

A bit of caution While the fathers argue

The election of the President of the United States is the sociological metaphor of the forces fighting and fighting for the definition of a new political-economic paradigm that is emerging with uncontrolled force. It is as if two fathers both discover that they have two super gifted sons, with an extraordinary IQ, a shocking intelligence and, after sensing their potential, they wonder how to behave. Both should know that they are unprepared to face an abnormal situation. But in reality, they probably do not have this modesty and therefore take refuge in their old patterns of thinking. The first (Trump) does not listen to the opinions of others (friends, experts and specialists) and believes that his strength, based on a few but solid principles, may be enough to guide the predispositions of his son. The road of the past will guide the road of the future: he imagines his boy free to unravel in the same social and economic system of his youth, in a powerful gasoline car, safe in his racial perimeter, able, thanks to

his superior intelligence, to use to his advantage the financial flows that will determine his destiny and that of others. His attention is focused on economic well-being, because that is what has guaranteed this father success and prestige. If the son will pay less taxes, he will be stimulated (thinks the father) to use his talent to earn even more money. The society will improve thanks to the wealth he will be able to produce and from which others will benefit indirectly. He will raise his bags at any cost, so as to comfort his pension fund. Should a pandemic come, his son is so smart that he will find a way to save himself, protecting himself while preparing a vaccine that will save him. Maybe he will be able to improve the country's infrastructure, but it will be mainly the classic ones (roads, bridges, new oil wells, real estate construction), even if he is too smart not to understand the importance of new technologies, 5G, biotechnology, etc.. But these will be based on a known social and economic

framework, where it will be the ability to generate profits of a company to decree its survival, without legislative impediments due to the desire to contain global warming. On the contrary, it is an expression of nature with which to live, without fighting it with bureaucracy.

The second (Biden) is also older than the first. Both fathers do not lack the experience of life. But if this turns out to be an advantage with "normal" children, the education of "abnormal" ones requires more: besides the intelligence of experience, it takes heart, character, and vision. This father has the strength of the skills required to shape his son, as his profession has developed into a more specific operational framework for his mission, which has allowed him to accumulate enormous knowledge that predisposes him to understand the world in a way that is perhaps more global than the former. But this strength of his could also turn into weakness, precisely because he must be able to go beyond what he has learned. Unlike the first father, he knows how to listen to others and accept proposals, suggestions, strategies. For his super adopted son, he is above all concerned about predisposing him to an

inclusive approach in the society in which he will have to live. He is convinced that global warming will be a heavy legacy of his generation because he believes that it is the oil-based economy that will destroy the planet. For this reason, he is convinced that the transformation of the productive system, already undergoing digitization and decarbonization, will be total.

Unlike the other parent, he has many ideas of his own and many that he receives from friends and advisors. Given his advanced age, the spontaneous question is whether he will have the energy to accompany and direct his son (because his ambition is to direct him into the future) in a difficult path, knowing how to make the most of the continuous solicitations he receives. It is a question that he also asks himself. For this reason, he has chosen a fascinating companion, younger (Kamala Harris), closer to the global society in which his son will have to participate and realize himself.

While the two fathers fight to impose their vision on the education of "abnormal" children, they grow up much faster than expected. In the shadow of the fathers, they already know how to seize the opportunities that present themselves.

Outside of the metaphor, the new digitized economy, with strongly decreasing marginal costs and therefore intrinsically deflationary, has a powerful ally that helps it to grow: central banks, in particular the Federal Reserve (FED), which also responds to the more general demands of society, where there are enlightened institutions and companies that have understood that to win in the new world we need super-equipped young people who must be hired immediately, even at the cost of leaving at home those who will not be able to enter the new dynamics.

Central banks have known for a long time that they are not adequate to replace fathers (which outside of metaphor are the expression of politics) in the preparation of the new economy (represented in our narrative by the super-doubt children) that is advancing. And they are waiting for politics to take the reins again.

But since the end of the Cold War, politics has progressively withdrawn from the great international dynamics, leaving it to finance and the economy to decide where to go. Trump in the United States, however, took a turn, in 2016, imposing a return to strong decisions taken from above. It was, however, the sovereign

identity policy that slowly emerged as a reaction to an increasingly uncontrolled globalization. But this super adopted son destined to de-carbonize the world, using the ability to bend an incredible mass of data to his will, really needs to be educated or at least managed: he can be contained, but not confined. What will be the path, at least for the next four years? To say it will be the American voter, who fears taxes but also bureaucracy.

However, the pandemic has helped to clarify the roles. Central banks once again proved to be the monetary firefighter in difficult times. In March, they flooded the world with liquidity: the FED with 3 trillion dollars in the form of loans and purchases of financial assets and the European Central Bank intervened quickly. In doing so, the worst was avoided. This time, however, they did not act alone. Politics regained the upper hand. In the United States, the Treasury has prepared a plan of over 2.2 trillion and the European Union has rediscovered itself capable of ambition by allocating a similar amount, part of which is inherently distributive. The markets have received a strong message: the central banks are supporting the economy with their manoeuvres, even

more so. They are financing the transition to new forms of digitized production, which express deflation, and therefore open to their monetary interventions to help a transformation that they see increasingly imminent and global. The pandemic has accelerated the ongoing process. And so, in particular the FED and now the ECB, have realized that they can do more. Since their interventions cannot even reach the inflation target of 2%, Jerome Powell's bank has decided that it will also focus on the goal of full employment, thus tolerating prices that will increase even beyond the target in the medium term. And even the ECB, which seemed condemned to focus only on maintaining a stable currency, realizes that it can also contribute more actively to economic growth. The Swiss National Bank (SNB) has different problems. For years it has been trying to contain the appreciation of the franc by selling it and, in part, also buying technological stocks in dollars: among the first positions are Apple, Microsoft, Amazon, Facebook, even if, in the second quarter, according to JP Morgan, it lightened them.

This context allowed the fastest stock exchange rebound in history: in just 156

days - since 1928 the average was 1500 days - the American stock exchanges returned to where they were at the beginning of the year, the NASDAQ far beyond (+24%). The ride was powerful until September, although the month closed the brightest quarter since 2009. September, it is well known, is a bad time for the bags. In normal times, after the summer vacations we return to the problems left unresolved before the vacations. In the extraordinary ones the end of the "summer break" coincided with a first analysis of the situation that the re-emergence of the coronavirus in some countries (France, Spain, but also the United States) has made urgent. Once the most critical phase had passed, it was realized that monetary stimuli had dropped sharply and fiscal stimuli (checks given directly to citizens) had expired or were in danger of extinction. Political uncertainties increase as the presidential elections in the United States approach. And then, looking at the wallets, the participants' bets were too unambiguous not to cause extremes to be corrected. All were focused on the same bets: purchase of mainly American technology stocks, gold, corporate bonds and sale of dollars. In addition, the small (retail) investor, who in

the U.S. received a monthly check to help overcome the difficulties, invested in the stock market, through platforms with no apparent transaction costs such as Robinhood, especially in technology stocks: easy gains, too easy.

And now, then, is it time to sell? The merchant banks rely on seasonality: usually in October they lay the first foundations for the long-awaited end-of-year rally. But this year the balance between what may turn out to be positive and the dangers involved is very uncertain. The coronavirus is presumed to have a negative seasonality at the beginning of winter (vaccines are not yet ready). The presidential elections are not insidious only because of the difficulty of understanding which of the two fathers will win. But for the fact that if Trump loses, he will not easily accept defeat, and this could create an uncertainty that the markets do not know how to price. The prices of the winning shares are too high: it would take a portfolio rotation to continue the rally. Moreover, Biden does not like the almost monopolies represented by Apple, Microsoft, Alphabet, Facebook. A threat to them would trigger unpredictable

movements. If there is an index to protect this could be the NASDAQ.

On the other hand, however, both in the United States and in the European Union, there is the awareness that in addition to monetary levers, there is now a need for fiscal levers with interventions that facilitate investment in the renewal and transformation of infrastructure. In this area, the European Union puts the emphasis on the Green Economy. That of the United States is less clearly defined, but traditionally more reactive. Both are on the threshold of making the strategies conceived in the middle of a pandemic operational. On the positive side, many investors already fear these negative scenarios, so in part they have already reacted. And the central banks are aware that the uncertainty caused by the US elections could be catastrophic for the already difficult recovery of the real economy: they are ready to unleash powerful bazookas like in March. Given the context, for those who are fully invested, it is worth producing some liquidity to take advantage of any stock market corrections, since the momentum of the stock market will remain. In Europe it is better to invest in companies with

strong Green Economy connotations and high ESG (Environment, Social and Governance) ratings: banks remain a hope value, necessary to strengthen the process of European integration. The first signs of mergers in this area could announce a deeper process. In the United States, however, the new economy, IT, cyber security, data, the cloud, etc. remain important. On the emerging markets, it is better to remain cautious and focus on what revolves around China, which is a safer port within the coronavirus and which, in addition to its direct interventions, benefits in commercial terms from the initiatives of the United States and Europe, although it will continue to be under pressure from these two regions. The dollar could weaken again, because the markets know that the FED can act indiscriminately with aggressive monetary interventions at any time, thus respecting Trump's wishes. The gold, arbiter of the success of the FED's policy, could then rise again. However, the super adopted boy continues to grow, becoming more and more aware that de-carbonizing the world through digitization can become an exceptional business, financed - for free - by central banks.

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