

Thursday, June 06, 2019

Good Morning,

Stocks had their worst week of the year last week. May had already seen falling stock prices and then President Trump announced the intent to levy a 5% tariff on imports from Mexico effective June 10 (and rising by 5% on July 1 and every month after until tariffs reach 25%.) The announcement triggered a sharp selloff on Thursday and Friday. Many question why the President has intertwined two seemingly unrelated issue - immigration and tariffs. (The President also announced planned tariffs on goods from India.)

If the President follows through with this plan, it could be extremely disruptive to North American manufacturing supply chains, especially those for autos and trucks. This action may also put the renegotiated NAFTA deal (USMCA) at risk. Tariffs on Mexican goods represent yet another risk to investor and business confidence, making an already shaky global outlook even cloudier. In addition, economic data present a picture of slowing growth in the US. Important to note – it is still growth, just not as robust as we would like.

We think the odds of a Fed rate cut have increased given increased business uncertainty, escalating trade disputes and deteriorating economic data. If wages start dipping, the Fed will be forced to play catch up by cutting rates. Fed members appear to support this concept and public statements early this week provided relief to markets and investors. Strong rallies Monday and Tuesday have made up some of the ground lost last week. Tomorrow's update on May employment data will be very important and will set the tone for how we finish the week.

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[http://www.commonwealth.com/RepSiteContent/weekly\\_comm/commentary\\_redirect.htm](http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm)

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

It looks like we're in for some sunshine in the next couple days. Get out and enjoy it!

*Wade*

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