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### **How might the U.S.-China trade dispute affect the markets in 2019?**

The outcome of the U.S.-China trade war will likely determine the outlook for 2019. If trade war abates quickly, emerging markets will likely be the best performing asset class next year. If however trade war were to drag on or in fact intensify, we suspect that U.S. Treasuries will be the best performing asset next year. Nevertheless, we expect this trade war to drag on for many years to come.

The most sticky feature of this trade dispute is intellectual property, which we think is a very complex issue. It's one that does not have an easy solution. But one thing is very clear. Whether trade war intensifies or not, trade war is likely to become a recoupling story next year. That's because even though exports are only 10% of U.S. GDP, 43% of S&P 500 companies' earnings come from outside of the United States. So if trade war were to escalate, it's unlikely the U.S. will be able to escape the consequences. Meanwhile, if trade war were to de-escalate to the extent that this will lead to probably some kind of synchronized global recovery, the more cyclically-sensitive regions of the world like Asia and Europe will probably benefit more than the U.S. In that respect, we see trade war becoming a recoupling story of 2019, which reinforces our view the dollar might have already peaked, and we expect the dollar to gradually go down next year.

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