Weekly Market Summary

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What Happens When Everyone Loses Trust?!

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Creating trust within a society is a key foundation of leadership success, as individuals need to trust their leaders and the decisions they make, and have faith that their future is being steered along the right path. Additionally, showing willingness for outright transparency by owning failures, learning from them and later sharing them publicly is key to impending improvements, breakthroughs and successes! In a Harvard Business School interview some years back, Douglas Conant – ex-CEO of Campbell's Soup and now a respected leadership author and keynote speaker - explained the role "trust" played in turning around the fortunes of his former company: "*Before you have the moral authority to lead your team, you have to inspire trust. Trust is the one thing that changes everything. In a high-trust culture, it's so much easier to get things done*." Conant invested as much effort in changing the company culture of Campbell's Soup as he did on transforming its position in the market. He personally ran an intensive leadership development programme and dedicated his time to communicating with his 20,000 employees - often recognising outstanding performance with personally written notes.

What about the flip-side? The cost to a country/business of not creating trust is a host of undesirable outcomes that will harm confidence, efficiency and depress morale. Those include: A blame culture, a failure to learn from mistakes, leaders/individuals taking credit for other people's ideas and work, back-stabbing and bad politics, lack of collaboration and the spread of a fear culture! Furthermore, a powerful statement such as "*Just Trust Me!*" is sadly inadequate in today's world. There is an obligation and a duty for the person saying it (*President T included*) to provide explanations and justifications that are clear and concise and not overly simplistic. In other words, one's reputation is paramount, and their honesty, transparency and integrity must be impeccable.

In that context, all eyes now shift to this weekend's gathering of world leaders for the G-20 summit in Buenos Aires, Argentina - with investors awaiting two crucial meetings where the course of the US-China trade war and the future of the global oil glut will potentially be at stake:

Trump – Xi dinner on Saturday December 1st: Focus will be on a possible trade agreement between the US & Chinese leaders that would ease recent frictions and tariffs threats between the two superpowers. Trump himself has alluded to this fact, saying that both sides are "*very close to doing something with China but I don't know that I want to do it, because what we have right now is billions and billions of dollars coming into the United States in the form of tariffs or taxes*". White House trade adviser and well-known China hawk Peter Navarro is part of the US delegation that will discuss the latest trade spat between the two countries. Navarro has taken a harder line on China than others in the Trump administration, criticizing Treasury Secretary Steven Mnuchin in May for declaring a pause to the trade war, and recently warning Wall Street bankers to stop pushing Trump for a quick deal with Xi (as a reminder Trump has already imposed duties on $250 billion of Chinese imports in recent months. A 10% tariff on $200 billion of those goods is due to rise to 25% on January 1st. He has also threatened to impose tariffs on the remaining $267 billion worth of Chinese products imported last year).

Putin – MBS breakfast on Sunday December 2nd (the breakfast part is likely a scoop ☺): Russia's Vladimir Putin and Saudi Arabia's crown prince Mohammed bin Salman are expected to discuss oil supplies over the weekend, ahead of a broader meeting of top petroleum exporters on December 6th. This follows a 30% plunge in Brent oil prices in the past 2 months, with a minor reversal over the past 24 hours as Russia finally expressed a willingness to join Saudi Arabia in curbing global supplies.

Russia wants more predictability and "*smooth price dynamics*" in world crude markets, Deputy Foreign Minister Sergei Ryabkov said in an interview in Argentina yesterday. Putin had praised the Saudi crown prince last Wednesday and suggested Moscow is ready to cooperate further, whilst noting that crude around $60 a barrel is "*balanced and fair*" and well above the level needed to keep his government's budget in surplus (Brent crude last at $60.15). By contrast, Saudi Arabia needs oil at more than $80 a barrel to balance its budget, but is facing a very tough choice at next week's OPEC meeting: Cut oil production and enrage Donald Trump, or keep pumping extra oil and risk a further drop in oil prices that would damage its economy! The final choice will effectively determine the outcome of the upcoming meeting of the Organization of Petroleum Exporting Countries and its allies (OPEC+). With just a week to go before ministers gather in Vienna, delegates from the group would normally be busy swapping proposals and counter-proposals, discussing potential output levels, and drafting communiques. This time around, the activity has been muted as officials await more clarity from Buenos Aires.

In other main news, US stocks and short-term notes rallied sharply in past days after US Federal Reserve Chairman Jerome Powell said US interest rates are closing on '*neutral*' levels, handing equity markets their best performance since March as investors interpreted the comments as a signal the central bank is preparing to slow down its rate-rising programme. While Powell defended the Fed's recent gradual rate hikes, he suggested the central bank will be watching new economic data very closely as monetary policymakers decide what to do next. Rates are hovering "*just below*" estimates of neutral - the level that neither causes growth to accelerate nor to slow down - the Fed Chair noted during his closely watched comments at the Economic Club of New York on Wednesday evening, in a possible sign that policymakers may decide they do not need to lift them much further. "*There is no pre-set policy path*," Powell added. "*We will be paying very close attention to what incoming economic and financial data are telling us*." Yesterday's released FOMC minutes - for the Fed's November 18th meeting – showed the US central bank is still poised to raise interest rates at its next policymaking meeting scheduled for December 19th; "*Almost all participants expressed the view that another increase in the target range for the federal funds rate was likely to be warranted fairly soon*," barring unpleasant developments, the minutes showed.

We end our weekly piece with a couple of stories that depict the trustworthiness of our political/business leaders:

- **Trump Says He's 'Not Even a Little Bit Happy' With Fed's Powell**: President Donald Trump renewed his attack on Federal Reserve Chairman Jerome Powell, telling the Washington Post he's "not even a little bit happy" with his choice to head the central bank. "*So far, I'm not even a little bit happy with my selection of Jay*," Trump told the Post on Tuesday, using Powell's nickname. "*Not even a little bit*." Trump, who has repeatedly criticized the Fed for its interest-rate increases, complained at length about Powell in the interview. He said the central bank's policies are responsible for recent stock market declines and for GM's announcement this week that it would close five factories in North America and lay off 14,000 workers next year, the Post reported. "*I'm doing deals and I'm not being accommodated by the Fed*," Trump told the Post. "**They're making a mistake because I have a gut and my gut tells me more sometimes than anybody else's brain can ever tell me**". A recent Washington Post report – that quoted current and former US officials – had previously suggested that Trump discussed on multiple occasions giving Yellen another term at the central bank but was concerned over her height! He feared that at 5 feet and 3 inches she just was not tall enough to get the job done ☹ (Not Funny!)

- **Mnuchin Says Unauthorized Person Sent GM Tweet From Account:** Treasury Secretary Steven Mnuchin deleted a retweeted Twitter post blasting General Motors Co.'s plan to close U.S. factories and said someone had gained unauthorized access to his account. Mnuchin did not say who made the post -- a retweet of an account called @The_Trump_Train, which has no identified owner or operator -- and did not claim that his account had been hacked. President Donald Trump retweeted the same posting and has NOT deleted it. The tweet from @The_Trump_Train said that GM "*should pay back the $11.2 billion bailout that was funded by the American taxpayer*."

- **Goldman Chairman Met Privately With Fugitive Accused in Malaysian Fraud:** US Federal prosecutors are examining a December 2012 meeting, that took place between Jho Low – a financier with close ties to the previous Malaysian prime minister - and Goldman Sachs Chairman and chief executive Llyod C. Blankfein as they conduct a criminal investigation of the bank, two of the people said. The existence of a face-to-face meeting between Goldman's chief executive and the man accused of being the mastermind in a multibillion-dollar fraud involving a Malaysian government investment fund (1MBD) undercuts an argument the bank had made earlier: That its problems stem from the actions of a small number of rogue employees. Anwar Ibrahim, the likely future prime minister of Malaysia, has condemned Goldman Sachs' role in the 1Malaysia Development Berhad scandal as "*disgusting*" and demanded reparations in excess of the US$ 600 million the bank gained in fees from the state investment fund. Goldman Sachs declined to comment on Mr Anwar's remarks. The US Department of Justice has so far indicted two former Goldman bankers - Tim Leissner and Roger Ng – whilst an Abu Dhabi sovereign wealth fund has sued the Wall Street bank for allegedly bribing its officials during the 1MDB fraud.

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