

August 17, 2018

Good Morning,

August is living up to its billing as a volatile month for stocks. Relatively light trading volume makes markets more susceptible to headline risk – when news impacts stock prices. Of late, it has been tariff announcements, mainly on China, that have put a drag on stocks. Late last week, increased trade sanctions on Turkey led to the Turkish lira to drop sharply versus the US dollar and other major currencies. This has raised fears of a currency crisis that could fan out to other less economically developed countries. Yesterday, news that the US and China are beginning to discuss trade issues sent stocks soaring.

Turkey is important to global financial markets due to Turkish firms' significant non-lira debts to Italian and Spanish banks, which cannot afford to take large losses on these debts. Turkey has large amounts of debt dominated by the US dollar and euro, which adds to the pressure as the lira weakens. Essentially, when the Turkish lira declines in value, debtors need more lira to pay back the foreign currency debt. Turkish government intervention may be required. President Trump wants Turkey to release a US pastor being held there and has turned up the pressure by doubling sanctions on Turkish metal exports. This has pushed the lira down further and the fear is the crisis could extend into other countries and economies.

Speaking of turkeys, my Cincinnati Reds have begun their August free fall and it won't be long till their playoff chances are roasted and their season is a wrap. It's no gravy that there are 7 teams worse than the Reds in the big leagues. (Sorry Mets fans, that includes your plucked team.) Well, I've stuffed enough leftover puns into this fowl update.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your weekend,

Wade

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