



R&R Weekly Column
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US Presidential Elections 2024: Why Democracy Is Truly At Stake

The US electoral campaign for the US presidential election is starting to enter its crucial phase. In the Democratic camp, Joe Biden is so far the only candidate, being the incumbent president. In spite of this, a number of questions have been raised about his ability to effectively discharge his duties, given his age and mental state. The report of the special counsel Robert Hur, in charge of the investigation on the handling of confidential information at the time Biden was vice president under Barack Obama, [defines Biden](#) as a “sympathetic, well-meaning, elderly man, with a poor memory.”

Clearly, a younger and more energetic candidate would serve better the cause of the Democratic party, however changing the horse race nine months before the election day is an exceptionally high risk. Building a credible candidate in such a short period of time is a very complicated proposition. Having anybody running *against* or even *after* Biden would be equivalent to admitting that Biden was not a good president, thus destroying his legacy; with all possible caveats, a strong economy with a robust labour market and the courageous handling of the war in Ukraine are certainly good feathers in Biden’s cap, even if the electorate seems reluctant to give him credit for that.

Kamala Harris is not a viable option, [for reasons already discussed](#). Some are suggesting that if [Michelle Obama were to run instead of Kamala Harris for vice president](#), that could have a positive impact in the Democratic camp. Yet it would increase the suspicion that the Democrats are run by dynasties. So, the politics of changing Biden as Democratic candidate is more complicated than one might think *prima facie*.

The Republican camp is not necessarily in better shape. A clear winner of the primary election campaign is emerging, Donald Trump, but this may not lead to a final victory. For reasons discussed in greater detail below, Trump may be able to mobilise the base of the party, but he is also a candidate that scares the centrist component of the Republican electorate, the one that ultimately decides the vote in the general election. For this reason, the Democrats believe that Trump is the best candidate to run against, as he can convince even reluctant centrist Republicans to vote for Biden.

Biden, having realised that [Bidenomics is not a good argument to run on in order to win the sympathy](#) of the median voter, has decided to transform the election in a referendum on the survival of the US democracy. We believe there is quite a bit of merit in this approach, for the following reasons.

The US Constitution has evolved in the last two centuries to prevent leaders with autocratic tendencies from winning power and transforming the system from the inside to perpetuate their rule beyond the limits established by the Constitution itself. [The 14th amendment](#), which prevents people who have supported insurrections from holding office, is a case in point. The Constitution does not want leaders with an organised militia to gain power and transform the US democracy into an autocracy, or even into a dictatorship. This amendment has been utilised [in Colorado](#) and [in Maine](#) to strike Trump out of the primary election ballot, and now this decision is being challenged in the Supreme Court. The case started on February 8th.

This is only one of the many legal obstacles that Trump will have to overcome to win the primary election and eventually the run-off against Biden. If Trump manages to overcome all of them and to be elected president again, [he already said he will be “dictator for one day”](#). But the reality is that he would radically transform the US political system from within, marking the end of the US liberal democracy.

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Looking Ahead

The Week Ahead: Inflation To Ease Off in US And Germany, While Increasing In UK; QoQ GDP To Stall In EZ And To Contract In UK

In the US, in January, headline and core inflation are expected to ease off to 3.0% y-o-y (*p*: 3.4%) and 3.8% y-o-y (*p*: 3.9%). In January, retail sales are likely to shrink by -0.1% m-o-m (*p*: -0.6%). February's consumer sentiment is seen increasing to 80 (*p*: 79).

In the EZ, in Q4, according to the second estimate, the GDP growth rate is likely to stall q-o-q (*p*: -0.1%). The economy is seen advancing by 0.1% y-o-y (*p*: 0.0%). In December, IP is expected to increase to -4.1% y-o-y (*p*: -6.8%).

Among the largest EZ economies, in January the inflation rate is likely to ease off to 3.1% y-o-y (*p*: 3.7%) in France.

In the UK, in Q4, according to a preliminary estimate, the GDP growth is seen contracting by -0.1% q-o-q (*p*: -0.1%). In January, headline and core inflation are expected to rise to 4.2% y-o-y (*p*: 4.0%) and 5.2% y-o-y (*p*: 5.1%). In December, the unemployment rate is expected to rise to 4.0% (*p*: 3.9%). In January, retail sales are likely to increase by 1.5% m-o-m (*p*: -3.2%).

The Quarter Ahead: Israel's War In Gaza; 2024 US Presidential Elections; Trump's Defamation Trial

China's economic problems. The property market is declining, deflationary pressures are widespread, and the stock market, particularly the CSI 300 index, has dropped around 40% from its 2021 highs. China saw its sharpest annual consumer price drop in 15 years in January at 0.8%, and the producer price index fell 2.5% year on year.

Pakistan elections 2024. As of Saturday morning, provisional results for over half of the National Assembly seats had been announced by the country's election commission. No political force has a clear majority as both Imran Khan and Nawaz Sharif claim victory. Pakistan's influential army chief calls for leaving "anarchy and polarization" behind as two former prime ministers claim victory in an unexpectedly contested election.

Israel-Gaza war. Over 1 million Palestinians in and around Rafah prepare for evacuation amid Israeli plans for a ground assault on Hamas fighters. Aid agencies warn of potential civilian casualties, and the U.N. Palestinian refugee agency expresses uncertainty about the duration of its high-risk operation. In the meantime, Biden said Israel's military response in Gaza was "over the top", pushing to increase humanitarian assistance in Gaza.

Last Week's Review

Real Economy: Composite PMIs Increased In DMs; Inflation Cooled In Germany; EZ Retail Sales Shrank

In the US, in January, S&P Global Services and Composite PMI rose to 52.5 (*c*: 52.9; *p*: 51.4) and 52 (*p*: 50.9).

In the EZ, in January, HCOB Services PMI edged down to 48.4 (*p*: 48.8), while Composite PMI increased to 47.9 (*p*: 47.6) as expected. In December, retail sales shrank by -0.8% y-o-y (*c*: -0.9%; *p*: -0.4%) and -1.1% m-o-m (*c*: -1.0%; *p*: 0.3%).

Among the largest EZ economies, in January the inflation rate eased off to 2.9% y-o-y (*p*: 3.7%) in Germany as expected.

In the UK, in January, S&P Global Services and Composite PMI edged up to 54.3 (*c*: 53.8; *p*: 53.4) and 52.9 (*c*: 52.5; *p*: 52.1) respectively.

Financial Markets: Stock Prices, Bond Yields, Dollar Index And Oil Prices Rose, While Gold Prices Fell

Market Drivers: The S&P 500 closed above 5,000 for the first time mainly due to positive reports on the robust US economy and decreasing inflation. In the US and EZ, the yields edged above as central bank officials pushed back on investor hopes that they would start cutting rates in March.

Global Equities: Increased w-o-w (MSCI ACWI, +1.0%, to 747.93). The US S&P 500 index edged up (+1.4% w-o-w, to 5,026.61). In the EZ, share prices rose (Eurostoxx 50, +1.3% w-o-w, to 4,715.05). In EMs, equity prices increased (MSCI EMs, +0.7%, to 995.53). Volatility rose slightly to 13.35 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 17.6).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+16 bps to 4.18%). The 2-year US Treasury yields increased (+12 bps to 4.49%). The German 10-year bund yields increased (+10 bps to 2.37%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.2%, to 104.08; EUR/USD -0.0%, to 1.08). In EMs, currencies edged down (MSCI EM Currency Index, -0.1% w-o-w, to 1,723.65).

Commodities: w-o-w, oil prices increased (Brent, +6.0% to 81.97 USD/b). Gold prices decreased w-o-w (-0.7% to 2,038.70 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
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