

Weekly Market Summary

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Markets Still Want to Believe the Future is Rosy!!

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One could be forgiven for thinking that the news, in general, has been positive over the past two weeks! (possibly coz I was away last Friday and didn't have the chance to circulate another "gloomy" weekly report ☺)

After all, we did learn that an impeachment inquiry has unfolded in relation to Trump's open willingness to ask foreign governments to dig up dirt on political opponents (namely Joe Biden for now, and Hillary Clinton previously), that September US payroll data came out soft despite a very solid unemployment rate and more importantly that the US service sector, tracked by the ISM non-manufacturing, was finally starting to follow manufacturing lower (as a reminder the ISM Non-Manufacturing came out at 52.6, the weakest in 3 years and well below market consensus for a 55.0 reading, whilst ISM Manufacturing sank to a 10-year of 47.8, the second straight reading below the critical 50 neutral reading!)

And if the above news wasn't enough to raise the level of concern amongst economists and investors, we also had the usual recurring damaging stories with regards to the Trump administration's willingness to place restrictions on capital flows into China - with a particular focus on investments made by U.S. government pension funds (despite US officials pushing back strongly against a Bloomberg News report late last month that a range of such limits was under review) as well as the actual inclusion, earlier this week, of a number of Chinese entities - including surveillance technology company Hikvision - on an export blacklist that prohibits American firms from doing business with them unless they have a U.S. government license to do so; On the other side of the Atlantic, UK Prime Minister's efforts to seek supreme court ruling on No-deal Brexit and his doubling down on October 31st No-deal divorce threats were also noticeable! Additionally, we just learned in past hours that an Iranian oil tanker was hit in the Red Sea, causing an oil spill and a 2.5% jump in crude prices (WTI last at \$54.50 and Brent at \$60.20). Iran has claimed it was a terrorist act and suggested that the missiles used for the attack came from Saudi Arabia, marking the latest escalation in a tit-for-tat conflict between the two Middle Eastern powers that has roiled energy markets in past weeks (though the National Iranian Tanker Company is now denying reports previously attributed to it ?!)

It is easy to get depressed about all that is wrong in the world and feel as though we are doomed (Trump's tweets surely not helping!☺), yet many of us do indeed remain hopeful that a more peaceful and prosperous world is possible. Whilst that could be labelled as too simplistic or even silly cheerfulness, research in psychology and sociology do show that hope is more than naïve optimism! When we are hopeful, we not only develop appropriate and challenging goals but believe that we have the ability to achieve them despite the challenges that may lie ahead. Hopeful people encounter challenges or difficulties with the belief that better times and things lie ahead, while those with no hope either make no goals, or set goals that are too easy or next-to-impossible to achieve; They then get either bored or disappointed and quit!

With this newly found optimism (☺), and just when things looked bleak early in the week on prospects of any kind of US/China trade deal or even bleaker on the prospect of a Brexit deal, markets have now opted to just focus on the two latest positive developments that could have major ramifications for global politics and financial markets for months/years to come:

- 1- Today's scheduled meeting between U.S. President Trump and China's Vice Premier Liu He carries a heavy burden of expectation, especially after Trump said the first day of talks went "very well." The U.S. and China began yesterday two days of talks aimed at easing hostilities in their 18-month trade war, with both sides signalling cautious optimism in securing a partial deal that could lead to a temporary truce on tariffs. President Donald Trump said in a Twitter post that he plans to meet with Liu on Friday, adding that it is a "big day of negotiations with China. They want to make a deal, but do I?" The White House is looking at rolling out a previously agreed currency pact with China as part of a preliminary deal that could also see a planned tariff increase next week

suspended, people familiar with the discussions told Bloomberg. Such agreement would be part of what the White House considers to be a first-phase agreement with Beijing, and would later be followed by more negotiations on core issues like intellectual property and forced technology transfers, according to familiar sources. Nevertheless, bond and equity market volatility remain elevated, signalling that investors remain wary of further swings in asset prices, even if a positive announcement is made later today.

- 2- The U.K. and the European Union took a step closer to agreeing the terms of Brexit after a positive meeting between the British and Irish leaders yesterday afternoon identified a “*pathway*” to a potential deal, with the British pound jumping by the most in seven months on the news (last at 1.2500 against the US Dollar). U.K. Prime Minister Boris Johnson hosted Irish premier Leo Varadkar for two and a half hours of private talks at a country house in north western England, after which Varadkar said he believed a deal is possible before the end of the month and urged negotiators to resume talks in Brussels. After the meeting, the two leaders issued a joint statement saying they had identified the potential for a route to an agreement during the course of a “*detailed and constructive discussion*.” Both leaders “*continue to believe that a deal is in everybody’s interest*,” according to the same statement. With just three weeks left until the U.K. is due to leave the EU, negotiations have stalled in Brussels and the time for striking an orderly separation agreement is almost up. Still, the positive tone from the two leaders on Thursday could indicate that a breakthrough remains possible.

Fingers Crossed for next week’s update!!

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