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R&R Weekly Column
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D-Day: Much More Than A Rhetorical Celebration

Last week there were celebrations for the 80th anniversary of the D-Day, the arrival of allied troops in Normandy on 6 June 1944, which marked the beginning of the last phase of World War 2. Far from being a rhetorical exercise, the celebrations were the catalyst for reflecting on some of the most pressing issues of the moment.

First and foremost, on D-Day we are celebrating the victory of democracy over authoritarianism; in that specific case, the Nazi-fascist dictatorships that were plaguing Europe. We have discussed in the past why we consider it to be absolutely essential that the US remains a liberal democracy, with an independent judiciary and a free press. Imagine if it had not been so in the 1930s: who would have come to the rescue of Europe? What would have happened then, in a world in which in the Soviet Union there was another form of authoritarianism, and with China about to see the birth of the Communist party?

For this reason, we consider the upcoming US Presidential elections a fundamental moment. The conviction of Donald Trump in his first trial (over hush money he paid during an election), a first for a former US President, marks a historical moment. During the trial, Trump was spared some of the measures that would have been adopted towards any other convicted defendant, given his repeated violations of Court orders. On July 11th, Trump may be spared jailtime, and be sentenced only with probation or a fine. So, Trump has already proven that not all citizens are the same in the US judicial system. If Trump manages to win the nomination of the Republican party and the presidential race in November, this would prove that a man is "above the law," and this would mark the end of the US liberal democracy.

During the D-Day celebrations, it appeared – once again – how elderly Joe Biden is. However, Biden is old enough to remember WW2, and this gives him the conviction he has shown in fighting the Russian invasion of Ukraine. In fact, during the celebration, the analogy was made between the fight against the Nazis with today's fight against Russia's imperialist plan. One cannot put Adolf Hitler and Vladimir Putin in the same basket, but the amount of unnecessary suffering that Russia in creating at the moment is reminiscent of the darkest periods in European history. This is the reason why French president Emmanuel Macron, at the forefront of the celebrations, confirmed that French "trainers" have been sent to Ukraine to help the country build a stronger army (LINK).

On this occasion, UK PM Rishi Sunak's decision not to attend the celebration, to record a TV interview set to be broadcast next week, was a grave mistake, and not just from a historical perspective. A Tory minister said it was a big favour made to Reform, the party that is challenging the Conservatives from the right.

These celebrations are occurring during the same days that the European elections are being held. As we discussed last week, extremist right-wing parties are re-emerging in European and may gain seats in the next EU Parliament. It is now more important than ever to remember that, if we can have this kind of election (a pipe dream for generations of euro-philes), it is exactly because the US liberal democracy prevailed over the odious European dictatorships.

Our Recent Publications

- *Review: ECB Cut Rates, But Doesn't Commit To Any Pre-Determined Easing Path, by Brunello Rosa and Nato Balavadze, 6 June 2024*
- *UK Elections 2024: A Pivotal Moment for the Conservatives Amid Economic Uncertainty, by Lāsma Kokina, 5 June 2024*
- *Iran's Transition to the Post-Raisi Period Likely Means Continuation of Hardline Rule, by Giorgio Cafiero, 4 June 2024*
- *Preview: ECB To Begin Its Easing Cycle in June. The "Battle for July" Continues. , by Brunello Rosa, Nouriel Roubini and Nato Balavadze, 31 May 2024*

Looking Ahead

The Week Ahead: US Core Inflation To Ease; Inflation To Increase In Germany; Fed To Stay On Hold

In the US, in May, headline inflation rate is expected to stay at 3.4% y-o-y, while core inflation is likely to ease off to 3.5% y-o-y (*p:* 3.6%). In June, Michigan consumer expectations are seen rising to 75 (*p:* 68.8).

In the EZ, in April, IP is seen decelerating to 0.1% m-o-m (*p:* 0.6%).

Among largest EZ economies, in May, inflation rate is likely to: *i)* edge up to 2.4% y-o-y (*p:* 2.2%) in Germany; and *ii)* remain at 2.2% y-o-y in France.

In the UK, in April, unemployment rate is expected to remain at 4.3%.

CBs to stay on hold. In the US, the Fed is expected to maintain the target Fed funds range at 5.25% - 5.50% in June. In Japan, the BOJ is likely to hold its policy rates in June.

The Quarter Ahead: Leaders Gather To Celebrate D-Day In Normandy; $56Bn Tesla Pay Deal opposed By Norway Wealth Fund

Western leaders gathered in Normandy to celebrate the 80th D-Day anniversary. Biden and Macron compared the fight against Nazism in World War II to Ukraine's current fight against the Russian invasion. Zelenskyy is expected to hold informal talks with leaders during the commemorations. French President Macron plans to send Western trainers and Mirage fighter jets to Ukraine, aiming to train 4,500 Ukrainian service personnel, despite U.S. concerns about potential escalation.

Norway wealth fund to vote against Tesla pay package. Norway's $1.7 trillion wealth fund, Tesla's eighth-largest shareholder, will vote against Elon Musk's $56 billion pay package, which is up for a shareholder vote next week. A Delaware judge invalidated the package earlier this year, deeming it unfair to shareholders.

Last Week's Review

Real Economy: EZ GDP QoQ Advanced; US Unemployment Rate Increased; ECB Cut Its Policy Rate

In the US, in May, the unemployment rate increased to 4.0% (*c:* 3.9%; *p*: 3.9%). NFPs rose by 272K (*c*: 185K; *p:* 165K). in May, S&P Global Manufacturing and Services PMIs edge up to 51.3 (*c:* 50.9; *p:* 50) and 54.8 (*c:* 54.8; *p:* 51.3). Composite PMI increased to 54.8 (*p:* 51.3) as expected.

In the EZ, in Q1, according to third estimate, GDP growth rate advanced by 0.3% q-o-q (*p*: -0.1%) and 0.4% y-o-y (*p:* 0.2%) as expected. In May, HCOB Manufacturing PMI rose to 47.3 (*c:* 47.4; *p:* 45.7), while Services PMI fell to 52.2 (*c:* 53.3; *p:* 53.3). Composite PMI increased to 52.2 (*c:* 52.3; *p:* 51.7).

Still in the EZ, the ECB cut its main policy rates by 25 bps, i.e. its *i)* interest rate on the 'main refinancing operations' to 4.25%; *ii)* interest rate on the 'marginal lending facility' to 4.50%; and *iii)* 'deposit facility' to 3.75%.

In the UK, in May, S&P Global Manufacturing PMI rose to 51.2 (*c*: 51.3; *p:* 49.1), while Services PMI edged down marginally to 52.9 (*c*: 52.9; *p:* 55.0). Composite PMI fell to 53.0 (*c:* 52.8; *p:* 54.1).

Financial Markets: Stock Prices Increased; Long-Term Yields Decreased; Dollar Increased, While Oil And Gold Prices Edged Down

Market Drivers: The week's inflation signals were mixed. On balance, fixed income investors saw signs of easing inflation. Thus, the 10Y UST yield and ended the week lower. European stocks increased after the ECB cut rates for the first time in five years.

Global Equities: Increased *w-o-w* (MSCI ACWI, +1.1%, to 794.24). The US S&P 500 index increased (+1.3% w-o-w, to 5,346.99). In the EZ, share prices rose (Eurostoxx 50, +1.4% w-o-w, to 5,051.75). In EMs, equity prices increased (MSCI EMs, +2.3%, to 1,073.14). Volatility rose to 13.00 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

Fixed Income: *w-o-*w, the 10-year US Treasury yields fell (-7 bps to 4.43%). The 2-year US Treasury yields increased (+1 bps to 4.89%). The German 10-year bund yields decreased (-4 bps to 2.62%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.3%, to 104.93; EUR/USD -0.4%, to 1.08). In EMs, currencies edged up (MSCI EM Currency Index, +0.2% w-o-w, to 1,726.60).

Commodities: *w-o-w,* oil prices decreased (Brent, -2.7% to 79.44 USD/b). Gold prices fell w-o-w (-1.5% to 2,311.2 USD/Oz).

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The picture in the front page was taken from this website

Abbreviations, Acronyms and Definitions

a	*Actual*	*LN*	*Northern League, Italy*
AKP	*Justice and Development Party, Turkey*	*M5S*	*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*