

Weekly Market Summary

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If You Can't Be Positive At the Very Least Be Quiet!!

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"Is the glass half empty or half full?" is a common expression, a proverbial phrase, generally used rhetorically to indicate that a particular situation could be a cause for Pessimism (half empty) or Optimism (half full), or as a general test to simply determine an individual's worldview. The purpose of the question is to demonstrate that the situation may be seen in different ways depending on one's point of view and that there may be opportunities in the situation as well as challenges.

Many assume that Optimism is the belief that good things will happen to you and that negative events are temporary setbacks to be overcome. In the Thought Philosophy, the Law of Attraction is the acceptance that positive or negative thoughts bring positive or negative experiences into a person's life; As such, it is believed that the universe creates and provides for you whatever your thoughts are focused on: The results of positive thoughts are always positive consequences, and the same holds true for negative thoughts which would usually lead to bad outcomes. That was surely the key message from *"The Secret"*, a 2006 best-selling book by Rhonda Byrne (more importantly endorsed by Oprah Winfrey, a renowned US TV host and possibly the next president of the United States in 2020 ☺), which claims that thoughts can change a person's life directly; This book has sold in excess of 30 million copies worldwide and has been translated into 50 languages.

However, irrespective of one's positive attitude, there are clearly forces around the globe that could subdue even the most ardent optimist: Leaders and politicians' stupidities top the list (check our weekly write-up from June 29th, 2018: Markets' Focus Shifting Away from Economic Data to Politicians' Stupidities!), persisting insanity at the White House and childish presidential tweets, economic injustice as well as meaningless wars - and the repeated failure to learn from History!

Maybe, just maybe, one ought to remain a realist with a clear bias focused on the bright side, as seeing the glass half full and assuming that reason will eventually prevail (try convincing John Bolton or Rudy Giuliani, two of Trump's deceitful clowns!!) can surely turn a person's life into a lot more pleasant experience!

It is with this newfound optimism and positively skewed attitude that I summarize below the major events that have shaped financial markets over the past few days:

IMF Sees Weakest Global Growth in Three Years: The International Monetary Fund cut its forecast for the world economy, predicting it will grow at the weakest pace in three years in 2019 and warning fresh trade tensions would spell further trouble. In its second downgrade in three months, the lender blamed softening demand across Europe and recent tremors in financial markets. It predicts global growth of 3.5% this year, beneath the 3.7% expected in October and the rate in 2018. Despite the negative headline, the overall outlook remains more upbeat than that of many investors who openly fear a U.S.-led slowdown taking hold. The Fund left its projections for the U.S. and China unchanged and even anticipates a pickup in worldwide expansion to 3.6% next year. Risks nevertheless "tilt to the downside," the IMF said in its report.

ECB Sounds Alarm Over Eurozone Slowdown: The European Central Bank has sounded the alarm over the Eurozone economy, warning a slowdown it thought would be temporary was showing signs of becoming long-lasting because of global trade tensions, Brexit and financial market volatility. The shift in outlook, which policymakers said had clearly "moved to the downside", comes just six weeks after the ECB removed the most important element of its crisis-era stimulus, halting new purchases of bonds as part of its € 2.6 trillion quantitative easing programme. "We were unanimous about acknowledging the weaker momentum and changing the balance of risk for growth," said Mario Draghi, ECB president. The new guidance, which the ECB said had not yet triggered a change in monetary policy, came amid mounting signs of economic trouble across the Eurozone. A monthly poll of purchasing managers, a key gauge of business activity,

fell to its lowest levels since the eurozone debt crisis in January. In Germany, a separate gauge for manufacturers fell just below the threshold of 50 that separates expansion from contraction. Although there was no change in policy at Thursday's ECB meeting, Mr Draghi signalled the Bank would react should the data continue to disappoint!

China is Unlikely to Rebound from Its Current Slowdown Anytime Soon: China is not set to come to the rescue of a weakening world economy even amid signs policy makers are successfully cushioning some of its slowdown. That was the market verdict this week, following a wave of data showing fourth quarter growth dipping to 6.4%, the softest since 2009. China's economy, which contributes about a third of global growth, is on a long-term slowing trajectory as it shifts from the investment-led model of the past whilst carrying a heavy debt load. The government's response with targeted stimulus measures is also being tested by the standoff with U.S. President Donald Trump over trade at a time when the global expansion is already looking shakier. President Xi Jinping has recently stressed the need to maintain political stability in an unusual meeting of China's top leaders - a fresh sign the ruling party is growing concerned about the social implications of the slowing economy. Xi told a "seminar" of top provincial leaders and ministers in Beijing last Monday that the Communist Party needed greater efforts "to prevent and resolve major risks," the official Xinhua News Agency said. Xi said areas of concern facing the leadership ranged from politics and ideology to the economy, environment and external situation.

US Senate Blocks Bills to End Government Shutdown: The US Senate voted down two competing proposals aimed at reopening government departments shuttered over the border wall stand-off, in a sign of the entrenched divisions that have kept lawmakers from ending the 34-day-long impasse. Alternative Republican and Democratic proposals both failed to get the 60 votes they needed in the Senate on Thursday, although a number of lawmakers crossed party lines during voting, in a sign of their frustration over the unprecedented duration of the partial shutdown. The development meant that there was no immediate resolution to the conflict over border wall funding that has left 800,000 federal employees without pay - with some furloughed at home while others continue to report for work. Workers are preparing for their second missed pay cheque this afternoon, as warnings proliferate over damage to employees' personal finances and the broader economy. Some lawmakers were hoping on Thursday evening that the Senate defeats would clear the way for more productive talks. The White House noted that Mitch McConnell, the GOP Senate leader, and Chuck Schumer, the top Democrat, met after the votes to see if there was a way of ending the deadlock. President Donald Trump told reporters he would support a "reasonable" agreement if the two senators reached one and floated the idea of a "pro-rated" down payment towards his wall as part of a three-week funding package to reopen the government. Mr Trump also insisted he has other alternatives at his disposal on wall funding - without specifying what they might be.

China and US still "Miles and Miles" Apart From a Trade Deal! US Commerce Secretary Wilbur Ross painted a relatively downbeat picture of the US-China trade deal talks on Thursday, igniting worries among investors that the trade war may not be close to an end. Ross told CNBC that the two sides remain far apart on a deal to end the back-and-forth tariff fight that has tied up the world's two largest economies for the better part of a year. "*There's been a lot of anticipatory work done but we're miles and miles from getting a resolution,*" Ross said of the talks. "*And that shouldn't be too surprising .. trade is complicated, there are lots and lots of issues.*" The US and China are currently in the midst of a pause in the trade war after President Donald Trump and Chinese President Xi Jinping agreed during a dinner at the G-20 summit in December to delay any new tariffs or escalation of current tariffs for three months. The deadline to make a deal is March 1st. The US has sent a delegation to China for formal talks and China's top economic official, Liu He, is scheduled to come to Washington at the end of January. Following Ross' initial comments, stock futures began selling-off, falling into negative territory. Asked about the swift, negative reaction to the "miles and miles" comment, Ross attempted to assuage concerns that a deal may not be reached. "*I believe China would like to make a deal. I believe we would like to make a deal, but it has to be a deal that works for both parties,*" Ross said. "*I'm trying to say people shouldn't think the events of next week will be the solution to all of the issues between the United States and China.*" (Silly me, who previously thought US pressures and threats were mostly aimed at containing China's rise and dominating the information-technology industry, whilst having little to do with tariffs!).

And if the above consistently depressing market news was still not enough (Seriously?! ☹), check the latest positive & inspiring message from the US Commander-in-Chief Donald John Trump (I personally prefer referring to it as the President's Dumb New Rhyming Slogan ☺)



For some reason, I sense that my newly found positivity has still not made its way to our fine clients and colleagues!!
"InshAllah" I will be more successful next week!!

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