



R&R Weekly Column
By Brunello Rosa



Global Politics In Turmoil: What Will Emerge From The Chaos?

The last few days have witnessed political turmoil in major countries, starting last Sunday when the results of the second round of the [French legislative round began to emerge](#). French President Emmanuel Macron, who had already lost his parliamentary majority in 2022, has further reduced its parliamentary base. A hung parliament has resulted from the surge of the extreme right and extreme left, which will make it even harder to form a government in coming weeks.

Also in Europe, Victor Orbán, the PM of Hungary, which holds the rotating presidency of the EU, [visited both Volodymyr Zelensky in Kiev](#) and [Vladimir Putin in Moscow](#). Orban is reportedly seeking a diplomatic solution, but his visit to Moscow allowed [Putin to say that the EU is trying to re-establish a dialogue with Russia](#), which is [by no means the EU's official position](#). The outgoing President of the EU Council, Charles Michel, said that [Orbán has "no mandate" from the EU](#) to open a diplomatic channel with Russia, and that the EU needs to show "unity" not "cracks" in its unwavering support for Ukraine.

Yet these cracks are already emerging, and they are likely to intensify in the coming months. Marine Le Pen said that if the RN reaches power, [it will withdraw its authorisation to use the long-distance weapons France has supplied to Ukraine](#), a move that will certainly please Putin. Putin himself was also [pleased to hear that US presidential candidate Donald Trump "sincerely" intends to reach an agreement](#) between the two sides by allowing Russia to remain in Ukraine's territory, and by promising that Ukraine will never join NATO. More than a compromise, that would seem like a capitulation to Putin's pretences.

These "cracks" could eventually lead to an internal division within the EU, with the [creation by Victor Orbán of a new group of "Patriots" within the EU parliament](#), which has already attracted the participation of Spain's Vox, Italy's Lega, Czechia's ANO, and Austria's FPÖ.

Where is the US in all this? The race for the November 5th presidential election continues, but both camps seem in trouble. The Democrats – [and especially their powerful donors](#) – are actively considering replacing Joe Biden as their nominee, on the back of the [disastrous showing by him in the CNN debate with Trump](#). But [Biden reiterated he will remain in the race](#), running on the real achievements of his government, including the massive job creation: on Friday, [the June Non-Farm Payroll showed an increase of 206K jobs](#), above market expectations of a 190K figure.

The Republican camp is well presided over by Trump, who is certain to win the nomination by the party in a few days. But two major scandals are emerging. First is [Trump's alleged potential involvement in Jeffrey Epstein's organisation](#), as he emerged by the de-classification of official documents. Second, there is the emergence of [his links with the authors of Project 2025](#), a sort of [guide to establish an autocratic regime in the US](#) starting from the inauguration of Trump in January 2025, with around 20,000 people reportedly on call to replace the employees of the current administration, in order to make the "deep state" loyal to Trumpism.

In all this chaos, which could lead to any outcome, the UK, which completely changed its political colour following its general election last week, with a [massive defeat of the Tories and a resounding victory by Labour](#), led by Keir Starmer, seems to be an island of peace and stability, considering the orderly and civilised transition of power that occurred between outgoing PM Sunak and incoming PM Starmer.

Our Recent Publications

📖 [China's Wargames in the Indo-Pacific: Digital Silk Road and Hybrid Warfare](#), by Joshua Bowes, 3 July 2024

📖 [The UAE's Pragmatic Engagement with the Taliban](#), by Gulf State Analytics, 2 July 2024

📖 [Mileionomics: Far Right or Right On? An Economic And Political Analysis of Javier Milei's "Shock Therapy"](#), by Ruy Scalamandré, 27 June 2024



Looking Ahead

The Week Ahead: Headline Inflation To Cool Off, While Core Remains Unchanged In US; Inflation To Ease Off In Germany And France

In the US, in June, headline inflation is seen easing off to 3.1% y-o-y (p: 3.4%), while core inflation is expected to stay unchanged at 3.4% y-o-y. On a monthly basis, inflation is likely to rise by 0.1% (p: 0.0%).

In the EZ, in. Among the largest EZ economies, the headline inflation is seen falling to 2.2% y-o-y (p: 2.4%) in Germany and to 2.1% y-o-y (p: 2.3%) in France.

In the UK, in May, IP is expected to advance by 0.3% m-o-m (p: -0.9%)

The Quarter Ahead: Debates Between Biden And Trump; US Supreme Court Weakens Federal Regulators In Boost For Business

The 2024 UK general elections. Labour has secured 412 seats, while the Conservatives have plummeted to 121, and the centrist Liberal Democrats have claimed 71. Reform UK, the successor to the Brexit Party, gained four seats, matching the number won by the left-wing Green Party. Keir Starmer has assumed the role of prime minister. Rachel Reeves is the UK's first female Chancellor, and Angela Rayner is Deputy Prime Minister among a record 11 women in the 25-member cabinet. David Lammy is the new Foreign Secretary, and Yvette Cooper is Home Secretary.

Rwanda deportation plan is confirmed 'dead'. Keir Starmer, announced on Saturday that he would scrap the plan to fly thousands of asylum seekers to Rwanda. This marks his first major policy move since his landslide election victory. The previous Conservative government introduced the plan in 2022 to deter asylum seekers from arriving in the UK on small boats.

French elections. France has voted in the decisive second round of snap legislative elections called by President Emmanuel Macron after his centrist alliance faced a significant defeat in the European elections. In the first round last week, the far-right National Rally led, securing about a third of the vote. In the second round, the leftist New People's Fronts has secured the most seat in a hung parliament, with Macron's Ensemble! arriving second and Le Pen's National Rally arriving only third.

Last Week's Review

Real Economy: Inflation Eased Off In EZ; PMIs Fell In EZ And UK And Rose In US; US Unemployment Increased

In the US, in June, unemployment rate increased to 4.1% (c: 4.0%; p: 4.0%). NFPs increased by 206K (c: 190K; p: 218K). In June, S&P Global manufacturing and services PMIs edged up to 51.6 (c: 51.7; p: 51.3) and 55.3 (c: 55.1; p: 54.8). Composite PMI increased to 54.8 (c: 54.6; p: 54.5).

In the EZ, in June headline and core inflation rate eased off to 2.5% y-o-y (c: 2.5%; p: 2.6%) and 2.9% y-o-y (c: 2.8%; p: 2.9%). In May, unemployment rate stayed at 6.4%. In June, HCOB Manufacturing and Services PMIs edged down to 45.8 (c: 45.6; p: 47.3) and 52.8 (c: 52.6; p: 53.2). Composite PMI decreased to 50.9 (c: 50.8; p: 52.2). In May, retail sales decelerated to 0.3% y-o-y (c: 0.1%; p: 0.6%)

In the UK, in June, S&P Global manufacturing and services PMIs declined to 50.9 (c: 51.7; p: 51.3) and 52.1 (c: 51.2; p: 52.9). Composite PMI decreased to 52.3 (c: 51.7; p: 53.0).

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

Market Drivers: In the US, expectations for lower interest rates and easing inflation boosted stocks. Friday's jobs report reinforced the likelihood of a potential Fed rate cut this year, causing government bond yields to fall. In Europe, stocks increased, while political jitters eased as the far right in France failed to secure a majority in the June 30 legislative elections.

Global Equities: Increased w-o-w (MSCI ACWI, +1.9%, to 817.59). The US S&P 500 index edged up (+2.0% w-o-w, to 5,567.19). In the EZ, share prices rose (Eurostoxx 50, +1.7% w-o-w, to 4,978.25). In EMs, equity prices increased (MSCI EMs, +1.7%, to 1,104.88). Volatility fell to 13.33 (VIX S&P 500, 52w avg.: 14.6; 10y avg.: 18.1).

Fixed Income: w-o-w, the 10-year US Treasury yields fell (-12 bps to 4.28%). The 2-year US Treasury yields decreased (-14 bps to 4.61%). The German 10-year bund yields increased (+4 bps to 2.53%).

FX: w-o-w, the US Dollar Index decreased (DXY, -0.9%, to 104.88; EUR/USD +1.2%, to 1.08). In EMs, currencies rose slightly (MSCI EM Currency Index, +0.1% w-o-w, to 1,725.1).

Commodities: w-o-w, oil prices increased (Brent, +0.5% to 86.86 USD/b). Gold prices increased w-o-w (+2.6% to 2,399.85 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



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.

