

Stock Index Futures, Trade Wars and Interest Rates

By Blake Robben (Sept 5)

Conventional wisdom says there are seldom any winners in trade wars. History has shown that high tariffs and trade wars are long, costly and often difficult to end with stock markets coming under pressure. If this is true, why have U.S. stock index futures held up so well during the current round of global trade problems? In fact, S&P 500, NASDAQ and Russell 2000 futures recently advanced to new historical highs.

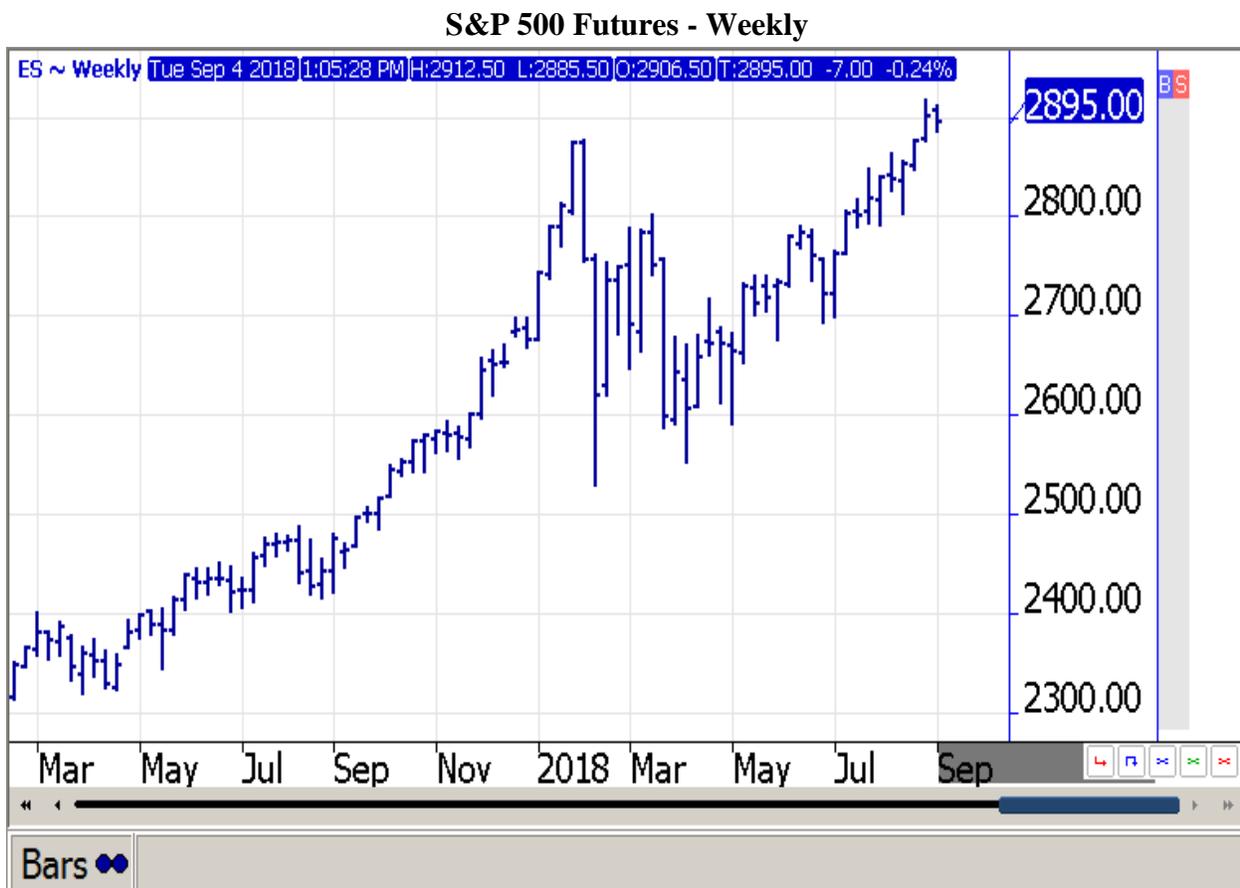
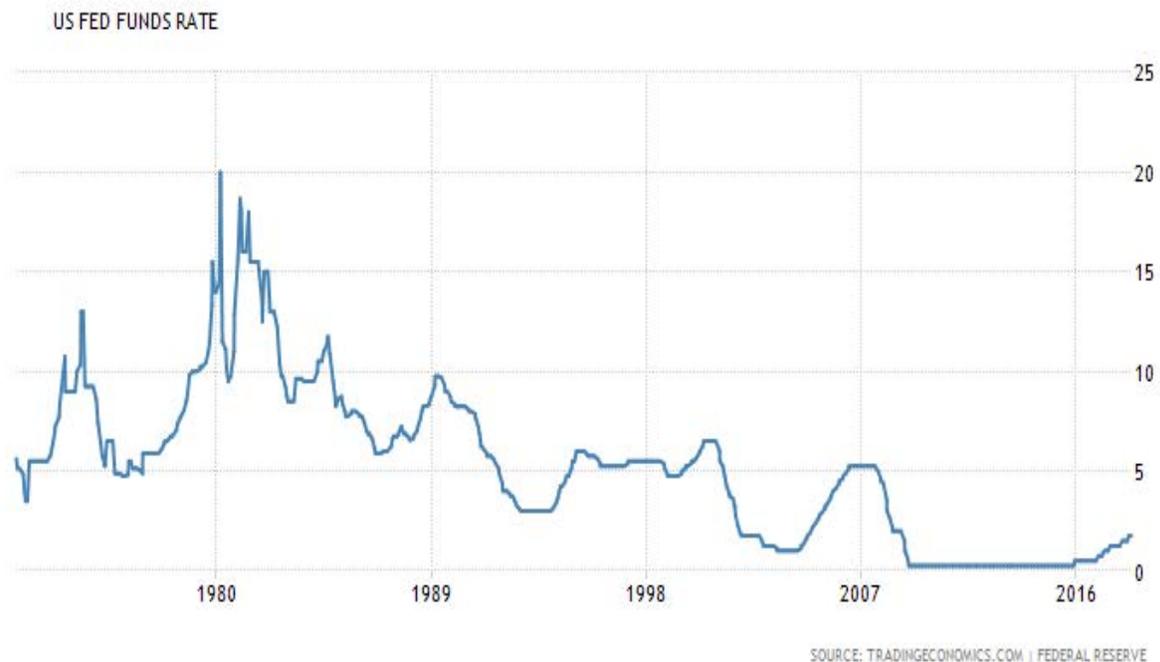


Chart provided by QST

Something is clearly different this time, as U.S. stock index futures continue to pay less attention to the trade war threats. Could it be that U.S. stock index futures are looking past the negatives of trade war uncertainties and instead are focusing on something else? But what? My contention is “that what” is the bullish influence of the still relatively low global interest rate environment.

In spite of the seven fed funds rate hikes from the Federal Open Market Committee since December 2015, the fed funds rate is still low by historical standards.



In addition, some overseas interest rates remain near or at historical lows and in many countries interest rates are still negative. There is still plenty of accommodation left in the domestic and international banking systems.

While history has shown that there has been a strong direct correlation between rising global trade tensions and falling stock markets, the current trade tensions appear to be having less and less negative impact on stock index futures. The bullish influence of the still historically low global interest rate influence is dominating, taking stock index futures higher.

For questions or comments on this article, contact Blake at 312.242.7990 or via email at blake.robber@archerfinancials.com. I look forward to hearing from you.

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