



Basis Points – May 14, 2019

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Above the Fold

The Trump administration's latest response (which, so far has had bipartisan support) to China's recent trade deal backtrack was met with hard opposition and an increasingly aggressive stance from China. The communist nation volleyed back with tariffs of up to 25% on \$60 billion of U.S. goods starting in June. Both sides continued to exchange "threats," both essentially vowing "never to surrender." The saber rattling jostled global markets Monday and renewed investors' fear of a deep economic disruption.

China's attitude has grown decidedly more stubborn as the country's leaders threatened to stop buying U.S. agriculture products and even slash Boeing aircraft orders. The sad reality is that tariffs can fall squarely on the shoulder of consumers as importers typically pay the levies and tack those costs on top of resale prices. Neither side is in a strong enough economic position to continue ratcheting up tariffs while damaging trade and the flow of goods.

As masters of information control, Chinese officials directed their latest strong-arm tactics at American farmers, who were a key part of President Trump's campaign focus. China is one of three top markets for agricultural exports, along with Mexico and Canada. China also accounts for more than one-half of total U.S. soybean exports.

In other news, earnings season is wrapping up with a few major retailers set to release results this week. For the S&P 500, companies that have reported (as of Friday) are up 0.4% on +4.9% higher revenues, with 76.5% beating Earnings Per Share estimates and 59.9% beating revenue estimates.

What's Ahead

Investors are likely to remain focused on the overwhelming news coverage of the ongoing trade dispute, reacting to each and every tweet, report or newscast. The Census Bureau releases retail sales data tomorrow at 8:30 a.m. Eastern time — analysts are expecting 0.2% growth overall, and a 0.7% core reading.

Three Things

- *Amazon Crowdfunding* – The company announced it will offer up to \$10,000 to employees to start and operate their own package delivery business as part of its Delivery Services Partner Program. Amazon is fostering these gig-type businesses to economize its delivery network.
- *Hack This!* – With a dearth of skilled workers and thousands of positions to fill, tech companies like Palo Alto Networks and even IBM are spending millions to partner with universities, training programs and even cyber securities competitions to attract gifted talent (no degree needed) to test software and network vulnerabilities to protect the enormous cache of data and devices the world utilizes.
- *Copper Caves* – Already under pressure, copper prices continued to slide to a five-month low as the ongoing trade spat took its toll on the popular plumbing metal. China is the largest consumer of copper, accounting for nearly half of global demand.

Did You Know?

China may be at the center of monetary frustration presently, but the country was the first to use paper money. During the Tang Dynasty, a coin shortage, due in part to the dead taking their coins with them to the next life, motivated the Chinese to use paper notes for passing money along to the deceased. By the end of the Tang Dynasty, merchants and traders deposited valuables with corporations, receiving bearer notes that could be “cashed in” at a later date.

But it wasn't until the Song Dynasty that a deeper shortage of copper money led to the expansion of notes backed by a monetary reserve. Many experts consider this to be the first example of circulating legal tender in history.

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