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“Heat not a furnace for your foe so hot that it do singe yourself” - William Shakespeare

Despite the usual weather downers such as the tennis at Wimbledon or the start of the school holidays, July was a warm month pretty much anywhere you looked in the northern hemisphere. Global stock markets were hot too, led by the out-of-favour emerging markets and Continental Europe. Funny how all throughout June and July the aggregate investment flow data was profoundly negative for both regions...

Nevertheless, we are still living in unusual times and, if anything, all the various summits and meetings that have occurred between various groups of global policymakers in recent weeks have asked more new questions than they have solved.

I did learn something new from all this. The word ‘summit’ is believed to be one of the seventeen hundred words in the English language invented by William Shakespeare. And whilst I was thinking about this, I came across the quote I have used at the start of this article, which really seems to capture where we are in the finance and geopolitical world right now.

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We do not need to be reminded that it is a competitive world out there. However, the ‘us’ and ‘them’ characterisations that have been apparent in many world trade discussions, the debate on the future direction of the Eurozone as well as - inevitably - Brexit (among other debates), feels more divisive than the norms of the last generation. A quick glance through the history books shows that this is just another rotation in a regular cycle. One difference this time around is that the information and internet revolution of recent years have helped make economies and stock markets much more dependent on each other than they had ever been before. You can see this in the current global quarterly corporate earnings season round, where company after company have talked about the impact of exchange rate and commodity input price changes. It is slightly ironic then that joining most fixed income indices as performance losers during July were most of the energy and metals commodity complex (by contrast wheat and corn did rather better - back to the impact of hot weather).

There are still some calmer heads out there and for every troubled NATO summit or rumbustious 'Chequers plan' discussion, there was also the surprising entente cordiale between Presidents Trump and Juncker as well as the signing of a significant trade agreement between Japan and the European Union. Corporate earnings season has also generally positively surprised and within the pan-European markets every sector gained, with the traditionally more defensive healthcare and telecoms names juxtaposing the more excitable banking sector as the performance leaders. That still sounds to me like a market backdrop that favours the specific stock selector.

Pragmatically, it is still all to play for - a point hopefully not lost on global policymakers. As they recharge their batteries en masse over the next few weeks, let us hope it is just the weather - and not their emotions - that continues to stay hot.

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