



February 2020

Macro Overview

Amid uncertainty surrounding the spread of the coronavirus throughout China and internationally, global equity and bond markets reacted to supply chain disruptions and factory closures. China's vast manufacturing sector, which is an essential component of supply chains for many U.S. companies, has become vulnerable to plant closures and employee quarantines throughout the country.

Markets are concerned that the coronavirus may impede global growth and recently implemented trade agreements as shuttered manufacturing facilities may reduce Chinese exports as well as imports of raw materials and commodities into China.

The Dow Jones Industrial Index hit 29,000 in mid-January for the first time ever, bolstered by the first phase of a U.S.-China trade deal and assurances by the Fed that no anticipated rate increases are expected anytime soon.

Britain's tumultuous 47-year membership of the European Union (EU) ended on January 31st, resulting from a vote to exit the EU in 2016, also known as Brexit. Britain's departure from the EU is the first significant exit from the EU of any of the 27-member countries. The exit is expected to influence the financial, banking, and immigration structure for the entire EU.

The phase one trade deal between China and the United States has alleviated some uneasiness surrounding trade tensions. The U.S. will retain most tariffs on \$360 billion of goods from China until a phase two agreement is reached.

Closed manufacturing facilities due to the virus outbreak throughout China are expected to have a lingering affect on U.S. and foreign companies with operations in the country. Supply chain issues affecting products ranging from cell phones, computers, and televisions to furniture and toys may hinder production of such products for some time. An accompanying concern is that Chinese consumers refrain from spending, thus hindering Chinese consumer expenditures at home and abroad. According to the World Bank, Chinese tourists spent over \$271 billion in 2017 worldwide, more than any other international traveler. Global economic growth is sensitive to China's massive manufacturing and consumer base, generating wholesale and retail trade worldwide.

© PlanRock Investments, LLC. The content above is available for use only by authorized subscribers, clients and where permissible as such. This content is not authorized for resale. Past performance does not guarantee future results. The sources we use are believed to be reliable, but their accuracy is not guaranteed.



Middle East tensions abated towards the end of January after sparking market volatility that arose earlier in the month, sending equities lower and affecting oil prices. Geopolitical uneasiness continues, however, as the Middle East region struggles with ongoing uncertainty.

The Commerce Department released its most recent economic data as measured by Gross Domestic Product (GDP), showing a 2.1% annualized growth rate, meanwhile consumer spending decelerated to a 1.8% pace, identifying a probable slowdown of consumer expenditures.

Inflation came in at 2.3% last year as reported by the Bureau of Labor Statistics. Inflation, as measured by the Consumer Price Index (CPI), falls short of the most recent Social Security COLA increase of 1.6%.

Sources: Commerce Department, EuroStat, Social Security Admin., World Bank