



R&R Weekly Column  
By Brunello Rosa



## Friends and Allies Strike Back at Trump's Reckless Policies on NATO

Just over a week ago, the world was in shock after seeing US President Donald Trump, Vice President JD Vance, and Secretary of State Marco Rubio ambushing [Ukraine's President Volodymyr Zelenskyy in the Oval Office](#). Further to that meeting, President Trump decided to suspend US military aid to Ukraine, as well as intelligence sharing. This has allowed Russia to [advance within Ukrainian territory](#), and [made the Ukrainian positions in Kursk, inside Russian territory, virtually untenable](#). Trump has also announced that NATO's joint [exercise scheduled in Europe after 2025 has been cancelled](#). Just yesterday, Elon [Musk threatened to switch off the Starlink satellite system](#), which he considers to be the backbone of Ukraine's defence systems.

What is the reaction of the rest of the world to these declarations and decisions? First, the US establishment is unwilling to observe the demise of the US empire in the space of a few weeks without reacting. The Wall Street Journal, a bastion of the US conservative press, has published [a letter](#) saying: "With zero American lives lost in battle and less than \$375 spent per American (based on a total of \$120 billion in aid), Mr. Zelensky's military and civilian population have helped America and its allies by destroying or disabling thousands of Russian aircraft and land-based vehicles, communication systems and other equipment. Russia's military command structure, morale and recruiting have been degraded. American defence contractors have tested new weapons systems in wartime conditions and Ukrainian fighters have innovated in unforeseen ways. Our economy has benefitted from Americans building war material in American plants and sending them to Ukraine. Mr. Zelensky has thanked America many times for our support. It is now time for America to thank him."

The traditionally closest US ally – the UK – isn't staying still either. [Several sources of UK intelligence have been publically saying that they are weary of sharing anti-Russia intelligence with the Americans](#), as they fear their agents may lose their cover. Additionally, the day after the Oval Office ambush, Zelenskyy was in London, where he [was hugged in public by PM Keir Starmer](#) and welcomed at [Buckingham Palace by King Charles](#). Even the [traditionally populist right-wing press has hailed Starmer's warmth for Zelenskyy](#), and took aim at JD Vance who dared to speak about the UK as being among the "random countries that haven't fought a war in 40 years". Finally, in his speech for the Commonwealth, King Charles [reminded Trump that he is the formal head of state of Canada](#), which Trump would like to become the 51<sup>st</sup> state. Canada itself, with its tough reaction to American tariffs, has [obtained their further exemptions and delay](#).

But it is still in Europe where the reaction has been strongest. Poland issued a statement saying that the country pays USD 50mn a year for Starlink: if Musk switches it off, [they will look for a "more reliable" provider](#). France is ready to substitute the [Starlink system with its Eutelsat system of satellites](#).

In Germany, with a spectacular U-turn, future Chancellor Friedrich Merz has decided to accept the suggestions of Habeck, co-leader of the Greens, and approve two important packages with this parliament, in which the AfD and Die Linke don't have a blocking minority. [One is a EUR 500bn infrastructure investment plan over 10 years](#), which will allow Germany to modernise its obsolete infrastructure. The other is a constitutional modification that will allow the government to increase its deficit by up to 1% of GDP in defence per year.

At the EU level, EU Commission President Von der Leyen [announced a EUR 800bn defence plan called re-Arm Europe](#), with a EUR 650 extra borrowing possibility ("if member states increase their defence spending by 1.5% of GDP on average, this could create fiscal space of close to €650bn over a period of four years") and €150bn of "new joint EU borrowing that would be lent to EU governments to fund pan-European capabilities in areas such as air and missile defence, artillery systems, missiles, ammunition, drones and other needs."

All these examples show that the world is striking back at Trump's reckless policies and proposals.

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*By* [Transatlantic Drift: Analysis of the United States of America's Disengagement from Europe in the Second Trump Administration](#), by Scott Mackie, 28 February 2025

Looking Ahead

The Week Ahead: Inflation Rate To Ease Off In US And France And Rise to Italy; IP To Rise In UK And EZ

**In the US**, in February, headline and core inflation rate are expected ease off to 2.9% y-o-y (*p*: 3.0%) and 3.2% y-o-y (*p*: 3.3%). In March, Michigan Consumer Sentiment is likely to decrease to 64 (*p*: 64.7).

**In the EZ**, in January, IP is expected to rise to -1.1% y-o-y (*p*: -2.0%). Among the largest EZ economies, in February, headline inflation: *i*) to rise by 2.3% in Germany; *ii*) ease off to 0.8% y-o-y (*p*: -1.4%) in France; and *iii*) increase to 1.7% y-o-y (*p*: 1.5%) in Italy.

**In the UK**, in January, IP rose to -0.9% y-o-y (*p*: -1.9%). Manufacturing production is expected to increase to -0.8% y-o-y (*p*: -1.4%).

The Quarter Ahead: China Hits Back with Tariffs on Canada; Trump Tariff Exemptions; War in Ukraine

**Trade War**. China will impose retaliatory tariffs on Canadian agricultural goods, including 100% on rapeseed oil and 25% on pork, after Ottawa taxed Chinese EVs, steel, and aluminum. Meanwhile, Trump granted a one-month tariff exemption for Mexican and Canadian imports to protect US manufacturing.

**War in Ukraine**. Trump said Ukraine is "more difficult" than Russia in peace talks. The US suspended Ukraine's satellite access after pausing military aid, following Trump's rebuke of Zelensky and a halt to intelligence-sharing.

Last Week's Review

Real Economy: Inflation Cooled Off In EZ; QoQ GDP Advanced Marginally In EZ And Italy; Composite PMIs Fell In US And UK

**In the US**, in February, S&P Global Manufacturing PMI rose to 52.7 (*c*: 51.6; *p*: 51.2), whereas Services PMI decreased to 51 (*c*: 49.7; *p*: 52.9). Composite PMI declined 51.6 (*c*: 50.4; *p*: 52.7). In February, unemployment rate increased to 4.1% (*c*: 4.0%; *p*: 4.0%). NFPs rose by 151K (*c*: 160K; *p*: 125K).

**In the EZ**, in Q4, according to the third estimate, GDP growth rate advanced by 0.2% (*c*: 0.1%; *p*: 0.4%) and by 1.2% y-o-y (*c*: 1.0%; *p*: 0.9%). In February, headline and core inflation rate eased off to 2.4% y-o-y (*c*: 2.3%; *p*: 2.5%) and 2.6% y-o-y (*c*: 2.5%; *p*: 2.7%). In January, unemployment rate remained at 6.2% (*p*: 6.2%). In February HCOB Manufacturing PMI rose to 47.6 (*c*: 47.3; *p*: 46.6), while Services PMI fell to 50.6 (*c*: 50.7; *p*: 51.3). Composite PMI stood at 50.2. Among the largest EZ economies, in Q4, the GDP growth rate advanced by 0.1% q-o-q (*c*: 0.0%; *p*: 0.0%) and by 0.6% y-o-y (*c*: 0.5%; *p*: 0.4%) in Italy.

**In the UK**, in February, S&P Global Manufacturing PMI declined to 46.9 (*c*: 46.4; *p*: 48.3), while Services PMI increased to 51.0 (*c*: 51.1; *p*: 50.8). Composite PMI fell to 50.5 (*c*: 50.5; *p*: 50.6).

**ECB Turned Dovish**. In the EZ, the ECB cut its main policy rates by 25 bps, i.e *i*) interest rate on the 'main refinancing operations' to 2.65%; *ii*) interest rate on the 'marginal lending facility' to 2.90%; and *iii*) 'deposit facility' to 2.50%.

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

**Market Drivers**: Trade policy uncertainty remained a key issue as Trump's tariffs on Canada, Mexico, and China took effect, with exemptions and delays announced later. Investor sentiment weakened, pushing the European stocks down too, though hopes for EU defense and infrastructure spending softened losses.

**Global Equities**: Decreased *w-o-w* (MSCI ACWI, -1.3%, to 842.10). The US S&P 500 index decreased (-3.1% *w-o-w*, to 5,770.20). In the EZ, share prices decreased (Eurostoxx 50, -0.0% *w-o-w*, to 5,465.15). In EMs, equity edged up (MSCI EMs, +2.9%, to 1,128.55). Volatility rose to 31.63 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

**Fixed Income**: *w-o-w*, the 10-year US Treasury yields rose (+10 bps to 4.30%). The 2-year US Treasury yields increased (+1 bps to 4.00%). The German 10-year bund yields edged up (+38 bp to 2.84%).

**FX**: *w-o-w*, the US Dollar Index decreased (DXY, -3.5%, to 103.81; EUR/USD +4.4%, to 1.08). In EMs, currencies decreased (MSCI EM Currency Index, +0.7% *w-o-w*, to 1,756.56).

**Commodities**: *w-o-w*, oil prices decreased (Brent, -3.4% to 72.81 USD/b). Gold prices increased *w-o-w* (+2.3% to 2,914.10 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