



INVESTMENT COMMENTARY - MAY 2019

U.S and China trade talks dominated the headlines over the past few weeks. The two parties appeared close to a deal but in the end no agreement was struck and Donald Trump vented his frustration by threatening further tariffs within the next month.

Reiterating what we said last month about potential known worries ie: old news being discounted by markets, a year ago when the issue was fresh in investors minds this would have sent markets plunging.

However it has dragged on so long investors have become inured to the story in much the same way that we in the U.K. have with Brexit talks, and so investors reactions were more muted with major equity markets off by low single digits.

Markets have also enjoyed a very good run recently and were vulnerable to some very short term profit taking.

Both sides seem fairly entrenched in their positions at this point. The actual result of talks is impossible to predict and the very short term outcome for global stocks is binary: if a positive deal emerges it will send them soaring, if no deal and further tariffs are levied by both sides then one would expect further falls.

However, investors already hold high levels (by historical standards) of liquid funds. We think that this cash sitting on the sidelines, ready to be invested, provides some support and combined with the potential upside from a deal reinforces our view that this is not the time to be reducing our exposure to equities/stocks.



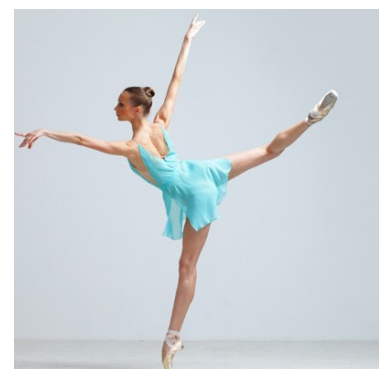
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