

Saxo Bank Q3 2018

Quarterly Outlook

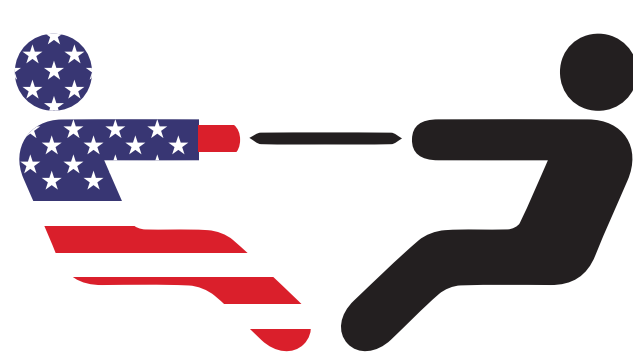
This could end very badly

“We are entering **one of the most dangerous periods for the global economy since the Berlin Wall fell in 1989**. The ‘trade war’, which was never supposed to happen in the first place, is now making headlines everyday. The short-sightedness of the world’s governments is remarkable, and given the history of trade wars, **profoundly alarming**.”

“Waning global growth, falling credit impulses globally, and massive complacency on the risks of a trade war are our unfortunate warnings for the rest of 2018.”

Steen Jakobsen

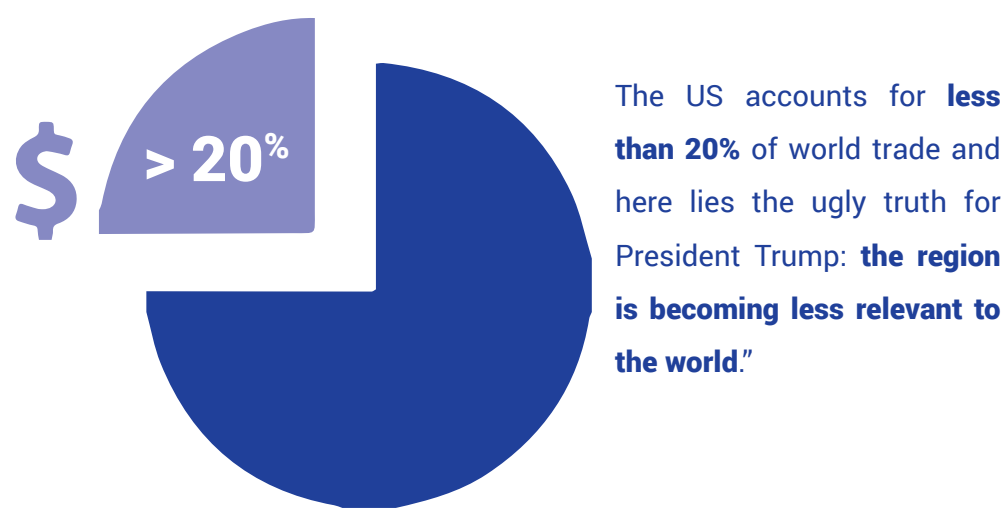
USD-negative trade war



“Once the Trump tax and fiscal stimulus fades, **the US will have a hard time finding the USD buyers to offset its enormous external imbalances**”

- John Hardy -

The drum beat of trouble is sounding for equities



“Escalating trade tensions driven by a misguided US government will only add to the trouble facing financial markets.”

“History quite clearly shows that **there are no winners in a trade war.**”

- Peter Garnry -

Challenged Commodities

SAXO BANK



“The outlook for commodities has become increasingly challenging as **multiple headwinds have started to emerge**”

“If the US and China fail to reach a compromise on trade, **a global trade war may pose a broader challenge**”

- Ole Hansen -

Only China can save us from a full-blown trade war



“History teaches us that restrictions on trade hurt the countries that impose them first and foremost.”

“China will do its best to avoid a full-blown trade war because **financial and monetary stability are crucial to its future economic development.**”

- Christopher Dembik -

Much fear, but opportunity too in bonds

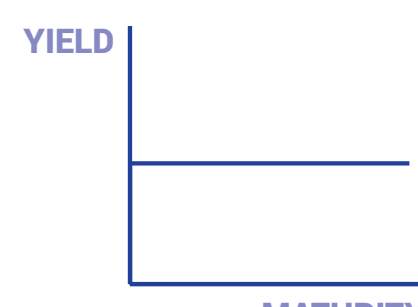
The three biggest opportunities in Q3:



• Investment grade US bonds



• High yield short-term corporates in USD and EUR



• Flattening of the yield curve

“With **volatility comes opportunity** and we are looking to investment grade US bonds and high yield short-term corporates to outperform.”

- Althea Spinozzi -

The long road to a global trade war

“A trade war between the two most economically intertwined superpowers can only work to **slow the growth of trade**; it cannot stop the continual march toward globalisation.”

“Average citizens are the losers during these altercations.”

- Jacob Pouncey -

The dragon in the trade war storm

“In a full-blown trade war scenario, **China holds a great many cards.**”

“Beijing doesn’t need to actually execute a nuclear trade option. It just needs to imply that it would.”

- By Kay Van-Petersen – APAC Macro -

Australia can gain where the US feels pain

Eleanor Creagh



“Chinese tariffs on US agricultural products could provide an opening for Australian exporters to fill and for Australia to expand its economic imprint.”

“Australia has a sweet spot amid a perilous populist moment”