Weekly Market Review

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The Week Ending April 14, 2018

Concerns of a trade war continue to hang over the market as investors are worried the world's two largest economies (U.S. & China) will stifle global economic growth with heavy import tariffs. Those concerns did lift a bit last week with Chinese President Xi promising to reduce auto tariffs as part of a larger directive to open the Chinese economy and financial markets more to global trade. This was a specific example President Trump used in citing the unfair trade practices of the Chinese. On the surface, it seemed as if the Chinese were giving into Trump's demands. But the reality is, Xi has pledged in the past to reduce barriers, including auto import tariffs, to open the Chinese economy but has done little to do so yet. President Trump praised Xi's speech and had been stating that the U.S. is not in a trade war with China and these are just "negotiations." Global equities responded very positively with the S&P 500 (U.S.) returning 2.0% and the MSCI EAFE (International) returning 1.5% for the week.

On top of the trade war fears, investors have been worried about an actual war as President Trump vowed a quick response last Sunday to the chemical attack launched by the Syrian President, Bashar al-Assad. Syria has been in the midst of civil war that stems from the Arab spring beginning in 2011. Trump also called out President Putin by name via Twitter as well as Russia in general and Iran for backing Assad. On Friday evening, the U.S. led airstrikes supported earnby the U.K. and France to destroy facilities linked to Syria's production of chemical weapons. The media responded with relief as the airstrikes were a less aggressive response than many feared.

We kick off earnings season with 60 of the S&P 500 companies releasing their Q1 earnings this week. JPMorgan, Wells Fargo, and Citigroup released their earnings this past Friday all beating expectations. Analysts are forecasting more than a 17% year-over-year increase in earnings for the S&P 500. This healthy prediction is in part driven by the strengthening U.S., as well as global, economy with the added tailwind of the reduction in taxes. If the predictions are correct, this would be the strongest earnings growth since 2011.

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