

NEW TARIFFS MARK LAST GASP BID TO FORCE TRADE DEAL

This week the collapsing state of US-China trade relations has roiled markets. Talks appeared to have broken down after US trade negotiator, Robert Lightizer, accused China of renegeing on what little the two countries had already agreed on. The opening shots in a new trade war have already been fired, with President Trump confirming he's increasing tariffs on \$200bn worth of imports.

Hiking tariffs is a high risk move. In the short term the tariffs are paid by US consumers, who will face higher prices on imports, while in previous spats China has proved adept at targeting its retaliation at vulnerable groups of Trump voters such as mid-western soya bean farmers. With next year's election campaign already beginning, the political fallout could be severe. One crucial detail is that the tariffs are not being applied to goods in transit. While this sounds like a minor technicality it means most goods with the new tariffs applied won't arrive for a few weeks, meaning there is still time for a deal to be worked out.

THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	Euro Stoxx 50	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Wheat	GBP USD
-1.96%	-1.60%	-2.38%	-3.96%	-5.45%	-3.90%	-5.24%	-0.51%	+1.04%	-2.65%	-0.14%

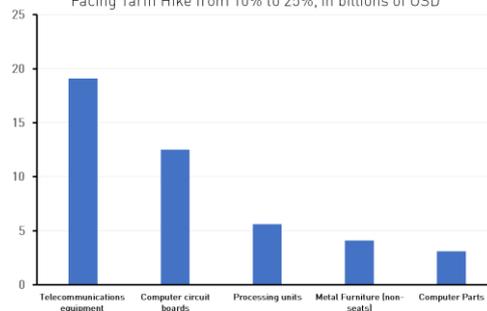
US: TEN ROUNDS OF TALKING AND STILL NO TRADE DEAL FOR TRUMP



As the 10th round of trade talks between the US and China failed to bring about a deal, Trump has proceeded with more than doubling tariffs on \$200bn of Chinese imports to the US; raising them from 10 percent to 25 percent and threatening plans to implement more tariffs on the remaining \$325bn of goods that are currently exempt. China will likely retaliate with further measures of their own, however scope for this is limited as they have already placed tariffs on 91 percent of US exports to China, representing \$110bn worth of goods.

This news is undoubtedly bad for global markets, with major equity indices in the US, China, Europe and Japan all falling this week. Given the positive rhetoric coming from the talks in April, many had discounted the chance of no deal being struck before these tariffs came into place, showing once again how overly optimistic market participants can be, especially when it comes to the end of the global consensus of free trade.

Top 5 Items in US Imports From China Facing Tariff Hike from 10% to 25%, in billions of USD



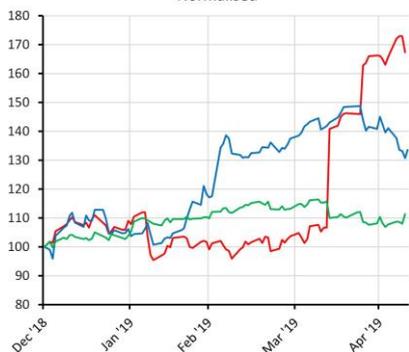
OIL: OCCIDENTAL WINS IT ALL



The board of directors of Anadarko Petroleum has backed Occidental Petroleum's \$55bn bid to buy the oil company after more cash was added to the mix. The additional cash offer is covered by Warren Buffet's \$10bn investment. His investment company, Berkshire Hathaway, extracted an eight percent yield in return for its support. The challenger, Chevron, has said it will not increase its offer, as "it was not a necessity [to make a deal] at any price".

The new deal terms will increase the cash component from \$19bn to about \$30bn, putting further strain on Occidental's debt level. To avoid the risk of a downgrade to junk status, Occidental had already agreed to sell Anadarko's assets in Africa to French energy giant Total as it wants to focus on its US business. One of Anadarko's most prized assets is its position in the Permian Basin, the heartland of the US shale oil boom, where it has drilling rights on about 250,000 acres.

OCl, Anadarko and Chevron's Share Price, Normalised



TECH: FACEBOOK LIKES LONDON



Facebook announced this week they plan to use London as the centre of development for their new payments feature on WhatsApp. While the UK is a key region in terms of number of users, Facebook announced the main reason the company chose the city is down to diversity, citing London as a cultural hub providing access to the app's 1.5bn global users. London has become one of the world's leading financial technology hubs with many fintech start-ups launching over the last few years and this move by Facebook further supports the city's position.

Facebook bought WhatsApp for \$19bn in 2014 but they are yet to monetise the platform and this payments system provides a potential new revenue stream. Chief Executive, Mark Zuckerberg, announced that following an initial trial in India, WhatsApp mobile payments would launch in several countries this year. The move comes as tech companies, such as Facebook and Tencent, look to muscle in on a Fintech scene dominated by investments from the big banks.

2019 Forecast for Fintech Spending at Big Banks, in billions of USD

