

It's a mess

2 weeks away from the office visiting clients, and I return to virtually the same story that was running when I left - Brexit...mess, US / China trade...mess, European politics...mess, markets...messed up. And 2019 will likely be worse! Roll on the New Year!



Mess

Decisions, decisions

This week, UK politicians will decide not to proceed with Theresa May's Brexit deal (most probably - we will find out tomorrow / Wednesday Asia time). ([see also James Smith's latest on this from our monthly update](#)).

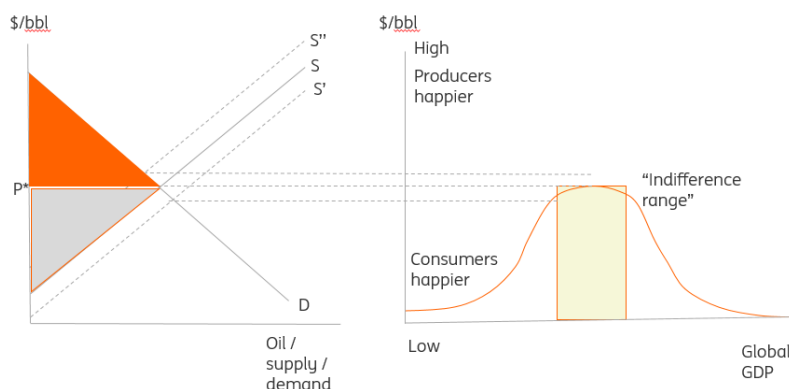
Some politicians will vote against the deal for party political reasons; some for (possibly misguided) reasons of principle; some possibly for personal and career enrichment. With the EU very unlikely to be in the mood for re-negotiation, and UK politicians not wanting to see the UK crashing out of the EU with no deal, the so-called "Norway plus" option looks to be becoming the central default option. This hasn't got much airplay as it was always, and probably rightly regarded as one of the worst alternatives for the UK - a bit like saying to the Brexiters, you have left the EU, but remain part of all of its institutions, and for the remainers, you are still sort-of in the EU, just without any of the good bits you enjoyed before. A couple of days and a couple (OK more than a couple) of drinks in the UK with old friends and colleagues has seen even some of the original leavers arguing for a second referendum. So far, the UK population has not reacted to their politicians' lack of

progress French-style. But it might not take much to spark a protest and demand a rethink. The weather has been unseasonably warm - that's good rioting weather...

Dinner dates

I left Singapore a little over 2 weeks ago on a marketing trip just as we headed towards the G-20 meetings and some optimism that a deal would be struck. I admit that in advance, I was pessimistic. And on the day, I had to concede that at least the Trump - Xi "relationship" seemed to be intact. That said, it was hard to see where any tangible progress had been made.

China did offer to buy more agricultural products - for which read, Soybeans. This was just as well. Brazil has sold China all of theirs already. One, therefore, wonders if that made this particular concession one that was always going to be made? As for intellectual property, the key sticking point for much of this US-China trade dispute, this is a hard one to credibly pin down. Sure a few laws in China can be changed, just as they were on copyright and patent infringement years ago. Has that stopped counterfeiting from happening? No. As for the extradition now in play for key Chinese corporate personnel, that simply cannot be dissociated from the G-20 deal as is being claimed. I see almost no chance that trade tensions will simmer down after March 30th. They may get substantially worse. That's bad news for Chinese growth, US growth, global trade, global risk assets, commodities, EM currencies. Can we just skip 2019 and move straight to 2020?



Oil prices

Oil, at least that looks a little better

At least last Friday's "OPEC-plus" deal seems to be preventing oil from further declines. I say this as if this is a good thing, and indeed, I mean it. It's not a widely held view, most people tend to just assume that high oil prices are bad, and low ones are good. But it's really not that simple. It's also not even as simple as saying that it's just a transfer, so the net effect just washes out. Really high oil prices and really low oil prices are in net terms less positive for global growth than oil prices in a more neutral middle range, what I refer to as the "range of indifference", where producers and consumers are equally miserable / happy. We were on the lower side of my estimate of the bottom range of this range (\$65 measured by Brent) before the latest OPEC plus announcement. If oil rises to \$70/bbl as our commodity strategists think, that will take us back into a better range, though still short of the higher end (\$75/bbl again, my wet-finger estimate). That's a good place for Asia and Asian exporters, and also not too bad a place for the big oil importers like India. At least some better news then?

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