



Weekly round up (week 47) **28.11.2023**

With the end of the third-quarter earnings season, a short trading week due to the Thanksgiving vacation and a light macroeconomic calendar, it was no surprise to see financial markets fluctuate last week, with the VIX index reaching its lowest level of the year.

The key event for developed markets was the release of the November FOMC (Federal Open Market Committee) minutes. The participants largely agreed to "proceed with caution" with regard to future interest rate movements. This has become code for the Committee's view that the balance of risks between growth and inflation is appropriate, and that current interest rates will achieve the twin objectives of inflation and employment. Any change in the Committee's stance will be determined by future economic data.

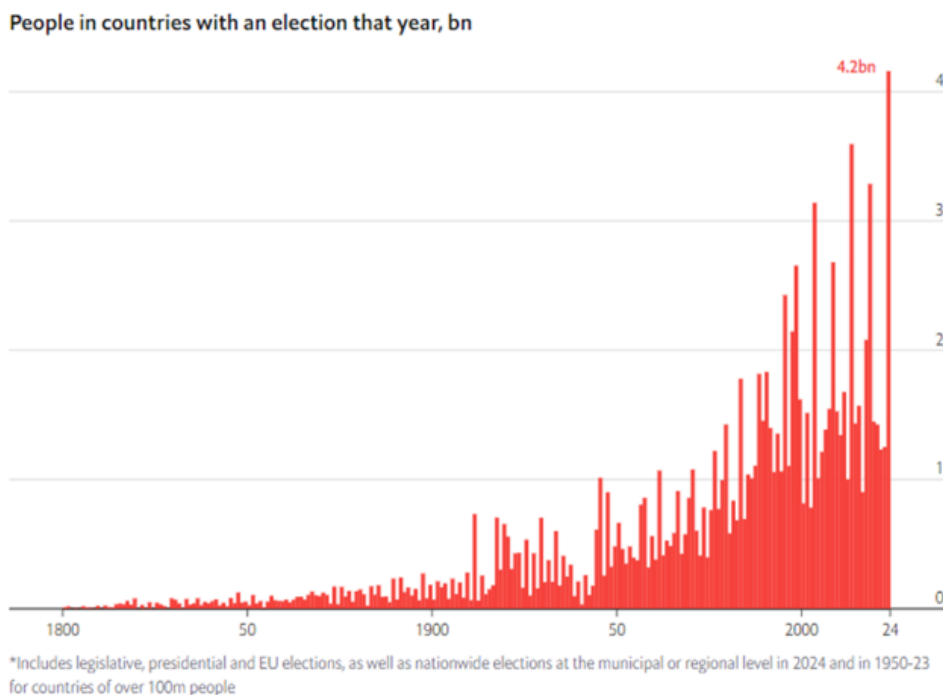
In emerging markets, Turkey's central bank surprised investors by raising key interest rates to 40%, compared with the consensus forecast of 37.5%. With the central bank itself forecasting a fall in inflation to 36% by the end of 2024, Turkey has now normalized its monetary policy, pushing real rates into positive territory. Meanwhile, in China, the authorities continue to accelerate their policy to support the real estate sector. New measures announced this week include a draft list of companies eligible for bank support and plans that would allow banks to offer property developers unsecured loans.

Last week's gloomy financial markets left the stage to politics to capture investors' attention. In Argentina, libertarian economist Javier Milei surprised the polls with a resounding victory in the second round of elections, with 55.7% of the vote. The administration will take office on December 10, with a mandate to turn around the country's economy, which has been accumulating imbalances for years. The task is not an easy one, given the depletion of international reserves, the size of the budget deficit due to largesse, the exhaustion of the debt markets and the considerable overvaluation of the currency. However, Javier Milei asserted that there was no room for gradualism; investors expected a huge fiscal tightening to bring the government into surplus financing, as well as a major devaluation of the peso - even the possibility of complete dollarization was discussed - and finally, repairing its relationship with the IMF (International Monetary Fund). The second surprise came from the Netherlands, where the general election produced a huge political upset with the victory of controversial far-right politician Geert Wilders, who campaigned against the EU and strict immigration policies.



Politics could play a key role for investors next year. Indeed, 2024 will be the busiest election year on record, with 4.2 billion people living in 76 countries hosting ballots (see this week's chart). The European continent boasts the highest number of voting countries (37), with the European Parliament elections in June and the UK general election in particular. However, the most eagerly awaited elections will take place in the United States on November 5, with a highly likely re-run of Trump vs. Biden. The 435 representatives in the House of Representatives and the 34 seats in the Senate will be put to the vote. In the emerging countries, elections that could have macroeconomic implications concern Taiwan and its potential effect on US-China relations. In India, elections will be held in April-May, and Narendra Modi will be seeking a third term. In June, Mexico is set to elect its first female president. South Africa will go to the polls between May and August, with the African National Congress (ANC) currently at risk of seeing its support rate fall below 50%. Important local elections are also scheduled in Turkey and Brazil. It will be interesting to see whether there is a vote of support for Turkey's AK Party after its reversal to orthodox policies to manage the economy, and whether Lula in Brazil can consolidate support for his social policies.

Chart of the week: 4'200'000'000



Source: The Economist, "2024 is the Biggest Election Year in History," 13th November 2023.

1 Minutes of the Federal Open Market Committee (31st October–1st November 2023)

2 The Economist, "2024 is the Biggest Election Year in History," 13th November 2023



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