WOW!

"My *only question is, who is our bigger enemy, Jay Powel (sic) or Chairman Xi?"* President Trump tweeted on Friday August 23rd.

Regular readers know the last few of my weekly missives have focused on the challenges of interpreting the increasing signs of a recession, with interest rates close to, if not at, zero and likely going lower, AND yet the consumer, the major component of a country's economic measure, is doing well, benefiting from record low employment, falling borrowing costs and dropping fuel prices. How do all these bits fall together and what will the effect be on stock markets? Stock markets, while still positive in North America, have given up some gains in August.

With these issues in mind, I spent most of last week deep in research. Fortunate to have access to the thinking of major asset managers and market strategists from many sources, I endeavored to get some consensus on what may lie ahead and which sectors of the stock markets may benefit the most, and of course which countries. **To try and sum it up in 5 points:**

- While the US has joined the rest of the world in an economic slowdown, the probability of a US recession is less than 5%.
- US interest rates are too high compared to the rest of the world, therefore more cuts ahead, as much as 3-4 times.
- A US – China deal will happen with both parties making compromises.
- The US economy is still the leader and with more rate cuts US stocks will be cheap on an historical basis.
- Technical price charts of major US indices are still in long-term uptrends, and any pullback should be used to add positions.

And then came Friday's barrage of tweets not only against the FED, but also raising rates on existing tariffs on China. Not surprisingly, Beijing retaliated with tariffs on US imports. The result of course was not pretty. North American stocks fell as **confused investors** rushed to the safety of bonds or cash.

This latest decline has put many indices and stocks at exactly the price point where they should be bought; however, Friday's tweets and retaliations *MAY* have thrown a much bigger wrench in the works. Why "may?" I reviewed my past writings, and we have a pattern of "attack" and then "reconciliation" when it comes to China and the trade wars.

Fed Chairman Powell said last week, "Fitting trade policy uncertainty into the Fed's monetary policy-making framework is a new challenge." I believe I can add without fear of contradiction, "and even more so for investors".