

Commentary

Trade Tensions Test Investor Nerves - but Opportunity Awaits

- Trade tensions have escalated between the United States and China.
- These concerns already add to existing market worries.
- Historically volatility creates opportunity.

Equity markets have faced renewed volatility over the past week as rising trade tensions between the United States and China reignited investor anxiety. Heightened uncertainty around tariffs and potential retaliatory measures weighed on global sentiment, adding to concerns already brewing beneath the surface—namely, high market valuations, weakening market breadth, and narrow market concentration among a handful of mega-cap names. The lack of timely economic data due to the ongoing government shutdown further exacerbated uncertainty, leaving investors without clear visibility into the health of the economy.

Late last week, the S&P 500 pulled back sharply, falling close to its 50-day moving average. If it fails to find support there, the next key technical level sits near its 200-day moving average, at about 6,050—roughly 10% below the index's record high of 6,735 set on October 8. While such a move would represent a correction, we view it as a healthy reset within a longer-term bull market rather than the beginning of a sustained downturn.

Without much economic data for investors to gauge the health of the economy, they will be even more focused on corporate earnings that just kicked off this week. Factset estimates that S&P 500 Q3 earnings will grow around 8%. With valuations already high, if corporations miss their earnings targets or offer future earnings guidance that isn't in line with expectations, we could see even more volatility ahead. Investors are optimistic about the future with 2026 EPS estimates for the S&P 500 expected to grow over 13%.

The Broader Picture: Fundamentals Remain Strong

Despite near-term volatility, the economic backdrop remains resilient. Growth continues to exceed expectations, the Federal Reserve has begun cutting rates to support the expansion, and corporate earnings projections for 2026 remain robust. Meanwhile, investors are sitting on record levels of cash in money market funds and savings accounts, providing ample “dry powder” to deploy once valuations become more attractive. This combination of solid fundamentals and liquidity suggests that any pullback should be viewed as a buying opportunity rather than a reason to retreat.

Positioning for What's Ahead

Market volatility is uncomfortable, but it often creates opportunity. Periods of dislocation can offer investors the chance to rebalance portfolios, diversify exposures, and position for long-term growth at more reasonable entry points. Our advice: stay disciplined, remain diversified across asset classes, and focus on long-term objectives rather than short-term headlines. As always, consult with your financial advisor to ensure your portfolio aligns with your goals and risk tolerance.

This report is created by Cetera Investment Management LLC. [@CeteraIM](#)

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