MAKING SENSE OF *THIS* WORLD

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After the Mid-Terms, Trump Should Learn The Lesson of Nixon

At the beginning of Trump's second term in office, we published an article highlighting the many similarities between Donald Trump and Richard Nixon. To cite just one: with his sudden decision in August 1971 to suspend the dollar's convertibility into gold, which brought down the Bretton Woods system, Nixon paved the way for a new era of finance based on free capital flows and flexible exchange rates. Similarly, Trump's decisions to establish a Strategic Bitcoin Reserve and to sign the GENIUS Act regulating USD-backed stablecoins gave a phenomenal push to the nascent digital asset industry, centred on the digital greenback. In both cases, raging wars, fast-rising public debt and the need to defend the dollar's status as the global reserve currency were among the key motivations.

But there is another analogy that we cannot disregard. Nixon became deeply unpopular abroad, not least because of his decision to end the dollar's convertibility into gold, accompanied by his Treasury Secretary John Connally's notorious remark that the dollar was "our currency, but your problem". At home he had to protest publicly that he was "not a crook", having become embroiled in the Watergate affair: the break-in at the Democratic National Committee's headquarters and the cover-up that followed. He became a deeply divisive and polarising figure. Watergate and the scandal of the White House tapes led the House to launch the preparatory proceedings for the impeachment of the President.

At that time, the Democrats controlled both chambers of Congress by large margins. They had held that majority since 1955 and kept it in 1972 despite Nixon's 49-state landslide, and by August 1974 they held 248 seats in the House and 57 in the Senate. On 6 February 1974, the House passed Resolution 803 by 410 votes to 4, authorising the Judiciary Committee to consider impeachment proceedings. That near-unanimity was the first sign that the matter would not split along party lines. Between 27 and 30 July 1974, the Democratic-led committee approved three articles of impeachment. There were certainly enough votes for the articles to pass the House, but not enough for a conviction in the Senate, where a two-thirds majority of the senators present is required.

However, something remarkable happened. Once the "smoking gun" tape was released on 5 August, leaders of both parties concluded that impeachment by the full House was certain if it reached the floor, and a delegation of senior Republicans led by Barry Goldwater told Nixon that he would also lose in the Senate. On 9 August 1974, facing near-certain impeachment and conviction, Nixon became the first president ever to resign. The proceedings formally ended on 20 August 1974 without an impeachment vote. Gerald Ford pardoned him a month later, which shut off criminal prosecution and is widely thought to have contributed to Ford's defeat in 1976.

What lesson should Trump learn from this? When a president's party comes to regard him as a liability, as the Republicans did in 1974 with the evidence overwhelming and the midterm elections only three months away, it may join forces with the opposition and force him to resign even before the full House votes on articles of impeachment.

What is the situation now? The Democratic Party has just won a landslide in both chambers of Congress, establishing a comparable majority: more than 250 seats in the House, with NBC News projecting around 259 once counting is complete, and at least 54 in the Senate, with Alaska and Mississippi still to be called, but leaning Democrat. Trump's conduct in office will almost certainly prompt several requests for impeachment once the new Congress convenes in January, and these would easily pass the full House, as happened twice during his first term.

The Republican Party is now split. Vice President JD Vance has already broken ranks, stating plainly that the reason for the defeat was the war in Iran, which Trump launched. If impeachment proceedings advance in the House, a "smoking gun" similar to the one that made Nixon's position untenable is likely to emerge, and the non-MAGA wing of the Republican Party may well make explicit that it would vote with the Democrats, to improve its chances of winning the presidential race in 2028.

Has Trump learnt this lesson? His first, moderate statements immediately after the defeat seemed to suggest so. His decision to appoint the hardliner Stephen Miller as his new Chief of Staff suggests otherwise.

Our Recent Publications

- *Review: Bank of England Raises Rates, And Could Hike Again if Middle East Conflict Continues, by Brunello Rosa and Nato Balavadze, 5 November 2026*
- *Turkey and Azerbaijan's Strained Alliance, by Gulf State Analytics, 4 November 2026*
- *Lula's Fourth Term: Markets, Growth and Geopolitics, by Nato Balavadze, 3 November 2026*
- *Preview: BoE To Start a Short and Preemptive Tightening Cycle, by Brunello Rosa and Nato Balavadze, 30 October 2026*

Looking Ahead

The Week Ahead: QoQ GDP To Decelerate In EZ And Advance In UK; Headline Inflation To Ease Off In Germany And Rise In France

In the EZ, in Q3, according to the second estimate, the economy decelerated to 0.4% q-o-q (*p:* 0.6%) and advanced by 1.3% y-o-y (*p:* 1.2%). Among the largest EZ economies, in October, headline inflation rate is expected to: *i)* ease off to 2.8% y-o-y (*p:* 3.3%) in Germany; *ii)* increase to 3.8% y-o-y (*p:* 3.4%) in France.

In the UK, in Q3, according to the preliminary estimates, GDP growth rate is likely to advance by 0.7% q-o-q (*p:* 0.5%). In September, IP is expected to shrink by 0.4% m-o-m (*p:* 0.8%).

The Quarter Ahead: Democrats Prepare Sweeping AI Regulations; Trump Names Stephen Miller Chief of Staff

Democrats plan to introduce sweeping AI legislation when they take control of Congress in January, targeting rising electricity costs from data centers, AI safety standards and corporate liability. The proposals mark a shift from Republicans' pro-development approach but face opposition from Trump. Growing regulatory concerns, public resistance to data centers and doubts over AI investment returns contributed to Thursday's sharp technology stock sell-off. Nevertheless, OpenAI CFO Sarah Friar reaffirmed the company's commitment to expanding AI infrastructure and raising capital to meet growing demand, despite the election results. ***Trump appointed longtime adviser Stephen Miller as White House chief of staff,*** replacing Susie Wiles following Republicans' defeat in the midterm elections. Miller, a key architect of Trump's restrictive immigration policies and advocate of expansive executive authority, is expected to pursue a more confrontational approach toward the incoming Democratic-controlled Congress.

Last Week's Review

Real Economy: EZ Headline Inflation Rate Increased; US NFPs Accelerated; BoE Hiked

In the US, in October, unemployment rate edged down to 4.1% (*c:* 4.2%; *p:* 4.2%). NFPs increased by 165K (*c:* 65K; *p:* 60K). In October, S&P Global Manufacturing and Services PMIs fell to 54.9 (*c:* 56.0; *p:* 55.9) and 56.1 (*c:* 57.9; *p*: 58.8). Composite PMI declined to 55.9 (*c:* 57.6; *p:* 58.4). In November, Michigan Consumer Sentiment rose to 51.0 (*c*: 48.0; *p:* 48.0).

In the EZ, in October, headline inflation rate increased to 4.0% y-o-y (*c:* 4.0%; *p:* 3.8%), whereas core inflation remained at 2.5% y-o-y as expected. In October, S&P Global Manufacturing and Services PMIs are expected edged down to 52.7 (*c:* 52.4; *p:* 52.9) and 51.4 (*c:* 51.7; *p:* 53.0). Composite PMI declined to 51.7 (*c:* 51.9; *p:* 53.1). Retail sales decelerated to 0.4% y-o-y (*c:* 0.6%; *p:* 1.3%).

In the UK, in October, S&P Global Manufacturing and Services PMIs edged up to 52.8 (*c:* 52.8; *p:* 51.9) and 52.8 (*c:* 53.1; *p:* 52.1). Composite PMI increased to 52.9 (*c:* 53.1; *p*: 52.0). In the UK, the BoE raised its Bank Rate by 25 bps to 4.00%.

Financial Markets: Stock Prices Mostly Declined; USD Increased; Yields And Oil Prices Were Down, While Gold Prices Edged Up

Market Drivers: US equities rallied on Wednesday following stronger-than-expected Democratic gains, partly reflecting hopes of easing geopolitical tensions, particularly with Iran. However, markets reversed sharply on Thursday amid concerns over tighter AI regulation and disappointing semiconductor industry outlooks. UST yields declined across the curve, particularly at shorter maturities, steepening the yield curve as investors anticipated less fiscal expansion following the Democratic sweep. Meanwhile, in Europe, stocks gained, supported partly by a rotation away from US equities despite technology-sector volatility.

Global Equities: decreased *w-o-w* (MSCI ACWI, -2.7%, to 1,085.48). The US S&P 500 index edged down (-2.7% w-o-w, to 7,376.86). In the EZ, share prices were up (Eurostoxx 50, +0.5% w-o-w, to 6,161.55). In EMs, equities declined (MSCI EMs, -4.1%, to 1,502.29). Volatility rose to 23.7 (VIX S&P 500, 52w avg.: 19.98; 10y avg.: 19.9).

Fixed Income: *w-o-*w, the 10-year US Treasury yields were down (-7 bps to 4.86%). The 2-year US Treasury yields declined (-6 bps to 4.52%). The German 10-year bund yields edged down (-7 bps to 3.25%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.5%, to 102.30; EUR/USD, -0.2%, to 1.11). In EMs, currencies fell (MSCI EM Currency Index, -0.3% w-o-w, to 1,917.72).

Commodities: *w-o-w,* oil prices decreased (Brent, -13.6% to 97.75 USD/b). Gold prices increased w-o-w (5.0% to 4,079.50 USD/Oz).

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The picture in the first page was taken from this website.

Abbreviations, Acronyms and Definitions

a	*Actual*
AKP	*Justice and Development Party, Turkey*
ann.	*annualized*
ARS	*Argentinian Peso*
avg.	*Average*
bn	*Billion*
BoC	*Bank of Canada*
BoE	*Bank of England*
BoJ	*Bank of Japan*
bpd	*Barrels per day*
bps	*Basis points*
BS	*Balance sheet*
c	*Consensus*
C/A	*Current account*
CB	*Central bank*
CBB	*Central Bank of Bahrain*
CBK	*Central Bank of Kuwait*
CBT	*Central Bank of Turkey*
CDU	*Christian Democratic Union, Germany*
CNY	*Chinese Yuan*
CPI	*Consumer Price Index*
DJIA	*Dow Jones Industrial Average Index*
DJEM	*Dow Jones Emerging Markets Index*
d-o-d	*Day-on-day*
DXY	*US Dollar Index*
EC	*European Commission*
ECB	*European Central Bank*
ECJ	*European Court of Justice*
EIA	*US Energy Information Agency*
EM	*Emerging Markets*
EP	*European Parliament*
EPS	*Earnings per share*
EU	*European Union*
EUR	*Euro*
EZ	*Eurozone*
Fed	*US Federal Reserve*
FOMC	*US Federal Open Market Committee*
FRB	*US Federal Reserve Board*
FX	*Foreign exchange*
FY	*Fiscal Year*
GCC	*Gulf Cooperation Council*
GBP	*British pound*
GDP	*Gross domestic product*
IMF	*International Monetary Fund*
INR	*Indian Rupee*
IPO	*Initial public offering*
IRR	*Iranian Rial*
JPY	*Japanese yen*
k	*thousand*
KSA	*Kingdom of Saudi Arabia*
LN	*Northern League, Italy*
M5S	*Five Star Movement, Italy*
m-o-m	*Month-on-month*
mb	*Million barrels*
mb/d	*Million barrels per day*
MENA	*Middle East and North Africa*
MHP	*Nationalist Movement Party, Turkey*
mn	*Million*
MPC	*Monetary Policy Committee*
NAFTA	*North-American Free Trade Agreement*
NATO	*North Atlantic Treaty Organization*
OECD	*Organization for Economic Cooperation and Development*
Opec	*Organization of Petroleum Exporting Countries*
p	*Previous*
P2P	*Peer-to-peer*
PBoC	*People's Bank of China*
PCE	*Personal Consumption Expenditures*
PE	*Price to earnings ratio*
PM	*Prime minister*
PMI	*Purchasing managers' index*
pps	*Percentage points*
pw	*Previous week*
QCB	*Qatar Central Bank*
QAR	*Qatari Riyal*
QE	*Quantitative easing*
q-o-q	*Quarter-on-quarter*
RE	*Real estate*
RBA	*Reserve Bank of Australia*
RRR	*Reserve Requirement Ratio*
RUB	*Russian Rouble*
SWF	*Sovereign Wealth Fund*
tn	*Trillion*
TRY	*Turkish Lira*
UAE	*United Arab Emirates*
UK	*United Kingdom*
US	*United States*
USD	*United States Dollar*
USD/b	*USD per barrel*
UST	*US Treasury bills/bonds*
VAT	*Value added tax*
VIX	*Chicago Board Options Exchange Volatility Index*
WTI	*West Texas Intermediate*
WTO	*World Trade Organisation*
w	*Week*
w-o-w	*Week-on-week*
y	*Year*
y-o-y	*Year-on-year*
y-t-d	*Year-to-date*
ZAR	*South African Rand*
2y; 10y	*2-year; 10-year*

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