



President Trump escalated his blame on China



President Trump has escalated his effort to blame China for the COVID-19 pandemic even as criticism of his handling of the pandemic has increased.

At this juncture, it is unclear what US could be doing to take this further (if any). Given the uncertainty, there is the possibility of some market weakness in the near term. Additionally, the strong performance by the US market in April (the strongest monthly performance since 1987 and the strongest April performance since 1938) could also make it susceptible to some near term profit taking.

In Trump's renewed hostility towards China, he would need to balance between scoring political points and disrupting the nascent recovery of the stock market (and economy). At this point, we believe that Trump's actions may not be too drastic as he would keep an eye on financial markets and the economy. The economy has been a key issue where Trump polls well among voters. Beyond the rhetoric, we do not see a significant derailment to the U-shaped economic recovery path. Any significant market overreaction would present an opportunity to accumulate.

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