

The Tariff Man Cometh...Again

Equity markets slumped this week as trade tensions between the U.S. and China once again boiled to the surface. The S&P 500 fell 2.2%, with technology and banks pacing the declines. Late Thursday, the Trump Administration followed through on its threat to raise tariffs on \$200 billion worth of Chinese goods, to 25% from 10%, amid ongoing trade talks and reports that China has been backtracking on some details. Equity markets were only down modestly in response, but keep in mind that the S&P 500 has already given back almost 3% in anticipation of the move. Now, the index is slumped back below the late-2018 high that it recently fought so hard to push through, as well as dipping below the 50-day moving average. And,

the chart is starting to look a bit like a three-headed monster. On the data front, the April CPI print reinforced a stable inflation backdrop. Core inflation dipped a tick to 2.1% y/y, despite upward underlying tariff pressure. That should keep the Fed firmly on hold.

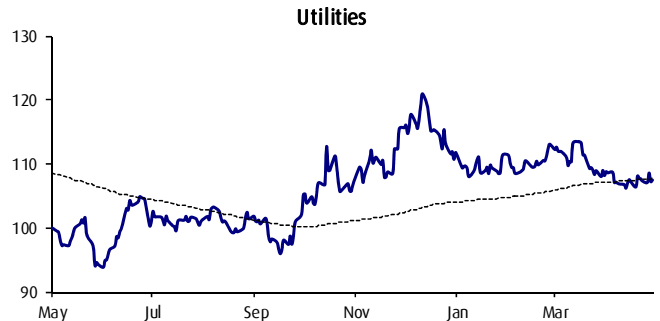
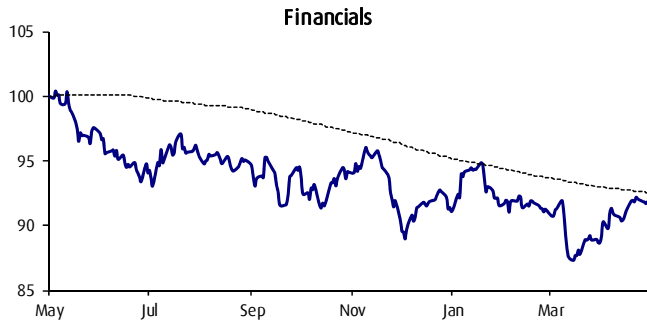
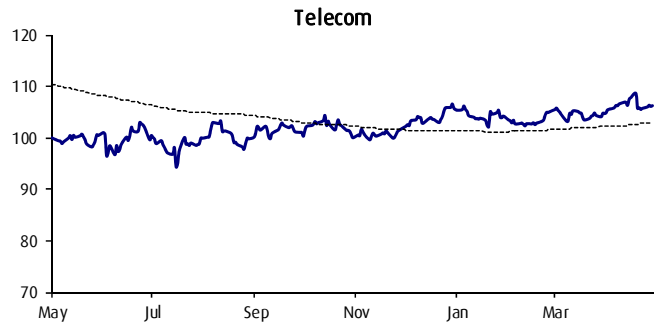
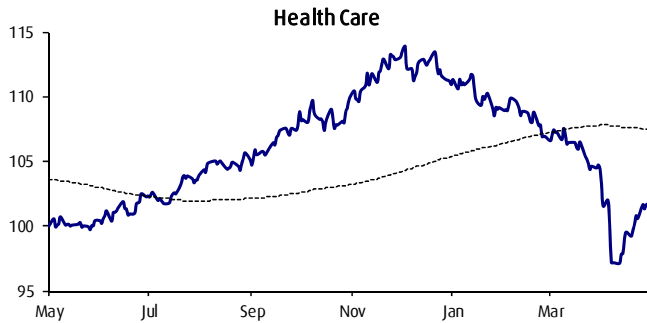
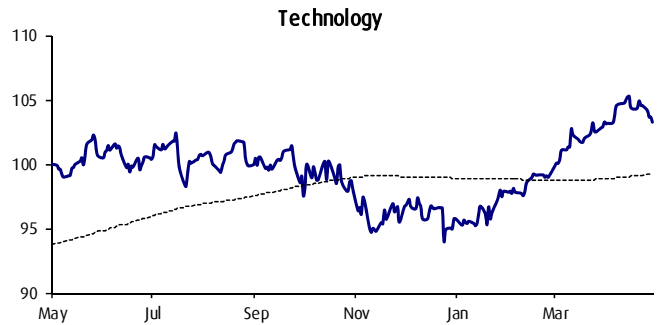
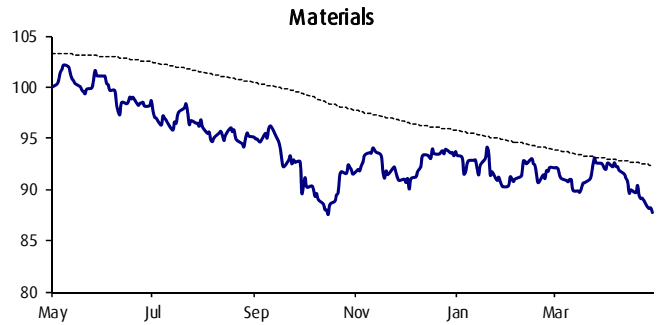
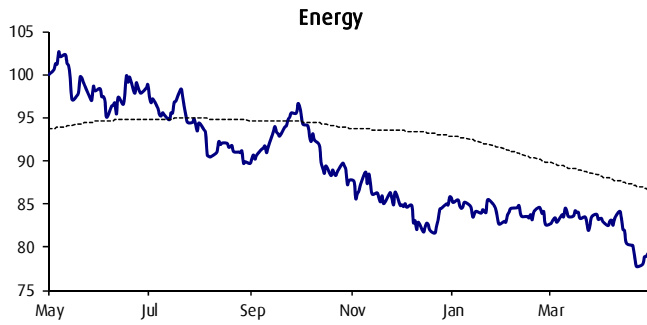
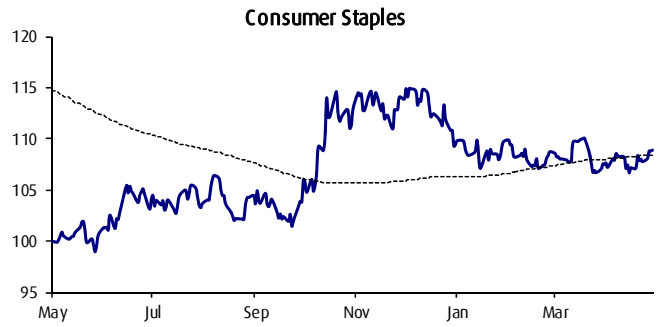
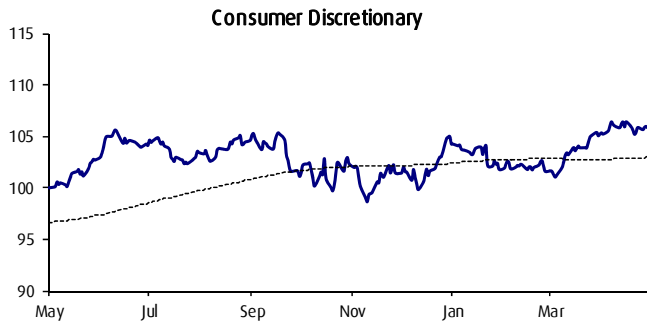
Meantime, the TSX slipped a more modest 1.2%, but is still underperforming the S&P 500 slightly on the year. The data were solid this week, with two key pieces suggesting that growth is indeed on pace to rebound in the second quarter. First, Toronto home sales bounced solidly in April, while national housing starts surged—we saw especially bad weather dampen activity early in the year. Second, employment jumped by more than 100k in the month, the biggest gain since the mid-1970s. It appears (encouragingly) that the country's job market is doing quite well at absorbing the influx of labour.

Finally, Asian markets were not surprisingly hardest hit this week, with China's CSI 300 down almost 5%, while the Nikkei was close behind. Unfortunately, the latest trade tiff comes at a time when China's growth has been showing

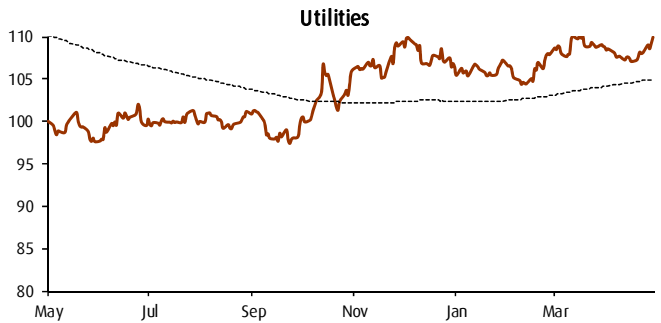
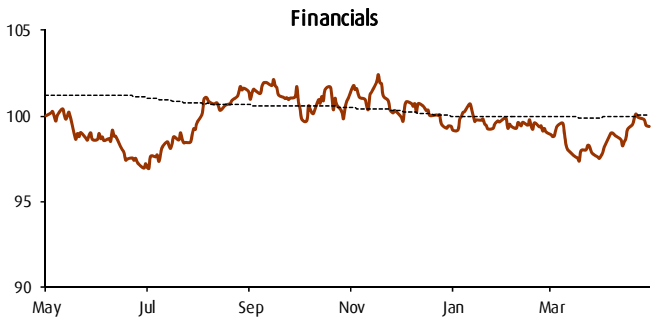
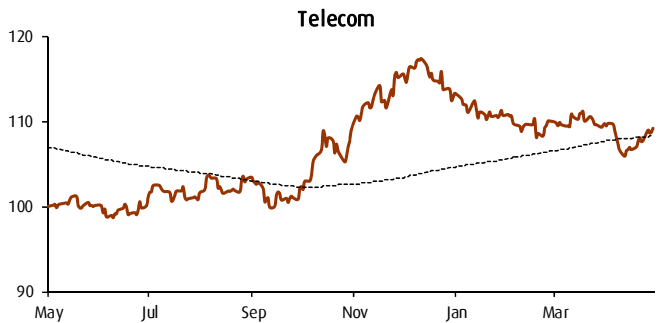
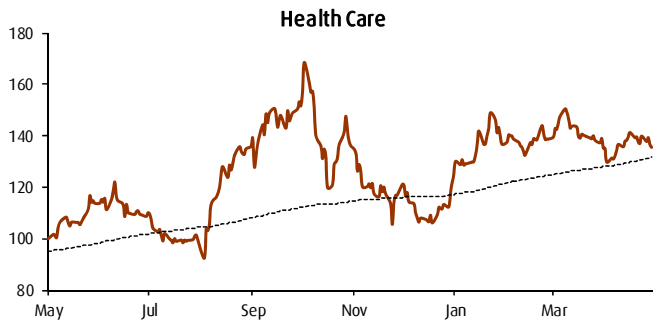
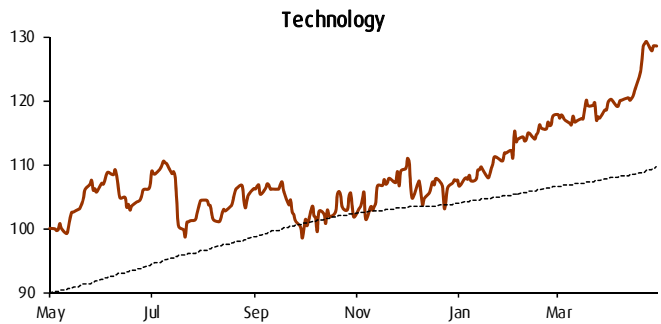
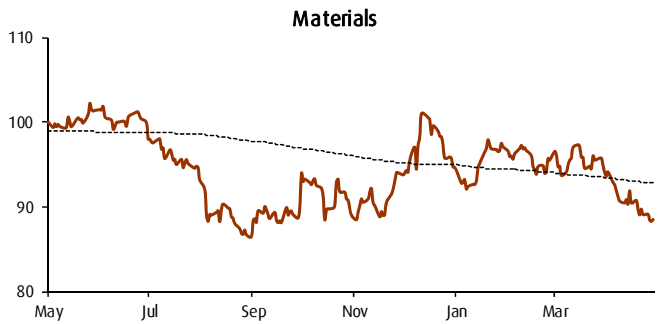
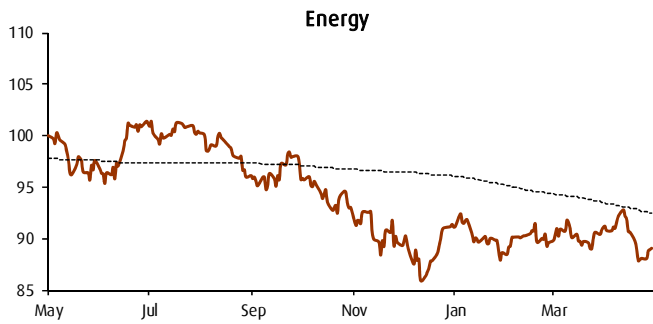
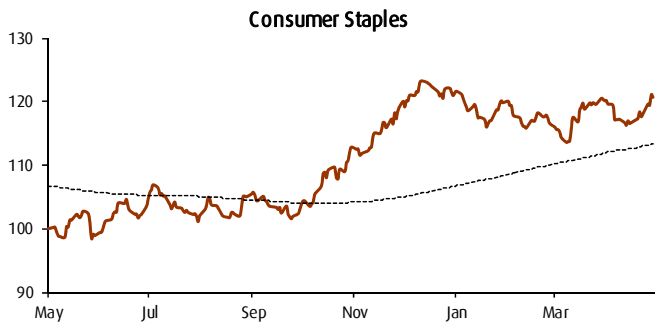
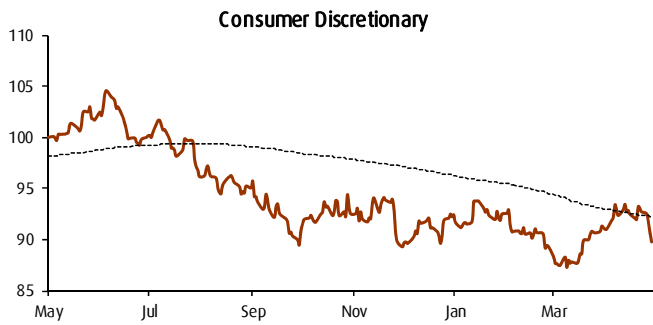


signs of steadying. But, after jumping in March, the country's PMIs slipped back in April, adding to the overall bearish tone.

S&P 500 Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



TSX Sector Performance (Relative to the index, year-ago = 100, dashed line = 200-day m.a.)



North American Sector Performances as of May 10, 2019

S&P 500 Sectors	1 Week	1 Month	3 Months	1 Year	YTD	2018
Cons Staples	-0.4	1.9	6.4	15.8	12.7	-11.2
Energy	-0.6	-5.4	1.7	-16.6	11.2	-20.5
Utilities	-0.7	0.5	4.0	15.3	9.3	0.5
Health Care	-1.5	-3.3	-1.3	8.5	2.6	4.7
Telecom Services	-1.9	1.1	8.3	14.4	18.4	-16.4
Financials	-2.3	3.5	6.9	-2.9	14.9	-14.7
Cons Discretionary	-2.5	0.0	10.3	11.7	19.0	-0.5
Industrials	-2.8	0.7	4.5	2.4	18.4	-15.0
Materials	-2.8	-4.0	4.4	-6.5	8.9	-16.4
Banks	-3.2	3.4	5.4	-7.0	16.1	-18.4
Information Technology	-3.6	-0.4	12.0	8.5	22.6	-1.6
S&P 400 Mid Cap	-2.4	-0.6	4.4	-0.2	16.3	-12.5
S&P 100 Large Cap	-2.4	0.1	7.1	6.5	14.5	-5.9
S&P 600 Small Cap	-2.7	-0.5	3.0	-2.4	13.9	-9.8
S&P 500	-2.2	-0.2	6.4	5.8	14.9	-6.2

TSX Sectors

Cons Staples	1.7	-0.1	5.0	22.6	12.7	0.6
Utilities	0.3	0.1	6.9	10.5	15.8	-13.4
Telecom Services	0.3	-0.8	2.4	11.5	8.3	-5.3
Energy	-0.2	-2.8	5.3	-8.5	15.0	-21.5
Industrials	-1.0	2.1	9.5	11.3	18.3	-3.9
Gold	-1.0	-7.8	-7.2	-7.0	-2.8	-7.2
Health Care	-1.2	-1.9	2.3	43.1	47.0	-16.6
Information Technology	-1.3	8.0	20.1	29.5	35.9	12.5
Financials	-1.7	1.4	4.0	1.6	13.1	-12.6
Banks	-1.9	1.5	1.6	-0.2	10.9	-11.4
Materials	-3.0	-7.7	-5.8	-10.0	0.7	-10.6
Cons Discretionary	-4.4	-2.0	2.2	-7.3	12.4	-17.7
REITs	1.5	-1.9	2.3	10.4	11.6	0.9
Income Trusts	0.4	-1.5	3.7	9.2	14.4	-7.0
S&P/TSX Small Cap	0.0	-4.6	-0.2	-13.1	7.3	-20.1
S&P/TSX Mid Cap	-0.6	-2.9	2.2	-2.3	13.5	-15.2
S&P/TSX 60 Large Cap	-1.4	0.1	4.8	3.5	13.8	-10.5
TSX	-1.2	-0.6	4.2	2.1	13.8	-11.6

Source: Bloomberg

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