



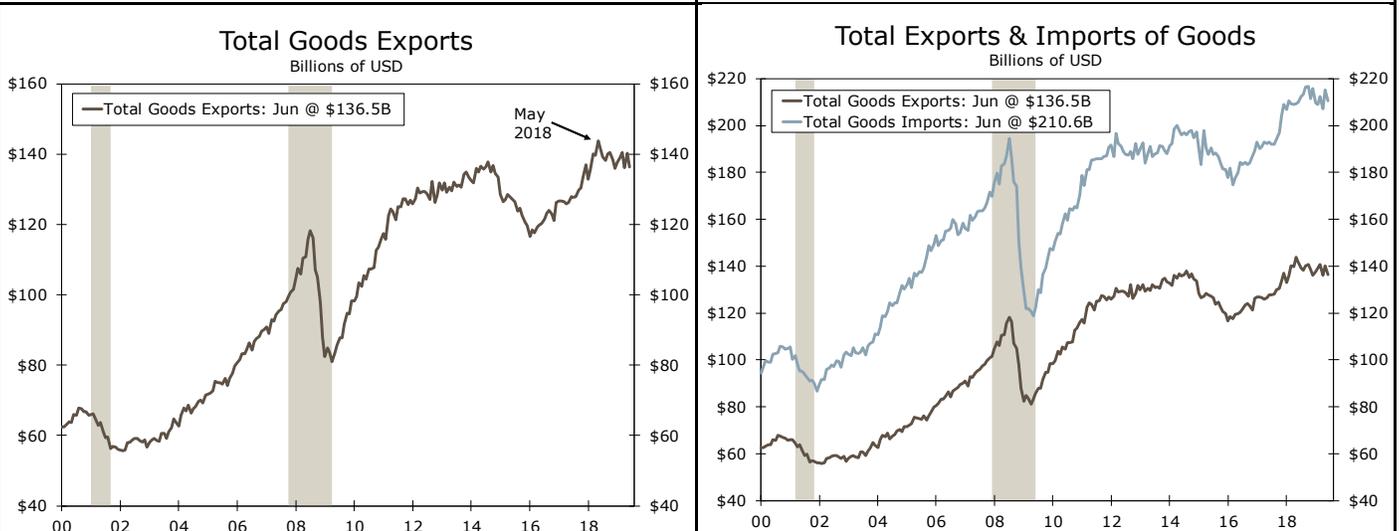
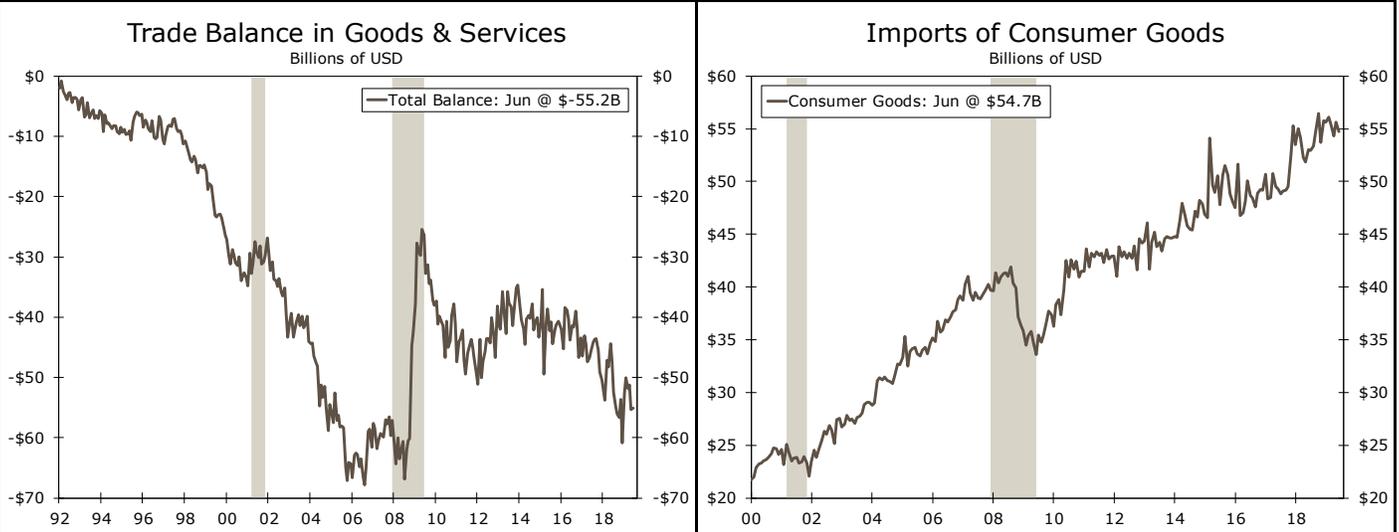
Economics Group

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Trade Flows Are Slowing

The trade deficit narrowed a scant \$0.2B in June, but only because imports fell more than exports, which is not a sustainable path. Trade is drying up with exports down \$7B and imports down \$5.3B from 2018 highs.

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| <p>Exports Off More Than \$7 Billion Since Last May</p> <ul style="list-style-type: none"> • The trade deficit narrowed slightly in June as imports fell more than exports. Rather than the change in the trade balance, the real takeaway is the slowing in trade more broadly. • U.S. exports peaked in this cycle in May 2018, the month before the steel and aluminum tariffs went into effect. The United States now exports \$7 billion less than it did then, and overall exports fell another 2.1% in June. | <p>Imports Smaller as Well</p> <ul style="list-style-type: none"> • The peak on the import side of the ledger did not happen until a few months later in October 2018, about the time that the first major round of China tariffs was announced. Since then, imports are down \$5.4 billion. • Although the trade deficit has widened on balance over the past year, in the one-off month like this one in which we see the trade deficit shrink, it's because imports are falling more than exports. |
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Source: U.S. Department of Commerce and Wells Fargo Securities

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