

- **Global economic data continues to soften.** The next few months will be characterised by a **synchronised slowdown** - the exact opposite of the synchronised upswing that occurred during most of last year. To various degrees, tighter monetary conditions and trade tensions will slow growth in China, the US, Europe and Japan. Emerging markets that rely on foreign capital inflows will be particularly vulnerable.

- **The US economy is doing great and much better than most, but just for now.** Yes: it grew at 3.5% in the 3rd quarter, is on track to match the longest expansion in its history (the 120 months to 2008) and for the 97th consecutive month companies added jobs, bringing unemployment down to 3.7% (the lowest in 49 years). But **the excesses are becoming apparent.** The public debt is ballooning - servicing it will triple to almost USD1 trillion per year by 2028. As the impact of the tax cuts fades and that of the trade war increases, the cycle will inevitably turn.

- More Influential pundits and investors (like Ray Dalio from Bridgewater) **warn that today's world resembles that of the 1930s: overleveraged and beset by polarization.** Between 1914 and 1945, four interlocking factors led to Europe's self-destruction and to war: (1) a questioning of capitalism; (2) rising nationalism; (3) an acute class conflict; and (4) territorial revisionism. The scenario today is similar but not the same: 1, 2 and 3 are engulfing much of the world, but to a lesser degree than in the 1930s. But most importantly, we don't have 4 (at least not in Europe, with the exception of Russia). History doesn't have to repeat itself in all its horror, but the endgame for investors surely will: **lower returns and higher taxes.**

- The draft agreement on Brexit has been approved by the EU but has yet to overcome its biggest hurdle: the UK Parliament on Dec. 11. Nobody knows what will happen. There is no majority for Theresa May's deal (which, according to her government's forecast, will leave the country worse off) with MPs divided between a set of equally unappealing options: (1) a no-deal (catastrophic), (2) a 2nd referendum (problematic), (3) a general election (with a Corbyn victory) and (4) a Norway-plus option (that would leave the UK even more as a EU rule-taker). Hillary Clinton was right when she said of Brexit that it could prove to be **"the greatest self-inflicted wound in modern history"**.

- This National Climate Assessment - prepared by 13 US federal agencies - warns that the impact of global warming on the US far outpaces previous projections, both in terms of economic impact (could slash up to a tenth of US GDP by 2100) and environmental damage. Its conclusions diametrically oppose Trump policies. Climate change-sceptics point to the benefits of global warming (like farming in the north), but they ignore its deeply **asymmetrical effects** (negatives supersede positives by far). We can only repeat what we've already said so many times: **investing in technologies or processes that curtail emissions will be a winner**, whether imposed by fiat (China) or by necessity (the US).

- In most rich countries, **the 85-94 old age bracket is the fastest-growing segment of the population.** Adjusting to rising longevity begs three fundamental questions that will reshape much of the global economy and the world of investing in the years to come: (1) who will take care of the elderly? (2) Where are they going to live? (3) How will they age "gracefully"?

Investing in the plethora of sectors related to longevity will become an even more compelling theme. Any goods or services that demonstrably prolong longevity or make it healthier and happier will be a hit. Apart from the obvious (like medical technologies, cruise-ships retirement homes and the "wellness economy" at large), anything related to physical exercise - the strongest anti-ageing medicine of all - will boom. **Investing in the great outdoors is timely!**

- In previous issues we warned that, **increasingly, countries and companies would be forced to take sides in the crossfire that opposes China and the US.** The fiefdoms currently being carved out by the tech giants in Africa, South-east Asia, Europe and the Middle East (Alibaba or JD.com vs. Amazon, Weibo vs. Twitter, WeChat vs. WhatsApp) is symptomatic of this trend. However, there'll be more and more cases in which businesses are simply shut off from a large chunk of their market. Huawei (a Chinese company that dominates the world's telecom-equipment market) is one such example: the US just 'asked' its allies to exclude Huawei from any 5G networks contracts. **Increasingly, geopolitical rivalries will affect companies' value and share price.**

- Money, not ignorance, lies behind denial about climate change, the nefarious effect of some pesticides, the effectiveness of obesity taxes, or any other issue that is supported by an overwhelming scientific consensus. **Behind the denial, there is always a business lobby with a financial interest in confusing the public.** To some extent, this is accentuated by the "extreme economic concentration" (so prevalent in the US): a theme of rising relevance.

- A Chinese scientist's claim that he genetically engineered two HIV resistant babies has provoked outrage among regulators, medical experts and ethicists. What does this mean? (1) While for now the scientific risks of gene editing remain unforeseeable, **there is no putting the genie back in the bottle** and China is racing ahead; (2) the science is progressing, but the debate about the immensely complex moral, ethical and legal issues associated with gene editing has barely started. **These are mindboggling and risk confronting the very essence of our humanness.**

- An equally unsettling story is being played out in an adjacent field of tech. This time, it touches the boundaries of privacy and personal freedom - a bonsai version of China's plan to grade by 2021 all 1.3 billion citizens on their "social behaviour". More and more, tech AI companies are selling recruitment technology to both large employers and individuals (to choose a babysitter for example) that assesses candidates not only on their online history but also on an analysis of their voice tone and facial movements to detect "bad attitudes". **Algorithm biases + our past are thus becoming our future.** How will this affect our behaviour? By a necessity to conform, as a starter...

- Over the next few weeks, top **"must-watch" issues include:** (1) global trade tensions with a focus on US-China; (2) whether the Fed will abandon "gradualism"; (3) the Dec. 11 UK Parliamentary elections.

