



# Six key events that could shape markets in the second half of 2018

June 4, 2018

*The first half of the year reintroduced investors to market volatility. Six key events in the remainder of 2018 could add to the uncertainty.*

Geopolitical tensions were a key factor in market gyrations throughout the first six months of 2018, which began with rising fears of a nuclear showdown between the United States and North Korea and ended with the possibility of the latter nation's nuclear disarmament. Rising interest rates continued to have a dampening effect in the U.S., the European Union and the United Kingdom.

Growing tensions about a potential trade war between the U.S. and other nations, particularly China, loom larger in the second half of the year. Given a fluid situation and ongoing policy discussions, predicting the most likely outcome is sometimes difficult. As these stories unwind, investors and advisors should keep their ears attuned to the potential risks and opportunities of six upcoming events.

## **June 8: G-7 Summit.**



Leaders of the world's seven most powerful economies will gather in Charlevoix to discuss ways to strengthen the middle class, battle climate change and promote peace in Ukraine, Syria and Israel/Palestine, among other issues. Discussions also are likely to involve the recent decision by the U.S. to pull out of the Iran nuclear accord and the continuing importance of the World Trade Organization (WTO), given President Trump's insistence that WTO rules are being interpreted by WTO judges in a way that disadvantages the U.S.

## **June 12: U.S. Federal Reserve meeting.**



The Fed held interest rates steady at its previous meeting in May because of inflation fears, but is widely expected to increase rates at its June 12-13 meeting. Whether or not the Fed will increase rates at its September 25-26 meeting depends on the economic outlook.

### July 1: Mexican national election.



With President Enrique Peña Nieto not standing for reelection, the country may swing further to the left. Candidate Andrés Manuel López Obrador and his populist MORENA party have pledged to battle President Trump's policies towards Mexico and address the country's longstanding poverty, political corruption, crime and other social problems. If López Obrador wins the election, large U.S. multinational companies that have invested heavily in Mexico over the past two decades could be affected.

### October 18: Brexit withdrawal treaty.



As the U.K. transitions out of the European Union, several key meetings remain. On October 18-19, several legal loose ends are expected to be addressed, including finalizing an agreement about how to handle the Irish border and free trade between the U.K. and EU. Both sides appear closer to solving these issues, although neither issue is yet resolved. As such, Brexit remains a moving target, rattling nerves over possible tariffs and other trade consequences.

### November 6: U.S. midterm elections.



The partisan balance in the U.S. Congress may shift in November, with all 435 House seats and 33 Senate seats (as well as 36 governorships) up for grabs. The midterm elections will likely serve as a referendum on President Trump's policies. Midterm elections typically do not favor the sitting party in the White House. Democrats could regain a majority in both the House and Senate (assuming a gain of 24 seats and 2 seats, respectively), potentially disrupting Trump's trade agenda.

### Update: U.S.-North Korea Summit.



Following a historic summit between the leaders of North and South Korea in April, expectations were that President Trump and North Korea's leader Kim Jong-un would meet within the next month in Singapore to discuss the denuclearization of North Korea and an official end to the decades-old war between North and South Korea. At one point in May, it appeared the meeting was suspended, cancelled and then possibly back on. The possibility of reaching an agreement remains up in the air.

### **Bottom line**

The fast pace and unpredictability of geopolitical and macroeconomic events make it difficult to forecast their potential effect with a high degree of confidence. But being informed about the what-ifs and the range of possible outcomes will at least help advisors and investors better prepare for the unexpected.



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