

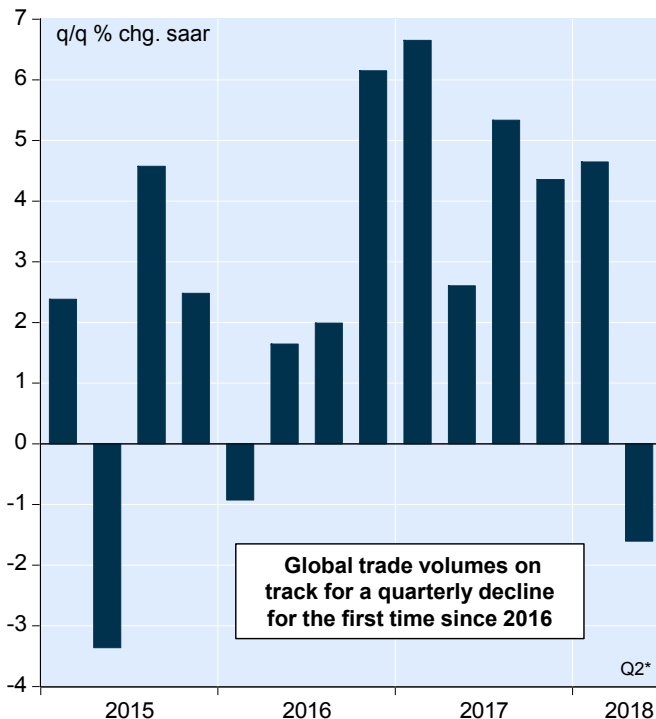
World Watch

Latest data from the CPB suggests the world economy is on track to see a drop in trade volumes in Q2, and that for the first time in two years. With the world economy seemingly moving towards a full blown trade war, it's unclear if global trade volumes can bounce back quickly. And since a deceleration in trade flows has historically been associated with slower world GDP growth, investors are rightly concerned about protectionist policies — in the past two weeks the MSCI All-Country World index has lost about 3%. The moderation in global trade flows seems to be hurting the Eurozone the most as evidenced by disappointing PMI data for the second quarter after a weak first quarter. That should not be surprising given the zone's relatively high exposure to trade. As today's *Hot Charts* show, exports account for a record 48% of GDP in the Eurozone, contrasting with 31% in Canada, less than 20% in Japan, and only 12% in the U.S.

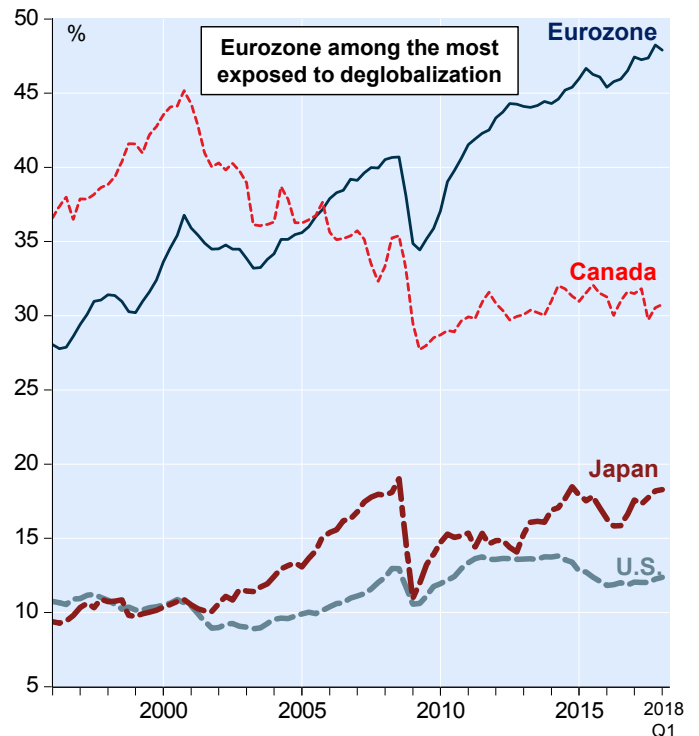
Krishen Rangasamy

World: Are global trade flows already being affected by protectionism?

World trade volumes



Share of exports in GDP



* Assuming no change in May and June and no revisions to prior months
NBF Economics and Strategy (data via CPB, Datastream)

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