In May, the prospects for a trade deal between the U.S. and China looked grim. As trade negotiations broke down and President Trump raised tariffs further, the S&P 500 plunged 2.5% from May 6 through May 9.

At that time, I wrote that it's most likely that the two countries will ultimately reach an agreement. Nobody, I pointed out, wins in a trade war. Now there are signs of progress.

On Friday the U.S. and China reached a modest preliminary deal in principle. It suspends the U.S. tariff increase that was scheduled for Oct. 15. In return, China agreed to buy up to $50 billion of U.S. crops and remove limits on foreign ownership of its financial-services businesses. The S&P on Friday rose 1.1%, to 2,970.

President Trump described the agreement as phase one, suggesting that other areas of disagreement would be tackled in subsequent rounds of negotiations. Negotiations remain delicate, and there could easily be more setbacks and detours. Thorny issues like intellectual property protections and copyright and trademark issues still lie ahead.

But as I wrote in May , both the U.S. and China ultimately need to get a deal done. Trump, who is now facing an impeachment inquiry, needs a win to shore up his 2020 re-election effort.

Chinese president Xi Jinping is also under pressure: Even though he isn't facing an upcoming election, China's economy is being hurt by the trade war because it's become more expensive for American consumers to buy the country's exports. Chinese leaders are aware that economic trouble can lead to social instability, and they seek to avoid at all costs.

For investors, the trade war has hurt industrial and technology companies. If the U.S. and China are starting to replace tit-for-tat tariffs with incremental agreements, stocks of companies in those sectors could start to recover.

For now, it's important to continue seeking out exposure to stocks that aren't exposed to the trade war, that have strong, durable earnings, and that are reasonably priced. Choosing individual stocks with the help of an expert investment advisor can, in a situation like the current one, give you a chance to outperform broad index-based funds.

Finally, it's a good bet that there will be more posturing, rhetoric and scary headlines as the U.S. and China seek leverage for future negotiations. The key is to remain patient, choose stocks carefully and watch for progress. If you'd like to review your investment strategy and holdings, don't hesitate to get in touch with us.