Escalating trade tensions, fear of higher interest rates, and sharply divided political discourse failed to dent market momentum in July. The threat of a global trade war has thus far been offset by U.S. GDP growth of 4.1% in the second quarter, historically low unemployment, and strong corporate earnings. After seventy years of semi-liberal trade policies, the unraveling of globalization and the dismantling of trade agreements have heightened investor uncertainty. Protectionism and devaluation pose a threat to sustained prosperity. Another risk factor is the world’s major central banks concurrently adopting asymmetric interest rate policies, which could influence the global flow of capital. Meanwhile, credit conditions remain sound given the improving economic outlook, which should extend the credit cycle for the next few years. In the end, the Federal Reserve will play a critical role in countering trade conflicts and the extension of the U.S. economic expansion.

Please Contact Marketing@ShenkmanCapital.com for full letter.