



R&R Weekly Column
By Brunello Rosa



Imagine a World With Trump, Le Pen, and Putin All in Power At the Same Time

Last week the world moved another inch close to chaos. In the first US presidential debate, President Biden and Donald Trump staged one of [the worst performances in American political history](#), with allegations and counter-allegations on personal matters and little space for policy discussion.

Joe Biden looked confused and weak, and even the [press that is closer to the Democrats could not defend his appearance](#). [Many voices emerged](#) asking him to step down from the race, or else for the Democratic Convention, which is [scheduled to take place in Chicago on 19-22 August](#), to replace him. Biden responded that [he will carry on with the race](#). Donald Trump, who on stage performed better than Biden, still did not have much more substance to add to his usual rhetoric. The vast majority of polled people [thought that Trump won the debate](#), and his chances of being re-elected have meaningfully increased since the debate.

In Europe, the EU [sped up the process of appointing its top representatives](#) on Thursday, with an agreement being reached on Ursula von der Leyen getting a second mandate as Commission president, Antonio Costa, the former Portuguese prime minister, being the next EU Council president, and Kaja Kallas, former prime minister of Estonia, becoming the High Representative for Foreign Affairs and Security Policy. Maltese Roberta Metsola is confirmed as President of the EU Parliament. The Council, with the opposition of Italy's Giorgia Meloni and Hungary's Victor Orban, wanted to make sure that all these appointments were made before the first round of the French legislative election, which took place during the weekend. This is because the Council did not want to negotiate these matters with Marine Le Pen calling the shots from the heavy chair of France.

In France, [as discussed in our trip report](#), Le Pen's party, Ressemblent National, is set to gain power for its first time in history, either with an absolute majority in parliament or a plurality just shy of a majority which can be reached with the addition of 10-20 MPs from other right-wing parties. In our opinion [this will set the scene for her victory in the presidential election of April 2027, or earlier than that](#) in the event that Emmanuel Macron resigns.

This turn of events could effectively lead to a situation in which Trump returns as US president and Le Pen controls the French political system until her ascent to power in 2027. Two right-wing populist leaders at the helm of two of the oldest liberal democracies in the world, at the same time as Putin, Xi, and a series of other autocratic leaders are already in power. Even the "moderate" Giorgia Meloni, who already displays autocratic tendencies, would likely show her true colours in such a mutated international context, likely returning to her radical right-wing ideas of the past. And we need to wait to see what happens in Germany, where the neo-nazi party AfD is already second behind the CDU, and first in many Eastern states.

Needless to say, a world in which Trump, Le Pen, Meloni, possibly the AfD in some form, plus Xi, Putin and many other autocrats are all in power at the same time, does not look terribly good in terms of international security and domestic defense of liberal democratic values, including the independence of the judiciary and the freedom of the press.

Our Recent Publications

- ✿ [A Le Pen/RN Majority Is More Likely Than A Hung Parliament](#), by Nouriel Roubini, 28 June 2024
- ✿ [Mileionomics: Far Right or Right On? An Economic And Political Analysis of Javier Milei's "Shock Therapy"](#), by Ruy Scalamandr , 27 June 2024
- ✿ [North America's First Female Leader: An Analysis of Claudia Sheinbaum's Victory in Mexico](#), by Maria Ascencio, 26 June 2024

- ✿ [From Ballots to Policy: Assessing Post-Election Realities in the European Parliament](#), by Klitos Philippides, 25 June 2024
- ✿ [Will the Petrodollar System be Replaced by China-led CBDCs?](#), by Brunello Rosa, 24 June 2024
- ✿ [Macron's Electoral Gamble Could Cost Dearly to France and Europe, But Market Discipline May Eventually Be The Strongest Guardrail To A Le Pen Presidency](#), by Brunello Rosa and Nouriel Roubini, 21 June 2024

Looking Ahead

The Week Ahead: Inflation To Ease Off In EZ; PMIs To Fall In EZ And UK And Rise In US; US Unemployment To Stay Unchanged

In the US, in June, unemployment rate is expected to stay unchanged at 4.0%. NFPs are seen increasing by 180K (*p*: 272K). In June, S&P Global manufacturing and services PMIs are likely to edge up to 51.7 (*p*: 51.3) and 55.1 (*p*: 54.8). Composite PMI is seen increasing to 54.6 (*p*: 54.5).

In the EZ, in June headline and core inflation rate are seen easing off to 2.5% y-o-y (*p*: 2.6%) and 2.8% y-o-y (*p*: 2.9%). In May, unemployment rate is expected to stay at 6.4%. In June, HCOB Manufacturing and Services PMIs are expected to edge down to 45.6 (*p*: 47.3) and 52.6 (*p*: 53.2). Composite PMI is likely to decrease to 50.8 (*p*: 52.2). Among the largest EZ economies, the headline inflation is seen falling to 2.3% y-o-y (*p*: 2.4%) in Germany.

In the UK, in June, S&P Global manufacturing PMI is likely to edge up to 51.4 (*p*: 51.2), while services PMI is expected to decline to 51.2 (*p*: 52.9). Composite PMI is seen decreasing to 51.7 (*p*: 53.0).

The Quarter Ahead: Debates Between Biden And Trump; US Supreme Court Weakens Federal Regulators In Boost For Business

The first debate between Biden and Trump. Biden's poorly received debate against Trump caused concern among Democrats. Biden acknowledges his shaky performance and pledges to continue in the race. The debate focused primarily on domestic issues such as the economy, including inflation and the opioid crisis. However, attention was also given to Russia's war in Ukraine, the Israel-Hamas conflict, and immigration. Trump pledged to "resolve" the Russia-Ukraine war before his second term without detailing how.

The US Supreme Court weakened federal regulators, benefiting businesses. The court overturned the 1984 Chevron decision, making it harder for the federal government to regulate environment, health, safety, and consumer protections.

Iranians elect president after Raisi died in helicopter crash. Iran will hold a run-off presidential election on July 5 between the top candidates, reformist Masoud Pezeshkian and hard-line former nuclear negotiator Saeed Jalili.

Last Week's Review

Real Economy: US QoQ GDP Decelerated; US PCE Index Eased Off; UK QoQ GDP Advanced

In the US, in Q1, according to the final estimate, GDP growth rate decelerated to 1.4% q-o-q (*p*: 3.4%) as expected. In May, PCE and core PCE index eased off to 2.6% y-o-y (*c*: 2.6%; *p*: 2.7%) and 2.6% y-o-y (*c*: 2.6%; *p*: 2.8%). In June, Michigan consumer sentiment fell to 68.2 (*c*: 65.8; *p*: 69.1).

In the EZ, in June, economic sentiment fell to 95.9 (*c*: 96.2; *p*: 96.1). Consumer confidence rose to -14 (*p*: -14.3) as expected.

In the UK, in Q1 according to the final estimate, GDP growth rate advanced by 0.7% q-o-q (*c*: 0.6%; *p*: -0.3%) and 0.3% y-o-y (*c*: 0.2%; *p*: -0.2%).

Financial Markets: Stock Prices Decreased; Yields Rose; Dollar Increased Slightly; Oil Prices Edged Down, While Gold Prices Rose

Market Drivers: In Europe, shares fell amidst political uncertainty in France ahead of President Macron's snap election. EZ and US inflation concerns boosted government bond yields, with ECB comments suggesting a cautious approach to rate cuts adding to upward pressure. Meanwhile, U.S. Treasury yields also rose amid global inflation fears.

Global Equities: Decreased w-o-w (MSCI ACWI, -0.1%, to 802.01). The US S&P 500 index edged down (-0.1% w-o-w, to 5,460.48). In the EZ, share prices declined (Eurostoxx 50, -0.3% w-o-w, to 4,892.85). In EMs, equity prices decreased (MSCI EMs, -0.1%, to 1,086.25). Volatility fell rose to 14.01 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+14 bps to 4.40%). The 2-year US Treasury yields increased (+2 bps to 4.75%). The German 10-year bund yields increased (+9 bps to 2.49%).

FX: w-o-w, the US Dollar Index increased only slightly (DXY, +0.05%, to 105.85; EUR/USD +0.2%, to 1.07). In EMs, currencies are virtually unchanged (MSCI EM Currency Index, +0.0% w-o-w, to 1,722.8).

Commodities: w-o-w, oil prices decreased (Brent, -0.5% to 84.84 USD/b). Gold prices increased w-o-w (+0.8% to 2,336.9 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