \$250 billion worth of Chinese goods. Another \$300 billion in Chinese goods will be taxed at a 15 percent rate starting Sept. 1. These new tariffs raise the taxes 20 percent to 50 percent, and that price increase has a direct effect on U.S. consumers.

This latest move by President Trump follows China’s response to impose tariffs on another \$75 billion of U.S.

products, including crude oil, cotton, pork and soybeans.

Some political analysts have pointed out that the most recent Chinese tariffs are markedly pointed toward President Trump’s political base, which includes farmers and factory workers across the Midwest and South.

The financial markets, which had recovered during the week from a previous loss of 623.24 points, closed with so much political interplay that it is becoming quite challenging to avoid the current volatility.

Scaramouche and the magic carpet may be taking us to a Trumpsession and, meanwhile, are creating new all-time image lows for the United States, which was once the beacon of hope, democracy and leadership in the world.

Week in markets: U.S.-China trade war impacts Dow

The U.S. stock market was on track to finish higher last week until both the U.S. and China announced a new round of increased tariffs. The Federal Reserve Bank was hosting its annual meeting in Jackson Hole, Wyo., where Fed Chair Jerome H. Powell left the door open for another rate cut when the Federal Open Market Committee meets next month. He recognized the increased risks to global and U.S. economic growth from the trade uncertainty created by President Trump.

The Dow Jones Industrial Average closed the week at 25,628.90, for a loss of 257.11 points, or minus-0.99 percent, and a year-to-date (YTD) return of 9.90 percent. In addition, the S&P 500 closed the week at 2,847.11, for a loss of 41.67, or minus-1.44 percent, and a YTD return of 13.60 percent. The Nasdaq

closed the week at 7,751.77, for a loss of 144.22, or minus-1.83 percent, and a YTD return of 16.80 percent. Meanwhile, the U.S. Treasury’s 10-year note lost during the week, closing at 1.533 percent, or a drop of minus-1.29 percent, with a YTD return of minus-1.15 percent, and the U.S. Treasury 2-year note rose to 1.531 percent, a gain of 3.45 percent for the week, and a YTD return of minus-1.05 percent.

Trump holds stock market hostage

With President Trump’s trade war with China, what is an investor to do and look for?

•**U.S. economic growth:** The U.S. economy should continue growing steadily over the next few years, outpacing many other western countries with a growth forecast for Q3 2019 of 1.81 percent as of Aug. 23, using now-cast.

•**Key economic releases:** Last week, PMI Manufacturing slowed to minus-1.17 and the PMI Services Business Activity Index also slowed to minus-0.13, and the Kansas City Fed Manufacturing Survey even contracted by minus-1.81.

•Key economic releases for week of Aug. 26-30

Aug. 26: Manufacturers’ New Orders: Durable Goods

Aug. 27: Consumer Confidence Index

Aug. 27: Manufacturers’ Inventories: Durable Goods

•**Strong jobs growth, low unemployment rate:** Robust jobs market has slowed but increased by 164,000 jobs in July, and the unemployment rate stood at 3.7 percent.

•**The solution to U.S.-China trade saga:** Even though exports only represent 13 percent of the U.S. gross domestic product (GDP) and trade disruptions have a small effect, they do have an impact on the overall business sentiment and may curtail investments across the board in the U.S.

•**Inverted-yield curve continues to show up, signaling a recession:** The inverted-yield curve occurs when 10-year treasuries are yielding less than 2-year treasuries, and usually is indicative of an imminent recession.

Investors should also monitor consumer

spending because it comprises more than two-thirds of U.S. GDP. Another critical element is corporate earnings because they are usually the source of power for any stock-market growth. This past earnings season was a testament that the economy is still stable and U.S. corporations may continue to support economic expansion. We continue to predict that the Federal Reserve will lower interest rates further. Investors need to have predetermined goals, a balanced, diversified portfolio that allows navigating periods of volatility, downturns and uncertainty.

Final word: G-7 meeting update on Biarritz 2019

The G-7 is composed of France, Canada, Germany, Italy, Japan, the United Kingdom and the United States. The G-7 rotates its presidency, with French President Emmanuel Macron currently holding the top position since Jan. 1, 2019.

Moreover, the United States will hold the presidency starting Jan. 1, 2020.

The G-7 goal is to combat inequality, and its work has focused on:

- Responding to the worsening bias within countries, through coordination of tax issues, social protection, labor norms, trade policy and corporate social responsibility.

- Combating global inequality by forging a new partnership with Africa.

- Eliminating gender inequality by generating international momentum to amend legislation and act tangibly to combat violence and foster economic empowerment.

One of the issues surrounding President Trump before leaving for the G-7 summit was news reports that relations between the G-7 nations were very tense and divisive and allegedly President Trump thought the meetings were a waste of time.

Once at the gathering, the president tweeted, “Well, we are having excellent meetings, the leaders are getting along very well, and our country, economically, is doing great—the talk of the world!”

President Trump, who proclaimed himself “The Chosen One,” has created the basis for a global economic downturn of epic proportions, which was very much on the minds of the heads of state at the G7 meeting. As the meeting ended, they all saw Scaramouche climb and leave on his magic carpet.

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| Market Close Comparison | 8/23/2019 | 8/16/2019 | Change | YTD |
|------------------------------|-----------|-----------|--------|---------|
| Dow Jones Industrial Average | 25,628.90 | 25,886.01 | -0.99% | 9.90% |
| Standard & Poor’s 500 | 2,847.11 | 2,888.68 | -1.44% | 13.60% |
| Nasdaq | 7,751.77 | 7,895.99 | -1.83% | 16.80% |
| U.S. Treasury 10-Year Note | 1.53% | 1.55% | -1.29% | -1.150% |
| U.S. Treasury 2-Year Note | 1.53% | 1.48% | 3.45% | -1.050% |