

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- UN Warns of Fragile Situation in Syria Amid Mounting Needs:** UN envoy Geir Pedersen told the Security Council that Syria remains “deeply fragile,” with the Sweida ceasefire under pressure and political tensions rising. UN humanitarian chief Tom Fletcher said the UN aids 3.5 million people monthly, but nearly 16 million still need help amid funding and access challenges.
- India-Russia Trade Deepens as U.S. Tariffs Loom:** India and Russia agreed to strengthen trade ties despite U.S. threats of up to 50% tariffs on India’s Russian oil imports, while China opposed Washington’s move. U.S. trade adviser Peter Navarro called India a “laundromat for the Kremlin” and warned tariffs could be imposed next week.
- Hamas Demands End to Gaza War as UN Declares Famine :** Hamas urged the UN and Security Council to end the Gaza war and lift Israeli aid restrictions after the IPC declared famine in parts of the territory, demanding unrestricted access to essentials. Israel rejected the report, accusing it of relying on Hamas sources and misrepresenting its rules.



Global Economic development

Global economy remained cautious this week ahead of **Fed Chair Jerome Powell’s Jackson Hole speech**, with the **S&P 500** falling **0.4%**, the **Nasdaq** slipping **0.34%** the **Dow** losing **152 points** to 44,785.50. **Investors** are pricing a 74% chance of a **September rate cut** after **Fed minutes** revealed concerns over **inflation** and **labor markets**, while **Walmart** shares dropped **4%** on weak profits and tech stocks weighed on indexes. In **Europe**, the **Stoxx 600** edged down **0.04%** as **France’s CAC 40** declined, though the **FTSE 100** gained **slightly**. Details of a **new U.S.-EU trade pact** capped **auto** and **pharma tariffs** at **15%**, boosting **pharmaceutical stocks**. In **Asia**, **China** reported slowing **retail sales growth** at **3.7%**, the **weakest industrial output** since **2024**, and further housing price declines, while bearish bets on the **yuan** reached their **highest** since **May**. **Regional currencies** such as the **won**, **Taiwan dollar**, and **rupiah** also face pressure, with **Beijing** exploring **yuan-backed stable coins** for cross-border trade. **India** was the bright spot, with the **HSBC Flash Composite PMI** surging to **65.2**, its strongest since **2005**, driven by **services (65.6)** and **robust manufacturing (59.8)**, though **inflation** and **rising costs** remain a **challenge**. Meanwhile, the **African Development Bank** warned that **corruption** and **illicit flows** drain **\$580 billion annually**, worsening a **\$2 trillion debt burden**, with calls for stronger reforms to close a **\$170 billion infrastructure gap**. These developments highlight a **global economy** navigating between **resilience** and **fragility**, with policy choices set to shape the next phase of **stability** or **volatility**.

Jerome Powell hints potential Fed rate cuts.

- Possible Rate Adjustments Amid Uncertainty:** Powell indicated that while the labor market remains strong and the economy shows resilience, rising downside risks and shifting economic conditions “may warrant” careful adjustments to the Fed’s policy stance, hinting at potential interest rate cuts.
- Tariff and Inflation Risks:** He highlighted that tariffs pose risks of renewed inflation, though the baseline outlook assumes their effects will likely be short-lived; the Fed aims to avoid stagflation while proceeding cautiously.
- Fed Independence and Policy Lessons:** Powell emphasized that monetary decisions will be made solely based on data, reinforcing Fed independence, and reflected on lessons from past inflation management, reaffirming the commitment to the 2% inflation target.

Syria drops two zeros from pound to stabilise economy.

- Currency Revaluation Plan:** Syria’s central bank is preparing to issue new banknotes by removing two zeros from the pound, aiming to restore confidence after the currency lost over 99% of its value since 2011. The revaluation, set for launch on December 8, will introduce a 12-month coexistence period where old and new notes circulate together.
- Symbolic & Economic Shift:** The move aims to curb inflation, regain control over an estimated 40 trillion pounds outside the banking system, and replace Assad-era banknotes.
- Challenges Ahead:** The move, supported by Russia’s state printing firm Goznak, comes amid concerns over dollarisation, liquidity shortages, and limited digital infrastructure. Experts warn that the revaluation could confuse consumers, especially the elderly, and impose high costs without addressing deeper structural weaknesses in Syria’s economy.

Flash PMI output price indicators

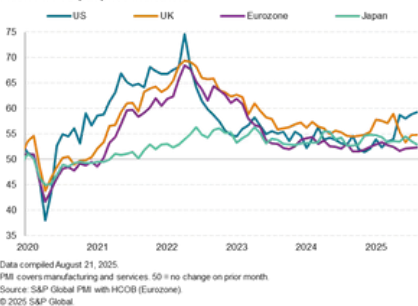


CHART OF THE WEEK

The **G4 economies** saw a **broad-based upturn** in August, led by the **US**, where the **flash composite PMI** rose from **55.1** to **55.4**, the highest this year, with strong gains in both **manufacturing** and **services**. **US firms** also reported the **steepest rise in prices** in three years, largely from **tariffs** being passed on to **consumers**. The **UK** followed, with its **composite index** climbing from **51.5** to **53.0**, the fastest growth in a year, driven by services and signs of **stabilising manufacturing**. **Japan’s index** edged up from **51.6** to **51.9**, supported by resilient services and the first manufacturing growth in a year. The **eurozone** lagged but still improved, with its **composite PMI** rising from **50.9** to **51.1**, a 15-month high, and **manufacturing output** finally moving above the **50 mark** for the first time since **mid-2022**. **Source : S&P Global**



Israel Threatens Major Gaza Assault Despite Hamas Ceasefire Proposal.

- **Hamas accepts ceasefire plan:** Mediators Qatar and Egypt announced that Hamas had agreed to a 60-day ceasefire framework involving phased hostage exchanges and limited prisoner releases. However, Israel has dismissed the proposal, demanding Hamas's full disarmament, a complete hostage release, and long-term security guarantees.
- **Israel escalates preparations:** PM Netanyahu approved IDF plans to seize Gaza City, while Defence Minister Katz warned the city would face total destruction if Hamas rejects Israel's terms.
- **Humanitarian fears rise:** The United Nations and aid agencies expressed alarm that Israel's evacuation order for nearly 1 million residents could deepen the humanitarian crisis. With food, medicine, and fuel already scarce, aid groups warn the offensive risks mass displacement, famine, and thousands of additional civilian casualties.



Trump Floats Putin–Zelenskyy Summit as Peace Talks Face Deep Divisions.

- **Trump pushes for Putin–Zelenskyy summit:** US President Donald Trump proposed direct talks between the Russian and Ukrainian leaders after hosting Zelenskyy and European leaders in Washington, but Moscow has yet to confirm Putin's participation.
- **Security guarantees at centre stage:** Trump signalled US "involvement" in European-led guarantees for Ukraine but ruled out NATO membership or deployment of American troops, creating rifts with European allies who insist on stronger, Article 5–like commitments.
- **Territorial concessions rejected:** Zelenskyy ruled out ceding land, while European leaders warned against legitimising Russian aggression.

Other Geopolitical developments

Iran says Europe has no authority to reinstate nuclear sanctions.

- **Iran rejects European sanctions move:** Foreign Minister Abbas Araghchi said the E3 (France, Germany, Britain) have no legal right to trigger or extend "snapback" UN sanctions under the defunct 2015 nuclear deal.
- **Tensions with IAEA and stalled talks:** Tehran suspended cooperation with the UN nuclear watchdog after Israel's June strikes and accused the agency of failing to condemn U.S.–Israeli attacks on its nuclear sites.
- **Warning to Europe:** Iran dismissed European offers to extend the August deadline for sanctions in exchange for renewed nuclear talks, warning that any reimposition of sanctions would be "illegal" and carry consequences.

Trump Pushes for Putin–Zelenskyy Summit Amid Security Guarantee Talks.

- **Trump Proposes Putin–Zelenskyy Summit:** President Trump suggested direct talks between Russian and Ukrainian leaders in a neutral European country, contingent on clarity over Western security guarantees, though Moscow has not confirmed Putin's participation.
- **Security Guarantees Central, Territorial Concessions Rejected:** Zelenskyy seeks detailed understanding of potential Western-backed security assurances before any meeting, while rejecting territorial concessions; European allies are cautious about legitimizing Russian aggression.
- **China's Role Questioned:** Ukraine rules out Beijing as a security guarantor due to its support for Russia and involvement in military and economic aid, highlighting skepticism over China's neutrality in the peace process.



Crude Steadies at \$67.66, Set for First Weekly Rise in Two Weeks Amid Fading Ukraine Peace Hopes .

- **Crude prices stabilize with weekly gains:** Brent at \$67.66 and WTI at \$63.51 head for first weekly rise in two weeks as Ukraine peace hopes fade and risk premium rises.
- **Russia-Ukraine tensions drive risk premium:** Stalled peace talks, renewed Russian strikes, and the threat of tougher U.S. sanctions keep markets on edge. Traders now anticipate the potential for harsher U.S. sanctions, which could further tighten supply and keep prices elevated.
- **Demand and Fed outlook support:** A sharp U.S. crude stock draw and strong fuel demand add bullish momentum, while Powell's Jackson Hole speech could signal growth-friendly rate cuts.



Angola's Oil Production Falls Below 1 Million Bpd for First Time Since Leaving OPEC.

- **Production dips below 1 million bpd:** Angola's crude output fell to 998,757 bpd in July, missing the government forecast of over 1.07 million bpd. This marks the first time in two and a half years—and the first since its OPEC exit in January 2024—that production slipped under the symbolic 1-million-bpd threshold.
- **Post-OPEC ambitions unmet:** Despite quitting OPEC to raise output, production remains flat as aging fields and underinvestment weigh on capacity.
- **Pivot to natural gas:** With oil production now at less than half its 2008 peak of 2 million bpd, Angola is turning to natural gas development as a strategic alternative to monetise resources and stabilize long-term energy revenues.

Recommended readings

Will Trump's India Tariffs Affect a Critical U.S. Partnership? (Source : Council on Foreign Relations)

- **Trump's tariffs are both economic and strategic leverage:** The 25 percent "reciprocal" tariff—and the threatened additional 25 percent tied to India's Russian oil imports—are designed to pressure New Delhi on market access and indirectly curb Moscow's war financing, though they risk escalating into the most serious U.S.-India trade dispute in decades.
- **India faces political and economic pressure:** Modi has publicly vowed to defend farmers, fishermen, and domestic producers, while India's exporters—particularly textiles, gems, jewellery, and auto parts—face serious risks as the U.S. remains India's largest market. The dispute could shave up to 0.5% off India's growth if prolonged.
- **Room for compromise:** Both sides keep talks open ahead of a September Trump-Modi meeting; limited oil shifts and trade concessions could help defuse tensions and preserve the partnership.

An update on the efficacy of sanctions against Russia. (Source: Brookings)

- **U.S. sanctions remain the most effective deterrent:** Tankers targeted by the U.S. show an ~80% drop in activity, far more than those sanctioned only by the EU or U.K. The fear of secondary sanctions from Washington clearly has a stronger chilling effect on ports, insurers, and shippers worldwide.
- **EU and U.K. have dramatically expanded coverage:** Since June 2025, both have sanctioned over 400 Russian-controlled vessels each, significantly boosting overlap and coordination. Joint EU-U.K. sanctions now cover 247 ships (up from just 23 in January), helping close gaps in enforcement and tightening pressure on Russia's oil exports.
- **U.S. inaction risks undermining Western pressure:** The U.S. has not sanctioned a single vessel since January 2025, leaving 359 EU/U.K.-sanctioned ships untouched by Washington. Without U.S. alignment, Russia retains critical export channels, weakening the effectiveness of sanctions and reducing leverage to constrain Moscow's revenues.