- In response to the ubiquitous head scratching as to what Trump has in store for the US and the rest of the world, we probed the exceptional network of The Monthly Barometer. The truth: **everybody is clueless because Trump policies are unknowable**. The optimists, hopeful that the President-elect's worst instincts will be constrained by (1) the realities of policy and (2) the institutional checks and balances embedded in the US constitution, claim he'll end up doing good things. The pessimists focus on his transactional and erratic traits, fearful that the US could descend into unsolvable conflicts of interest while the President brings the liberal order to a chaotic end. The only certainty: **decision-makers have to brace for many surprises and high volatility.**

- Trump's victory constitutes a major game changer, not only for the US, the global economy, international politics and global governance, but also for the financial markets. To a considerable extent, their path will be determined by what happens in the realm of politics. Trump's victory, Brexit, the global rise of authoritarian leaders: these are all tipping points - the intertwined effects of which will make the world a much messier place. The broad contours of global populism are: **less globalization / more retrenchment, less outsourcing, more protectionism, less immigration, more government spending.**

- This so, what are some investment implications of a Trumpian world? (1) For a while, **risk assets** (particularly equities in the defence sector) **will benefit** while bonds are hammered as expansionary fiscal policies push up US growth and real interest rates; (2) The prolonged appreciation of **the USD will provoke stresses in emerging markets**, especially those with a large current-account deficit (Turkey, South Africa, etc.) and the commodity exporters; (3) Export-oriented, outsourcing multinationals and tech companies will be at the mercy of protectionist measures and in the crossfire of politicians – a Trumpian world favours domestically oriented companies and SMEs.

- Brexit - evidence that the cabinet is overwhelmed by the complexity of the task and facing scalability issues is mounting. We don't take it for granted that article 50 will be triggered in March of next year. If it is, the interlocking set of negotiations required to exit in an orderly fashion have 0 chance of being completed in time (2 years). The better than expected recent data should not obscure the fact that **Brexit has unleashed an unprecedented wave of uncertainty**. This will eventually make the life of businesses and investors more difficult, and Britons a bit poorer: the depreciation of the GBP will force UK real wages to remain below pre-crisis levels (2008) for longer – until at least 2020.

- **The Eurozone is not in great shape, but the risk that it might disintegrate is overstated**. Both the international media and investment community fail to acknowledge that popular support for the € is actually rising across the Eurozone with an average net support in the 12 founding EZ countries higher now than in 2008 (support for the € has sharply fallen only where it is irrelevant: in non-euro countries). In addition, since the British referendum support for the EU has risen across Europe, including in the UK where it rose from 49% in March to 56% in August. This means that populist parties that fest on anti-euro / anti-EU sentiments have less chance of coming to power than commonly assumed. If they do, they'll abandon their rhetoric and move towards the centre, as Syriza in Greece and True Finns in Finland have shown.

- The current "polar scare" (Artic temperatures are 20 degrees higher than normal) is one more sign showing **that the climate system is changing much faster than anticipated, radically and unpredictably**. This "off-the chart" occurrence might be a tipping point – the threshold beyond which non-linear, complex systems start behaving erratically, with major implications globally. The intensity and severity of extreme weather events is bound to increase (with waterfront real estate particularly at risk). The same is true of **inconsistent weather patterns**, now affecting <u>all</u> industries, ranging from the most obvious like insurance, agriculture, tourism to the less obvious ones such as retail, merchandising and even fashion: a famous designer warns that extreme weather changes are abolishing the separation between spring, fall, winter and summer collections. AI (Artificial Intelligence) is coming to the rescue, helping retail and fast food to better predict how weather changes affect demand.

- One critical issue hasn't attracted the attention it deserves: Russia's successful attempt to manipulate the US public opinion before the election. This differs from old-style disinformation in two respects: (1) it relies on the power of hacking to disclose private and potentially compromising information, and (2) it exploits the echo chamber of social media to disseminate it. This new form of cyber-warfare / intrusion is rendered possible by the **formidable extent to which we are trapped in the filter bubble created by the personalization algorithms**. There are two main implications: (1) the "global village" promised by the internet has become a highly fragmented collection of ghettos. As "The Big Sort" warned Americans back in 2008, we organize ourselves more and more into like-minded physical and conceptual neighbourhoods. (2) We all have to adjust to a world in which privacy is a thing of the past and where it is increasingly difficult to separate the truth from the rest.

- Eli Lilly's stock price plunged by 14% after an experimental Alzheimer's medicine failed a large clinical trial. **As we live longer, dementia is likely to become a global epidemic**. Globally, over 46 million people suffer from dementia. The number will increase to more than 130 million by 2050, and it will become a trillion dollar disease by 2018. It will by then be one of the world's biggest public health and social care challenges.

- In the coming weeks, "must-watch" issues include: (1) the impact of the Fed's forthcoming hike on the $ and its wide-ranging collateral effects (negative: on EM – "America first" puts them last, US multinationals, etc. and positive: for the EZ Japan and so on) (2) China's excessive indebtedness; (3) the rise in global yields and whether the current signs that global deflationary pressures are abating will be sustained (**will Trump bring the deflationary cycle to an end?**); (4) the vast array of market-moving geopolitical and political risks, with a focus on Trump's agenda and the EZ: Italy's constitutional referendum on Dec 4, and elections in Austria (Dec.4), the Netherlands (March), France (May) and Germany (Sept,). **For real-time / in-depth analysis on any of these, please contact us.**