Keep Calm and Carney On

The breakdown in trade negotiations between Canada and the United States is disappointing, although it did not come as a major surprise. As discussions progressed, the differences increasingly moved beyond traditional questions of tariffs and trade and into areas Canada viewed as matters of sovereignty.

Markets, however, have taken the latest developments largely in stride and have continued to move mostly higher. This is encouraging and suggests investors are looking beyond the immediate political rhetoric.

With the U.S. mid-term elections approaching in November, we expect the political temperature to remain high. There will likely be plenty of posturing and headlines, but perhaps less in the way of meaningful new action beyond measures that have already been announced.

Canada also appears prepared to maintain its position rather than reach an agreement simply for the sake of having one. Meanwhile, the U.S. remains politically divided, and the mid-terms could alter the political landscape and ultimately create an opportunity for a more constructive approach to Canada-U.S. relations.

We would not be surprised to see periods of volatility leading into November as the rhetoric intensifies. Markets, though, tend to look forward, and for now they appear to be doing exactly that.

Following the elections, we could see a period of greater clarity and, hopefully, greater stability in the Canada-U.S. relationship.

For investors, our message remains the same: **stay the course.**

Sincerely,

The Andras Group