Navigating global headlines

Last month I said, "Investors remain optimistic that U.S. and Chinese trade negotiators will come to terms on an ever-elusive trade agreement." Unfortunately, "ever-elusive" continues to be the operative word.

Since early May, there has been an ongoing issue of tariffs, first with the Chinese, then with Mexico. The planned tariff on some Chinese imports was to rise from 10% to 25%. That plan was in reaction to China's backing away from a trade agreement that had been agreed upon previously.

Not surprisingly, China then retaliated with countermeasures of its own, including a threat to reduce the supply of rare earths that it provides. Rare earths are used primarily in many of the high tech devices we use today.

Since the volume of goods moving from the U.S. to China is considerably smaller than that moving in the opposite direction, China has been viewing other measures it can take to strengthen its position. This has led to ongoing incendiary rhetoric between the sides.

At month's end, this was followed by the threat of new tariffs on Mexico, beginning with all goods being subject to a 5% duty, rising to 25% in October unless Mexico gets a handle on the surge in migrants coming into the U.S.

The announcement of a new barrier between Mexico, which is the 2nd largest U.S. trading partner behind Canada, was nothing short of a bombshell that further exacerbated economic uncertainty. But it turns out that Mexico had agreed months ago to step up its efforts to deal with migrants and the planned Mexico tariffs were shelved.

The initial reaction to the tariff announcements was several weeks of selling, but the market then regained its footing when the Mexico tariffs were called off and the Fed indicated the possibility of easing interest rates

The situation is fluid right now. Best case Chinese scenario: an enforceable deal that helps level the playing field and protects U.S. technology and intellectual property. More likely, negotiations will drag on for months.

What to do

Control what you can control.

You can't control the stock market, you can't control headlines, and timing the market isn't a realistic tool. But you can control your view of where things stand. Like the weather, the market has its sunny days, rainy days, and occasional storms. The issue for investors is the climate, not the weather. Don't get hung up on what happens in the short term. The long-term path is always up.

Disciplined investing removes the emotional component. That's the component that encourages the average investor to sell near the bottom out of fear and encourages greedy buying when stocks are soaring.

N. Russell Wayne, CFP®