



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



## The Tightest US Presidential Race Is About To End: Prepare for Chaos to Emerge Afterwards

One of the tightest US Presidential races in recent history is about to conclude, with the physical vote on 5<sup>th</sup> November. Long-distance and mail-in votes have already been cast during the past few weeks. The obvious question is: “who’s going to win?” The sad reality is that the only honest answer is “we don’t know.”

This is for two reasons. First, even assuming one could trust the national polls, which see Kamala Harris marginally ahead (48% vs 46.9%), this is still within the margin of error. Also, the popular vote is meaningless, because what really matters is the electoral college: the 538 delegates that actually vote for the president. In 2000, Al Gore won the national vote against George W. Bush by more than half a million votes but lost the electoral college (after the messy recount in Florida). The same happened to Hillary Clinton in 2016 versus Trump.

So, the key is understanding what’s happening in critical swing states. In this case there are seven of them, as we discussed in our recent report: Michigan, Wisconsin, Pennsylvania, Nevada, North Carolina, Georgia and Arizona. In each of these states different policy issues are being contended over, especially immigration in the South and de-industrialisation (or re-industrialisation) in the North. But in these swing states too Trump and Harris are polling within the margin of error, even if Harris is ahead in Michigan and Wisconsin, behind Trump in Georgia and North Carolina, and neck and neck with Trump in Nevada and Pennsylvania, the latter likely being the most relevant battleground state. The Economist has just revised Harris’ chances of winning upward; now they are exactly 50%. It’s like saying “it’s a coin toss.”

Now, when we discuss situations in which extreme uncertainty prevails, such as in this case, we can only discuss scenarios. Let’s do this exercise. Clearly the race is likely to be tight, and the votes in the electoral college won’t be known in full for quite some time. It’s likely that there will be an extensive recount in case of contested votes, with legal actions being brought from each side. In this context, if Trump is ahead in the counting, the Democrats are likely not to concede victory until the counting (and possibly the re-counting) is finished. And they could launch some legal challenges in case of particularly contested votes.

If however Kamala Harris seems to be ahead during the initial counting of the votes, Trump will certainly say that the vote was rigged, and that he won anyway. He may incite his voters to protest vehemently, as he did in 2020. From that point on, an escalation into chaos could ensue, with Trump unwilling to accept the verdict. One cannot rule out a spiral of violence taking place.

Markets may react positively to any news that will provide certainty as to the outcome of the election, and negatively to any news that points in the direction of a protracted legal battle between the candidates to decide who won.

Clearly, the most interesting aspect of the election will be in terms of policy differences, but this will best be discussed when we know for sure who the US president will be for the next four years.

### Our Recent Publications

🌀 [GCC Perspectives the US Presidential Election, by Gulf State Analytics, 1 November 2024](#)

🌀 [Review: BOJ on Hold in October, While Keeping the Door Open For a December Hike, by Brunello Rosa and Nato Balavadze, 31 October 2024](#)

🌀 [Battleground States: Polls, Trends, and Scenarios in the 2024 Election, by Nathan Ali, 30 October 2024](#)

🌀 [Preview: BOJ On Hold Till Q1 2025, by Brunello Rosa and Nouriel Roubini, 29 October 2024](#)



Looking Ahead

The Week Ahead: Composite PMIs To Increase In US, While Declining In EZ And UK; BoE And Fed To Cut Interest Rates

**In the US**, in October, S&P Global Services and Composite PMIs are expected to increase to 54.3 (*p*: 54.0) and 55.3 (*p*: 55.2). In November, Michigan Consumer Sentiment is likely to fall to 70 (*p*: 70.5).

**In the EZ**, in October, HCOB Global Services PMI is likely to decline slightly to 51.2 (*p*: 51.4), whereas Composite PMI is expected to rise to 49.7 (*p*: 49.6). In September, retail sales are seen rising by 0.3% m-o-m (*p*: 0.2%).

**In the UK**, in October, S&P Global Services and Composite PMIs are expected to decline to 51.8 (*p*: 52.4) and 51.7 (*p*: 52.6). **CBs are expected to cut rates.** In the US, the Fed is seen decreasing its target Fed funds range to 4.50% - 4.75%. In the UK, the BoE is likely to cut its Bank Rate by 25 bps to 4.75%.

The Quarter Ahead: US Elections to Take Place on Tuesday, China Condemns US's Arms Sales to Taiwan

**2024 US Elections is scheduled on November 5.** FiveThirtyEight's poll shows Harris leading Trump by 1 point nationally, with neither reaching 50%. Trump leads in Nevada, Georgia, North Carolina, and Arizona. However, a key Iowa poll has Harris up by 3 points. **China condemned the U.S.'s \$2 billion arms sale to Taiwan**, vowing to assert its claim over the island. Taiwan reported Chinese military aircraft near its south for the second day, and China suggested a Trump victory could lead the U.S. to deprioritize Taiwan.

Last Week's Review

Real Economy: QoQ GDP Increased In US, EZ, France And Germany, While Stalled In Italy; US NFP Grows Only 12K

**In the US**, in Q3, according to the advance estimate, GDP growth rate advanced by 2.8% q-o-q (*c*: 3.0%; *p*: 3.0%). In October, unemployment remained at 4.1% as expected. NFPs rose by 12K (*c*: 113K; *p*: 223K). In October, S&P Global Manufacturing PMI increased to 48.5 (*c*: 47.6; *p*: 47.2).

**In the EZ**, in Q3, according to the flash estimates, the economy advanced by 0.4% q-o-q (*c*: 0.2%; *p*: 0.2%) and 0.9% y-o-y (*c*: 0.8%; *p*: 0.6%). In October, consumer confidence rose to -12.5 (*p*: -12.9). In October, headline inflation rose to 2.0% y-o-y (*c*: 1.9%; *p*: 1.7%), whereas core inflation stood at 2.7% y-o-y as expected. In September, the unemployment rate stayed unchanged at 6.3% (*c*: 6.4%).

**Among the largest EZ economies**, in Q3, the GDP growth rate: *i*) increased by 0.4% q-o-q (*c*: 0.3%; *p*: 0.2%) and 1.3% y-o-y (*p*: 1.0%) in France; *ii*) advanced by 0.2% q-o-q (*c*: -0.1%; *p*: -0.3%) and contracted by 0.2% y-o-y (*c*: -0.3%; *p*: -0.3%) in Germany; and *iii*) stalled q-o-q (*c*: 0.2%; *p*: 0.2%) and decelerated to 0.4% y-o-y (*c*: 0.7%; *p*: 0.6%) in Italy. In October, headline inflation: *i*) rose by 2.0% y-o-y (*c*: 1.8%; *p*: 1.6%) in Germany; and *ii*) increased by 1.2% y-o-y (*c*: 1.1%; *p*: 1.1%) in France.

**In the UK**, in October, S&P Global Manufacturing PMI declined to 49.9 (*c*: 50.3; *p*: 51.5).

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

**Market Drivers:** Stocks turned volatile, with tech and AI growth concerns driving the S&P 500 and NASDAQ down. European shares dropped amid Middle East tensions, weak corporate results, and tempered ECB rate-cut hopes. The US Treasury yields hit a four-month high on election caution, unaffected by the latest payroll report.

**Global Equities:** Decreased w-o-w (MSCI ACWI, -1.2%, to 835.15). The US S&P 500 index declined (-1.4% w-o-w, to 5,728.80). In the EZ, share prices decreased (Eurostoxx 50, -1.3% w-o-w, to 4,878.05). In EMs, equity decreased (MSCI EMs, -1.1%, to 1,122.28). Volatility decreased rose to 20.45 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

**Fixed Income:** w-o-w, the 10-year US Treasury yields rose (+16 bps to 4.39%). The 2-year US Treasury yields increased (+11 bps to 4.21%). The German 10-year bund yields edged up (+12 bps to 2.40%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +0.0%, to 104.28; EUR/USD +0.4%, to 1.08). In EMs, currencies increased (MSCI EM Currency Index, +0.1% w-o-w, to 1,763.92).

**Commodities:** w-o-w, oil prices declined (Brent, -3.9% to 73.10 USD/b). Gold prices increased w-o-w (+0.3% to 2,749.20 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](mailto:info@rosa-roubini-associates.com)

[www.rosa-roubini-associates.com](http://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