

# STUART CARLYON

Financial advisers for your lifetime goals

## Trade, Tariffs and Tit for Tat

Funds managers must be having a rough time of it lately. Markets will have their ups and downs but the fear of inflation and the declaration of trade-wars by protectionist Donald Trump has toppled share markets world-wide from their January peaks, including the USA.

It goes against the one thing that economists across the whole spectrum, from Keynesians to champions of Milton Friedman can agree on is that trade should be encouraged, not discouraged. Most, though not all, pro-business media such as Bloomberg are questioning the President's unorthodox trade policies which appear to be based on Trump's belief that America's trading partners, hurting by being tariffed on exports, will roll-over and accede to Trump's demands – whatever those demands may actually be. Trump himself is unclear on this point.

Even good neighbour Canada has been slapped with a tariff on aluminium and steel, the latter for 'security' reasons. But like China, they were swift to slap straight back – measure for measure. China's choice of US sectors to tariff hits at the probable heart of Trump's thinking: he is very protectionist toward rustbelt industries and traditional agriculture. He thinks this stance is a vote winner. We'll find out during the mid-term elections on November 6th.



But here's the point. Trade is good for all economies. Yes, we have a need to support local sectors that face a struggle – but if goods can be honestly made for less by a foreign trade partner, then we are better to focus on the things where we have an economic advantage.

In food terms it is like the choice between having a sound but unrelenting diet of locally grown meat and greens (more butter anyone?) versus having a richer and less costly diet that includes spices and delicious imported specialties.

Speaking of the spice trade, Trump's government seems to be acting oblivious of China's effective recreation of the Silk Road, once the

world's main artery of trade, with the ambitious trillion-dollar Belt and Road initiative involving the construction of industrial parks, shipping corridors and actual road transport routes linking nations from Cambodia right through to the Middle east. So, while Trump offends his erstwhile close trading partners, China is investing heavily in building actual trade ties.

“Trump continues to flaunt virtually every principle of conventional economics.”

Stephen Roach - Yale University

Trump's trade policies may be unpredictable, but the consequences so far have been fully predictable. Share markets and exchange rates have become more volatile. Sectors that are supposedly being protected are finding business slow, and prices are rising. Prior to the recent trade pronouncements, the equity markets managed to take in Trump's other blustering policies more sedately.

And the other main concern is the rise of inflation from an overheating economy, and the consequent pressure for the Federal Reserve to increase interest rates.

### What investment strategies are we applying to our client portfolios given the current economic environment?

- US shares are richly priced, in part due to Trump's tax cuts and in part to strong company profits that may not be sustainable, so we are reducing US exposure on a gradual basis at client reviews. It needn't be a panic reaction.
- We are taking gains on funds that have done extremely well and allocating to sectors that are cheaper, for example property stocks which offer attractive income yields or topping up cash accounts to support those clients who make regular drawings from the portfolio.
- Irrespective of trade wars, some sectors are booming – we have some funds in the portfolio that are skewed towards opportunities in countries outside of US and in some emerging markets.
- We maintain a blend of funds that include those that follow the broader market index, and those that are somewhat contrarian or have a selection of undervalued companies.
- We make sure your strategy matches your risk profile and your life priorities. If you are drawing down from your money you have a different type of portfolio to someone who is saving; so, your stage of life has a bearing on the advice that we dispense.
- Of course, diversification remains the best defence when times appear rocky or unpredictable.

We like to remind our clients that our role is to guide you on your investment journey, and like travelling on the Silk Road we are sure to encounter rough spots but we are here to help you focus on the end destination and to make the journey smoother for you.

If you are interested in learning more about the new Silk Road, go to The New Yorker's collection of stunning photos in their January 8, 2018 issue.

[www.newyorker.com/magazine/2018/01/08/a-new-silk-road](http://www.newyorker.com/magazine/2018/01/08/a-new-silk-road)



## Top Mark for Stuart Carlyon

Deborah and Susanna started Stuart + Carlyon 14 years ago after accounting firm, PricewaterhouseCoopers (now PWC), sold their financial planning business to a big financial institution. We believed that clients' interests are best served by remaining independent as advisers. We earn our living by selling our expertise and not by taking commissions through selling products.

In fact, fee-based independent financial advice is becoming a rarity thanks to insurance companies, banks and other product-driven organisations entering the market and labelling themselves as financial advisers. We're not beholden to any product. A provider may have a relevant and useful fund for you – but that doesn't mean you should stick to just that one provider as the only source.

So that's what we do: we tailor portfolios to clients' needs and circumstances. That's why we are kept busy.

We have stuck to certain principles along the way. One is to run on our reputation and to grow the business only by receiving referrals from existing clients, accountants and lawyers.

Well, our reputation had grown to the point, about a year ago, where we needed not just more support staff, but another partner also. We've been on the lookout for some time, so at last we're pleased to introduce Mark Patton as a third adviser and principal into our business. With three partners we have more capacity to take on new clients. More importantly, he is the right person.

Mark was actually attracted to Stuart Carlyon some years previously and had introduced his mother and mother-in-law to Susanna over 12 years ago.

He shares the same values and philosophy: putting clients first, providing a holistic rather than product-driven service. Susanna and Deborah waited patiently to find the right person to fit with our clients and business. Next time you visit us, we will introduce you to Mark. He's a valuable addition to our senior team.

## Mark Patton

For those readers who have not met Mark, prepare to be delighted. Underneath his native Dunedin reserve, he has a warm wit and a very lively interest in the people and world around him. Mark and his wife Terri-Anne have twice lived in Japan, in an early OE experience, and later while Mark was enjoying a career with Dun & Bradstreet. His taste for Asian fusion led to his moving to Hawaii while topping up his Honours degree from Otago with an Executive MBA.

The bulk of his career has been spent in the financial services sector including a stint as CEO of Jacques Martin (part of ASB Group) which specialised in registry and fund operations in the areas of investment, superannuation and insurance. This was followed by retail and institutional banking roles with ANZ including work in the KiwiSaver and wealth management space. After the corporate life, he's excited to join a very personal business. What really motivates Mark is working with individuals. "I enjoy using my financial skills to bring clarity for clients and to identify options."

While at Stuart Carlyon, Mark has found a real sense of satisfaction in genuinely making a difference for clients. The client and adviser work as a partnership. "My job is to understand the client and quietly complement their own strengths. It's a people business. Technical skills are great, but people skills are most valuable."

Mark prioritises family time with two children at university. He enjoys travel and keeps fit through social tennis and running.

