**27/11/23 – Monday**

**Turkey exports of military linked goods to Russia soars**

<https://www.ft.com/content/1cef6628-32eb-49c9-a7f1-2aef9bce4239>

45 civilian materials used by Russia’s military have seen a rise in imports into turkey and is undermining US and EU attempts to stop Russia from getting their hands on military equipment. Treasury under-secretary for terrorism and financial intelligence, Brian Nelson, will visit Ankara this week to discuss efforts to ‘prevent, disrupt, and investigate trade and financial activity that benefit Russian efforts in its war against Ukraine. Dual use parts are being transported to Russia even when they have been labelled as going to another country.

In the first 9 months of 2023, Turkey transported $158mn of 45 goods the US listed as ‘High priority’ to Russian and 5 former Soviet countries suspected as acting as intermediaries for Moscow. 3x the level of 2022. The Average between 2015-21 was $28mn.

The goods include; microchips, communications equipment and parts such as telescopic sights which are subject to US, EU, Japanese and UK export controls aimed at preventing them from entering Russia. These efforts are avoided by sending to other countries which act as middlemen. Turkey’s imports of high-priority goods from G7 countries is up more than 60% this year compared with the levels between 2015-21.

Turkey and the UAE are both often used as intermediaries for Russia. Exports from Turkey seem to be going to Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, and Uzbekistan – however, these countries do not show a corresponding rise in imports from their data. Kazakstan showed $6.1mn of high priority goods imports while Turkey said they sent $66mn.

Russia uses the high priority goods in cruise missiles, drones, and helicopters according to US and EU battlefield assessments.

If turkey does not try and reign in their actions, US and its partners are going to have to take enforcement action.

This comes as Ankara is seeking to purchase billions of dollars of American F-16 fighter jets while the US and Europe are pushing Turkey to approve Sweden’s accession to NATO.

**UAE using COP28 summit for Oil deals**

**https://www.ft.com/content/6f526880-7ac1-424c-ba5e-99f529069cdf**

The UAE, according to a leaked briefing, was expected to use the COP28 summit to put forth oil and gas deals to foreign governments – according to leaked documents obtained by the non-profit centre for climate reporting alongside the BBC.

Sultan al-Jaber, the president of this year’s summit, leads the state Oil company Adnoc and received criticism from European officials In regards to a conflict of interest. 15 countries including China, Brazil, Germany, and Egypt were expected to discuss oil deals.

The UN Framework Convention on Climate Change (UNFCCC) overseas the summit. People are calling for the COP28 head to step down.

**Israel and Musk**

Elon musk pulled up in Israel today due to X being a host of antisemitism. While on tour, musk was told that Starlink could not operate in Gaza without Israel’s permission. Musk had previously said that he would offer Starlink to those in Gaza amid the blackouts in order to help aid organisations though has apparently reached an understanding with Israeli officials.

Musk has been previously attacked after he appeared to endorse a conspiracy theory (which was antisemitic) and it was called ‘abhorrent’ by a White House spokesperson – he said that ‘nothing could be further from the truth’. Musk tweeted ‘actions speak louder than words’ after the visit which was prefaced in this article about him being toured around homes in Kfar Aza which were subject to attack from Gaza.

**Gold hits 6 month high**

Golds accent has been attributed to a sliding dollar which has fallen about 3% since November. Soft US data has also supported golds increase due to expectations that the interest rate will be cut next year. Due to rates starting to fall on Government bonds, Gold’s attractiveness increases given that it does not pay an income.

Fears about the Hamas Israel war have also contributed to the rise due to it being viewed as a safe haven asset.

Central bank demand is also driving the rise. The PBOC has led the way this year by buying 181 tonnes, followed by Poland at 578 tonnes and Turkey with 39 tonnes. 1,136tonnes was bought last year and 800 tonnes over the first 3 quarters of 2023.

Gold’s increase has exceeded that of mining companies due to them facing problems with labour, fuel and material costs while also facing higher borrowing costs.

Indian wedding season, Christmas and Chinese New Year are also said to be giving confidence to bulls.

**Yemen fires missiles at commercial vessel and US destroyer**

An Israeli affiliated vessel and a US naval destroyed witnessed missiles being fired at them. This is heightening the threat to the most important trade corridors in the world.

Iran backed Houthis have been warning that they would target Israeli linked vessels from their heartland in northern Yemen.

This is combined with the Hizbollah group in Lebanon, another Iranian backed proxy, as a pincer movement against Israel. This in turn is increasing fears that the tensions in Israel could spill over into a regional conflict.

The Houthis have also tried firing long range missiles towards southern Israeli city, Eliat, where air defences and US naval vessels shot down the incoming fire.

About 2/3rd of Yemen’s population still need humanitarian aid after there was a civil war in 2015 after the Houthis ousted the internationally recognised Riyadh=allied government from power. Saudi Arabia led an Arab coalition to intervene. A feature of the war were attacks in the Gulfs on merchant shipping and Houthi missiles against Saudi oil installations and UAE commercial infrastructure.

A truce between Saudi and the Houthis has held since April last year. Saudi and Iran previously restored diplomatic relations after a China brokered deal- helping ease gulf tensions.

**Drop in whiskey prices**

Rare whiskies sold at auction have recorded their steepest fall in a decade. Bottles selling for more than £1,000 saw a 7% drop, the declines follow a 19% the previous year. There was a 51% drop during covid.

The sales declines add to evidence that whisky sales are not immune to the drop in demand for luxury goods, especially given China’s current state of economy. Prices in the upper end are being supported by people not letting go of their bottles at depressed prices.

**28/11/23 – Tuesday**

**Court Ruling on Olaf Scholz**

Germany is facing financial difficulties after the constitutional court made a bombshell decision on November 15th which blew a hole in the spending plans for 2024.

The court ruled that ministers broke the law by transferring 60bn euros of unused borrowing capacity for their pandemic budget to a fund used to fund the transformation towards green energy/ modernise German industry, called “the climate and transformation fund”.

The FDP, a fiscally hawkish member of Scholtz’s coalition – won a promise of a ‘debt brake’ which was the constitutional curb on borrowing during the pandemic, would be restored in 2023. Now, the plan has been deemed unconstitutional.

The Scholtz government was said to have broken the law twice, once by repurposing the 60bn euros meant for COVID, the second being that there was spending in subsequent years, rather than in the year the credit line was authorised.

Pre-pandemic, Scholtz kept spending under control and strictly keeping to the debt break and so kept new borrowing to a minimum. However, during the pandemic, a ‘bazooka’ amount of borrowing was done, to the tune of 156bn, which was for companies facing struggles during the pandemic. 3 months later, a 130bn stimulus package was aimed at bringing Germany out of the pandemic.

Then, when Russia invaded Ukraine and gas supplies to Europe were dramatically impacted (take Nord stream), the Economic Stabilisation Fund was created with 200bn in credit and was used to subsidise gas and electricity prices for companies and consumer. Only 30bn was used though, pushing the rest in 2023 – this violated a basic principle, according to the court’s ruling, that funds must be used in the year they were approved.

**US warns israel on its southern offensive**

‘It is extremely important…. That the conduct of the Israeli campaign, when it moves south, must be done in a way that is to a maximum extent not designed to produce further significant displacement of persons’. US officials are also said to maintain support for Israel taking out Hamas, however, they must significantly limit the number of civilian casualties. Humanitarian sites, hospitals, power stations and water networks + UN supported shelters throughout Gaza should be protected.

More than 14,800 have now been killed from Israel’s offensive. 1.7mn/80% of people in Gaza are now said to be displaced. Blinken said it early November that ‘far too many Palestinians have been killed’.

US still views Hamas as a threat to Israel, hence their support, however, they are trying to ensure Israel doesn’t take it too far.

Around 240 trucks are entering Gaza per day for aid, which is said to be unsatisfactory. Additionally, 3 US planes are said to be landing in Egypt on Tuesday and the goods within will be delivered via the UN.

The US is also trying to allow the supply of commercial goods to enter the enclave with the goal of 300-400 trucks per day. Israel is said to have to enhance inspection procedures to allow the deliveries to continue.

**Bim Afolami calls on UK regulators to be more comfortable with risk taking**

Afolami, promoted in a ministerial reshuffle this month, spoke at the FT Global Banking Summit and stated that innovation and growth needed to be balanced with effective regulation. This comes after the governments tight supervision since 2008 is being unwound in an effort to promote growth.

‘Risk, as long as it’s watched and supervised and maintained, is integral to the growth and innovation of any part of the economy’. He aims to simplify rather than deregulate – he wants to implement a series of previously announced reforms to the UK’s capital markets, improve the regulatory structures and promote ownership of companies by ordinary people.

He also stated that cryptocurrency businesses should operate in the UK, despite former FCA chair, Charles Randell, saying that fraud was a feature, not a bug.

He also stated that he supported the decision last month by financial regulators to end the cap on bankers bonuses.

**China property Market**

Evergrande collapse: 2021.

China’s property prices up almost a 3rd in the first quarter this year compared with a decade ago, according to the BIS, they fell by 5% between the first quarter of 2021 and this year.

After Shanghai’s overhaul in 2021 governing house purchases – part of Beijing’s approach to curb leverage and prices in the wake of Evergrande’s collapse – made it more difficult to buy new apartments. Now, buyers must enter a lottery to win the right to buy a new property – those with no home are prioritised. Chinese buyers typically want new builds rather than second hand properties.

Buyers are said to be waiting for lower prices while sellers are holding back and waiting for if the government role out new polices which allow them to sell at a higher price.

There are cases where homebuyers have petitioned the local government to step in to failing projects.

**The difference between European and American populism**

European pop is less of a cult – while with US, it is more focused on person rather than policy. European populism is about something – American populism is about someone. In Europe, examples of this something may be mistrust of the EU – a rejection of modern gender and race norms but above all – opposition to extra European immigration – the Islamic kind in particular. Such a cause aligns Wilders with Meloni. Members of the religion account for 1% of the US’ population and therefore is not a force used.

Europe faces a cultural and demographic siege.

**29/11/23 – Wednesday**

**US GDP growth revised, and more**

US GDP growth was revised this week from 4.9% to 5.2%, suggesting that a soft landing may well be in store but also adding to a debate for how long interest rates will stay high as the fed may increase again given the activity.

Non-residential fixed investment and state and local government spending were stronger than expected, but consumer growth fell from to 3.6% from the 4% advanced estimate.

Core inflation was also revised downward from 2.4% to 2.3%.

**2 year treasury yield hits 4 month low**

Investors have pulled forward their bets for when the FED will begin cutting interest rate. The 2 lear dropped to 4.64% and the 10-year slid to 4.26%. A 0.1% drop and 0.08% drop respectively, whilst also widening the yield curve further. The drop in 2 years outsizing that of 10s can likely be explained by decreasing expectations of short-term rates.

**Equities**

Equities have been rising fast as of late, apparently (they haven’t really icl) as investors have pulled forward their expectations for rate cut – forward to May rather than June. The S&P and NASDAQ were up 9% and 11% respectively as of midafternoon for the month of November.

**Fitch on us consumer spending**

US consumer spending is expected to fall in 2024 as higher credit card rates and student loan repayments are increasing household debt. Debt to income ratios in the US are expected to grow 11.7% by 2025, from 9.9% in 2022. Although mortgages are a substantial portion of household debt, they are only expected to increase to 4.5% of household disposable income in 2025, from 4% in 2022. The service ration for non-mortgage consumer debt, which is more rate sensitive, is expected to increase to 7.3% in 2025 from 5.9% in 2022.

**EY pushes back start dates of some graduates by almost a year**

In example of pressures on the professional services business, EY’s US strategy consulting arm pushed back the start of graduates by almost a year. Those who expected to start this Autum were told some of them would not be required until July 2024.

**Farfetch’s shares plunge 50%**

Shares in FarFetch dropped 50% on Wednesday following reports that the founder wants to make the company private following a period when the market value is plunged. One of its main backers, Swiss Luxury group Richemont, said it had no plans to invest in the ecommerce group.

**Eurozone stocks close higher after data signals softening data**

Softer than expected inflation data from Spain and Germany boosted expectations that the ECB has finished raising rates. The Stoxx was up 0.4%

**30/11/23 – Thursday**

**Eurozone inflation falls to 2.4%**

This demonstrates the slowest annual pace since July 2021. The reading for September (released in October) , the previous month, was 2.9% and adds to hopes that rates may be cut sooner than but also creates tensions between central bankers who want to keep rates higher for longer until the inflation is 100% confirmed to be tamed.

According to the Eurostat data, falling energy and food prices were the main contributor to the drop in inflation. Economists had expected rates to fall to 2.7%, again, down from 2.9%.

April is now when investors are pricing in rate cuts. The euro extended recent losses with a 0.5% drop against the USD to $1.092 and the 2-year bund now sits at 2.79%.

Christine Lagarde warned that it was ‘too early to declare victory’ as wages are still remaining strong which is a key factor in driving domestic inflation. Many expect energy prices to resurge inflation in December.

Consumers are expected to see a boost in purchasing power as prices of goods are rising slower than their wages, thus demonstrating the sticky nature of higher wages alongside an increase in real wages.

Lagarde said that inflation may rise in the some of the coming months due to ‘base effects’ – this basically means that the base year (aka a year ago) was lower than it should’ve been and therefore makes current inflation look higher? This is to some degree in reference to energy prices being supressed at the time.

Belgium saw deflation with a reading of -0.7%. 5 of the 20 countries in the Eurozone have inflation below the 2% target, including the Netherlands and Italy. For the October reading, (released today in November), energy prices fell at a record rate of 11.5% while growth in food, alc and tobacco slowed to 6.9% - from 7.4% and 15.5% a year earlier.

Core inflation slowed to 3.6%, down from 4.2% and unemployment remained at a record low of 6.5% - however, the jobless rate in both Germany and Italy increased.

**Ford cuts guidance as labour costs rise**

The new contract with United Auto Workers will cost the company $8.8bn over the next 4 years – adding about $900 to the cost of building each car/truck. GM also warned of similar cost pressures a day earlier.

**RMT members accept pay deal – ending 18 months of strikes**

RMT accepted a backdated pay rise of 5% for 2022-23 financial year, as well as job security guarantees with no changes to working conditions. Local strikes may remain a possibility although the RMT mandate for national strikes is over.

**What to watch today :**

US core PCE is releasing today and expected to show a rise of 0.2% in October (MoM) and a year on year rise to 3.5%, down from 3.7% the month earlier.

**Saudi win provisional backing for OPEC+ production cuts**

The next meeting of the cartel, which was rescheduled from Sunday last week to today - Is being held online rather than in person. It comes as Oil prices have slipped in recent months, alongside the heightened tensions in the middle east.

Further groupwide production cuts, as negotiated by Saudia Arabia, will see other members contribute – this comes after difficult conversations with countries more hesitant to cut their production. It also used their production cut as a somewhat blackmail whereby if other countries did not contribute enough, it would increase production and therefore drop prices for everyone. Brent crude, alongside WTI, have risen in the last few days in anticipation of the meeting – many expect the group to cut a further 1mn barrels of production per day, 1% of the worlds current supply – with that said, the number has not been finalised.

The kingdom, and Russia, are also expected to extend their voluntary cuts into next year.

Analysts say that 1mn bpd is likely the upper bound to what the group can deliver.

Analysts warned that if the deal fails to be finalised, it will lead to a further drop in Oil prices. Additionally, the increased tensions within the middle east as well as externally against the West, has given OPEC some ammunition – particularly before the presidential elections next year whereby Biden is heavily focused on pump prices. While an embargo, such as that seen in 1973 during the Yom Kippur war, OPEC countries may still be wiling to send a signal to the US for its tenacity to support Israel’s “operation”.

The delayed meeting has been attributed to Angola and Nigeria’s hesitancy to cut production. Both have been struggling to reach output due to underinvestment in the Oil production, however, lower baselines, a level whereby production targets are calculated, would be welcomed.

The UAE, a close ally of Saudi Arabia, is in favour of the cuts after having won higher baselines for 2024 at the groups last meeting in June.

**Rate cuts trigger investor moves into risky assets**

Both the falls in US inflation and today’s 2.4% eurozone inflation readings have caused investors to push forward bets for interest rate cuts into the first half of next year, from June. This chain of reasoning stems from if inflation is no longer a problem, central banks are no longer a problem and therefore, risky assets have the greenlight.

Christopher Waller, one of the FED’s most hawkish members, this week said he was ‘increasingly confident’ that monetary policy was in the right place. Something to mention here is that lower inflation in turn makes real interest rates increase which put further strain on economic growth… something to consider when talking about rate cuts to make them realigned.

$17bn flowed into cooperate debt funds in November, the highest inflow since 2020. This has driven down the costs of debt for some of the riskiest companies. As per the BofA index, the average yield of junk-rated debt has fallen from 9.5% at the end of October to 8.6% today – the biggest monthly decline since July 2022.

The Vix is also dramatically down and hovering around its lowest level since before the pandemic. The S&P is now just 5% away from hitting its all-time high which was achieved at the start of last year – analysts are predicting it will break through in 2024.

Large asset managers Vanguard and Robeco have warned that valuations are stretched though…

**01/12/23 – Friday**

**OPEC+ meeting**

OPEC+ members agreed to make voluntary cuts with Saudi Arabia pledging to extend its 1mn bpd cut until the end of the first quarter of 2024 and Russia increasing its cuts from 300,000 bpd to 500,000bpd.

What was slightly unusual was that, despite the group agreeing to take the reductions to 2,000,000 bpd/ 2% of the world supply, the cuts from individual members would happen in due course rather than at once.

This demonstrates cracking within the OPEC+ cartel as members are hesitant to continue the increase the production cuts which have been going for more than a year now. This is likely due to members not having the financial sustainability to cut one of their largest sources of export revenue.

The meeting was moved from an in-person meeting at the OPEC+ headquarters in Vienna to online Thursday.

Brent crude initially rallied on the decision although it later reversed all the gain. This is due to markets, again, losing confidence in OPEC+’s ability to manipulate prices amid a global slowdown. Furthermore, the cuts have not been realised and so have not impacted price as of yet although pricing in is likely to occur in the meantime.

The UAE said it would cut supply by 163,000 bpd in the first quarter with Iraq and Kuwait cutting 211,000 bpd and 135,000 bpd respectively.

Interestingly, Saudi needs brent prices to be at $100 in order for them to fund an economic reform programme of Crown Prince Mohammed Bin Salman.

Angola, Nigeria and Congo have all had their production baselines reduced, which in turn reduced their production targets due to them struggling to fulfil current targets because of a lack of investment in Oil infrastructure. Additionally, no African nations put forward production cuts.

**Corn prices fall**

Corn now sits at a 3 year low due to the US and Brazil surging supply while demand has stagnated. This in turn has put pressures on farmers who expected high prices to last. With that said, lower corn prices are crucial to lower food inflation due to being used for animal feed as well as production of ethanol.

Wheat has also witnessed a decline in price which also contributes to animal feed, particularly for meat and dairy products which in turn has lead to lower respective prices.

Corn surged last year due to Russia’s invasion of Ukraine as well as a drought in South America which lowered supply and pushed prices up. In response, demand for corn related products dropped due to high prices.

During the surge, farmers tried to capitalise on higher prices by planting an extra 6mn acres in the Midwest’s corn belt.

Ukraine also resumed their export of grain after a UN-brokered deal.

The variety of corn produced is typically used for animal feed rather than human consumption. However, wheat goes both ways and therefore trades at a premium to corn.

The net short on prices to the highest level since June 2020, according to the CME – those buying options on corn have also increased.

US farmers are now said to be abandoning corn in favour of more profitable crops such as soy.

**Washington leading the charge against Russian oil revenues**

Washington wants to reduce Russia’s energy by 50% by 2030. This will be done so by keeping the G7’s price cap of $60 in place for years as well as tightening up du-diligence checks on vessels which could be part of Russia’s shadow fleet – a collective number of Russian vessels, exporting Oil above the price cap with an opaque ownership structure.

Western countries are still able to buy Russian Oil, however, it must be below the G7’s imposed price cap. However, oil imports in the EU, US and other G7 countries is mostly banned.

October saw two companies sanctioned for violating the enforcement action and caused analysts to expect a range of wider crackdown’s on companies who are evading the price caps.

November saw the US announce sanction on Russia’s LNG development, known as Arctic LNG 2, in its first direct move against Moscow’s ability to export gas.

The goal of these sanctions is to ensure that Russia is not able to finance another invasion of its neighbours in the future after a peace arrangement is successfully negotiated in Ukraine (if it is).

**UK homeprices rise between October and November**

Nationwide saw home prices grow 0.2% between the aforementioned timespan, following an increase of 0.9% between September and October. The 0.2% increase was contrasted by the Reuters poll which expected prices to fall 0.4%.

The BofE recently saw mortgage approvals increase to a 3-month high in October, suggesting an easing in the housing market after a slide in prices and sales since summer 2022.

The increase in home prices have been attributed to interest rates not going as high as anticipated, being 6%, and are instead chilling at 5.25%.

The two year fixed rate mortgage with a 60% LTV ratio eased from 6.2% to 5.5% in October.

Home prices last month (November) were 2% lower than a year ago, however, this contraction was smaller than the 3.3% drop in October compared to a year ago.

The average home price in the UK is now £258,600 In November, down from a peak of £273,500 in August last year.

The scarcity of properties available alongside wage growth has also been attributed to the higher prices.

However, rental prices have been revised upwards as of Friday from 6.1% in October to 8.4% in November. Rental price growth in London saw a 10% price growth YoY for October. This has been attributed to homeowners passing on higher mortgage prices to renters as well as an influx of renters who can no longer afford the higher mortgage payments.

**El-Salvador President steps down for contentious re-election bid**

Nayib Bukele has stepped down as El-Salvador’s president in a bid to establish a continuous ruling over the central American nation. He has had some controversial polices/ actions such as ordering (and empowering) the military to raid the county’s congress to pressure lawmakers over security funding. He has also locked up tens of thousands of citizens without trial in order to reduce gang violence and homicide rates, which were once the part of the countries reputation as the most murderous country in the world.

In 2021, the country’s top constitutional court ruled that consecutive terms were permitted if the sitting president stepped down 6 months before re-election – which Bukele is expected to win given his 90% approval rating. The reason this was previously not allowed was because of the emergence of dictators in the region.

However, the country has worsened its relations with the IMF after allowing bitcoin a legal tender which in turn lead to the country’s sovereign bonds to sell off. Additionally, not many people use bitcoin anymore. These worsened relations have come back to bite as now El-Salvador is seeking a new debt deal.

About 97,000 Salvadoreans crossed the US boarder without a visa in the 2022 fiscal year which the US government wants to bring down. Relations soured between the US and El-Salvador after Jean Manes, the US embassy’s top diplomat to El Salvador left because the country showed no signs of interest in bilateral ties.

**Tory party seeing another Civil war…**

More than 20 conservative party members have written to Sunak in an effort to stop him back out of Human rights commitments in a bid to send asylum speakers to Rwanda. Some have said that a debate on leaving the European convention on Human Rights would “tear the party apart”. This comes after official figures last week showed net legal migration soaring to 745,000.

41% of voters in a recent YouGov poll stated immigration as one of the three biggest issues facing the country – up from 14% in 2020.

Damian Green, chair of the One Nation group of Tory MP’s said “there are very widespread concerns across the parliamentary party that Britain must maintain its reputation as a country that believes in the rule of law”.

The Supreme courts ruling on the Rwanda policy being unlawful as it meant that refugees may be subject to refoulement. Additionally, it breached the ECHR, UN Refugee Convention, and the UN convention against torture – this is included in UK law via statutes such as the HRA.

Braverman, after being ousted, wrote to Sunak saying he should write in “notwithstanding clauses” into legislation which would declare legislation immune from any laws “that had obstructed the issue”.

Sunak gave his classic “levels of migration are far too high, and I am determined to bring them back down to sustainable levels”.

Cleverly, the new home secretary stated that by rejecting the conventions, it would put the UK in the same position as Russia and Belarus, “I am not convinced this is a club we want to be part of”.

Sunak has also said that channel crossing have been down by 1/3rd, although this does not meet his pledge to “stop the boats”.