

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Trump Steps Up Gulf Diplomacy Amid Gaza Ceasefire Push:** President Trump hosted Qatar's PM and Bahrain's crown prince to boost Gulf ties and advance a Gaza ceasefire effort.
- **Trump Pressures Fed Over Renovation, Discusses Firing Powell:** Trump challenged Fed Chair Powell over HQ renovation costs and rate policy but retreated from firing threats after market dip.
- **Hague Group Moves to Hold Israel Accountable:** At a Bogotá summit, over 24 countries agreed to curb Israeli actions in Gaza by halting arms transfers, banning shipments, and backing international prosecutions. They urged others to join by September 20.
- **UAE-Nvidia Chip Deal Delayed Over Security Fears:** Trump administration officials are stalling a major agreement to sell Nvidia AI chips to the UAE, citing national security concerns and potential smuggling risks to China.



Global Economic development

Global markets in **mid-July 2025** are navigating a turbulent phase marked by **inflation fears**, **protectionist policies**, and shifting **investment flows**. Investor sentiment has turned cautious as **economic** and **geopolitical uncertainties** reshape financial strategies worldwide. **Rising U.S. inflation** and **renewed Trump-era tariffs** triggered **\$5.3 billion in outflows** from **global equity funds**, with **U.S. equities** bearing the **brunt**. Meanwhile, **global bond funds** saw **\$12.85 billion in inflows**, as investors sought safety. Tech and healthcare funds saw **withdrawals**, while industrials and financials **gained**. Despite the volatility, **U.S. markets** hit record highs on **strong earnings** and **retail performance**. **China's economy** grew **5.2%**, driven by **exports** and **industrial output**, though risks remain as **tariff truces** near **expiry**. The **Eurozone** shows **uneven growth** amid persistent **service-driven inflation**. Israel's markets rebounded impressively, boosted by **tech** and **foreign investment** despite **internal instability**. Conversely, the **GCC** is under strain, facing **weaker oil revenues**, **rising costs**, and the impact of **new U.S. tariffs on metals**. **Regional trade hubs** are feeling the pinch, and **fiscal pressures** are **mounting**. In this global shake-up, **India** stands out as a **long-term growth story**. Now the **world's 4th largest economy**, it is projected to become a **\$30 trillion economy** by 2047, powered by infrastructure investment, a booming middle class, expanding capital markets, and high-growth sectors like technology and manufacturing. In conclusion, while global markets wrestle with **short-term shocks** and **shifting dynamics**, India's structural transformation and sustained momentum position it as a key driver of **global growth** in the decades ahead.

New Ceasefire Proposal Presented as Gaza Crisis Deepens.

- **Revised Ceasefire Proposal Gains Momentum:** Qatar, Egypt, and the United States have submitted an updated Gaza ceasefire proposal aimed at breaking the deadlock between Israel and Hamas. The new plan reportedly addresses core disputes, including the scale of Israeli military withdrawal and the ratio of prisoners to be exchanged, signaling a possible step toward ending the months-long conflict.
- **Deal Details:** Israel would pull back to 1.5 km from the Philadelphi Corridor and release 1,236 Palestinian prisoners, including 125 serving life sentences, in exchange for hostages.
- **Worsening Crisis:** Over 58,000 Palestinians have been killed; global scrutiny is rising after an Israeli strike hit Gaza's only Catholic church, prompting Pope Leo XIV to renew ceasefire calls.

Europe warns Iran of UN sanctions over stalled nuclear progress.

- **E3 Issues Ultimatum:** France, Britain, and Germany (the E3), supported by the EU, warned Iran that they would restore UN sanctions using the "snapback" mechanism unless Tehran returns to nuclear negotiations and achieves tangible results by the end of August.
- **Iran Pushes Back:** Iranian FM Abbas Araqchi rejected the threat, blaming the U.S. for abandoning diplomacy and demanding a "fair and balanced" deal.
- **Talks Unlikely Soon:** With IAEA inspectors out of Iran and no sign of new U.S.-Iran negotiations, diplomats doubt a deal can be reached before the deadline.

Consumer price inflation (% annual change)

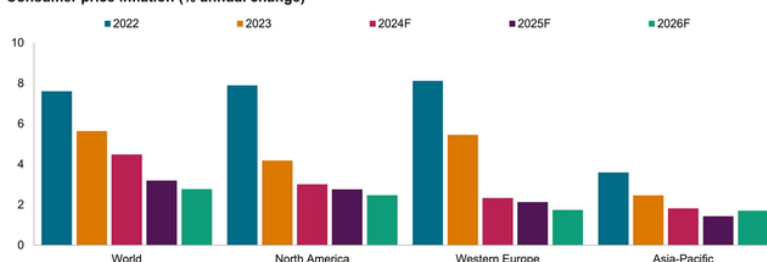


CHART OF THE WEEK

Global inflation patterns are showing growing **divergence**. In the U.S., inflation is picking up due to **policy shifts** like **new tariffs** and **migration changes**—reflected in **June's core CPI data** and higher price pressures seen in PMI surveys. Meanwhile, Western Europe continues to experience **disinflation**, driven by **weak demand** and **stronger currencies**. In China, higher tariffs are worsening **supply-demand imbalances**, deepening consumer price deflation. The split within core inflation is also clear: while services inflation is easing, core goods prices are rising, adding to the **divergence** in **global monetary policy paths**. **Source : S&P Global**



Netanyahu's trial postponed again amid intensifying Israeli airstrikes in Syria.

- **Netanyahu's Trial Delayed Amid Regional Escalation:** Israeli Prime Minister Benjamin Netanyahu's corruption trial was postponed again, coinciding with a new wave of Israeli airstrikes on Syria, including Damascus, in what critics see as a political distraction tactic.
- **Military Campaigns Intensify Across the Region:** Syria became the third country bombed by Israel within 24 hours, following strikes in Lebanon and Iran, as tensions rose over Israeli threats to intervene in clashes involving Syrian Druze fighters.
- **Political Motives and U.S. Support Scrutinised:** Observers link the military escalation to Netanyahu's attempts to shore up political support and deflect from legal troubles. U.S. Ambassador Mike Huckabee's court appearance further signaled Washington's continued backing of Netanyahu despite ICC arrest warrants.



Clashes flare up once more in Syria's Suwayda between Druze and Bedouin fighters.

- **Ceasefire Collapse Sparks Renewed Clashes:** Heavy fighting resumed in Suwayda between Druze and Bedouin factions just a day after a ceasefire and Syrian troop withdrawal, reviving deep-rooted communal tensions.
- **Confusion Over Military Roles:** Syria's Interior Ministry denied troop redeployments, while Israel permitted limited Syrian internal security presence for 48 hours after recent airstrikes in the area. A U.S. envoy confirmed a temporary truce agreement between Israel and Syria.
- **Humanitarian Crisis and Rights Abuses:** The UN reported killings, abductions, and looting by all sides, as aid access remains limited. Assad vowed to redeploy troops amid worsening displacement.

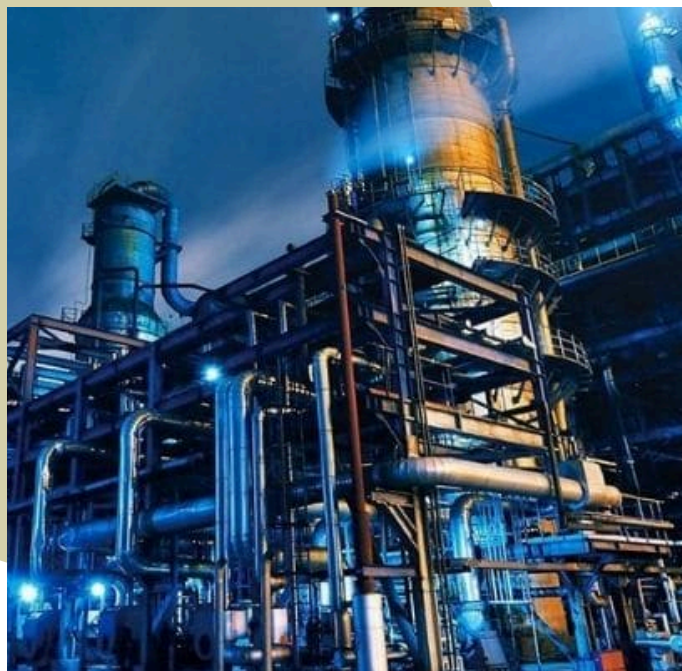
Other Geopolitical developments

The EU and Trump double down on Russia to end the ongoing war.

- **EU Slaps Russia with Toughest Sanctions Yet:** The EU's 18th sanctions package lowers the oil price cap to \$45, targets Russia's shadow fleet, bans Nord Stream-related deals, and hits key energy and banking sectors to curb war funding.
- **Trump Warns Russia, Ramps Up Military Aid to Ukraine:** Trump threatens 100% tariffs on Russia's trade partners if no peace deal emerges within 50 days and announces NATO's bulk purchase of U.S. arms, including Patriot missiles, for rapid delivery to Ukraine.
- **Zelensky Rallies Allies as Russia Advances:** Zelensky gains Trump's backing, proposes new PM; Russia reports gains in Donetsk, Zaporizhzhia.

New U.S. assessment reveals American strikes destroyed just one of three Iranian nuclear sites.

- **Partial Destruction of Iran's Nuclear Sites:** A recent U.S. assessment found that only one of three Iranian nuclear enrichment sites struck—Fordo—was severely damaged, potentially delaying operations there by up to two years. The other two, Natanz and Isfahan, suffered less significant damage and could resume operations within months.
- **Aborted Broader Strike Plan:** U.S. Central Command had prepared a wider, multi-week air campaign targeting six nuclear and military sites in Iran. President Trump rejected the plan due to concerns over casualties and his preference to avoid deeper conflict.
- **Ongoing Strategic Impact:** Despite the limited destruction, U.S. and Israeli officials believe the strikes have significantly altered Iran's strategic calculus. Tehran now faces a credible threat of further attacks if it attempts to resume or conceal nuclear activities.



Oil rises slightly following new EU sanctions on Russia.

- **Oil Prices Edge Up Despite Weekly Losses:** Brent and WTI crude rose slightly on Friday but remain on track for marginal weekly declines of 0.5% and 0.4%, respectively.
- **EU Tightens Sanctions on Russia, Market Remains Skeptical:** Investors are assessing the EU's 18th sanctions package against Russia, which includes lowering the G7's price cap on Russian crude to \$47.6. However, analysts note previous measures have failed to significantly disrupt Russian oil flows.
- **Geopolitical Tensions Add Upward Pressure:** Drone attacks in Iraqi Kurdistan slashed regional output by over 50%, temporarily lifting oil prices. Meanwhile, markets await potential U.S. sanctions, after President Trump warned of penalties on Russian oil buyers unless Moscow agrees to a peace deal within 50 days.



Baghdad and Erbil agree to resume oil exports under U.S. pressure despite ongoing drone attacks.

- **Baghdad and Erbil Agree to Resume Oil Exports Under U.S. Pressure:** Iraq's federal government announced that oil exports from Iraqi Kurdistan to Turkey will resume after a two-year halt, with at least 230,000 bpd to be delivered to state marketer SOMO under a new federal-KRG agreement. However, the KRG has yet to confirm full implementation.
- **Drone Attacks Disrupt Output:** Suspected Iran-backed militia drone strikes have cut Kurdistan's oil output by up to 150,000 bpd, targeting fields operated by DNO and Hunt Oil.
- **Deal Faces Hurdles:** Oil firms demand contract guarantees and repayment of nearly \$1 billion, raising doubts over the success of the new export agreement.

Recommended readings

Unfinished business in the Middle East. (Source : Middle East Institute)

- **Syria Strike Signals Volatility:** Israeli airstrikes on Damascus caught analysts off guard, highlighting rising tensions despite US-led efforts to stabilize Syria.
- **Trump's Unclear Global Strategy:** While Trump pushes aggressive tariffs and attempts to reshape global trade, his foreign policy remains murky—marked by stalled efforts to end the Ukraine war, deep State Department cuts, and fluctuating signals on China.
- **Middle East Challenges Unresolved:** Iran's nuclear threat and the ongoing Gaza war remain key flashpoints, with US diplomacy struggling to deliver lasting solutions.

Beyond Rare Earths: China's Growing Threat to Gallium Supply Chains. (Source : CSIS)

- **Establish a Strategic Gallium Stockpile:** The U.S. Department of Defense should immediately begin stockpiling gallium (at least 50 tons over five years) using existing Defense Production Act authorities, sourcing from non-Chinese suppliers to ensure secure reserves for critical defence systems.
- **Boost Allied Production:** Fund gallium recovery projects at existing refineries with matching grants and guaranteed purchase agreements to counter China's market control.
- **Coordinate Allied Procurement:** Create a joint buying program with Japan, the EU, and Canada to support new suppliers and stabilize prices, backed by the Minerals Security Partnership.