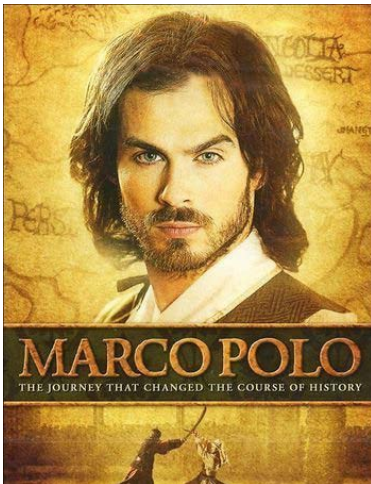


### MARCO POLO



*Now it came to pass in the year of Christ's Incarnation 1187 that the Tartars made them a King whose name was Chinghis Kaan. He was a man of great worth, and of great ability and valour. And as soon as the news that he had been chosen King was spread abroad through those countries, all the Tartars in the world came to him and*

*owned him for their Lord. And right well did he maintain the Sovereignty they had given him. What shall I say? The Tartars gathered to him in astonishing multitude, and when he saw such numbers he set about the conquest of all those regions till he had conquered eight provinces. When he conquered a province he did no harm to the people or their property, but merely established some of his own men in the country along with a proportion of theirs, whilst he led the remainder to the conquest of other provinces. And when he had thus gathered such a multitude that they seemed to cover the earth, he began to think of conquering a great part of the world.*

*From the Travels of Marco Polo by Marco Polo.*

It felt like everything was over. The fear of a fall of the Faang (Facebook, Apple, Amazon, Netflix and Google alone weigh a third of the Nasdaq) was in the past. But the quarterly season was only a pause. Yesterday, the more capitalized Apple plummeted a 5%. Officially Lumentum Holding, that supplies 3D chips for Apple's new iPhone facial recognition system, have issued a profit warning for a possible slowing down of the sales of one of his most important clients. Lumentum's first client is Apple. Lumentum plummeted 33%

and dragged with it the whole USA tech department, that collapsed of a 5%.

Lumentum's profit warning brought back two ghosts to the markets: on the one hand the economic slowing down, the end of an expansion cycle that lasted more than a decade, and on the other hand the effects of the trade war with China.

Some observers think that Lumentum's profit warning may be explained with new Chinese measures that, without using the tariffs, could bring to a drop in Apple's sales (the 11% of its profits comes from China). It doesn't matter if an economic slowing down is taking place or if it is only the effect of a Chinese answer to the trade war. The effect would be the same: a strong market's fall.

We are used to think about China and the USA as two distinct realities. The Chinese's stock market is at its lowest, the USA's is at its highest. At the age of Marco Polo things were different. The legend, or history, tells that the young venetian wasn't only the greatest expert of China, where he became advisor and then ambassador of the Great Khan, he went further. Some say he discovered America before Cristoforo Colombo, passing through Asia, others that he might have learnt about it in a map that belonged to some sailors from East China.

Beijing seems willing to relaunch Marco Polo's opposite route. The silk route. The main goal: to bring China and Europe closer. The more convincing interpretation is that China is aiming at building a wide network of infrastructure to invade the European market with Chinese products hiding its plan behind actions that seem favorable to the country that is being conquered, a win-win situation. Who wouldn't want to be allied with Beijing?

The second step is making Europe depend on China and then expanding Beijing's empire taking time and without violent actions.

If compared to the Travels of Marco Polo, the markets today

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are much more strongly connected. The suspect that Lumentum may cut its estimates -because Beijing is preparing to put a spoke in Apple's sales in China- is shaking the entire world's indexes. This may only be the first step of the trade war.

China may be launching its attack in order to arrive stronger to the meeting between Xi Jinping and Donald Trump at the end of the month.

On the one hand the tension regarding the USA Treasury, with the yields that climbed to the 3,2% maybe, somebody say, supported by the Chinese operations; on the other hand, the strong devaluation of the Chinese currency and, finally, the super dollar, are weakening Trump. It is possible that Beijing may be trying to move around the most sensitive variables of the USA's economy. It's a very dangerous game, since the doubt of an economical slowing down and the effects of a trade war are able to engage a firm rectification.

On top of this, the other warm front: oil. Yesterday, Kuwait's Minister of oil tweeted that in order to preserve the market's balance, a cut in the production is needed. This hypothesis has been examined during Abu Dhabi's meeting. While talking to the journalists after the summit, the Saudi minister of oil, Khalid al Falih, stated that in December the Saudi crude oil exports are going to be half a million barrels less than October's. Crude oil's price collapsed of a 20% in a month and now Arabia takes remedial action.

All wars, even the trade war, always end with the victory of the richest country, the one that is capable of financing the battle. Our strategy, instead, is like Marco Polo's: do not side with anyone and seize every situation. Rebalancing Fang with the equivalent Chinese big tech. Having China and the USA in the portfolio means that we won't have enemies but simple allies, when convenient.



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