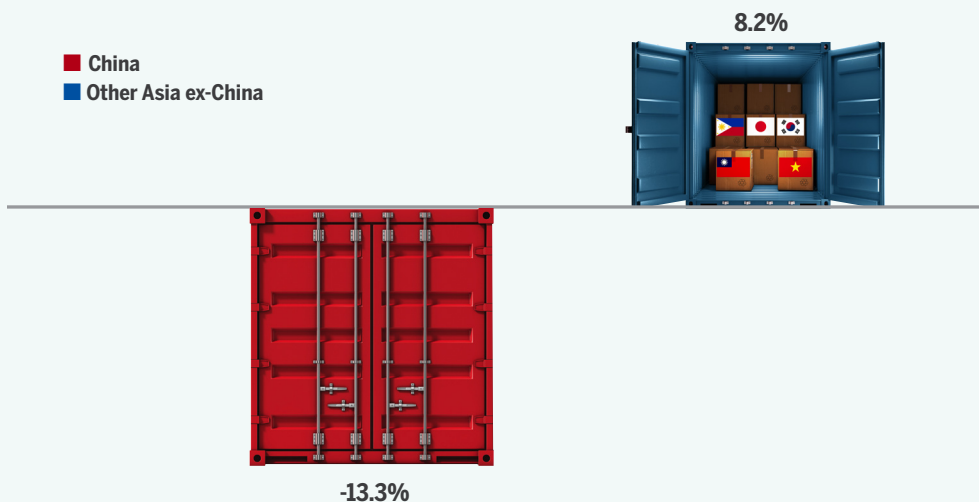


Can There Be Winners in a Trade War?

The U.S. and China trade war has disrupted markets this year and is causing meaningful change in global supply chains. While it is straightforward to identify countries that have gained from the conflict, singling out the companies that may thrive amid this turmoil requires deep research.

YOY % Change in U.S. Imports from Asian Countries



Source: FactSet as of 7/31/19. Other Asia ex-China includes Japan, the Philippines, Korea, Taiwan and Vietnam.

- The U.S.-China trade war is having significant, tangible results with year-over-year (YOY) U.S. imports of Chinese goods down over 13% and U.S. exports to China down over 6% YOY. Chinese imports have been negative on a YOY basis for six straight months.
- While imports from China have been decreasing, other countries, such as Japan, the Philippines, Korea, Taiwan and Vietnam, have all increased exports to the U.S. on a YOY basis. In fact, these five countries in aggregate have increased their exports to the U.S. more than 8% in the last 12 months.
- American companies are already adjusting their supply chains in case the trade war becomes a long-lasting conflict. 42% have said they expect to get materials normally sourced from China from a different provider in the next year, according to a recent survey by Bain & Company, and 81% have indicated that escalating trade tensions have affected their current business operations.
- Some people believe only those multi-nationals with flexible supply chains may have the ability to successfully mitigate the impact of increased tariffs. Identifying these companies necessitates diligent research. However, those corporations that operate in the digital sphere, such as new media, cloud computing and enterprise software businesses, may be impacted less than those that deal in physical goods, e.g., industrials and materials companies.

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