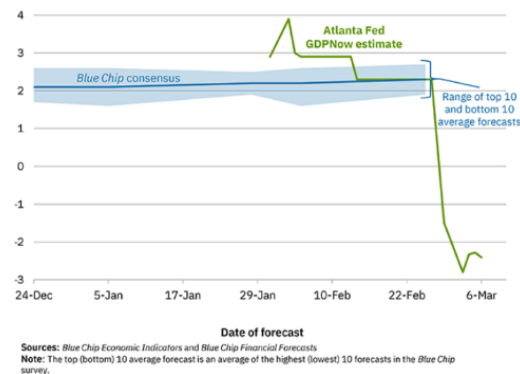


MAKING SENSE OF THIS WORLD

17 March 2025



R&R Weekly Column
By Brunello Rosa



Will Trump Tank the US Economy and Financial Markets?

We have often discussed how controversial the policies of the Trump administration have been. From its anti-immigration stance, which has led to the use of the [Alien Enemies Act](#) in order to deport thousands of supposedly illegal immigrants, to [tariffs imposed on China, Mexico, Canada](#) and [the EU](#); from the abolition of the [Department of Education](#) to the axing of thousands of federal employees by Elon Musk's DOGE. Not to mention the controversial attempt to bring peace in Ukraine [by bashing President Zelensky and siding with Russia's Putin in negotiations](#), and the large-scale bombing of the Houthis' position (all while hoping to win the Nobel Peace Prize). One could say that [Project 2025 is in full swing](#).

What has started to emerge recently is that the combination of these policies, and the uncertainty introduced by them, has caused a collapse in consumer and investor confidence, and most likely in economic activity. "GDP Now" - [the nowcasting model by the Atlanta Fed](#), based on inputs from the Institute for Supply Management, the US Bureau of Economic Analysis, and the US Census Bureau, estimates a real, seasonally adjusted GDP growth rate in the first quarter of 2025 of -2.4% (after having recently even fallen to -2.8%), with investment and net exports representing the largest negative contributions to growth.

This has been reflected in the poor performance of equity markets. [The S&P 500 is down 7.1% since Trump's January 20th inauguration](#), and the gauge is 9.3% lower than its all-time high, achieved on February 19, 2025; a shade below the definition of a "market correction, which is a pullback of 10% or more from the market's peak." The index has retraced all the gains initially made following Trump's election, which raised hopes for the economy given (a) prospective permanent tax cuts; (b) the support for Trump from the tech industry, and his assumed support for the tech industry in return, including a completely new approach toward cryptos and stablecoins; (c) announced de-regulation on all fronts.

Trump himself has acknowledged that the economy will suffer as a result of his policies: first during [the State of the Union address](#), in which he admitted that the economy will go through some wobbles; subsequently, [during a friendly interview on Fox news with Maria Bartiromo](#), he refused to rule out the possibility of a recession in coming quarters.

All this is being reflected in Trump's [approval ratings, which have collapsed recently](#). Including for the sub-segment in which he has been traditionally very strong, i.e. the management of the economy. Trump said that some media outlets only post negative news on him, [and that this should become "illegal."](#)

As we will discuss in further detail in upcoming columns, the reason behind all this is that Trump and his team, and in particular Elon Musk, don't understand the concept of "public good". They only adopt a transactional approach, which does not work for the leader of the so-called free world. For the time being, what we know for sure is that Trump is at risk of tanking the US and global economies, and of continuing to rock global financial markets. And this could be the beginning of the end for his second term in office.

Our Recent Publications

R&R [Sovereign Debt Dynamics: Rising Risks and Policy Challenges](#), By Brunello Rosa and Nato Balavadze, 13 March 2025

R&R [Trump's Strategic Bitcoin Reserve and Sovereign Wealth Fund: A New Era for US Digital Assets](#), By Brunello Rosa and Nato Balavadze, 11 March 2025

R&R [Germany's "Whatever It Takes" Moment](#), By Lásma Kokina, 10 March 2025

R&R [Review: ECB Cuts Rates In March, But Provides No Indications For April](#), by Brunello Rosa and Nato Balavadze, 6 March 2025



Looking Ahead

The Week Ahead: Inflation Rate To Ease Off In EZ; UK Unemployment Rate To Rise; Fed And BoE To Hold Rates

In the US, in February, retail sales are expected to increase by 0.7% m-o-m (*p*: -0.9%). IP is likely to rise by 0.2 % m-o-m (*p*: 0.5%).

In the EZ, in February, headline and core inflation rate is seen easing off to 2.4% y-o-y (*p*: 2.5%) and 2.6% y-o-y (*p*: 2.7%). In March, consumer confidence is expected to increase to -12.8 (*p*: -13.6).

In the UK, in January, unemployment rate is likely to rise to 4.5% (*p*: 4.4%). In March, Gfk Consumer Confidence is seen shrinking to -21 (*p*: -20).

CBs to hold rate. In the US, the Fed is likely to hold steady its target Fed funds range at 4.25% - 4.50%. In the UK, the BoE is expected to hold its Bank Rate (BR) at 4.50%.

The Quarter Ahead: US Court Allows Trump To Enforce Ban On DEI Program; US Launches Major Strikes on Houthis

US appeals court allowed the Trump administration to temporarily enforce a DEI ban at federal agencies and contractors, reversing a prior block. The 4th Circuit found Trump's directives likely constitutional, though two judges voiced concerns about their legality. Judge Albert Diaz defended DEI, while Judge Allison Rushing dismissed policy views as irrelevant.

The US launched its biggest Middle East operation under Trump, hitting Yemen's Iran-backed Houthis over Red Sea attacks. At least 31 died, including women and children, with 101 injured, according to Houthi officials, who called it a "war crime." Trump warned the Houthis to stop or face severe retaliation.

Russia-Ukraine ceasefire. Russia and Ukraine continued aerial attacks, causing injuries and damage, as ceasefire talks stalled. Putin backed a U.S.-proposed 30-day truce but vowed to fight until key conditions were met. Heavy strikes followed, with Russia advancing near Kursk and claiming to have downed 31 Ukrainian drones.

Last Week's Review

Real Economy: Inflation Rate Eased Off In US And France; IP Rose In UK And Stalled EZ

In the US, in February, headline and core inflation rate eased off to 2.8% y-o-y (*c*: 2.9%; *p*: 3.0%) and 3.1% y-o-y (*c*: 3.2%; *p*: 3.3%). In March, Michigan Consumer Sentiment decreased to 57.9 (*c*: 63.1; *p*: 64.7).

In the EZ, in January, IP is expected stalled y-o-y (*c*: -0.9%; *p*: -1.5%). Among the largest EZ economies, in February, headline inflation: *i*) rose by 2.3% in Germany (*p*: 2.3%) as expected; and *ii*) eased off to 0.8% y-o-y (*p*: 1.7%) in France as expected.

In the UK, in January, IP rose to -1.5% y-o-y (*c*: -0.7%; *p*: -1.9%). Manufacturing production contracted to -1.5% y-o-y (*c*: -0.4%; *p*: -1.4%).

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

Market Drivers: In the US, stocks fell amid trade tensions and recession worries. European markets also declined on tariff concerns, while hopes for a Ukraine-Russia ceasefire and Germany's borrowing plans limited losses.

Global Equities: Decreased w-o-w (MSCI ACWI, -1.9%, to 836.14). The US S&P 500 index decreased (-2.3% w-o-w, to 5,638.94). In the EZ, share prices decreased (Eurostoxx 50, -1.2% w-o-w, to 5,404.18). In EMs, equity edged down (MSCI EMs, -0.1%, to 1,119.61). Volatility fell marginally to 21.52 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+2 bps to 4.32%). The 2-year US Treasury yields increased (+2 bps to 4.02%). The German 10-year bund yields edged up (+3 bp to 2.87%).

FX: w-o-w, the US Dollar Index decreased (DXY, -0.1%, to 103.72; EUR/USD +0.4%, to 1.09). In EMs, currencies increased (MSCI EM Currency Index, +0.17% w-o-w, to 1,757.20).

Commodities: w-o-w, oil prices decreased (Brent, -3.1% to 70.58 USD/b). Gold prices increased w-o-w (+3.0% to 3,001.10 USD/Oz).



@RosaRoubini



Rosa & Roubini



Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini-associates.com

118 Pall Mall, London SW1Y 5ED



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



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