



## **Market Commentary: China Giveth & China Taketh Away - August 11, 2015**

Midday yesterday the Dow was trading up 240 points with the main catalyst being "speculation that China's government will boost stimulus measures" in response to some recent miserable economic data releases. Twenty-four hours later, the Dow is down the same 240 points giving back yesterday's entire rally.

The catalyst was a "surprise overnight move" by The People's Bank of China (PBOC) made to devalue the Yuan, its currency. The devaluation made for the biggest one-day drop in more than 20 years and comes as Beijing tries to combat its slowing economy. Specifically, the PBOC set its Yuan midpoint to 6.2298 per dollar, thus devaluing its currency by 1.9% in a clear effort to help out exports which were down in July 8% year-over-year.

The impact is also being felt in commodities with West Texas Intermediate crude down about 4%, copper down about 3%, aluminum down about 2%, and most emerging markets are down 1% to 2% on China's move. The fear is that things may be worse than suspected in the world's second largest economy.

Two immediate questions on our mind are will China's move ignite a currency war, and will this have any impact on the timing of the Fed's expected rate hike? We do feel that on the latter, the Fed will have to take this data into consideration, and it could likely push out a rate lift-off. However at the end of the day, we do remain confident that we will still end the year with the bull market intact. We feel this sell off today is a little overdone, and we will see some investment dollars flowing back into US equities as a result of China concerns.

We are monitoring the situation and these markets very closely to see if we feel the need to change long-term economic outlook. Please let us know if you are interested in our help in executing these thoughts or strategies.

Best Regards,

**Richard A. Funk, CFP®**  
Senior Vice President, Investments

**Jenny G. Davis, CFA®**  
Senior Investment Portfolio Specialist

This information is general in nature, is not a complete statement of all information necessary for making an investment decision, and is not a recommendation or a solicitation to buy or sell any security. Views expressed are the current opinion of the author, but not necessarily those of Raymond James and are subject to change without notice. Past performance is not indicative of future results. There is no assurance these trends will continue or that forecasts mentioned will occur. Investing always involves risk and you may incur a profit or loss. No investment strategy can guarantee success. Raymond James & Associates, Inc., Member New York Stock Exchange/SIPC. © Richard A. Funk, CFP. All Rights Reserved.