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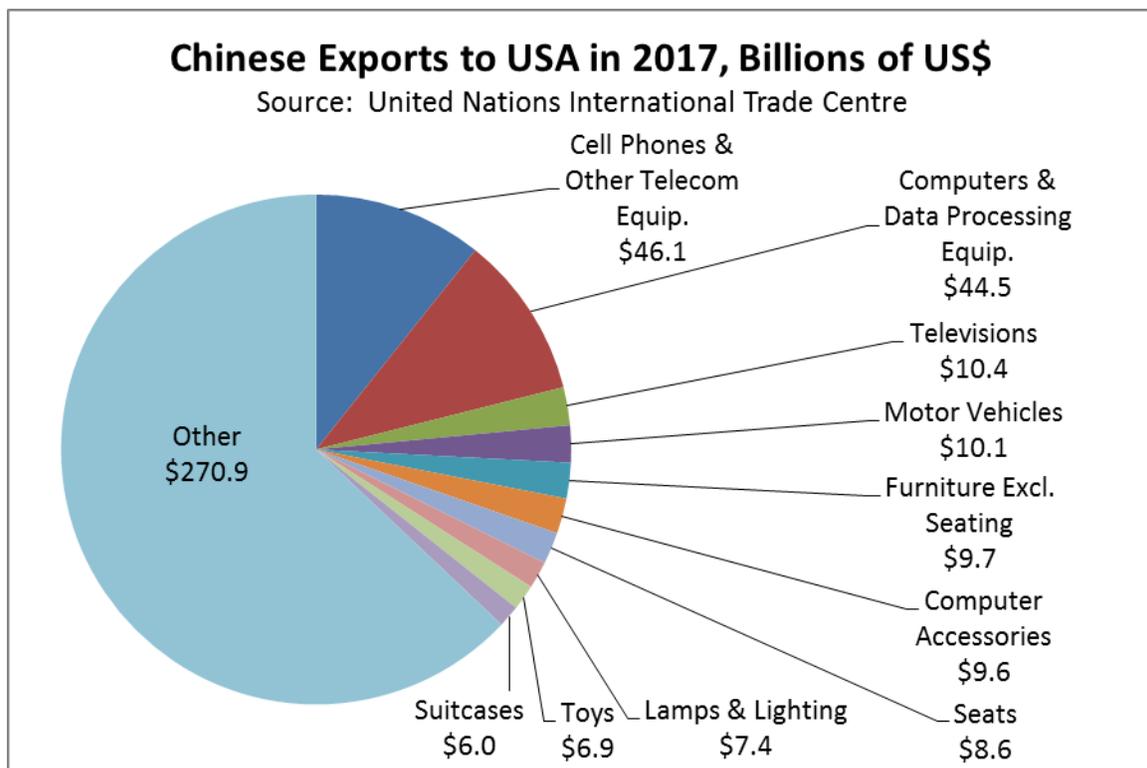
Proactive Investment Management & Financial Planning

Economic Chart of the Week December 12, 2018

Now that the United States and China have launched a high-stakes, 90-day negotiation to resolve their trade dispute, it might be helpful to understand just what makes up China's sales to this country. What are the main Chinese exports to the United States?

In 2017, China's merchandise exports to the United States were valued at \$430.3 billion. As you might expect with such a big number, Chinese exports that year were far more diverse than the shoes and toys that so many of us associate with that country. As shown in this week's chart, fully \$46.1 billion of the total consisted of cell phones and related telecommunications equipment. Computers and other data processing equipment made up another \$44.5 billion of the total, with computer accessories and televisions making up a substantial part as well. In other words, many of China's key exports to the United States consist of advanced information-technology equipment that has become essential business equipment and a fundamental part of the U.S. lifestyle. If the new negotiations falter and the administration imposes big new tariffs or other import barriers against these products, there would likely be a significant disruption to much of the U.S. economy and potentially strong political pushback, at least in the short term. That helps explain why the financial markets are swinging so wildly on any news about the discussions. Since the outcome remains very uncertain, we expect such volatility to be a fact of life in the near term. Along with the other economic risks that we see developing, that's reinforcing our plan to continue cutting risk across our various strategies as we go forward.

Patrick Fearon, CFA
Chief Investment Officer



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