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Economic Dissatisfaction May Push Trump To Call A National Security Emergency Ahead of Mid-Term Elections

The numbers are unambiguous, and they are not the numbers of a president who intends to face the electorate calmly. [The FT's Focaldata survey of 1,913 registered voters](#) finds more than 53% saying their finances have deteriorated since January 2025; among independents the figure approaches 57%, and — the datum that should concentrate minds in the West Wing — nearly a quarter of self-identified Republicans concur. Trump's disapproval on inflation and living costs stands at 64%, his net approval within his own party has fallen eight points in a month, and Democrats lead the generic ballot 44% to 39%.

The macro backdrop corroborates the sentiment rather than contradicting it: headline inflation at 3.4% sits above the level inherited from Biden, real wages fell last month, consumer sentiment has collapsed towards record lows, and the Iranian war has done what wars reliably do to borrowing costs and petrol prices. This is not a communications problem; it is an economic and political one.

As the majority of voters feel worse off under Trump, [the temptation of “going socialist” increases](#). The number of members of the Democratic Socialists of America has reached roughly 130,000, up from 5,000 fifteen years ago. The association has scored primary victories from Brooklyn to Denver to Michigan. However, the same FT poll cited above that records the economic misery also records what Democratic voters actually want: inflation contained, jobs protected, social security and Medicare defended. Fewer than one in five endorse the DSA's signature positions on ICE, Israel or the federal minimum wage. Has a proof of this, the “socialist candidate” Francesca Hong lost her primary election in Wisconsin.

If anything, the more revealing development is the convergence between Republicans and Democrats: an administration contemplating equity stakes in artificial intelligence firms and restrictions on institutional purchases of single-family housing, alongside a vice-president advocating stronger unions. Both parties have concluded that markets alone will not deliver; they differ chiefly on who administers the intervention.

Given economic dissatisfaction, historically the result is a landslide victory of the opposition party in the mid-term elections. We have already discussed how Trump will try everything to prevent this from happening. This week, he refused to deny a possible federal takeover of elections, citing “a national security emergency” that would give him the possibility of imposing voter identification, citizenship proof and mail-ballot restrictions, giving the Republican party a massive headstart in the race.

How likely is it? Legally it is close to nothing. The Constitution assigns the regulation of federal elections to Congress and the states; the Justice Department has lost more than twenty cases seeking voter data, several before Trump's own appointees; the executive orders on mail voting have been struck down and now sit before a Supreme Court asked to permit sweeping change weeks before polling day. The operational risk is real but bounded. The institutional risk is not: an Election Assistance Commission stripped of quorum, CISA gutted, and election workers reporting harassment at scale constitute a machinery degraded precisely where contested outcomes are adjudicated. The Democrats are reportedly preparing exactly for this scenario.

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Looking Ahead

The Week Ahead: Headline Inflation To Increase In EZ And UK, Retail Sales To Shrink In UK

In the US, in July, IP is expected to increase by 0.3% y-o-y (*p*: 0.1%).

In the EZ, in July, headline and core inflation rates are likely to rise to 2.9% y-o-y (*p*: 2.8%) and 2.5% y-o-y (*p*: 2.4%). In August, ZEW Economic Sentiment Index is expected to increase to 25.4 (*p*: 23.4).

In the UK, in July, headline inflation rate is seen increasing to 2.9% y-o-y (*p*: 2.6%), while core inflation rate is likely to ease off to 2.5% y-o-y (*p*: 2.6%). In June, unemployment rate is expected to edge down to 4.8% y-o-y (*p*: 4.9%). In July, retail sales are seen contracting by 0.3% m-o-m (*p*: 1.0%).

The Quarter Ahead: Iran Rejects US Hormuz Claim; Putin Visits Disputed Kuril Islands; Nvidia Reveals SpaceX, Intel Stakes

Iran rejected President Trump's claim that the Strait of Hormuz could become US territory, insisting the strategic waterway remains under Iranian control. Tehran also said no direct negotiations or ceasefire talks with Washington are underway, although Qatar and Pakistan continue to relay messages between the sides.

President Putin made his first visit to the disputed Kuril Islands, drawing a strong protest from Japan, which claims the four southernmost islands as its Northern Territories. Prime Minister Sanae Takaichi called the visit "unacceptable," while Tokyo summoned Russia's ambassador. The dispute over the islands, seized by the Soviet Union in 1945, comes amid deteriorating Russia-Japan relations following Tokyo's sanctions over the war in Ukraine.

Nvidia disclosed stakes worth nearly \$21 billion in SpaceX and \$30 billion in Intel as of June 30. Meanwhile, Elon Musk reported a 48.4% stake in SpaceX, worth more than \$900 billion at current prices, while retaining over 82% of the company's voting power. SpaceX, which went public in June at a valuation above \$2 trillion, has seen volatile trading but rebounded in August following strong quarterly results.

Last Week's Review

Real Economy: QoQ GDP Advanced In EZ, While Decelerated In UK; Inflation Cooled In US

In the US, in July, headline and core inflation rates eased off to 3.4% y-o-y (*c*: 3.4%; *p*: 3.5%) and 2.5% y-o-y (*c*: 2.5%; *p*: 2.6%) respectively. In July, retail sales rose by 5.0% y-o-y (*p*: 6.8%). In August, Michigan Consumer Sentiment fell to 51.0 (*c*: 54.5; *p*: 55.2).

In the EZ, in Q2, according to the preliminary estimates, GDP growth rate advanced by 0.4% q-o-q (*c*: 0.4%; *p*: 0.0%) and 1.0% y-o-y (*c*: 1.0%; *p*: 0.5%). In July, IP rose by 0.1% y-o-y (*c*: -0.8%; *p*: -0.1%).

In the UK, in Q2, according to the preliminary estimates, GDP growth rate decelerated to 0.4% q-o-q (*c*: 0.4%; *p*: 0.6%), while rose to 1.2% y-o-y (*c*: 1.1%; *p*: 0.9%). In June, IP contracted by 0.2% y-o-y (*p*: -0.5%).

Financial Markets: Stocks and Long-Term Yields Rose; Dollar, Oil And Gold Prices Also Increased

Market Drivers: Major US stock indexes ended the week mixed as easing inflation and Fed concerns and positive AI-related earnings were offset by higher oil prices, Strait of Hormuz uncertainty, and weak consumer data. Treasury yields were volatile, with shorter-term yields falling as rate-hike expectations eased, while longer-term yields remained elevated amid heavy supply and fiscal concerns. Meanwhile, the STOXX Europe 600 fell 0.36%, as resilient economic data and solid earnings were outweighed by geopolitical uncertainty surrounding the US-Iran conflict and the Strait of Hormuz.

Global Equities: rose w-o-w (MSCI ACWI, +0.7%, to 1,160.34). The US S&P 500 index increased (+2.8% w-o-w, to 7,785.76). In the EZ, share prices were up (Eurostoxx 50, +0.2% w-o-w, to 6,539.59) In EMs, equity increased (MSCI EMs, +2.6%, to 1,701.17). Volatility rose to 18.11 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: w-o-w, the 10-year US Treasury yields were up (+4 bps to 4.70%). The 2-year US Treasury yields declined (-3 bps to 4.17%). The German 10-year bund yields edged up (+7 bps to 3.20%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.1%, to 99.67; EUR/USD +0.1%, to 1.16). In EMs, currencies increased (MSCI EM Currency Index, +0.2% w-o-w, to 1,902.80).

Commodities: w-o-w, oil prices increased (Brent, +7.8% to 88.60 USD/b). Gold rose increased w-o-w (+0.7% to 4,432.00 USD/Oz).



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The picture in the first 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
DIEM	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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