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R&R Weekly Column
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The Tech Takeover: The Musk-Thiel Presidency Is About To Begin

Last week we analyzed the initial appointments made by US President-elect Donald Trump, assessing their potential policy directions. Among these appointments, the nomination of Representative Matt Gaetz for Attorney General stood out as particularly contentious, even for a figure as polarizing as Trump. Gaetz, who was under investigation by the House Ethics Committee, has since withdrawn from consideration, citing insufficient support for Senate confirmation. Subsequently, Trump nominated former Florida Attorney General Pam Bondi to the position. Bondi is expected to pursue similar objectives, such as addressing the legal challenges involving Trump personally, but without the controversies associated with Gaetz.

In related developments, Special Counsel Jack Smith announced his resignation, preempting his potential dismissal by the incoming administration. Similarly, SEC Chairman Gary Gensler stated that he will resign on January 20, 2025, coinciding with Trump's inauguration. Trump's expressed intention to position the US as a global cryptocurrency hub and implement significant deregulation in the sector contrasts sharply with Gensler's regulatory approach over the past few years.

Regarding the Treasury Secretary appointment, the final contenders were Scott Bessent and Howard Lutnick. Elon Musk reportedly favored Lutnick, viewing Bessent's previous association with Soros Fund Management as indicative of mainstream economic ties. Ultimately, Trump appointed Lutnick as Commerce Secretary, responsible for the new tariffs regime, and Bessent as Treasury Secretary. Unlike Trump's other appointments, the choice of Bessent is a less controversial choice for this sensitive role.

Some media outlets interpreted this as Musk's first setback in the high-profile leadership dynamics within the incoming administration. Reports suggest that Musk, who has been appointed to lead the newly formed Department of Government Efficiency, is exerting significant influence over Trump's decisions, with some describing him as a "co-president." Despite potential conflicts of interest due to his ownership of companies like SpaceX and Starlink, Musk is reportedly considering appointing personnel from his own enterprises to positions within NASA.

As the post-election landscape becomes clearer, it is evident that tech magnates such as Elon Musk and Peter Thiel are playing pivotal roles in shaping the administration. Musk was a major donor to Trump's campaign, contributing approximately $200 million, and facilitated Trump's return to the social media platform X (formerly Twitter), which Musk owns, from which the former president had been expelled for his incendiary messages. Trump himself has acknowledged Musk's indispensable role, stating, "I can't get him out of here."

Peter Thiel, co-founder of PayPal and founder of Palantir Technologies—a company financed and utilized by the US intelligence community—has supported the political rise of Vice President-elect J.D. Vance.

It is anticipated that Musk and Thiel will pursue objectives aligned with their corporate interests, potentially prioritizing deregulation to benefit tech companies. This trend reflects a historical pattern in US politics, where Big Business, whether it be steel, coal, banking, etc., has exerted significant influence. The emergence of antitrust laws, such as the Sherman Act of 1890, was a response to such dominance. As Mark Twain is often paraphrased: "History doesn't repeat itself, but it often rhymes."

Our Recent Publications

- *Russia-Ukraine Conflict Escalates Further: Where From Now?, by Marco Lucchin, 21 November 2024*
- *France: Shaky Debt Sustainability Aggravates Political Instability, by Shahed Hassanaly, 20 November 2024*
- *A Fragile Future: Medium-Term Challenges to China's Growth Ambitions, by Nato Balavadze, 19 November 2024*
- *BRICS+: Shifting Global Economic Power and the Path to De-Dollarization, by Nato Balavadze, 14 November 2024*

Looking Ahead

The Week Ahead: QoQ GDP To Advance In US And France; EZ Headline Inflation Rate To Increase

In the US, in Q2, according to the second estimate, GDP growth rate is expected to advance by 2.8% y-o-y (*p:* 3.0%). In Q3, PCE and core PCE prices are likely to ease off to 1.5% q-o-q (*p:* 2.5%) and 2.2% q-o-q (*p:* 2.8%).

In the EZ, in November, headline inflation rate is seen increasing to 2.4% y-o-y (*p:* 2.0%). In November, Consumer Confidence is seen shrinking to -13.7 (*p*: -12.5). Among the largest EZ economies, in Q3, according to the final estimate, GDP growth rate is expected to rise by 0.4% q-o-q (*p:* 0.2%) in France.

The Quarter Ahead: Bessent As Treasury Secretary; COP29 Agrees On Carbon Credits; Russia To Continue Testing New Missiles

President-elect Trump nominated investor Scott Bessent as Treasury secretary, ending speculation over the key role. Wall Street welcomed the pick, seeing Bessent, as a market-savvy advocate for tax reform and deregulation, potentially easing tariff concerns. ***At COP29, countries agreed on global carbon credit market rules*** to fund projects combating climate change, finalizing a decade-long effort. The deal includes a UN trading system launching next year and a bilateral framework for direct country trades. ***Russia to continue testing new missile in combat.*** Putin announced Russia's new Oreshnik hypersonic missile was successfully tested in Ukraine and more tests will follow. Ukraine, citing the threat, is working with allies to develop countermeasures.

Last Week's Review

Real Economy: Headline Inflation Increased In EZ And UK; PMIs Rose In US, While Edged Down In EZ And UK

In the US, In November, S&P Global Manufacturing and Services PMI edged up to 48.8 (*c:* 48.8; *p:* 48.5) and 57.0 (*c:* 55.2; *p*: 55.0).

In the EZ, in October, headline inflation rate increased to 2.0% y-o-y (*c:* 2.0%; *p*: 1.7%), whereas core inflation rate remained at 2.7% y-o-y as expected. In November, according to the flash estimates, consumer confidence contracted to -13.7 (*c:* -12.4; *p:* -12.5). In November, HCOB Manufacturing and Services PMIs fell to 45.2 (*c:* 46.0; *p*: 46.0) and to 49.2 (*c:* 51.8; *p:* 51.8) respectively. Composite PMI also decreased to 48.1 (*c:* 50.0; *p*: 50.0)

Among the largest EZ economies, GDP growth rate advanced marginally by 0.1% q-o-q (*c:* 0.2%; *p:* -0.3%) and contracted by -0.3% y-o-y (*c:* -0.2%; *p:* -0.3%) in Germany.

In the UK, in October, headline and core inflation rate rose to 2.3% y-o-y (*c:* 2.2%; *p*: 1.7%) and to 3.3% y-o-y (*c:* 3.1%; *p*: 3.2%) respectively. In October, retail sales decelerated to 2.4% y-o-y (*c:* 3.4%: *p:* 3.2%). In November GfK consumer confidence is likely to shrink by -22 (*p:* -21.0). In November, S&P Global Manufacturing and Services PMIs declined to 48.6 (*c:* 49.9; *p:* 50.0) and to 50.0 (*c:* 52.0; *p:* 52.0). Accordingly, Composite PMI edged down to 49.9 (*c:* 51.8; *p:* 51.8).

Financial Markets: Stock Prices Mixed; Yields Declined; Dollar Edged Up; Oil And Gold Prices Increased

Market Drivers: In the US, major stock indexes rose, recovering some losses despite uncertainties over Trump administration policies and rising Russia-Ukraine tensions. The US Treasury yields fell Tuesday as tensions escalated, while Europe's main stock index hit a three-month low, driven by Russia's lowered nuclear strike threshold, pushing investors toward safer assets.

Global Equities: Increased *w-o-w* (MSCI ACWI, +1.4%, to 854.13). The US S&P 500 index increased (+1.7% w-o-w, to 5,969.34). In the EZ, share prices decreased (Eurostoxx 50, -0.1% w-o-w, to 4,789.95). In EMs, equity increased (MSCI EMs, +0.2%, to 1,087.27). Volatility declined to 16.07 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: *w-o-*w, the 10-year US Treasury yields fell (-3 bps to 4.41%). The 2-year US Treasury yields decreased (-7 bps to 4.38%). The German 10-year bund yields edged down (-10 bp to 2.25%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.8%, to 107.5; EUR/USD -1.1%, to 1.04). In EMs, currencies decreased (MSCI EM Currency Index, -0.1% w-o-w, to 1,744.84).

Commodities: *w-o-w,* oil prices increased (Brent, +5.8% to 75.17 USD/b). Gold prices increased w-o-w (+5.8% to 2,718.20 USD/Oz).

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The picture in the front page was taken from these websites: Reddit, Moonsai, Dispatch

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*