

Arabia) actually turns out to be an advantage for the importer (Japan) in that they can go wherever they want to get their oil.

Another example of the subtle intricacies of trade negotiation is the case of steel. Steel is a commodity, but there are many types of niche steel products. Canada may not be dependent on U.S. steel imports overall, but perhaps it does depend specifically on American coiled stainless-steel wire—which would be very important in determining the specific direction of trade negotiation. This means that to grasp the nuances of dependency requires a highly focused analysis of a specific commodity plus any value-added production. Hence, it may be difficult or impossible to acquire the data to make a precise and meaningful calculation.

One does not need an economics degree to understand relative trade advantage. Real-world observations can describe reality just as much as those results derived from econometric equations. This is not a put-down of economists, but a testament to the investing public's perceptiveness.

While protectionism may be back in the news, it never really went away. The international trade system since 1945 has worn the mask of free trade, but market protecting policies have been the norm for all countries throughout history. The world's progression toward free trade has never been linear, but a normal ebb and flow as countries seek to enhance and protect their citizens' lives through favorable trade policy.

Trade wars are much more difficult to measure than real wars. Trade wins and losses can't be assessed after a single battle. The economic effect must be measured in months or even years. There will be casualties on both sides—some predictable and some not—and it will all come down to which side is better prepared to weather the storm.

As the impact of U.S. protectionist policies continues to ripple throughout the global economy, the ability to evaluate current and future global trade patterns will be as important as ever when attempting to assess the prospects of various investment opportunities.

While attempting to assess the impact of all trade news, we believe that understanding the difference between the reality of the markets and media headlines is crucial. All of the potential outcomes are risks to monitor, but the cold truth is that the fundamentals of the economy and the market (recognized via corporate earnings) remain very strong and will likely remain the driving force of stock market performance.

History teaches us that men and nations behave wisely once they have exhausted all other alternatives.
— Abba Eban