



## Trade Tensions Driving Market Volatility

### SUMMARY

- Increased uncertainty on U.S.-China trade has resulted in a pickup in market volatility.
- We remained concerned with trade, slowing economic and corporate growth, geopolitics and stretched valuations.
- The FWA Investment Committee continues to monitor the global markets for potential investment opportunities.

Investors have become increasingly disappointed as U.S.-China trade negotiations appear to be deteriorating. U.S. officials recently increased tariffs from 10% to 25% on \$200 billion of Chinese imports and Chinese officials retaliated with a planned tariff increase on \$60 billion in U.S. exports to China. Increased restrictions on Chinese technology companies have also raised concerns and could put pressure on global technology supply chains. Investors believed that negotiations between the U.S. and China had been going relatively well, but that narrative has quickly turned negative resulting in risk assets to sell off. Since the recent market peak in April of this year, the S&P 500 Index has fallen approximately 5%<sup>1</sup> as investors try to digest this increased uncertainty.

With trade negotiations between the U.S. and China increasingly uncertain, a pullback in risk assets is not surprising. Although equity markets have recently declined, performance for risk assets this year has been strong. Markets had been supported by better than expected Q1 corporate earnings, a solid Q1 GDP number and a belief that a trade deal between the U.S. and China was on a positive track. As trade uncertainty has increased, investors may be realizing that resolving these trade issues could take longer than hoped for and market volatility could persist.

As we indicated in our Q1 quarterly investment commentary, we were concerned with trade uncertainty, slowing economic and corporate earnings growth, geopolitical risks and valuations that had become stretched. In our opinion, these concerns may continue to drive volatility and investors should be prepared. The FWA Investment Committee continues to monitor the global markets and is prepared to take advantage of investment opportunities across the appropriate FWA-managed portfolios as they become available.

### FWA INVESTMENT COMMITTEE



**Eric Kulwicki, CFA**  
*Senior Portfolio Manager*

As the Senior Portfolio Manager, Eric leads the Freedom Wealth Alliance Investment Committee to determine investment strategy, drive research and construct multi-asset portfolios with a focus on managing risk for clients.



**Kurt Rozman**  
*President*

Kurt is the President of Freedom Wealth Alliance, a full service and fast growing financial services firm founded in the Midwest. Kurt has spent over 25 years of his professional career managing a variety of tactical investment strategies for clients.



**Shawn Hittman**  
*Financial Advisor*

Shawn has been conducting in-depth analysis of the financial markets and building model portfolios for nearly 20 years. Shawn advises on macroeconomic trends and assesses where potential values and risks exist in the markets.

## SOURCES

1. S&P Dow Jones Indices, LLC. S&P 500 Index Total Return data. Retrieved from <https://us.spindices.com/indices/equity/sp-500>.

## DEFINITIONS

**S&P 500® Index:** The S&P 500® Index is a market cap-weighted stock market index of 500 companies across a number of industries. The index is often used as a broad representation of the common stocks of the largest publicly-traded companies in the United States.

**Risk Assets:** Risk assets generally refer to assets that carry a perceived high degree of risk and price volatility. Risk assets can include stocks, lower quality bonds, highly interest rate-sensitive bonds, commodities, currencies and certain alternative strategies.

**Conservative Assets:** Conservative assets generally refer to assets that carry a perceived low degree of risk and price volatility. Conservative assets can include cash securities and higher quality, less interest rate-sensitive bonds.

## IMPORTANT DISCLOSURES

The opinions voiced in this material are for general information only and are not intended to provide or be construed as providing specific investment advice or recommendations for any individual security.

Any economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

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There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to affect some of the strategies. Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

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Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal, and potential illiquidity of the investment in a falling market.

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Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor’s portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

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This research material has been prepared by Freedom Wealth Alliance.