A bright November

The scepticism continues or at least is often proclaimed. But the markets do not stop. On the contrary, in November the S&P, the flagship index of world stock markets, has set new records, registering + 25% since the beginning of the year and + 3% in the month. But the other stock exchanges in the world have also continued to rise. The skeptics point out that the decade is ending with a weak and fragile world economy growth that fails to resume levels prior to the 2008 financial crisis. The optimists, on the other hand, look at the impressive size of the financial assets supported by the central banks. These are openly committed to avoiding accidents on the markets, which would negatively affect the already timid recovery of the real economy. They can do it because it is easy for them to keep rates low, or even negative, in a context of weak inflation. Who cares if financial bubbles are fed by corporate and individual indebtedness. This is, for now, the only way identified to allow the transmission of financial wealth to the real economy. Certainly, these are just a few drops, in relation to the money supply created, which creep into everyday economic reality. But they are vital. In this path errors are paid. The Federal Reserve was wrong last year, believing that the time had come to raise rates. The European Central Bank had followed it, stopping Quantitative Easing, i.e. the purchase of bonds (a form of monetary creation). And China had also put a brake on debt. These decisions of 2018 led, in 2019, the growth of the world economy to touch the lowest point after the financial crisis of 2008 due to the simultaneous slowdown of the economies of the United States, Europe and China that had manifested itself in the collapse of the financial assets in the third quarter of last year. It was obviously wrong to close the purse strings in full trade war between the United States and China, undermining the already rarefied trust of companies that immediately stopped investments. Learned by the mistake, this year all financial taps have been generously reopened. The markets are therefore looking for better valuations by rediscovering cyclical stocks. But also, at international level the flows change. In the world stock indices, 8.2 USD billion entered the last two weeks, interrupting the outgoing movements started in September; while the focus on US stock exchanges has been reduced by 10 billion. Europe returns interesting, and it will be even more so with a good Brexit agreement, thanks to price / earning multiples of 15.4 (Stoxx 600) against 19.3 of the S&P. And also Asia, in the perspective of a first China-United States agreement, has started to attract funds again. Strategically, signals that can motivate the central banks to contract their generosity, potentially, are the trend of inflation and the growth of the Gross Domestic Product (GDP) in the first place. The exchanges, in 2020, will be at the mercy of economic data that could improve due to the generous flow of liquidity and commercial and geopolitical tensions that are far from extinct. Forecasts in finance are necessary to guide investments. But they often turn out to be wrong; what matters is the ability to adjust them quickly