

THE WEEK

Edited by Chris Sabaitis

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Volume III

The Week in Review

The West

In Chicago, planned teacher's union strikes on Thursday have prompted Mayor Lori Lightfoot to cancel classes. In Europe, Catalonia experienced a new wave of pro-independence protests after nine Catalan separatists were given sentences by the Spain's highest court.

The East

Chief Executive Carrie Lam promised an increased welfare initiative in an attempt to quell the protests that have engulfed Hong Kong.

Focus: LeBron

LeBron James caused an uproar on social media this week when he assailed Daryl Morey for not understanding the ramifications of his pro-Hong Kong tweet on October 4. That tweet prompted China to stop televising NBA games on the mainland and to encourage Chinese companies to pull contracts with the league.

Quick Take

Despite a rather turbulent market, the main headlines this week were LeBron James's out-of-touch remarks on Hong Kong and Turkey's continued offensive in Syria. The latter came up in Tuesday's Democratic debate, during which all of the candidates took shots at Elizabeth Warren. Also worth noting are Chicago's teacher's union strikes. There was so much action this week that news coming out of the Trump Administration's ongoing trade talks with China went largely unnoticed.

An update with the House's impeachment inquiry: Rick Perry has announced that he will leave the administration at the end of the year. While he told the House that he had never heard Trump discuss an investigation into Biden, he confirmed that he had met with Rudy Giuliani at the President's direction earlier this year.

Finance & Markets

On Tuesday the Fed began a policy reminiscent of quantitative easing, a tactic used to introduce additional liquidity into the financial system. Officials say that while the policy is similar, it differs in that it is aimed at maintaining bank reserves rather than introducing liquidity, the lack of which prompted month's excessive repo market volatility.¹ Investors are still waiting to see how the influx of new capital will impact the markets, but one question looms: how much control does the Fed really have over the overnight rate?

On a different note, new data this week suggested that consumer spending has started to fall after several months of strength. Stocks reacted negatively, with the Dow falling below 26,950 points on Wednesday morning before rebounding above 27,000. Consumer spending has been supporting the market in the face



Something Delicious

A friend of mine recently told me that I was missing out by not subscribing to the New York Times cooking section emails. She was entirely correct, and I have adapted a shrimp recipe below. For a link to the actual recipe, click [here](#).

Ingredients

- 2 lemons
- Sea salt
- 1 cup white wine
- 3 tablespoons butter
- 1 pound shrimp
- Garlic cloves, sliced
- Red pepper flakes
- Black pepper
- 0.5 cups parsley
- 0.25 cups basil

Directions

1. Preheat oven to 350 degrees
2. Slice one lemon, arranging the slices on a baking sheet, and cover with wine. Cut the other into wedges for serving
3. Caramelize the first lemon slices by putting them (and the wine) into the oven for 6-12 minutes
4. In a medium pot over medium heat, melt the butter. Remove from heat and add shrimp, garlic, salt, red-pepper flakes, and black pepper. Make sure to coat the shrimp with butter
5. Spread the shrimp over the lemons, and cook them in the oven for 3-5 minutes or until they're cooked through
6. Serve immediately with the lemon wedges

of weakened trade and slow growth, so any apparent slowdown in stocks could have substantial ripple effects across the economy.

Finally, China has agreed to buy more farm products from the US, although the details still remain vague. Since the US is still set to add new tariffs on China in December, the market is hesitant to consider this early news from this new round of talks an indication of success.

The Big Headlines

Lebron James: Defender of China

Last week we discussed the controversial tweet by Houston Rockets general manager Daryl Morey. On Monday, Lebron James responded in a tweet:

My team and this league just went through a difficult week. I think people need to understand what a tweet or statement can do to others. And I believe nobody stopped and considered what would happen. Could have waited a week to send it.²

Social media users came out against James in droves, suggesting that his “difficult week” paled in comparison to the current situation of the Hong Kong protestors.

The controversy plays into a larger debate over how much influence foreign governments should have over American companies and their employees. In this case, China responded to Morey’s tweet last week by removing the NBA’s games from television and shutting down some planned events. The league also lost some sponsorships from Chinese companies.

Turkey Temporarily Suspends Offensive

After meetings with Vice President Pence and Secretary of State Pompeo on Thursday, Erdogan announced that he would halt Turkish military activities in Syria for just five days in exchange for a reduction of economic sanctions. During this period, the US will help the Kurds withdraw from Syria before Turkey begins the next part of its offensive. Syria’s Assad regime has yet to respond to the deal.³

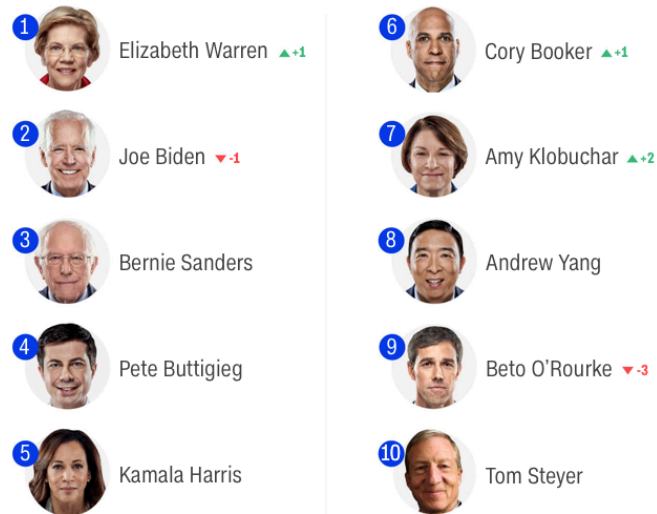
The situation is further complicated by the presence of Russian troops in the region, who moved into the positions the US formerly occupied. Russia has been providing Turkey with some

military weapons, including the S400 missile defense system (often considered to be one of the best defense systems in use).

Tuesday's Democratic Debate

Tuesday's debate saw Elizabeth Warren take substantial heat from her current challengers, essentially confirming her position as the frontrunner in the campaign. A new poll from CNN places Biden a close second for the first time in the race. The poll also saw Booker and Klobuchar gain, while Beto took a 3-point hit.⁴

One notable development following the debate: both Alexandria Ocasio-Cortez and Ilhan Omar endorsed Sanders for president.



Arrows indicate change since the previous rankings.
Graphic: Will Mullery and Allie Schmitz, CNN, Updated October 16, 2019

Catalonian Protests

A Tuesday ruling by Spain's high court sent Catalonian protestors into the streets, revealing underlying tensions that have been simmering since the region's failed referendum in 2017. The court sentenced nine pro-independence leaders to prison for their role in the referendum two years ago.

The protests turned violent as protestors clashed with riot police on Wednesday. With over 350 people injured, separatist leaders have pledged another referendum and planned a strike for Friday.

What's Up this Weekend?

What	Where	When	Notes
<u>Haydn, Strauss, and Unsuk Chin</u>	David Geffen Hall	Friday, Saturday, and Tuesday	
<u>NY Greek Film Festival</u>	Florence Gould Hall	Friday	

Further Reading

<https://www.forbes.com/sites/kellyphillipsrb/2019/10/09/irs-issues-new-guidance-on-the-tax-treatment-of-cryptocurrency/#18064af359e5>

- ✦ Despite this being an article about the IRS, it is relevant to everyone who likes to trade cryptos

https://www.frbsf.org/economic-research/publications/economic-letter/2019/october/yield-curve-responses-introducing-negative-policy-rates/?mod=article_inline

- ✦ An ongoing debate in the finance world is how negative interest rates affect economies, and whether they can provide adequate stimulus for recession-plagued economies. A new economic letter by the San Francisco Fed suggests that lower interest rates have lasting effects across bond tenors.

Citations

¹ <https://www.wsj.com/articles/the-fed-is-buying-bonds-again-just-dont-call-it-quantitative-easing-11571218200>

² <https://twitter.com/kingjames/status/1183934569411530752?s=12>

³ <https://www.wsj.com/articles/pence-leads-u-s-efforts-to-halt-turkey-offensive-in-syria-11571308486>

⁴ <https://www.cnn.com/2019/10/17/politics/2020-democratic-presidential-candidates-ranked/index.html>

⁵ <https://www.wsj.com/articles/catalonia-protesters-push-on-vote-for-independence-11571347118>