



R&R Weekly Column
By Brunello Rosa



US Presidential Race at a Crossroads

At the end of last week, we published a report titled “A Month of Political Shocks in U.S. Elections: Trump’s Nomination, Biden’s Withdrawal And Harris’ Endorsement.” In this report we discussed the political shocks that have affected US politics in the last few weeks.

First, former President Donald Trump suffered an attempted assassination that left him wounded. A few days after the attack, he was confirmed as the official nominee of the Republican Party for the race to the White House that will take place of November 5th. On that occasion he chose [JD Vance as his pick for Vice President](#). Ironically, a few years ago, [JD Vance called Trump “America’s Hitler.”](#) He must have changed his mind, or perhaps become increasingly similar to Trump in the meantime.

For example, three years ago [Vance said that people with children should be given more voting power than those without kids](#). The idea is that, supposedly, parents have more of a vested interest in the future of the country than those without. Apart from the wobbly logic behind that idea, this a direct attack on the 1776 [Declaration of Independence of the US](#), which starts by saying that “all men are created equal,” without saying that “parents are more equal than others.” What we know now is that Trump has found somebody with views as radical and outrageous as his own. It is fair to assume that if Trump wins the election on November 5th, the pair will start [a swift implementation of Project 2025](#), as [confirmed by JD Vance himself](#). The grab of power from the pair would be so “ruthless” (to use Vance’s words), than in four years “[Americans won’t have to vote again.](#)”

The second shock was the [decision by President Joe Biden to drop out of the race](#) for the White House, for the greater good of the “country and the party.” Biden knew that without the fundamental support of the party, and its donors, he would not stand a chance to win against Trump. In the days preceding the announcement, a number of party grandees had increased their pressure on Biden to convince him to withdraw from the race. He will now focus on completing his mandate as President, and likely preserve his legacy: 15 million jobs created since the beginning of his presidency, milestone legislation passed (such as the Inflation Reduction Act), and unwavering support provided to Ukraine in its attempt to resist the brutal aggression by Russia, just to name a few of his accomplishments.

The third element in recent weeks was the endorsement Biden gave to Kamala Harris, his Vice President, to replace him in the Presidential race. Harris has quickly gathered the endorsement of some key party members such as the governor of California ([Gavin Newsom](#), who could have aspired to run himself, but will now have to wait) as well as Josh Shapiro, the governor of Pennsylvania, and Roy Cooper, the governor of North Carolina. Finally, and most importantly, [Kamala Harris gathered the support of the Clintons](#) and especially of the [Obamas](#). She will now have to face an uphill battle, as some polls show she is neck and neck with Trump, or slightly behind him. Apart from her undoubted merits, is a country that shows such a strong support to Trump ready to elect a woman, and even a black woman, to the White House?

After these three shocks, the presidential race is now re-opened, and any result is possible. We continue to think this will be the most consequential election in recent US history, in which its liberal democracy is at stake.

Our Recent Publications

❖ [A Month of Political Shocks in U.S. Elections: Trump’s Nomination, Biden’s Withdrawal And Harris’ Endorsement](#), by Fernando Prats, 26 July 2024

❖ [New Labour or Same Old? UK Post Election Analysis](#), by Azaria Kidane, 24 July 2024

❖ [The Impact of a Possible Second Term by Trump In The Indo-Pacific](#), by Mirko Giordani, 23 July 2024

❖ [Review: ECB Keeps Rates on Hold In July, But the Door “Wide Open” for A September Cut](#), by Brunello Rosa and Nato Balavadze, 18 July 2024

Looking Ahead

The Week Ahead: EZ QoQ GDP To Rise; US Unemployment Rate To Remain Unchanged; Fed To Stay On Hold; BoE To Deliver Cut

In the US, the Fed is likely to maintain the target Fed funds range at 5.25% - 5.50%. In July, unemployment rate is seen remaining unchanged at 4.1%. NFPs are expected to increase by 185K (p: 206K). In July, S&P Global Manufacturing PMI is expected to increase to 51.8 (p: 50.9).

In the EZ, in Q2, according to the preliminary estimates, the GDP growth rate is likely to increase by 0.3% q-o-q (p: 0.3%) and 0.6% y-o-y (p: 0.4%). In July, the headline and core inflation are seen easing off to 2.3% y-o-y (p: 2.5%) and 2.8% y-o-y (p: 2.9%). In June, unemployment rate is likely to remain at 6.4%. In July, consumer confidence is expected to increase to -13.0 (p: -14.0). In July, HCOB Manufacturing PMI is seen decreasing to 45.6 (p: 45.8).

Among the largest EZ economies, in Q2, GDP growth rate is expected to: i) increase by 0.2% q-o-q (p: 0.2%) in France; ii) decelerate to 0.2% q-o-q (p: 0.3%) in Italy. In July, inflation rate is likely to: i) stay at 2.2% y-o-y in Germany.

In the UK, the BoE is expected to deliver a "cautious cut" by 25 bps to 5.0%, with a razor-thin majority. In July, S&P Global Manufacturing PMI is expected to increase to 51.8 (p: 50.9).

The Quarter Ahead: Kamala Harris Became Democratic Nominee; Harris Urges Netanyahu To Agree To Cease-Fire

US Politics. Vice President Kamala Harris ended her campaign for the Democratic nomination with former President Obama's endorsement, quickly gaining support after President Biden chose her as his successor. Republican nominee Donald Trump will revisit the Pennsylvania town where he narrowly escaped an assassination attempt.

War in Gaza. Harris urged Israeli Prime Minister Netanyahu to agree to a cease-fire with Hamas to secure the return of hostages in Gaza. She had a "frank and constructive" talk, supporting Israel's right to self-defense but expressing concern about the high death toll and humanitarian crisis in Gaza. Netanyahu will convene the security cabinet after returning from the US. Israel vows to hit Hezbollah hard after a rocket kills 12 on a football field.

Last Week's Review

Real Economy: US QoQ GDP Advanced; Consumer Confidence Rose In EZ; PMIs Fell In US And EZ, But Increased In UK

In the US, in Q2, according to advance estimate, GDP growth rate advanced by 2.8% q-o-q (c: 2.0%; p: 1.4%). In July, S&P Global Manufacturing PMI edged down to 49.5 (c: 51.7; p: 51.6) and 56 (c: 55; p: 55.3). Composite PMI declined to 55.0 (p: 54.8). In July, Michigan Consumer Sentiment decreased to 66.4 (c: 66.0; p: 68.2).

In the EZ, in July, consumer confidence rose to -13.0 (c: -13.4; p: -14.0). In July, HCOB Manufacturing and Services PMIs edged down to 45.6 (c: 46.1; p: 45.8) and 51.9 (c: 53.0; p: 52.8). Composite PMI also decreased to 50.1 (c: 51.1; p: 50.9).

In the UK, in July, S&P Global Manufacturing and Services PMI rose to 51.8 (c: 51.1; p: 50.9) and 52.4 (c: 52.5; p: 52.1). Composite PMI increased to 52.7 (c: 52.6; p: 52.3).

Financial Markets: Stock Prices Rose In US, But Fell In EZ; Yields Edged Down; Dollar, Oil And Gold Prices Decreased

Market Drivers: Investors were reassured by the latest figures on the Fed's inflation gauge, boosting expectations for a September rate cut. As a result, the US stocks gained, while the UST yields dipped, mainly due to a Friday rally driven by positive quarterly earnings reports. Core eurozone government bond yields fell due to weak flash purchasing managers indexes, raising expectations for further monetary easing in September.

Global Equities: Decreased w-o-w (MSCI ACWI, -0.9%, to 803.48). The US S&P 500 index edged down (-0.8% w-o-w, to 5,459.10). In the EZ, share prices increased (Eurostoxx 50, +0.7% w-o-w, to 4,860.60). In EMs, equity prices decreased (MSCI EMs, -1.6%, to 1,072.28). Volatility rose to 16.00 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

Fixed Income: w-o-w, the 10-year US Treasury yields edged down (-4 bps to 4.20%). The 2-year US Treasury yields decreased (-13 bps to 4.39%). The German 10-year bund yields decreased (-6 bps to 2.40%).

FX: w-o-w, the US Dollar Index decreased (DXY, -0.1%, to 104.36; EUR/USD -0.2%, to 1.09). In EMs, currencies fell (MSCI EM Currency Index, -0.1% w-o-w, to 1,723.83).

Commodities: w-o-w, oil prices decreased (Brent, -2.5% to 80.58 USD/b). Gold prices decreased w-o-w (-0.6% to 2,385.70 USD/Oz).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini-associates.com

118 Pall Mall, London SW1Y 5ED

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