



R&R Weekly Column
By Brunello Rosa



Trump's Triumph: The Likely Causes and Consequences

The long-awaited US presidential vote took place last week, and the response was unequivocal: former president Donald Trump was re-elected for a second term, which will begin in January 2025. Trump is the second president to achieve this goal, of returning to the White House after spending a term out of office; his only predecessor was [Grover Cleveland](#), who was the 22nd and 24th president of the United States, serving from 1885 to 1889 and then again from 1893 to 1897.

Trump won the electoral college (312 delegates vs 226 for Kamala Harris), the popular vote (with nearly 75m votes, i.e., 50.5% of valid votes, versus nearly 71m and 48% for Harris). The new Republican party under Trump has won a majority in the Senate (with 53 seats, taking 4 from the Democrats), and is very close of taking control of the House (with 213 seats, vs 218 needed for a majority; in 20 districts the votes are still being counted). The Republicans now also have a majority of Governors (27 vs 23 for the Democrats). And Trump also indirectly "controls" the Supreme Court, since he directly appointed 3 justices out of 9, with only 3 being nominated by Democratic presidents, and the other 3 being solidly conservatives (for a 6-3 majority in the Court on most matters).

The Democrats have lost 10 million votes since the 2020 presidential election that Joe Biden won with 81 million votes (51.3% of the total that year), while Trump has increased his votes only marginally (from 74.2m in 2020 to 74.7m in 2024).

What caused this Democratic debacle? *First*, the change in the candidate that took place only 107 days before the election date. *Second*, Kamala Harris did not have the charisma or the experience of Joe Biden. *Third*, the inflation spike that occurred during the Biden presidency scarred his otherwise enviable economic track record ([of more than 13 million jobs created](#), and the strongest economy at the global level). *Fourth*, the Democrats were not able to intercept and interpret the malaise of the middle class, with the loss of its purchasing power, and of the lower class, with the competition it has faced from increased immigration. (More than 5 million of newly created jobs under Biden were for non-native US citizens). *Fifth*, the Democrats have been identified with the establishment elite, while Trump, in spite of his wealthy origins and his first term as president, was still considered to be an outsider against the corrupt Washington system.

What are the likely consequences of Trump's presidency? Much will depend on whether the Republicans take control of the House, and on which people Trump chooses to fill key positions, such as Secretary of State, Secretary to the Treasury, Defense Minister, and eventually Fed Chair. Much will also depend on whether he will apply Project 2025 or not, and on the role and influence that Elon Musk will have on this new administration.

The key objective of Trump's presidency will be making tax cuts permanent, to be financed via a partial repeal of the Inflation Reduction Act, and by the tariffs imposed on US rivals as well as allies, along with other measures. These tariffs are likely to be inflationary in the US and deflationary for the rest of the world, given that their impact on economic activity will probably be larger than the impact of the likely appreciation of the USD versus other currencies. Trump will try to keep a lid on inflation by reducing the price of gas at the pump, via a massive increase in shale oil and gas production and an indefinite suspension of all green policies, as well as with a plan of massive de-regulation. All else being equal, the Fed will likely cut rates more slowly and/or to a lesser extent than would otherwise have been the case (starting in 2025). Other central banks (such as the BoE and the ECB) meanwhile will likely cut rates more and/or faster.

Equity markets (and bitcoin) and the Dollar index will initially soar, as will long-term rates. But higher yields and a stronger dollar will eventually hurt equity valuations, so we may expect a change of tack from the Administration when these second-round effects materialise. But this will be several months away from now. We will have time to re-assess the situation between now and then.

Our Recent Publications

- 🌀 [Mined in North America: Rewiring the Critical Mineral Supply Chain](#), by Noel Therattil, 8 November 2024
- 🌀 [Review: The Fed Cut Rates In November, As the Market Awaits Trump](#), by Brunello Rosa and Nato Balavadze, 8 November 2024
- 🌀 [Review: Bank of England Cuts Rates In November, Reiterating Its "Gradual Approach"](#), by Brunello Rosa and Nato Balavadze, 7 November 2024

- 🌀 [Preview: BOE To Cut Rates Again In November, After The Fiscally Tighter Budget](#), by Brunello Rosa and Nato Balavadze, 4 November 2024
- 🌀 [Preview: Fed To Cut Rates by 25bps After The Presidential Election](#), by Nouriel Roubini, Brunello Rosa and Nato Balavadze, 4 November 2024
- 🌀 [GCC Perspectives the US Presidential Election](#), by Gulf State Analytics, 1 November 2024

Looking Ahead

The Week Ahead: QoQ GDP Growth Rates To Advance In EZ And Decelerate In UK; Headline Inflation To Rise In US And EZ

In the US, in October, headline inflation rate is expected to rise by 2.6% y-o-y (*p*: 2.4%), whereas core inflation rate is likely to remain at 3.3%. In October, IP is seen shrinking by 0.4% m-o-m (*p*: -0.3%).

In the EZ, in Q3 2024 GDP is expected to advance by 0.4% q-o-q (*p*: 0.2%) and 0.9% y-o-y (*p*: 0.6%). In November, ZEW Economic Sentiment Index is seen increasing to 20.5 (*p*: 20.1). In September, IP is likely to contract by 1.6% y-o-y (*p*: 0.1%).

Among the largest EZ economies, in October the headline inflation rate is expected to: *i*) rise by 2.0% y-o-y (*p*: 1.6%) in Germany; *ii*) increase by 1.2% y-o-y (*p*: 1.1%) in France; and *iii*) rise by 0.9% y-o-y (*p*: 0.7%) in Italy.

In the UK, in Q3, according to the preliminary estimates, GDP growth rate is likely to decelerate to 0.2% q-o-q (*p*: 0.5%), while advancing by 1.0% y-o-y (*p*: 0.7%). In September, unemployment rate is likely to rise to 4.1% (*p*: 4.0%). In September, IP is seen falling by (-)1.2% y-o-y (*p*: -1.6%).

The Quarter Ahead: Qatar Stalls Its Gaza Ceasefire Mediation; Musk Supports Presidential Influence Over The Federal Reserve

Qatar has informed Hamas and Israel it will suspend its mediation efforts for a Gaza ceasefire and hostage deal until both show commitment to talks. Qatar, working with the U.S. and Egypt, called recent reports about the Hamas office in Doha inaccurate, after claims that Washington asked Qatar to expel Hamas.

Trump and Musk. Elon Musk, CEO of Tesla and SpaceX and a supporter of President-elect Trump, backed the idea of allowing presidents to influence Fed's policy. Musk's statement followed Fed Chair Powell's declaration that he wouldn't resign if Trump asked. Throughout the 2024 campaign, Trump frequently hinted at wanting a role in Fed policy if he returned to the White House.

Last Week's Review

Real Economy: Composite PMIs Increased In US And EZ, While Declined In UK; BoE And Fed Cut Interest Rates

In the US, in October, S&P Global Services decreased to 55.0 (*c*: 55.3; *p*: 55.2), whereas Composite PMI increased to 54.1 (*c*: 54.3; *p*: 54.0). In November, Michigan Consumer Sentiment edged up to 73 (*c*: 71; *p*: 70.5).

In the EZ, in October, HCOB Global Services and Composite PMIs rose to 51.6 (*c*: 51.2; *p*: 51.4) and to 50.0 (*c*: 49.7; *p*: 49.6). In September, retail sales increased by 2.9% y-o-y (*c*: 1.3%; *p*: 2.4%).

In the UK, in October, S&P Global Services and Composite PMIs declined to 52.0 (*c*: 51.9; *p*: 52.4) and 51.8 (*c*: 51.7; *p*: 52.6).

CBs cut rates. In the US, the Fed decreased its target Fed funds range to 4.50% - 4.75%. In the UK, the BoE cut its Bank Rate by 25 bps to 4.75%.

Financial Markets: Stock Prices Increased; Short-Term Yields Rose; Dollar And Oil Prices Increased, Whereas Gold Prices Declined

Market Drivers: In the US, the stock market hit new records, with the Dow and S&P 500 marking their best week in a year after Trump's election victory. Investors are optimistic about Trump's growth policies and potential regulatory easing. Meanwhile, in European stocks fall as concerns about Trump's trade policies weighed on European growth and central bank outlooks.

Global Equities: Increased w-o-w (MSCI ACWI, +3.3%, to 863.02). The US S&P 500 index increased (+4.7% w-o-w, to 5,995.54). In the EZ, share prices decreased (Eurostoxx 50, -1.5% w-o-w, to 4,802.15). In EMs, equity increased (MSCI EMs, +1.2%, to 1,135.65). Volatility decreased fell to 15.50 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields fell (-7bps to 4.31%). The 2-year US Treasury yields increased (+4 bps to 4.25%). The German 10-year bund yields edged down (-4bps to 2.36%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.7%, to 105.0; EUR/USD -1.1%, to 1.07). In EMs, currencies decreased (MSCI EM Currency Index, -0.3% w-o-w, to 1,759.34).

Commodities: w-o-w, oil prices increased (Brent, +1.1% to 73.87 USD/b). Gold prices decreased w-o-w (-2.0% to 2,694.90 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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