



MAKING SENSE OF *THIS* WORLD

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R&R Weekly Column
By Brunello Rosa



Geopolitics of the Automotive Industry

At this year's European Automotive Dealer Day, one of the major fairs in Europe, the majority of exhibitors were Chinese. The European industry, once a player at the global level, could only trail their Chinese and American competitors. The numbers corroborate this impression. In 2025, 19% of EVs sold in Europe were built in China; in 2026 that figure has already climbed to 22%. Analysis shows Chinese passenger-car market share already above 10% in Norway, the UK and Italy, with battery electric vehicles accounting for roughly 14% of the European BEV market — and projections of 15–25% within four to five years.

What we are witnessing is not an industrial accident but the visible upper layer of an organic, decades-long project. Lacking domestic hydrocarbons, Beijing made a different bet: produce electricity at industrial scale from renewables — solar, wind, hydro, nuclear fission and, prospectively, fusion — and turn the kilowatt into the strategic unit of account. The bet has paid off spectacularly. In the first half of 2025, China accounted for 67% of global solar installations, with wind and solar on track to make up half of installed generating capacity by the end of 2026. In 2025 alone the National Energy Administration installed 543 gigawatts of new generation, roughly twice Germany's entire power system. [China has, in short, become the world's first *electro-state*](#) — a polity whose comparative advantage runs not through pipelines but through copper and silicon.



Step two of the doctrine is export. The Belt and Road Initiative, paired with its less-discussed sibling the Digital Silk Road, has carried Chinese grid hardware, ultra-high-voltage transmission, batteries and EV charging infrastructure to client states across Asia, Africa and Latin America — what analysts now term *Electro-State as a Service*. The model is elegantly self-reinforcing: Chinese capital builds the grid, Chinese turbines and panels feed it, Chinese vehicles drive on it, and Chinese standards govern it.



Step three is the connective tissue: a currency, necessarily digital, to settle the trade that the first two steps generate. Enter the e-CNY, running on the Cross-border Interbank Payment System (CIPS), which now has about 1,700 participants in 190 countries, with daily transaction volume exceeding 1.22 trillion renminbi — roughly \$179.7 billion — and approximately 53% of China's cross-border receipts and payments now denominated in renminbi, against 10% in 2017. [CIPS settles in 300 milliseconds against SWIFT's 48 hours, with average transaction fees of 0.01%; e-CNY cross-border transfers complete in as little as ten seconds](#). Project mBridge extends the architecture to the Gulf and Southeast Asia. The full stack is now operational: cars, grid, batteries, payments. All interoperable, all Chinese.

The American response is a different stack assembled from different parts: Tesla and Detroit's surviving EV champions for the vehicles, dollar-denominated stablecoins (turbocharged by the GENIUS Act) for the rails, and a doubled-down bet on hydrocarbons — hence the recent escalations in Iran and Venezuela, which are best read as energy-corridor politics dressed in security clothing. It is coherent, if anachronistic.

Europe's predicament is harder. It has neither the auto champions, nor the grid sovereignty, nor, critically, the currency. The ECB will be ready for a potential first issuance of the digital euro only during 2029, assuming co-legislators deliver the regulation this year;. That is three years of asymmetry against rivals already in deployment. In a contest fought between integrated stacks, owning one or two layers is not a strategy, it is a vulnerability. Thus Europe must decide, and quickly, whether it intends to be a producer in this new order, or merely its most lucrative market.

Our Recent Publications

-  [Canton Network and the Institutional Blockchain Reality Check](#), by Ridipt Singh, 21 May 2026
-  [Clarity Act Momentum and the Repricing of Crypto Equities Amid Reduced Regulatory Uncertainty](#), by Brunello Rosa and Ridipt Singh, 20 May 2026

-  [Britain's Five-Party Fragmentation: The 2026 Elections and the Long Tail of 2008](#), by Kipp Mann-Benn, 19 May 2026
-  [Reclaiming Digital Sovereignty: ECB's Strategy for Europe's Tokenised Payments Future](#), by Ridipt Singh, 13 May 2026



Looking Ahead

The Week Ahead: QoQ GDP To Advance In US And Italy, Stall In France; PCE Prices index To Rise In US

In the US, in Q1, according to the second estimate, GDP growth rate is seen advancing by 2.0% q-o-q (*p*: 0.5%). In Q1, PCE and Core PCE prices index is expected to rise by 4.5% q-o-q (*p*: 2.9%) and 4.3% q-o-q (*p*: 2.7%).

In the EZ, in May, economic sentiment is expected to decline to 92 (*p*: 93.0), while consumer confidence is likely to increase slightly to -19 (*p*: -20.6). Industrial sentiment is expected to deteriorate further to -8 (*p*: -7.7). Among the largest EZ economies, in Q1, GDP growth rate is seen: *i*) stalling q-o-q (*p*: 0.2%) and rising by 1.1% y-o-y (*p*: 1.3%) in France; *ii*) advancing by 0.2% q-o-q (*p*: 0.3%) and 0.8% y-o-y (*p*: 0.8%) in Italy,

The Quarter Ahead: NVIDIA Continues To Outperform Peers; Nikkei 225 Tops 65,000 As Oil Prices Drops On Hormuz Hopes

NVIDIA continues to dominate the AI boom, significantly outpacing other Magnificent Seven firms as demand for AI infrastructure drives record growth. CEO Huang acknowledged that US export restrictions have pushed much of China's AI chip market toward Huawei, but said Nvidia still views China as a major long-term opportunity, including within its projected \$200 billion CPU market.

Asian equities rallied as easing oil prices boosted investor sentiment after President Trump signaled progress in Iran talks and raised hopes for a reopening of the Strait of Hormuz. Japan's Nikkei 225 surged to a record high above 65,000, while Taiwan, China, India, and Australia also posted gains. Meanwhile, crude prices fell more than 5%, easing concerns over global energy supply disruptions.

Last Week's Review

Real Economy: Headline Inflation Rate Rose In EZ And Eased Off In UK; QoQ German GDP Advanced

In the US, in May, Michigan Consumer Sentiment fell to 44.8 (*c*: 48.2; *p*: 49.8).

In the EZ, in April, headline inflation rate rose to 3.0% y-o-y (*p*: 2.6%), while core inflation cooled off to 2.2% y-o-y (*p*: 2.3%) as expected. In May, consumer confidence increased to -19 (*c*: -20.8; *p*: -20.6). Among the largest EZ economies, in Q1, GDP growth rate by 0.3% q-o-q (*c*: 0.3%; *p*: 0.2%) and 0.4% y-o-y (*c*: 0.3%; *p*: 0.4%) in Germany.

In the UK, in April, headline and core inflation rates eased off to 2.8% y-o-y (*c*: 3.0%; *p*: 3.3%) and 2.5% y-o-y (*c*: 2.6%; *p*: 3.1%). In March, unemployment rate edged up to 5.0% (*c*: 4.9%; *p*: 4.9%). In May, Gfk Consumer Confidence is seen shrinking to -28 (*p*: -25). In April, retail price index rose by 3.0% y-o-y (*c*: 3.6%; *p*: 4.1%).

Financial Markets: Stocks Mostly Rose; Long-Term US Yields Edged Down; US Dollar, Oil And Gold Prices Fell

Market Drivers: US equities ended the week higher, with the S&P 500 posting its eighth consecutive weekly gain, the longest streak since 2023. Optimism around AI, boosted by strong NVIDIA earnings, helped offset concerns over Middle East tensions. US Treasuries advanced as yields eased on hopes of progress in U.S.-Iran talks, despite Fed inflation concerns. In Europe, stocks rose 3.0%, supported by hopes of Middle East de-escalation.

Global Equities: increased *w-o-w* (MSCI ACWI, +1.2%, to 1,112.55). The US S&P 500 index rose (+0.9% *w-o-w*, to 7,473.47). In the EZ, share prices were up (Eurostoxx 50, +3.3% *w-o-w*, to 6,019.45) In EMs, equity decreased (MSCI EMs, -1.5%, to 1,686.05) Volatility fell to 19.53 (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 (-12 bps to 4.48%). The 2-year US Treasury yields increased (+5 bps to 4.13%). The German 10-year bund yields rose (-20bp to 3.95%).

FX: *w-o-w*, the US Dollar Index decreased (DXY, -0.1%, to 99.2; EUR/USD -0.2%, to 1.16). In EMs, currencies increased (MSCI EM Currency Index, +0.1% *w-o-w*, to 1,863.81).

Commodities: *w-o-w*, oil prices decreased (Brent, -5.4% to 94.83 USD/b). Gold rose declined *w-o-w* (-0.1% to 4,556.40 USD/Oz).

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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
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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