Weekly Market Summary

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When Measured, Factual and Decisive Arguments Can Make All the Difference !!*
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We all know that an argument is sound if and only if it is both valid and based on right foundations, which implies that the truth of the premises logically guarantees the truth of the conclusion. Additionally, even if we have never formally studied logical reasoning and fallacies, we can often tell when a person's statement doesn't sound right; Think about the claims we see in many advertisements today - buy X product, and you will be great and beautiful (reminds me of that Great US witch hunt conspiracy theory & that Beautiful phone call Mr. Trump had lately with the Ukrainian president, where no bribe, blackmail or quid pro quo was involved! ☺). With very little critical thought, we know intuitively that simply buying this product will not magically change our lives. Surely by studying logic and fallacies, we can learn to formulate stronger and more cohesive arguments, avoiding problems like that mentioned above. The study of logic has a long history and can possibly be traced back to Aristotle in ancient Greece. Aristotle's simple definition of logic as the means by which we come to know anything still provides a concise understanding of the word; We use logic every day when we construct statements and argue our point of view. And it's only when we think and speak logically that we can pull together statements that combine reasoning with facts and evidence to support an assertion or argument!

With that clarification done and dusted, we move on to cover the major logical and illogical news shaping markets in past week:

The International Monetary Fund ("IMF") made earlier this week a fifth-straight cut to its 2019 global growth forecast, citing a broad deceleration across the world's largest economies as trade tensions undermine the expansion. The world economy will grow 3.0% this year, down from 3.2% seen in July, with the 2020 estimate lowered to 3.4% from 3.5%, the Fund said Tuesday in its latest World Economic Outlook. The forecast for this year would be the weakest since 2009, when the world economy shrank, as the Fund reduced projections from the U.S. and Europe to China and India. "*With a synchronized slowdown and uncertain recovery, the global outlook remains precarious,*" IMF Chief Economist Gita Gopinath wrote in the report. "*There is no room for policy mistakes and an urgent need for policy makers to cooperatively de-escalate trade and geopolitical tensions*." The global growth estimate for 2019 was as high as 3.9% in mid-2018. The IMF cited subdued economic momentum and weaker investment, slashing its estimate for the growth in trade volume to a "*near standstill*" pace of just 1.1% from 3.6% last year, though it also sees a pickup to 3.2% in 2020. The IMF report said *"risks seem to dominate the outlook,"* but recent monetary easing in many countries "*could lift demand more than projected, especially if trade tensions between the U.S. and China ease and a no-deal Brexit is averted*." The IMF report also turned far more downbeat on Saudi Arabia's prospects, cutting its outlook for this year growth to just +0.2%, down from the Fund's previous estimate of the +1.9%.

EU & U.K. Reach a Tentative Agreement on Brexit: Negotiators from the U.K. reached a wide-ranging agreement with officials in Brussels yesterday that could pave the way for Britain to finally break 46 years of ties with the European Union this month. The British Pound touched $1.2990 on the news before paring gains (last trading at $1.2885). The withdrawal agreement was completed just in time for EU leaders to assess it when they meet in the Belgian capital today. European Commission President Jean-Claude Juncker hailed it as "*fair and balanced,*" though it now needs the backing of the U.K. Parliament, with a vote expected on Saturday. Clearing this final and uncertain hurdle will be Prime Minister Boris Johnson's goal before he can complete his ambition of leading Britain out of the EU. Earlier on Thursday, Northern Ireland's Democratic Unionist Party signalled it did not accept key aspects of the agreement being drafted, with their position hardly changing after confirmation of the deal. UK Labour Party leader Jeremy Corbyn also condemned the deal as "*even worse*" than the settlement reached by Johnson's predecessor that was repeatedly rejected by British lawmakers. Nicola Sturgeon, the leader of the Scottish national Party, said her party will not vote for a deal that "*would take Scotland out of the European Union, out of the single market and out of the customs union against the overwhelming democratic will of the people of Scotland*."

Bonds' YTD Stellar Performance at Risk: Steps toward a U.S.-China trade deal and a light at the end of the Brexit tunnel are exerting major downward pressure on bond prices (higher yields). UK Gilts, German Bunds and US Treasury yields took flight in past 10 days on hints of a US-China trade pact and as prospects for a deal between the U.K. and European Union looked firmer (UST 10-year yields last at 1.765%). All year, investors have known that the case for G-7 government bonds largely hinged on these major political dilemmas. Now, credible progress on both have caught bond bulls seriously offside and could derail a market on track for its best annual return since 2011. If a worst-case scenario is no longer in play, global growth could improve, the Federal Reserve could be less inclined to ease, and yields in major government bond markets could have more scope to rise. "*There was a decent long in the market that is going to get tested*," said Gary Cameron, portfolio manager at Garda Capital. "*I don't think we have a bear market, but the buy-dips environment we've been in since last September is late stage*." Investors will get plenty of economic data to digest over the coming few days, though focus will clearly remain on developing stories relating to Brexit and the US-China trade discussions (that is if markets don't opt to focus on the latest US Presidential and WH fiasco!)

Speaking about the US-China trade situation, one has to really wonder why last Friday's White House announcement about the progress on China-US trade talks made a big deal about no deal at all? Whilst initial news headlines were impressive and very reassuring, and after a long weekend of sober second thoughts, it is now clear that this announcement was more about calming markets and diverting attention from other news stories (Syria and US president Impeachment come straight to mind) than about any real developments in ongoing talks. What has changed lately isn't that China has agreed to tough US demands on intellectual property and forced transfers of US technology to Chinese partners, but rather willingness on the part of the White House to characterize the toughest issues as items to be dealt with in a "*phase two*." In short, the US administration appears to be wanting to tally up a partial victory to show voters and worried business leaders some progress, rather than hold out for a signed deal on the items that had the talks break down only months ago. Effectively, the US administration – courtesy the Donald & the Navarro (Peter is the current director of Trade & Manufacturing policy) – has wasted two valuable years, reversing what was dubbed in late 2017 "*the broadest synchronized global growth upsurge since 2010*" into what the IMF considers today as "*the weakest pace since the 2008/2009 global financial crisis!*"

The coming few days/weeks will determine Boris Johnson & Donald Trump's successes in striking comprehensive Brexit & Trade deals (respectively), with both disputes having paralyzed markets in past 18 months. For all hard-line optimists looking for clear breakthroughs on both side of the Atlantic, worth noting the following anecdote: President Trump's 1987 book "*The Art of the Deal*" helped make the real estate developer (at that time) one of the most famous businessmen in America. Lately however, the book's co-author – Tony Schwartz – has requested the book be taken out of print or reclassified as fiction; Mr. Schwartz made those suggestions following a New York Times report about Trump's business losses in the 1980s and '90s. "*Given the Times report on Trump's staggering losses, I'd be fine if Random House simply took the book out of print; Or recategorized it as fiction*," Schwartz tweeted ☺

**The title of this week's piece relates to the White House coverage of Trump's behaviour during a meeting between the US President and Congressional leaders to contain the fallout from the Syria crisis and the Turkish incursion in Syrian territories, with Trump hurling insults at House Speaker Nancy Pelosi, who in turn accused him of having a "meltdown".*

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