



A global trade war remains an outside risk, despite US tariffs

13 March 2018

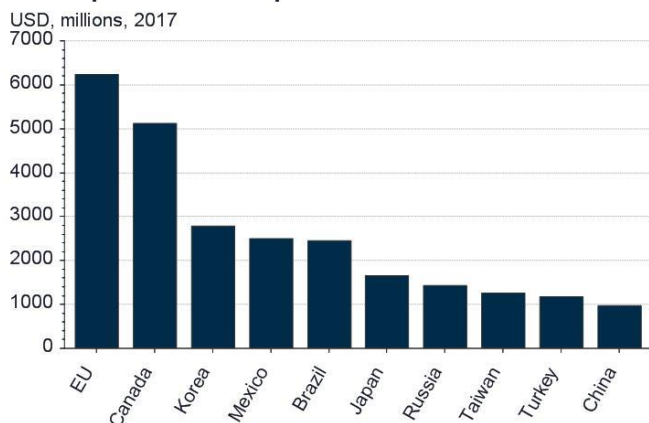
Brian Davidson, CFA



- A global trade war would have serious negative consequences for the global economy, but this remains an outside risk, despite Donald Trump's decision to impose tariffs on US steel and aluminium imports
- Although the President has now signed the tariffs into law, he has softened from his initial position, exempting Canada and Mexico, and possibly other countries
- Since most US steel imports come from allies, only a small share of US steel imports may ultimately be affected by these tariffs (US steel imports account for around one percent of total US goods imports); China produces a large surplus of steel each year, but most of its steel exports go to Asian countries and not the US
- Donald Trump may have a protectionist inclination on trade, but he is also pragmatic, pro-business and uses the S&P 500 as a barometer of success - a trade war, threatening a large decline in the stock market, and US jobs, is not in his interest, or that of his support base
- Furthermore, Gary Cohn's resignation, and the seemingly growing influence of Peter Navarro in the White House, does not necessarily represent a lurch toward 'Donald Dark' (a risk scenario that we outlined before Trump became President), just as the resignation of Steve Bannon did not represent a lurch towards 'Trump Lite'
- However, we do think that Donald Trump will take some specific actions against China, in response to their alleged violation of WTO trade laws, particularly with respect to protection of intellectual property rights, although in this regard he is likely to have the support of other nations
- For now though, the overall US trade deficit, and the trade deficit with China, continue to rise, points reflected in the trade data released last week by both the Chinese and US authorities

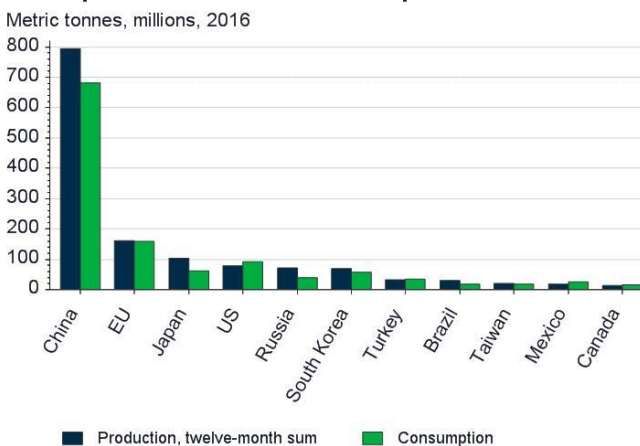


US imports of steel products



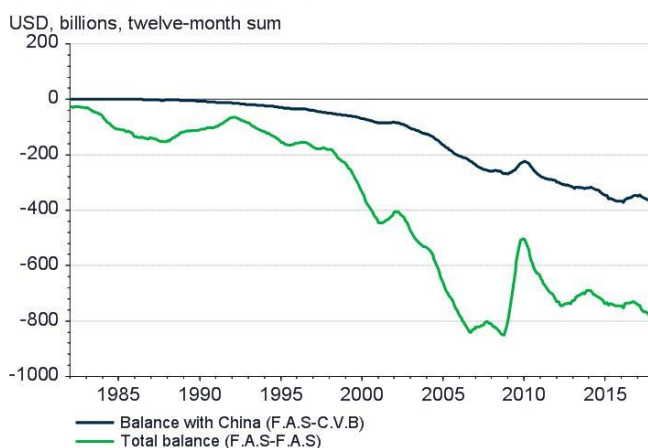
Source: Thomson Reuters Datastream / Fathom Consulting

Steel production and consumption



Source: Thomson Reuters Datastream / Fathom Consulting

US visible trade balance



Source: Thomson Reuters Datastream / Fathom Consulting



Fathom Consulting
47 Beveden Street
London
N1 6BH
Tel: +44 (0)20 7796 9561



Contact information
brian.davidson@fathom-consulting.com
0203 879 9813
www.fathom-consulting.com

This newsletter is a confidential, copyright protected communication intended only for the person to whom it was originally sent. If received in error, please notify the sender and delete immediately. Its intended recipients may not make copies of this newsletter, or distribute it to third parties, without the written consent of Fathom Consulting.

Fathom Consulting is a trading name of Fathom Financial Consulting Limited, a company registered in England & Wales under the Companies Act, company number 04942817, © 2018

Regulatory Disclaimer

FFC LIMITED and all of its affiliates (henceforth FFC) do not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor do they provide "advice about securities" as defined in the Regulation of Investment Advisors by the U.S. SEC. FFC is not regulated by the SEC or by the FCA or by any other regulatory body.

This research report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Nonetheless, FFC has an internal policy that prohibits "front-running" and that is designed to minimize the risk of receiving or misusing confidential or potentially material non-public information.

The views and conclusions expressed here may be changed without notice. FFC, its partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. This report may not be copied, redistributed or reproduced in part or whole without FFC's express permission.

Information contained in this report or relied upon in its construction may previously have been disclosed under a consulting agreement with one or more clients. The prices of securities referred to in the report may rise or fall and past performance and forecasts should not be treated as a reliable indicator of future performance or results. This report is not directed to you if FFC is barred from doing business in your jurisdiction. Nor is it an offer or solicitation to buy or sell securities.

Analyst Certification

I Brian Davidson, the lead analyst, certify that the views expressed herein are mine and are clear, fair and not misleading at the time of publication. They have not been influenced by any relationship, either a personal relationship of mine or a relationship of the firm, to any entity described or referred to herein nor to any client of FFC nor has any inducement been received in relation to those views.

I further certify that in the preparation and publication of this report I have at all times followed all relevant FFC compliance protocols including those reasonably seeking to prevent the receipt or misuse of material non-public information.