



R&R Weekly Column
By Brunello Rosa



American Domestic Politics Returns Centre Stage, With All Its Ramifications

Last week, the news emerged that the Republicans have [finally conquered a slim majority in the House of Representatives](#) at the mid-term elections. This came after the [Democrats celebrated the fact that they retained control of the Senate, with at least 50 senators](#). If the Democrats win the run-off election in Georgia in early December, they may even increase their majority compared to the results they achieved in 2020. [The youth and pro-abortion vote](#) proved essential for the Democrats to win in many constituencies, in a polarised society in which yet another shooting ([in this case against the LGBTQ community](#)) took place last week.

The Republicans were hoping to get control of both branches of [Congress to launch an impeachment process against Biden](#), his management of the Ukraine war and the relationships of his son Hunter in that country before the conflict exploded. Now they can try and pass the articles of impeachment in the House - that will already be hard enough, as some moderate Republicans will likely oppose it - but it will be almost impossible to win the battle for impeachment in the Democratic-controlled Senate.

The big question now is whether Joe Biden will run again for President in 2024. The “victory” in the mid-term election, as a red wave failed to materialise, would suggest he will, but he will make an official announcement only in January. Meanwhile, his competitor in the 2020 election [Donald Trump has already announced that he will run again in 2024](#). Trump’s abrasive rhetoric, and the choice of “negationist” candidates who denied Biden’s victory in 2022 and then failed to win their seats in the mid-terms, was condemned by the Republicans as the reason for their defeat. So, he will again face an uphill battle to win the Republican nomination.

Trump’s candidacy will likely freeze most of the trials against him, for tax evasion, for his responsibility in the January 6th 2021 assault to Capitol Hill, and for having illegally collected secret documents from the White House when he moved out. An independent special prosecutor will need to be appointed to continue the investigations. The Democrat-led Department of Justice was very prudent in continuing the investigation, as it would be the first time in history that a former President is criminally investigated.

Now the paradox is that the Democrats seem willing to have Trump as their contender in 2024, as they consider him easier to beat. Whereas the Republicans would like to accelerate the trials, so that an indictment would prevent him from running for office and dividing the Republican camp once again. Meanwhile, Elon Musk, the new owner of Twitter, decided to re-open Trump’s profile, which had been banned in the aftermath of the assault on Capitol Hill, after a quick referendum with the users.

As usual, US domestic politics has international ramifications. In particular, the Russian army decided to withdraw from Kherson and all territories west of the Dnieper river as soon as they realised that Biden will not become a lame duck. If Trump had become the most likely successor to Biden, the Russian calculus regarding the war in Ukraine would have probably changed.

In the next couple of years, US domestic politics will return centre stage with the primary election for the presidential election of November 2024. We will continue to follow that closely, given their international implications.

Our Recent Publications

📖 [Tech Stocks Correct After Reaching “Maturity” Stage](#), by
Filippo Ramigni, 15 November 2022

📖 [Destined To Choose Between US and China: India’s Military Reform and its Geopolitical Consequences](#), by London Politica,
11 November 2022



Looking Ahead

The Week Ahead: PMIs To Fall Below 50 In DMs; US Consumer Sentiment To Decrease; EZ Consumer Confidence To Improve Slightly

In the US, according to flash estimates, in November, manufacturing and services PMI is likely to decrease to 49.9 (p: 50.4) and 47.7 (p: 47.8) respectively. In November, Michigan Consumer Sentiment is expected to deteriorate to 55 (p: 59.9)

In the EZ, according to flash estimates, in November, manufacturing and services PMI is likely to decrease to 46 (p: 46.4) and 48.1 (p: 48.6) respectively. Composite PMI is seen falling to 47 (p: 47.3). November's consumer confidence is expected to slightly improve to -26 (p: -27.6).

In the UK, according to flash estimates, in November, manufacturing and services PMI is likely to decrease to 45.6 (p: 46.2) and 48.8 (p: 48.0) respectively. Composite PMI is seen falling to 47.5 (p: 48.2).

The Quarter Ahead: 2022 US Elections; Poland Missile Strike; Theranos Founder Jailed For Fraud

The 2022 United States elections: Republicans won back control of the US House of Representatives. In a secret ballot, Kevin McCarthy, the Republican leader in the House was backed to be his party's nominee for speaker. Biden issued a statement congratulating McCarthy, saying he is "ready to work with House Republicans to deliver results for working families". Meanwhile, former president Donald Trump announced a White House bid for 2024.

A missile strike killed two men in a Polish village close to the Ukrainian border. NATO and Polish leaders say the missile was most likely fired by Ukraine in defence against a Russian attack. President Zelensky commented that he had "no doubts" that Ukraine was not to blame for the strike.

Theranos founder Elizabeth Holmes has been sentenced to over 11 years in prison. She was found guilty of defrauding investors about the efficacy of her company's blood-testing technology once valued at \$9bn.

Last Week's Review

Real Economy: EZ QoQ GDP Decelerated; EZ Inflation Surged; UK Core Inflation Stayed Unchanged; UK Retail Sales Recovered

In the US, in October, IP slowed down to 3.3% y-o-y (p: 5.0%). In October, retail sales rose by 8.3% y-o-y (p: 8.6%).

In the EZ, in Q3, according to the 3rd estimate, GDP decelerated by 0.2% q-o-q (c: 0.2%; p: 0.8%) and 2.1% y-o-y (c: 2.1%; p: 4.3%). In October, headline and core inflation increased to 10.6% y-o-y (c: 10.7%; p: 9.9%) and 5.0% y-o-y (c: 5.0%; p: 4.8%) respectively. Monthly inflation accelerated to 1.5% (c: 1.5%; p: 1.2%). In September, IP accelerated to 4.9% y-o-y (c: 2.8%; p: 2.8%).

In the UK, in October, headline inflation rate surged to 11.1% y-o-y (c: 10.7%; p: 10.1%), whereas core inflation rate stayed unchanged at 6.5% y-o-y (c: 6.4%; p: 6.5%). Monthly inflation accelerated to 2.0% (c: 1.7%; p: 0.5%). In September, the unemployment rate edged up to 3.6% (c: 3.5%; p: 3.5%). In October, retail sales recovered slightly to -6.1% y-o-y (c: -6.5%; p: -6.8%) and 0.6% m-o-m (c: 0.3%; p: -1.5%).

Financial Markets: US Stocks Fell; US Yields Were Down, Whereas EZ Yields Were Up; Dollar Is Up; Oil and Gold Prices Are Down

Market Drivers: US stocks closed lower as investors expect a potential slowdown. The US Treasury yields inverted during the last week, as strong retail sales signaled strong expectations that the Fed will continue hiking rates. Eurozone yields rose, as Christine Lagarde reiterated that rates need to rise more.

Global Equities: Decreased w-o-w (MSCI ACWI, -0.3%, to 615.56). The US S&P 500 index fell (-0.7% w-o-w, to 3,971.50). In the EZ, share prices were up (Eurostoxx 50, +1.5% w-o-w, to 3,924.84). In EMs, equity prices increased (MSCI EMs, +2.0%, to 954.31). Volatility decreased to 24.5 (VIX S&P 500, 52w avg.: 25.5; 10y avg.: 18.2).

Fixed Income: w-o-w, the 10-year US treasury yields rose (+1.8 bps to 3.83%). The 2-year US Treasury yields increased too (+20 bps to 4.53%). The German 10-year bund yield decreased (-14 bps to 2.02%).

FX: w-o-w, the US Dollar Index was up (DXY, +0.7%, to 106.87; EUR/USD -0.3%, to 1.032). In EMs, currencies rose (MSCI EM Currency Index, +0.1% w-o-w, to 1,629.21).

Commodities: w-o-w, oil prices decreased (Brent, -8.6% to 87.74 USD/b). Gold prices decreased w-o-w (-1.0% to 1,752.0 USD/Oz).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini-associates.com

118 Pall Mall, London SW1Y 5ED

Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year