

On Friday, May 10, the United States increased tariffs on \$200 billion in Chinese goods from 10 percent to 25 percent. The escalation of the trade war between the United States and China has injected volatility into the markets. On Tuesday, May 7, the Dow Jones Industrial Index traded at its lowest levels since January – down over 600 points – before closing down 473 points.

The surprise jolt in trade negotiations also raised longer-term concerns, since many analysts felt markets had already priced in a deal.

“In our view, the lack of progress on U.S.-China trade negotiations, which surprised market participants, is a potentially ominous sign for things to come,” said Abe Sheikh, FSA MAAA, Chief Investment Officer and Portfolio Manager of Cougar Global Investments, an affiliate of Carillon Tower Advisers.

China’s Commerce Ministry has threatened retaliation for the tariffs, even as a delegation from China traveled to Washington to continue talks. Treasury Secretary Steve Mnuchin described the talks as “constructive.”

“All major stock markets are likely to feel the pain of a trade war between the U.S. and China given the interconnected nature of the modern economy,” said Sheikh. “Almost half of the S&P 500 revenues come from outside the U.S., while Europe and other Asian countries have significant exports to – and imports from – China.”

Many investment professionals have so far remained cool-headed during the drama surrounding trade talks and presidential tweets. The belief that a deal will get done seemed to be stronger than the belief that U.S.-China trade talks could fall apart; however, the week of May 6th may prove to be a turning point.

“We are explicitly accounting for the breakdown in trade talks (in our investment activity),” Sheikh says. “A slowdown in the Chinese economy – which would be exacerbated by U.S. tariffs on Chinese imports – represents a significant ‘black swan’ risk to the global economy.”



All major stock markets are likely to feel the pain of a trade war between the U.S. and China given the interconnected nature of the modern economy.”

—Abe Sheikh

DISCLOSURES

Past performance does not guarantee future results. Opinions and estimates offered constitute the individual's judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions.

This information is not intended to serve as investment, tax, legal or accounting advice. It should not be considered a recommendation to engage in or refrain from taking a particular course of action and is not an endorsement, recommendation or sponsorship of any securities, services or other investment property. It has been prepared for informational purposes only and you should consult your own investment, tax, legal and/or accounting advisors before engaging in any transaction. The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients or any of its or their respective affiliates. Views expressed are as of the date indicated and may change based on market and other conditions. The accuracy of the content and its relevance to your particular circumstances is not guaranteed.

The Dow Jones U.S. Total Stock Market Index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure all U.S. equity issues with readily available prices.

Contact us at **800.521.1195** or visit **carillontower.com**
for more investment insights.



880 Carillon Parkway | St. Petersburg, FL 33716 | CTA19-0206 Exp. 12/31/2019

Carillon Tower Advisers, Inc. is the investment advisor.

©2019 Carillon Tower Advisers, Inc. All rights reserved.