



Rod Smyth
DIRECTOR OF INVESTMENTS

Doug Sandler, CFA
GLOBAL STRATEGIST

Chris Konstantinos, CFA
CHIEF INVESTMENT STRATEGIST

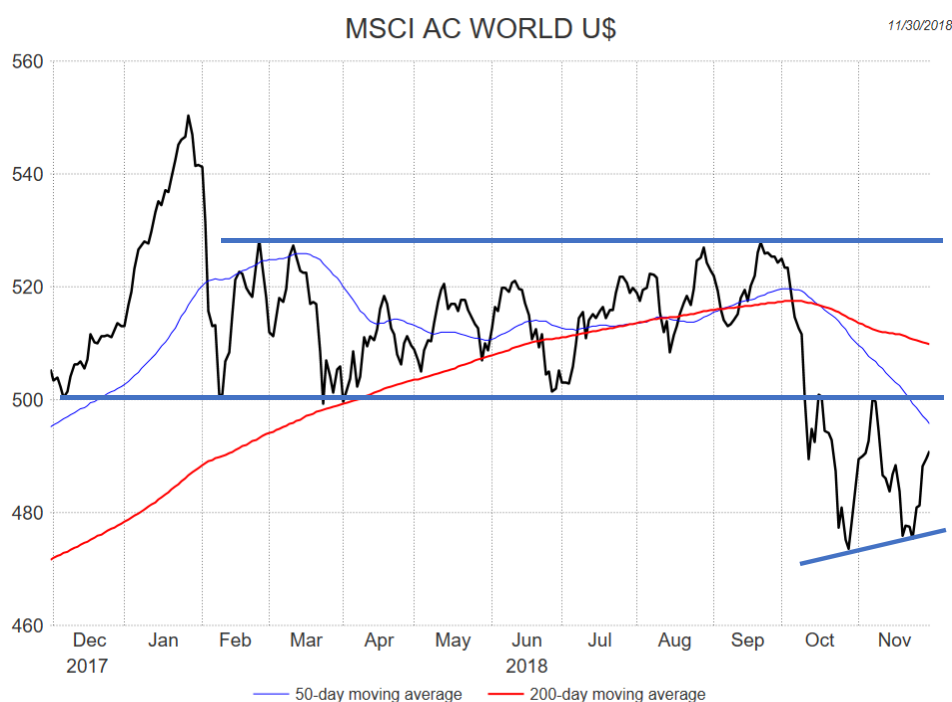
Good News: Trump, Xi and the Fed Declare Truce on Trade and Rates

STOCKS LIKELY TO RETURN TO PRE-OCTOBER TRADING RANGE

Over the past week, the world’s three most powerful people delivered an early Christmas gift to investors. Given that last week’s events – dovish comments from the Fed and a trade truce – were counter to the pessimistic narrative that caused global stocks to drop over the last two months, one could be forgiven for feeling somewhat whiplashed.

For Example: On October 3rd Federal Reserve Chairman Jay Powell said, “We’re a long way from neutral on interest rates”. Last week, after one more ¼ point rise, Powell said rates are “just below neutral”. The result was a 3.5% rise in the MSCI World stock index last week. Then, following Saturday night’s dinner at the G20 meeting in Argentina, the US and China announced a trade deal/truce which President Trump described to reporters on the plane home as “...an incredible deal...if it happens...one of the largest deals ever made”. US stock futures are up a further 1.5% as we write this.

If the stock market’s enthusiasm for the new dovish tone by Powell, Trump and Xi is sustained, then we likely saw the lows for this year in early November, which were confirmed again during the week of Thanksgiving. Our judgment is that the global stock index will now return to the trading range that applied from March through September (see upper trading range in the chart below). Investors will then gauge the seriousness of China’s apparent offer to lower the bi-lateral trade deficit with the US and open its economy to greater US access.



Source: Thomson Reuters Datastream, RiverFront

Past performance is no guarantee of future results. Not indicative of RiverFront performance. You cannot invest directly in an index.

Pragmatic Bluster: We have argued in the past that to achieve real trade progress, the US would need to pursue an unconventional negotiation approach (see *Weekly View*, 8/6/18). President Trump has pursued just such an approach by the effective use of both ‘carrot-and-stick’. One of the takeaways from watching these negotiations is that President Trump will use the unconventional approach until either he gets what he wants, or the financial markets tell him to wrap it up. For investors that worry about this Administration’s unpredictability on trade, we have just been reminded that there is pragmatism behind the bluster.

Important Disclosure Information

The comments above refer generally to financial markets and not RiverFront portfolios or any related performance. Past results are no guarantee of future results and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past.

Diversification does not ensure a profit or protect against a loss.

Past results are no guarantee of future results and no representation is made that a client will or is likely to achieve positive returns, avoid losses, or experience returns similar to those shown or experienced in the past.

Information or data shown or used in this material is for illustrative purposes only and was received from sources believed to be reliable, but accuracy is not guaranteed.

In a rising interest rate environment, the value of fixed-income securities generally declines.

Investing in foreign companies poses additional risks since political and economic events unique to a country or region may affect those markets and their issuers. In addition to such general international risks, the portfolio may also be exposed to currency fluctuation risks and emerging markets risks as described further below.

Changes in the value of foreign currencies compared to the U.S. dollar may affect (positively or negatively) the value of the portfolio’s investments. Such currency movements may occur separately from, and/or in response to, events that do not otherwise affect the value of the security in the issuer’s home country. Also, the value of the portfolio may be influenced by currency exchange control regulations. The currencies of emerging market countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investments in these currencies by the portfolio.

Foreign investments, especially investments in emerging markets, can be riskier and more volatile than investments in the U.S. and are considered speculative and subject to heightened risks in addition to the general risks of investing in non-U.S. securities. Also, inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries.

MSCI ACWI (All Country World Index) captures all sources of equity returns in 23 developed and 23 emerging markets.

RiverFront Investment Group, LLC, is an investment adviser registered with the Securities Exchange Commission under the Investment Advisers Act of 1940. The company manages a variety of portfolios utilizing stocks, bonds, and exchange-traded funds (ETFs). RiverFront also serves as sub-advisor to a series of mutual funds and ETFs. Opinions expressed are current as of the date shown and are subject to change. They are not intended as investment recommendations.

RiverFront is owned primarily by its employees through RiverFront Investment Holding Group, LLC, the holding company for RiverFront. Baird Financial Corporation (BFC) is a minority owner of RiverFront Investment Holding Group, LLC and therefore an indirect owner of RiverFront. BFC is the parent company of Robert W. Baird & Co. Incorporated (“Baird”), a registered broker/dealer and investment adviser.

Copyright ©2018 RiverFront Investment Group. All Rights Reserved. 683158