

- **There are no imminent signs that the global economic recovery is about to end.** It is in fact accelerating: global growth should amount to 3.5% this year and 3.7% in 2018 (according to the OECD) – the fastest pace since 2011. The UK is the only country to have a deteriorating outlook; while the Eurozone, Brazil and Russia account for most of the upswing. However, there is a “but”: the recovery is synchronized, but lacks the momentum and strength required to make it sustainable. Also, productivity growth remains elusive. Watch for two things to determine whether **expansion will endure: (1) rising real wages, and (2) increasing private sector investment.**
- **China’s peaceful ‘invasion’ of the world will be one of the big stories of the next 30 years.** Starting from a very low base, Chinese outbound tourism is growing by almost 20% per year, versus less than 4% for the rest of the world. The population’s sheer size means that Chinese travellers are now ‘bigger’ both in terms of outbound numbers (a projected 200m by 2020) and spending (USD261bn last year) than their American counterparts. **The impact on travel & tourism (10% of global GDP) and the global hospitality industry will be considerable.** Even a major crisis in China would not derail the trend – it would merely slow it down.
- The Chinese central bank just decided to ban crypto-currencies, triggering a fall in their value by as much as 20%. At the individual level, crypto-currencies help to hedge social and financial instability and to overturn taxation and regulation; but at state level they are viewed as a means to circumvent capital and exchange controls, and as a conduit for illegal activities. **The clash between official and virtual currencies is just starting and there is fierce debate as to whether crypto-currencies are in bubble territory.** The fact that 68 crypto hedge funds are now engaged in the world’s most crowded trade gives credence to the speculation argument.
- **The backlash against the tech industry is becoming a major global trend,** particularly strong in American politics. The corporate leviathans that until recently epitomized the virtues of human ingenuity and innovation are now depicted as sinister instruments of a dystopian future and unaccountable power. **The coming regulatory onslaught will slow their growth and squeeze margins.**
- The German elections just gave one more proof that populism is alive and kicking. The right-wing populist AfD gained 13% of the vote, becoming the third largest party. **This is bad news for Europe.** The composition of the new German parliament, and the subsequent coalition, will turn inwards, thus stalling Macron’s plans for further European integration. A common fiscal backstop and sovereign debt instrument are now dead in the water... In Germany, like in many other advanced economies, **the risks of democratic dysfunction are on the increase.**
- Recent natural catastrophes - in particular hurricanes Harvey, Irma and Maria and Mexico earthquakes - have led to a flurry of comments highlighting their temporary positive impact on GDP. This misses the point. Quite apart from the damage and suffering they inflict on victims’ social welfare and wellbeing, **reconstruction spurs GDP growth without creating any new wealth:** it just restores what’s been destroyed while leaving people poorer. **GDP doesn’t always equate to the economy...**
- Every month brings new evidence that **ESG strategies** (which comply with Environmental, Social and Governance standards) **are fast becoming one of the most enduring investment trends, outperforming most other strategies.** Two recent examples: (1) A group of institutional investors with more than \$1tr. of assets under management is now demanding that 60 of the world’s largest banks take action to protect us from the threat of catastrophic damage provoked by climate change. (2) An “insider” participant at our recent Summit of Minds said: “Tourism and travel will, with the advance of clean technologies in all other sectors, become so comparatively ‘dirty’ as to become un-investable”.
- It is increasingly obvious that **our obsession with wellbeing, and in particular happiness, is making us unwell.** On average, we never had it so good (in terms of life expectancy, personal safety, income per capita, etc.) and yet addiction, depression, anxiety, teenagers’ suicide rates are all up. There is a scientific explanation: we produce too much dopamine - the “reward” neurotransmitter that leads us to want more instant gratification through alcohol, sugar or social media consumption – and not enough serotonin - the neurotransmitter for “contentment”, which dopamine drives down. On a more abstract level, we tend to confuse pleasure and happiness. This bears a lesson for investors: **in the coming years, consumption of antidotes to un-wellness will increase,** favouring themes related to nature such as eco-resorts and the outdoor industry (now growing at double-digit rates).
- Equifax, a US consumer credit reporting business, just suffered a data breach of 143 million users. Apart from the recurrent issue of deficient cyber protection, this begs the question of what will be done with what was stolen? **Data is fast becoming very big business.** Various estimates put the global data economy at around USD3tr. None of this goes to the consumer - except in the form of quasi-frictionless choices and free apps – but benefits instead the large platform companies like Apple, Amazon or Facebook, and data aggregators. **In the coming years, the debate about data privacy and ownership will rage. More regulatory intervention is a given.** Companies able to ‘anonymize’ data will do well.
- Over the next few weeks and months, **“must-watch” issues include:** (1) US tax legislation regaining momentum, forcing investors to reconsider their assumptions that it cannot be delivered – progress would lead to higher yields and USD appreciation; (2) How China’s 19th Party Congress on Oct. 18 will affect policy priorities and allow Xi Jinping’s (whose power will be consolidated) to better address the phenomenal challenges that China faces; (3) whether Macron’s reforms will succeed fast enough, unleashing animal spirits – a repeat of Spain’s performance is within sight; (4) Whether the recent increase of 10% in oil prices can be sustained – we think not; (5) the vast array of growing geopolitical and societal risks, with a focus on the Korean peninsula: the North Korean risk has peaked but the danger that Kim Jong Un and Donald Trump miscalculate each other’s actions is real. **For real-time / in-depth analysis on any of these, please contact us!**