

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Trump's Budget Chief Escalates Attack on Fed Chair Powell** : Trump's budget chief accused Fed Chair Powell of mismanagement and misleading Congress on HQ renovations, escalating tensions over interest rate policy.
- **US Sanctions Cuban President Over 2021 Protest Crackdown** : The US has imposed visa restrictions on Cuban President Miguel Diaz-Canel and top officials over their role in suppressing anti-government protests in 2021.
- **Hebron 'Emirate' Proposal Sparks Palestinian Backlash** : Palestinians in Hebron have rejected a controversial proposal by five local figures to form an "Emirate of Hebron" recognising Israel and cutting ties with the PA. The plan, tied to normalisation efforts and the Abraham Accords, sparked outrage and violent backlash.



Global Economic development

Global economic momentum continues to evolve amid shifting trade dynamics, sectoral transformations, and regional reform efforts. **Investor sentiment** is shaped by **macroeconomic stability**, **technological innovation**, and renewed focus on **fiscal discipline**. As markets adjust to **global policy** signals, key regions are pursuing strategies to ensure **sustainable growth**, **resilience**, and **inclusivity**. **Global equity funds** drew **\$10.21 billion** in inflows during the week ending July 9, buoyed by **AI-driven stock rallies** and delayed **U.S. tariff plans**. Though down from the previous week's **\$37.54B**, **European funds** led with **\$5.21B**, followed by U.S. (\$2.1B) and Asian (\$426M) inflows. **Tech sector funds** gained \$1.8B, while healthcare faced \$1.06B in outflows. Bond funds saw a 12th week of inflows at \$16.83B, while money market funds drew **\$44.97B**. **Emerging market equities** posted their biggest inflow since **Oct 2024**, at \$3.67B. The **Gulf** is forecast to grow 3.2% in 2025, led by **diversification** and **smart fiscal policies**—Oman's reforms serve as a model. **China** added **\$4.89T** to GDP with **5.5% average growth**, fuelled by **domestic demand** and **green investment**. **Africa** is pushing **debt reform**, with a proposed "**Accra Club**" for **coordinated negotiation**. India targets 10% nominal GDP growth under **Viksit Bharat 2047**, with FY26 projections at **6.4–6.7%** and a potential U.S. trade pact in view. Globally, **resilience**, **inclusivity**, and **strategic reforms** define the **economic outlook**.

France, UK Launch Nuclear Pact to Boost European Defense.

- **France and UK Sign Historic Nuclear Cooperation Pact**: In a landmark move, President Macron and Prime Minister Starmer signed the Northwood Declaration, pledging coordination of their nuclear deterrents to strengthen Europe's defense against growing threats.
- **Response to Shifting U.S. Role in Europe**: Amid rising doubts over U.S. commitment to NATO, the agreement signals European resolve to enhance strategic autonomy and reinforce continental security.
- **Joint Oversight Without Merging Arsenals**: Both nations will maintain independent decision-making but will coordinate through a new oversight committee, marking deeper alignment without compromising strategic ambiguity.

Trump Slaps 35% Tariff on Canada, Eyes 15–20% for Others.

- **Trump Expands Tariff Strategy, Targets Allies and EU**: President Trump announced a shift to flat, reciprocal tariffs ranging from 10% to 50%, including a 35% rate on Canadian goods and new duties on Japan, South Korea, and EU imports, escalating trade tensions with key partners.
- **EU Scrambles to Avert Full-Scale Trade Clash**: Facing internal divisions, the EU weighs an interim deal with the U.S. as Germany pushes for swift resolution while France resists a one-sided agreement. Countermeasures remain suspended but could be reactivated quickly.
- **Markets React to Uncertainty as Global Trade Risks Rise**: European shares fell and gold rose as investors brace for a possible U.S.–EU trade clash, drawing parallels to the destabilizing U.S.–China trade war.

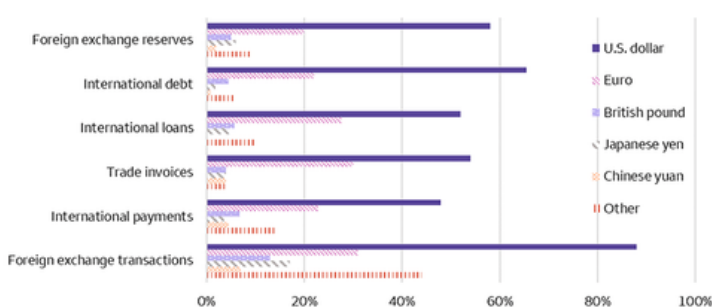


CHART OF THE WEEK

The **U.S. dollar** has seen a **sharp 10% decline** in 2025 amid **policy changes**, **tariff tensions**, and **market volatility**. While this has raised concerns about the dollar's long-term dominance, its overwhelming share in global trade and investment continues to reinforce its central role in the financial system. For investors, the **dollar's core strengths** — including **deep liquidity**, **trusted institutions**, and widespread use — make any global shift away from it a **slow and difficult process**. Despite the **recent selloff**, there is no reason to adjust portfolios based on speculation about the dollar's decline. **Source : Wells Fargo**



Hamas to Free 10 Hostages as Israeli Strikes Kill 74, Netanyahu Accused of Obstructing Deal

- **Hamas Offers Hostage Release Amid Stalled Talks:** Hamas agreed to release 10 Israeli captives but said negotiations are faltering due to Israel's refusal to withdraw troops from Gaza or guarantee humanitarian aid access.
- **Rising Civilian Toll and Healthcare Collapse:** Israeli strikes killed at least 74 people across Gaza, including civilians waiting for food; hospitals face imminent collapse with only 18 out of 36 facilities partially operational due to fuel shortages and ongoing attacks.
- **Hamas Accuses Netanyahu of Blocking Ceasefire Deal:** Hamas criticized Israeli Prime Minister Netanyahu for rejecting a comprehensive prisoner exchange and ceasefire proposal, accusing him of intentionally stalling progress and obstructing humanitarian relief.



U.S. Talks with Russia and China Signal Tentative Thaw Amid Global Tensions at ASEAN SUMMIT.

- **US-Russia hold rare direct talks amid Ukraine war, regional tensions:** Lavrov and Rubio met twice on the ASEAN sidelines in Kuala Lumpur, engaging in a frank exchange on Ukraine, Syria, and Iran. Both sides expressed interest in resuming dialogue and rebuilding bilateral cooperation.
- **Rubio pushes for Ukraine peace roadmap, US-China talks also underway:** Rubio conveyed Trump's frustration over Russia's stance and discussed a potential "new approach" to peace. He also met China's Wang Yi, signalling a renewed U.S. diplomatic push in Asia and the possibility of a Trump-Xi meeting.
- **ASEAN urges restraint and inclusive trade as tensions mount:** Amid rising U.S.-China tensions, ASEAN ministers called for a transparent, rules-based global trading system.

Other Geopolitical developments

Spain and Ireland to Join Over 20 Nations in Announcing Actions Against Israel.

- **Emergency Summit in Bogotá:** Over 20 countries, led by Colombia and South Africa, will gather on 15–16 July to announce coordinated legal, diplomatic, and economic actions against Israel's alleged violations of international law in Gaza, under the newly formed Hague Group.
- **Growing International Legal Push:** The Hague Group, launched in January 2024, includes countries like Bolivia, Malaysia, and South Africa, several of which have already taken steps such as joining South Africa's ICJ genocide case or blocking arms shipments to Israel.
- **A Response to Impunity:** Members plan legal, diplomatic, and economic steps in response to what they call genocide and Israel's defiance of global courts.

Trump Announces U.S. Arms Support to Ukraine Through NATO.

- **Trump Announces NATO-Linked Weapons Plan:** President Trump said the U.S. will supply weapons to Ukraine via NATO, with the alliance reimbursing the full cost, and hinted at a major statement on Russia to come.
- **First Use of Presidential Drawdown:** For the first time in his term, Trump will use the Presidential Drawdown Authority to send U.S. stockpiled weapons—potentially worth \$300 million—including possible Patriot missiles and medium-range rockets.
- **Russia Intensifies Strikes as Aid Pours In:** Amid heavy Russian attacks on Kyiv, a Rome conference pledged \$12 billion for Ukraine's reconstruction, while U.S. Secretary of State Rubio urged Moscow to show flexibility in ending the war.



Oil Prices Hold Steady Amid Weaker Market Outlook and Tariff Concerns.

- **Oil Prices Steady Amid Mixed Signals:** Brent and WTI crude held largely steady, as investors weighed a weaker global demand outlook from the IEA against ongoing tightness in the prompt market and strong summer travel demand.
- **Market Caught Between Supply Growth and Geopolitics:** The IEA raised its 2024 supply growth forecast but trimmed demand estimates, while OPEC projected slower long-term demand. Meanwhile, concerns over Trump's tariff policy and potential new sanctions on Russia added volatility.
- **China Demand and Russia Sanctions in Focus:** Saudi Arabia's planned crude shipments to China signal strong short-term demand, but long-term forecasts remain cautious. Markets are also bracing for President Trump's upcoming announcement and new EU measures targeting Russian oil.



OPEC Talks: Grandeur and Grievances.

- **Prestige & Power at Hofburg:** OPEC's seminar took place at Vienna's historic Hofburg Palace, welcoming ministers, CEOs, and analysts to discuss oil markets, investment, and the energy transition — a marked shift from its usual Secretariat venue.
- **Protests on the Sidelines:** Around 30 protesters gathered outside, calling for an oil embargo in support of Gaza, criticizing Arab regimes for enabling Western interests while ignoring Palestinian suffering.
- **Notable Presence & Absences:** Industry giants attended, but Russian and Iranian ministers were absent; Iran addressed the forum via video, urging peace for market stability.

Recommended readings

How to Stabilize Africa's Debt . (Source : IMF)

- **Debt Reduction More Common Than Perceived:** Sub-Saharan African countries have frequently reduced debt without restructuring show sustained declines, often driven by growth and fiscal consolidation.
- **Success Driven by Growth and Fiscal Discipline:** Strong institutions, supportive global conditions, and IMF-backed programs increase the chances of significant, lasting debt reduction.
- **Reforms and External Support Are Crucial:** Effective debt reduction requires growth-friendly fiscal reforms, efficient taxation and spending, and continued international technical and financial support.

The Middle East's Other Escalating Rivalry. (Source : Carnegie endowment for International Peace)

- **Israel-Türkiye Rivalry Deepens Regional Tensions:** Once close allies, Israel and Türkiye now view each other as strategic threats, with tensions heightened by diverging policies in Syria and mutual distrust.
- **Syria as a Potential Bridge:** Despite differing priorities, Syria offers a platform for potential Israeli-Turkish convergence, especially with U.S. support to foster cooperation over rivalry.
- **U.S. Role is Critical:** The U.S., under Trump's leadership, can play a pivotal role in de-escalating tensions by encouraging collaboration in Syria—advancing regional stability while easing its own strategic burden in the Middle East.