

Euclase

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World Economy

Major central banks across the world are now cutting interest rates. America's Federal Reserve is in no great hurry. Inflation is under control and the US dollar is exerting tremendous pressure on the rest of the world.

The U.S. commercial real estate market continues to be watched carefully by many, including the Bank of England who consider it among the highest risks in the global economy. Office owners in debt to banks have been begging for the terms of their loans to be extended. How could they have anticipated work from home and such high interest rates? For now, many of them are being rolled into next year in an "Extend and Pretend" game being played by the lender and the borrower. The issue is that the low occupancy rates of offices does not appear to be so temporary: Moodies says it is at 19.8%, up from 19.6% from prior quarter. A 33 year low! Delinquency rates currently at artificial historical lows of 1.45%; the charade will stop.

After non-farm payroll comes out this week, the Fed should move in a direction. The last lingering inflation, in shelter, is caused by a housing shortage and the migrant crisis on the Southern Border. Shelter is a

lagging index and many think its calculation dated.

The Japanese Yen is still in terminal decline. The popular carry trade of borrowing in Yen and buying U.S. assets continues. The US Dollar may reach 200 Yen and Japan is unshaken. Much of U.S. equities' recent performance is from cheap Japanese money: a sudden BoJ revolt would drain global liquidity and risk premia plummet. But it is likely they will wait for U.S. rates to fall.

American Politics

Trump in sheep's clothing. During the debate on June 27th, his rhetoric was measured. He has no personal need to rile up his base—Vivek and others will do this—and he is now going after centrists. His plans, Project 2025 are not moderate. Biden's performance was dismal; can Newsom or Harris save the Democrats? No, Trump is inevitable.

In the week since, the media have tried to lead a coup against Biden. The NYT wrote an editorial and The Economist has been hammering him.

Only Biden's family can force his hand; the Democratic establishment have made

their position clear. In secret, Obama has tried to dissuade Biden from running in 2024 since at least last year. Hunter Biden, who doesn't want to go to jail, is apparently Joe's biggest advocate.

According to mortality tables, Kamala Harris would have a statistical 25% chance of becoming President in an alternate world where Biden still wins. She is deeply unpopular among Americans but now being pushed as a potential replacement candidate. Jamie Dimon would win the ticket.

Notably absent from the debate was a focus on fiscal restraint. There seemed to be no inclination to tackle runaway deficits by Trump or Biden. Only politicians with brainworms are talking about it.

China EVs

Unsurprisingly, the EU have followed America in setting up harsh defensive tariffs on Chinese electric vehicles, to go into effect Thursday. The measures will be temporary pending a permanent ratification in 4 months. Biden led with punitive 100% tariffs. Europe is adjusting the tariffs according to estimates of state aid received by each company, ranging from 17.4% for BYD to 37.6% for SAIC, a state-owned manufacturer. These come on top of existing 10% levies.

This is part of a much greater risk of importing deflation from China. China's PPI is -1.4% and prices of their exports have been falling at the fastest rate since 2008.

China is hoping to avoid an escalating trade war. They are offering Germany a cut on luxury vehicle tariffs if it can drum up opposition in Brussels to the November approval. Scholz is not Merkel and lacks the diplomacy to turn the issue.

France, Italy, and Spain endorse the economic defense, collectively representing 39% of the EU population, constituting a blocking vote.

Britain

Everything in cycles. Brits spent the 2010s sampling populism and nationalism and are ready to try something new: moderation.

Today, on the 4th of July, Britain will vote for Keir Starmer, a progressive centrist. He has put forth promises of fiscal responsibility and mildly shook his head against some forms of illegal immigration. This was more than enough to win.

Rachel Reeves is to be the new Chancellor of the Exchequer: an adherent of supposed "modern supply-side economics", focusing on infrastructure, education, labour supply and rejecting tax cuts and deregulation. It is inspired by Biden's Inflation Reduction Act and she is calling it "securonomics".

The Conservative party allowed itself to be co-opted and shifted during its reign, causing short-term excitement but long-term loss. Brexit, Boris, the mini-budget: these failures were palpable and felt by Britons, not easy to sweep away with slogans and speeches.

Reform UK tore a limb off the Conservatives. Germany and other large parts of Europe have genuine nationalist, far-right movements. Reform is as much of a movement as a dining club changing its regular venue; you have shuffled a few people from the living room and into the study. A sort of artificial movement, for now.

Cryptocurrency

Joshua Goldbard said he wants to bring MOB back. Mobilecoin, a privacy cryptocurrency integrated into Signal, was released in December 2020. It proceeded to rise 1,100% and then sink 99%. That violent price action cost FTX's parasite, Alameda Research, losses of \$1,000,000,000 in early 2021 and made them insolvent.

Since then, someone in San Francisco stabbed MOB's product manager to death and all major exchanges have delisted the

coin due to regulatory anti-money laundering concerns. Binance, once large early investors, spent March expelling it from its platform and selling their remaining stake. The company behind it has rebranded to Sentez and is launching operations in Africa. So what is the bull case?

Mobilecoin has hit the floor. The coin is thinly traded now on obscure exchanges: Gate and CoinEx. Telegram, a Russian competitor to Signal, recently added their own cryptocurrency to the app: TON, with a market cap of \$20billion, roughly 1000x more than Mobilecoin. Telegram has far more users than Signal, for now. But it is on the order of 25x more.

There is still plenty unknown: how will crypto regulation change with an expected Trump presidency? Who recently bought 10% of MOB's supply from the FTX estate?

With the order book frequently cleared, liquidity is being squeezed; perhaps only a small spark is needed to reignite this market.

Europe

AfD, RN, PVV, FdI, FPÖ are just a few of the rising far-right parties in Europe with true energy. It is part of a broader movement built up firmly over the years and has just now reached the tilt in the exponential curve.

The flywheel was anti-immigration coupled with soaring inflation and a disrupted labour market. In many parts of Europe now, the young are more opposed to immigration than the old.

Europe has never been so eurosceptical. The fragmentation and policy volatility from a populist Europe is already leading to capital flight: France's 10-year government bond yield hit a fresh 8-month high this week at 3.355%. The French-German 10 year bond spread at 84 basis points, a 12 year high.

Le Pen with Bardella, her 28 year old Prime Minister are set to terminate Macron's time as world leader and their economic poli-

cies are protectionist. France has long been breaking all OECD records with their growing government spending at 58.5% of GDP and all parties promise to continue increasing it.

Yen

The world today finds itself in a peculiar and counter-intuitive equilibrium. It begins with the Bank of Japan persisting with its ultra-loose monetary policy, maintaining deeply negative interest rates. This strategy compels Japanese savers to invest their substantial savings abroad, keeping global yields low and yield curves inverted. Western policymakers, in turn, continue their high levels of spending with little regard for budget deficits.

Western consumption surpasses production, exacerbating trade deficits. Meanwhile, countries like China, Indonesia, Brazil, and South Africa enjoy robust trade surpluses. Traditionally, these surpluses would flow into U.S. treasuries. However, concerns over asset confiscation (especially in China), the rapid pace of debt issuance, and fears of future currency debasement have rendered OECD government bonds less attractive.

A new "scarcity asset" has emerged: specialist microchip manufacturers. Excess U.S. dollars are being recycled into this sector, defying the historical trend that manufactured goods do not remain scarce for long. This has created a massive bubble in semiconductors: NVDA up 166.31% YTD. The focus diverts investor attention from rising geopolitical threats, keeping energy and soft commodity prices muted and global inflation at manageable levels. This allows central banks, particularly in Japan, to maintain easier monetary policies than they might otherwise. This cycle perpetuates a repetitive, self-sustaining loop.

For now, this equilibrium appears stable. But could a single change in any of these steps collapse the entire structure?



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