

Citibank's Ed Morse told Bloomberg that the "implications of stormy seasons in the Gulf of Mexico have mounted as the U.S. emerges as a global energy hub. "Gasoline prices increased to \$2.00 per gallon for the first time in two years after supply was cut on the Colonial Pipeline which transports fuel from the Port of Houston to refineries in New Jersey. West Texas Intermediate—a grade of crude oil used as a benchmark in oil pricing—has felt pressure from the hedged drop in demand. Despite traders and suppliers being prepared for the storm, the decreased supply has alarmed importers of American crude in Latin America and buyers of diesel in Europe. Mexico alone imports half of its gasoline from across its northern border. - NG

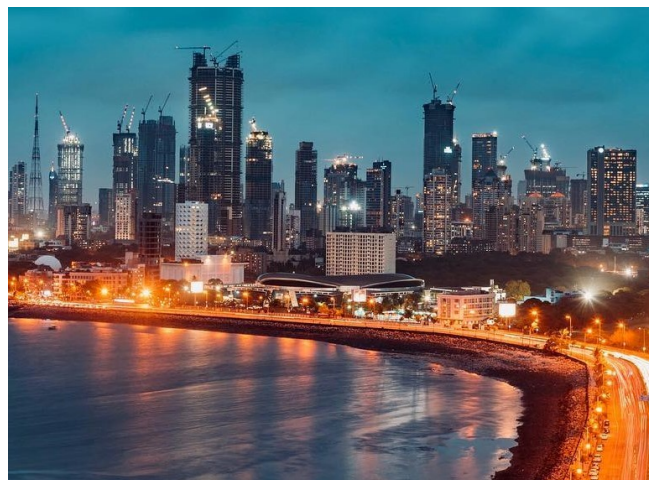
<https://goo.gl/NRsBuU> <https://goo.gl/3FgWjv>

Fire and Forex

With tensions between the U.S. and North Korea at an all time high following the alleged 'Hydrogen Bomb' test recently conducted by Pyongyang, global markets are still trying to process all available information. It is worth remembering however, that when President Trump threatened North Korea with 'Fire and Fury', investors reacted by jumping to 'safe havens' like gold, which rose to its highest price in the past two months. A similar pattern was seen in the case of 10-year Government bonds causing their interest rates to fall by 3.1 basis points. Likewise, interest rates fell by 4.1 basis points and prices increased for 30-year bonds. In the FOREX market the Swiss Franc and the Japanese Yen strengthened against the dollar, while the South Korean Won dropped by nearly 1 %. In the coming weeks, a hedging Wall Street is likely to see a surge in the popularity of these 'safe haven' assets.—AS

Emerging Promises

Emerging markets have gained enormous popularity after the 2008 recession. That excitement seemed to cool after the recent slowdown of the Chinese economy. This has not stopped the Dubai Chamber of Commerce from having a bullish perspective on emerging market economies. The Dubai Chamber of Commerce and Industry is aiming to capitalize on its bets in Latin America and India. According to Hamad Bu Amin, the president of the Dubai Chamber, "Latin America is one of the most dynamic and resource rich regions of the world". Whereas India, which already has strong economic ties with the United Arab Emirates, has grown by 7.1 percent.



With a population of 18 million, Mumbai is the largest city in India and the financial powerhouse of South Asia

Non-oil trade between Dubai and the Asian giant reached \$26 billion in 2016. Businesses in the UAE have found lucrative opportunities to provide Latin American firms with much needed expertise in logistics, tourism and aviation. The Dubai Chamber is also working to increase its public and private sector partnerships in infrastructure while trying make headway in the medium enterprise space of Asia, which increasingly seems to be becoming a center of the global economic activity according to shifting trade patterns.—AS

Join the Penn State Economics Association

Upcoming Events

- Fall Business Mixer Sept. 12th 6-8PM
- Over 20 companies will be in attendance and recruiting for both full-time and internship positions. RSVP for location.
- Education Presentation
- Tuesday, Sept. 12th 8:30-9:15
- Fisher Investments Case Study
- Thursday, Sept. 14th @ 8pm in 371 Willard.
- Associate Applications due 9/7



Scan the QR Code for PSUEA updates

THE

OPTIMAL

BUNDLE

THE PENN STATE ECONOMICS ASSOCIATION
THE OPTIMAL BUNDLE

Editor: Nicolas Guerrero
Contributors: Alex Cohen,
Victoria Phelps, Arjun Sinha

September 5, 2017
Fall 2017: Volume 34

optimalbundle.org
psuea.org

Donald Trump Tweets @North Korea

The United States and North Korea have always had a tumultuous relationship--and for obvious reasons. The United States generally denounces any nation that 1) operates as a dictatorship, 2) commits heinous human rights violations against their own people and neighbors and 3) has a dictator with the worst hair cut on the face of earth. Recently the threat of North Korea has heightened with their continued effort to increase their nuclear bomb capabilities. Within the past week, North Korea announced that they successfully tested one of their H-bombs and that the test was successful. Making matters worse, North Korea claims to have the capability to attach this to a missile that can reach mainland U.S. If this threat is true, the United States is in real danger. Donald Trump has taken to twitter to denounce and threaten the North Korean leader, announcing that his administration is considering stopping all trade with any country that does any business with North Korea. This raises a big question mark for China. Will China step in to maintain their relationship with the United States for trade or will they stand by North Korea? - VP

Ms. Yellen Goes to Wyoming

Academics, central bankers, and policy makers from around the world gathered in Jackson Hole, Wyoming for the annual Economic Policy Symposium. This year's theme, "Fostering a Dynamic Global Economy", focused on income inequality, international trade, fiscal spending, and global growth. However, the highlight was the speech made by Federal Reserve Chairwoman Janet Yellen.

During Janet Yellen's speech, she defended post-recession financial regulations, reducing her chances of being reappointed. She offered little information on how the Fed plans to shrink its balance sheet. Though she did point out "the all-too-familiar risks of excessive optimism, leverage and maturity transformation re-emerging in new ways that require policy responses" which could indicate a rate hike in December. Yields on the US 10 year and 30 year treasuries both fell marginally; showing that investor sentiment on the market is slightly down after her speech. - AC

<https://goo.gl/wGHXMj>



Head of the ECB Mario Draghi, Fed Chair Janet Yellen, and Bank of Japan Governor Haruhiko Kuroda discussed the current hostility toward global trade

Harvey Tests the Market

Today the United States exports nearly eight times the amount of crude than it did when Hurricane Katrina hit the Gulf coast in 2006. The effects of bottlenecked supply have been felt globally as Hurricane Harvey incapacitates a quarter of total U.S. refineries.