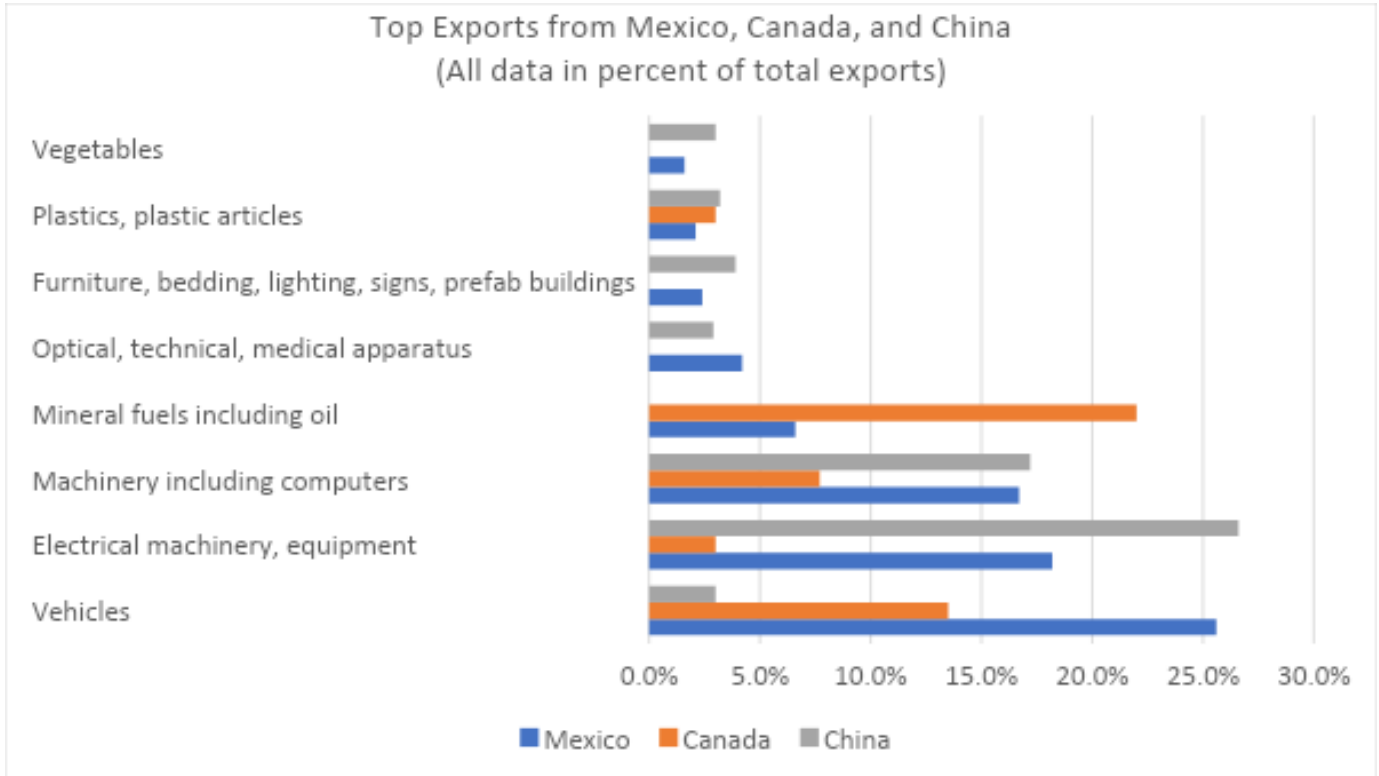


# Market Watch With RMH

June 2019

The trade war with China has been front page news for the last couple of months. Every time there are headlines (positive or negative), global markets have knee jerk reactions. Recently, Mexico has been brought into this front page news. However, it is now clear there is an actual trade deal in sight. This is positive news and would strengthen North America's trade relationships. One should also not forget about our friends up north. If one takes a moment to look at the data of top exports from Mexico, Canada, and China; there are many similarities.



First, a look at a chart of the blended top exports.

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

Below are each of the Top 10 exports of Mexico, Canada, and China. The reason being they will give us a clear picture of the scale China is able to do. **(Data is provided by Worldstopexports.com)**

**Mexico's Top 10 Exports:**

1. Vehicles: US\$115.5 billion (25.6% of total exports)
2. Electrical machinery, equipment: \$81.9 billion (18.2%)
3. Machinery including computers: \$75.4 billion (16.7%)
4. Mineral fuels including oil: \$29.7 billion (6.6%)
5. Optical, technical, medical apparatus: \$19 billion (4.2%)
6. Furniture, bedding, lighting, signs, prefab buildings: \$10.6 billion (2.4%)
7. Plastics, plastic articles: \$9.5 billion (2.1%)
8. Vegetables: \$7.2 billion (1.6%)
9. Articles of iron or steel: \$6.7 billion (1.5%)
10. Gems, precious metals: \$6.7 billion (1.5%)

**Canada's Top 10 Exports:**

1. Mineral fuels including oil: US\$98.8 billion (22% of total exports)
2. Vehicles: \$60.5 billion (13.5%)
3. Machinery including computers: \$34.5 billion (7.7%)
4. Gems, precious metals: \$18 billion (4%)
5. Wood: \$14.3 billion (3.2%)
6. Plastics, plastic articles: \$13.6 billion (3%)
7. Electrical machinery, equipment: \$13.4 billion (3%)
8. Aircraft, spacecraft: \$10.6 billion (2.4%)
9. Aluminum: \$10 billion (2.2%)
10. Paper, paper items: \$8 billion (1.8%)

**China's Top 10 Exports:**

1. Electrical machinery, equipment: US\$664.4 billion (26.6% of total exports)
2. Machinery including computers: \$430 billion (17.2%)
3. Furniture, bedding, lighting, signs, prefab buildings: \$96.4 billion (3.9%)
4. Plastics, plastic articles: \$80.1 billion (3.2%)
5. Vehicles: \$75.1 billion (3%)
6. Knit or crochet clothing, accessories: \$73.5 billion (2.9%)
7. Clothing, accessories (not knit or crochet): \$71.4 billion (2.9%)
8. Optical, technical, medical apparatus: \$71.4 billion (2.9%)
9. Articles of iron or steel: \$65.6 billion (2.6%)
10. Organic chemicals: \$59.8 billion (2.4%)

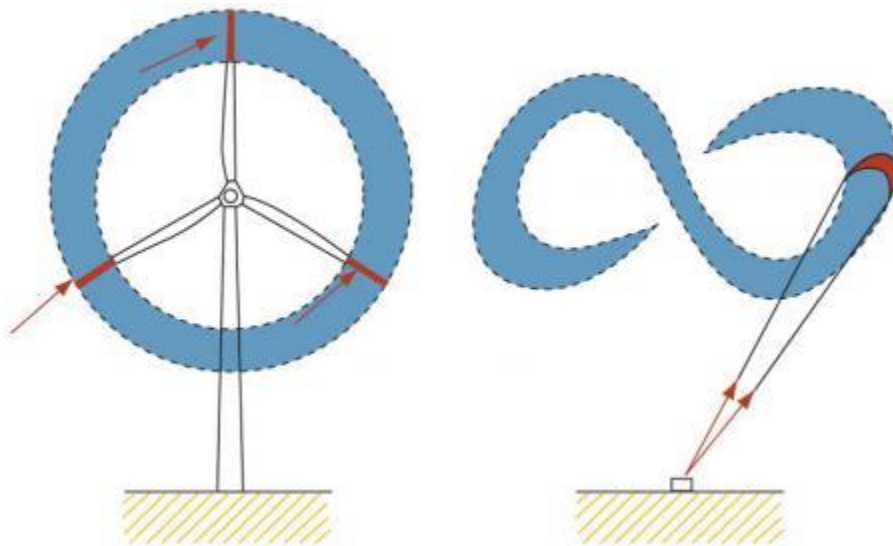
Currently China is the manufacturing engine of the world, the result of many years of worldwide investment in the region. If the United States can improve trade relationships with Mexico and Canada, it will strengthen the North America continent as a whole. The growth of investment and jobs into Mexico and Canada instead of China would bring much prosperity to the North American region, and that is something to get excited about. Politics will always muddy the

waters, but it is important to remember the real trade story could be the strengthening of North American trade.

## The future of Energy

In 1750, energy needs were fueled by burning wood, horses, or oxen pulling carts. In the 1800's along came coal and changed the energy landscape. With coal, new sources of transportation were created, railways and steamboats, and in addition powered the industrial landscape. Oil came into the energy space in 1910, automobiles, plastics, and planes were created from this energy discovery. Today we see the energy landscape changing once again with the improved technology for batteries and renewables. This brings us to a key highlight for this month's letter, and it is called "Airborne Wind Power" and is currently in the proof of concept stage.

We have all seen the large wind farms that started to gain traction in the energy space (drive across I-8 into Palm Desert or West Texas on I-10). Now we are seeing a transition in wind energy from these large steel wind turbines to a kite that is anchored to a ground system. (Image below). Not only is the kite able to fly much higher where the winds are much stronger, resulting in more energy, but Airborne Wind Power is much more cost effective than current methods.



Source:RTCmagazine.com

Developments like this are making renewable energy much more impactful and will eventually change the landscape of the energy market once again. It is hard to know which energy source or method will be a key player in the future with so many new developments in the space. Will oil remain king or will a new energy source replace it? That is a very hard question, and to meet the energy needs of tomorrow, the most probable outcome is there will be room for all because the global energy demands keep on climbing.

## A note from London

Recently Richard had the pleasure of attending 3 sets of CFA meetings in 7 days in London, England. One for Global Societies, another for the Board of Governors of the CFA Institute, and the CFA Annual Conference where I have a group of friends from at least 10 years of attending this conference. We stay in touch throughout the year as reference resources. This last meeting is all research, fun!

I was curious to see how London was doing with regards to all of the excitement/unexcitement of Brexit. Talking to the “locals”, brought a tired conversation that was best ended quickly and shifted the talk to Tottenham Hotspur vs. Liverpool in the Champions League matchup on June 1 in Barcelona. One thing I did notice while we walked to meetings across the Westminster Bridge, was how busy the area was. It was teeming with tourists, all day long.

The skyline was dotted with building cranes, 366 in inner London, and 175 in outer London. The inner construction buildings are a combination of office and residential, while outer London is almost all residential. Where were the Brexit calculations in all of this, as Brexit was initially 3 years ago, still ongoing today. However you cut it, 541+ construction cranes is a lot, and up from 510 last year. Source [www.theguardian.com](http://www.theguardian.com)

The conclusion drawn, is that London will retain a lot of its importance as a centrally located hub between the Americas and Asia. While Paris, Frankfurt, Milan have all been mentioned as replacing London, they all have very obvious drawbacks.

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. April 2019

On a personal note, RMH is now in the position to bring on new clients and 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

Richard Mundinger, CFA

Edwin Hopper