

# Chris & Ryan's Timely Market Dispatch:

## Perspective - The U.S. China Trade War/Current Market Selloff & Sound Investor Behaviour

### May 13, 2019

When you turn on the evening news tonight the headlines will blare the Dow Jones Industrial Average fell 600+ points today and the media will try to scare you out of the great quality companies that you own.

First up, if you are a client of **Chris Raper & Associates** and you are in the “spend” phase of life, please be reminded that we already have money set aside in in your “safe and income buckets” to meet your ongoing monthly draws. If there is any doubt in your mind about that, then please reach out to [Larissa](#) and or [Ryan](#).

Furthermore, participants within **The Dividend Value Discipline™**, should take some comfort in that every stock (company) we buy must pay a dividend, a rent cheque in our language, and those rent cheques in aggregate are growing at double digit rates.

If you are in the “accumulate” stage of life, then today’s selloff is truly great news. I am delighted to report that we are already getting emails of inbound money - we can’t invest it if it’s not here! A reminder, the number one factor of lifetime returns is when we choose to add money to equities and when we choose to take it away.

What follows are our bullet point observations on the U.S./China trade spat and the current market rout.

1. Our sources in Washington are telling us the two countries are a long ways from a deal – the market can selloff longer than we think. Most importantly, recognize that calling the bottom (ideal entry point) is undoable and thus our strategy of adding money incrementally as bargains materialize will continue.
2. Both China and the U.S. will lose in a protracted trade war so it is in both countries interests to get the issues resolved. That said, China’s President Xi Jinping, faces no electorate whereas President Trump faces the electorate in November 2020, so it is likely the Donald blinks first.
3. The factors/circumstances that triggered the last December rout are not the same as they are today. The biggest factor is that interest rates have tumbled. To wit, the ten year U.S. Treasury (government bond) yield peaked at ~3.25% last fall and today they it a low of 2.39%. That 25% reduction in rates makes dividend paying/growing stocks more attractive.



Chart courtesy of StockCharts.com

4. As stated on the March 25, 2019 edition of [The Opportunity Update](#), “I continue to believe that most of the FAANG behemoths (Facebook, Amazon, Apple, Netflix and Google (now Alphabet)) will continue to be challenged with ever-increasing regulatory issues, lawsuits and anti-monopoly fines.” This morning the FAANG complex was hit particularly hard on the news that the U.S. Supreme Court ruled that consumers can proceed with an antitrust lawsuit challenging Apple Inc.’s exclusive control over the marketplace for iPhone apps. Our current observation is that money continues to “leak” from mega technology companies and some of it is flowing to dividend paying stocks – the last three years’ headwinds are becoming tailwinds.
5. The \$USD index made a “blow off top” for the week ended May 1<sup>st</sup>, 2019 – defined as a new 52 week high early in the week (Tuesday morning in this case) and closing down on the week. This action suggests further moderation in the weeks and months ahead and that is supportive of all economies outside the U.S., especially resource based economies, i.e. Canada.

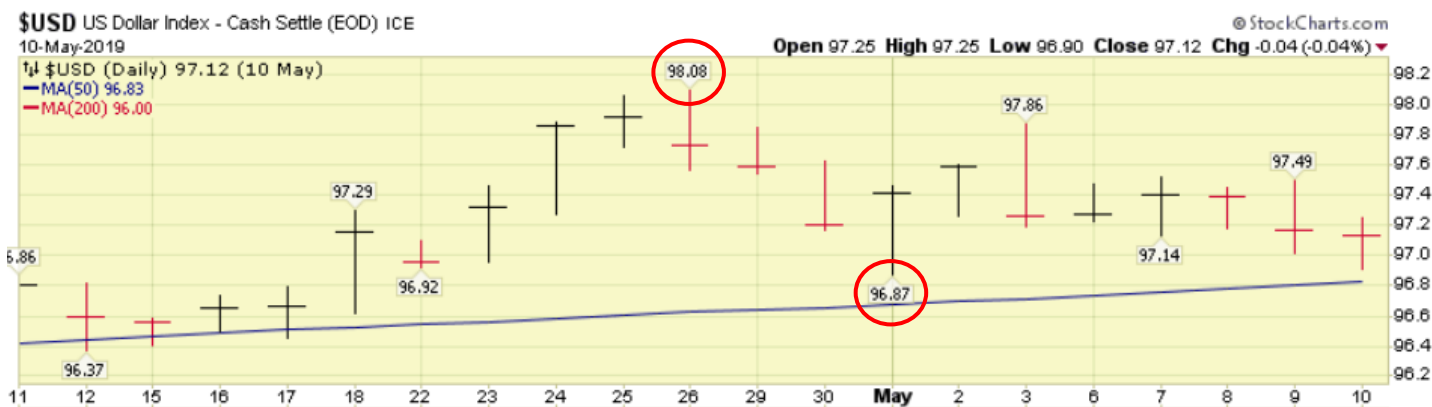


Chart courtesy of StockCharts.com

To conclude, your question may be, “is the current selloff the start of the next bear market?” That will only be knowable with the benefit of hindsight. What we do know, is that far more money is lost preparing for bear markets than during bear markets. The better question is, “are my safety and income needs looked after so I can withstand any bear market and better yet, take advantage of the bargains that will come our way.” If you are unsure about that then again, please reach out to [Larissa](#) and or [Ryan](#).

The offer stands for both existing client and those that may have future interest in our services. For those who would appreciate a more in depth look of our major market observations, please be advised that we continuously update our **State of The Markets** presentation and we can walk you through it virtually anywhere via our screen sharing technology, <https://join.me/chrisraper>.

Our purpose continues – to help our clients keep their most challenging financial decisions consistent with their life goals. Market selloffs are challenging times for all participants. They are also the biggest source of opportunity. We are here to help.

Yours truly,

Chris Raper  
Senior Vice-President | Senior Portfolio Manager

Ryan Cramp  
Portfolio Manager

**Chris Raper & Associates - the most proactive wealth advisory team on planet Earth**



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