

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- Steve Witkoff Hints at Expanded Abraham Accords and Broader Iran Peace Prospects:** U.S. Middle East envoy Steve Witkoff said more countries may join the Abraham Accords and voiced hope for a broader peace deal with Iran after the recent ceasefire.
- Qatar Closes Airspace Amid Iran-U.S. Tensions:** Iran launched a missile strike on a U.S. base in Qatar and ruled out near-term nuclear talks, despite a ceasefire and diplomatic efforts to ease tensions.
- Iran Slams Trump's Remarks on Khamenei:** Iranian Foreign Minister Abbas Araghchi criticised Donald Trump's claim of saving Ayatollah Khamenei from "ugly death" as "disrespectful and unacceptable," urging the U.S. to change its tone if it seeks a deal.



Global Economic development

As we reach halfway of **2025**, the **global economy** continues to face pressure from **trade tensions**, **geopolitical risks**, and **uneven growth**. The **U.S. economy** shrank **0.5%** in **Q1** as **weak consumer spending** and **pre-tariff import** surges raised **costs**, despite a **temporary revenue boost**. China's GDP remains above **5%**, but **May industrial profits** fell **9.1%** due to **weak demand** and **falling U.S.-bound exports**. Trade talks show progress, but key disputes remain ahead of the **July 9 tariff deadline**. **India** continues to perform strongly, with **S&P raising** its FY26 growth forecast to **6.5%** on the back of **domestic demand** and **policy support**. Africa is advancing integration, with **Afreximbank** disbursing **\$18.7 billion** in 2024 to boost industrialisation and trade under the **AfCFTA**. **Tensions** remain high in the **Middle East**, but a **U.S.-brokered ceasefire** between **Iran** and **Israel** temporarily stabilised **markets**, boosting **Gulf equities** and **oil prices**. Amid this volatility, the **World Economic Forum's Summer Davos 2025** in **Tianjin, China** focused on how innovation, emerging technologies, and entrepreneurship can help rebuild **global growth** and **resilience**. Discussions covered **disrupted industries**, **China's economic trajectory**, and **sustainable development strategies**. The **global uncertainty** persists, **emerging markets** and **regional cooperation efforts** provide some counterbalance to mounting **external pressures**.

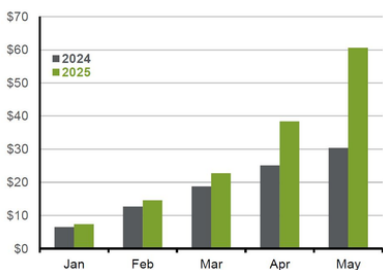
Jerome Powell dampens expectations for a July rate cut.

- Powell Holds Off on Rate Cuts:** Fed Chair Jerome Powell told Congress it's premature to cut interest rates, citing economic uncertainty and the potential inflationary impact of Trump's tariffs. He stressed the need for more data before making any policy moves.
- Trump Pushes for Aggressive Easing:** President Trump renewed criticism of Powell, calling for a steep rate cut to 1% and suggesting Powell should resign. He said future Fed appointees must support lower rates.
- Fed Transition Looms:** With Powell's term ending in May 2026, Trump is expected to nominate a successor soon. Names like Christopher Waller and Scott Bessent are being considered, signaling a likely shift toward looser monetary policy.

Overview on NATO Summit.

- Historic Defence Spending Commitment:** NATO leaders agreed to a new defence investment benchmark of 5% of GDP by 2035, including 3.5% for core military needs and 1.5% for related infrastructure and industry, significantly raising the previous 2% target.
- Trump Reaffirms Article 5 :** U.S. President Donald Trump voiced support for NATO's collective defence clause, but his comments about "numerous definitions" of Article 5 sparked concern among allies before reassurance came during the summit.
- Broader Strategic Coordination:** Leaders held key meetings with Ukraine and Indo-Pacific partners, as Zelenskyy warned of a possible Russian attack on a NATO member within five years.

Record tariff revenues — but who's ultimately paying?  
YTD cumulative totals by month, USD billions



**U.S. tariff revenue** hit **\$60 billion** in the first five months of 2025—double last year—driven by **sweeping hikes**. However, **import prices** are **rising**, not **falling**, suggesting foreign suppliers aren't absorbing the **costs**. With a **weaker dollar** limiting **discounts**, U.S. businesses and consumers are bearing the **burden**. As the **Fed** holds off on **rate cuts** and growth slows, margin pressures and **high equity valuations** make **U.S. markets vulnerable**. **Investors** may find better value in the **eurozone**, where earnings outlooks are **improving** and valuations remain **low**.

Source: JP Morgan

CHART OF THE WEEK



## ***Ceasefire Between Israel and Iran Holds Tentatively as Trump Voices Frustration with Both Sides.***

- **Ceasefire Strains as Both Sides Trade Blame:** Despite a U.S.-brokered ceasefire, Israel accused Iran of violating the truce with missile strikes—claims Tehran denied while condemning Israeli attacks, including one that reportedly killed a top Iranian nuclear scientist.
- **Trump Expresses Frustration, Pushes Diplomacy:** U.S. President Donald Trump criticized both nations for escalating conflict despite the ceasefire, downplayed further U.S. military involvement, and indicated early diplomatic talks with Iran had begun, while reaffirming opposition to regime change.
- **Heavy Casualties and Ongoing Risks:** The 12-day conflict has left over 1,000 dead in Iran and 28 in Israel, with continued missile threats and fears of escalation across the Middle East.



## ***EU Divided Over Response to Israel's Human Rights Record in Gaza.***

- **Spain Calls for Suspension of EU-Israel Deal:** Spanish Prime Minister Pedro Sanchez criticized EU inaction over alleged Israeli rights violations in Gaza, urging suspension of the EU-Israel Association Agreement and highlighting what he called Europe's "double standards" compared to sanctions on Russia.
- **Germany Opposes Sanctions, Deepening Bloc Divisions:** Germany, along with allies like Hungary and Austria, rejected calls for full or partial suspension of the deal, citing its historic responsibility to Israel and resisting pressure for an arms embargo or harsher EU measures.
- **EU Report Finds Rights Breaches, But No Action Yet:** An internal report found possible Israeli breaches, but EU leaders deferred action, reflecting deep divisions within the bloc.

## Other Geopolitical developments

### ***UN : Russian drones caused 3,000+ civilian casualties in Ukraine.***

- **Deadly Drone Impact:** Over 3,000 civilian casualties (395 killed, 2,635 injured) in Ukraine have been caused by Russian short-range FPV drone attacks from February 2022 to April 2025, according to a new UN report.
- **Targeted Civilian Attacks:** The drones deliberately struck civilians performing everyday activities, such as walking, driving, or evacuating others, including in marked ambulances, intensifying fear and disrupting access to basic services.
- **Legal Violations:** The UN states that 89% of these attacks occurred in Ukrainian-controlled areas, potentially breaching international humanitarian law and possibly constituting war crimes.

### ***UN commission urges Syria to halt attacks on Alawites and ensure protection of religious sites.***

- **Continued Violence Against Alawites:** Despite promises from Syria's new Islamist-led government to protect minorities, the UN reports ongoing killings, abductions, and arbitrary arrests of Alawite civilians, including the disappearance of at least six women.
- **Threats to Religious Sites:** UN Commission head Paulo Pinheiro condemned the recent suicide bombing of a Damascus church and urged authorities to strengthen protection for religious sites and communities at risk of sectarian attacks.
- **Need for Justice and Reform:** The commission called for investigations into March's coastal massacres, accountability for perpetrators, and structural reforms as former rebel factions are integrated into new national security forces.





## ***Oil Stabilizes After Volatile Week as Market Turns Attention to Tariffs.***

- **Oil Logs Sharpest Weekly Drop in Two Years:** Crude prices fell nearly 12% as a ceasefire between Israel and Iran eased geopolitical tensions, shifting market focus away from Middle East supply risks.
- **Attention Shifts to US-China Trade Talks and Tariff Decisions:** Commerce Secretary Howard Lutnick revealed a newly signed trade agreement with China, including rare earth deliveries, just ahead of a key July 9 tariff deadline.
- **OPEC+ Meeting in Focus Amid Market Volatility:** With war premiums fading, investors now await the July 6 OPEC+ meeting, where another production quota hike for August could impact global oil supply dynamics.



## ***Russia Open to Additional Output Increase if Deemed Necessary by OPEC+.***

- **Shift in Russia's Stance:** While previously opposing Saudi Arabia's push for an increase, Moscow is now open to another hike in August if the group reaches consensus, emphasizing the importance of alliance unity.
- **Diverging Priorities:** Saudi Arabia prioritizes regaining market share through aggressive production increases, whereas Russia's gains are tempered by a strong ruble, reducing export revenues.
- **Display of Unity:** Top Russian and Saudi energy officials appeared together after prior disagreements, projecting solidarity amid oil price volatility.

## **Recommended readings**

### ***Beyond the NATO summit, key questions remain for European security. ( Source : Brookings )***

- **European Leadership on Ukraine and Defense:** Europe must step up with greater financial and military support for Ukraine, boost defense production, and clarify Ukraine's EU accession path to ensure sustained stability.
- **Building Defense Autonomy and Global Partnerships:** Europe should reduce reliance on U.S. capabilities by prioritizing air and missile defense and expanding cooperation with Indo-Pacific partners like Japan and South Korea.
- **Navigating a New Transatlantic Reality:** With shifting U.S. priorities under the Trump administration, Europe must engage strategically while preparing independent, contingency-driven security plans.

### ***The Most Significant Long-Term Consequence of the U.S. Strikes on Iran . ( Source : Carnegie Endowment for International Peace.)***

- **Limited Impact of U.S. Strikes:** Operation Midnight Hammer caused significant damage to Iran's nuclear facilities at Fordow and Natanz through the use of heavy bombs and cruise missiles. However, it fell short of complete destruction, as much of Iran's nuclear knowledge, uranium stockpile, and uninstalled centrifuge components remain secure.
- **Iran's Nuclear Resolve Remains Strong:** In the aftermath of the strikes, Iranian officials reaffirmed their commitment to advancing their nuclear program. With core capabilities intact, Iran is expected to gradually rebuild its infrastructure, prolonging timelines but not deterring long-term ambitions.
- **Rising Weaponization Risk and Monitoring Challenges:** Iran's internal discourse has shifted toward openly discussing potential weaponization. Legislative moves to limit IAEA oversight signal reduced transparency, heightening global concerns over Iran's future nuclear trajectory.