Weekly Market Summary

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Goodbye Fed Watchers … Hello Presidential Tweet Followers !!

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US Fed (Federal Reserve) watchers are experts who specializes in observing and analysing every move, speech or hint made by Federal Reserve officials, and later clearly communicating the potential impact on upcoming monetary policy decisions and rate biases (i.e. FOMC leaning on the dovish or hawkish side). This human species usually belongs to financial institutions, news organizations and private research companies. Fed watchers are required to possess considerable financial knowledge and communication skills in order to develop a sound judgment with regards to future Fed rates moves and changes in the wording of FOMC policy statements (that includes predicting the names of Fed dissenters, imminent changes to the central bank's Dot Plot & Fed's Summary of Economic Projections). Few Fed-watchers in financial journalism have earned reputations for being so close to the Fed (alias "insiders"), to the point they are seen as implied mouth pieces to leaks. They include Robin Harding (Financial Times), Neil Irwin (Washington Post), the well-known Steve Liesman (CNBC), and the legendary Greg Ip (The Economist) & Jon Hilsenrath (The Wall Street Journal).

Last Tuesday, the US Federal Reserve began its two-day long Federal Open Market Committee (FOMC) meeting to discuss and determine the direction of monetary policy. Without question, that was expected to be the most important event of the week (the month and possibly first quarter 2018) - with Fed watchers & market participants examining the plausible impact of a 25 bps point rate hike and an upgrade to the 2018/2019 growth outlook on financial markets …. Until president Trump tweeted!!

Starting with the FOMC meeting and rate decision on Wednesday evening, Federal Reserve officials - meeting for the first time under Chairman Jerome Powell - raised the benchmark lending rate a quarter-point (unanimous 8-0 vote to lift the o/n fed funds rate to 1.50% -- 1.75%) and forecast a steeper path of hikes in 2019 (3 vs 2 previously) and 2020 (2 hikes vs 1), citing an improving economic outlook. Policy makers continued to project a total of three increases this year. "*The economic outlook has strengthened in recent months*," the policy-setting Federal Open Market Committee said in its statement. Officials repeated previous language that they anticipate "*further gradual adjustments in the stance of monetary policy*." The upward revision in their rate path suggests Fed officials are looking through soft first-quarter economic reports and tightening financial conditions, and expect an uplift this year and next from tax cuts passed by Republicans in December. "*The job market remains strong, the economy continues to expand, and inflation appears to be moving toward the FOMC's 2% longer running goal*," Powell said in a press conference that he kept somewhat shorter than those conducted by his predecessor, Janet Yellen. Whilst generally upbeat about the economy's prospects, he also said the Trump administration's trade policy has become a concern for businesses. Stocks headed higher after Powell spoke, whilst the yield on 10-year U.S. Treasury notes softened to 2.89% (after reaching a high of 2.93%). The Bloomberg Dollar Spot Index ended the day lower. In another change to the statement, the Fed said inflation on an annual basis is "*expected to move up in coming months*," after saying "*move up this year*" in the January statement. Price gains are still expected to stabilize around the Fed's 2% target over the medium term, the FOMC said. The statement also repeated previous language that "*near-term risks to the economic outlook appear roughly balanced*." The median estimate for economic growth this year was raised to 2.7% from 2.5% in December, signalling confidence in U.S. consumers despite recent weak readings on retail sales that have pushed down tracking estimates of first-quarter activity. The 2019 estimate rose to 2.4% from 2.1% previously.

And then President Trump Tweeted!! (*Thank God he is still sleeping at the time I finalize and disseminate this weekly market summary*!)

"Special Council is told to find crimes, whether a crime exists or not. I was opposed to the selection of Mueller to be Special Council. I am still opposed to it. I think President Trump was right when he said there never should have been a Special Council appointed because there was no probable cause for believing that there was any crime, collusion or otherwise, or obstruction of justice!" So stated by Harvard Law Professor Alan Dershowitz.

Got $1.6 Billion to start Wall on Southern Border, rest will be forthcoming. Most importantly, got $700 Billion to rebuild our Military, $716 Billion next year...most ever. Had to waste money on Dem giveaways in order to take care of military pay increase and new equipment.

Democrats refused to take care of DACA. Would have been so easy, but they just didn't care. I had to fight for Military and start of Wall.

Crazy Joe Biden is trying to act like a tough guy. Actually, he is weak, both mentally and physically, and yet he threatens me, for the second time, with physical assault. He doesn't know me, but he would go down fast and hard, crying all the way. Don't threaten people Joe! (by far my favourite!)

As a candidate, I pledged that if elected I would use every lawful tool to combat unfair trade, protect American workers, and defend our national security. Today, we took another critical step to fulfil that commitment.

Remember when they were saying, during the campaign, that Donald Trump is giving great speeches and drawing big crowds, but he is spending much less money and not using social media as well as Crooked Hillary's large and highly sophisticated staff. Well, not saying that anymore!

I am pleased to announce that, effective 4/9/18, @AmbJohnBolton will be my new National Security Advisor. I am very thankful for the service of General H.R. McMaster who has done an outstanding job & will always remain my friend. There will be an official contact handover on 4/9.

In a ramping up of his America First mantra, the US President confirmed yesterday that he had ordered tariffs on $ 50-60 billion of Chinese imports as a compensation for alleged intellectual property abuses. The U.S. said it will impose 25% duties on targeted Chinese products to compensate for the harm caused to the American economy from China's policies, according to a fact sheet released by USTR. The proposed product list will include items in aerospace, information and communication technology and machinery. The USTR will announce the proposed list in the next "*several days*," according to the fact sheet. The Trump administration is framing the move as a major turning point in U.S.-China relations, after concluding that China engages in a range of violations, including policies that force American companies to transfer technology and the accessing of trade secrets through hacking. "*From a macro perspective the additional tariff is only equivalent to 0.1% of China's GDP and affected exports only account for 2.2% of China's total exports*," JP Morgan economists wrote in a note. "*The direct macro impact tends to be limited*."

Hours later, China announced planned tariffs on imports of U.S. pork, recycled aluminium, steel pipes, fruit and wine, according to China's Commerce Ministry statement. China will also pursue legal action against the U.S. at the World Trade Organization (WTO) in response to the U.S.'s planned tariffs on steel and aluminium imports, the statement added, and called for dialog to resolve the dispute. With Beijing's response to the tariffs aimed at intellectual-property abuses - enacted under Section 301 of the U.S. trade law - as yet unannounced, the relatively limited value of trade curbs may be just the first stage of its response.

Policy makers across the world have cautioned against a brewing trade war that could undermine the broadest global recovery in years. Meanwhile, business groups representing companies ranging from Walmart Inc. to Amazon.com Inc. are warning U.S. tariffs could raise prices for consumers and sideswipe stock prices. Even central banks, which normally stay above the fray of trade spats, are weighing in. "*A number of participants reported about their conversations with business leaders around the country and reported that trade policy has become a concern,*" Federal Reserve Chairman Jerome Powell said this week, while cautioning that trade issues haven't changed the Fed's outlook. The Bank of England warned Thursday that increased protectionism could have a "*significant negative impact*" on global growth.

Those fears were surely aligned with traders' general thinking. Stock declines have deepened globally yesterday and early today, with the US Dow Jones Industrial Average dropping 725 points (almost 3.0%) on Thursday, European equities sliding to the lowest in more than a year this morning and gauges tumbling across Asia as the negative news cycle for risk assets continues. Traditional havens trades - including long government bonds, gold and the Japanese Yen – were in high demand, as investors sought safer assets. It has been a miserable week for higher-risk markets globally, with trade war fears edging closer and the tech sector getting roiled by Facebook Inc.'s privacy scandal, as well as data showing European growth sputtering. "*The window from coming back from an all-out trade war is still open, but closing fast, and obviously leaves a lot of uncertainty over the next two to three weeks,*" said Kay Van-Petersen, a Singapore-based global macro strategist with Saxo Capital Markets. It is "*classic risk-off for equities today and potentially over the next few days*." (such extended market visibility, Kay! Bravo!).

Much more concerning however - and in line with the ascendance of the "America first" faction - Trump said he is replacing White House National Security Adviser H.R. McMaster with foreign policy hawk John Bolton, a controversial foreign-affairs specialist whom the U.S. Senate declined to confirm as President George W. Bush's ambassador to the United Nations (and a true moron - if you ask me – who is responsible for a large share of the appalling bloodshed in the Middle East over the past 15 years, in association with his neo-conservative associates/murderers Richard Perle, Paul Wolfowitz, Elliot Abrams and Douglas Feith). With Bolton's controversial comments on North Korea and Iran still fresh in people's mind, oil prices have jumped overnight amid worries that Bolton would pursue a hard-line stance against both countries (next month, when Bolton comes into his new job, he would surely have the chance - once again - to make his case against the Iran deal to the President, though this time as national security adviser!).

In other overnight news, the US Senate narrowly averted a government shutdown by passing a $1.3 trillion spending bill that increases military and domestic spending and strengthens background checks for gun buyers. The 65-32 vote came after Republican conservatives objected to the higher spending and Republican Rand Paul of Kentucky held open the possibility that he would delay the vote past a Friday midnight deadline that would have triggered a government closure. The final vote capped a week of all-night bargaining sessions and repeated delays before the measure was introduced Wednesday night. The bill, funding the government through September, attracted bipartisan support while conservatives complained about growing budget deficits and a lack of time to review the 2,232-page measure. Republicans praised an $80 billion increase in military spending while Democrats highlighted an additional $ 63 billion in domestic spending. Senator John Kennedy, a Louisiana Republican who opposed the bill and flirted with the prospect of forcing a government shutdown by delaying a vote, said the price tag was too high. "*It sucks*," Kennedy said of the spending measure. "*No thought whatsoever to adding over a trillion dollars in debt*" (and to think that investors still flock to the safety of US treasuries!!).

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