

Weekly Market Summary

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It's The Final Countdown!! Guess - After All - the World Could Soon Come to an End!

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Bitcoin at \$ 17,000, as the crypto currency mania reaches new heights with the regulated US exchange operator CBOE Global Markets Inc. planning to start trading bitcoin futures on December 10th, whilst Chicago rival CME Group Inc.'s contracts are set to debut on December 18th. (*And to think I was truly convinced we had reached bubbly territory when bitcoin traded up to \$ 6000 in mid-October 2017!*)

Minnesota Senator Al Franken, once a rising star in the Democratic Party, has just announced that he will soon resign amid multiple sexual misconduct allegations. Two days prior to that, Representative John Conyers Jr. (D-Mich.), a civil-rights leader and the longest-serving member of Congress, became the first lawmaker to step down following harassment allegations. In Alabama, Republican Roy Moore – a former supreme court judge and current contender for the U.S. Senate contest in that State - has rebooted his campaign despite multiple accusations for child molestation, with many of his supporters comparing him to Jesus (!?!). And if that was not enough, viewers of America's morning news television programmes have constantly tuned in over their breakfast cereal to see female presenters reporting the firings of their male co-hosts over inappropriate sexual behaviour (including NBC's announcement that Matt Lauer had been fired following a complaint from a co-worker & CBS's announcement that Charlie Rose would be ousted over allegations of sexual harassment). The "*reckoning*" was triggered in October by allegations that Harvey Weinstein, the powerful Hollywood producer, had assaulted multiple women. Since those claims were made public, dozens of prominent men have come under fire, from Oscar-winner Kevin Spacey to John Lasseter, head of animation at Walt Disney and Pixar.

The fevered hunt for the mystery buyer of the last Leonardo da Vinci painting on November 15th for a staggering US\$ 450 million - a world auction record - has finally come to a happy end! A little-known Saudi prince from a remote branch of the royal family, with no history as a major art collector and no publicly known source of great wealth, known as Bader bin Abdullah bin Mohammed bin Farhan al-Saud! Bader indulged on this controversial portrait of Christ at a time when most of the Saudi Arabian elite were the subjects of a sweeping crackdown against corruption and self-enrichment. Worth noting that the newly opened branch of the Louvre in Abu Dhabi, in the United Arab Emirates, has tweeted on Wednesday that the painting "*is coming to Louvre Abu Dhabi.*"

California's raging wildfires are forcing new waves of evacuations, with hundreds of thousands of people fleeing from their homes as an increasing number of wildfires fanned by strong winds have raged around Los Angeles. Residents have posted videos on social media that resembled a Hollywood disaster movie, as a hillside next to the 405 freeway on the northern side of LA is engulfed by flames forcing the closure of one of America's busiest routes during the morning rush hour. Several homes in the upmarket Bel-Air neighbourhood, where properties are worth millions of dollars, were burnt on Wednesday morning, close to the Getty Center's valuable art collection. The fires are being spread by the local "*Santa Ana*" winds, which the National Weather Service said are expected to gust up to 70 mph and continue at least until today afternoon. California has already suffered its worst ever fire season this year, including October's devastating Napa and Sonoma blazes. The California Department of Forestry and Fire Protection counted 6,762 fires from January 1 to December 3 consuming more than 500,000 acres, more than double the five-year average size.

And if the above fascinating developments were not enough, US President Trump has defied warnings from allies across the world and overturned decades of US foreign policy by announcing on Wednesday evening (Bahrain time) that he is recognising Jerusalem as the capital of Israel, and triggering plans to move the US embassy there, from Tel Aviv. The US president described the step as a long overdue move that would advance the peace process (*Yeah Sure!*). He declared the US would support a two-state solution for the Palestinians and Israelis should they embrace such an outcome. *"This is nothing more or less than recognition of reality,"* Mr Trump said in his address. *"It is also the right thing to do."* The decision allows Mr Trump to demonstrate resolve on a hugely symbolic issue and redeem a pledge to supporters and key donors that he first made during the presidential campaign. Benjamin Netanyahu, Israeli prime minister, broke his silence on the issue following the president's speech, calling it a *"historic day"* and thanking Mr Trump for his *"courageous and just"* decision. *"The president's decision is an important step towards peace, for there is no peace that doesn't include Jerusalem as the capital of the state of Israel,"* Mr Netanyahu said (*blah, blah, blah ...*). Saeb Erekat, the chief Palestinian negotiator, said Mr Trump had *"destroyed any possibility of a two-state [solution]"* and was in *"total contradiction of agreements signed between Palestinians and Israelis"*. *"This step is prejudging, dictating, closing doors for negotiations, and I think President Trump tonight disqualified the United States of America to play any role in any peace process,"* Mr Erekat told reporters. Mahmoud Abbas, the president of the Palestinian Authority, said that *"Jerusalem is the capital of Palestine. It's too great for anyone to change its status."* Leaders around the world, among them King Abdullah of Jordan and Recep Tayyip Erdogan, the Turkish president, have warned the move would have dangerous consequences. The Saudi state news agency quoted an unnamed foreign ministry official as saying the recognition will have *"serious implications and will be provocative to all Muslims"*. Even Theresa May, the UK prime minister and close ally of the US (up till recently ☺), said the move was *"unhelpful in terms of prospects for peace in the region"*. She called on the Trump administration to *"bring forward detailed proposals for an Israel-Palestinian settlement"*. The EU expressed *"serious concern"* and called on all parties to show calm and restraint. Today, security forces are deployed across Jerusalem and the occupied West Bank as Israel braces for a wave of Palestinian protests (dozens of people have already been wounded in clashes on Thursday as Israeli forces used water cannon, tear gas and rubber bullets against thousands of Palestinians who demonstrated in the West Bank and along the border with Gaza!).

Last, and possibly on a more sensible note (given my current humble and experienced banker role, and not the audacious political commentator hero ☺), the focus will shift this afternoon to the all-important US payroll release*! Bloomberg consensus is for November payrolls to rise by a strong 195,000 (following an astounding 261,000 jump in NFP for the month of October). A print in excess of 150,000 would surely seal a 25 bps rate hike for the US o/n Fed funds rate at next week's December 13th FOMC meeting (interest rate market already assigning a 98.5% probability for such outcome). As always, it will also be worth keeping a close eye on the other important elements of the report, namely the unemployment rate (expected to remain unchanged at 4.1%) average hourly earnings (likely to rise to +0.3% mom /+2.7% yoy), the participation rate (last at a depressed 62.7%) and average weekly hours (expected unchanged at 34.4 hours).

**November US Payroll Number Out: This US expansion continuous unabated, creating in the process many more new jobs every month. November data stay on that message, but also did not alter the tale of workers' little bargaining power for higher wages, and hence a continuation of moderate wage gains. The 228,000 increase in payrolls was slightly above consensus, but the 4.1% jobless rate matched forecasts. Hourly earnings did manage a reasonable 0.2% gain, but a downward revision to the prior month had the 12-month pace at a weak 2.5% mark, two ticks below consensus forecasts (that had been expecting a more meaningful pick-up). The composition of job gains was favourable, with a 31K rise in manufacturing, and broad based gains in other sectors. Aggregate hours were up 0.5% on the month, so total labour income will surely be expected to provide a backing for holiday shopping. Overall, another solid payroll number, but no pressure on wage inflation to compel the Fed to accelerate its rate hike program after the hike the whole market expects for next week (December 13th FOMC meeting). Overall, the number should result in higher yields, stocks and USD over the medium term (so far, we're seeing the opposite market reaction!).*

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