

## Russia-Ukraine, The U.S. Elections, The Middle East

### 1. Russia-Ukraine

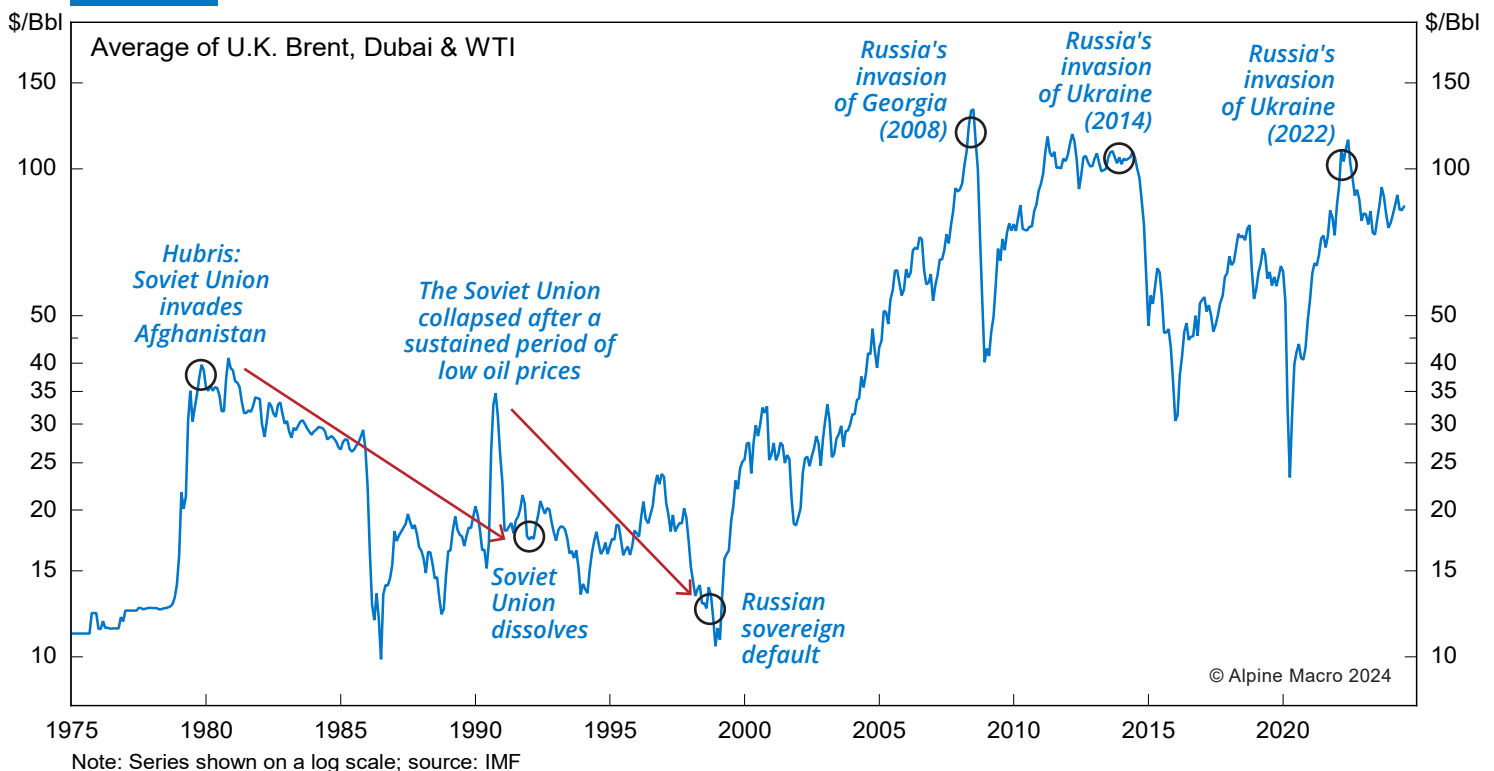
Any material downward trend in oil prices would be a problem for the Kremlin. Low oil prices pose a significant threat to the stability of the Putin regime. Historically, Russia and the Soviet Union have invaded other countries when oil prices were high and have faced severe domestic crises, such as collapse and defaults, when prices fell (Chart 1). While Western sanctions haven't reduced Russian oil prices, a market-driven decline would severely degrade Putin's ability to continue the war in Ukraine and possibly, to retain power.

**Bottom line:** Putin's regime will be considerably more vulnerable if oil prices drop significantly.

### 2. The U.S. Elections

We continue to hold our out-of-consensus view that Donald Trump is favored vs. Kamala Harris, and still assign a 60% probability to it. While Harris has trended up in polls, we still tend to think that is a "sugar rush" – though if

**Chart 1** Soviet And Russian Stability, Propensity For Aggression, And Oil Prices



## Tipping Point In Financial Markets: A Melt-up or Meltdown?

Global financial markets are facing increasing challenges: the risk of recession is rising as tight monetary policy has entered its 28<sup>th</sup> month, while the bull market in big tech has turned parabolic and is due for a shakeout. However, inflation has fallen sharply, and the Fed is poised to ease at a time when political and geopolitical risks have greatly escalated.

At this critical juncture, Alpine Macro's strategists are joined by a group of highly respected outside experts to discuss the pressing issues facing investors, including:

- Are we at the tail-end of the bull market in equities, or does the bull have further to run? Which sectors should investors allocate their capital to, and what will be the new leaders in the marketplace?
- How should investors hedge against the rising risk of wars and conflicts?
- Harris vs. Trump: How will the election result change U.S. economic policies and affect financial markets?
- What's next for commodities and energy? Are we heading for a new super-cycle bull market, and is ESG dead?

Come and join us for a day of debate, discussion, and brainstorming on the big macro themes and how to capitalize on them in this highly uncertain environment.

This is an in-person only event, and seats are already 70% sold out. If you are interested in this event, please register now.

[Click here](#) for a detailed conference agenda

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this continues into September, we will reassess. One reason why we are skeptical of Harris' chances is that she is an incumbent VP who is trying to distance herself from her own administration's record. This rarely works for Vice Presidents (e.g. see Al Gore in 2000). The other reason is that both in national polls, and more notably in swing state polling (Chart 2), Trump outperforms his own numbers vs. his polling in 2016 (vs. Clinton) and 2020 (vs. Biden).

**Bottom line:** Still Trump's election to lose.

### 3. The Middle East

The most recent bout of fighting between Israel and Hezbollah seems to have been contained. Hezbollah signaled de-escalation after its missile strikes on Israel were largely blunted by Israel's preemptive air strikes last weekend. While some uncertainty remains, it appears that Iran and its proxies want to claim victory and avoid a deepening war at this point.

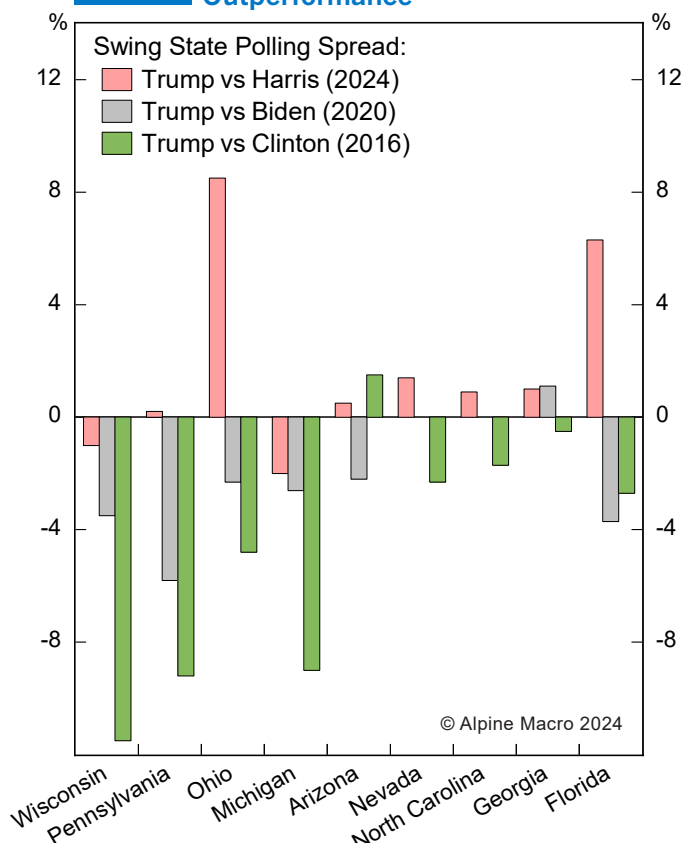
However, as long as the Gaza conflict continues and Iran and its proxies continue striking Israel, the risk of an expanding conflict remains very high. We continue to believe that a broadening and sustained Middle East war is the most significant conflict risk over the next 6-9 months.

**Bottom line:** Oil prices would face significant geopolitical tailwinds in the event of a broader and sustained Middle East conflagration.

**Dan Alamaru**

*Chief Geopolitical Strategist*

**Chart 2 Trump's Swing State Polling Outperformance**



Note: Data as of Aug 28 for all 3 years; source: RealClearPolitics

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