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# "Are we there yet?" No: and what is "there"?

*Global Daily*

## **RaboResearch**

Global Economics &  
Markets  
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[Michael Every](#)  
Global Strategist

## Market comments

**It's the Fed today – and so much else it's hard to keep up.** The flow from geopolitics to geoeconomics is still driving things; yet most in markets are in the back seat looking at their phones repeatedly asking, "Are we there yet?" *Sorry, but we have miles to go.*

**Presidents Putin and Trump achieved only the barest minimum ceasefire in their bilateral call:** a 30-day pause on attacks on energy infrastructure which has already been broken. Russia otherwise stuck to its maximalist positions that mean not just the Finlandisation of Ukraine, but its likely Russification. 'Noxin' isn't working; the implications are extremely serious.

**Germany passed constitutional reform to lift its debt brake: €1trn will flow to rebuild/rearm,** with remaining hurdles seen as just tail risks. Nonetheless, some voices who insisted Berlin wouldn't rearm for political reasons now say it won't for bureaucratic ones. That's possible. Yet, if so, the outlook for Ukraine dims given the [urgent need for the EU to replace US military aid](#). Moreover, the outlook for Europe dims in tandem, not just in terms of the economy, but its weaker geopolitical position – something that is stagflationary at best.

As I said in a discussion on this topic yesterday afternoon European time, from a global strategy perspective that points to a political imperative to do more than shrug, say, "Because markets", and buy the usual asset mix, and for a **bigger shift from EU economic policy to economic statecraft** (as underlined in this [recent report](#)). *And we may be there already.*

Within hours, and despite its serious fiscal-deficit concerns, [France announced a serious step up in rearmament](#), with two new squadrons of Rafale jets armed with hypersonic missiles, and a new airbase near the German border.

Moreover, **the European Commission proposed it should become a centralised arms purchaser for the entire EU as well as act as an arms cache from which member states can draw as needed, via a "European Military Sales Mechanism" (EMSM).** This "Whatever it takes" geopolitical acronym based on EU physical production, not financial assets only needs a majority vote from member states to begin. Notably, the EC will be releasing a key [White Paper on Defence](#) today to outline its priorities for defence investments and how to finance them.

Of course, that's just the start of what would then have to happen. Indeed, as Politico claims ['Europe is going full 1790s America'](#) via its "Hamiltonian" moment, this overlooks that **Hamilton's 1791 Report on Manufactures backed protectionism to build key industries.** So, yes, Europe can do a "1790s": but it can't do that and maintain the rules-based free-trade order – *which makes it doubly inflationary.*

Meanwhile, the US, [as had also been flagged](#), is having its own 18<sup>th</sup>/early 19<sup>th</sup> century redux.

**US Navy attacks on today's equivalent of the [Barbary Corsairs](#), the Houthis, continue.** They responded by firing a missile at Israel and, missing by 100 miles, the US carrier group striking them, *both of which could potentially be seen by the US as Iran's responsibility.* Meanwhile, Israel says it will only negotiate with Hamas under heavy fire from it and threatened to annex parts of Gaza over time if remaining hostages aren't handed over; some rumours even had it that Hamas threats to execute Israeli hostages were matched by Israel threatening it would do the same to senior Hamas prisoners in its jails. So far, no reports of hostage executions have been heard.

US judges are questioning the recent White House use of the 1798 Alien Enemies Act, as well as a series of Trump executive orders from DOGE to USAID to the US military. To the appeals courts and the Supreme Court these will go, as **Chief Justice Roberts rebuked President Trump for talking about impeaching judges who keep blocking him**. However, that was taken by one legal expert as a warning to the White House *and* lower court judges who see themselves as the Supreme Court by proxy. FT Alphaville today asks what would happen to markets if Trump defied the Supreme Court, which has happened under several past presidencies: directly (Jackson, Lincoln); via threats of court-packing (FDR and, at least floated by Biden); or by workarounds.

Romania just saw a second far-right presidential candidate disqualified after its constitutional court had ruled her statements were against “democratic values” and posed a threat to EU and NATO membership. Turkey --which wants EU entry as a *quid pro quo* for supporting Ukraine and Europe militarily-- saw the leading opposition candidate for its presidential election disqualified after his university retrospectively revoked his diploma, which is a necessary qualification for the post.

And the rules-based order rewriting continues on the trade front:

Australia is to sell an A\$6.5bn radar platform to Canada. Didn't Australia and Canada, and others, used to belong to the same defence network before NATO, as far back as the 18<sup>th</sup> century? Anybody remember what it was called? It's now under new management.

[China is reportedly furious about Hong Kong-based CK Hutchinson's sale of its two Panama ports to a US-led group](#), because *“The Xi leadership had originally planned to use the Panama port issue as a bargaining chip in negotiations with the Trump administration, according to people close to Beijing's decision-making, only to see the rug pulled out from under it.”*

That's as US Treasury Secretary Bessent --who earlier this month told the Economic Club of New York, *“Access to cheap goods is not the essence of the American dream. The American Dream is rooted in the concept that any citizen can achieve prosperity, upward mobility, and economic security. For too long, the designers of multilateral trade deals have lost sight of this.”*-- says on April 2, every country will get a reciprocal tariffs ‘number’ from the US; for many it will be low, as ‘only 15% of global economies are an issue’; and his hope is these tariffs can be negotiated away in many cases, with those who refuse getting serious economic statecraft reprisals. However, the White House then clarified these negotiations need to be done *before 2 April, when countries still don't know what their number is(!)*

Meanwhile, months after the fact, the Financial Times chief editor Martin Wolf finally notices a potential new global architecture plan in Trump's “tariff chaos” (‘Will anybody buy a ‘Mar-a-Lago Accord?’) that aims to remove the US trade deficit AND keep the global power of the dollar in a new form. He misses the key point --asking ‘Who would buy a new US world economic order offered at gunpoint after it has walked away from Ukraine?’ misses the ‘at gunpoint’ part-- but promises to dissect it fully tomorrow, so stay tuned. Not that it matters to the White House at all.

Or to those in markets looking at their phones and asking, “Are we there yet?” But if they mean, “Is gold now trading well over \$3,000?”, which doesn't exactly scream looming global deflation, then the answer is clearly, ‘Yes’.

The BOJ today [kept rates on hold at 0.5%](#) and expressed growing concerns over the impact of escalating trade tensions. In particular, it noted, *“...with firms' behaviour shifting more toward raising wages and prices recently, exchange rate developments are, compared to the past, more likely to affect prices.”* In other words, a weaker JPY is now more inflationary?

Even so, it's wait and see for now – [as we will hear from the Fed later too](#), no doubt. However, that doesn't tell us very much about what “there” will be like when we eventually arrive. For that, you have to ask the driver, not the bored passengers in the back.

[For an overview of our macro-economic and financial markets forecasts please click here.](#)

## Day ahead

Apart from the Fed today, we also get final Eurozone CPI, and hear from ECB's Villeroy, Centeno, Guindos, and Elderson.

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## **RaboResearch**

Global Economics & Markets  
mr.rabobank.com

### **Global Head**

---

#### **Jan Lambregts**

+44 20 7664 9669  
Jan.Lambregts@Rabobank.com

### **Macro Strategy**

#### **Global**

---

#### **Michael Every**

Senior Macro Strategist  
Michael.Every@Rabobank.com

#### **Europe**

---

#### **Elwin de Groot**

Head Macro Strategy  
Eurozone, ECB  
+31 30 712 1322  
Elwin.de.Groot@Rabobank.com

#### **Bas van Geffen**

Senior Macro Strategist  
ECB, Eurozone  
+31 30 712 1046  
Bas.van.Geffen@Rabobank.com

#### **Stefan Koopman**

Senior Macro Strategist  
UK, Eurozone  
+31 30 712 1328  
Stefan.Koopman@Rabobank.com

#### **Erik-Jan van Harn**

Senior Macro Strategist  
Germany, France  
+31 6 300 20 936  
Erik-Jan.van.Harn@Rabobank.nl

#### **Maartje Wijffelaars**

Senior Economist  
Italy, Spain, Eurozone  
+31 88 721 8329  
Maartje.Wijffelaars@Rabobank.nl

#### **Americas**

---

#### **Philip Marey**

Senior Macro Strategist  
United States, Fed  
+31 30 712 1437  
Philip.Marey@Rabobank.com

#### **Christian Lawrence**

Senior Cross-Asset Strategist  
Canada, Mexico  
+1 212 808 6923  
Christian.Lawrence@Rabobank.com

#### **Mauricio Une**

Senior Macro Strategist  
Brazil, Chile, Peru  
+55 11 5503 7347  
Mauricio.Une@Rabobank.com

#### **Renan Alves**

Macro Strategist  
Brazil  
+55 11 5503 7288  
Renan.Alves@Rabobank.com

#### **Molly Schwartz**

Cross-Asset Strategist  
x  
+1 516 640 7372  
Molly.Schwartz@Rabobank.com

#### **Asia, Australia & New Zealand**

---

#### **Teeuwe Mevissen**

Senior Macro Strategist  
China  
+31 30 712 1509  
Teeuwe.Mevissen@Rabobank.com

#### **Benjamin Picton**

Senior Macro Strategist  
Australia, New Zealand  
+61 2 8115 3123  
Benjamin.Picton@Rabobank.com

## FX Strategy

---

### Jane Foley

Head FX Strategy

G10 FX

+44 20 7809 4776

Jane.Foley@Rabobank.com

## Rates Strategy

---

### Richard McGuire

Head Rates Strategy

+44 20 7664 9730

Richard.McGuire@Rabobank.com

### Lyn Graham-Taylor

Senior Rates Strategist

+44 20 7664 9732

Lyn.Graham-Taylor@Rabobank.com

## Credit Strategy & Regulation

---

### Matt Cairns

Head Credit Strategy & Regulation

Covered Bonds, SSAs

+44 20 7664 9502

Matt.Cairns@Rabobank.com

### Bas van Zanden

Senior Analyst

Pension funds, Regulation

+31 30 712 1869

Bas.van.Zanden@Rabobank.com

### Cas Bonsema

Senior Analyst

Financials

+31 6 127 66 642

Cas.Bonsema@Rabobank.com

### Maartje Schriever

Analyst

ABS

+31 6 251 43 873

Maartje.Schriever@Rabobank.com

## Agri Commodity Markets

---

### Carlos Mera

Head of ACMR

+44 20 7664 9512

Carlos.Mera@Rabobank.com

### Oran van Dort

Commodity Analyst

+31 88 723 8647

Oran.van.Dort@Rabobank.com

## Energy Markets

---

### Joe DeLaura

Senior Energy Strategist

+1 212 916 7874

Joe.DeLaura@Rabobank.com

### Florence Schmit

Energy Strategist

+44 20 7809 3832

Florence.Schmit@Rabobank.com

## ***Client coverage***

### **Wholesale Corporate Clients**

Martijn Sorber	Global Head	+31 30 712 3578	Martijn.Sorber@Rabobank.com
Hans Deusing	Europe	+31 30 216 9045	Hans.Deusing@Rabobank.com
Neil Williamson	North America	+1 212 808 6966	Neil.Williamson@Rabobank.com
Adam Vanderstelt	Australia, New Zealand	+61 2 8115 3102	Adam.Vanderstelt@rabobank.com
Ethan Sheng	Asia	+852 2103 2688	Ethan.Sheng@Rabobank.com
Ricardo Rosa	Brazil	+55 11 5503 7150	Ricardo.Rosa@Rabobank.com

### **Financial Institutions**

#### ***Short-term Interest Rates***

Marcel de Bever	Global Head	+31 30 216 9740	Marcel.de.Bever@Rabobank.com
-----------------	-------------	-----------------	------------------------------

#### ***Bonds & Interest Rate Derivatives***

Henk Rozendaal	Global Head Fixed Income	+31 30 216 9423	Henk.Rozendaal@Rabobank.com
----------------	--------------------------	-----------------	-----------------------------

#### ***Solutions***

Sjoerd van Peer	Global Head	+31 30 216 9072	Sjoerd.van.Peer@Rabobank.com
-----------------	-------------	-----------------	------------------------------

#### ***Relationship Management***

Rogier Everwijn	Global Head	+31 30 712 2440	Rogier.Everwijn@Rabobank.com
Rob Eilering	Banks	+31 30 712 2162	Rob.Eilering@Rabobank.com
Petra Schuchard	Insurers		Petra.Schuchard@Rabobank.com
Frank Dekkers	Asset Managers		Frank.Dekkers@Rabobank.com
Javier Alvarez de Eerens	MDB	+31 30 712 1015	Javier.Alvarez@Rabobank.com
Christel Kleinhaarhuis	Fintech		Christel.Klein.Haarhuis@Rabobank.com

### **Capital Markets**

Laura Bijl	Global Head	+31 88 726 3254	Laura.Bijl@Rabobank.com
Christopher Hartofilis	Capital Markets USA	+1 212 808 6890	Christopher.Hartofilis@Rabobank.com
Ian Baggott	Capital Markets Asia	+852 2103 2629	Ian.Baggott@Rabobank.com
Adriana Gouveia	Capital Markets Brazil	+55 11 5503 7305	Adriana.Gouveia@rabobank.com
Willem Kröner	Global Head ECM	+31 30 712 4783	Willem.Kroner@Rabobank.com
Harman Dhami	DCM Syndicate	+44 20 7664 9738	Harman.Dhami@Rabobank.com
Crispijn Kooijmans	DCM FIs & SSAs	+31 30 216 9028	Crispijn.Kooijmans@Rabobank.com
Bjorn Alink	DCM Securitisation & Covered Bonds	+31 30 216 9393	Bjorn.Alink@Rabobank.com
Othmar ter Waarbeek	DCM Corporate Bonds	+31 30 216 9022	Othmar.ter.Waarbeek@Rabobank.com
Joris Reijnders	DCM Corporate Loans	+31 30 216 9510	Joris.Reijnders@Rabobank.com
Brian Percival	DCM Leveraged Finance	+44 20 7809 3156	Brian.Percival@Rabobank.com

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