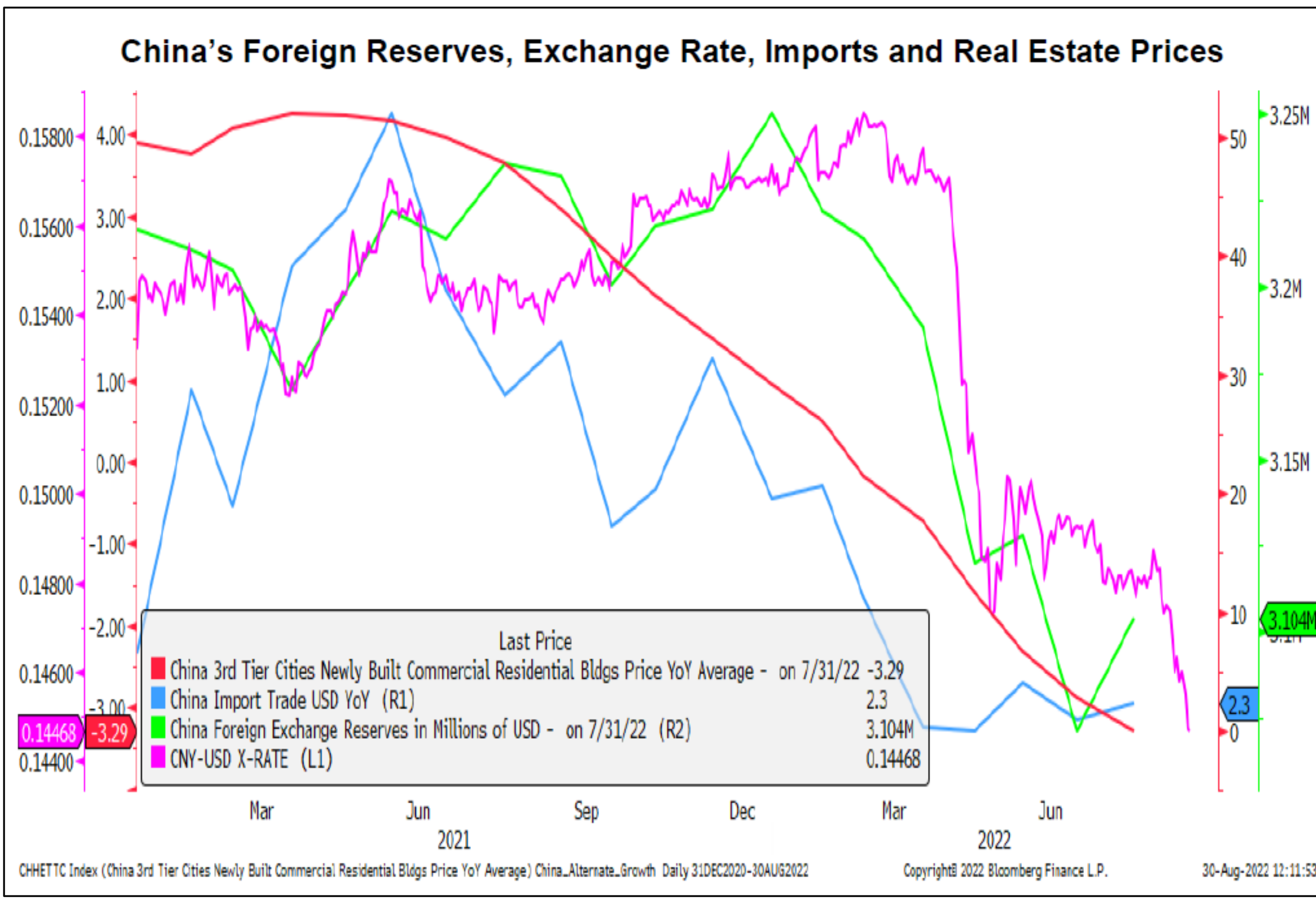
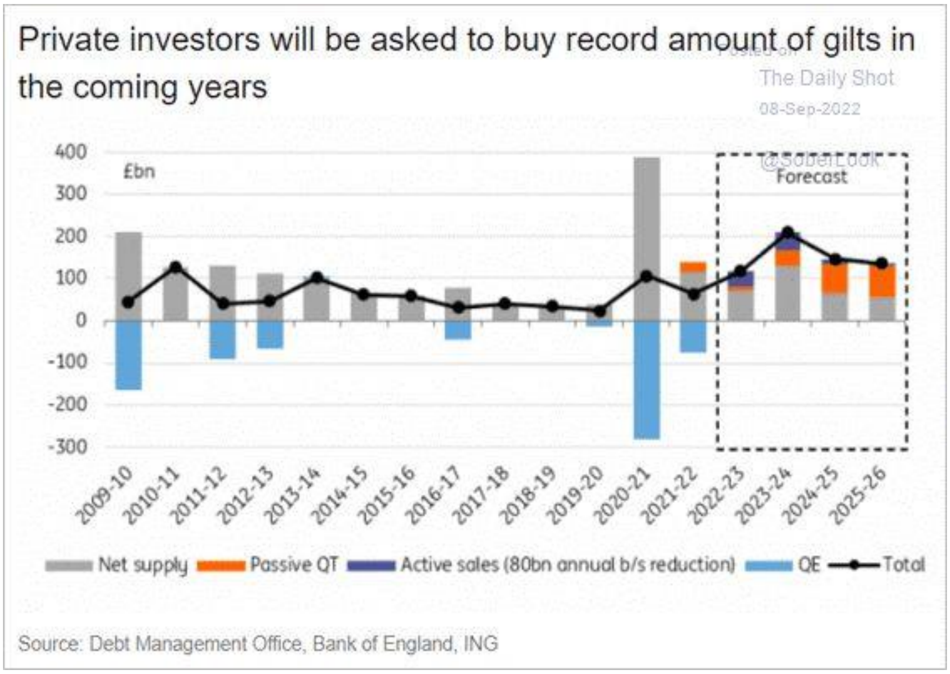
- China - who consistently prioritized political control at the expense of everything else; has turned into a closed, tightly-controlled autocracy from a growth-obsessed economy. Erstwhile, the model relied on large public sector investments, breakneck construction, double-digit growth, and handouts to the poor.
- Now that Chinese economy is more or less as large as US, Xi may sacrifice growth to reduce mal-investment & prevent capital leaks from causing currency crisis. Zero-Covid policies & brutal lockdowns may not make economic sense, but they are politically necessary: these long-delayed structural reforms could otherwise destabilize a society addicted to double-digit economic growth.
- In normal times, wealthy Chinese would protect their savings with Vancouver houses and Miami condos – but they can't leave the country. Neither can tourists spend precious currency reserves touring the capitals of Europe, one of the main leaks of the Chinese external account.

Source: StoneX, Bloomberg

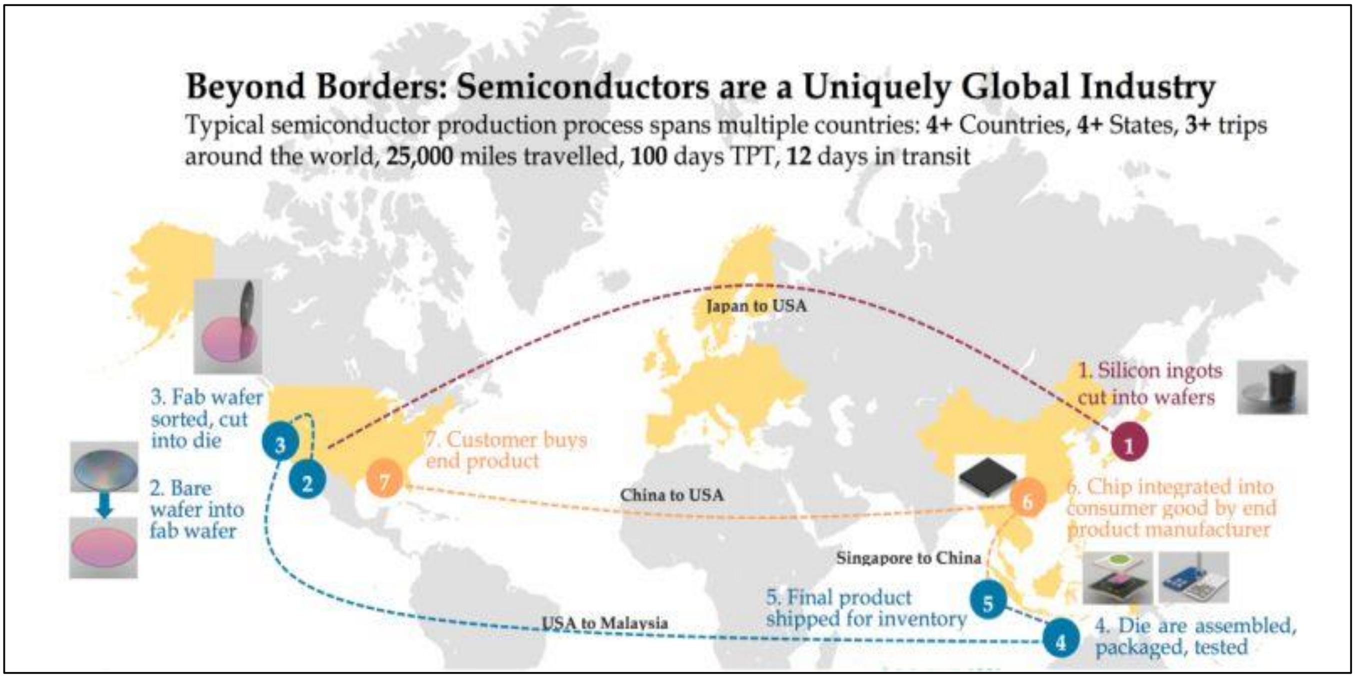


China has almost always seen foreigners / barbarians as a threat, rather than an opportunity to learn, trade, and grow. Xi's tight grip on Chinese society marks the return to a tradition of protectionism, self-centeredness, and "stability-at-all-cost" policies.



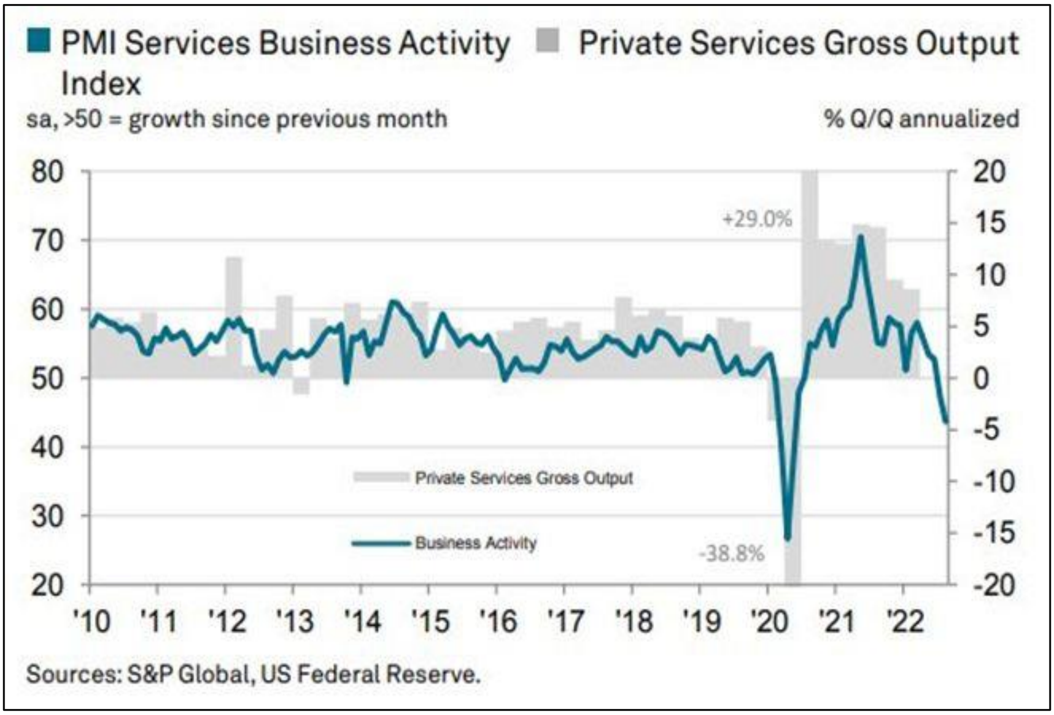
Price caps on energy bills are coming and are set to boost costs for the government. The supply of gilts to finance this program will rise substantially.

So essentially does this mean investors buy gilt papers in a rising rate environment



Want to know how deep was Globalization?

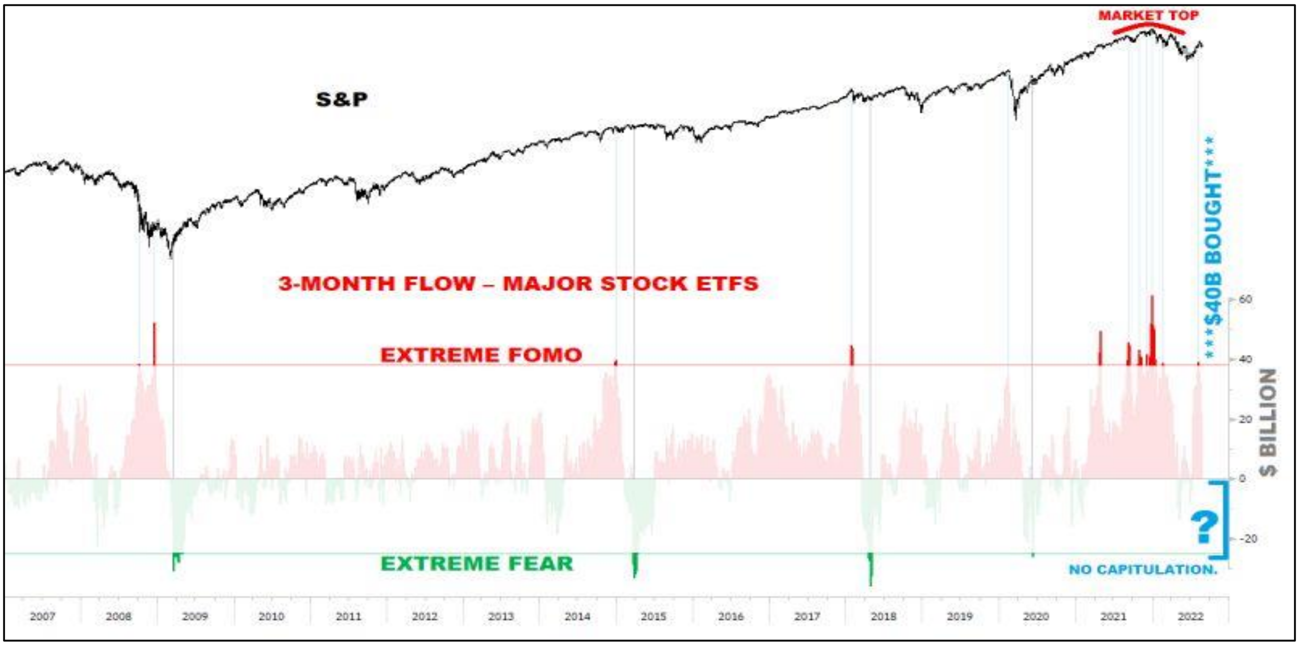
Semiconductor fabrication process involves three round trips across the world totaling nearly 25,000 miles. More than 75% of Intel’s business and half of Facebook’s revenue generation is outside the United States. Even companies like McDonald’s, Apple, and Tesla do a substantial portion of their business overseas



US business activity slowing down

Rough print for August SP Global U.S. Services PMI came in at 43.7 vs. initial print of 44.1 & 47.3 in prior month. Companies recorded solid decline in new business, with new orders falling for 2nd time in 3 months

Source: Liz Ann Sonders



Flows have come a long way from the June bottom – and many key areas have seen a full reversal.

For instance: Retail ETF Flows are spiking to extreme FOMO. There was no capitulation yet – not even close. What if the biggest risk is that the Bear Market is not over yet – and more Selling/Capitulation is needed to produce a “real” bottom?