MAKING SENSE OF *THIS* WORLD

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R&R Weekly Column
By Brunello Rosa

The Munich Security Conference 2026: A Fractured World Order

The 62nd Munich Security Conference, held from 13 to 15 February 2026, took place at a moment of profound uncertainty for the international system. Under the stark theme *"Under Destruction,"* more than 60 heads of state and government gathered to confront an increasingly fragile rules-based order and a visibly strained transatlantic relationship. Much of the conference can be understood through two lenses: the Trump administration's National Security Strategy, released in December 2025, and the contrasting keynote speeches delivered in Munich by German Chancellor Friedrich Merz and US Secretary of State Marco Rubio.

As discussed in earlier columns, the new US National Security Strategy marked a sharp break with post-Cold War orthodoxy. It reoriented American foreign policy decisively toward the Western Hemisphere through what amounts to a "Trump Corollary" to the Monroe Doctrine, while reframing China primarily as an economic rival rather than a systemic ideological threat. Crucially for Europe, the strategy signalled a realignment of US military focus away from the continent, intensifying European anxieties and accelerating calls for strategic autonomy, including Franco-German discussions on a European nuclear deterrent.

More controversially, the strategy openly endorsed efforts to "cultivate resistance to Europe's current trajectory within European nations" and expressed optimism about the rise of "patriotic European parties." This language effectively divided Europe between governments aligned with Washington's worldview and those seen as contributors to Western decline. That ideological fault line loomed large over Munich.

Chancellor Merz's opening address offered a stark assessment of the moment. The post-1945 international order, he argued, "no longer exists." The world has entered a new era of great-power politics, and Europe must face an "inconvenient truth": a widening rift has emerged between Europe and the United States. Merz explicitly referenced Vice President JD Vance's confrontational speech at the 2025 Munich conference as a turning point in that relationship. Yet Merz stopped short of outright rupture. While critical of elements of the Trump administration's approach, he warned that the United States is not "powerful enough to go it alone" in an era of renewed geopolitical competition. He called on both sides to repair and rebuild transatlantic trust, stressing that NATO remains a mutually beneficial alliance. At the same time, he was unequivocal that Europe must develop a self-sustaining pillar within NATO, revealing that talks with President Emmanuel Macron on a European nuclear capability were already underway.

Merz also drew clear normative distinctions. In Germany, he noted, freedom of speech ends where human dignity is threatened. Europe, he added, remains committed to free trade, climate cooperation, and multilateral institutions such as the World Health Organization, implicit rebukes to Washington's recent policy choices.

US Secretary of State Marco Rubio followed with a notably more conciliatory address on Saturday morning. In contrast to Vance's reception a year earlier, Rubio's speech was met with a standing ovation. He emphasised that the United States and Europe "belong together" and underscored the historic transatlantic partnership that had "saved the world" in earlier crises.

Still, Rubio did not dispute the broader diagnosis. Speaking ahead of his departure, he echoed Merz's conclusion that "the old world is gone." The emerging geopolitical landscape, he argued, demands that all nations reassess their roles and responsibilities. Global institutions, in his words, must be "reformed" and "rebuilt," reflecting the Trump administration's more transactional and conditional approach to international cooperation.

The Munich conference ultimately laid bare a central paradox. Transatlantic tensions are real, structural, and unlikely to dissipate. Yet both Europe and the United States recognise that disengagement is not an option. In a world defined by fragmentation, rivalry, and competing visions of order, continued engagement may be strained, but it remains indispensable.

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Looking Ahead

The Week Ahead: US QoQ GDP To Decelerate; UK Inflation To Ease Off; PMIs To Increase In US And EZ, While Being Mixed In UK

In the US, in Q4, GDP growth rate is seen decelerating to 3.0% q-o-q (*p*: 4.4%) SAAR. In January, IP is expected to increase by 0.3% m-o-m (*p:* 0.4%). In February, S&P Global manufacturing and Services PMIs are likely to increase to 52.6 (*p:* 52.4) and 57.3 (*p:* 56.4). In February, Michigan Consumer Expectations are expected to increase to 57.0 (*p*: 56.6).

In the EZ, in February, ZEW Economic Sentiment Index is expected to increase to 45.2 (*p:* 40.8). In February, consumer confidence is likely to rise to -12 (*p:* -12.4). In January, among the largest EZ economies, headline inflation is expected to: *i)* ease off to 1.8% y-o-y (*p:* 2.1%) in Germany; *ii*) rise by 0.8% y-o-y *(p*: 0.3%) in France. In February, HCOB manufacturing and services PMIs are likely to edge up to 49.9 (*p:* 49.5) and 51.9 (*p:* 51.6).

In the UK, in December, unemployment rate is expected to remain at 5.1%. In January, headline and core inflation rates are seen cooling off to 3.0% y-o-y (*p*: 3.4%) and 3.1% y-o-y (*p:* 3.2%). In February, S&P Global manufacturing PMI is likely to remain at 51.8, while and services PMI is expected to edge down to 53.5 (*p:* 54.0).

The Quarter Ahead: US House Votes To Overturn Trump's Canada Tariffs; Iran Seeks Mutually Beneficial Nuclear Deal With US

The House voted 219–211 to repeal Trump's tariffs on Canada, with six Republicans joining Democrats. The move is symbolic, as Senate approval and Trump's signature are unlikely. Trump warned GOP dissenters of political consequences. Democrats argue the tariffs hurt US-Canada relations and raised prices at home.

Iran and the US will hold further nuclear talks in Geneva on Tuesday, with Oman mediating. Tehran signalled willingness to compromise in exchange for sanctions relief and mutual economic gains. Iranian officials said potential cooperation could include energy, mining, and aviation, while urging the US to show it is serious about reaching an agreement. Meanwhile on 14th February, millions of people gathered in several cities around the globe to ask for the return of Reza Pahlavi Jr. to Iran and lead the country.

Last Week's Review

Real Economy: QoQ GDP Advanced In EZ And UK; US Headline Inflation Eased Off; US Unemployment Edged Down

In the US, in January, headline and core inflation rates eased off to 2.4% y-o-y (*c:* 2.5%; *p:* 2.7%) and 2.5% y-o-y (*c:* 2.5%; p: 2.6%). In January, unemployment rate fell to 4.3% (*c:* 4.4%; *p:* 4.4%). NFPs increased by 130K (*c:* 70K; *p:* 48K).

In the EZ, in Q4, according to preliminary estimate, GDP increased by 0.3% q-o-q (c: 0.3%; *p:* 0.3%) and 1.3% y-o-y (*c:* 1.3%; *p:* 1.4%).

In the UK, in Q4, according to the preliminary estimate, GDP growth rate advanced marginally by 0.1% q-o-q (*c:* 0.2%; *p*: 0.1%) and 1.0% y-o-y (*c:* 1.2%; *p:* 1.2%). In December, the economy rose marginally by 0.1% m-o-m (*c*: 0.1%; *p:* 0.2%). IP decelerated to 0.5% y-o-y (*c:* 1.5%; *p:* 2.3%).

Financial Markets: Stocks Were Mixed; US Yields Declined; US Dollar and Oil Prices Were Down, While Gold Prices Were Up

Market Drivers: Stocks fell on AI disruption fears. Value stocks outperformed growth for a seventh straight week, extending its year-to-date lead to over 11 percentage points. Treasuries gained as yields fell amid tech weakness. In Europe, stocks briefly hit a record high but closed nearly flat, with markets swinging between strong U.S. jobs data and rising AI-related concerns.

Global Equities: virtually unchanged *w-o-w* (MSCI ACWI, -0.0%, to 1042.75). The US S&P 500 index decreased (-1.4% w-o-w, to 6,836.3170). In the EZ, share prices increased (Eurostoxx 50, -0.2% w-o-w, to 5,985.23) In EMs, equity increased (MSCI EMs, +3.2%, to 1,555.38) Volatility is virtually rose to 20.63 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o-*w, the 10-year US Treasury yields were down (-15 bps to 4.06%). The 2-year US Treasury yields declined (-9 bps to 3.41%). The German 10-year bund yields declined (-9 bp to 2.76%).

FX: *w-o-w,* the US Dollar Index declined (DXY, -0.7%, to 96.92; EUR/USD +0.4%, to 1.19). In EMs, currencies rose (MSCI EM Currency Index, +0.6% w-o-w, to 1,871.44).

Commodities: *w-o-w,* oil prices decreased (Brent, -0.4% to 67.75 USD/b). Gold rose increased w-o-w (+1.3% to 5,046.30 USD/Oz).

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