



*R&R Weekly Column
By Brunello Rosa*



In Retrospect, 2024 Was In Fact A Year Lived Dangerously

At the beginning of 2024, when we published our [Global Outlook for the year ahead](#), we warned that 2024 would be “a year of living dangerously” in geopolitics and politics, while the global economy and markets would remain resilient.

In retrospect, both of these predictions came to fruition. Let’s start with the global economy. While not shining as in the immediate post-pandemic years of 2022-23, [the global economy did not collapse as some had expected it to](#), in particular as a result of the sudden, strong and coordinated monetary tightening engineered by the world’s largest central banks. In fact, the US economy has continued to grow at around, or slightly above, its potential. [China has decelerated significantly as a result of its housing bust](#), but the government intervened in the last few months of the year to provide fiscal and monetary support to economic activity. The Eurozone has also grown, albeit at its own characteristic anaemic pace.

Labour markets have continued to surprise to the upside, with unemployment rates close to their all-time lows on both sides of the Atlantic, while wage growth has moderated. Inflation has returned close to central banks’ targets, even if service-sector inflation continues to remain sticky for the time being.

Central banks have pivoted, moving from tightening to pausing to easing over the last 12 months. The Fed started to cut rates in September 2024, carrying out a surprising 50bps cut, which was followed by further 25-bps cuts in October and December. The ECB cut rates in June, September, October, and December. The Bank of England cut rates in August and November. While [the Fed has indicated its intention of slowing down the pace of its easing in 2025](#), the [ECB will likely accelerate its own easing](#), and the [BoE will remain committed to its “gradual approach”](#).

Given all this, markets have performed extremely well, with equities reaching new highs, while bond yields fell. Bitcoin has reached \$100K, and gold has also touched its all-time highs, as a result of the increase in counter-party risk.

So, while the economy and market remained resilient, geopolitics and politics were as turbulent as it gets. In geopolitics, the Russia-Ukraine conflict remains open, with little hope of a rapid resolution, in spite of [Trump’s re-ascending to the White House](#). In the Middle East, the conflict in Gaza has widened and [become regional, expanding to Lebanon and the West Bank](#), and [now to Syria as well](#), with the collapse of the Assad regime. The situation around Taiwan remains as tense as ever, especially after [the elections on January 2024](#).

Politically, 2024 saw around half of the world’s population going to the polls to choose their representatives, in a continuum that now goes from liberal democracies (whose number is dwindling) to electoral democracies (such as Turkey) to electoral autocracies (such as Russia). Some unexpected elections took place, such as in France. Clearly, the biggest election of all, for the US President, resulted in a large victory for Trump. We have discussed how this has resulted in a “[tech takeover](#)” by Musk and Thiel, and investigated the impact this will have on the future of democracy around the globe.

Now 2025 awaits, and for certain it will be as eventful as 2024 proved to be.

Our Recent Publications

🌀 [Russia’s Damage Control in Syria: Power Projection, Secondary Theatres, and NATO Disruption](#), by Marco Lucchin 27 December 2024

🌀 [Assessing the Eurozone Economy: Is it headed for a recession?](#), by Shane Gravel, 24 December 2024

🌀 [Rapid Repeal: France’s Quick Change of Government Suggests Deep Turmoil](#), by Joshua Bowes, 20 December 2024

🌀 [Review: BOJ Keeps Rates Unchanged, And Prepares For Future Hikes](#), by Brunello Rosa and Nato Balavadze, 19 December

Looking Ahead

The Week Ahead: Manufacturing PMIs To Remain Steady In EZ And China, Fall In US And UK And Increase In Japan

In the US, in December, S&P Global Manufacturing PMI is expected to fall to 48.3 (p: 49.7).

In the EZ, in December, HCOB Manufacturing PMI is likely to stand at 45.2.

In the UK, in December, S&P Global Manufacturing PMI is expected to decrease to 47.3 (p: 48.0).

In China, in December, NBS Global Manufacturing PMI is expected to remain at 50.3.

In Japan, Jibun Bank Manufacturing PMI is seen increasing to 49.5 (p: 49.0).

The Quarter Ahead: Trump's On Greenland And Panama; Record Dividends Weigh on Yuan; Gazprom To Halt Supplies To Moldova

Trump threatened control of the Panama Canal, and renewed interest in buying Greenland. He raised the idea while appointing Kenneth Howery as ambassador to Denmark. Greenland's prime minister reaffirmed that the island is not for sale, responding to Trump's remarks about the "ownership and control" of the Arctic territory, for purposes of national security. Trump recently suggested reclaiming the canal for the US, accusing Panama of overcharging shipping rates, after claiming that Chinese soldiers at were stationed the Panama Canal. Panama's President José Raúl Mulino dismissed Trump's claims.

China's record dividends heighten yuan pressure. China's record dividend payouts are putting additional pressure on the yuan amid rising US-China tensions and a strong dollar. Hong Kong-listed Chinese firms are set to pay \$12.9 billion in dividends in the first quarter, a record high, following \$16.2 billion in the fourth quarter, up 47% from a year ago. Most dividends are paid in Hong Kong dollars, while revenue is earned in yuan, necessitating conversion and fueling outflows that weigh further on the currency.

Gazprom stops gas deliveries to Moldova. Gazprom, Russia's state-owned energy giant, announced it will halt gas supplies to Moldova from Jan. 1, citing unpaid debt. The move threatens power cuts, including at the Kuciurgan plant in Transnistria, Moldova's largest facility. Moldova accused Russia of using energy as a weapon.

Last Week's Review

Real Economy: QoQ GDP Growth Rate Stalled In UK; Tokyo CPI And Core CPI Increased

In the UK, in Q3, according to the final estimates, GDP growth rate stalled q-o-q (c: 1.0%; p: 0.4%) and advance by 0.9% y-o-y (c: 1.0%; p: 0.7%). Business investment increased by 5.8% y-o-y (c: 4.5%; p: 1.4%) in Q3.

In Japan, in November, unemployment rate stayed unchanged at 2.5% as expected. In December, Tokyo CPI and core CPI rose by 3.0% y-o-y (p: 2.6%) and 2.4 y-o-y (c: 2.5%; p: 2.2%) respectively.

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

Market Drivers: Wall Street closed the pre-Christmas session higher, led by Nvidia and the "Magnificent Seven" tech stocks, with the Dow and Nasdaq logging three straight wins. Gold has faded from its October peak as investors eye inflationary policies under President-elect Trump, boosting the dollar and Treasury yields. European stocks rose during the shortened holiday trading week.

Global Equities: Increased w-o-w (MSCI ACWI, +0.9%, to 851.62). The US S&P 500 index rose (+0.7% w-o-w, to 5,970.84). In the EZ, share prices increased (Eurostoxx 50, +0.8% w-o-w, to 4,899.05). In EMs, equity edged up (MSCI EMs, +1.0%, to 1,082.87). Volatility fell to 16.93 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+10 bps to 4.63%). The 2-year US Treasury yields increased (+1 bps to 4.33%). The German 10-year bund yields edged up (+10 bp to 2.39%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.4%, to 108.0; EUR/USD -0.1%, to 1.04). In EMs, currencies decreased (MSCI EM Currency Index, -0.5% w-o-w, to 1,729.83).

Commodities: w-o-w, oil prices increased (Brent, +1.2% to 73.79 USD/b). Gold prices decreased w-o-w (-0.5% to 2,631.90 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
DIJA	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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