



*R&R Weekly Column*  
By Brunello Rosa



## **Biden Attempts To Reshape Global Geopolitics With Unexpected Moves**

The Biden administration has made important, and unexpected, moves in the last few weeks, moves that could reshape global geopolitics for decades to come, putting the US on a much stronger footing in Cold War 2, its global competition with China for world supremacy.

Earlier in August, it emerged that a potential breakthrough occurred in Biden's attempt to [normalise the relationship between Saudi Arabia and Israel](#). The two countries do not have formal diplomatic relationship but, informally, they co-operate on key security issues, having a mutual enemy in common, Iran. If these diplomatic efforts are successful, the two countries would begin their own formal diplomatic relationships; Riyadh would open an embassy in Tel Aviv, for example. The hope is that other Muslim countries would then follow suit, and also that Israel and Saudi Arabia would step up their security cooperation with one another. In exchange, Riyadh would secure more US defence support and assistance for its own civil nuclear programme. Additionally, Saudi Arabia would also want Israel to make concessions on the Palestinians' state.

If this diplomatic effort succeeds, it would be the strongest response by the US administration to China's advances in the region, and in particular to its successful brokering of [the pact between Saudi Arabia and Iran, signed in Beijing in April](#). But there are still enormous obstacles to overcome before either side can declare victory. For example, Saudi Arabia's military requests may prove difficult for the US to negotiate, as they would need approval from a sceptical Congress. Israel may be unwilling to make concessions to Palestinian aspirations. Additionally, with US presidential elections looming, the three countries may prefer to wait for the results before concluding any agreement that may be overturned by a new president. However, if a pact is in fact struck between the three sides, it would have the effect of stabilising the region for decades to come.

Looking to another part of the world, [the US administration has also managed to secure a deal, signed in Camp David, between Japan and South Korea](#), whose relationships have been tense for decades, following the Japanese occupation of Korea during the first half of the twentieth century. At a time when China is announcing further [military drills in the Strait of Taiwan](#), Japan and South Korea realised that it was important to show an united front against China's threats and economic coercion. The agreement foresees "annual summits between US, Korean and Japanese foreign and defence officials; establishes joint military exercises; and creates new lines of communication to collaborate on threats posed by North Korea and China", according to press reports.

US President Biden is clearly trying to leave a lasting footprint in US foreign policy before the end of his first mandate, not knowing if he will still be in the White House after January 2024. He is also putting the US on a much stronger footing in Cold War 2, by strengthening its alliances in East Asia, as well as in the Middle East where China and Russia have made tremendous strides in the last few years.

### **Our Recent Publications**

✿ [Inflation Continues To Fall in Both Developed and Emerging Markets](#), by London Politica, 24 August 2023

✿ [Deep Down, But Not Out: An Overview of Growth in Developed and Emerging Markets](#), by London Politica, 22 August 2023

Looking Ahead

**The Week Ahead: US QoQ GDP To Advance; US PCE To Increase; EZ Inflation To Fall; Manufacturing PMI To Decrease In US And UK**

**In the US**, in Q2, according to the second estimate, GDP growth is expected to advance by 2.4% q-o-q (*p*: 2.0%). In July, PCE and Core PCE price index are likely to rise by 3.3% y-o-y (*p*: 3.0%) and 4.2% y-o-y (*p*: 4.1%) respectively. August's unemployment is seen staying the same at 3.5%. NFPs are expected to increase by 170K (*p*: 187K). In August, S&P Global manufacturing PMI is expected to edge down to 47 (*p*: 49).

**In the EZ**, in August, both headline and core inflation are seen easing off to 5.1% y-o-y (*p*: 5.3%) and 5.3% y-o-y (*p*: 5.5%). July's unemployment rate is likely to stay unchanged at 6.4%. In August, economic sentiment is expected to fall to 93.9 (*p*: 94.5) and consumer confidence is likely to contract further to 16 (*p*: -15.1). In August, HCOB manufacturing PMI is expected to edge up to 43.7 (*p*: 42.7).

**In the UK**, in August, S&P Global/CIPS manufacturing PMI is expected to edge down to 42.5 (*p*: 45.3).

**The Quarter Ahead: Russia Denies Role In Prigozhin's Plane Crash; 15<sup>th</sup> BRICS Summit: Trump Surrendered And Released**

**The Kremlin declined to confirm Russian mercenary Prigozhin's death.** Wagner boss is presumed dead in the plane crash. Putin stated, during his initial public remarks since the incident, that Prigozhin was a "talented man" who committed significant errors. Kremlin underlines that investigation results are needed first.

**The 15<sup>th</sup> BRICS Summit was held on 22-24 August.** The BRICS bloc agreed to admit Saudi Arabia, Iran, Ethiopia, Egypt, Argentina and the United Arab Emirates. The Group leaves door open to further expansion. In the meantime, Brazil's President Silva called for the BRICS nations to create a common currency for trade and investment between each other.

**Trump surrendered at Atlanta jail in Georgia Election interference case.** He has been released from Georgia jail on \$200,000 bond. Trump was booked on 13 felony counts related to an alleged scheme to overturn the results of the presidential election in Georgia.

Last Week's Review

**Real Economy: PMIs Fell In DMs; Consumer Sentiment Decreased In US And EZ, While Rose Marginally In the UK**

**In the US**, in August, according to flash estimates, S&P Global Manufacturing and Services PMI declined to 47 (*c*: 49.3; *p*: 49.0) and 51 (*c*: 52.2; *p*: 52.3). Composite PMI fell to 50.4 (*p*: 52.3). In August, Michigan consumer sentiment decreased to 69.5 (*c*: 71.2; *p*: 71.6).

**In the EZ**, in August, according to flash estimates, HCOB Manufacturing PMI increased to 43.7 (*c*: 42.6; *p*: 42.7), whereas HCOB Services PMI fell to 48.3 (*c*: 50.5; *p*: 50.9). Composite PMI edged down to 47 (*c*: 48.5; *p*: 48.6). In August, consumer confidence shrank by 16 (*c*: -14.3; *p*: -15.1).

**In the UK**, in August, according to flash estimates, S&P Global/CIPS Manufacturing and Services PMIs declined to 42.5 (*c*: 45; *p*: 45.3), and to 47.9 (*c*: 51; *p*: 51.5). Composite PMI decreased to 47.9 (*c*: 50.3; *p*: 50.8). In August, GFK consumer confidence rose to -25 (*c*: -29; *p*: -30).

**Financial Markets: US Stock Prices Increased; US Yields Edged Up; the Dollar Index, Oil And Gold Prices Increased**

**Market Drivers:** Stocks surged as traders expressed enthusiasm over remarks from Fed Chairman Powell's comments indicating a more robust economic expansion than initially anticipated. In Europe, Economic data pointed to a weakening European economy, prompting financial markets to pare expectations on future interest rate increases.

**Global Equities:** increased w-o-w (MSCI ACWI, +0.5%, to 670.23). The US S&P 500 index edged up (+0.8% w-o-w, to 4,405.71). In the EZ, share prices were down (Eurostoxx 50, +0.5% w-o-w, to 4,235.05). In EMs, equity prices moved up (MSCI EMs, +0.7%, to 971.04). Volatility fell to 17.30 (VIX S&P 500, 52w avg.: 21.5; 10y avg.: 18.5).

**Fixed Income:** w-o-w, the 10-year US Treasury yields decreased (-2 bps to 4.23%). The 2-year US Treasury yields increased (+14 bps to 5.08%). The German 10-year bund yield fell (-7 bps to 2.55%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +0.8%, to 104.19 EUR/USD -0.6%, to 1.08). In EMs, currencies increased (MSCI EM Currency Index, +0.5% w-o-w, to 1,677.15).

**Commodities:** w-o-w, oil prices increased (Brent, +0.1% to 84.88 USD/b). Gold prices rose w-o-w (+1.4% to 1,934.30 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