



R&R Weekly Column
By Brunello Rosa



Trump with Russia is Not A New “Nixon In China”

We have all watched the [shocking press conference with President Donald Trump and Vice President JD Vance ambushing Ukraine’s President Volodymyr Zelenskyy](#) in the oval office last week. The meeting occurred at the end of a series of meetings that Trump had with European heavyweight such as French President Emmanuel Macron and UK Prime Minister Keir Starmer, who tried to undo the damage made by the [corrosive speeches given by JD Vance at the Munich Security Conference and Pete Hegseth at the NATO meeting in Poland](#).

It is patently obvious that the US administration is now an enemy of Ukraine, and will soon leave it without any support, either financial or military, leaving the weight of the “security guarantees” for Ukraine to the Europeans only. In a tweet following the meeting, Trump had the audacity of saying that Zelenskyy “feels our involvement gives him a big advantage in negotiations” with Russia. The outcry of disconcertment and disdain for this posture (coming even from fellow Republicans such as [Liz Cheney](#) and [Antony Scaramucci](#), or [Russians such as Garry Kasparov](#)), which most feel symbolises the end of the current world order, is such that is not worth adding to it further.

Needless to say the only beneficiary in all this is China, and, by extension, Russia. What China and its allies couldn’t possibly anticipate was that Trump would actively work to weaken the US sphere of influence by dividing its own camp - the West - with his aggressive stance on Europe and his lenient posture towards Russia, on the Ukrainian war and in other matters as well.

Some clever analyst wants to make a parallel between what Trump is doing with Russia and what Nixon did with China, with Nixon’s 1972 trip to China. On that occasion, Nixon aimed at separating the weaker partner of the Communist bloc (at the time represented by China) from the major partner (the Soviet Union). The trip was a success, as China embarked on a series of economic reforms that eventually led the country to become the second largest economy in the world, outpacing the Soviet Union, which meanwhile collapsed in 1991. In effect, the US and China had become major trading partners until the US started perceiving Beijing as a geo-strategic rival, and Cold War 2 begun.

According to some, Trump would now be trying to do the same: detach the junior partner of the new rival bloc (in this case Russia) from its larger ally (China), by showing that Russia can still find friends and allies on the other side of the fence. We believe this is an over-indulgent interpretation of Trump’s recent moves regarding the war in Ukraine, and trans-Atlantic relations more generally.

Here are some major differences. When Nixon went to China, in 1972, Communism was still perceived in large swathes of Western society, especially in Europe, as a “liberation” force for the masses. China was perceived with sympathy (as some of the crimes of the regime didn’t emerge until many years later) and most people were willing to give this gigantic country, humiliated for centuries, a helping hand to get it out of its backwardness. China was perceived as not aggressive, and definitely not as a threat to the global or, tlder and international peace.

Trump’s position towards Russia comes at a very different stage. Russia is currently one of the most hated and feared countries in Europe and in many other parts of the world, after its brutal and unprovoked aggression against Ukraine. Putin is considered a war criminal with an arrest warrant pending from the International Criminal Court. Nobody in Europe, apart from Hungary’s Orban, would want to be seen with him or shaking his hand. Bringing him back into the international community would be akin to asking Hitler’s Germany to join the United Nations after the concentration camps of WW2.

It is obvious that Trump’s decision to give Putin all he could possibly ask for from the negotiations (namely Ukraine not being in NATO, Russia keeping all the territories gained since February 2022, no US troops to patrol the new borders, military expenses for NATO countries reaching 5% of GDP, thus weakening EU societies), will only embolden Putin, and convince him that – from now on, and certainly for as long as Trump is at the White House – the best course of action is to continue destabilising Europe with renewed territorial disputes. Quite a track record for Donald Trump’s first month in office, in this second term that will seem endless to many people.

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Looking Ahead

The Week Ahead: Inflation To Cool Off In EZ; QoQ GDP To Stall In Italy; Composite PMIs To Fall In US And UK

In the US, in February, S&P Global Manufacturing PMI is likely to rise to 51.6 (*p*: 51.2), whereas Services PMI is expected to decrease to 49.7 (*p*: 52.9). Composite PMI is seen declining 50.4 (*p*: 52.7). In February, unemployment rate is likely to stay at 4.0%. NFPs are expected to rise by 133K (*p*: 143K).

In the EZ, in February, headline and core inflation rate are expected to ease off to 2.3% y-o-y (*p*: 2.5%) and 2.6% y-o-y (*p*: 2.7%). In January, unemployment rate is seen remaining at 6.3%. In February HCOB Manufacturing PMI is likely to rise to 47.3 (*p*: 46.6), while Services PMI is expected to fall to 50.7 (*p*: 51.3). Composite PMI is expected to stay at 50.2. Among the largest EZ economies, in Q4, the GDP growth rate is seen stalling q-o-q (*p*: 0.0%) and advance by 0.3% y-o-y (*p*: 0.4%) in Italy.

In the UK, in February, S&P Global Manufacturing PMI is likely to decline to 46.4 (*p*: 48.3), while Services PMI is expected to increase to 51.1 (*p*: 50.8). Composite PMI is seen falling to 50.5 (*p*: 50.6).

CBs To Turn Dovish. In the EZ, the ECB is expected to 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%.

The Quarter Ahead: Zelenskiy-Trump Meeting Ends In Disaster, Straining U.S.-Ukraine Ties; London Summit On Ukraine

Zelenskiy-Trump Meeting. Zelenskiy's White House meeting with Trump and Vance ended in a heated exchange over Russia, with Trump accusing him of disrespect and suggesting he was unwilling to seek peace. Zelenskiy left early without signing a key minerals deal, deepening tensions.

Starmer's Summit on Ukraine. European leaders swiftly backed Zelenskiy, with Germany's Merz stressing the need to distinguish aggressor from victim. In London, British PM Keir Starmer showed support ahead of Zelenskiy's meeting with King Charles.

Last Week's Review

Real Economy: QoQ GDP Advanced In US, While Shrinking In Germany And France; Headline Inflation Rate Rose In EZ

In the US, in Q4, according to the second estimate, GDP growth advanced by 2.3% q-o-q (*c*: 2.3%; *p*: 3.1%). In February, CB Consumer Confidence edged down to 98.3 (*c*: 102.5; *p*: 105.3). In Q4, PCE and core PCE prices rose by 2.4% q-o-q (*c*: 2.3%; *p*: 1.5%) and 2.7% q-o-q (*c*: 2.5%; *p*: 2.2%) respectively.

In the EZ, in January, headline inflation rate increased by 2.5% y-o-y (*c*: 2.5%; *p*: 2.4%), while core inflation remained at 2.7% y-o-y. In February, consumer confidence increased to -13.6 (*c*: -13.6; *p*: -14.2). Among largest EZ economies, according to final estimates, in Q4, the economy: *i*) contracted by 0.2% q-o-q (*c*: -0.2%; *p*: 0.1%) and 0.2% y-o-y (*c*: -0.2%; *p*: -0.3%) in Germany; *ii*) shrank by 0.1% q-o-q (*c*: -0.1%; *p*: 0.4%) and rise by 0.6% y-o-y (*c*: 0.7%; *p*: 1.2%) in France.

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

Market Drivers: US stocks bounced back Friday after a sharp sell-off fueled by fears over Trump's tariffs. Markets remained volatile, after Trump-Zelenskiy meeting. European stocks fell after Trump threatened 25% tariffs on imports from the region.

Global Equities: Decreased w-o-w (MSCI ACWI, -1.3%, to 862.95). The US S&P 500 index decreased (-1.0% w-o-w, to 5,954.50). In the EZ, share prices decreased (Eurostoxx 50, -0.2% w-o-w, to 5,466.65). In EMs, equity edged down (MSCI EMs, -4.4%, to 1,097.25). Volatility rose to 18.83 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields fell (-23 bps to 4.20%). The 2-year US Treasury yields decreased (-21 bps to 3.99%). The German 10-year bund yields edged down (-7 bp to 2.46%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.9%, to 107.61; EUR/USD -0.8%, to 1.04). In EMs, currencies decreased (MSCI EM Currency Index, -0.7% w-o-w, to 1,742.64).

Commodities: w-o-w, oil prices decreased (Brent, -2.6% to 72.81 USD/b). Gold prices decreased w-o-w (-3.1% to 2,862.20 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