



R&R Weekly Column  
By Brunello Rosa



## US Political Polarisation Hits The Digital Asset Space

World Liberty Financial, a crypto venture set up by Donald Trump, his three sons, and their long-time business partners [start selling its token to qualified investors last week](#), with the aim of raising USD 300bn. According to press reports, the launch was not particularly successful, as only USD 12mn was raised, 4% of the initial offering.

The FT attributes this poor performance to the scepticism that accompanied this new venture from industry experts, for two reasons. On the one hand, the venture's business proposition does not seem particularly enticing, as its token "gives holders voting rights on 'certain WLF Protocol matters', but confers 'no economic rights' in the company and cannot be traded or sold back to the business." On the other hand, there is the widespread fear that aligning with one presidential candidate only may eventually hurt the crypto industry. As the FT says: "*the Trump family's project risks wrecking their painstaking efforts to rebuild crypto's battered reputation after the market crash of 2022. Some executives have been sued by US authorities or sent to prison for their failure to protect investors.*"

Political polarisation of the digital asset space has become evident since Trump [made a 180 degree U-turn on crypto](#). Initially, he considered the industry a scam to be banned. "*I am not a fan of Bitcoin and other cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air,*" Trump wrote on Twitter in July 2019, warning investors about the risks of "unregulated crypto assets," saying they could facilitate "unlawful behavior, including drug trade and other illegal activity."

Subsequently, Trump has become crypto's chief advocate, especially after joining forces with Elon Musk, a fervent supporter of the crypto space and the launcher of his own token, the Doge Coin. It was noted that [DOGE is also the acronym of "Department of Government Efficiency,"](#) the government department that Trump would like to offer to Elon Musk, if re-elected in November. On October 15<sup>th</sup>, Trump wrote on X that "*Crypto is the future.*"

At the same time, Trump became the chief critic of Central Bank Digital Currencies, or CBDCs, the digital equivalent of cash that many central banks around the world are preparing to issue in coming years as an additional liability, along with banknotes and central bank reserves. As discussed in the book I wrote with Casey Larsen, "[Smart Money: How digital currencies will win the new Cold War – and why the West needs to act now,](#)" which will be published this week, Donald Trump said the following during a rally in New Hampshire on January 18<sup>th</sup>, 2024: "*As your president, I will never allow the creation of a central bank digital currency...*"

On the other hand, Kamala Harris, like the Democratic party in general, is much more cautious about developments in the crypto industry and is more in favour of CBDCs, although [recent reports suggest that support for CBDCs will not necessarily translate into a policy push in their favour](#), even if she wins the election. In March of 2022, US President Biden signed an executive order on the "[responsible development of digital assets,](#)" putting the conditions in place for the development of a US CBDC, the digital dollar.

In any case, the already polarised US political landscape has yet another battlefield wherein the country's wider divisions are replicated. This does not bode well for the digital asset industry, which will see the co-existence of CBDCs at the bottom of the industry (as the foundation of trust), stablecoins/tokenised deposits as the new form of commercial bank money, and crypto assets as the volatile assets for financial speculation. For these assets to deploy their positive impact on the economy, a coherent rather than balkanised regulatory system is required. But it is more likely that politics will prevail over reason in this field as well.

### Our Recent Publications

🌀 [Review: ECB Cut Rates, As It "Starts Breaking the Neck of Inflation",](#) by Brunello Rosa and Nato Balavadze, 17 October 2024

🌀 [China and Taiwan: When Is the "Redde Rationem" Going To Occur?,](#) by Mirko Giordani, 16 October 2024

🌀 [The AI Race In China And The U.S. Evaluating 2030 Growth Prospects,](#) by Shane Gravel, 15 October 2024

🌀 [Preview: ECB To Cut Rates in October and Possibly Back-to-Back Until March,](#) by Brunello Rosa, Nouriel Roubini and Nato Balavadze, 11 October 2024

Looking Ahead

The Week Ahead: PMIs To Decrease In UK, While Being Expected To Increase In EZ; Manufacturing PMI To Rise In US

**In the US**, in October, S&P Global Manufacturing PMI is expected to increase to 48.2 (p: 47.3), whereas Services PMI is likely to decrease to 54.9 (p: 55.2). In October, Michigan consumer sentiment is seen falling to 68.9 (p: 70.1).

**In the EZ**, in October, HCOB Manufacturing and Services PMIs are likely to rise to 45.1 (p: 45.0) and 51.6 (p: 51.4). HCOB Composite PMIs seen increasing marginally to 49.7 (p: 49.6). In October, consumer confidence is expected to rise to -12.7 (p: -12.9).

**In the UK**, in October, S&P Global Manufacturing and Services PMIs are likely to decrease to 51.4 (p: 51.5) and 52.2 (p: 52.4). In October Gfk Consumer Confidence is seen staying at -20.

The Quarter Ahead: Tentative Deal Reached On Boeing; US Budget Deficit Widens, Third Highest On Record

**Boeing strike.** Boeing and its machinists' union have proposed a deal to end a month-long strike, including a 35% wage increase, \$7,000 signing bonus, annual bonuses, and higher 401(k) contributions. Boeing is also addressing cash losses and safety issues, including a 737 Max door plug failure.

**US budget deficit widens.** The U.S. budget deficit grew to \$1.833 trillion in fiscal 2024, up 8% from 2023, driven by rising interest on debt, Social Security, healthcare, and military spending, marking the third-largest deficit in U.S. history.

Last Week's Review

Real Economy: Inflation Fell In EZ And UK; QoQ GDP Advanced In China; ECB Cut Rates

**In the US**, in September, retail sales decelerated by 1.7% y-o-y (p: 2.2%).

**In the EZ**, in September, headline and core inflation rate eased off to 1.7% y-o-y (c: 1.8%; p: 2.2%) and 2.7% y-o-y (c: 2.7%; p: 2.8%). In October ZEW economic sentiment index increased to 20.1 (c: 16.9; p: 9.3). Still in October, industrial production rose to -0.1% y-o-y (c: -1.0%; p: -2.2%). Among the largest EZ economies, in September, headline inflation rate: *i*) eased off to 1.1% y-o-y (c: 1.2%; p: 1.8%) in France; and *ii*) fell to 0.7% y-o-y (p: 1.1%) as expected in Italy.

**In the UK**, in September, headline and core inflation rates eased off to 1.7% y-o-y (c: 1.9%; p: 2.2%) and 3.2% y-o-y (c: 3.4%; p: 3.6%). In August, unemployment edged down to 4.1% (c: 4.1%; p: 4.1%). In September, retail price index decelerated by 2.7% y-o-y (c: 3.1%; p: 3.5%).

**In China**, in Q3, GDP growth rate advanced by 4.6% y-o-y (c: 4.5%; p: 4.7%). In September, industrial production increased by 5.4% y-o-y (c: 4.6%; p: 4.5%).

**CBs cut rates.** 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 3.40%; *ii*) interest rate on the 'marginal lending facility' to 3.65%; and *iii*) 'deposit facility' to 3.25%.

Financial Markets: Stock Prices Decreased, Except S&P500; UST Yields Edged Up; Dollar And Gold Prices Increased; Oil Decreased

**Market Drivers:** The S&P 500, Dow, and NASDAQ each gained about 1%, continuing the recovery from early September losses. The 10Y UST yield climbed for the fourth week, as inflation data tempered expectations for rapid interest-rate cuts. Meanwhile, European shares were boosted by the ECB's second consecutive rate cut, with the press conference fueling hopes for further monetary easing.

**Global Equities:** Decreased w-o-w (MSCI ACWI, -0.5%, to 856.71). The US S&P 500 index rose (+0.9% w-o-w, to 5,864.67). In the EZ, share prices decreased (Eurostoxx 50, -0.4% w-o-w, to 4,985.45). In EMs, equity decreased (MSCI EMs, -0.4%, to 1,155.12). Volatility decreased fell to 18.26 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

**Fixed Income:** w-o-w, the 10-year US Treasury yields rose (+1 bps to 4.08%). The 2-year US Treasury yields are virtually unchanged (+0 bps to 3.95%). The German 10-year bund yields edged down (-9 bps to 2.18%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +0.6%, to 103.49; EUR/USD -0.6%, to 1.09). In EMs, currencies declined (MSCI EM Currency Index, -0.2% w-o-w, to 1,767.04).

**Commodities:** w-o-w, oil prices decreased (Brent, -7.6% to 73.06 USD/b). Gold prices increased w-o-w (+2.2% to 2,736.40 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