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## International Equity: On Growth, Tariffs, and Value

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Escalating tariff announcements, lower monetary and fiscal stimulus, and emerging market contagion fears have served to shake market confidence in the global growth story. However, we believe in continued strong global economic growth. Manufacturing activity and labor markets are strong, while wage growth hasn't crossed into inflationary territory (yet). The IMF estimates 3.9% real GDP global growth for both 2018 and 2019. Those are good numbers. Citibank's Economic Surprise Indices for the globe and the developed world have bounced off their lows in June and are hovering around breakeven. The Eurozone, in particular, is rising strongly.

Strong U.S. GDP growth and rising U.S. interest rates have led to a surprisingly durable rally in the USD. It appears that in the end President Trump truly wants zero tariffs across the board, but the next few months getting there could be rough. European and Mexican discussions have gone well, while China, not as well. Canada hangs in the balance. In a 0% tariff environment, President Trump believes America wins. In order to bring our trading partners to the negotiating table, he erects tariffs. They want access to our market, so after some tough negotiating, the bilateral tariffs are likely to drop. We may be headed for a parallel universe where the U.S. and China trade freely with several partners, but not with each other. It would be unfortunate if the number one and number two economies do not trade harmoniously with one another, but if the world had lower tariffs overall, the negative impact is likely limited. Negotiations between the U.S. and China will probably have to wait until after the Mid-term elections. Both Presidents Xi and Trump want to see how they turn out to determine the political strength of the U.S. President. Recent legal realities do not aid the President.

Emerging Markets are attractive – but selectively. We still like China and Mexico. Our favorite sectors are Energy and Industrials, on a relative basis. We are less disposed towards Staples and Telecom. Cyclical represent better relative value here versus growth today, as the valuation differentials are at post-crisis highs. However, with more disruption in the world than ever before and with no sign of it letting up, there is risk of buying companies who lose their economic moats. We remain vigilant not to buy value for value's sake nor growth for growth's sake. It is a time to maintain our laser focus on the bottom up fundamentals of our investments, while keeping an eye on the surroundings.

To learn more about the Duff & Phelps International Equity Strategy visit [dpimc.com](http://dpimc.com).

## ***About the Authors:***



**Frederick Brimberg**  
Senior Portfolio Manager

Frederick Brimberg's career spans 30-plus years in investment management, trading, and capital markets. Prior to joining Euclid Advisors LLC in 2012, Mr. Brimberg was a senior vice president and international equity portfolio manager at Avatar Associates where he started the international equity strategy in 2006. Earlier, he was vice president and portfolio manager for ING Investment Management with a focus on the developed international equity products. From 1990 to 2000, Mr. Brimberg held several positions at Lexington Management, including as a research analyst specializing in cyclical sectors within the developed international and emerging markets. Earlier in his financial career, he was a partner at Brimberg & Co., a New York Stock Exchange member firm, and he worked in institutional equity sales at Lehman Brothers Kuhn Loeb Inc. Mr. Brimberg earned a B.A. in psychology from Washington & Lee University, and an M.B.A., with a concentration in finance, from New York University, and has been working in the investment industry since 1979.



**John Creswell, CPA**  
Executive Managing Director

John Creswell serves as Executive Managing Director at Duff & Phelps Investment Management Co. where he has business, operational and investment responsibilities. Mr. Creswell joined Duff & Phelps in 2016 after managing another investment affiliate of Virtus Investment Partners. He has spent the past two decades successfully leading and managing investment boutiques. Before joining Virtus in 2012, he worked for BNP Paribas as Head of Consultant Relations and Product Strategy for North America. Prior to that he spent twelve years at Nuveen Investments in a number of senior positions as the firm grew from a \$40 billion single asset class manager to a global investment management firm with over \$200 billion in assets under management. Prior to his investment career, Mr. Creswell was an auditor and management consultant for Ernst & Young. Mr. Creswell is a frequent industry speaker on capital markets and has authored numerous articles. He earned a degree in business administration from California State University at Fullerton and a master's degree in Public Policy from The Claremont Graduate University. In addition, he is a Certified Public Accountant (CPA), active in philanthropic causes, and a current board member of the Institute for Global Engagement (IGE) in Washington, D.C.

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