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## MAKING SENSE OF *THIS* WORLD

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**By Brunello Rosa**



### New parties may change the US and UK political landscape ahead of elections

In the last couple of days, the formation of new political parties have been announced in both the US and the UK. They may change the political landscape of their respective countries.

In the US, Elon Musk, the billionaire behind Tesla, SpaceX, Starlink and the former head of DOGE, announced the [creation of what he is calling the America Party](#). What sparked this decision was the [feud that opened up between him and President Trump regarding the Big Beautiful Bill \(BBB\)](#), which was approved last week. It is well documented, for example by the Congressional Budget Office, that the BBB will add [around 4 trillion dollars](#) of US debt over the next 8-9 years. This would be in direct opposition to what DOGE was trying to achieve, namely spending reductions.

The America Party, if it ever comes to fruition, would aim at breaking the “single party system” that has dominated US politics for centuries. Musk’s frequent criticism of both the Democrats and Republicans is well documented. He has tweeted about the “broken” state of American politics, lamenting the polarisation and lack of innovative solutions.

A Musk-backed party would likely echo his commitment to technological advancement, placing innovation, scientific progress, space exploration and fiscal responsibility front and centre. Advocating for free speech and fewer regulatory constraints, such a party might attract entrepreneurs, technophiles, younger voters, and those disillusioned with traditional politics. Some have dubbed the hypothetical movement the “X Party,” a nod to Musk’s branding instincts. The party may have similarities with [Beppe Grillo’s Five Star Movement](#), for its frequent “consultation of the base”, which in this case is identified with the social platform X.

As Musk is not American-born, he cannot run for president. So Musk said his party will aim at winning a handful of seats in the Senate and districts House, which could make the difference in key votes, where sometimes only a slim majority approves laws. The BBB for example passed the Senate with a 50-50 tie that [was broken only by vice-President JD Vance](#).

From a political perspective, America Party votes may split the right-wing electorate, potentially facilitating the victory of Democratic candidates in areas where the margin between candidates is minimal. Trump is unlikely to see this as a positive development ahead of the mid-term elections, which are set to take place in November 2026 (if they take place).

In the UK, [press reports have abounded about the intention of Jeremy Corbyn](#) (the former leader of the Labour party, kicked out by the new leader Keir Starmer) to form a new leftist political party, potentially called “The Common Ground.” In the last few days, Corbyn and the party co-leader Zarah Sultana outlined the party’s founding principles: public ownership of essential services, a Green New Deal for climate action, and an unwavering commitment to social justice. Emphasising unity, they are welcoming trade unionists, activists, young people, and all who feel unrepresented by the current political establishment.

The new party can [shave off up to 10% of support for Keir Starmer’s Labour party](#), which may prove essential to win what is likely to be a contested race against Reform and its leader Nigel Farage at the next election. Corbyn, who lost two general elections (against Conservative leaders Theresa May and Boris Johnson, leading to the worst defeat for Labour since 1935) and was instrumental for the victory of the Brexit referendum by the Brexiteers, may pull out another bitter surprise for the UK’s liberal and progressive electorate, paving the way for Nigel Farage to become the UK’s next prime minister.

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### Looking Ahead

#### The Week Ahead: EZ Retail Sales To Contract; Headline Inflation Rate To Rise In Germany And France

**In the EZ**, in May, retail sales are likely to contract by -0.8% m-o-m (*p*: 0.1%). Among the largest EZ economies, in June, headline inflation is expected to: *i*) rise by 2.0% y-o-y (*p*: 2.1%) in Germany; *ii*) increase by 0.9% y-o-y (*p*: 0.7%) in France.

**In China**, in June, headline inflation is expected to stall (*p*: -0.1%).

#### The Quarter Ahead: OPEC+ Will Boost Supply; Musk's New Political Party; Pentagon Halts Arms Shipments To Ukraine

**OPEC+ will boost oil production** by 548,000 barrels per day in August, faster than expected, as it seeks to tap strong summer demand and reclaim market share. The decision accelerates the group's rollback of output cuts, originally set to last another year. This marks the first meeting since oil prices spiked and then eased after Israeli and US strikes on Iran. After cutting output since 2022 to support prices, the group is now reversing course amid pressure from President Trump to lower fuel costs.

**Elon Musk has announced the launch of a new political group**, the America Party, positioning it as a challenge to the US two-party system. While it's unclear if the party is officially registered, Musk, who cannot run for president, has not named a leader. The idea emerged during his feud with Trump, which ended his role in the administration.

**The Pentagon has paused weapons shipments to Ukraine** amid concerns over dwindling US stockpiles, despite Russian attacks. The move follows a call between Trump and Zelensky, who said they agreed to boost air defenses and explore joint arms production.

### Last Week's Review

#### Real Economy: US Unemployment Fell; QoQ GDP Advanced In UK; Headline Inflation Rose In EZ

**In the US**, in June, unemployment rate fell to 4.1% (*c*: 4.3%; *p*: 4.2%). NFPs rose by 147K (*c*: 110K; *p*: 144K). In June, S&P Global Manufacturing rose to 52.9 (*c*: 52; *p*: 52), whereas Services PMI edged down to 52.9 (*c*: 53.1; *p*: 53.7). Composite PMI fell to 52.9 (*c*: 52.8; *p*: 53.0).

**In the EZ**, in June, according to flash estimates, headline inflation rose to 2.0% y-o-y (*c*: 2.0%; *p*: 1.9%), while core inflation stayed at 2.3% as expected. In May, unemployment rate increased to 6.3% (*c*: 6.2%; *p*: 6.2%). In June, HCOB Manufacturing and Services PMIs edged up to 49.5 (*c*: 49.4; *p*: 49.4) and 50.5 (*c*: 50.0; *p*: 49.7). Composite PMI increased to 50.6 (*c*: 50.2; *p*: 50.2).

**In the UK**, in Q1, GDP growth rate advanced by 0.7% q-o-q (*c*: 0.7%; *p*: 0.1%) and 1.3% y-o-y (*c*: 1.3%; *p*: 1.5%). In June, S&P Global Manufacturing and Services PMIs edged up to 47.7 (*c*: 47.7; *p*: 46.4) and 52.8 (*c*: 51.3; *p*: 50.9). Composite PMI increased to 52.0 (*c*: 50.7; *p*: 50.3).

#### Financial Markets: Stock Prices Rose; US Yields, Dollar, Gold And Oil Prices Were Up

**Market Drivers:** The S&P 500 and Nasdaq hit record highs for a second week, while U.S. Treasury yields rose as investors weighed resilient jobs data and Trump's tax-and-spending plan. Strong U.S. jobs numbers dimmed hopes for near-term rate cuts. In Europe, stocks rose, but UK markets slumped after PM Starmer declined to back Finance Minister Reeves following a welfare policy reversal.

**Global Equities:** Increased w-o-w (MSCI ACWI, +1.2%, to 925.73). The US S&P 500 index edged up (+1.7% w-o-w, to 6,279.35). In the EZ, share prices increased (Eurostoxx 50, -0.7% w-o-w, to 5,288.81). In EMs, equity edged up (MSCI EMs, +0.3%, to 1,231.63). Volatility declined to 18.75 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

**Fixed Income:** w-o-w, the 10-year US Treasury yields were up (+6 bps to 4.33%). The 2-year US Treasury yields edged up (+15 bps to 3.89%). The German 10-year bund yields fell (-3 bp to 2.57%).

**FX:** w-o-w, the US Dollar Index declined (DXY, -0.2%, to 97.2; EUR/USD +0.5%, to 1.18). In EMs, currencies increased (MSCI EM Currency Index, +0.3% w-o-w, to 1,858.44).

**Commodities:** w-o-w, oil prices rose (Brent, +2.2% to 68.30 USD/b). Gold prices increased w-o-w (+1.3% to 3,346.50 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.com](http://www.rosa-roubini.com)

118 Pall Mall, London SW1Y 5ED



**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
DIEM	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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