

FINANCIAL MARKETS

IS AMERICA STILL  
THE LEADER OF THE  
FREE WORLD?



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We believe that sound investment and trading decisions begin with a strong grounding in financial education. Our goal is to make this available to everyone - and this free eBook is part of that commitment.

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# THE NEW NORMAL

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## FOREWORD

For the last two years, the financial markets have paid close attention to the foreign policy of the Trump administration.

Clearly, we're in unorthodox times. President Trump is openly calling out traditional allies over trade, while attempting to establish personal relationships with geopolitical foes.

It's led to many investors to question whether the US can be still classed as the leader of the free world. This eBook attempts to answer the question.

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# HAS TRUMP TIPPED THE BALANCE?

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## LET'S GET CONTEXT

Since 2016, standard political and diplomatic conventions have been thrown out of the window.

To most of us, this has hardly come as a surprise. The British EU referendum and subsequent 2016 US Presidential Election represented something much larger: a discontent with political elites.

In the two years since President Trump's election, the news cycle has largely focused on his bold rhetoric and controversial policy decisions.

However, objective facts, it could be argued, tell a different story. The US economy is booming. US stock markets keep breaking records. The US unemployment rate is close to a 50-year low. President Trump has engaged with North Korea.

## HELSINKI SUMMIT

But in July 2018, we saw President Trump make an extremely controversial move in Helsinki, Finland. He travelled there for a summit with Vladimir Putin, the President of Russia.

After the summit, both President Trump and President Putin held a joint press conference. Towards the end of the press conference, President Trump stated that he saw no reason why Russia would have interfered in the 2016 US President Election.

It's an astonishing statement, considering the US intelligence agency's affirmative conclusion that the Russian state actually did do that.

It's even more astonishing because of the ongoing investigation into the Trump campaign colluding with Russia during the election.

Unsurprisingly, President Trump came under intense criticism back in the US. Many Republicans and Democrats interpreted President Trump's comments as believing President Putin over his own intelligence services.

## A NEW APPROACH

The press conference at Helsinki all but confirms a new (and very different) US foreign policy.

Firstly, we're seeing the US President attempt to create personal relationships with the leaders of geopolitical foes.

Many believe this a strength of President Trump - and we've already seen this tactic employed with North Korea. While the detail of how nuclear disarmament of the Korean peninsula needs to be clarified, there's no doubt that President Trump has cooled tensions by striking up a relationship with Kim Jong Un.

History tells us that the personal relationships between world leaders matter. Consider The Cold War - the good relationship between US President Ronald Reagan and the Soviet Union's Secretary General Mikhail Gorbachev was crucial in the thawing of tensions.

Secondly, we've seen President Trump display a willingness to speak his mind to traditional allies, even at the risk of creating friction. Again, we've seen numerous examples of this, including global trade and NATO funding.

It's an unusual tactic in diplomacy - and one which has raised fears of a global trade war between the world's major economies. But to the American voter, these moves can be interpreted as standing up for US interests.

# WHERE DOES THE US STAND?

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## A CHANGING ROLE

Is the US still the leader of the free world? At the moment, that's still the case. The US is still the ultimate guarantor for many Western allies.

But something has changed - at least in the short-term. Traditional allies of the US - including Canada, Britain and the European Union - now have the difficult challenge of persuading the Trump administration to tackle urgent global challenges.

Let's be clear. There are a variety of global challenges that require pro-active participation from the US. However, current US policy makes it unlikely that this will happen. These global challenges include:

### **Global Warming**

President Trump pulled the US out of the Paris Climate agreement.

As the wealthiest economy on the planet, this has a significant impact on the credibility of the agreement and its effectiveness in setting carbon emission targets.

## **Free Trade**

President Trump has introduced aggressive import tariffs on steel and aluminium in a bid to boost domestic manufacturing. In retaliation, other world economies have introduced import tariffs on US products.

## **National Security & Terrorism**

Under the Trump administration, the US has demonstrated it is willing to act unilaterally to protect what it views to be its national interest. One example of this is The Iran Deal. By withdrawing from this deal, the US again split with its Western allies.

Whether the Trump administration is correct in its policy positions isn't the point here. Rather, it's the fact the US is taking opposite policy positions to its Western allies.

That's why some will question whether the US is still the leader of the free world.

## **RELEVANCE TO MARKETS**

This question matters because how the US is perceived affects the financial markets.

Specifically, traders and investors should look towards this year's



US mid-term elections in November. Politicians - both Republicans and Democrats - are aware of how the US is being perceived by its traditional allies.

The question is whether this will have traction with the US electorate. If they agree, we could see the United States Congress yield to Democratic control.

If this happens, President Trump will find it difficult to implement other elements on his America First agenda.

How the markets will react is difficult to predict - but one thing is for sure. The markets do not like political deadlock.

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Founded in 2010, Blackwell Global was established to offer brokerage solutions for private and institutional clients. Blackwell Global is a Straight Through Processing or STP broker who provide their clients with superior liquidity and price feeds from top international banks. These are offered alongside 24-hour technical support, market research tools, educational materials, professional partnership programmes and fully integrated trading platforms.

We offer access to multiple asset classes including more than 60 currency pairs, precious metals and other contracts for differences. As a global broker, we are always striving to achieve excellence in our customer service, as well as developing innovative technology to support our customers needs.

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