

## WEEKLY MARKET RECAP: September 04 – September 08, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Since the onset of the pandemic, “nearshoring” (moving offshore manufacturing closer to the U.S.) and “friendshoring” (moving offshore manufacturing to places that have strong diplomatic relations with the U.S.) have garnered more interest. Russia’s war in Ukraine, tensions between the U.S. and China, new tariffs and changes in relative manufacturing wages are also responsible for building this trend. Evidence of these supply chain rearrangements is beginning to be reflected in trade flow data. Remarkably, China is no longer the U.S.’s largest source of goods imports for the first time since 2008, with both Mexican and Canadian imports surpassing those from China in 1H23.

Although U.S. companies are still highly dependent on Chinese manufacturing, this shift in the U.S.’s trade relationships is serving to highlight other regions’ advantages. Countries in Latin America and emerging Asia, such as Mexico, India, and Vietnam, are benefiting from their lower costs, integration in global supply chains and friendly relations with the U.S. The excitement around “nearshoring” has boosted Mexican equity markets and peso vs. USD this year, up 25.4% and 14.0%, respectively. Notably, Mexico’s automotive industry received record FDI inflows of US\$5.0B in 1H23. In India, the government is making “friendshoring” more attractive by reducing corporate taxes for new manufacturing production to 17% from 25% and making significant investments in infrastructure. Vietnam shares a similar pro-growth attitude and also has very favourable manufacturing wages. While the future of this trend is uncertain, investors can participate by further diversifying emerging market exposure with a focus on the potential beneficiaries.

**Thanks for reading! Have a great weekend.**

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