

FINANCIAL MARKETS

TRADE, TRUMP & BREXIT:  
A REVIEW OF Q1 2019



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GLOBAL

# THE BLACKWELL ADVANTAGE

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## BLACKWELL GLOBAL

Blackwell Global is a global brokerage, aiming to be the most trusted financial service provider. We are committed to transparency, integrity and service excellence.

Founded in 2010, we now have global presence in over 90 countries.

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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# ANOTHER MEMORABLE QUARTER

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## FOREWORD

As a trader, it's useful to review the issues that drive price action at the end of every quarter. This eBook will help you with this exercise.

Specifically, it will explore global trade tensions, President Trump's improved political standing and the continued Brexit uncertainty.

Further, this eBook will analyse what these issues mean for the markets - and the price of relevant Blackwell Global products.

**Patrick Latchford**  
**CEO, Blackwell Global Investments (UK) Limited**

# THE PRESSING ISSUES

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## GLOBAL TRADE TENSIONS

In the first three months of 2019, global trade tensions have been in focus. Remember - tensions started last year after the US introduced tariffs on imported products from various countries.

A 25% tariff on imported steel - and 10% tariff on imported aluminium - started the tensions.

In response, many countries introduced tariffs on US products. It made investors and businesses anxious about a potential “trade war”.

### **US & China Trade Talks**

Trade war anxieties centre around the US and China - the world’s two largest economic powers.

First, let’s get some context.

In 2018, the US introduced tariffs on approximately \$250 billion worth of Chinese products. In response, China applied tariffs on \$110 billion worth of US goods.

But in December 2018, there was a thaw in tensions. The two countries agreed to postpone the introduction of further tariffs until March 2019 and enter trade talks. Many investors were relieved, as the US had threatened a further \$267 billion worth of tariffs on Chinese products.

That March deadline has now passed - but trade talks are still ongoing. The US government recently called negotiations “candid and constructive”. It has boosted hopes that a trade deal could be negotiated - but this is far from certain.

## **Global Growth Concerns**

Trade tensions have contributed to a gloomy outlook for global growth. Since the turn of the year, many major central banks have adopted a more dovish tone. This includes the Federal Reserve - which has abandoned further rate hikes for 2019 - and the Reserve Bank of New Zealand, which hinted its next move could be a rate cut.

## **Impact On Blackwell Global Products**

The fluctuation in trade tensions can affect investor’s appetite for risk. Specifically, investors could be tempted to move their capital into safe-haven assets such as Gold.

With Blackwell Global, traders can trade Gold (XAUUSD). If

negotiations between the US and China prove unproductive, this could strengthen the precious metal.

## PRESIDENT DONALD TRUMP

The first quarter of 2019 was memorable for President Donald Trump. Allegations of collusion have cast a cloud over his presidency - but those days appear to be over.

### **Mueller Report**

In March 2019, Special Counsel Robert Mueller - who investigated allegations of collusion between the Trump campaign and Russia - found no evidence of a conspiracy.

The new Attorney General, William Barr, also concluded that President Trump did not obstruct justice in a short written summary of the Mueller report (Mueller did not form his own conclusion).

Political opponents of President Trump are still pushing for the full Mueller report to be made public. In addition, it is believed that the Special Counsel may have referred parts of his investigation to other parts of the Department of Justice, such as the Southern District of New York (SDNY).

But make no mistake - the findings of the Mueller report have given the President some respite. In light of the 2020 US Presidential Election, this is significant.

## **Increased Political Capital**

President Trump, arguably vindicated, now has more political capital. Being cleared of collusion with Russia could give his “America First” agenda fresh impetus with his base.

It also gives President Trump an anti-establishment narrative to campaign with. With no Democratic candidate emerging as a clear favourite (yet), it’s just possible that the findings of the Mueller report could help President Trump’s re-election efforts.

## **Impact On The Financial Markets**

The US dollar and US stocks continue to be gripped by trade tensions and concerns about a broader global slowdown.

However, it’s important to consider the consequences if President Trump manages to secure a second-term.

Specifically, his administration could push for further infrastructure spending, something which has previously appealed to investors and boosted equities.

On the other hand, President Trump could continue to push to neutralise US trade deficits with the threat of tariffs. The effect of doing this is hard to predict - but at the time of writing, we can see how trade tensions are worrying central banks.

## **BREXIT**

Brexit - or it’s uncertain future - is arguably the most significant

development in the first quarter of 2019.

## **Brexit Had Been Delayed**

The headline development (if you didn't know already) is that Brexit has been delayed. The UK was originally meant to leave the European Union (EU) on Friday 29th March.

But ultimately, Prime Minister Theresa May's Withdrawal Agreement does not have the backing of UK parliament (at the time of writing, it has been voted down on three separate occasions).

After the deal was defeated for the second time, the EU gave the UK an extension to Article 50.

There were two options in this extension. First, if the Withdrawal Agreement secured a parliamentary majority on the third time of asking, the new Brexit date would be Wednesday 22nd May 2019.

This didn't happen. Parliament rejected the Withdrawal Agreement for the third time, somewhat ironically, on Friday 29th March. Legally, this means Brexit is set to take place on Friday 12th April 2019 (without a deal).

## **A Long Extension**

UK parliament and the EU do not want a "No Deal" Brexit. It's why the EU has said it will only consider a longer extension to Article 50 if the UK takes part in European Elections and has a clear plan for Brexit moving forward.



At the time of writing, MPs are soon due to hold a second round of indicative votes in the hope of finding a form of Brexit that commands a majority.

Some form of “softer” Brexit involving a customs union seems to be where the majority could lie in UK parliament - but the outcome is not certain.

This is why the prospect of a general election seems to be increasing. Prime Minister Theresa May has lost her authority (she offered to resign if her deal was passed) - and parliament is in a state of gridlock.

### **Impact On Blackwell Global Products**

GBP has been tied to Brexit in recent months. This will continue to be the case in the immediate to medium term. If the chances of a “softer” Brexit increase, or perhaps even no Brexit at all, Blackwell Global products like GBPNZD could strengthen.

Alternatively, a “No Deal” Brexit would likely see investors shift their capital to safe-haven assets such as Gold (XAUUSD).

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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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