MAKING SENSE OF *THIS* WORLD

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R&R Weekly Column
By Brunello Rosa

A Revamped World Economic Forum Begins, With Several Open Fronts

The 2026 edition of the World Economic Forum opens today in Davos and runs through Friday, 23 January. For the first time in decades, the gathering is taking place without its founder, Klaus Schwab, who established the Forum in 1971 and led it for more than half a century before stepping down from the board in 2025 following allegations of misconduct.

Stepping into the breach is Larry Fink, CEO of BlackRock, who has assumed the role of interim co-chair and taken responsibility for this year's edition. Rather than allowing the Forum to drift toward irrelevance amid scandal and scepticism, Fink chose to double down. He personally reached out across his global network: prime ministers and presidents, chief executives of the world's largest corporations, and leaders of major international NGOs. The result is a striking show of attendance, including Donald Trump, who is attending Davos in person for the first time.

Fink has been quick to address the familiar criticism that Davos is merely a conclave of global elites making decisions over the heads of ordinary citizens. His response is that, in an era of fractured alliances and deepening geopolitical fragmentation, providing a neutral forum where world leaders can still speak to one another is itself a public good. That rationale underpins this year's theme: "A Spirit of Dialogue."

The timing could hardly be more charged. Leaders are gathering in the Swiss Alps amid escalating international tensions, recently escalated by Trump's decision to impose an additional 10 per cent tariff on eight European countries that pledged support to Greenland's territorial integrity. At the same time, Trump has tightened his grip domestically, placing Minnesota Governor Tim Walz, former running mate of Kamala Harris, under federal investigation.

The list of global flashpoints is long. Beyond Greenland, there is the effective US takeover of Venezuela; American backing for protests in Iran that could yet trigger regime change; the ongoing war between Russia and Ukraine, with President Volodymyr Zelensky expected to meet Trump in Davos; and rising tensions over Taiwan all the while China expands its Belt and Road investments and capitalises on waning US influence in parts of the Asia-Pacific.

Then there is the Middle East, where Trump has just appointed a so-called "Board of Peace" for Gaza. Add to this a daunting set of macroeconomic challenges, fraught policy debates including questions around central bank independence, and a rapid technological transformation reshaping economies and markets, not least through the emergence of digital assets and digital currencies.

Against this backdrop, the hope is that, at a moment when multilateralism and the rules-based international order appear increasingly out of favour, private-sector-led platforms such as the World Economic Forum can still serve a vital function: keeping channels of dialogue open among superpowers, regional actors, policymakers, and market participants, even as the world becomes more divided.

Our Recent Publications

- *The U.S "Donroe" Doctrine: Expansion, Consolidation and Retrenchment, by Brunello Rosa, 15 January 2026*
- *Market Outlook 2026: Equities, Bonds, FX and Commodities, by Nato Balavadze, 15 January 2026*
- *Policy Outlook 2026: Fiscal Strain and Monetary Divergence, by Nato Balavadze, 14 January 2026*
- *Iran's 2025–26 Protest Wave and the Crisis of Governance, by Giorgio Cafiero, 14 January 2026*
- *2026 Economic Forecast: Global Trends, Regional Divergences, by Lasma Kokina, 13 January 2026*
- *Redefining US Leadership: US Diplomatic Theatre and the Retreat from Multilateralism, by Eva Kristinova, 09 January 2026*

Looking Ahead

The Week Ahead: QoQ GDP To Advance In US; QoQ PCE Prices To Increase In US; Inflation To Ease Off In EZ While Rising In UK

In the US, in Q3, according to the final estimate, GDP growth rate is expected to advance by 4.3% y-o-y (*p:* 3.8%). In Q3, PCE and Core prices are seen rising by 2.8% q-o-q (*p:* 2.1%) and 2.9% q-o-q (*p:* 2.6%). In November, core PCE price index is expected to increase by 2.7% y-o-y. In January, Michigan consumer sentiment is likely to increase to 54.0 (*p:* 52.9).

In the EZ, in December, headline and inflation rates are expected to ease off to 2.0% y-o-y (*p:* 2.1%) ad 2.3% y-o-y (*p:* 2.4%). In January, ZEW economic sentiment index is seen rising to 35.2 (*p:* 33.7).

In the UK, in December, headline and core inflation rates are likely to rise to 3.3% y-o-y (*p:* 3.2%) and 3.3% y-o-y (*p*: 3.2%). In November, unemployment rate is expected to edge down to 5.0% (*p*: 5.1%). In December, retail sales are seen rising by 0.9% y-o-y (*p:* 0.6%).

The Quarter Ahead: Trump Threatens Tariffs Over Greenland Deal; EU And Mercosur Finalize Landmark Trade Deal

European leaders slammed Donald Trump's threat to impose tariffs if Europe blocks his bid to buy Greenland, calling it unacceptable. Trump said eight NATO allies would face tariffs rising from 10% to 25% unless a deal is reached. Starmer and Macron warned of a united European response, while the EU, led by Ursula von der Leyen, voiced full support for Denmark and Greenland.

The EU and Mercosur signed a landmark free trade deal in Paraguay, ending 25 years of talks and setting up the EU's largest trade agreement. The pact still requires approval by the European Parliament and Mercosur states. Despite concerns over cheap imports and deforestation, Ursula von der Leyen said it would create the world's largest free trade zone.

Last Week's Review

Real Economy: US Headline and Core Inflation Rate Stayed Unchanged; IP Rose In DMs

In the US, in December, headline and core inflation rates stayed at 2.7% y-o-y (*c:* 2.7%: *p:* 2.7%) and 2.6% (*c:* 2.7%; *p:* 2.7%) respectively. In December, IP production rose by 2.0% y-o-y (*p:* 2.7%). In November, retail sales rose by 3.3% y-o-y (*p:* 3.3%).

In the EZ, in November, IP increased by 0.7% m-o-m (*c:* 0.5%; *p:* 0.7%) and by 2.5% y-o-y (*c:* 2.0%; *p:* 1.7%). Among the largest EZ economies, in December, headline inflation rate: *i)* eased off to 1.8% y-o-y (*p:* 2.3%) in Germany as expected; *ii)* rose by 1.2% y-o-y (*p:* 1.1%) in Italy as expected.

In the UK, in November, IP increased by 1.1% m-o-m (*c:* 0.1%; *p:* 1.3%) and by 2.3% y-o-y (*c:* -0.4%; *p*: 0.4%). Manufacturing production rose to 2.1% m-o-m (*c:* 0.4%; *p:* 0.5%) and to 2.1% y-o-y (*c:* -0.3%; *p:* -0.2%).

Financial Markets: Stocks Are Mixed; US Short-Term Yields Rose; US Dollar, Oil And Gold Prices Up

Market Drivers: Markets were mixed as earnings season kicked off. Bank earnings were uneven, but strong results from TSMC lifted AI stocks. Political headlines added uncertainty, while in fixed income, municipals and corporates outperformed Treasuries. In Europe, stocks rose on resilient data and earnings.

Global Equities: increased *w-o-w* (MSCI ACWI, +0.3%, to 1038.33). The US S&P 500 index fell (-0.4% w-o-w, to 6,940.01). In the EZ, share prices increased (Eurostoxx 50, +0.5% w-o-w, to 6,029.45) In EMs, equity increased (MSCI EMs, +2.2%, to 1,484.97). Volatility is virtually rose to 18.36 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o-*w, the 10-year US Treasury yields are virtually unchanged (+0 bps to 4.23%). The 2-year US Treasury yields increased (+6 bps to 3.60%). The German 10-year bund yields rose marginally (+1 bp to 2.84%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.3%, to 99.39; EUR/USD -0.3%, to 1.16). In EMs, currencies fell (MSCI EM Currency Index, -0.3% w-o-w, to 1,848.60).

Commodities: *w-o-w,* oil prices increased (Brent, +1.2% to 64.13 USD/b). Gold prices rose w-o-w (+2.1% to 4,595.40 USD/Oz).

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Nato Balavadze *contributed to this Viewsletter.* *The picture in the first page was taken from this website.*

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*