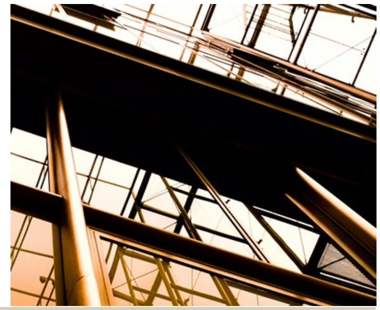
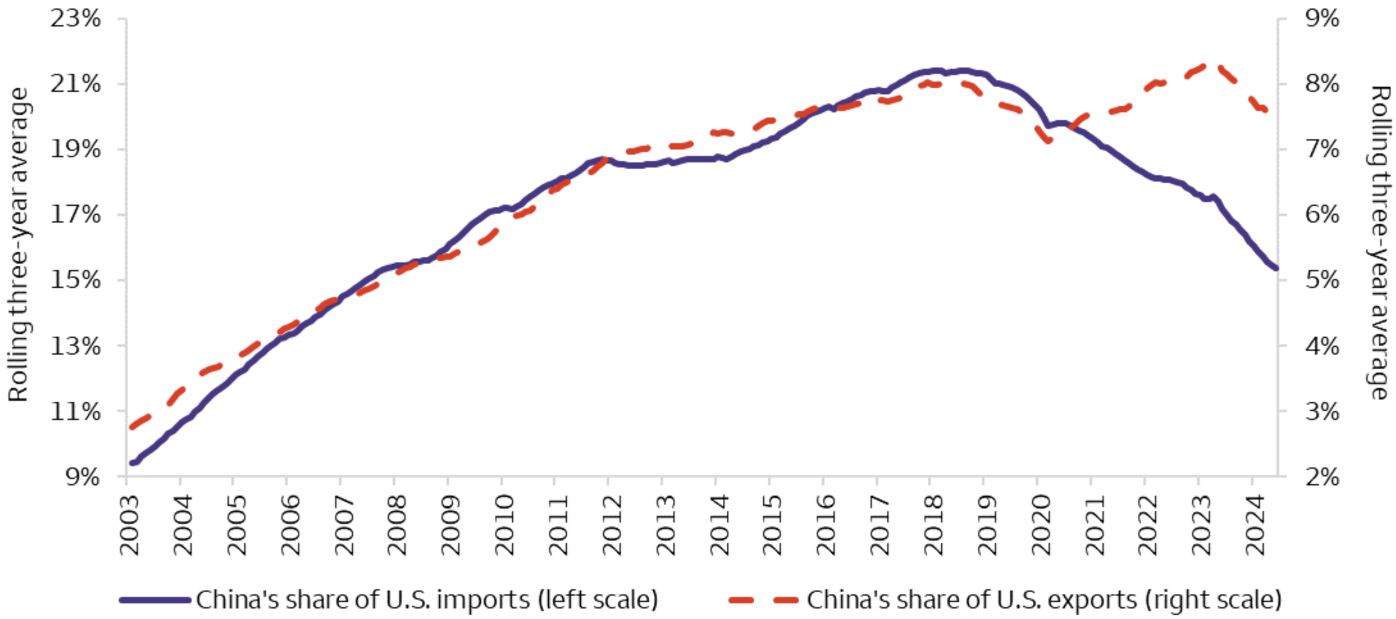


Chart of the Week

Weekly market analysis on key market indexes **August 27, 2024**

Why declining Chinese imports matter for investors



Sources: Bloomberg and Wells Fargo Investment Institute. Data as of June 30, 2024.

Recent tariff proposals have differed in size and scope, but China appears to be the focus

Potential tariffs have been a key issue in the 2024 presidential campaign — amid mounting geopolitical tensions, their aim has broadened beyond the economic issues of industry protection and reciprocity to national security issues. Candidates' tariff proposals have differed in size and scope, but directionally, China seems to be where they would focus.

As shown in the chart, China's share of U.S. imports has declined since 2018 on a rolling three-year basis, from a high of 21% to about 15%. We think the pace of disengagement would be exacerbated by additional geopolitical tension but do not expect that the path would revert. We see this as consequential for our economic outlook and investment guidance given tariffs' potential impact on inflation, interest rates, the U.S. dollar, economic growth, and market volatility.

What it may mean for investors

Shorter-term downside risks to the economy from trade restrictions could collide with an already slowing economy and a consumer weakened by the cumulative effect of price inflation. This potential risk reinforces our focus on quality companies with strong balance sheets and cash flow. We believe that U.S. Large Cap Equities, on which we are favorable, are best positioned to navigate the changes and that the U.S. dollar will remain a beneficiary of proposed tariffs.

Douglas Beath; Global Investment Strategist
Michelle Wan; Global Investment Strategist

Excerpted from *Policy, Politics & Portfolios* (July 30)

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