

## **MAKING SENSE OF THIS WORLD**

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R&R Weekly Column By Brunello Rosa



### Free Speech or Misinformation?

In the last few days, Donald Trump's campaign, amplified by Elon Musk on X/Twitter, has started to make comments about the diminishing "freedom of speech" and increased "censorship" in the US and other countries. As proof, they take the decision made by the Alexandre de Moraes, a Brazilian judge, to proceed with an "immediate and complete suspension" of X/Twitter, until it complies with all court orders and pays existing fines. The row started as the judge ordered the suspension of several X accounts spreading misinformation.

If there is one thing that Trump has never lacked, it is the freedom of saying whatever he wanted, in all possible circumstances, however offensive it may have been for the audience. Not in a single instance was it "censored." Even during the <u>infamous debate that sank Joe Biden's bid for re-election</u>, Trump made a number of false or unsubstantiated claims, which the journalists moderating the debate did not contest. The same is true for his running mate JD Vance, <u>who is also complaining about the danger to democracy represented by the attack on freedom of speech.</u>

It is ironic that these alarms are being sounded by those candidates who have repeatedly said that they would like to amend the US Constitution's First Amendment, which protects the country's freedom of speech. Trump recently said that the Republicans, once in power, need to "restrict the first amendment." Also, no one is even actually attacking Trump's or others' freedom of speech. What the Brazilian judge has ordered is to stop the spreading of disinformation and fake news, in some cases coming from fake accounts.

Social media are not subject to the same regulations as is the press, whose editors and publishers are required to verify the truthfulness of news published. It has therefore become the vehicle to spread all sorts of fake news, such as those that <u>caused the mass riots in England in early August</u>. So the ability of circulating fake news cannot be confused with defending the freedom of speech.

Since the Democrats are saying that Trump is a danger for democracy, considering his <u>involvement in the January 6<sup>th</sup>, 2021 assault on Capitol Hill</u> and his endorsement of Project 2025, the Republicans are now saying that Kamala Harris would be a danger for democracy since she would suppress the freedom of speech and would silence her opponents via censorship. This analogy seems to be very stretched.

In a world in which <u>Germany's far-right</u>, <u>sometimes neo-Nazi party Alternative fur Deutschland</u> wins its first election (<u>as we predicted it would in our preview</u>), and in which <u>Afghan women are actually being denied the freedom of speaking in public</u>, confusing a ban on spreading fake news with censorship is a dangerous exercise. Freedom of speech is the bedrock of democracy, as Musk is correctly saying. Spreading fake news is the surest way of corroding this freedom from within.

#### **Our Recent Publications**

- US Economy and Tech Earnings Slowdown Fears Keep Markets Volatile, by Brunello Rosa, Nato Balavadze and Shane Gravel, 30 August 2024
- The US Presidential Elections 2024: The Democratic National Convention Re-Opens the Presidential Race, by Marina Tovar i Velasco, 29 August 2024
- The Battle for the East German Landstags: 2024 Elections in Saxony, Thuringia and Brandenburg, by Marina Tovar i Velasco, 28 August 2024
- Flames of Division: Analysing the 2024 UK Riots, by Sarah Ghotme, 21 August 2024





#### Looking Ahead

The Week Ahead: EZ QoQ GDP To Advance; US Unemployment Rate To Fall; PMIs To Increase In EZ And UK, While Decreasing In US In the US, in August, unemployment is seen falling to 4.2% (p: 4.3%). NFPs are expected to increase by 163K (p: 114K). In August, S&P Global Manufacturing PMI is expected to edge down to 48.0 (p: 49.6), while Services PMI is likely to 55.2 (p: 55.0). Composite PMI is likely to decrease to 54.1 (p: 54.3).

In the EZ, in Q2, according to the third estimate, GDP growth is likely to advance by 0.3% q-o-q (p: 0.3%) and 0.6% y-o-y (p: 0.5%). In August, HCOB Manufacturing PMI is expected to edge down to 45.6 (p: 45.8), while Services PMI is likely to increase to 53.3 (p: 51.9). Composite PMI is seen increasing to 51.2 (p: 50.2).

Among the largest EZ economies, in Q2, according to the final estimate, GDP growth rate is likely to decelerate to 0.2% q-o-q (p: 0.3%) and advance by 0.9% (p: 0.6%) in Italy.

*In the UK,* in August, S&P Global Manufacturing and Services PMI are expected to edge up to 52.5 (*p*: 52.1) and 53.3 (*p*: 52.5). Composite PMI is seen increasing to 53.4 (*p*: 52.8).

#### The Quarter Ahead: US Presidential Elections: Trump Vs Harris; Zelensky Fires Commander; U.S. Aid Boost

*US Elections*. Trump and Harris will debate on Sept. 10, hosted by ABC News in Philadelphia, a key battleground state for the election. Trump said he would vote against a Florida amendment to enshrine abortion rights and overturn the six-week ban, clarifying his stance after causing confusion in a previous interview. He also suggested supporting the decriminalization of marijuana, arguing that taxpayer money shouldn't be spent on minor possession arrests.

*War in Ukraine.* Ukrainian President Zelensky fired Air Force commander Oleshchuk after a top pilot died in an F-16 crash. On the same day, President Biden announced a new \$125 million military aid package for Ukraine after speaking with Zelensky. U.S. Defense Secretary Lloyd Austin confirmed the aid package in a conversation with Ukraine's defense minister.

#### Last Week's Review

#### Real Economy: QoQ GDP Advanced In US And France, But Shrank In Germany; Inflation To Ease In the EZ, Germany And France

*In the US,* in Q2, according to the second estimate, the economy advanced by 3.0% q-o-q (*c*: 2.8%; *p*: 1.4%). In August, Michigan Consumer Sentiment edged up to 67.9 (*c*: 68.0; *p*: 66.4).

*In the EZ,* in August, according to the flash estimates, headline and core inflation eased off to 2.2% y-o-y (c: 2.2%; p: 2.6%) and 2.8% y-o-y (c: 2.8%; p: 2.9%) respectively. In July, the unemployment rate edged down to 6.4% (c: 6.5%; p: 6.5%). In August, consumer confidence declined to -13.45 (c: -13.4; p: -13.0).

Among the largest EZ economies, in Q2, GDP growth: i) contracted by -0.1% q-o-q (c: -0.1%; p: 0.2%) and 0.0% y-o-y (c: -0.1%; p: -0.1%) in Germany and ii) advanced by 0.2% q-o-q (c: 0.3%; p: 0.3%) and by 1.0% y-o-y (c: 1.1%; p: 1.5%) in France. In August, headline inflation: i) cooled off to 1.9% y-o-y (c: 2.1%; p: 2.3%) in Germany; ii) eased off to 1.9% y-o-y (c: 1.8%; p: 2.3%).

#### Financial Markets: Stock Prices Increased; Yields Edged Up; Dollar Increased, Whereas Oil And Gold Prices Decreased

*Market Drivers:* The US stocks ended mixed largely due to NVIDIA's significant drop. Despite this, reassuring economic data, including subdued inflation and resilient consumer spending, helped stabilize market sentiment. The UST Yields edged up as inflation data points to smaller rate cut.

Global Equities: increased w-o-w (MSCI ACWI, +1.7%, to 833.69). The US S&P 500 index edged up (+0.2% w-o-w, to 5,648.30). In the EZ, share prices increased (Eurostoxx 50, +1.0% w-o-w, to 4,957.45). In EMs, equity prices fell (MSCI EMs, -0.1%, to 1,099.92). Volatility decreased marginally to 15.40 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

*Fixed Income:* w-o-w, the 10-year US Treasury yields edged up (+11 bps to 3.91%). The 2-year US Treasury yields rose marginally (+1 bps to 3.92%). The German 10-year bund yields increased (+6 bps to 2.29%).

FX: w-o-w, the US Dollar Index increased (DXY, +1.0%, to 101.73; EUR/USD -1.3%, to 1.10). In EMs, currencies rose (MSCI EM Currency Index, +0.1% w-o-w, to 1,762.39).

Commodities: w-o-w, oil prices decreased (Brent, -2.6% to 76.93 USD/b). Gold prices decreased w-o-w (-0.7% to 2,527.60 USD/Oz).



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#### Abbreviations, Acronyms and Definitions

| а        | Actual                                | LN           | Northern League, Italy                                |
|----------|---------------------------------------|--------------|---|
| AKP      | Justice and Development Party, Turkey | M5S          | 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                          |
| ВоС      | 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 |
| С        | Consensus                             | Орес         | Organization of Petroleum Exporting Countries         |
| C/A      | Current account                       | р            | Previous  |
| СВ       | 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      | ,<br>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-0-W        | Week-on-week  |
| IPO      | Initial public offering               | у            | Year  |
| IRR      | Iranian Rial                          | у<br>у-о-у   | Year-on-year  |
| JPY      | Japanese yen                          | y-t-d        | Year-to-date  |
| k        | thousand                              | y-t-u<br>ZAR | South African Rand                                    |
| K<br>KSA | Kingdom of Saudi Arabia               | 2y; 10y      | 2-year; 10-year                                       |
| NJA      | Kiligaalii aj Saudi Alabia            | 2y, 10y      | z-yeur, 10-yeur                                       |

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