Tariffs, Threats, and Tweets

As we work our way through midsummer, it seems as if the news cycle has accelerated to warp speed. That's hardly the kind of backdrop for what we usually think of as the time to relax. News of tariffs and trade wars is most certainly unsettling, especially in view of the prospect of higher costs and the likelihood of more restrained spending. These kinds of things, if taken to a higher degree, can lead to moderating, if not deteriorating, rate of economic progress. In one word: recession.

That's not to say that the next recession is right around the corner, but if the continuing flow of social media threats turns into increased friction with our global trading partners, the developing game of chicken may well lead to substantial business disruption.

As things stand now, however, we're still wallowing in a spate of hefty earnings increases, which in turn are bolstering the underlying value of the major equity markets. This will continue through yearend and then moderate, perhaps markedly.

So 2019 comes up as a big question mark. Will next year's results be no more than a return to a normal rate of growth or will they mark the end of one of the nation's longest-lasting economic upsurges?

An important part of what lies ahead will be determined by November's midterm elections. As dysfunctional as Congress has been over the last decade, the possibility of a blue wave in the House of Representatives may lead to a total shutdown of any productive activity from the Capitol. There was a time when bipartisan support of legislation was part of the Congressional fabric, but that fabric has ripped badly, with no end in sight.

Sad to say, the longer view for the economy and the investment markets has become less promising. That said, the U.S. has survived earlier traumas of this sort and will plod its way through this one, too.