



R&R Weekly Column  
By Brunello Rosa



## D-Day: Much More Than A Rhetorical Celebration

Last week there were [celebrations for the 80<sup>th</sup> anniversary of the D-Day](#), the arrival of allied troops in Normandy on 6 June 1944, which marked the beginning of the last phase of World War 2. Far from being a rhetorical exercise, the celebrations were the catalyst for reflecting on some of the most pressing issues of the moment.

First and foremost, on D-Day we are celebrating the victory of democracy over authoritarianism; in that specific case, the Nazi-fascist dictatorships that were plaguing Europe. [We have discussed in the past](#) why we consider it to be absolutely essential that the US remains a liberal democracy, with an independent judiciary and a free press. Imagine if it had not been so in the 1930s: who would have come to the rescue of Europe? What would have happened then, in a world in which in the Soviet Union there was another form of authoritarianism, and with China about to see the birth of the Communist party?

For this reason, we consider the upcoming US Presidential elections a fundamental moment. The [conviction of Donald Trump in his first trial](#) (over hush money he paid during an election), a first for a former US President, marks a historical moment. During the trial, Trump was spared some of the measures that would have been adopted towards any other convicted defendant, given his repeated violations of Court orders. On July 11<sup>th</sup>, Trump may be spared jailtime, and be sentenced only with probation or a fine. So, Trump has already proven that not all citizens are the same in the US judicial system. If Trump manages to win the nomination of the Republican party and the presidential race in November, this would prove that a man is “above the law,” and this would mark the end of the US liberal democracy.

During the D-Day celebrations, it appeared – once again – how elderly Joe Biden is. However, Biden is old enough to remember WW2, and this gives him the conviction he has shown in fighting the Russian invasion of Ukraine. In fact, during the celebration, [the analogy was made between the fight against the Nazis with today’s fight against Russia’s imperialist plan](#). One cannot put Adolf Hitler and Vladimir Putin in the same basket, but the amount of unnecessary suffering that Russia is creating at the moment is reminiscent of the darkest periods in European history. This is the reason why French president Emmanuel Macron, at the forefront of the celebrations, confirmed that French “trainers” have been sent to Ukraine to help the country build a stronger army (LINK).

On this occasion, UK [PM Rishi Sunak’s decision not to attend the celebration](#), to record a TV interview set to be broadcast next week, was a grave mistake, and not just from a historical perspective. A [Tory minister said it was a big favour made to Reform](#), the party that is challenging the Conservatives from the right.

These celebrations are occurring during the same days that the European elections are being held. [As we discussed last week](#), extremist right-wing parties are re-emerging in European and may gain seats in the next EU Parliament. It is now more important than ever to remember that, if we can have this kind of election (a pipe dream for generations of euro-philis), it is exactly because the US liberal democracy prevailed over the odious European dictatorships.

### Our Recent Publications

🌀 [Review: ECB Cut Rates, But Doesn’t Commit To Any Pre-Determined Easing Path](#), by Brunello Rosa and Nato Balavadze, 6 June 2024

🌀 [UK Elections 2024: A Pivotal Moment for the Conservatives Amid Economic Uncertainty](#), by Lāsma Kokina, 5 June 2024

🌀 [Iran’s Transition to the Post-Raisi Period Likely Means Continuation of Hardline Rule](#), by Giorgio Cafiero, 4 June 2024

🌀 [Preview: ECB To Begin Its Easing Cycle in June. The “Battle for July” Continues.](#), by Brunello Rosa, Nouriel Roubini and Nato Balavadze, 31 May 2024

Looking Ahead

The Week Ahead: US Core Inflation To Ease; Inflation To Increase In Germany; Fed To Stay On Hold

**In the US**, in May, headline inflation rate is expected to stay at 3.4% y-o-y, while core inflation is likely to ease off to 3.5% y-o-y (p: 3.6%). In June, Michigan consumer expectations are seen rising to 75 (p: 68.8).

**In the EZ**, in April, IP is seen decelerating to 0.1% m-o-m (p: 0.6%).

**Among largest EZ economies, in May**, inflation rate is likely to: *i)* edge up to 2.4% y-o-y (p: 2.2%) in Germany; and *ii)* remain at 2.2% y-o-y in France.

**In the UK**, in April, unemployment rate is expected to remain at 4.3%.

**CBs to stay on hold.** In the US, the Fed is expected to maintain the target Fed funds range at 5.25% - 5.50% in June. In Japan, the BOJ is likely to hold its policy rates in June.

The Quarter Ahead: Leaders Gather To Celebrate D-Day In Normandy; \$56Bn Tesla Pay Deal opposed By Norway Wealth Fund

**Western leaders gathered in Normandy to celebrate the 80th D-Day anniversary.** Biden and Macron compared the fight against Nazism in World War II to Ukraine's current fight against the Russian invasion. Zelenskyy is expected to hold informal talks with leaders during the commemorations. French President Macron plans to send Western trainers and Mirage fighter jets to Ukraine, aiming to train 4,500 Ukrainian service personnel, despite U.S. concerns about potential escalation.

**Norway wealth fund to vote against Tesla pay package.** Norway's \$1.7 trillion wealth fund, Tesla's eighth-largest shareholder, will vote against Elon Musk's \$56 billion pay package, which is up for a shareholder vote next week. A Delaware judge invalidated the package earlier this year, deeming it unfair to shareholders.

Last Week's Review

Real Economy: EZ GDP QoQ Advanced; US Unemployment Rate Increased; ECB Cut Its Policy Rate

**In the US**, in May, the unemployment rate increased to 4.0% (c: 3.9%; p: 3.9%). NFPs rose by 272K (c: 185K; p: 165K). In May, S&P Global Manufacturing and Services PMIs edge up to 51.3 (c: 50.9; p: 50) and 54.8 (c: 54.8; p: 51.3). Composite PMI increased to 54.8 (p: 51.3) as expected.

**In the EZ**, in Q1, according to third estimate, GDP growth rate advanced by 0.3% q-o-q (p: -0.1%) and 0.4% y-o-y (p: 0.2%) as expected. In May, HCOB Manufacturing PMI rose to 47.3 (c: 47.4; p: 45.7), while Services PMI fell to 52.2 (c: 53.3; p: 53.3). Composite PMI increased to 52.2 (c: 52.3; p: 51.7).

**Still in the EZ**, the ECB cut its main policy rates by 25 bps, i.e. its *i)* interest rate on the 'main refinancing operations' to 4.25%; *ii)* interest rate on the 'marginal lending facility' to 4.50%; and *iii)* 'deposit facility' to 3.75%.

**In the UK**, in May, S&P Global Manufacturing PMI rose to 51.2 (c: 51.3; p: 49.1), while Services PMI edged down marginally to 52.9 (c: 52.9; p: 55.0). Composite PMI fell to 53.0 (c: 52.8; p: 54.1).

Financial Markets: Stock Prices Increased; Long-Term Yields Decreased; Dollar Increased, While Oil And Gold Prices Edged Down

**Market Drivers:** The week's inflation signals were mixed. On balance, fixed income investors saw signs of easing inflation. Thus, the 10Y UST yield and ended the week lower. European stocks increased after the ECB cut rates for the first time in five years.

**Global Equities:** Increased w-o-w (MSCI ACWI, +1.1%, to 794.24). The US S&P 500 index increased (+1.3% w-o-w, to 5,346.99). In the EZ, share prices rose (Eurostoxx 50, +1.4% w-o-w, to 5,051.75). In EMs, equity prices increased (MSCI EMs, +2.3%, to 1,073.14). Volatility rose to 13.00 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

**Fixed Income:** w-o-w, the 10-year US Treasury yields fell (-7 bps to 4.43%). The 2-year US Treasury yields increased (+1 bps to 4.89%). The German 10-year bund yields decreased (-4 bps to 2.62%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +0.3%, to 104.93; EUR/USD -0.4%, to 1.08). In EMs, currencies edged up (MSCI EM Currency Index, +0.2% w-o-w, to 1,726.60).

**Commodities:** w-o-w, oil prices decreased (Brent, -2.7% to 79.44 USD/b). Gold prices fell w-o-w (-1.5% to 2,311.2 USD/Oz).



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The picture in the front page was taken from [this website](#)



**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