

We hope that you are enjoying the great weather!

After a relatively calm July, last week saw the return of volatility, especially south of the border. On Wednesday, the US Federal Reserve lowered interest rates by 25 basis points. This was largely expected, but the market sold off due to the language of Federal Reserve Chair Powell. Investors may have been hoping for future rate cuts in September and possibly December and this was put into question. The markets recovered the next day with a strong rally in the morning as investors looked forward, seeing good earnings and economic conditions remaining favourable. Then came the latest Trump tweet stating that he was disappointed with trade talks and would place a 10% tariff on the remaining 300 billion of Chinese consumer goods coming into America. The markets immediately sold off, especially in the retail sector. The tariffs won't come into effect until September, so there is time to negotiate. With an election around the corner and the President using the markets as a barometer of his success, it is likely that he will adjust policy accordingly.

Global inflation remains low, so central banks still have room to maneuver and keep rates low to allow expansion to continue. The US economy remains relatively strong and Canada tends to mirror what happens with our largest trading partner. The European economy is slowing and we are seeing the tariffs having an effect on Chinese growth numbers. Monetary policy around the world should remain accommodative. Easing credit conditions and rising consumer real income levels in the United States should boost growth in the second half as long as the tariff situation comes to a satisfying conclusion.

Oil has been under pressure as inventory levels remain elevated.

While the outlook for the end of the year has clouded a little with the renewed trade worries, central banks remain accommodative. Economic conditions should remain expansionary and the signs of a recession remain muted.

We continue to hold high dividend paying equities with solid balance sheets and good earnings. We see the value here especially if interest rates remain low.

As always if you have any questions or just want to touch base we are only an e-mail or phone call away.

Have a great rest of the summer!

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