



R&R Weekly Column
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Brace For Impact: Trump Begins His Second Term Today

Donald Trump begins his second term in office today. His inauguration ceremony, which will be [held indoor given the adverse weather conditions](#), is going to be very different from the one we witnessed 8 years ago, in January 2017. On that occasion, Trump [unexpectedly won against Hillary Clinton](#), in a contested race in which she had won the popular vote but lost what actually matters, the majority in the electoral college.

Trump himself was surprised by that victory, and his first inaugural speech, while being as incendiary as one could have expected, occurred in a surreal atmosphere, [in which half of the gigantic gardens in Washington's National Mall were empty](#), as Trump was perceived to be a divisive figure, and to some extent an unknown quantity, from a political perspective. Four years in the White House then proved how divisive he was, and the high level of incompetence culminated in the disastrous management of the first phase of the Covid pandemic. This cost him the presidency, which returned, for four years, to the hands of the Democrats.

This time around the situation is completely different. In spite of extraordinary economic results, with dozens of millions of jobs created, and inflation having returned within reach of the central bank's objective, public perceptions of the economy as being in a poor state, with unsustainably high prices for most Americans, have cost Biden his presidency. [Kamala Harris wasn't able to achieve the miracle of resurrecting the Democratic campaign](#). Trump won by promising a new golden age for the US, resulting from massive deregulation and a boost to new segments of the economy, including the incipient sector of digital assets, and within it that of cryptocurrencies.

Investors' animal spirits have been in play since Trump's victory in November, with a new upwards push for equity prices, the US Dollar, and the entire crypto space, but with the countervailing results of higher long-term rates, which could eventually hinder economic growth. The tech space, formerly Trump's fierce opponents, has either supported his second ascent to the White House ([with Elon Musk and Peter Thiel having sponsored the campaigns of Trump and Vance respectively](#)) or else fallen in line (Mark Zuckerberg, Jeff Bezos, etc). All the largest tech companies have raced to contribute to the inauguration expenses, by donating at least USD 1m each.

Trump will likely deliver an even more incendiary speech at the inauguration, promising a further boost to the economy as well as mass deportation of illegal immigrants, heavy tariffs on China (using the possibility of [keeping Tik-Tok alive for longer as a lever to obtain more concessions from the Chinese government](#)), and indeed tariffs on all countries that refuse to get in line with Washington's directives. His attitude will be as fierce as ever, as the new official presidency picture (see above) shows.

The picture resembles the one taken after his arrest in New York, where [he was eventually convicted of 34 felonies](#), for which [he received no punishment](#), as the judge recognised it was de-facto impossible to punish a soon-to-be sworn-in president. The picture has no sign of smile (as in the first official picture), a raised eyebrow and a semi-closed right eye, in sign of open defiance to anyone that dares to stand in his way.

As we discussed in [several columns previously](#), this will not be a normal presidency, as testified by the [launch of its own meme cryptocurrency \(the \\$TRUMP\) on the eve of its inauguration](#). This is a gigantic conflict of interest, since his administration will decide on the regulation of all crypto activities. The second Trump presidency will likely transform the US liberal democracy into something new, which we will start discovering starting from today onwards.

Our Recent Publications

- 🌟 [Populism, Polarisation and Power: Lessons from Global Votes](#), by Lāsma Kokina, 16 January 2025
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- 🌟 [The Global Battle for Batteries: The Case of Northvolt Failure as an Example of Europe's Weakness](#), by Nato Balavadze, 9 January 2025

Looking Ahead

The Week Ahead: UK Unemployment To Rise; Economic Sentiment To Fall In EZ; PMIs Mixed In DMs

In the US, in January, Michigan Consumer Sentiment is seen falling to 73.2 (*p*: 74.).

In the EZ, in January, ZEW Economic Sentiment Index is likely to fall marginally to 16.9 (*p*: 17.0). In January, HCOB Manufacturing PMI is seen increasing to 45.3 (*p*: 45.1), while Services PMI is likely to remain at 51.6.

In the UK, in November, unemployment rate is expected to increase to 4.4% (*p*: 4.3%). In January, Gfk Consumer Confidence is seen deteriorating to -18 (*p*: -17). In January, S&P Global Manufacturing PMI is likely to rise to 47.1 (*p*: 47.0), while Services PMI is expected to edge down to 50.6 (*p*: 51.1).

The Quarter Ahead: Trump Inauguration And Who Will Be Attending; Israel-Hamas Ceasefire

Trump Inauguration On January 20. Donald Trump's inauguration moved indoors due to 'dangerous' cold. Three former presidents—Obama, Bush, and Clinton—will join outgoing leaders Biden and Harris. Trump's guests include leaders like Argentina's Milei, Italy's Meloni, France's Zemmour, and the UK's Farage. Bolsonaro was barred by Brazil's court due to legal issues. Tech billionaires Musk, Bezos, Cook, and Zuckerberg will also attend, sparking criticism over the industry's apparent shift toward Trump. **Gaza ceasefire.** A delayed Israel-Hamas ceasefire has begun, following Israeli attacks that killed 19 Palestinians. The deal includes a pause in fighting, the release of three Israeli captives, and 90 Palestinian prisoners. Thousands of displaced Palestinians return to their homes, while Trump's envoy, Steve Witkoff, plans to monitor the ceasefire closely.

Last Week's Review

Real Economy: Headline inflation Rate Increased In US And EZ, And Eased In UK; IP Contracted In EZ And UK

In the US, in December, headline inflation rate increased to 2.9% y-o-y (*c*: 2.9%; *p*: 2.7%), while core inflation cooled off to 3.2% (*c*: 3.3%; *p*: 3.3%). In December, retail sales decelerated to 3.9% y-o-y (*p*: 4.1).

In the EZ, in December, headline inflation rate rose by 2.4% y-o-y (*c*: 2.4%; *p*: 2.2%) and core inflation remained unchanged at 2.7% (*c*: 2.7%). In November, IP contracted by -1.9% y-o-y (*c*: -1.9%; *p*: -1.1%). Among the largest EZ economies, in December the headline inflation rate: *i*) stayed at 1.3% y-o-y in France as expected; *ii*) increased to 2.6% y-o-y (*c*: 2.6%; *p*: 2.2%) in Germany; and *iii*) remained at 1.3% y-o-y in Italy as expected.

In the UK, in December, headline and core inflation rate eased to 2.65 y-o-y (*c*: 2.6%; *p*: 2.6%) and 3.2% y-o-y (*c*: 3.4%; *p*: 3.5%). In December, retail sales increased by 3.6% y-o-y (*c*: 4.2%; *p*: 0.0%). In November, IP shrank by -1.8% y-o-y (*c*: -1.0%; *p*: -1.1%).

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

Market Drivers: Cooling inflation and robust bank earnings drove stocks higher. Major banks like JPMorgan, Goldman Sachs, Citigroup, and Wells Fargo reported significant profit surges in Q4. Slowing inflation renewed hopes that the Federal Reserve might cut interest rates in 2025. The yield on 10-year Treasuries, sensitive to rate expectations, reflected these trends. In Europe, markets also rose as slower-than-expected inflation on both sides of the Atlantic fueled optimism about further rate cuts this year.

Global Equities: Increased *w-o-w* (MSCI ACWI, +2.6%, to 855.23). The US S&P 500 index rose (+2.9% *w-o-w*, to 5,966.66). In the EZ, share prices increased (Eurostoxx 50, +3.4% *w-o-w*, to 5,147.65). In EMs, equity edged up (MSCI EMs, +1.2%, to 1,070.12). Volatility decreased to 17.24 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: *w-o-w*, the 10-year US Treasury yields fell (-16 bps to 4.62%). The 2-year US Treasury yields decreased (-10 bps to 4.28%). The German 10-year bund yields edged down (-7 bp to 2.50%).

FX: *w-o-w*, the US Dollar Index decreased (DXY, -0.3%, to 109.35; EUR/USD +0.3%, to 1.03). In EMs, currencies increased (MSCI EM Currency Index, +0.2% *w-o-w*, to 1,727.78).

Commodities: *w-o-w*, oil prices increased (Brent, +1.3% to 80.79 USD/b). Gold prices increased *w-o-w* (+1.2% to 2,748.00 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