



**R&R Weekly Column**  
**By Brunello Rosa**



## **Presidential Debate Re-Opens The Race For The White House**

The second televised debate of this presidential campaign took place last week. Previously, on June 27<sup>th</sup>, [the debate between Trump and President Biden sunk the latter's campaign](#). Biden's "seniority" and cognitive abilities had been exposed, and the party had little alternative but to ask him to step aside in favour of his vice president, Kamala Harris. He launched her campaign, which was crowned by the Democratic Convention in Chicago in August. That convention revitalised the moribund Democratic campaign. It was a much-needed sugar rush that raised the hopes of a potential victory by the Democratic candidate in November.

Like all sugar rushes it proved to be short-lived. Kamala Harris had to confront a much larger audience than that of the Democratic party, which, along with party grandees such as Nancy Pelosi, Bill and Hillary Clinton, Barack and Michelle Obama, was unconditionally supporting her. She had to confront the wider American audience, not simply her ultra-liberal, pro-Democratic home state of California. [In the television interview at CNN](#), her performance was very poor. She appeared weak, unconvincing, un-prepared, even for the most basic question: "What would be your first act at the White House if elected?"

Doubts about the quality of the candidate started to re-emerge; Kamala Harris had after all been left in the dark for more than three years during the Biden presidency, considering the many gaffes she made on several occasions, and the poor handling of the dossiers she was given, including the all-important one on immigration. People remembered how poorly she performed during her own presidential campaign, when her most notable act was that of "[reportedly accusing Joe Biden of racism](#)," before being chosen as a running mate to attract the vote of women and ethnic minorities.

Second thoughts emerged about her selection, which had been made without much debate: no other candidate has been given the chance to become the front-runner of the Democratic party. What if, after all, the Democrats have made just another "elitist" choice? Doubts emerged as to whether Harris would be able to survive the debate with Trump on September 10<sup>th</sup>, considering how vague her answers were during the CNN interview. What if a televised debate would sink yet another Democratic candidate?

Things went differently: Harris mastered the scene wonderfully and forced Trump on the defensive for much of the debate. [For 63% of the polled individuals, she won the debate](#). Even Republican supporters had to admit defeat. Following his defeat, [Donald Trump has ruled out another presidential debate against Kamala Harris before November's election](#).

Subsequent national polls show that, after the debate, [Harris has taken a more decisive lead in the popular vote, with a 5-point margin](#) (47% to 42%) versus Trump. But national polls are of little significance. As we all know, this campaign will be won by tiny segments of undecided voters in 7 key states: [Wisconsin, Arizona, North Carolina, Georgia, Pennsylvania, Michigan and Nevada](#).

In conclusion, the televised debate has re-opened the race for the White House, and Harris now has a chance of winning, something that appeared unlikely only a few days ago, before the debate.

### **Our Recent Publications**

❖ [Preview: BOE To Keep Rates Unchanged and Announce Around £100bn of QT In 2024-25](#), by Brunello Rosa and Nato Balavadze, 13 September 2024

❖ [Review: ECB Cut Rates As Expected, And Keep The Door Open For Future Moves](#), by Brunello Rosa and Nato Balavadze, 12 September 2024

❖ [Preview: ECB To Cut The Deposit Rate by 25bps In September, And To Stick To Quarterly Easing](#), by Brunello Rosa, Nouriel Roubini and Nato Balavadze, 10 September 2024

❖ [Maduro's Controversial Re-election: Unrest, Protests, and Global Reactions](#), by Lāsma Kokina and Brunello Rosa, 4 September 2024

Looking Ahead

The Week Ahead: Fed To Cut Rates, While BOE Stays On Hold; EZ And UK Headline Inflation To Fall; Core Inflation To Rise In UK

**In the US**, the Fed is likely to cut the Fed funds range by 25 bps to 5.00% - 5.25% in September. In August, retail sales are seen decelerating to 0.2% m-o-m (*p*: 1.0%).

**In the EZ**, in August, headline and core inflation rates are expected to ease off to 2.2% y-o-y (*p*: 2.6%) and 2.8% y-o-y (*p*: 2.9%). In September, ZEW Economic Sentiment Index is likely to fall slightly to 17.6 (*p*: 17.9). Still in September, consumer confidence is seen rising to -13.0 (*p*: -13.5)

**Among the largest EZ economies**, in August, headline inflation rate is expected to: i) further ease off to 1.1% y-o-y (*p*: 1.3%) in Italy.

**In the UK**, In the UK, the BoE is likely to hold its Bank Rate (BR) at 5.00% in September. In August, headline inflation rate is expected to remain at 2.2% y-o-y, while core inflation is likely to increase to 3.5% y-o-y (*p*: 3.3%). In September, Gfk Consumer Confidence is seen staying at -13. In August, retail sales are expected to increase by 0.3% m-o-m (*p*: 0.5%).

The Quarter Ahead: Harris-Trump First Presidential Debate; Draghi's Anticipated Report Is Published

**Harris-Trump Debate.** Kamala Harris and Donald Trump accused each other of dividing America during their first presidential debate. Harris delivered a composed performance, hitting Trump on his efforts to overturn the 2020 election, abortion rights, and race. Trump shifted the focus to the economy and immigration. He refused to admit losing the 2020 election and rejected a federal abortion ban. Harris' campaign called for a second debate and received an endorsement from Taylor Swift, who has 283 million Instagram followers.

**Former ECB chief Mario Draghi urged the EU to coordinate industrial policy and speed up decision-making.** His report, published last week, calls for joint borrowing to raise €750-800 billion annually—nearly 5% of the EU's GDP—to maintain a competitive, high-environmental-standard economy amid global instability. The report was commissioned by European Commission President Ursula von der Leyen.

Last Week's Review

Real Economy: Inflation Eased Off In US, Germany And France; UK Unemployment Fell; ECB Cut Rates

**In the US**, in August, headline inflation ease off to 2.5% y-o-y (*c*: 2.6%; *p*: 2.9%). In September, Michigan Consumer Sentiment is seen increased 69.0 (*c*: 68.0; *p*: 67.9).

**In the EZ**, In July, IP rose by -2.2% y-o-y (*c*: -2.7%; *p*: -4.1%). The ECB cut its main policy rates, i.e. its *i*) interest rate on the 'main refinancing operations' by 35bps to 3.65%; *ii*) interest rate on the 'marginal lending facility' by 60bps to 3.90%; and *iii*) 'deposit facility' by 25bps to 3.50%.

**Among the largest EZ economies**, in August, inflation rate: *i*) eased off to 1.9% y-o-y (*p*: 2.3%) in Germany as expected; and *ii*) cooled off to 1.8% y-o-y (*c*: 1.9%; *p*: 2.3%) in France.

**In the UK**, in July, unemployment rate edged down to 4.1% (*p*: 4.2%) as expected. In July, IP increased by -1.2% y-o-y (*c*: -0.2%; *p*: 1.4%).

Financial Markets: Stock Prices Increased; Yields Edged down; Dollar Decreased, While Oil And Gold Prices Increased

**Market Drivers:** Stocks surged on Friday, with the S&P 500 and Nasdaq marking their strongest week of the year. Investors are now focused on the upcoming Federal Reserve meeting, where a rate cut is anticipated. U.S. Treasury yields fell as attention shifts to the Fed, while European stocks gained, driven by an interest rate reduction from the ECB.

**Global Equities:** Increased *w-o-w* (MSCI ACWI, +3.0%, to 826.93). The US S&P 500 index edged up (+4.0% *w-o-w*, to 5,626.02). In the EZ, share prices decreased (Eurostoxx 50, +2.2% *w-o-w*, to 4,843.43). In EMs, equity increased fell (MSCI EMs, +0.7%, to 1,082.3). Volatility decreased fell to 16.8 (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 (-6 bps to 3.66%). The 2-year US Treasury yields fell (-6 bps to 3.59%). The German 10-year bund yields decreased (-2 bps to 2.15%).

**FX:** *w-o-w*, the US Dollar Index decreased (DXY, -0.1%, to 101.11; EUR/USD -0.1%, to 1.11). In EMs, currencies rose (MSCI EM Currency Index, +0.2% *w-o-w*, to 1,769.31).

**Commodities:** *w-o-w*, oil prices increased (Brent, +0.8% to 71.61 USD/b). Gold prices increased *w-o-w* (+3.2% to 2,606.20 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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