



## VT Tyndall North American Fund

### *February Review*

Each of the last few months have had a distinctive theme. In December we had Bitcoin, in January there was a red-hot market, February had the volatility led sell off, and the early days of March have trade wars. With so much noise, it's easy to surmise that 2018 is likely to be tougher for markets than 2017. We will have to see, the market has held up well despite all this and the economy remains in very good health. The Q4 earnings season is almost over and it's been another excellent period for US companies with the average eps growth of 14.2%.

The volatility that we saw in early February does seem to have been short term in nature and whilst the market has not yet regained its old highs, it has rallied nicely off its lows. We continue to favour the growthier parts of the market and have not made any substantive changes to the portfolio during the time of heightened volatility.

### *Market Outlook*

The last few weeks have been dominated by fears over a trade war. President Trump has kept his campaign promise and has introduced tariffs on steel aluminium imports to the US. What has surprised many commentators is that there have been no exemptions, so this applies to not only China but also the EU, Canada and Mexico too. This has stoked fears that NAFTA negotiations are going to be strained and possibly precipitate a reworking of that agreement. The other fear doing the rounds is that the world retaliates with tit for tat measures. However, the early reports that products like Harley Davidson motorbikes and Kentucky Bourbon are being targeted, shows their token nature.

Whilst free trade should always be encouraged, I don't think this is going to be the big issue that some have made it out to be. China has been dumping steel and aluminium into the US market for years now, and this initiative to push back on that practice is classic populism from Trump but is unlikely to 'cause a trade war', as it is clear that the US and China have been in a trade war for years already. The departure of Gary Cohn is perhaps a shame, but unlikely to destabilise the trade or economic outlook, and the rhetoric around NAFTA should resolve itself once the dust settles.

*Felix Wintle*  
7 March 2018

### *Stat of the Month*

'Steel tariffs will raise the cost of making a \$36,000 car by only \$160, less than ½%'

John Ferriola CEO Nucor, 6 March 2018