



R&R Weekly Column
By Brunello Rosa



The US Presidential Race Enters Its Heated Final Stage

The Democratic National Convention will take place in Chicago next week. The DNC will return to Chicago for the first time since 1968. The number of similarities with that period are striking.

First, of course, there was a Democratic president in the White House at that time as well, Lyndon B. Johnson. *Second*, that president had decided not to run for a second term, the same as Biden today. In that case, [Johnson initially had sought to run for re-election](#); however, following [disappointing results in the New Hampshire primary](#) he withdrew his candidacy. *Third*, the Democratic party was divided in the support for the war that its president had intensified: in that case, the “surge” in Vietnam, these days the wars in Ukraine and the Middle East.

Fourth, just like today, universities were in revolt against those wars. The Chicago police had a very hard time containing the protests, and had to resort to violent methods, which further antagonised Democratic opinion. *Fifth*, the country as a whole was highly divided at the time, following the assassination of John F. Kennedy in November 1963 in Dallas. *Sixth*, the Republican party was featuring the return of a highly divisive figure as its frontrunner, in that case Richard Nixon, who had lost the presidential race in 1960 against the young Kennedy, after Kennedy had been better at using the new medium of the day, namely television. ([The famous first-ever US presidential debate, between Nixon and Kennedy, was held – again – in Chicago, on September 26th, 1960](#)).

Needless to say, the Democrats hope that the result of this year’s election will be different from that of 1968, when Nixon defeated the Democratic candidate Hubert Humphrey. And hopefully everybody hopes that, unlike in 1968, when the leading Democratic candidate Robert Kennedy was [killed by Sirhan Sirhan, a supporter of the Palestinian cause](#), there will not be any further act of political violence in this campaign, after the [attempted assassination of Trump in early July](#).

As we discussed in previous columns, this has already been one of the most surprising campaigns in American presidential races. This includes the fact that, for the first time in history, a woman of color is running for the highest office in the US. But the tension between the two sides of the political spectrum is as high as ever, as proven by the [recent interview by Elon Musk with Donald Trump](#), held on Twitter/X (to which Trump was [re-admitted by Musk himself in November 2022](#), after the [tech entrepreneur bought the platform in 2022](#)). [Musk said he has committed USD 45m a month to support Trump’s campaign](#). [Musk’s co-investor in Paypal, Peter Thiel, has sponsored the political ascent of JD Vance, Trump’s running mate](#).

Our hope is that, after the DNC, this heated campaign will return to more normal standards, with candidates speaking about their economic programs and their view for the US in the world. But, as we discussed many times before, our fear is that the stakes are too high, and this will remain a heated campaign until November 5th. But [the recent riots in the UK](#) should serve as a warning signal of what may occur in the US, if tensions do not abate before that day.

Our Recent Publications

🌐 [An Unprecedented Terrorist Attack in Oman](#), by Gulf State Analytics, 6 August 2024

🌐 [Review: Bank of England Cuts Rates, With a Razor-Thin Majority](#), by Brunello Rosa and Nato Balavadze, 1 August 2024

🌐 [Review: The Fed Remains on Hold in July, But Signals a Likely Cut in September](#), by Brunello Rosa and Nato Balavadze, 31 July 2024

🌐 [Review: BOJ Raises Rates And Announces the Parameters of QT](#), by Brunello Rosa and Nato Balavadze, 31 July 2024

Looking Ahead

The Week Ahead: Headline Inflation To Increase In EZ; PMIs To Fall In US And To Rise In the UK

In the US, in August, S&P Manufacturing and Services PMIs are seen edging down to 49.4 (*p*: 49.6) and 54.2 (*p*: 55.0).

In the EZ, in July, headline inflation rate is likely to rise to 2.6% y-o-y (*p*: 2.5%), whereas core inflation is expected to remain at 2.9% y-o-y.

In the UK, in August, S&P Manufacturing and Services PMIs are seen edging up to 52.2 (*p*: 52.1) and 52.8 (*p*: 52.5). Gfk Consumer Confidence is expected to increase to -11 (*p*: -13).

The Quarter Ahead: Israel-Gaza Ceasefire; X Is Terminating Operations In Brazil; China Alarmed US Missile Deployment In Philippines

Blinken is set to arrive in Israel as the U.S. pushes for a Gaza ceasefire. He will meet with Netanyahu and other senior officials. The talks come amid fears of regional escalation, with Iran threatening retaliation after the assassination of Hamas leader in Tehran. Hamas official claims Netanyahu is the main obstacle to a ceasefire and captive exchange deal, though Israeli negotiators remain "cautiously optimistic" after two days of truce talks in Qatar.

X is terminating all remaining staff in Brazil "effective immediately" but assured service will continue. Earlier, the company clashed with supreme court judge over free speech, far-right accounts, and misinformation, calling his recent orders censorship and sharing the document on the platform.

China voiced "dramatic" concern over the U.S. deployment of a mid-range missile system to the Philippines, warning it could destabilize the region. However, Philippine Foreign Secretary Enrique Manalo reassured Chinese counterpart Wang Yi that the deployment is temporary. The issue was raised during their talks last month in Laos at the ASEAN meetings.

Last Week's Review

Real Economy: US Inflation Eased Off; EZ QoQ And YoY GDP Advanced; UK Headline Inflation Edged Up

In the US, in July, the headline and core inflation rates eased off to 2.9% y-o-y (*c*: 3.0%; *p*: 3.0%) and 3.2% y-o-y (*c*: 3.2%; *p*: 3.3%). In August, Michigan Consumer Sentiment increased to 67.8 (*c*: 66.9; *p*: 66.4).

In the EZ, in Q2, according to the second estimate, the GDP growth advanced by 0.3% q-o-q (*p*: 0.3%) and 0.6% y-o-y (*p*: 0.5%) as expected. IP is expected shrank by -3.9% y-o-y (*c*: -2.9%; *p*: -3.3%). In August, ZEW Economic Index fell to 17.9 (*c*: 35.4; *p*: 43.7).

In the UK, in July, headline inflation rate increased to 2.2% y-o-y (*c*: 2.3%; *p*: 2.0%), while core inflation eased off to 3.3% (*c*: 3.4%; *p*: 3.5%). In June, unemployment rate edged down to 4.2% (*c*: 4.5%; *p*: 4.4%). Average earnings excluding bonuses decelerated to 5.4% y-o-y (*c*: 4.6%; *p*: 5.8%).

Financial Markets: Stock Prices Increased; US Yields Edged Down; Dollar Decreased, With Oil Prices Unchanged And Gold Prices Rising

Market Drivers: After two weeks of heightened market volatility, the major U.S. stock indexes posted their biggest weekly gains of 2024, driven by positive data on inflation, retail sales, and consumer sentiment. In Europe, stocks rose amid growing expectations for another round of interest rate cuts, possibly as early as September. Gold futures continued to reach new record levels for the third consecutive week, driven by tensions in the Middle East.

Global Equities: increased w-o-w (MSCI ACWI, +3.8%, to 817.41). The US S&P 500 index edged up (+3.9% w-o-w, to 5,554.25). In the EZ, share prices increased (Eurostoxx 50, +3.5% w-o-w, to 4,840.55). In EMs, equity prices increased (MSCI EMs, +2.8%, to 1,093.65). Volatility fell to 15.40 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

Fixed Income: w-o-w, the 10-year US Treasury yields edged down (-6 bps to 3.88%). The 2-year US Treasury yields were virtually unchanged (+0 bps to 4.05%). The German 10-year bund yields increased (+4 bps to 2.26%).

FX: w-o-w, the US Dollar Index decreased (DXY, -0.7%, to 102.40; EUR/USD +1.0%, to 1.10). In EMs, currencies rose (MSCI EM Currency Index, +0.4% w-o-w, to 1,749.15).

Commodities: w-o-w, oil prices were virtually unchanged (Brent, +0.0% to 79.65 USD/b). Gold prices increased w-o-w (+2.6% to 2,537.80 USD/Oz), reaching their all-time high.



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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



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