

MAKING SENSE OF THIS WORLD

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R&R Weekly Column
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After The US, Elon Musk Targets The UK's Political System

A few days ago, the news emerged that Elon Musk [was ready to provide 78 million pounds to Reform UK](#), the latest incarnation of Nigel Farage's political party (after UKIP and the Brexit Party). Even if [Farage denied it](#), the news caused a scandal both because it seemed to be an explicit case of foreign influence in domestic politics, which is forbidden in most, if not all countries, and secondly because it signalled Musk's intention to export his ["tech takeover"](#) beyond the US and across the pond, to the UK.

Theoretically speaking, since Musk has UK-based companies (such as X/Twitter and Tesla), the first of these concerns would be formally (but not substantially) removed. But that would not alleviate the second concern, namely that Musk will try to take control of the UK political system, as he has done in the US by financing the electoral campaign of Trump and starting to act like a de-facto co-president.

This is not the first time Musk has intervened directly in UK politics. Last summer, he spoke [about the "inevitable" civil war in the UK](#), when violent riots had exploded in the country as a result of the [mis-information campaign started after the killing of three innocent girls at a summer camp](#).

Why is Musk so obsessed with the UK? In our view, the UK represents the paradigm of the liberal system that he is trying to knock down in the US in favour of a tech-led oligarchic regime. He could not tolerate it if the UK, the "the older brother" from which the US originated, were to remind the world what an authentically democratic, liberal and open political system can be. The other paradigmatic country in this regard would be France, but there [the situation is precipitating in favour of Marine Le Pen without any need of foreign interference](#).

How successful is Musk likely to be? A recent poll shows that the Labour party has now fallen to third place, after the new Conservatives led by Kamy Badenock and Reform UK led by Farage. The solid parliamentary majority that Labour currently possesses will ensure a relatively tranquil navigation for PM Starmer, but he should not rest on his laurels.

The mood of the country is low, and without a significant boost to morale, Starmer's and his government's popularity may slide further, to a point where it would be hard to re-emerge. While Starmer handled the riots this summer well, by wearing his prosecutor-in-chief hat again, the [tax-ridden budget](#) has put him at odds with the productive fabric of the country.

Where is Peter Thiel, Musk's buddy in the tech-takeover of the US Presidency, in all this? Well, via Palantir Thiel has acquired all the data of NHS patients in the UK by winning a £480m contract to "run the NHS platform". Not bad, huh? So, it seems that the duo of Musk and Thiel may be ready to replicate their magic of taking over the country by controlling a right-wing populist candidate and its key infrastructure, in this case in healthcare.

In order to prevent this from happening, Starmer needs to up the defence system of the country against "hostile takeovers", whether domestic or foreign, by reinforcing the laws on political influence, for example by introducing new and more stringent caps and concentration limits. At stake is the survival of the UK's liberal democracy.

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Looking Ahead

The Week Ahead: US QoQ GDP To Advance; Headline Inflation To Increase In UK And EZ; Fed To Cut Rates, While BoE is On Hold

In the US, in Q3, according to final estimate, GDP growth rate is seen advancing by 2.8% y-o-y (p: 3.0%). In December, S&P Global Manufacturing is expected to fall to 49.4 (p: 49.7), while Services PMI is seen rising to 55.7 (p: 56.1). In December, Michigan Consumer Sentiment is likely to edge up to 74.0 (p: 71.8).

In the EZ, in November, headline inflation rate is seen increasing to 2.3% y-o-y (p: 2.0%), while core inflation rate is expected to remain unchanged at 2.7% y-o-y. In December, ZEW economic sentiment index is seen decreasing to 11.8 (p: 12.5). In December, HCOB Manufacturing PMI is expected to increase to 45.8 (p: 45.2), whereas Services PMI is likely to stay at 49.5.

among the largest EZ economies, in November, headline inflation rate is expected to: increase to 1.4% y-o-y (p: 0.9%) in Italy.

In the UK, in November, headline and core inflation rates are expected rise to 2.5% y-o-y (p: 2.3%) and 3.6% y-o-y (p: 3.3%). In October, unemployment rate is likely to stay at 4.3%. In December, S&P Global Manufacturing and Services PMI are seen rising to 48.1 (p: 48.0) and 51.0 (p: 50.8).

CBs are mixed. In the US, the Fed is expected to cut its target Fed funds range to 4.24% - 4.50%. In the UK, the BoE is likely to hold its Bank Rate at 4.75%. In Japan, the BoJ is also expected to keep rates unchanged.

The Quarter Ahead: US In Contact With Islamist Rebels Leading Syria Transition; South Korea's Parliament Impeaches President

Syrian Crisis. The US has engaged with HTS, a group labeled as a terrorist organization, amid efforts for a peaceful transition in Syria after Bashar al-Assad's fall. Secretary of State Blinken confirmed the contact, emphasizing shared principles for an inclusive, minority-respecting Syrian-led transition. Satellite imagery and Ukrainian intelligence suggest Russia is pulling forces from Syria.

In South Korea, parliament impeached President Yoon Suk Yeol after his failed martial law attempt, with his own party turning against him. This is the second leader's impeachment in a decade, suspending Yoon's powers pending a Constitutional Court ruling.

Last Week's Review

Real Economy: Headline Inflation Rate Rose In The US, Germany And France; ECB Cut Rates

In the US, in November, headline inflation rate increased by 2.7% y-o-y (c: 2.7%; p: 2.6%), whereas core inflation rate stayed unchanged at 3.3% y-o-y (c: 3.3%).

In the EZ, in October, IP rose to -1.2% y-o-y (c: -1.9%; p: -2.8%). Among the largest EZ economies, in November, headline inflation rate: i) increased to 2.2% y-o-y (c: 2.2%; p: 2.0%) in Germany; and ii) rose to 1.3% y-o-y (c: 1.3%; p: 1.2%) in France.

ECB remained dovish. In the EZ, the ECB cut rates by 25 bps and signalled further cuts in 2025.

Financial Markets: Stock Prices Decreased; Yields Increased; Dollar Increased; Oil And Gold Prices Rose

Market Drivers: In the US, The S&P 500, Nasdaq, and Dow declined as investors focused on rate cuts and persistent inflation. The 10-year Treasury yield rose following a hotter-than-expected November wholesale inflation report. Meanwhile, European stocks fell as investors questioned whether the ECB is easing policy quickly enough to support the struggling economy.

Global Equities: Decreased w-o-w (MSCI ACWI, -0.9%, to 866.14). The US S&P 500 index decreased (-0.6% w-o-w, to 6,051.09). In the EZ, share prices decreased (Eurostoxx 50, +0.2% w-o-w, to 4,976.745). In EMs, equity edged up (MSCI EMs, +0.2%, to 1,107.01). Volatility declined to 14.52 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+24 bps to 4.15%). The 2-year US Treasury yields increased (+14 bps to 4.24%). The German 10-year bund yields edged up (+14 bp to 2.25%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.9%, to 107.0; EUR/USD -0.6%, to 1.05). In EMs, currencies decreased (MSCI EM Currency Index, -0.2% w-o-w, to 1,742.2925).

Commodities: w-o-w, oil prices increased (Brent, +4.7% to 71.12 USD/b). Gold prices increased w-o-w (+0.6% to 2,675.80 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
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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