

Have Stock Index Futures Topped Due to Trade Tensions?

By Alan Bush (Apr 6)

It has been the historically low global interest rate policies that have been the driver behind the meteoric gains for stock index futures after the March 9, 2009 lows were made. However, from time to time, there have been a variety of geopolitical events that have temporarily interrupted the advance. And I stress the word temporary because every time traders and analysts have become too focused on the geopolitical risk-off event de jour, this market has been rescued by central bank accommodation. The recoveries were often swift with new highs not far behind.

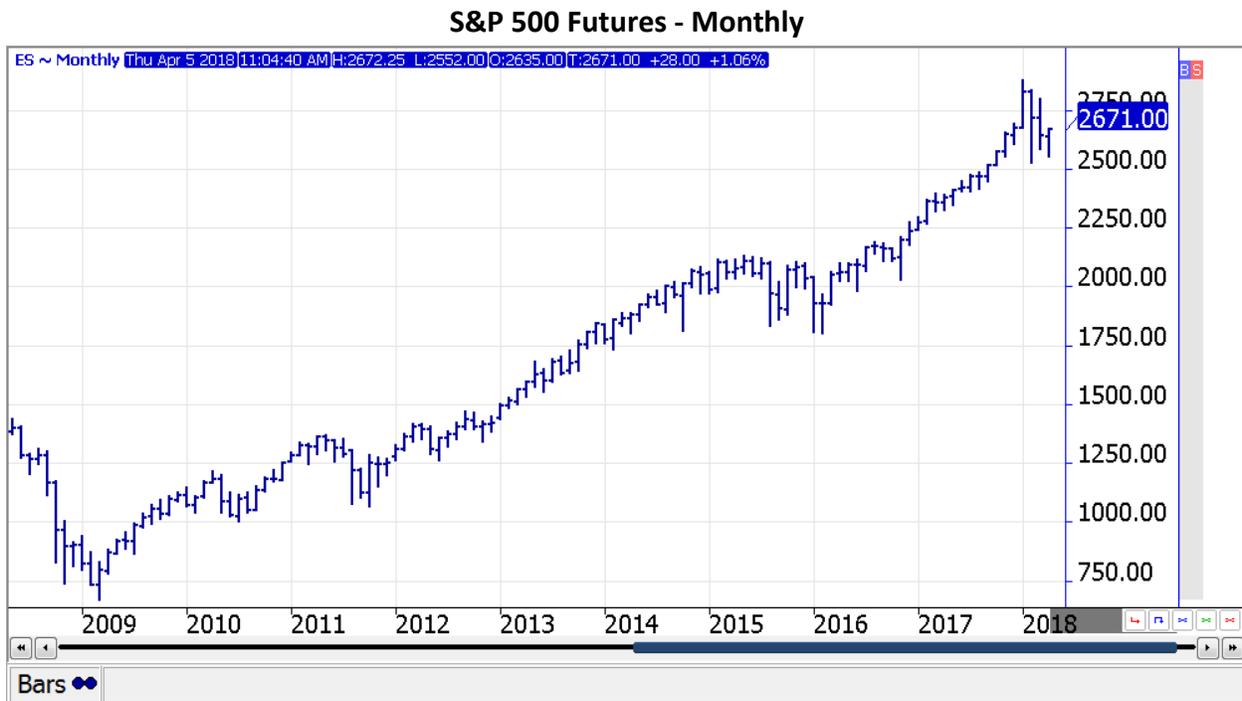


Chart provided by QST

Now we have the ongoing trade tensions between the U.S. and China. There were sharp declines in stock index futures after President Donald Trump ordered tariffs on \$50 billion of Chinese imports due to alleged intellectual property abuses. China's ambassador to Washington said China will take counter measures of the "same proportion" and scale if the U.S. imposes additional tariffs on Chinese products. China quickly hit back with a list of similar duties of up to 25% on U.S. imports, including imports of soybeans, pork, beef, recycled aluminum, steel pipes, fruit, wine, planes, automobiles and chemicals.

Admittedly, the current global trade issues adversely impacted stock index futures more than most of the other geopolitical negative influences that took place over the past nine years and it is extremely uncertain as to when these global trade disputes will get resolved. My guess is the trade war will probably continue for a while. However, I believe it is safe to say the trade issues will eventually be resolved and once they are the bullish interest rate fundamentals will take over. With U.S. and global interest rates still near historical lows, and in many countries they are still negative, there is still plenty of accommodation left in the domestic and international banking systems to result in a new leg up for stock index futures.

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