

MAKING SENSE OF THIS WORLD

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R&R Weekly Column
By Brunello Rosa



As “Liberation Day” Approaches, There is Much Confusion Under The Sky

On April 2nd, [“Liberation Day” will occur in the US](#). This is the day in which the tariffs proposed by President Trump will be enacted, not just towards strategic rivals such as China, but also towards friends and allies such as Canada, Mexico, and the EU. The US, Canada, and Mexico are also linked by a trade agreement, [USMCA, which replaced NAFTA](#), and was signed by Trump himself during his first mandate.

The reaction by the Canadian government has been particularly strong. The new prime minister Mark Carney, [who called a snap election](#) in order to get a full mandate after gaining power as a result of the resignation by former PM Justin Trudeau, said in a speech that [“the old relationship with the US”, aimed at deepening the integration between the two economies, was “over,”](#) and that Canada will need to start thinking about itself. He also said that Canada will impose retaliatory tariffs aimed at providing maximum damage to the US and minimum damage to Canada. [Trump “reached out” to have a call with Carney, whose first foreign trip was to Europe](#) rather than the US. During the call, the two leaders agreed to negotiate on the tariffs, but the tone remained tense.

This response from Canada was mirrored by Greenland, [which didn’t welcome the visit by US Vice President JD Vance and his wife Usha to island](#). Vance only spent three hours in Greenland, all in the US military base there, because he was met with vibrant protests and [an active boycott by local shops, which refused to serve the couple](#).

But the issue of tariffs has now started to become intertwined with another centrepiece of Trump’s policy, i.e. the negotiations between Russia and Ukraine. [After conceding to Putin anything he could possibly demand from a negotiation without requiring him to commit anything in return](#), Trump is saying that he’s [now “pissed off” with the Russian president](#), as Putin is dragging his feet on the deal, refusing to start the ceasefire that the Ukrainians have already agreed to. (Here we can see the good lessons on diplomacy [reportedly imparted by British diplomats](#) to the Ukrainian delegation [after the Oval Office ambush](#)). So, President Trump said the US [will impose secondary tariffs on Russian oil imports](#) (i.e. on countries purchasing Russian oil) if Putin does not agree to a ceasefire immediately.

One can see that tariffs have been used for multiple purposes: as a negotiating tactics, as a pressure/coercion instrument, and – [as the ideologue behind tariffs \(Peter Navarro\) explained](#) – to finance permanent tax cuts, together with a reduction in gasoline prices deriving from an increase in US shale oil and gas production. While Navarro speaks about tax cuts to the middle class, as [we discussed last week](#), this is likely to result in massive wealth transfer from the poorest 40% of the population to the richest 1%, in which the middle class is not comprised (clearly a case of [“turkeys voting for Christmas”](#)).

As “Liberation Day” approaches, one wonders if the strategic objectives of the US administration are being met. The Secretary of Defense Pete Hegseth is mired in scandals: after the [“Signal chatgate”](#), it emerged his wife – a Fox News producer – [participated in DoD meetings without the necessary security clearing](#). One can only remember [Lord Ismay’s old saying about NATO](#), which was built to keep the “Americans in, the Germans down, and Russia out.” After the recent concessions to Putin and Germany’s re-armament, it seems that we are now seeing “America out, Russia in and Germany up.” Not exactly the most brilliant outcome.

Our Recent Publications

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Looking Ahead

The Week Ahead: US Unemployment To Increase; EZ Inflation To Ease Off; Composite PMI To Rise In DMs

In the US, in March, unemployment rate is likely to increase to 4.2% (*p*: 4.1%). NFPs are seen rising by 128K (*p*: 151K). In March, S&P Global Manufacturing PMI is expected to decrease to 49.8 (*p*: 52.7), Services PMI is likely to increase to 54.3 (*p*: 51.0). Composite PMI is seen increasing to 53.5 (*p*: 51.6).

In the EZ, in March, headline and core inflation rate is seen easing off to 2.2% y-o-y (*p*: 2.3%) and 2.5% y-o-y (*p*: 2.6%). In February, unemployment rate is likely to stay at 6.2%. In March, HCOB Manufacturing PMI is expected to increase to 48.7 (*p*: 47.6), while Services PMI is likely to decline to 50.4 (*p*: 50.6). Composite PMI is seen rising to 50.4 (*p*: 50.2).

In the UK, in March, S&P Global Manufacturing PMI is expected to decrease to 44.6 (*p*: 46.9), whereas Services PMI is likely to rise to 53.2 (*p*: 51.0). Composite PMI is seen rising up to 52.0 (*p*: 50.5).

The Quarter Ahead: Trump Renews Greenland Control Push; Court Authorizes Musk's DOGE to Proceed with USAID Dismantling

President Trump has renewed calls for U.S. control over Greenland, calling it vital for national security. During a visit to Pituffik Space Base, Vice President JD Vance criticized Denmark for underinvesting in Greenland's defense and accused European allies of lagging on military spending. He warned of growing threats from Russia and China and stressed Greenland's strategic importance as an early warning site for missile attacks.

A federal appeals court allowed Elon Musk and the DOGE to proceed with efforts to dismantle USAID, lifting a previous injunction. The ruling aligns with the Trump administration's final push to shut down the foreign aid agency. The State Dep. informed Congress of its intent to eliminate USAID, and a DOGE official told staff that most employees will be laid off by July 1 or September 2.

Last Week's Review

Real Economy: QoQ GDP Decelerated In US And Advanced Marginally In UK; UK Inflation Eased Off

In the US, in Q4, according to the final estimate, GDP growth decelerated to 2.4% q-o-q (*c*: 2.3%; *p*: 3.1%). In March, Michigan Consumer Sentiment fell to 57.0 (*c*: 57.9; *p*: 64.7).

In the EZ, in March, consumer confidence contracted to -14.5 (*c*: -14.5; *p*: -13.6). Economic Sentiment fell to 95.2 (*c*: 97; *p*: 96.3). Among the largest EZ economies, in March, headline inflation rate rose by 0.8% y-o-y as expected in France.

In the UK, in Q4, according to the final estimate, GDP growth rate advanced marginally by 0.1% q-o-q (*c*: 0.1%; *p*: 0.1%) and 1.5% y-o-y (*c*: 1.4%; *p*: 1.2%). In February, headline and core inflation eased off to 2.8% y-o-y (*c*: 2.9%; *p*: 3.0%) and 3.5% y-o-y (*c*: 3.6%; *p*: 3.7%). In February, retail sales increased by 2.2% y-o-y (*c*: 0.5%; *p*: 0.6%).

Financial Markets: Stock Prices Decreased; Short-Term Yields Declined; Dollar, Oil And Gold Prices Rose

Market Drivers: US stocks fell amid trade policy uncertainty, growth concerns, and persistent inflation. Treasury yields rose early on tariff fears but fell Friday on weak economic sentiment. In Europe, the stocks dropped Trump announced new tariffs, reversing earlier gains from positive economic and geopolitical news.

Global Equities: Decreased w-o-w (MSCI ACWI, -1.4%, to 829.89). The US S&P 500 index edged down (-1.5% w-o-w, to 5,580.94). In the EZ, share prices declined (Eurostoxx 50, -1.4% w-o-w, to 5,334.35). In EMs, equity edged down (MSCI EMs, -0.9%, to 1,120.72). Volatility rose to 20.55 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

Fixed Income: w-o-w, the 10-year US Treasury yields are virtually unchanged (+0 bps to 4.25%). The 2-year US Treasury yields fell (-4 bps to 3.91%). The German 10-year bund yields edged down (-14 bp to 2.73%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.0%, to 104.04; EUR/USD -0.1%, to 1.08). In EMs, currencies decreased (MSCI EM Currency Index, -0.1% w-o-w, to 1,757.07).

Commodities: w-o-w, oil prices increased (Brent, +0.8% to 72.76 USD/b). Gold prices increased w-o-w (+3.5% to 3,126.80 USD/Oz).



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Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	M5S	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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