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It is good to talk

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"Talk sense to a fool and he calls you foolish" Euripides

I realise the title above sounds a little like a famous advert from the 1990s (other telecoms operators are available) but, at least during the last month, the world's political and economic leaders have continued to talk. And talking is just what they need to do. Of course making a few decisions is even better... so thank goodness the season of perpetual hope is almost upon us. More on the global financial markets Christmas presents wish list later.

I know all the focus as I write is on the the end of month G20 summit in Buenos Aires, which saw a sufficiently friendly chat between Presidents Trump and Xi about global trade matters, that casual observers must have wondered what all the fuss was about. My perception is that the penny (or cent or yuan) has dropped on both sides of this bilateral discussion, that doing nothing is no option at all, as a slide into new and deeper trade tariffs helps nobody, as previous epochs have shown. Of course the pressure over the next ninety days or so is for a deal and I would continue to anticipate something is forthcoming. After all, China is obligated under World Trade Organisation rules to progressively liberalise market access and come fully into line on matters such as intellectual property rights. Meanwhile, President Trump's sensitivity during the month to notions of slowing economic growth, higher inflation or higher interest rates, suggests a pragmatic course of claiming a post deal 'win' when possibly nothing much has really changed (see the newly inked USMCA deal which replaces NAFTA as an example).

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So talk here is good and actually inspired the emerging markets to their best month in November since January, when notions of synchronised global growth were all the rage (not in this publication, I hasten to add). After the messiness of October, this was a good response and importantly supplemented by a rise in the emerging market local currency index too. I remain of the view that the most important inspiration and contributor to an opportunistic 2019 in global financial markets remains a lower US dollar.

Unfortunately we have not yet seen much evidence of a higher Pound or Euro as is possibly to be expected, given the ever more convoluted Brexit prospective scenario analysis graphics available. I particularly liked a recent one which included among the sage analysis a couple of question marks. Talk here, of course, over recent weeks has been about a second referendum or another election. Neither scenario particularly sounds confidence inducing but - my view would be - that it is better than the UK crashing out of the European Union with no deal. I still remain hopeful of an outcome better than this - a view seemingly shared by a majority of the House of Parliament. With important votes upcoming in mid-December, time for the Prime Minister to start thinking about some olive branch alternatives to moderate opposition figures. Well if Trump and Xi can start to do it…

Another not-to-be-missed December chat is going to be between the populist Italian government and the European Commission on the former's budget which seems to be - along with the rioting in France - a far bigger issue in Europe than Brexit. Hopefully learning from the overly last minute discussions with Greece historically, there does appear more of an effort to strike an agreement. European Union leaders know deep down, that the best backdrop for the desperately needed growth of the job market across the single currency zone is via more faith and hope from local consumers and entrepreneurs to spend and invest. The Greek debate told us all about the 'reforms for cash' compromises the European Union are willing to strike. In Italy's case it is a more clunky 'reforms for budget deficit allowances' reality. But it should be enough for global investors to grab hold onto something in 2019.

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