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Wall Street Has Seen the Future, and It's Here

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Comments of the Day

21 November 2019

Video commentary for November 20th 2019

Eoin Treacy's view

A link to today's video commentary is posted in the Subscriber's Area.

Some of the topics discussed include: geopolitical tensions rise over the Hong Kong protests but markets relatively muted, some consolidation of recent gains does look likely at this stage, oil firm, gold steady, Australian yields under pressure.

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U.K. Accuses China of Torturing Ex-Hong Kong Consulate Worker

This article by Iain Marlow and Lucille Liu for Bloomberg may be of interest to subscribers. Here is a section:

The intervention comes after Simon Cheng -- a Hong Kong resident who worked for the consulate's business-development team before he went missing in mainland China for 15 days in August -- said on Wednesday he was beaten and forced to confess while detained by Chinese agents, who pressed him for information on participants in the city's protests.

"Simon Cheng was a valued member of our team," U.K. Foreign Secretary Dominic Raab said in a statement. "We were shocked and appalled by the mistreatment he suffered while in Chinese detention, which amounts to torture." Raab said he summoned the Chinese ambassador in London to demand an investigation into the "brutal and disgraceful treatment of Simon in violation of China's international obligations."

Eoin Treacy's view

China claims anyone with Chinese heritage as its own, regardless of where they were born or what passport they hold. It's what forms the basis for the greater China argument and is used to back up their territorial claims well beyond their land border. It also ensures that people who look Chinese tend to be treated as if they are Chinese when in custody. It's

questionable whether Simon Cheng would have been treated the same were he Caucasian.

Wall Street Has Seen the Future, and It's Here

This article by John Authers may be of interest to subscribers. Here is a section:

HUAWEI

There were startlingly few references to Europe or Japan. The only time I heard the word "Brexit" was in a self-deprecatory comment from an Englishman. But China is front and center. There appeared to be little deep belief that a trade truce would create much of a reason to buy stocks or other risk assets. Instead, there is a concern about the deeper source of the U.S.-China conflict, over the safeguarding of intellectual property, and the notion that China has stolen American ideas and jobs. Huawei Technologies Co., the telecom equipment manufacturer, is the poster child for the dispute over intellectual property. Buzz words like the risk of a "Silicon Curtain" to divide the world as the Iron Curtain once did are also floating around.

What can investors do to protect ourselves? Most seem to think the U.S. and China are likely to survive relatively unscathed. Investing in companies that will benefit from a likely increase in spending on IT in China was an interesting idea from UBS's Tan, who also suggests looking for beneficiaries of supply chain resets, such as Vietnam and other parts of emerging Asia. I would add Mexico, which has an obvious logistical advantage.

Eoin Treacy's view

The consensus is very often wrong and predictions about what is likely to occur next year tell us more about what people are worried about now, and how they are positioned, than they do about the future.

Australia to Fast-Track \$2.6 Billion of Infrastructure Projects

This article by Jason Scott for Bloomberg may be of interest to subscribers. Here is a section:

Morrison has been loathe to provide stimulus that may jeopardize a promised return to surplus this fiscal year, even after the central bank urged his government to help facilitate spending on major projects.

Reserve Bank of Australia chief Philip Lowe has called for the government to tap record-low borrowing costs to ramp up investment in roads, railways and bridges to support economic growth and employment as the central bank's conventional interest-rate ammunition comes to an end.

Treasurer Josh Frydenberg has so far resisted bringing forward additional income tax cuts, maintaining he's already doing enough to support the economy. Morrison will maintain that stance in Wednesday's speech.

"A panicked reaction to contemporary challenges would amount to a serious misdiagnosis of our economic situation," Morrison will say in the speech. "A responsible and sensible government does not run the country as if it is constantly at DEFCON1 the whole time, whether on the economy or any other issue."

Eoin Treacy's view

While the ideal of a budget surplus is laudable, the government bond market is suggesting a lot more stimulus is required to reignite animal spirits. Easing mortgage rules, fiscal stimulus and lower interest rates are have all been implemented in the last few months to support growth but Australia has among the world's highest consumer debt to GDP ratios. That suggests continued commitment to supporting the economy is going to be required if the expansion is to persist.

Eoin's personal portfolio: precious metals long initiated

Eoin Treacy's view

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