Hope all goes well… "Chairman, the horse has left the barn, you have all of the information," said Joseph Macguire, Acting Director of National Intelligence. But of course, in these sorts of matters, when a person of authority first says you have all the information, the only thing you know for sure is that there's more to come. And with that, the markets repriced. In betting websites, odds of Trump completing his first term plunged from 84% to 71%. Biden's odds of being the Democrat's nominee fell from 26% to 22% - a new low. Odds of Warren being the Dem nominee jumped from 41% to 51% - a new high. Odds of a Democrat winning in 2020 remained broadly unchanged at 58%. Democrat retention of the House was steady at a 75% probability. Republican hold of the Senate was unchanged at 68%. And the S&P 500 ended the week just 1% lower (+18.1% on the year).

Overall: "The most important difference in America's new approach on trade concerns our relationship with China," said President Trump to an auditorium of world leaders at the UN. And because his statement on China was so important, I included it in its entirety: "In 2001, China was admitted to the WTO. Our leaders then argued that this decision would compel China to liberalize its economy and strengthen protections to provide things that were unacceptable to us, and for private property and for the rule of law. Two decades later, this theory has been tested and proven completely wrong. Not only has China declined to adopt promised reforms, it has embraced an economic model dependent on massive market barriers, heavy state subsidies, currency manipulation, product dumping, forced technology transfers, and the theft of intellectual property and also trade secrets on a grand scale. As just one example, I recently met the CEO of a terrific American company, Micron Technology, at the White House. Micron produces memory chips used in countless electronics. To advance the Chinese government's five-year economic plan, a company owned by the Chinese state allegedly stole Micron's designs, valued at up to $8.7 billion. Soon, the Chinese company obtains patents for nearly an identical product, and Micron was banned from selling its own goods in China. But we are seeking justice. The United States lost 60,000 factories after China entered the WTO. This is happening to other countries all over the globe. The World Trade Organization needs drastic change. The second-largest economy in the world should not be permitted to declare itself a "developing country" in order to game the system at others' expense. For years, these abuses were tolerated, ignored, or even encouraged. Globalism exerted a religious pull over past leaders, causing them to ignore their own national interests. But as far as America is concerned, those days are over. To confront these unfair practices, I placed massive tariffs on more than $500 billion worth of Chinese-made goods. Already, as a result of these tariffs, supply chains are relocating back to America and to other nations, and billions of dollars are being paid to our Treasury. The American people are absolutely committed to restoring balance to our relationship with China. Hopefully, we can reach an agreement that would be beneficial for both countries. But as I have made very clear, I will not accept a bad deal for the American people."

Week-in-Review (expressed in YoY terms): Last Sat/Sun: US to send weapons and troops to Saudi Arabia, Saudi vow to retaliate for attacks on their oil facilities, protests break out across Egypt calling for el-Sisi the dictator to step down, Yellow-Vest protestors return to Paris (137 detained), clashes erupt in HK with protestors throwing gas bombs; **Mon:** IMF raises Turkey 2019 GDP forecast from -2.5% to +0.25%, EU composite PMI -1.5 to 50.4 (6yr low), US PMI manu +0.7 to 51.0 (5mth high), Fed injects $66bln in funding markets to stabilize rates, S&P

flat; **Tue:** China says it will increase efforts to stimulate growth, Japan PMI manu -0.4 to 48.9 (7mth low), Draghi warns EU economy faces “prolonged sag,” German auto production -12% (auto exports -14%), German PMI manu -2.1 to 41.1, UK’s top court rules that suspension of Parliament was unlawful (Johnson rushes back to UK), Fed conducts repo operation to ease funding pressures, Pelosi holds meeting on whether to impeach Trump following Ukraine issue, consumer confidence -9.1 to 125.1 (3mth low), S&P -0.8%; **Wed:** US avg tariffs on Chinese imports jumps to 23% from 3.1% in Jan 2018, Global exports -0.4% (marks 6th fall in real global exports in 8mths), White House releases transcript of Ukraine call, Trump “a China deal could happen sooner than you think,” US new home sales hit highest since 2007, Fed boosts 2wk repo liquidity offers to $60bn and overnight to $100bln, S&P +0.6%; **Thur:** Abe/Trump sign partial trade deal at UN summit in NY, Mexico cuts rates 25bps to 7.75%, EU lending to non-financial corporations +4.3% (highest in decade), EU lending to consumers +3.4%, Congress publishes declassified whistleblower report (on Ukraine/Trump call), S&P downgrades WeWork debt, pending home sales jump, monthly trade deficit rises $400mm to $72.8bln (exports $137.8bln and imports $210.6bln), revised Q2 GDP +2.0% (consumer spending +4.6%), banks take $60bln in repo cash from Fed, S&P -0.2%; **Fri:** Kremlin taunts US by saying it hopes White House will not release Putin/Trump transcripts, Italy issues 5yr debt at 0.26% and 10yr at 0.88% (all-time low), BOE’s Saunders says bank could cut rates even if UK avoids no-deal Brexit, US core PCE inflation +1.8%, demand for Fed repo injections falls to $49bln versus $60bln offered, Trump considering plan to stop Chinese companies from listing on US exchanges, S&P -0.5%; **Sat/Sun:** Trump tweet “Can you imagine if these Do Nothing Democrat Savages, people like Nadler, Schiff, AOC Plus 3, and many more, had a Republican Party who would have done to Obama what the Do Nothings are doing to me. Oh well, maybe next time!”, White House restricted access to Putin/Saudi conversations.

Weekly Close: S&P 500 -1.0% and VIX +1.90 at +17.22. Nikkei -0.9%, Shanghai -2.5%, Euro Stoxx -0.3%, Bovespa +0.2%, MSCI World -0.6%, and MSCI Emerging -1.2%. USD rose +26.4% vs Ethereum, +25.7% vs Bitcoin, +1.5% vs Sterling, +1.3% vs South Africa, +1.3% vs Chile, +1.2% vs Mexico, +1.1% vs Russia, +0.8% vs Indonesia, +0.8% vs Sweden, +0.7% vs Euro, +0.4% vs China, +0.4% vs Yen, +0.2% vs Brazil, and flat vs Australia. USD fell -1.3% vs Turkey, -0.5% vs India, and -0.2% vs Canada. Gold -1.4%, Silver -2.7%, Oil -3.9%, Copper +0.3%, Iron Ore flat, Corn +0.3%. 5y5y inflation swaps (EU -7bps at 1.18%, US -9bps at 1.90%, JP -1bp at 0.11%, and UK +4bps at 3.67%). 2yr Notes -5bps at 1.64% and 10yr Notes -4bps at 1.69%.

YTD Equity Index Returns: Greece +35.6% priced in US dollars (+41.9% priced in euros), Russia +25.3% in dollars (+16.4% in rubles), Israel +23.4% (+15%), Canada +19.7% (+16.6%), NASDAQ +19.7%, Switzerland +18.4% (+19.1%), S&P 500 +18.1%, New Zealand +15.3% (+23%), Italy +14.9% (+20.2%), Australia +14.2% (+18.9%), France +13.9% (+19.2%), China +13.5% (+17.6%), Netherlands +13.3% (+18.5%), Euro Stoxx 50 +12.9% (+18.1%), Russell +12.7%, Germany +12.2% (+17.3%), Japan +11.9% (+9.3%), Denmark +11.8% (+16.8%), Thailand +11.7% (+5.1%), Brazil +11.2% (+19.6%), Portugal +10% (+15.1%), Taiwan +9.5% (+11.3%), Belgium +9.4% (+14.4%), Colombia +8.4% (+15.7%), Ireland +7.7% (+12.7%), Turkey +7.6% (+15.2%), Sweden +7% (+16.9%), UK +6.6% (+10.4%), Philippines +5.9% (+4.7%), Norway +5.8% (+10.1%), Austria +5.3% (+10%), India +4.5% (+6%), Finland +3.5% (+8.2%), UAE +3.1% (+3.1%), Spain +2.8% (+7.5%), Mexico +2.7% (+2.9%), Indonesia +2.4%

(+0%), Saudi Arabia +2.2% (+2.6%), Singapore +0.5% (+1.9%), HK +0.3% (+0.4%), Czech Republic +0.3% (+5.3%), South Africa -0.3% (+5.2%), Hungary -4.2% (+4.5%), Chile -4.6% (-0.1%), Poland -6.1% (0%), Korea -6.8% (+0.4%), Malaysia -7.6% (-6.3%), Venezuela -15.9% (+3017.3%), Argentina -37.4% (-4.7%).

Lunch: "We're approaching a redistribution," said the macro CIO, swinging through NY. We were discussing trades, themes, the big picture. "What lies behind us were all good things for asset owners, and what lies ahead is in many respects the opposite." We were eating at some Greek place. "Investors rode a trend based on stock buybacks, high profit margins (which are the inverse of low wages), low taxes, and loose regulation of technology," he said, holding up four fingers. "Now think about what lies ahead." And he lowered each finger into a closed fist.

Lunch II: We hit peak inequality and it sparked a political response across the globe, I said. And it occurred at a time when monetary policy has largely hit its limit – those two things are obviously related. So now markets bump along with investors scrambling for sources of scarce yield, accepting more risk for less return, until something goes wrong – then the profound changes that are happening beneath the surface become clear. That's when we see an enormous fiscal response, whether we call it MMT or not won't matter. That's what's coming next.

Lunch III: "I spend a lot of time in Tokyo," said the same CIO, dropping heavy names from his recent visit. "I've been pressing them for years to get seriously aggressive. When the government can borrow for 20-years at -0.20% in a nation filled with so many smart scientists, how can you not issue bonds and invest massively in primary science? Surely you'll earn a positive return on that kind of investment - that's not building bridges to nowhere," he said. "But my contacts there can't seem to wrap their heads around anything that challenges their orthodoxy."

Lunch IV: Established economic and political interests created myths about how economies work, I said in response. Entrenched interests fear change and will do everything possible to maintain the status quo. They created what we now call economic orthodoxy. But according to it, all this QE would have sparked massive inflation. Japan's 250% Debt/GDP would have provoked economic collapse. But these things haven't happened, because the myths are not truths. And as the faith in orthodoxy melts, established interests will fall, real change will come.

Lunch V: "When will the redistribution process really begins to manifest in markets? That's the question," said the CIO. "When it begins, there will be big trends to ride and leverage. That's what happens in phase shifts. Until then there's probably a tradeable move in bunds when yields jump on fiscal stimulus. That'll be short lived, then rates will grind more and more negative until we hit the crisis," he said. "Until then, it's a hard trade, because all the pieces are in place but they haven't come together in a way that forces investors to materially change their portfolios."

Lunch VI: You need to be buying volatility, I said. People are focused on interest rate vol, but central bankers are terrified of rates rising. They'll try to engineer negative real rates for a decade or more to get us all out from beneath this debt pile. That means the volatility will surface elsewhere. FX implied volatility is near all-time lows and in a world where central banks are scared to hike to defend their exchange rates, currencies are where the volatility should first appear, and then the vol in equities will explode. That's where the biggest structural shorts are.

Anecdote: "I'm not yet sure how to think about the conflict," said the same macro CIO. "I can imagine a world where East and West coexist peacefully, but I know some powerful people here who think the window is closing on America's ability to contain China and maintain military superiority," he said. "That's the kind of worldview that leads to kinetic conflict. But the US misunderstands China. Ironically, it is strong now but will grow brittle as time passes," he said. "Their surveillance state is now firmly established and will only get stronger, more sophisticated. But there will be costs to that - to the dynamism of their society, economy. They may be able to anticipate dissent and crush it, but they'll expose themselves to cracks and divisions from within," he said. "The deal was always that guys like Jack Ma could make billions, but the state would take most of it. When he started buying property overseas, you knew the process had started - this is an example of something that will undermine their economic strength," he said. The real window that I see closing is different, I explained. Advances in processing speeds, artificial intelligence, weaponry and proliferation mean we're approaching a point where there will be so little time to respond to an overwhelming military attack that we'll need to turn our defensive systems over to machines. As we approach that moment, it's conceivable that some nation will conclude that its most rational course of action is to strike preemptively. So ironically, technology is closing the window on our ability to coexist peacefully. We need a radical rethink in terms of how we interact with one another to avoid catastrophe. And I often wonder if the reason we've not discovered signs of life in the universe is because the features that allow intelligent life to advance contain the seed of self-destruction.

Good luck out there,

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