Below is a snapshot of last week's market performance and what to watch in the weeks ahead from Chadd Mason, Cabana CEO and co-founder.

What a difference a week can make! The trade war with China is back on… big time. President Trump slapped an additional 15% tariff on more than $200 billion worth of Chinese goods imported into the United States. This follows a levy of 10% implemented last year, bringing the total to 25% on a wide variety of goods. Further, the administration has indicated that the 25% tariff will soon be applied to **all** imports from China. This will apply to another several hundred billion dollars worth of goods. China has now responded in kind and will raise the same 25% tariff on U.S. goods. The focus will be on U.S agricultural products. Whether China is targeting Trump's voter base, or this just reflects the nature of our products being exported to China is debatable. What is not debatable is the fact that these tariffs will cause prices to rise on many things that everyday Americans buy and use.

Economists around the world spent the weekend trying to assess just how much these events will hurt the economy here and across the globe. There are a number of variables, not the least of which is the political underpinnings of this dispute. The consensus according to CNBC is that we will lose at least 70 basis points off our GDP in the U.S., and the world GDP may drop to zero for 2019. Additionally, farmers will lose a huge customer in China. It appears that some sort of subsidy package will likely be necessary from Congress to keep them afloat. How this will impact China is anyone's guess. China is not a market economy and probably has more tools to deal with the collateral damage over the short term than we do. President Trump believes that over the longer term, the U.S. will come out ahead and we will be all the stronger economically. For the sake of his re-election, he better be right. If our nation's farmers and middle class begin to struggle, he may have some serious problems.

U.S. equity markets have all dropped at least 5% over the past week. The tech-heavy Nasdaq has dropped 6.5%. For reference, China is down 11% over the same period. Furthermore, the selling has been on huge volume, evidencing that institutional money is leaving these risk assets. This is not surprising given the potential impact to the world's supply chain, coupled with the run up in stocks we have seen both domestically and internationally so far this year. Last week's events are providing a good reason to take some equity money and move it somewhere else. The big winner so far is U.S. Treasury bonds. The 20-year Treasury bond is up 2.5%. This reflects an assumption that interest rates will have to fall in order to compensate for the headwinds caused by the tariffs and to stave off a recession. This morning, bond markets were pricing in a 50 basis point cut in rates by the Federal Reserve. Last week, we commented on Chairman Powell having stated that the central bank would not be cutting rates going forward. He may have to eat those words given what we are seeing now.

Last week's market commentary is available here.

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