

***"When elephants fight – it's the grass that suffers" (old African proverb)***

As I mentioned in last week's missive (Monday, May 6<sup>th</sup>), the fight had then just begun. President Trump's new tariffs and China's threat of retaliation meant an ugly week for investors. A late Friday rally when the President tweeted, "the talks were going well", was not enough to reverse the across the board losses.

**Asia, which on paper, has more to lose than America**, suffered the most with losses in the 4% range, **but Europe was not immune**: France's CAC-40 dropped 3.99%, Germany's DAX 2.84% and Europe, as a whole, fell 3.63%. **The major American** indices all had declines in the 2 to 3% range. **Canada was relatively stellar**, only falling 1.2%.

*All in all, not a pretty week as the world's two largest economies duke it out.*

Back in March, faithful readers will know that I commented that the rapid and virtually straight up move of the markets in the last few months was like a rocket ship – *it ends when it runs out of fuel – you just never know when except in hindsight*. Well, I think the fuel has run out and some sort of correction in prices is under way. For how long and what level of decline will most likely pivot around tweets and tariffs – no surprise there!

**Gold**, which many would think would get a lift from the rapid increase in tension, was only up 0.4%. However, as the "fighting" continues we may well see further price increases.

**The only other notable news of the week was UBER's initial public offering** – notable for the size of around \$80 billion - but also that unlike most techie IPOs, which immediately trade at an impressive premium of the offering price, UBER ended the day with a 7.6% loss. I have a hard time seeing the value in these companies. UBER lost \$3.7 billion in the last 12 months and, going forward as competition increases, it is hard for see a profit on the horizon any time soon, it has and will contend to bleed heavy losses.

**This week's Global Insight** naturally focuses heavily on the unexpected ramping up of the trade war and also whether American inflation, which had been running under the Federal Reserve Board's 2% target may well start moving higher as the cost of the tariffs impact consumers. Comments on Canada focus on the housing market, that it's a slowdown and not a downturn.