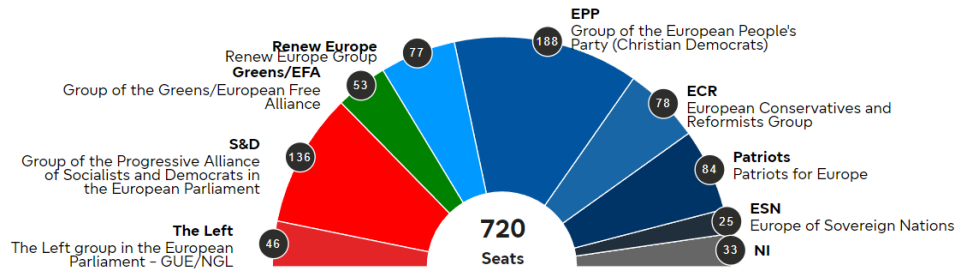




R&R Weekly Column  
By Brunello Rosa



## The Double Mistake of “Ursula” and “Giorgia” Doesn’t Bode Well For the EU

On Thurs 18 July, Ursula von der Leyen, the recently re-appointed EU Commission president, [received the necessary vote of confidence from the EU parliament](#) that will allow her new Commission to be formed and begin operating. The new Commissioners will also have to be confirmed by the EU parliament; there have been cases in the past in which [some appointed Commissioners were voted down](#). The final score in parliament, where MEPs voted with a secret ballot, recorded 401 votes in favour, 284 against and 22 blank or invalid votes.

Who voted for her? [Officially, the European People’s Party \(EPP\), the Socialists and Democrats \(S&D\), the Liberals and the Greens](#). [According to the official group sizes](#) (see **picture** above), she could have counted on 454 votes, which means that – as usually occurs – dissenters likely emerged in all groups. In any event, she had a large safety margin compared to the 360 MEP majority needed to win the vote. On the other hand, the European Conservative and Reformist (ECR) group, led by Italian Prime Minister Giorgia Meloni, voted against, even if the vote was only declared after the result was announced. While it is obvious that von der Leyen got what she wanted, we believe that both “Ursula” and “Giorgia” have made a mistake in their respective strategies. Let’s see why.

In the run up to the vote, “Ursula” had been trying to enlarge her majority beyond the traditional tri-party bloc of Socialist, Christian Democrats and Liberals. She has approached the Greens (to the left) and the ECR (to the right). Eventually, [she understood that only the Greens could be trusted to provide a positive vote](#), which they did mostly to block the mounting right-wing parties, and so she opted for them. In her speech, [she promised the “Green Deal” \(“clean industrial deal”\) to be approved within the first 100 days](#). While securing a larger and probably more cohesive coalition, she has moved the political axis of the future Commission to the left.

This could prove to be a fatal mistake. In the last few elections for the EU parliament (2014, 2019 and 2024), right-wing parties have increased their relevance in terms of votes and seats. The three right-wing groups (ECR, the Patriots recently formed by Hungarian PM Victor Orban and led by France’s Jordan Bardella, and the new Europe of Sovereign Nations - ESN, where the German AfD resides) now control 25% of the seats in the EU Parliament. While the continent was moving to the right, the Commission has shifted to the left in an attempt to isolate the rising anti-European, pro-Russian parties. But this has fed the sense of frustration of large swathes of the European electorate, those tired of the Euro-bureaucracy of Brussels and its policies that are perceived to be as elitist, such as the “green deal.” Further ignoring these demands, and doubling down on these policies, will further feed anti-European sentiment. Five years from now, the right-wing parties that are now in opposition may take the lead in the European parliament, especially if Marine Le Pen becomes French President in the meantime.

But “Giorgia” also made a mistake. Reasoning as leader of the ECR, [she said she was “coherent” with her declared intention](#) of never mixing her votes with those of the Socialists and the Greens. But by doing so she has completely nullified the results of the European elections in Italy, where she had a resounding success. In fact, she was not consulted for the top jobs of the EU institutions, and now – being in opposition – Italy will have to give up one of the positions of the Executive Vice President, and most likely also a heavy Commissioner role for Raffaele Fitto (or other politicians from her coalition).

Meloni said that the “weight” of the Commissioner will depend only on the relative weight of Italy within the EU, as its third largest economy and second largest manufacturing country behind Germany. But things don’t work like this in politics: Why should von der Leyen give an important portfolio to the Commissioner of a country whose PM has voted against her Commission, when she already enjoys a massive margin above the needed majority? Meloni should have seized the opportunity to enter the big games of EU politics and continue her march towards the centre, and to a possible convergence with the EPP at some point. The moves she made instead will leave Italy isolated and under-represented.

Unfortunately, both mistakes will be paid for by future generations.

### Our Recent Publications

🌿 [Review: ECB Keeps Rates on Hold In July, But the Door “Wide Open” for A September Cut](#), by Brunello Rosa and Nato Balavadze, 18 July 2024

🌿 [The Role of the Private Sector in Cyber warfare: Insights from the Russia-Ukraine Conflict and Beyond](#), by Marco Lucchin, 17 July 2024

🌿 [French Elections 2024: Macron’s Snap Elections and the Path to Political Uncertainty](#), by Lāsma Kokina, 16 July 2024

🌿 [Preview: ECB to Stay on Hold in July, While Preparing For a “Live” Meeting in September](#), by Brunello Rosa, Nouriel Roubini and Nato Balavadze, 15 July 2024



Looking Ahead

**The Week Ahead: PMIs Seen Increasing in Eurozone and UK, While Falling in US**

**In the US**, in Q2, according to advance estimate, GDP growth rate is seen advancing by 2.0% q-o-q (*p*: 1.4%). In July, S&P Global Manufacturing and Services PMIs are expected to edge down to 51.5 (*p*: 51.6) and 55 (*p*: 55.3). In July, Michigan Consumer Sentiment is likely to decrease to 66.0 (*p*: 68.2).

**In the EZ**, in July, consumer confidence is likely to rise to -13.2 (*p*: -14.0). In July, HCOB Manufacturing and Services PMIs are expected to edge up to 46.3 (*p*: 45.8) and 53.0 (*p*: 52.8).

**In the UK**, in July, S&P Global Manufacturing PMI is seen rising to 51.1 (*p*: 50.9). Composite PMI is expected to increase to 52.5 (*p*: 52.3).

**The Quarter Ahead: Largest IT Outage Ever; Zelensky's Trip To Britain; Protests In Bangladesh**

**Financial services, airlines, and media sites were among those affected by one of the largest IT outages ever.** Businesses and services worldwide are gradually recovering from a major IT outage that lasted for hours on Thursday and Friday. The outage, caused by a faulty software update from cybersecurity firm CrowdStrike, severely impacted banks, hospitals, and airlines, particularly affecting Microsoft Windows systems.

**In an address to the UK cabinet, Zelensky urged for help to enhance Ukraine's long-range capabilities.** New UK PM Keir Starmer pledged support for Ukraine "as long as it takes." Zelensky called on Western allies to permit long-range strikes on Russia and asked Britain to convince its partners to lift the restrictions. Trump announced on Friday that he spoke with Ukrainian President Volodymyr Zelensky and pledged to end the war with Russia.

**Protests in Bangladesh.** Protests began last month after the High Court reinstated a government job quota system, reversing a 2018 decision by Prime Minister Sheikh Hasina. This week, violence erupted as anti-quota demonstrators clashed with Hasina's party's student wing. Police used rubber bullets, sound grenades, and tear gas to disperse protesters blocking railway tracks and major roads.

Last Week's Review

**Real Economy: Headline Inflation Cooled Off, While Core Remained Unchanged In EZ; ECB Remained On Hold**

**In the EZ**, in June, headline inflation rate eased off to 2.5% y-o-y (*p*: 2.6%), while core inflation stayed unchanged at 2.9% y-o-y as expected. In May, IP shrank by -2.9% y-o-y (*p*: -3.1%). Among the largest EZ economies, headline inflation rate rose by 0.8% y-o-y (*c*: 0.8%; *p*: 0.8%) in Italy.

**In the UK**, in June, headline inflation holds steady at BoE's 2.0% y-o-y target (*c*: 1.9%; *p*: 2.0%). Core inflation also stayed at 3.5% y-o-y as expected. In May, unemployment rate remained unchanged at 4.4%. In June, retail sales shrank by -0.2% y-o-t (*c*: 0.2%; *p*: 1.7%).

**CBs stayed on hold.** In the EZ, the ECB kept its key policy rates unchanged.

**Financial Markets: Stock Prices Were Mixed; US Yields Rose; Dollar Edged Up, While Oil And Gold Prices Fell**

**Market Drivers:** In the US, investors reacted negatively to the news regarding the tech sector (further scrutiny on semiconductors import and Trump's declaration that "Taiwan will have to pay for its defense") and positively to Thursday's CPI report showed a 0.1% drop in headline prices for June, the first decline since May 2020. In Europe, share prices rose on lower-than-expected U.S. inflation data. Following the CPI report, the yield on the 10-year Treasury note dropped sharply, briefly hitting its lowest level of 4.16% since March 12<sup>th</sup>.

**Global Equities:** Decreased w-o-w (MSCI ACWI, -2.1%, to 810.87). The US S&P 500 index edged down (-2.0% w-o-w, to 5,505.00). In the EZ, share prices fell (Eurostoxx 50, -4.3% w-o-w, to 4,825.60). In EMs, equity prices decreased (MSCI EMs, -3.0%, to 1,089.61). Volatility rose to 15.90 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

**Fixed Income:** w-o-w, the 10-year US Treasury yields edged up (+6 bps to 4.24%). The 2-year US Treasury yields increased (+6 bps to 4.52%). The German 10-year bund yields decreased (-4 bps to 2.46%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +0.3%, to 104.36; EUR/USD -0.2%, to 1.09). In EMs, currencies fell (MSCI EM Currency Index, -0.3% w-o-w, to 1,724.79).

**Commodities:** w-o-w, oil prices decreased (Brent, -2.9% to 82.58 USD/b). Gold prices decreased w-o-w (-0.7% to 2,402.80 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](mailto:info@rosa-roubini-associates.com)

[www.rosa-roubini-associates.com](http://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                                       |



Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 118 Pall Mall, St. James's, London SW1Y 5ED, United Kingdom. VAT registration number GB 278 7297 39. **Analyst Certification:** We, Brunello Rosa and Nouriel Roubini, hereby certify that all the views expressed in this report reflect our personal opinion, which has not been influenced by considerations of Rosa & Roubini Associates's business, nor by personal or client relationships. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the views expressed in this report. **Disclaimer:** All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the U.S. SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.

