New year brings more concerns

Trade disputes, government shutdown, unstable market still linger

As traders, investors and farmers look ahead to 2019, many of their concerns remain the same as they had been throughout 2018.

Trade disputes with China, Mexico and Canada still hang over all markets, especially major U.S. exports such as grains, livestock and manufactured goods. The United States has won some battles in the ongoing trade war, but the long-term damage suffered by both sides already exceeds any gains neither side is likely to achieve quickly.

The government shut down in Washington is an ongoing cloud over markets. With a divided Congress beginning in 2019, most people expect more uncertainty and less action. The current government shutdown is a prime example of this threat; nearly one million government employees are going without paychecks for the third week in a row, and that could have a significant economic impact.

Finally, there remains uncertainty about the Federal Reserve’s interest rate policy. The Fed has been raising rates at a rapid pace, while most of the other major economies are keeping interest rates low. Rising interest rates make borrowing more expensive and can chill economic growth and forward momentum. All those concerns weighed on markets as the New Year approached. Ethan’s Christmas Eve collapse stocks to market levels at the lowest level of the year, a muted physical slump of coal investors. Markets rebounded sharply during the last week, but stocks still are down on the year, a disappointment two years after years of rising markets.

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HUNTING FOR STOCK ALTERNATIVES

While concerns about uncertainty about the year are widespread, many commodities are rising or remain high. This presents an opportunity for investors to locate stocks that are more attractive than others. The week leading up to the New Year, stocks split, bucked the trend and instead rose strongly.

Economists continue to warn that sooner or later a foundation of the economy needs to be undermined by efforts to safeguard the growth. Although the stock market remains strong, many economists believe it is due for a decline. The Federal Reserve’s interest rate policy is uncertain, as is the trend toward trade.

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