- **Mounting concerns about trade are exacerbating the deceleration in global growth expectations.** If it continues, the current tit-for-tat escalation could become reminiscent of the Smoot-Hawley tariff in 1930 (it deepened the Great Depression). Economists forecast that a full-blown war with a 10% increase in tariffs on all goods traded around the world would only reduce global GDP by 2% - regarded as a 'manageable shock'. But this underestimates **the paralyzing effect of the uncertainty generated by trade tensions.** Investors globally, ponder: where should I make my next investment? Shall I wait and see? How confident can I be that the current rules will not be changed? Such a mind-set **dampens animal spirits.**

- Outside the US, many Westerners still think they will wake up from a bad dream once Trump is gone, and that soon after the liberal rules-based order will be restored. Wrong! Leaving aside that Trump is the symptom of a malaise, not an epiphenomenon, **his popularity is real and has never been higher**: at 45% among the US adult population and 90% among the Republicans (according to Gallup). **The chance he'll be re-elected is real**, with a substantial likelihood that the same policy – America owes nothing to anyone – will be pursued. The take-away for Investors and business leaders: **more investment restrictions and export controls are coming**, from the US and the rest of the world as well. Retrenchment is contagious.

- Trade spats reflect the rise in economic nationalism, not only in the White House, but also around the world. Therefore, it should come as no surprise that **global FDI** (foreign direct investment) **is falling**. After a precipitous 27% drop last year, it is expected to be flat this year. This suggests that a **"shortening" of the supply chain** may become an enduring investment trend - locally sourced goods (be they agricultural or manufactured) will be favoured.

- The stronger dollar – a consequence of US monetary policy tightening - is fuelling the flames of Trump's tirade about the US trade deficit (by lowering import prices and increasing export prices). **A rising dollar is bad for all risk asset**s, but this is particularly true for EM assets. As the Fed continues to reduce its balance sheet, it will drain dollar liquidity and will make $ denominated EM debt more precarious.

- **China's indebtedness continues to grow faster than its capacity to service the debt**. As a result, the authorities are now faced with the following dilemma: (1) either restrict credit creation at the cost of a sharp slowdown in economic growth; (2) or do the opposite, at the cost of perilously worsening the debt burden (it stood last year at 256% of GDP, according to the BIS). A rock and a hard place - neither alternative is appealing. In the coming months, **a financial panic would come as no surprise**.

- Euro-doomers are back in force, their conviction fuelled by a spate of bad news for the EU: the beginning of a trade war with the US, a Eurosceptic government in Italy, another five EU governments becoming more anti-EU by the day, populism growing everywhere, the south blaming the north for its economic ailments, the east blaming the west for its social ills… All true, but this obscures some good news: growth is slowing but remains above 2% and better distributed across countries than in the past, EU unemployment is down to 7.1% (with some huge variations by countries); real wages are rising (1.2%); while public finances are improving (with public debt at 80% of GDP, down from 88% 4 years ago). The bottom line: **despite all the EU imperfections and travails, a majority of European citizens still prefer to be in rather than out.**

- Paul Polman (Unilever's CEO) recently confessed: "Our biggest threat is that we lose connection with millennials". Emmanuel Faber (Danone's CEO) echoes his concerns: "Millennials want committed brands with authentic products. Natural, simpler, and if possible small, as small as you can". **Millennials**, who are now coming of age and approaching their peak earning years, **are going to reshape consumption into a much more fragmented market**. Big brands are likely to be the main losers. Small companies, particularly in the organic and wellness space, stand to be the winners.

- To comprehend how potent the **"automation tsunami"** is going to be, look no further than China. JD.com, a Chinese e-commerce company, just completed a fulfilment centre in Shanghai that can organize, pack and ship **200,000 orders** a day. It **employs 4 people** in total – **robots do the rest**. By its own admission, JD is working hard to eliminate "costly workers", making it plain that automation and AI will entail massive labour-substitution effects. The take-away: **tech change and the coming wave of disruption are not linear but exponential**. Incumbents anticipating change in 2 to 4 years will see it happening in 1 or 2 years instead.

- **Little by little, geo-technology is superseding geopolitics**: geo-tech is to the 21st century what geopolitics was to the 19th and 20th centuries, with AI as the main battleground. The global race for tech (AI, robotics, machine learning, biotech, quantum computing and so on – all intertwined) supremacy is redefining the global order. China is set on victory with an ambitious plan - "Made in China 2025" – and commensurate investments. **US' continued tech dominance is no longer a given**. Furthermore, there is space for smaller outliers: Israel, Sweden, France, South Korea…

- In a majority of rich countries, **the migration issue is moving to the forefront of policy and discontent** – a paradox, considering that for the first time since 2011, migration to the richest 35 countries has dropped (by as much as 70% in the case of Europe). Fears about migrants are highly correlated with anxiety about the future – which connects with the point above. As automation makes large numbers of people increasingly vulnerable (if not irrelevant), societies are becoming more polarized and "techno-feudal", with a concentration of income caused by scarcity rents. **Populism ensues, accompanied by a rise in tribalism**.