

### EVEREST



*“Human beings simply aren't built to function at the cruising altitude of a 747. Our bodies will be literally dying. So the game is, can we get you up to the top and down to the bottom before that happens?”*

*“Suffer a few more days, for the rest of your life you'll be a guy that got to the top of Everest.”*

*“Now, I know there's a lot of mountaineering experience in this*

*room. You wouldn't be here without it. But Everest, though, is another beast, another beast altogether.*

*“If anyone can make it, you can.”*

*“The hardest part isn't going up but getting back down”*

*From the movie “Everest” by Baltasar Kormákur.*

Wall Street has reached new peaks on the day of President Donald Trump's announcement of the suspension of the relation with China.

Wall Street had never hit such a high level but for the president of the USA it is not enough. His goal: 3000 points, to be gambled on November's midterm elections, as a great result obtained by the current administration that, we ought to remember, before the elections was supposed to be responsible for the market's collapse.

The movie Everest has two sides: the first describes one of the most disastrous missions that had lead men on the top of the world, the second shows all human weaknesses and, among them, the blind obstinacy.

The trade war broke out on Monday: things finally moved

on from words to facts. The tariffs on \$200 billion worth of Chinese goods became reality and Beijing replied with a retaliation of \$60 billions “only”.

Capital markets have been frozen by the Chinese authority's decision of indefinitely suspending –probably until after November's midterm election– the negotiations with Trump's administration on the trade case, already planned for this week. The vice premier Liu He is not going to travel to Washington and neither is the delegation that should have had arranged the meetings with the Secretary of the Treasury Steven Mnuchin.

Also at a high altitude the relation between Trump and Opec. The White House tenant', every day more focused on obtaining electoral approval, uses menacing words: «We protect the Middle East's countries. Without us they are not going to be safe for long and yet they carry on pushing for higher oil prices. We will not forget this».

The crude oil Brent price is around \$80 per barrel, hitting the highest level of the last four years, after Opec's extremely tepid reply to Trump's request of an increase in production in order to lower the prices (taken during a meeting in Algeria).

But the cause of the overheating of crude oil is Trump's policy, that is blocking Iran's export and imposing new sanctions to Venezuela, whose production is collapsing. If we add the tension with Russia and the difficulties in Libya, we obtain an explosive cocktail, ready to send crude oil back to 5 years' ago peak.

Three months ago Scott Sheffield, CEO of Pioneer Natural Resource (that worked for 30 years in one of the biggest shale gas basins of the USA, Permian) informed that in September the shale gas' growth was to come to an end, because it was going to be reached the pipeline's marked capacity. This problem may push the price per barrel over 100 dollars if the Opec won't «do something»... Now, the Opec awaits. This last week has been positive for raw materials. Natural

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gas (+7%), copper (+6%), platinum (+5%), silver (+1%). Negative balance for the sugar (-9%), that at the beginning of September hit the lowest point of the past 10 years. The market is blocked by the overproduction of India and Thailand. The Sherpas that send Trump on these paths know quite well that, for the Americans, the price of crude oil is one of the most important variables to be considered in view of the vote. Someone already says that Trump wants the crude oil's price to rise so that, with the approaching of elections, he can make it fall with some shocking declaration. Electors would pay much more attention to prices during the last days of the campaign.

A new peak reached by Trump is the all-time low of weekly dole' requests in over 48 years.

We are getting close to the 3000 points but the USA's economy is overheating and the Fed carries on with its plan of

a rise in rates. On Wednesday, the Chairman Jerome Powell may rise them even more. The directions regarding the next moves of the USA's Central Bank are also going to be important.

President Mario Draghi is optimistic regarding the «continuation of the economic growth and the return of inflation» in Europe.

The markets are starting to fear that the 3000 points' problem isn't going to be how to reach them, but how to prepare to go down. It was the descent to be fatal in Everest, they probably should have given up the idea of reaching the top, and save their lives. Or better, maybe Trump shouldn't be so tough on China, oil and short-term goals.

As for ourselves, we can be good managers but the Everest is another beast, another beast altogether.



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