



Weekly Market Review

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The Week Ending May 11, 2019

Equity markets were rattled last week as President Trump followed through with his threat to raise tariffs from 10% to 25% on \$200 billion on Chinese imports on Friday. The Chinese reportedly added a threat to impose the 25% tariff on an additional \$325 billion of Chinese goods if an agreement by the world's largest economies can't be reached. As expected, China retaliated by announcing the intention of imposing tariffs on an additional \$60 billion of U.S. goods that could reach 25% and would be effective June 1st. The Chinese are mainly targeting goods that hit President Trump's political base the hardest such as tobacco and bourbon produced in the South, ginseng grown in Wisconsin, and Soybeans grown in Middle America. A Chinese state-owned tabloid is reporting that a broader retaliation is expected including reducing airplane orders to Boeing and selling U.S. Treasuries. Larry Kudlow, President Trump's top economic advisor, said on Sunday that it's "strongly possible" President Trump and China's President Xi will meet at the G20 summit in Japan next month.



To add to the market's angst, days after the U.S. warned that "Iran or its proxies" may target commercial ships in the Middle East, two Saudi Arabian oil tankers were targeted by "sabotage attacks." The U.S. ordered the USS Abraham Lincoln, a carrier strike group and bomber task force which was already in the region, through the Suez Canal, and into the Red Sea. The U.S. has also approved the deployment of a Patriot missile defense battery and another warship, the USS Arlington, to the Middle East as tensions build.



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