Turmoil on Wall Street continues

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Wall Street had another turbulent day yesterday with the Dow moving in a range of more than 600 points. It closed marginally up, by 34 points, after dropping by more than 500 points in the opening two hours of trading.

The market turmoil was the product of several factors, including: the decision by British Prime Minister Theresa May not to go ahead with a parliamentary vote on the Brexit deal with the European Union; a Chinese court decision brought by the US high-tech firm Qualcomm against Apple; concerns over growth in the US and the global economy; and the continuing impact of the US-China trade war.

The news that May had pulled the plug on the vote in parliament, after saying she faced defeat by a “significant margin,” sent stocks down in the morning session as the prime minister announced she would begin a tour of European capitals to seek a better deal.

The director-general of the business lobby group CBI, Carolyn Fairbairn, summed up the mood in the corporate world, describing the decision as “another blow” for companies looking for clarity.

“Investment plans have been paused for two-and-a-half years. Unless a deal is agreed quickly, the country risks sliding towards a national crisis,” she said.

But there is virtually no prospect of a rapid solution. European Council president Donald Tusk said the EU was ready to talk about how to “facilitate” the agreement with the UK but said there would be no renegotiation and May has not indicated when she might bring a revised deal back to parliament.

News out of China that a court had ruled in favour of Qualcomm against Apple over intellectual property and had banned sales of iPhone models was another factor in the initial market slide. The Intermediate People’s Court in Fuzhou granted a preliminary injunction against Apple after finding it in violation of two Qualcomm patents.

Qualcomm said the ruling meant that four Apple subsidiaries are barred from importing and selling seven models, but Apple is disputing this interpretation saying it only applies to phones running on an older operating system.

Whatever the immediate outcome, the ruling is another blow to Apple, which relies on China for 20 percent of its global market under conditions where sales of its latest models have been below expectations. Apple’s market value, which earlier this year topped $1 trillion, has fallen by $250 billion since then.

The bitterness of the conflict between the two US tech giants, which has been ongoing for the past two years, was highlighted by a statement from Apple on the decision.

“Qualcomm’s effort to ban our products is another desperate move by a company whose illegal practices are under investigation by regulators around the world,” it said.

A statement from Qualcomm said that, while it rarely resorted to the courts for assistance, “we also have an abiding belief in the need to protect intellectual property rights” and Apple “continues to benefit from our intellectual property while refusing to compensate us.”

Given that one of the central accusations levelled by the US against Beijing is that Chinese companies steal US intellectual property, there is a certain irony in the fact that a fierce battle between two US tech giants over IP theft is being fought out in a Chinese court.

Concerns over global growth were another major factor in the ongoing slide and volatility in US markets. Signs of a downturn are reflected in the fall in the prices of commodities.

The sharpest fall is in the price of oil, down by 30 percent since the beginning of October. The price of copper, another key indicator of industrial production, is down by 17 percent from levels reached earlier this year. One of the key factors is the slowdown in the Chinese economy which experienced its lowest growth rate in a decade in the third quarter, with indications that it could go lower.

There are also signs of a slowing in Japan with the government reporting that its economy contracted at an annualised rate of 2.5 percent in the third quarter. While this is being put down to a series of natural disasters and the economy is predicted to "bounce back", there are concerns over future growth.

Kiichi Murshima, an economist at Citi in Tokyo, told the *Financial Times* that with "the global economy, and Chinese activity in particular slowing, there remains uncertainty as to the extent of a rebound in goods exports in the fourth quarter."

Global equity markets could also be heavily impacted by a slowdown in the US economy.

"Next year is going to be tough because I think one of the key changes to this year is that the US is going to slow down," Christian Mueller-Glissmann, a senior analyst at Goldman Sachs told the CNBC business channel on Monday.

"We expect the US to slow down to less than 2 percent by the end of next year and as a result of that you could see the market getting quite scared," he said.

Mueller-Glissmann also pointed to the effect of the eruption of class struggle in France exemplified by the "yellow vests" movement. He said that previously concerns had centred on Italy and its conflict with the EU over its budget, but this could change.

"Next year, the focus might shift to broader Europe for other reasons," he said. "We have European Parliament elections, we have relative instability in Germany, and France these days, and I think that this could start to be a bigger story than Italy."

Another major weight on the US financial markets is the impact of the economic war against China which escalated last week with the arrest in Canada of Meng Wanzhou, a key executive at the Chinese communications giant Huawei at the request of the US Justice Department on alleged fraud over deals with Iran in defiance of US bans.

In a television interview last week, before the arrest announcement, former Morgan Stanley Asia chairman Stephen Roach hit out at the basis of the US anti-China measures launched under Section 301 of the 1974 Trade Act with a report issued last March by US Trade Representative Robert Lighthizer.

"I have to reluctantly say that this report makes a very weak case in trying to justify tariffs and the risk of a trade war," Roach, now a senior fellow at Yale University, told CNBC.

The Trump administration has accused China of forced technology transfers, employing predatory mergers and acquisition policies and cyberhacking to steal intellectual property.

Roach said there was "no evidence whatsoever" that China had forced technology transfers through joint ventures, data did not support the claim of predatory merger and acquisition policies, and there was no new evidence of Chinese cyberhacking since 2015.

"We need to be much more fact-based, which is always a problem, I think, with the Trump administration," he said.

However, as the arrest of Meng Wanzhou has revealed, the economic war against China is not only being driven by the Trump administration but by the permanent "deep state" intelligence and military apparatus which regards Beijing's economic rise as an existential threat to US economic and military dominance and is determined to use all measures deemed necessary to prevent it.