



Brexit, Trump and the Rest

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“The old order changeth, yielding place to new, And God fulfils Himself in many ways, Lest one good custom should corrupt the world.” (Morte D’Arthur – Tennyson 1856).

2016 marks a year where the old order changed. The constant news flow over the last several months has been exhausting. Just keeping up has been difficult let alone trying to digest it and consider implications.

Brexit (the UK is **leaving** Europe), the end of the Clinton Dynasty and “U.S. Liberalism”, Sarkozy failed to progress as a presidential nominee, the Renzi referendum doesn’t look good, Duterte of the Philippines seems to be reshaping his country’s historical alliances, Brazil’s left wing president Dilma finds herself impeached, South Africa’s ANC is polling historic lows and is Erdogan turning his back on Europe in favour of the Shanghai group?

Commentators actively talk about the break up of Europe, the dismantling of Nato, the irrelevance of the ICC –we get a new President-elect in the U.S. and Putin sends him a love letter contrasting with the EU who call an emergency meeting of foreign ministers to decide how to deal with him.

What’s going on?

We are now in the 10th year of fallout from the Global Financial crisis which kicked off officially in August 2007. Pre-crisis, the big global themes were Globalisation, a unipolar world, Democratisation and “it’s the Economy Stupid”.

The latter, in particular underpinned a lot of what happened pre-crisis with the belief that economic prosperity was what mattered most and if this could be delivered, citizens would be contented. Other issues – be they cultural, religious or nationalistic would be relatively insignificant in the scheme of things with the priority being economic well-being over all else.

Pre-crisis – this argument worked assisted by some killer trends. Eastern Europe expanded rapidly from a low base – the BRICs (though not all the same) enjoyed rapid growth on the back of a commodity boom, leverage and lots of it greatly assisted the developed economies.

During the crisis Central Banks/Governments made an initially successful intervention into financial markets to stop the Global system from collapse and potential consequences that were simply too complicated to predict but probably all very bad.

The “cost” of that intervention in many cases was to saddle tax payers with a bill (both financial and social), create a paradox in markets whereby asset prices inflated, the system was flooded with money – but where the average person (the masses) considered it an achievement if year after year they managed to sustain their wages at the same level as the year before. This negativity was further compounded by the fact that during the previous 20 years a globally aspirational society had developed – better educated and more mobile than ever before, brought up to believe that they had a right to a better life and who no longer felt pre-destined to be a coal miner, a steel worker or a farmer.

Ten years is a long time. It is far longer than the normal recessionary cycles and the mantra “It’s the economy stupid” no longer works the reason being that the economy does not work for the vast majority of people who are now educated, forced to work for less, who have limited opportunity and moreover feel powerless to do anything to bring about a change in their circumstances. Added to this the rapid impact of technology in every aspect of society is horribly efficient in making people redundant and driving down wages.

The consequence of this is people start to look for alternatives and things to blame. As the economy no longer works for people, what were secondary considerations become more relevant insofar as explaining their circumstances and presenting potential solutions to their problems. E.G. “Immigration and Globalisation are responsible for labour cost going down and my wages collapsing” and “Nationalism whereby my country prioritises me ahead of any notion of collective or global participation is better for me”.

We are entering a period where individual and national priorities “TRUMP” any notion of collective and global responsibility. Almost by default that suggests the world is likely to become more confrontational. Whilst we have gone through many periods in history where this has been the state of the world – what is different this time is that the world is inextricably linked. Countries no longer work in silos but now have huge interdependencies with regard to trade, populations and security. **It is difficult to undo what has been many years in the creating.**

I don’t have many answers to what I see happening at the moment but I do have awareness that we enter a new phase in the world. We went through a post cold war expansion phase (where people felt good 1989 -2007). We’ve gone through an emergency/stabilisation phase where people have felt miserable (2007-2016) we’re now entering a new phase which I will describe as the “self-interest” phase. The jury is out on how people will feel at the end of this phase but I think there will be winners and losers – and probably the losers will be the last people who have realised the world is in a new phase.

I was trying to think about how to end this paper leaning towards some sort of view on markets. I am however still struggling to come up with a definitive view – other than run some diversification.

I did however empathise with a text I received from an old friend this morning where he said “*New highs, the world has lost the plot. Apparently higher oil prices, higher interest rates, bigger debts, deficits and trade war are good for the global economy I give up*”.

Frederick Dubignon

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