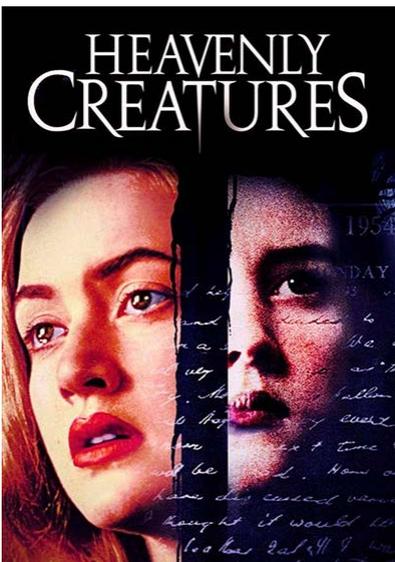


AQA CAPITAL

THE PEAK: ALLA FONTE DEI MERCATI

HEAVENLY CREATURES



*Pauline Parker
(Melanie Lynskey):
“Whatever happens,
we’ll sail or sink
together.”*

*Quote taken from
Heavenly Creatures,
a 1994 movie
directed by
Peter Jackson*

The “no deal”, or rather the UK’s exit from the EU without any agreement, would create significant economic damage for both parties. More and more analysts support this hypothesis: quoting Pauline Parker in “Heavenly Creatures”, London and Brussels must sail together, or they risk sinking. The fate of Great Britain and the European Union, whatever happens, is intertwined.

In recent days, the Sunday Times wrote that new opportunities are opening up in the negotiations after weeks of impasse. The two sides should do everything possible to avoid the “lethal mix” of a no-deal Brexit while the coronavirus pandemic still rages. An even greater need for London than

for Brussels, in the experts’ opinion.

The public phase of the negotiations should end on Friday, continuing then on a confidential basis for another two weeks, until the European summit on the 15th of October. On that date, according to the most optimistic ones, a general agreement could be announced. But be careful, other twists and further postponements are not to be excluded. The date to mark on our calendar is 31st of December, which is the limit of the transition phase related to the divorce from the EU. The markets hope an agreement will be reached as soon as possible, also to allow the respective parliaments to ratify any decisions.

Furthermore, Great Britain is in the spotlight (as well as Spain, France, and other countries) for the worrying trend of infections. During a speech to the nation, Prime Minister Boris Johnson said that Covid-19 is “returning to spread exponentially” and that it has been necessary to adopt new restrictions to “curb the virus now”. We must “do everything possible to avoid a new lockdown”.

The government has therefore decided to restore the limits to the hours of pubs, restaurants, and bars across England and has returned to encourage smart working. Besides, it was decided to postpone the return of the public to sporting events.

Focus on the ECB: on Monday Christine Lagarde, president of the Institute, during a hearing in the European Parliament, explained that in the third-quarter the economic activity in the euro area rebounded, but the recovery remains incomplete, uncertain, and uneven. Furthermore, the health crisis “will still weigh on business, posing risks of worsening the

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economic prospects”. Lagarde then confirmed that the central bank “continues to be ready to adjust all instruments as appropriate for inflation to move towards its target in a sustained manner.”

The banker urged countries not only to use the resources of the Recovery Fund in the short term but also “to increase long-term growth and support European objectives”. Again, it is better to navigate all together towards a common goal. In doing so, according to Lagarde, the Recovery Fund could become “the ‘game-changer’ Europe needs, in terms of modernization, resilience, and prosperity”.

In Asia, macro news comes from China, where the profits of companies active in the industrial sector improve. In August, profits rose by 19.1% on an annual basis, continuing, albeit at a slightly slower pace, the rise in July (+ 19.6%). In particular, according to what was published by the National

Bureau of Statistics, the figure stood at 612.81 billion yuan. The recovery of the Asian superpower therefore appears to be consolidating. However, if we look at the trend since the beginning of the year, the result is negative: in the first eight months profits fell by 4.4% to 3.72 billion yuan.

From a geopolitical perspective, relations with the United States of Donald Trump always create tensions: the two nations are not sailing in the same direction about many issues. Recently, as reported by Reuters, the US government announced in a letter its decision to impose export restrictions on Smic, the main Chinese chipmaker. The Stars and Stripes Department of Commerce said there is an unacceptable risk that the products sold to the company could be used in the military. This decision jeopardizes Beijing’s strategy of being independent in one of the most crucial areas of technology, thus exacerbating relations between the two world powers.



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