Weekly Market Review

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The Week Ending May 26, 2018

Lately, the market has been optimistic that the U.S. and China will be able to work out our differences on trade. Progress has been made with China agreeing to purchase more U.S. goods to narrow the massive $335 billion annual trade deficit. While China pledged to "significantly reduce" the trade imbalance by directing state-owned or controlled companies to buy more U.S. goods, they have not given specific figures yet. President Trump has been pushing for an aggressive $200 billion reduction which would represent a 60% decrease. A key issue for China is loosening the penalties and restrictions on ZTE, a major Chinese telecom company, which has been accused of illicitly shipping goods to North Korea and Iran. The company, which employees almost 75,000, has been forced to shut down operations. President Trump announced via Twitter that he is working with the U.S. Commerce Department and President Xi to "get ZTE back into business, fast." However, just as the market breathed a sigh of relief, Trump announced this morning that a list would be published next month listing $50 billion of Chinese goods that will be subject to a 25% tariff which will be imposed "shortly thereafter."

Oil prices, which reached multi-year highs recently, plunged last week on the report that OPEC is planning to increase production as early as June to lower the price and preserve demand. Oil prices, which declined nearly 7% last week, have been on the rise recently as the market fears the U.S. will impose sanctions on Venezuela after the country's leadership stays in power after what was allegedly corrupt elections. Venezuela is sitting on the world's largest proven oil reserves but has been in economic crisis since 2012. According to a 2018 study, 90% of the population is living in poverty.

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