



R&R Weekly Column
By Brunello Rosa



The Quality of Western Political Leaders Faces a Potentially Dangerous Collapse

The [indictment of Donald Trump took place last week](#). The former US president will have to surrender to the New York judiciary on Tuesday, two weeks after he had anticipated to occur. He is accused of having used electoral campaign funds to buy the silence of “Stormy Daniels,” a porn-star, regarding an affair they had at the time when Trump was married to Melania, and she was expecting their only child, Barron. Daniels’ silence may have also altered the course of the electoral campaign that led to Trump’s victory in November 2016.

Trump will likely use this scandal as proof of the establishment’s attempt to keep him out of power, against the will of the “true Americans” he purportedly represents. This will make the 2024 electoral campaign even more tense than one could have anticipated, and the risk of civil unrest will increase dramatically, both before the election - to prevent voting from taking place - and after it, if Trump again loses and claims the results were fraudulent.

Western countries, and even G7 countries, have already experienced similar situations, the most similar being [Italy under Berlusconi](#). But the US is the beacon for Western democracies and cannot afford to stage such a depressing “show.”

But the US is not the only Western country that is exhibiting a worrying collapse in the quality of its political leaders. In the UK, the populist leadership under Boris Johnson led the country to implement the referendum on Brexit with a “hard-leave”, a rare example of a self-inflicted wound that will be felt for generations, and will be hard to undo. Luckily, the Tory leadership is now in the safer hands of Rishi Sunak, after the disastrous interregnum of Liz Truss and Kwasi Kwarteng.

In Germany, after the fall of Merkel, a clear successor in terms of charisma has not yet emerged in any party. On the right side of the political spectrum, Friedrich Merz is facing the challenge of unifying the CDU behind his liberal positions. On the left, [Olaf Scholz is having a hard time exerting leadership over his coalition](#), in which Christian Lindner is facing the possibility for his Liberal party not to re-enter parliament. The Greens meanwhile are busy with a [leadership clash between their two co-leaders, Annalena Baerbock and Robert Habeck](#).

In France, it is unclear what happens after the presidency of Macron. Macron was a product of the French elites, but he has not yet built a credible legacy in terms of enacting policies or facilitating the emergence of credible successors. His controversial pension reform, which was approved through the Article 49.3, which allows the government to circumvent parliament, has not made him more popular. In 2027, [a possible victory by Marine Le Pen is considered to be the central scenario](#). And Marine Le Pen has not yet built a credible profile as a good administrator of France’s domestic and international affairs.

In Italy, prime minister Meloni is avoiding making huge mistakes, but the different weight Italy is considered to have on decision-making processes after the Mario Draghi’s era has been abundantly noted. Meloni herself believes that it is Macron who is keeping her out of the most relevant decision tables within European politics. At the same time, Italy’s difficulties in spending the money coming from the EU’s Recovery Fund is not helping to improve the country’s image in terms of its efficiency and effectiveness.

Especially at a time when the West is committed in a war against Russia, and indirectly against China (which is the champion of all existing and potential autocracies), it cannot afford to be presenting itself with such un-inspiring political leadership. The survival of democracy itself is at stake.

Our Recent Publications

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✿ [Georgia’s Fighting Not To Follow Ukraine’s Faith](#), by Nato Balavadze, 28 March 2023

✿ [Flash Review: BOE Increases Rates In Spite of Ongoing Banking Crises, Given Stubborn Inflation](#), by Brunello Rosa and Nato Balavadze, 23 March 2023



Looking Ahead

The Week Ahead: US Unemployment To Stay Unchanged; Composite PMI To Increase In US And EZ, While Falling In the UK

In the US, in March, unemployment is likely to remain unchanged at 3.6%. NFP is seen increasing to 240K (*p*: 311K). In March, S&P Global Manufacturing and Services PMI is expected to increase to 49.3 (*p*: 47.3) and to 53.8 (*p*: 50.6) respectively. Composite PMI is likely to edge up to 53.3 (*p*: 50.1).

In the EZ, in March, S&P Global Manufacturing PMI is expected to fall to 47.1 (*p*: 48.5), while Services PMI is likely to 55.6 (*p*: 52.7). Composite PMI is seen rising to 54.1 (*p*: 52).

In the UK, in March, S&P Global Manufacturing and Services PMIs are expected to fall to 48 (*p*: 49.3) and 52.8 (*p*: 53.5) respectively. Composite PMI is seen edging down to 52.2 (*p*: 53.1).

The Quarter Ahead: Trump Indicted; European Leaders Visit China; Von Der Leyen Outlines EU's Position On China

Donald Trump will be charged over hush money. The Manhattan District Attorney's office is investigating Trump in connection with his alleged role in a hush money payment scheme and cover-up involving adult film star that dates to the 2016 presidential election. Trump is seeking the Republican nomination to challenge Democratic President Biden next year.

European leaders visit China. Spanish Prime Minister Pedro Sanchez met with Xi Jinping and they discussed economic and trade ties. It is said that Sanchez informed Xi that Spain supported Kyiv's peace plan. Macron will also head to Beijing on April 5-8 amid the massive social protests in Paris. Macron is trying to regain the initiative on the war in Ukraine. Macron said that Ursula von der Leyen would accompany him.

Ursula von der Leyen called for tougher policy on China. Ahead of the meeting in China, Von der Leyen said that Europe should "de-risk" its relationship with China. According to her, the EU will reassess 2020 trade deal with China and introduce a new strategy on economic security. The EU's Commission chief warned Beijing not to side with Moscow in compromising peace in Europe.

Last Week's Review

Real Economy: US QoQ GDP Decelerated; UK QoQ GDP Nearly Avoids Recession; EZ Headline Inflation Fell, While Core Rose

In the US, in Q4, according to the final estimate, GDP growth decelerated to 2.6% q-o-q (*c*: 2.7%; *p*: 3.2%). In February, PCE and core PCE cooled off to 5.0% y-o-y (*p*: 5.3%) and 4.6% y-o-y (*c*: 4.7%; *p*: 4.7%). Michigan Consumer Sentiment decreased to 62 (*c*: 63; *p*: 67).

In the EZ, in March, according to flash estimates, the inflation rate eased off to 6.9% y-o-y (*c*: 7.1%; *p*: 8.5%), while core inflation increased to 5.7% y-o-y (*p*: 5.6%) as expected. Still in March, unemployment rate remained unchanged at 6.6% (*c*: 6.7%). March's economic sentiment fell slightly 99.3 (*c*: 99.8; *p*: 99.6), while consumer confidence deteriorated further to -19.2 (*p*: -19.1) as expected.

In the UK, in Q4, according to the final estimates, the UK economy advanced slightly by 0.1% q-o-q (*c*: 0%; *p*: -0.1%) and decelerated to 0.6% y-o-y (*c*: 0.4%; *p*: 2.0%).

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

Market Drivers: Investors positively reacted to the news that First Citizens Bancshares will acquire some of Silicon Valley Bank's assets. Rising oil prices boosted energy stocks. As a result, the shares rose as fears about banking turmoil eased.

Global Equities: Increased w-o-w (MSCI ACWI, +3.5%, to 646.76). The US S&P 500 index edged up (+3.5% w-o-w, to 4,109.31). In the EZ, share prices were up (Eurostoxx 50, +4.5% w-o-w, to 4,315.05). In EMs, equity prices moved up (MSCI EMs, +1.9%, to 990.28). Volatility decreased to 20.8 (VIX S&P 500, 52w avg.: 26.1; 10y avg.: 18.5).

Fixed Income: w-o-w, the 10-year US treasury yields were up (+10 bps to 3.47%). The 2-year US Treasury yields increased (+27 bps to 4.04%). The German 10-year bund yield rose (+16 bps to 2.28%).

FX: w-o-w, the US Dollar Index fell (DXY, -0.5%, to 102.3; EUR/USD +0.8%, to 1.08). In EMs, currencies increased (MSCI EM Currency Index, +0.4% w-o-w, to 1,691.69).

Commodities: w-o-w, oil prices increased (Brent, +6.6% to 79.94 USD/b). Gold prices fell w-o-w (-0.7% to 1,986.70 USD/Oz).



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The picture in the front page comes from [this website](https://www.rosa-roubini-associates.com)



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