



R&R Weekly Column
By Brunello Rosa



Will Trump's Bombastic Statements And Isolationism Leave The US More Vulnerable To Shocks?

There is a race within the incoming US administration, between incoming president Trump (who just recently was "[unconditionally discharged](#)" from the consequences – prison or fine – of being found guilty in the "hush money case" in New York) and his *de-facto* co-president Elon Musk: who's going to say the most outrageous thing that will destabilise well-established diplomatic relationships?

We have discussed several times in our [past columns](#) about the [interferences by Elon Musk into international politics](#), the latest of which is his interview with the leader of the AfD Alice Weidel, who managed to say that "Hitler was communist", with Musk nodding "yes." Musk was recently joined by his more silent – and possibly more influential – [buddy in the "tech takeover" of the US presidency, Peter Thiel](#), who recently wrote [an op-ed for the Financial Times](#), titled "A time for truth and reconciliation."

Clearly upset by being surpassed by his shadow president, Trump has responded to Musk's provocations with a series of similarly outrageous statements regarding Canada, Mexico, Panama and Greenland.

In discussions about Canada, [Trump proposed the idea of Canada becoming the 51st U.S. state](#), referring to Prime Minister Justin Trudeau as "Governor Trudeau" and suggesting that such a merger would benefit both nations economically and in terms of security. He also threatened to impose a 25% tariff on Canadian goods if issues like fentanyl smuggling and illegal immigration were not addressed.

As for Mexico, [Trump proposed renaming the Gulf of Mexico to the "Gulf of America"](#) and criticized Mexico for issues related to illegal immigration and drug trafficking. He threatened substantial tariffs on Mexican goods if these concerns were not addressed, indicating a more confrontational approach towards the neighbouring country.

Regarding Panama, Trump suggested the possibility of reclaiming control over the Panama Canal, criticizing the canal's current fees as exorbitant and detrimental to U.S. economic interests. [In his statement](#), he declined to rule out military or economic actions to achieve this objective, stating, "No, I can't assure you on either of those two. But I can say this, we need them for economic security."

Concerning Greenland, Trump [reiterated his interest in acquiring the territory from Denmark, citing strategic importance for national security](#). He did not dismiss the use of military force to achieve this, stating, "No, I can't assure you" on the fact that the US will not use the force to gain control of Greenland. This stance has been met with firm rejections from Danish officials, emphasizing Greenland's autonomy and their refusal to engage in such discussions.

These statements obviously generated strong reactions from the international community, with leaders expressing concern over the potential implications for diplomatic relations and global stability. Once put together with the "America First" approach and the isolationist tendencies of the incoming administration, the risk is that of leaving the US isolated in its attempt to contain China, and therefore more vulnerable to shocks.

One can only hope that, after the inauguration, Trump – and Musk – will moderate his tones and adopt a more institutional stance. But the example of his first presidential term leaves little space for this delusion.

Our Recent Publications

🌀 [The Global Battle for Batteries: The Case of Northvolt Failure as an Example of Europe's Weakness](#), by Nato Balavadze, 9 January 2025

🌀 [Elon Musk: From Tech Dominance to International Political Interference](#), by Dolores Agraso, 8 January 2025

🌀 [The Importance of the Gulf to the "New Syria"](#), by Gulf State Analytics, 7 January 2025

🌀 [The AfD's Controversial Economic Vision for Germany](#), by Nato Balavadze, 2 January 2025



Looking Ahead

The Week Ahead: Headline inflation Rate To Increase In US, EZ, And UK; IP To Contract In EZ And UK

In the US, in December, headline inflation rate is expected to increase to 2.8% y-o-y (*p*: 2.7%) and core inflation is likely to remain unchanged at 3.3%. In December, retail sales are seen rising by 3.3% y-o-y (*p*: 0.5%).

In the EZ, in December, headline inflation rate is expected to increase to 2.4% y-o-y (*p*: 2.2%) and core inflation is likely to remain unchanged at 2.7%. In November, IP is seen contracting by -1.8% y-o-y (*p*: -1.2%). Among the largest EZ economies, in December the headline inflation rate is expected to: *i*) stay at 1.3% y-o-y in France; *ii*) increase to 2.6% y-o-y (*p*: 2.2%) in Germany; and *iii*) remain at 1.3% y-o-y in Italy.

In the UK, in December, headline inflation rate is expected to increase to 2.7% y-o-y (*p*: 2.6%), while core inflation is likely to ease off to 3.4% y-o-y (*p*: 3.5%). In December, retail price index is seen rising by 3.7% y-o-y (*p*: 3.6%). In November, IP is expected to shrink by -1.0% y-o-y (*p*: -0.7%).

The Quarter Ahead: Trump Announces Plans For A Meeting With Putin; Judge Sentences Trump Without Prison Time Or Fine

Trump announced plans for a meeting with Putin, expressing a desire to end the war in Ukraine quickly. Trump previously suggested could be resolved within 24 hours of taking office. Russia signaled openness to dialogue, though critics view its proposals as pushing for Ukrainian surrender.

Trump received an unconditional discharge in the New York “hush money” case after becoming the first former and soon-to-be president convicted of a felony. The judge emphasized that legal protections apply to the presidency, not the individual.

Last Week's Review

Real Economy: US NFP Increased by 256K; Unemployment Unchanged In EZ; PMIs To Rise In US And EZ, Fell In UK

In the US, in December, unemployment rate edged down to 4.1% (*c*: 4.2%; *p*: 4.2%). NFPs increased by 256K (*c*: 160K; *p*: 212K). December, S&P Global Services and Composite PMIs increased to 56.8 (*c*: 58.5; *p*: 56.1) and 55.4 (*c*: 56.6; *p*: 54.9).

In the EZ, in December, according to the preliminary estimates, headline inflation rate increased to 2.4% y-o-y (*c*: 2.4%; *p*: 2.2%), while core inflation stayed unchanged at 2.7% y-o-y (*c*: 2.7%). In November, unemployment rate stood at 6.3% as expected. In December, HCOB Services and Composite PMIs rose to 51.6 (*c*: 51.4; *p*: 49.5) and 49.6 (*c*: 49.5; *p*: 48.3). In December, economic sentiment decreased to 93.7 (*c*: 95.6; *p*: 95.8). Still in December, industrial sentiment contracted to -14.1 (*c*: -11.7; *p*: -11.4). In November, retail sales decelerated to 1.2% y-o-y (*p*: 2.1%).

In the UK, in December, S&P Global Services PMI rose to 51.1 (*c*: 51.4; *p*: 50.8). Composite PMI declined to 50.4 (*c*: 50.5; *p*: 50.5).

Financial Markets: Stock Prices Fell Except European Shares; Bond Yields Increased; Dollar, Oil And Gold Prices Rose

Market Drivers: Global Stocks dropped Friday as stronger-than-expected December labor data fueled concerns about the Fed delaying rate cuts. The 10-year UST yields hit its highest level since November 2023. In Europe shares rose with investors still anticipating ECB rate cuts in January despite rising inflation.

Global Equities: Decreased w-o-w (MSCI ACWI, -1.6%, to 833.86). The US S&P 500 index fell (-1.9% w-o-w, to 5,827.00). In the EZ, share prices increased (Eurostoxx 50, +2.2% w-o-w, to 4,976.85). In EMs, equity edged down (MSCI EMs, -1.5%, to 1,057.10). Volatility increased to 19.01 (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 4.76%). The 2-year US Treasury yields increased (+10 bps to 4.38%). The German 10-year bund yields edged up (+15 bp to 2.57%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.6%, to 109.65; EUR/USD -0.6%, to 1.02). In EMs, currencies decreased (MSCI EM Currency Index, -0.1% w-o-w, to 1,724.60).

Commodities: w-o-w, oil prices increased (Brent, +4.2% to 79.76 USD/b). Gold prices increased w-o-w (+2.3% to 2,715.00 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