



R&R Weekly Column
By Brunello Rosa



2024: A Year of Living Dangerously

In July 2023, [we wrote a column](#) titled “Elections in 2024: The Year That Can Change The Fate of The World.” It was based on two pieces of research, one on [developed markets](#) and one on [emerging markets](#). We pointed out the risks deriving from six key elections, in the US, the UK and the EU, and in Russia, India, and Taiwan. But other elections will be taking place as well, in [Mexico in June](#) and in [Ukraine in March](#) (if they are not postponed by the application of martial law), [or in Venezuela](#). This election in Caracas could be of particular interest given the territorial dispute it has opened with Guyana, which we will discuss in an upcoming piece of research.

Six months after we published that column, all the most relevant journals and magazines are now identifying the same risk. [Chatham House’s The World Today](#) speaks about “The Power in The Voters’ Hands.” The Economist labels 2024 as “[the biggest election year in history](#),” with 4.2bn people that will be asked to cast their vote to choose the leaders they want to be governed by. Almost all free press considers 2024 as the year in which a sort of referendum between “democracy” and “autocracy” will be held. As The Economist puts it, “there is more to democracy than voting.”

The [V-Dem \(Variety of Democracy”\) project](#) says that only a few countries can be labelled as “liberal democracies,” in which both the judiciary and the press are fully independent from the executive power. Most countries are now “electoral democracies,” in which elections are held, but the leader of the country can influence the press and the judiciary and overrule decisions made by other branches of government. (Turkey being an example) of this. On the other side of the spectrum, there are electoral autocracies (e.g. Russia), in which the leader is elected, but elections are not free. And there are closed autocracies (such as China), in which elections are not held, and most civil liberties (freedom of association, the press, etc.) are suppressed.

Overall, we remain of the view that the six elections we chose as the most significant ones for next year will be the critical ones, starting with the election in Taiwan. As discussed in [our recent in-depth analysis](#), the greatest risk is not that of a ground invasion by China, which is quite unrealistic in our view, but rather the beginning of an intensified phase of destabilisation that may eventually lead to China taking over the control of the political system of the island, as it has done with Hong Kong in the past. [The year-end speech by Chinese President Xi](#), in which he said that “the reunification of the motherland is a historical inevitability,” and that “China will surely be reunified” reinforces this impression.

In Europe, the biggest risk is of a massive success of the populist and anti-European parties, with the AfD doing very well in Germany, Le Pen’s *Rassemblement National* doing very well in France and Meloni’s *Brothers of Italy* confirming its undisputed leadership over the Italian political system. And then there’s the “biggie”, the US presidential election. All other elections until November may go “in the right direction” of confirming democracy as the centerpiece of modern society and statehood, but if in November Donald Trump wins, all this would be irrelevant.

Conversely, even if all five of the other elections before November go “in the wrong direction”, of showing an advancement of autocracies, so long as Trump is not elected one can always hope that democracy will have another chance to reaffirm itself.

Our Recent Publications

📖 [Taiwan 2024 and the Road to Intensified Destabilisation](#),
by Scott Mackie, 28 December 2023

📖 [Donald Trump’s Trials: Legal and Political Implications](#), by
Christopher F. Healey, 20 December 2023

📖 [The Evolution of Philippine Maritime Security Amidst the Intensifying US-China Competition](#), by Mirko Giordani, 21
December 2023

📖 [Review: BOJ Keeps Its Stance Unchanged and Remains Cautious Regarding Future Tightening](#), by Brunello Rosa
and Nato Balavadze, 19 December 2023



Looking Ahead

The Week Ahead: US Unemployment Rate To Rise; EZ inflation Expected To “Temporarily” Increase

In the US, in December, unemployment rate is likely to edge up to 3.8% (*p*: 3.7%). NFP is expected to increase by 163K (*p*: 199K). In December, S&P Global Manufacturing PMI is expected to fall to 48.2 (*p*: 49.4), while Services PMI is likely to rise to 51.3 (*p*: 50.8). Composite PMI is seen rising to 51 (*p*: 50.7).

In the EZ, in December, according to flash estimates, headline inflation is expected to rise 3.0% y-o-y (*p*: 2.4%), while core inflation is seen edging down to 3.5% y-o-y (*p*: 3.6%). In December, HCOB Manufacturing PMI is expected to stay at 44.2, while Services PMI is likely to decrease to 48.1 (*p*: 48.7). Composite PMI is seen falling to 47 (*p*: 47.6).

In the UK, in December, S&P Global/CIPS Services PMI is expected to increase to 52.7 (*p*: 50.9), while Manufacturing PMI is likely to decrease to 46.4 (*p*: 47.2). Composite PMI is seen rising to 51.7 (*p*: 50.7).

The Quarter Ahead: Taiwan-China Relations; North Korea Calls On Military; The Global Minimum Tax For Multinational Corporations

Taiwan-China relations. The next presidential and parliamentary elections are held on January 13. The current President Tsai Ing-wen of Taiwan has emphasized that the future of the self-governed island and its interactions with Beijing should be determined by its residents, following remarks from China's leader Xi Jinping asserting the inevitability of reunification. In his New Year's Eve speech, Xi's remarks carried a more assertive tone compared to the previous year when he mentioned that individuals on both sides of the Taiwan Strait were "members of one and the same family."

North Korea's Kim says armed conflict becoming a reality because of the US. Kim Jong Un instructed North Korea's military commanders to utilize the most potent measures to obliterate the US and South Korea in the event of military conflict, citing the escalating danger due to hostile actions, particularly from the US. Kim has already indicated he plans to put three more satellites into space and develop his country's weapons arsenal this year.

Global minimum tax on multinationals goes live. The major multinational corporations will face a global minimum tax for the first time as part of significant cross-border tax reforms. These reforms aim to generate an additional \$220 billion in annual revenue. Nearly three years after 140 countries reached an agreement to address loopholes in the international system, some major economies will implement an effective tax rate of at least 15% on corporate profits from January.

Last Week's Review

Real Economy: UK Nationwide Housing Rose; Japan's Unemployment Remained Unchanged And Retail Sales Rose

In the UK, in December, nationwide housing prices rose by -1.8% y-o-y (*c*: -1.4%; *p*: -2.0%).

In Japan, in November, the unemployment rate stayed at 2.5%. November's retail sales rose by 5.3% y-o-y (*c*: 5.0%; *p*: 4.1%).

Financial Markets: Stock Prices Increased; US Bond Yields Fell; Dollar Index Is Down; Oil Prices Fell, While Gold Prices Edged Up

Market Drivers: The major U.S. stock indices managed to secure their ninth consecutive positive week as the year 2023 came to a close. Treasury yields fall as investors weigh the 2024 outlook for interest rates. Investors see recent economic data, including the November US PCE price index, as a signal that the Fed will likely stick to its monetary policy expectations for next year, foreseeing up to three cuts.

Global Equities: increased w-o-w (MSCI ACWI, +0.8%, to 727.00). The US S&P 500 index edged up (+0.3% w-o-w, to 4,769.83). In the EZ, share prices are virtually unchanged (Eurostoxx 50, +0.9% w-o-w, to 4,521.95). In EMs, equity prices increased (MSCI EMs, +3.3%, to 1023.71) Volatility fell slightly to 14.08 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 18.7).

Fixed Income: w-o-w, the 10-year US Treasury yields edged down (-3 bps to 3.87%). The 2-year US Treasury yields decreased (-8 bps to 4.25%). The German 10-year bund yield edged up (+6 bps to 2.02%).

FX: w-o-w, the US Dollar Index edged down (DXY, -0.3%, to 101.4; EUR/USD +0.2%, to 1.10). In EMs, currencies edged up (MSCI EM Currency Index, +0.8% w-o-w, to 1,740.30).

Commodities: w-o-w, oil prices decreased (Brent, -2.6% to 77.04 USD/b). Gold prices increased w-o-w (+0.6% to 2,071.80 USD/Oz).



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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
DIJA	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