

The Sleeping Giant is Awake! Remember That!

"There lies a sleeping giant. Let him sleep! For when he wakes he will move the world" – attributed to Napoleon, referring, of course, to China.

For those of you who are not regular readers of our *Weekly Global Insight*, I urge you to read this week's lead article. It focuses on the potential long-term outcomes and implications of the trade dispute between the USA and China. While doing so, I think we all should remember 3 key points:

1. While US Presidents (and Prime Ministers) come and go, President Xi is there (currently) for life.
2. China has potentially world changing long-term economic and strategic plans and their political system encourages the long view.
3. Keeping face, or equally important, not losing face is still a tenet in their culture.

To quote from this week's Global Insight: *"The U.S. seeks to change China's development plans, economic structure, laws, regulations, and ideology. It (USA) aims to thwart China's long-term strategic economic programs, Made in China 2025 and the Belt and Road Initiative."*

For investors, this is all new territory, and while I am sure some sort of tariff agreement will be reached before the Presidential elections, **what the long-term implications will be are at best uncertain and, at worst, not good for the U.S. and, perhaps by default, Canada's economy.**

Now back to the stock markets -If you have read my weekly commentaries or glanced at a newspaper you will know August was a very volatile month. There were daily big percentage moves up and down in the major indices. A number of companies (including some of our Banks) reported disappointing earnings with resulting significant price declines.

Investors struggled to make sense of:

- new tariffs by both the USA and China.
- falling interest rates and a negative yield curve.
- daily tweets that provoked uncertainty and followed by ones that seemed to reverse direction.
- daily business channel debates on the regular topics: recession or no recession, sell your technology shares or hold technology shares forever.

The week and month ended with strong up moves, thanks in part to some retraction of the previous week's tweets, but not enough to offset a losing month for most major indices.

TSX: up 2.5% for the week with a 0.2% monthly advance

Dow Jones: up 3% for the week, but still a 1.7% decline in August

NASDAQ: up 2.7% on the week, but a 2.6% monthly loss.

The Canadian dollar lost almost a full percent last month, while oil plummeted almost 6%. Gold, having regained its calling as the new safe harbor, gained 7.7% in August.

Bottom line: major indices are back to within a few percentage points of their highs, but expect more volatility ahead until some clarification of the economic and political road ahead emerges.

Dennis

P.S there will be no ***The Week That Was*** next week as I will be in England getting a firsthand view of Brexit and its potential effects.