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**FROM THE DESK OF DAN VERU, CHIEF INVESTMENT OFFICER**

## Trade Truce

As stated in my note Friday, the highly anticipated meeting between the leaders of the United States and China at the G-20 meeting in Buenos Aires was going to have an enormous impact on global markets. While I did not expect a fully executed trade deal to be the outcome, the market has greeted this temporary truce skeptically, despite moderating tensions between China and the U.S. Despite today's sharp decline in the U.S. equity markets, my thoughts are as follows:

1. Expectations were low and investors were both nervous and unsure as to how the meeting between President Trump and President Xi would go. While there were no breakthrough agreements, olive branches were exchanged between the two leaders. In exchange for the U.S keeping tariffs on $200B worth of Chinese goods at 10%, China promised to make significant purchases of agricultural, energy, and industrial products in an attempt to ease the trade imbalance with the U.S.

2. On December 1, the White House announced there would be a 90-day time limit for negotiations. Though this is not a long time, it appears that some discussions have already taken place. The Financial Times reported Liu He, the Chinese Vice Premier and top trade negotiator, and a delegation of 30 Chinese officials, may have a tentative meeting scheduled for mid-December in the U.S. capital. According to the Wall Street Journal, Ambassador Lighthizer, a noted critic of China's trade practices, will be leading these future negotiations as the U.S. Trade Representative.

3. Russia and Saudi Arabia made their own news by agreeing to cut oil production, setting the stage for a broader reduction agreement in output from the upcoming OPEC meeting. Unrelated to this event, Alberta Canada took an unprecedented step and chose to reduce production by approximately 325,000 barrels per day. These actions are the result of the U.S. producing a record 11.7 million barrels of oil per day, which has put downward pressure on oil prices. Stable oil prices within a range of $50-$70 per barrel are generally stimulative to our economy because they support the growing domestic energy industry, but don't hurt consumers of energy products.

Normally, G-20 summits are not as closely watched or greeted with as much anticipation as this one. The stock market's initial positive reaction in the United States and around the world is an indication the two leaders are on the right track for both nations. However, global growth concerns are offsetting the recent rally in risk assets. As I stated previously, capital spending by corporations is critical for the economic expansion in the U.S. to continue and that will only occur if CEOs are confident in future policies.

There are so many issues for the U.S. and China to negotiate beyond trade and 90 days is an unrealistic time frame. If progress is made in the early stages of negotiations, I am confident the timeframe will be extended. China has ambitions to be the most powerful nation on earth; however, China's means for achieving this goal include cyber warfare, currency manipulation, and intellectual property theft—putting it at odds with the U.S. and most nations around the world. An agreement is unlikely to solve every one of these issues, but I believe an eventual agreement will be pro-growth. Already, China may be prepared to take other steps to stimulate its lagging economy.

The month of November began with three questions that weighed heavily on stocks. The answers to these questions, namely the results of the mid-term election, the softening tone by the Federal Reserve, and potentially easing tensions with China, have not convinced investors the correction is over. Investors have other options today they didn't have a year ago, namely the re-emergence of cash as a viable investment. However, the stakes are rising for China, the U.S., and other countries to engage in pro-growth reforms needed for equities to resume their rally.

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