



## What's Up with the Market – May 2019

Market News (<https://dreamwork.financial/category/market-news/>)

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### Where we left off:

As we left off last month, momentum was driving us near all-time highs on the back of strong earnings and an all but finalized China trade deal. Shortly after last month's newsletter we did reach new highs, however those highs didn't last long as trade talks soured after Trump announced an increase of tariffs to 25% on China goods and that they could face additional tariffs. China retaliated but many felt that their tariffs were weak and delayed, possibly on purpose to send a message that they are still willing to deal.

This major fallout sent the market reeling back to 2800 an all too familiar level for investors and readers of our newsletter. I consider this a "market reset" and helped get us all on the same page again in regards to what news is "priced-in" at the moment.

The worries associated with the fallout from the China trade war may have given the Fed the scenario it needs to be even more dovish than previously thought (which would be good news for stocks). But before we get carried away the Fed minutes from May 22,

showed that the Fed is going to take a “patient approach” in determining which way to go with interest rates.

## **Other market-related news:**

### ***USMCA (NAFTA) Progress***

Trump agrees to lift tariffs on Canada and Mexico (<https://www.atlanticcouncil.org/blogs/new-atlanticist/with-tariffs-lifted-the-future-looks-bright-for-the-north-american-trade-deal>) which is good news in regard to the ratification of the USMCA, which will replace NAFTA.

### ***Huawei Banned***

Trump bans Huawei (<https://www.cnet.com/news/huawei-ban-full-timeline-on-how-and-why-its-phones-were-banned-security/>) who is the world’s number one telecom supplier over national security concerns. This led to fallout where Google “cuts off” Huawei from future Android updates further intensifying the trade war.

### ***Beyond Meat IPO***

Beyond Meat, one of my personal favorite companies (as a consumer) traded publicly for the first time following its IPO. It was successful to say the least as it priced at \$25, had its opening trade at \$46, then nearly hitting \$100 before settling in the mid \$80s as I write this.

### ***Uber IPO***

In other IPO news, Uber went public and was very lackluster to say the least. It priced at \$45 which was at the low end of the range, then had an opening trade of \$42 and now sits around \$40 share.

### ***Google Glass is Back***

Google has announced they are launching a new Glass augment reality headset (<https://www.technologyreview.com/f/613562/google-glass-is-back-with-a-new-999-headset-designed-for-businesses/>). However this time it is designed to help businesses provide hands-free access to information as employees work. This will be interesting to follow as I think these type of glasses are the future. (Check out my **bold prediction on this** (<https://dreamwork.financial/aapl-bold-prediction-apple-stock/>)).

### ***Sprint/ T-Mobile News***

A major merger in the works cleared a couple hurdles as the FCC Chairman and Commissioners both showed support for the merger (<https://www.digitaltrends.com/mobile/t-mobile-sprint-merger/>) after the two

companies laid out a binding agreement to bring 5G and wireless to rural America. This deal still has to clear the DOJ though.

## **What I'm looking at now:**

### ***China Trade Deal and Ripple Effect***

First and foremost, the most important news to follow is surrounding the China trade deal and what the ripple effects are if this turns contentious. It doesn't look like we will get any real news until they meet again in June so in the meantime, we will probably have a wild ride.

### ***Iran Tensions***

As if we didn't have enough to worry about, we now have Iran tensions following a statement from John Bolton, Trump's national security adviser, in which the U.S. has seen "a number of troubling indications and warnings (<https://www.npr.org/2019/05/22/725428447/what-to-know-about-the-sudden-talk-of-war-with-iran>)" from Iran. After that rhetoric on both sides has continued to ramp up. Obviously this would be horrible for the market if we went to war with Iran so keep an eye on this. However, we have been at odds for a long time so this may just be the more of the same.

### ***Federal Reserve***

Without a China deal, the policies of the Fed are much more significant in my opinion. If they stay on the dovish side, the market rally can stay intact and possibly prolong the rally. However, if we start trying to print our way out of a recession that could be disastrous.

### ***Slowing Growth***

Growth appears to be slowing a bit in the U.S., however the debate surrounds whether we are slowing from really good level to just above average levels, or if we are slowing to worrisome levels. If growth slows around the world, that could weigh on our economic growth. There are many reasons to be positive or negative right now in regards to U.S. growth but we will need to wait a little longer to get clarification on this.

### ***Technical Levels***

I wonder how many times I have said to keep an eye on 2800 but that should tell you something about how significant this level is. Here we see it again, this time as a major support level and if we drop below that it could be bad as the computers and bearish traders may pounce.

## **In conclusion:**

Overall things feel a little riskier than before. This market “reset” was definitely healthy for the market but we are only a few catalysts away from being much more. It’s a good time to reassess the amount of risk you’re currently taking with your investments. Please let me know if I can help with anything regarding your current financial plan or investment allocation. Thank you for reading!