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# Weekly Market Summary

June 8th, 2018

## The Secret to Productive & Successful Meetings ... Clear Agendas and Early Preparation!

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**Once more “Ramadan Kareem”, early “Eid Mubarak” greetings and “Kul 3Am Wa Entom Bi-Khair” to all readers!**

How many times has one gone to a meeting with only a vague agenda and sat through a discussion with no end in sight? Indeed, the most effective meetings are ones where the agenda and objectives are clear. Additionally, the more work and preparation one does before he/she walks into a meeting room, the more productive and efficient he/she will be!

With Trump-Kim’s landmark summit fast approaching (next Tuesday, June 12<sup>th</sup> in Singapore), investors are bracing themselves for increased political uncertainties and added market volatility. After all, Donald Trump will become the first American president to meet with a sitting North Korean leader, surely a massive moment - not just in Trump's presidency, but also in the course of diplomacy for potentially decades to come! North Korea has been a rogue and aggressive presence on the Korean peninsula for decades (*surely helping the US sell loads of weapons to Asian countries. Thank you Kim Jong-un for that crucial support!*), but its acquisition of nuclear weapons makes it a worldwide problem.

So one might wonder how the US President is preparing for this huge sit-down? Well, he probably isn't 😊

*"I think I'm very well-prepared,"* Trump told reporters during a photo op with Japanese Prime Minister Shinzo Abe on Thursday. *"I don't think I have to prepare very much. It's about attitude."* It is about attitude! If one was looking for a perfect three-word summary of Trump’s political life - or, actually, just his plain old life - that is about as close as you could come to nailing it. Whether it is making a real estate deal, starring in a reality TV show, kicking off his presidential bid or actually being President, Trump's basic view is: *"I've got this."* In fact, Trump has turned his belief in himself - whether or not facts support that confidence - into a life mantra. *"Develop your gut instincts and act on them,"* he tweeted in 2013. *"You will have your biggest successes when you go with your gut--but be very smart & careful."* In 2014, he sounded a similar note: *"Trust your instincts. They are there for a reason. Without instincts, you'll have a hard time getting to--and staying at--the top."* Which brings us to Trump's belief - as expressed on Thursday - that the key to the summit with Kim isn't policy, it is attitude. Be tough, or be willing to walk away. Let the other side know you are serious. Details are for staff to work out, not for the big boss to worry about!

With that said and settled, Mr. Trump didn't waste any time over the past 48 hours - meeting with the beautiful Kim Kardashian West (for a good cause though, to sign a commutation for Alice Johnson, currently serving a life sentence for a nonviolent drug offense), as well as taking aim at Canada and France on the eve of a G-7 trade summit. Over multiple tweets, Trump accused US allies of levying *"massive tariffs"* and creating *"non-monetary barriers"*



**Donald J. Trump**   
@realDonaldTrump

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Please tell Prime Minister Trudeau and President Macron that they are charging the U.S. massive tariffs and create non-monetary barriers. The EU trade surplus with the U.S. is \$151 Billion, and Canada keeps our farmers and others out. Look forward to seeing them tomorrow.

French President Emmanuel Macron in a previous tweet had threatened to exclude the U.S. from a joint statement issued every year at the G-7 summit. "*The American President may not mind being isolated, but neither do we mind signing a 6 country agreement if need be. Because these 6 countries represent values, they represent an economic market which has the weight of history behind it and which is now a true international force,*" Macron tweeted. Today, president Trump is scheduled to attend the annual summit – in Quebec this year - and meet with leaders from the U.K., Canada, Japan, Italy, Germany and France.

With trade tensions between “*allies*” not showing any signs of easing, the Gulf crisis entering its second year (the standoff is looking no closer to ending than it did 6 or 12 months back!☹), Russian president Putin giving a worrying warning about World War III and nuclear competition with the US during his annual call-in question, emerging markets in a very dire situation (with a rising US dollar & interest rates – coupled with bubbling local inflation – leading central bankers in India, Turkey, Indonesia and Argentina to raise their benchmark rates to tackle currency depreciation and outflows) and Europe starting to show bigger cracks (Nationalists in Slovenia recently won general elections, joining Italy, Austria and Hungary in the anti-immigrant wave and threatening growth and fiscal stability) ....

.. So again with all the above noises and worries in the background, markets’ attention will turn middle of next week to the outcome of both the June’s FOMC meeting (Wednesday 13<sup>th</sup>, US Fed announcement @ 9:00 pm Bahrain time) and the European Central Bank meeting (Thursday 14<sup>th</sup>, ECB announcement @ 2:45 pm Bahrain time, ECB president Draghi’s press conference follows at 3:30 pm), with two crucial questions on investors’ mind: Will the US Federal Reserve raise the benchmark o/n Fed funds rate by 25 bps (from current 1.50% -- 1.75%) and upgrade its future growth and inflation projections? And will the European Central Bank tilt towards tighter monetary policy by announcing it is finally ready to end the Bank’s bond-buying program and phase out Euro sovereign bond purchases (even if it puts off the actual announcement until the July 26<sup>th</sup> meeting)?

Whatever the outcome may be, one critical and immediate reassurance is needed to avoid further spooking financial markets: Policy makers on both sides of the Atlantic would have to soften their forward guidance on rates by stating that borrowing costs will stay on hold until “*well past*” the end of net asset purchases (in the case of the ECB), and clearly signal that they are not scared of a bit more inflation in the short term (more relevant for the Federal Reserve).

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