

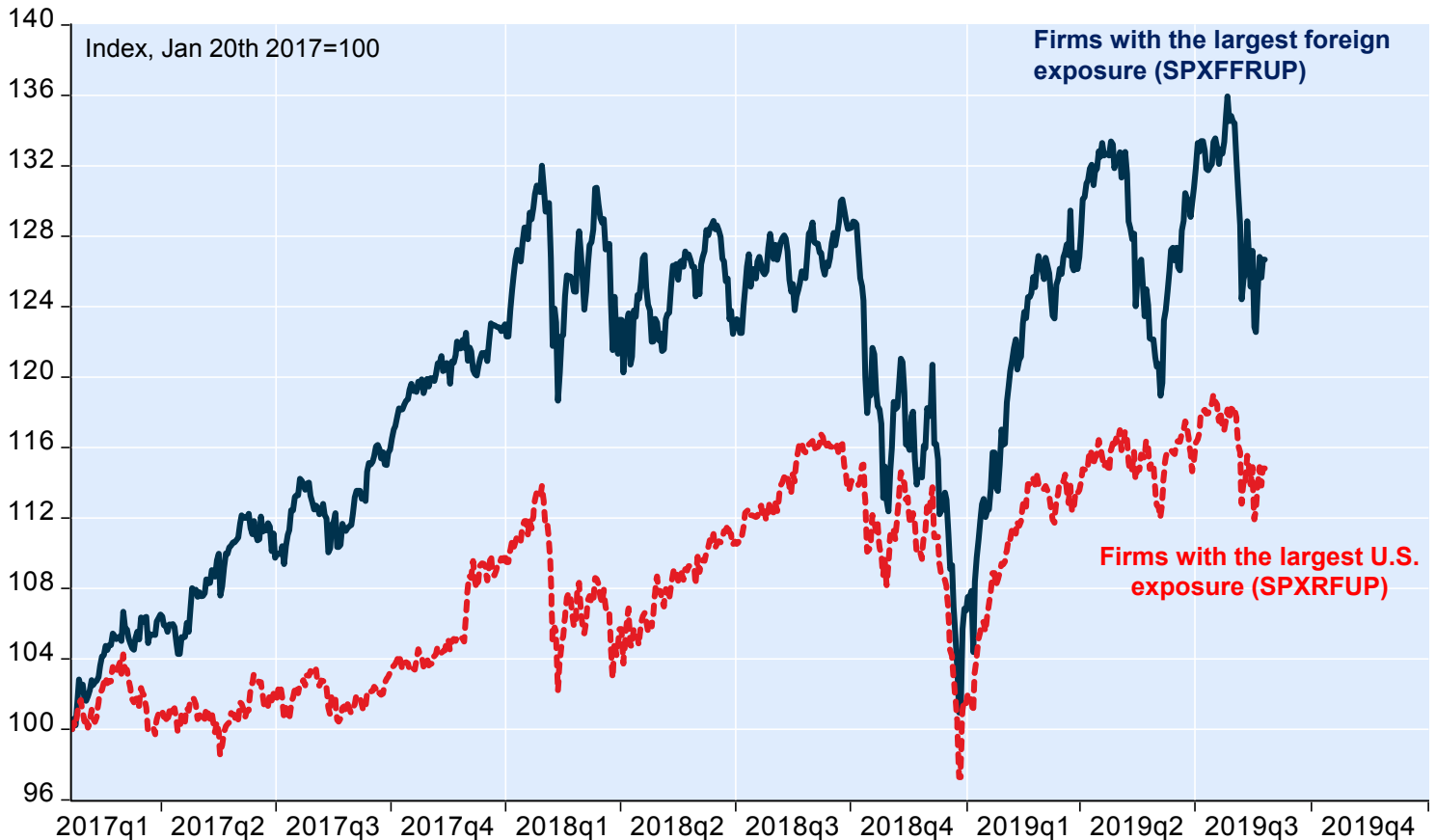
Market Watch

By Matthieu Arseneau

The U.S. stock market has been the third top performing stock market among the 49 countries in the MSCI ACWI index since early 2017 (following Brazil and Saudi Arabia). This development is certainly a source of pride for the current administration as we head into an election year. The ongoing trade war, however, represents a risk to the U.S. stock market. We've argued several times that the U.S. corporations are not immunized against a trade war escalation as foreign sales account for no less than 43% of total revenues for the S&P 500 listed companies. As today's Hot chart shows, stocks of firms with the largest foreign exposures are still outperforming by a significant margin the ones tilted towards the domestic economy. This advantage can wane fast if trade tensions do not abate in the coming weeks. Recent S&P500 drawdowns have indeed been felt more acutely for these corporations.

U.S.: Will the S&P500 crater under the weight of trade tensions?

The 125 corporations with the largest foreign revenues (%) vs. the 125 with the largest U.S. revenues (%)



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