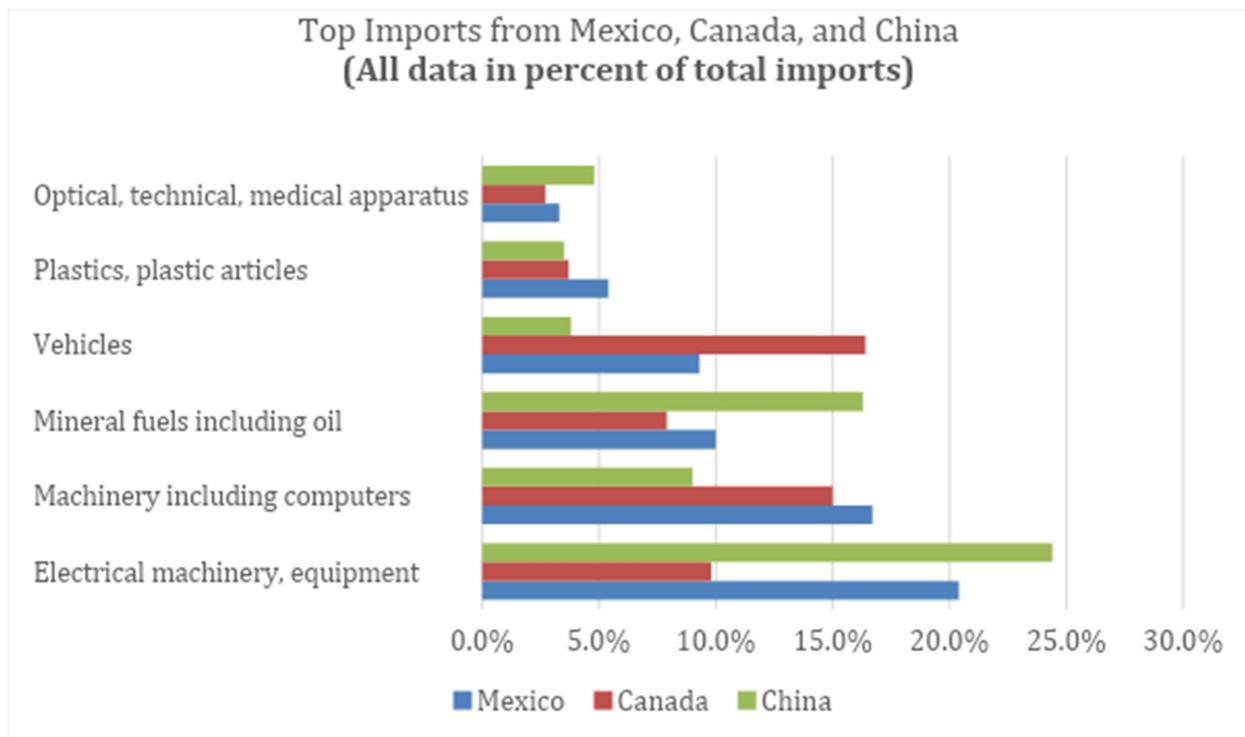


# Market Watch With RMH

July 2019

China and the United States have taken the first major step into securing a trade deal by agreeing to a trade truce. This is a small first step, however, before productive negotiations can take place, both sides need to commit to the de-escalation of this trade war.

In the June Market Watch, we focused on exports from Mexico, Canada, and China. This Market Watch we will focus on United States exports and what China, Mexico, and Canada import. This will provide a clear picture of how the United States can grow its exports by seeing the demand from our three biggest trading partners. First, we will look at a chart of the top imports from Mexico, Canada, and China.



**(Data is provided by Worldstopexports.com)**

When we can determine what our trading partners need most, and compare that to the top exports from the United States, there is opportunity for growth.

Below are the top 10 exports from the United States (boldened are overlapping import/exports):

1. **Machinery including computers:** US\$213.1 billion (12.8% of total exports)
2. Mineral fuels including oil: \$189.9 billion (11.4%)
3. **Electrical machinery, equipment:** \$176.1 billion (10.6%)
4. Aircraft, spacecraft: \$139.1 billion (8.4%)
5. **Vehicles:** \$130.6 billion (7.8%)
6. **Optical, technical, medical apparatus:** \$89.6 billion (5.4%)
7. **Plastics, plastic articles:** \$66.5 billion (4%)
8. Gems, precious metals: \$63.8 billion (3.8%)
9. Pharmaceuticals: \$48.4 billion (2.9%)
10. Organic chemicals: \$40.2 billion (2.4%)

Much of what our trade partners import, the United States can fill through exports. In 2018, the United States compiled a \$950.2 billion trade deficit, expanding the 2017 trade deficit of \$862.2 billion by 10.2% for all products one year earlier. It is very clear that this is not a sustainable path. In order to truly get the trade deficit under control, the United States needs to do what it does best: innovate. The support of the government, universities, and corporations, has allowed the skill and knowledge base of many industries (technology, healthcare, energy to name a few) to flourish, allowing the U.S. to increase their share of Global Investments.

Focusing on China and why they need a trade deal is the simple fact their economy is slowing. From the start of the trade war between China and the United States, China saw a steep decline in manufacturing. The United States has also taken some hits as well. It is a well-known fact that neither party wins in a trade war. In order to not fall into a deep recession, China's growth engine needs a boost. This brings us to the Chart below, "**China Official Manufacturing PMI** (Purchasing Managers Index)." Any data point over 50 is expansion, below 50 is a contraction.



It is important to keep in mind risk management of one's portfolio at major tipping points. A trade deal could bring life back into the longest U.S. growth expansion; however it could be the catalyst to stop it. Now that both parties are willing to talk a deal that is fair to each would be a major accomplishment for the global economy. The trillion-dollar question, are both parties willing to make a deal? That is something for which we must all wait and see.

We thank you all for taking the time and reading "Market Watch." It is meant as an educational piece on the always evolving markets. It is something we plan on providing every month, and your feedback is very important to us. Please feel free to always reach out with questions, thoughts, or comments. If there are ever any topics you wish us to explore, please share.

On a personal note, RMH is now in the position to bring on new clients, please be sure to share this informational letter with whomever you wish. RMH's focus is on the customizable investment needs of individuals, families, and foundations. We enjoy working with our clients to better understand their goals, values, and passions for what is important in their lives. In expanding our client base, we look forward to working with people who share these same desires

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