



R&R Weekly Column
By Brunello Rosa



Populist Leaders Continue To Attract Votes Around The Globe

In a series of articles published last summer, we identified 2024 as the year that could change the fate of the world. [In Developed Markets, there will be elections](#) in the US, EU and the UK, and in [Emerging Markets there will be elections](#) in India, Russia and Taiwan, to name only a few. We discussed how, with two wars still ongoing in Ukraine and Israel, a third front may be opening in Taiwan, with the window between the Taiwanese elections and the US elections representing an opportunity for China to continue destabilising its breakaway “province.” With just over a month to go before the beginning of 2024, 2023 is providing electoral results that may impact sentiment in the new year.

In Argentina, [Javier “El Loco” Milei has been elected President](#), interrupting the long dominance of Peronist leaders that have governed the country in the last few years (with the brief interval of the moderate conservative government of Mauricio Macri). [In our preview](#), we discussed the electoral platform of the newly elected president, and of its political movement, La Libertad Avanza (LLA). Milei is considered a political leader who is between former Brazilian President Jair Bolsonaro and former US President Donald Trump, and in effect his proposals have a populist bent that is hard to ignore.

Here we would like to focus on just one of these proposals: [the abolition of the Argentine Central Bank \(Banco Central De La República Argentina, BCRA\), to be replaced by the full dollarisation of the economy](#). The project does not make economic sense and is unfeasible, but it attracted the favour of voters, who are exasperated by levels of inflation that has reached 140% recently, [and has been above 20% since 2015](#).

The project makes no economic sense because the monetary policy decisions that have been widely criticised by the Argentinian people, which are the basis of the request of the abolition of the BCRA, would instead now be made by another central bank, the US Federal Reserve, over which Argentinians would have no control. Moreover, the Fed is there to make decisions for the US, not for Argentina: the US is an expanding economy with a falling level of inflation, while Argentina is a contracting economy with rampant inflation. It's hard to see how the Fed could make decisions that are good for the US and Argentina at the same time.

The project is unfeasible because Argentina is not a small country at the doorstep of a large continental economy, as Ecuador could be for the US or Montenegro is for the EU, two examples of countries that have chosen to adopt the currency of the much larger economic neighbour, which their economies are dependent on. Argentina is a large economy with 46 million people: there aren't enough US dollars in circulation to accommodate that request, and the Fed is not going to print them just to please Milei. Yet these nonsensical economic proposals managed to attract the majority of voters and propel Milei to the Presidency. Luckily, the limited presence of LLA in Congress (only 35 deputies out of 257) will make them harder to implement, but one can be sure that a few years of Milei in government will produce a permanent economic and social damage to the country.

In the Netherlands, the nationalist and populist leader [Geert Wilders won the election held last week](#), with his PVV collecting 23.6% of votes (much more than the socialist and conservative opposing parties, which are stuck at 15%), thus electing 37 MPs in the 150-seat House of Representatives. Wilder's populist anti-Islamic and anti-immigration slogans have convinced a large segment of the Dutch population to give him a chance to govern. The other parties may coalesce to keep him out of power, but this would make his party even stronger at the next election.

In a recent column, we discussed [the victory by Robert Fico in Slovakia](#), who ran on a populist anti-EU and pro-Russia platform.

These examples are not a good harbinger for the coming elections in 2024. If populist leaders still manage to be so attractive for the electorates of developed and sophisticated nations, the return of Trump as president in the US one year from now is becoming increasingly likely, [with polls showing that he is getting a lead over Biden](#) since the beginning of the war in Israel. And if Trump wins again, the macroeconomic and geopolitical implications would be profound.

Our Recent Publications

☞ [The Geopolitical Motivations Behind CBDCs](#), by Brunello Rosa and Alessandro Tentori, 23 November 2023

☞ [Spanish Elections: Channelling Demands - Pedro Sánchez coalition-building pacts secures a new four-year mandate while bringing discontent and criticisms](#), by Marina Tovar I Velasco, 22 November 2023

☞ [Can the Israel-Hamas War Benefit China?](#), by Mirko Giordani, 21 November 2023

☞ [Operation Al-Aqsa Flood: A Review of the 2023 Hamas Attack on Israel and the Ensuing Events](#), by Caleb Adegbola, 16 November 2023

Looking Ahead

The Week Ahead: US QoQ GDP To Decelerate; Inflation To Fall In EZ; GDP To Decelerate In France And Stall In Italy

In the US, in Q3, according to the second estimate, GDP growth is expected to decelerate to 2.7% q-o-q (*p*: 3.0%).

In the EZ, in November, both headline and core inflation rates are seen falling to 2.8% y-o-y (*p*: 2.9%) and 3.9% y-o-y (*p*: 4.2%). October's unemployment rate is expected to stay unchanged at 6.5%. In November, economic sentiment and consumer confidence are likely to increase to 93.8 (*p*: 93.3) and -16.9 (*p*: -17.9).

Among the largest EZ economies, harmonized inflation is expected to: *i*) fall to 2.7% y-o-y (*p*: 3.0%) in Germany; *ii*) decrease to 4.1% y-o-y (*p*: 4.5%) in France; and *iii*) fall to 1.4% y-o-y (*p*: 1.8%) in Italy.

The Quarter Ahead: Altman Returns As OpenAI CEO; Hamas Releases Hostages; Dutch Elections Result in Far-Right Party Victory

Sam Altman to return as OpenAI CEO. Hundreds of OpenAI employees signed a letter demanding the board's resignation. Altman revealed a fresh inaugural board, featuring Bret Taylor, former co-CEO of Salesforce, as the chairman, along with Larry Summers, former U.S. Treasury Secretary, and Adam D'Angelo serving as directors.

Hamas releases second batch of Gaza hostages. On Saturday night, Hamas delivered 13 Israeli hostages and four individuals from other countries to the International Committee of the Red Cross, according to Qatar's foreign ministry. This occurred after a brief disruption to the captive release deal, which was resolved with the mediation of Qatar and Egypt.

General elections were held in the Netherlands to elect the members of the House of Representatives. Veteran anti-Islam populist leader Geert Wilders has won a dramatic victory in the Dutch general election, with almost all votes counted. Geert Wilders known for advocating a referendum on EU departure and pledging to halt immigration to the Netherlands, secured a surprising triumph in Wednesday's parliamentary elections.

Last Week's Review

Real Economy: German GDP Contracted QoQ And YoY In Q3; PMIs Increased In EZ, UK, While Stayed Unchanged In US

In the US, in November, Michigan consumer sentiment fell to 61.3 (*c*: 60.5; *p*: 63.8). In November, according to flash estimates, S&P Global Manufacturing edged down to 49.4 (*c*: 49.8; *p*: 50), while Services PMI increased to 50.8 (*c*: 50.4; *p*: 50.6). Composite PMI stood unchanged at 50.7.

In the EZ, in November, consumer confidence rose to -16.9 (*c*: -17.6; *p*: -17.8). In November, HCOB Manufacturing and Services PMIs increased to 43.8 (*c*: 43.4; *p*: 43.1) and 48.2 (*c*: 48.1; *p*: 47.8). Composite edged up to 47.1 (*c*: 46.9; *p*: 46.5).

Among the largest EZ economies, in Germany, in Q3 GDP shrank by -0.1% q-o-q (*c*: -0.1%; *p*: 0.1%) and -0.4% y-o-y (*c*: -0.3%; *p*: 0.0%).

In the UK, in November GfK consumer confidence rose to -24 (*c*: -28; *p*: -30). In November, according to flash estimates, S&P Global/CIPS Manufacturing PMI increased to 46.7 (*c*: 45; *p*: 44.8), while Services PMI rose to 50.5 (*c*: 49.5; *p*: 49.5). Composite PMI edged up to 50.1 (*c*: 48.7; *p*: 48.7).

Financial Markets: Stock Prices Increased Globally; Bond Yields Rose; Dollar Index And Gold Price Were Down, While Oil Prices Rose

Market Drivers: In the US, Stocks closed higher during the shortened Thanksgiving week, with markets closed on Thursday and closing early on Friday. In Europe, share prices rose, expecting that central banks would cut interest rates in the first half of next year.

Global Equities: increased *w-o-w* (MSCI ACWI, +0.8%, to 691.39). The US S&P 500 index edged up (+1.0% *w-o-w*, to 4,559.34). In the EZ, share prices were up (Eurostoxx 50, +0.7% *w-o-w*, to 4,372.95). In EMs, equity prices increased (MSCI EMs, +1.2%, to 988.08) Volatility fell to 13.91 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 18.7).

Fixed Income: *w-o-w*, the 10-year US Treasury yields edged up (+3 bps to 4.47%). The 2-year US Treasury yields increased (+7bps to 4.96%). The German 10-year bund yield rose (+4 bps to 2.63%).

FX: *w-o-w*, the US Dollar Index edged down (DXY, -0.5%, to 103.42; EUR/USD +0.3%, to 1.09). In EMs, currencies edged up (MSCI EM Currency Index, +0.6% *w-o-w*, to 1,712.84).

Commodities: *w-o-w*, oil prices fell (Brent, -0.5% to 80.23 USD/b). Gold prices increased *w-o-w* (+1.0% to 2,003.70 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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