

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.

Markets Rally with Hopes of a U.S.-China Trade Deal

Last week, and the entire month of June for that matter, ended on a strong note. The S&P 500 recovered almost all the May losses and stands just below all-time highs.

I commented last Monday that I sure would like to see some outperformance by the transportation index, as well as the small cap index. The transports are leading indicators of economic activity around the world and are at the front lines of the trade war with China. The small cap index represents the riskier parts of the U.S. equity market. It is a good sign when it is doing well, because it signals that investors are feeling good about growth opportunities within the economy. No sooner than I asked for it, we got it. Both the Transportation Index (IYT) and the Russell Small Cap Index (IWM) had huge weeks and closed above their respective 200-day moving averages. They are still lagging the broad indexes but have narrowed the gap.

Over the weekend, President Trump and Chinese President XI agreed to resume trade negotiations after a 7-week stalemate. Undoubtedly, the global economy would welcome a comprehensive trade deal between the world's two largest economies. The consensus is that worldwide GDP will suffer dramatically over the next two years should the trade war and resulting tariffs continue. Domestic and international equity markets opened up this morning with more than 1% gains. Treasury yields also rose. At the time of this writing, stocks have given up more than half of their gains as investors digest the implications of the truce. Sometimes it pays to be careful what you wish for. A more positive trade outlook could cause the Federal Reserve to hold off on an anticipated July rate cut. Markets have priced in the near certainty of some easing by our Central Bank. If that does not come to pass, we are likely to see some quick profit taking in stocks.

Last week's commentary is available [here](#).



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