

# Kinzletter : Weekly Global Economical and Geopolitical insights

## Global developments: Key Highlights

- **Axis of Defiance-China, Russia, and North Korea Challenge US-Led Order:** Xi Jinping, Vladimir Putin, and Kim Jong Un appeared at a Tiananmen parade, showcasing China's military strength and prompting Trump's criticism of a plot against the US. Simultaneously, China and Russia backed Iran in rejecting Europe's push to reimpose UN sanctions, calling it legally flawed.
- **SCO Summit Signals New Global Order and Strategic Partnerships:** The SCO summit in Tianjin highlighted Beijing's push for a new global order, with pledges of aid, AI cooperation, and plans for an SCO development bank to reduce reliance on the U.S. dollar. Modi met Xi and Putin, emphasising India's partnership with both despite global tensions.
- **Netanyahu Halts West Bank Annexation Amid UAE Warning :** Netanyahu removes West Bank annexation plans from the government's agenda after the UAE warned it would jeopardize the Abraham Accords, focusing instead on Palestinian security.



## Global Economic development

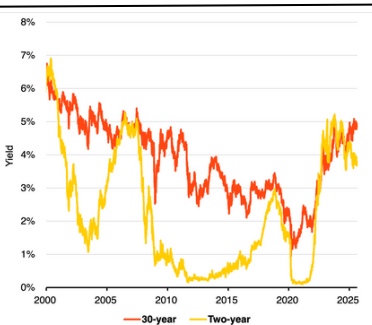
**Global financial markets** showed mixed trends this week amid **economic uncertainty, geopolitical developments**, and major **corporate moves**, reflecting both opportunities and caution for **investors**. In the **U.S.**, **stocks** initially rose on **Friday** but lost momentum after a **weaker-than-expected August jobs** report showed only **22,000 new positions**, far below the forecasted **75,000**, and a slight increase in **unemployment** to **4.3%**. The **report**, along with **downward revisions** for June and July, heightened expectations of **imminent Federal Reserve rate cuts**, with traders now pricing in a **near-certain 25-basis-point reduction** and rising bets on a **larger 50-point "jumbo" cut**. In **China**, stocks fell sharply after a **five-month rally**, with the **CSI 300** down **2.1%** amid profit-taking and regulatory concerns following **Xi Jinping's military parade**. In **Europe**, India strengthened ties with the **EU** through a call between **PM Modi** and **EU leaders**, highlighting **trade, technology, and strategic cooperation**. **Gulf markets** ended higher ahead of **U.S. labor data**, supported by **rising oil prices** and **investor optimism**, while **UK-Saudi collaboration** saw **\$484 million** in joint investments, including **Alfanar's \$ 274million expansion** in London. **Egypt** activated a **\$7.5 billion Qatari investment package**, emphasising regional economic partnerships. **Somalia** launched its **National Securities Exchange** to modernise the **economy** and attract **international capital**. Overall, **global markets** navigated **slowing growth, policy shifts, and strategic investments**, highlighting both **risks and opportunities** for investors.

### Trump urges Supreme Court to fast-track appeal to preserve tariffs .

- **Trump's Appeal to Supreme Court:** Former U.S. President Donald Trump has asked the Supreme Court to fast-track an appeal after a federal court ruled 7-4 that he exceeded his authority by imposing sweeping tariffs under the International Emergency Economic Powers Act (IEEPA).
- **Administration's Argument:** The Trump administration argued that overturning the tariffs — including steep levies on India and other countries — would gravely undermine U.S. diplomacy, weaken national security, and jeopardise ongoing trade negotiations.
- **Trade & Legal Stakes:** Plaintiffs contend the tariffs are unlawful, harming small businesses, while the administration maintains they are essential for economic strength, national defense, and peace efforts, particularly amid the Ukraine conflict.

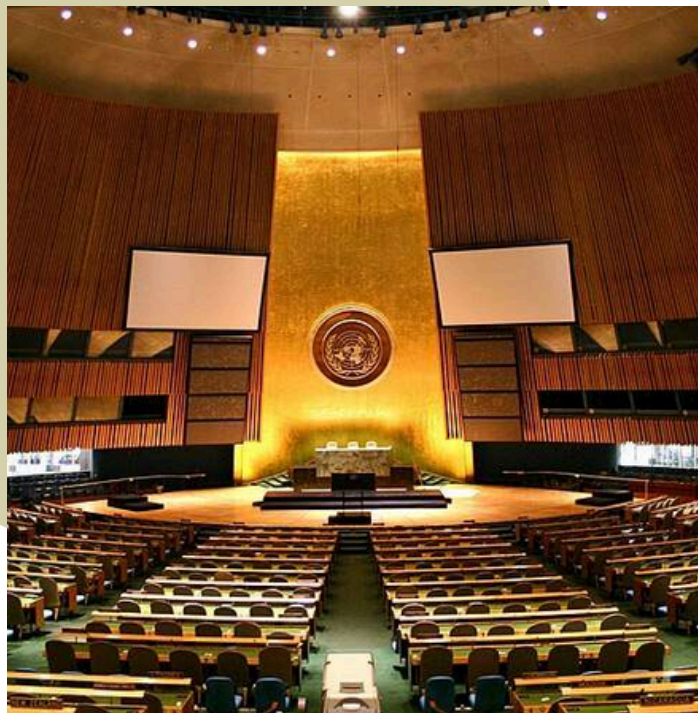
### US Revokes Palestinian Visas Ahead of UN Assembly, Sparks Global Backlash .

- **US Visa Revocations:** The Trump administration revoked visas for Palestinian President Mahmoud Abbas and dozens of officials ahead of the UN General Assembly, citing alleged violations by the Palestinian Authority and PLO of peace commitments.
- **International Backlash:** The EU, France, and Spain urged Washington to reverse the decision, stressing that the UN must remain a neutral forum where Palestine has the right to be represented.
- **Expanded Restrictions:** The U.S. also extended visa bans to most Palestinian passport holders from Gaza, the West Bank, and the diaspora, effectively imposing a blanket restriction on travel for business, study, or medical purposes.



## CHART OF THE WEEK

The **current market anomalies** suggest an **economic transformation** rather than a typical cycle. **Long-term U.S. Treasury** yields rose even as **short-term yields fell**, trade uncertainty spiked without sustained volatility, and tariff fears eased. These **shifts** underscore the value of using a clear framework to cut through **noise**. Relying on **slow-moving economic fundamentals** has helped capture sentiment-driven swings — such as turning risk-on after **April's tariff scare** and anticipating a rebound in **U.S. equities** after Europe's temporary outperformance. Betting on such reversals has been one of **2025's strongest strategies**. **Source : Black Rock.**



## ***Belgium joins the Western Push to Recognise Palestinian State as Israel Pushes Back***

- **Belgium to Recognize Palestine at UN:** Belgium announced it will recognize a Palestinian state at the upcoming UN General Assembly, citing the humanitarian crisis in Gaza and violations of international law by Israel. The move follows similar decisions by France, Britain, Australia, and Canada.
- **Sanctions and Conditions:** Belgium plans 12 sanctions against Israel, including banning settlement products and declaring certain Israeli ministers and settlers persona non grata, while also requiring Hamas to release hostages and relinquish political control before recognition is formalized.
- **Rising Diplomatic Tensions:** Israel condemned Western recognition moves, warning of reciprocal actions, while Netanyahu pressured Macron to drop France's plan. The U.S., under Secretary of State Marco Rubio, warned recognition could push Israel toward annexation of the West Bank and complicate ceasefire efforts.



## ***Putin rejects Western security role in Ukraine, warns foreign troops would be targeted.***

- **Putin Rejects Western Security Force:** Russia dismissed Western plans for a "reassurance force" to deploy in Ukraine after a ceasefire, with Putin warning any foreign troops would be considered "legitimate targets."
- **Divergent Approaches:** While Macron and Ukraine's allies pledged military support to secure Kyiv in the event of a ceasefire, Moscow insists foreign forces would endanger Russia and instead wants to act as a security guarantor—an idea Ukraine rejects.
- **Peace Prospects Unclear:** Putin signalled readiness for talks with Zelensky but cast doubt on a deal, blaming Ukraine's territorial conditions, while Western leaders accuse Russia of stalling to seize more ground.

## Other Geopolitical developments

### ***IAEA Presses for Inspection Deal and EU Pursues Separate Nuclear Talks with Iran .***

- **IAEA Urgency:** IAEA chief Rafael Grossi warned Tehran that negotiations over resuming inspections at damaged nuclear facilities cannot be prolonged, stressing the need for an agreement within days to restore access for inspectors before the IAEA Board meeting next week.
- **Uranium Concerns:** Despite recent strikes, Iran retains around 440.9 kg of highly enriched uranium—potentially enough for 10 bombs if further refined—though its exact status remains unverified.
- **Diplomatic Pressure:** Iran's new law requiring top-level approval for inspections complicates negotiations, as the EU simultaneously pushes for a diplomatic solution under a looming sanctions deadline.

### ***Sharaa unveils development fund to support reconstruction in war-torn areas of Syria.***

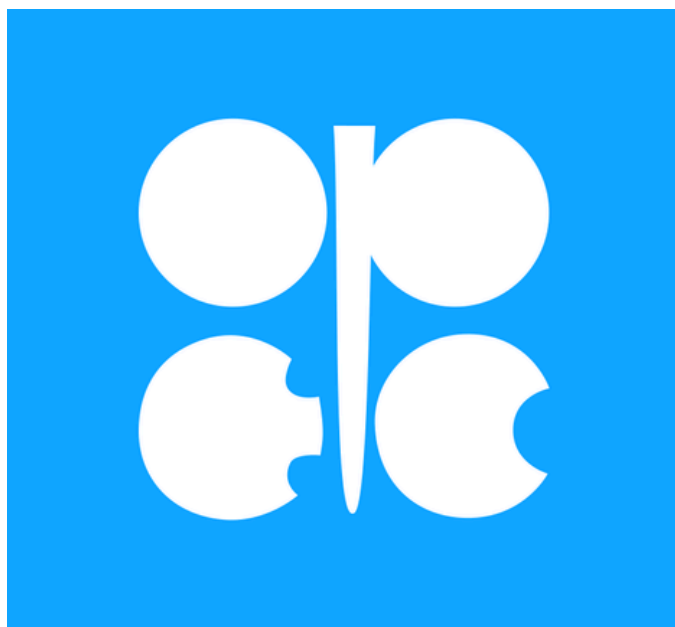
- **Launch of Syrian Development Fund:** President Ahmed al-Sharaa inaugurated the Syrian Development Fund in Damascus, calling it a national institution to rebuild areas devastated over 14 years of conflict. He urged both Syrian and international donors to contribute, with \$60 million already pledged.
- **Reconstruction Priorities:** The Fund, led by Safwat Raslan, will focus on health, education, agriculture, and infrastructure, with an urgent emphasis on closing displacement camps and returning over a million displaced Syrians to their homes.
- **Scale of Destruction and Costs:** Syrian Emergency Minister Raed al-Saleh highlighted massive damage in regions such as Idlib, Aleppo, Deir ez-Zor, Homs, and Rif Dimashq, where destruction often exceeds 80–90%. He estimated rebuilding costs at \$250–400 billion, potentially rising to \$800 billion nationwide.





## ***Oil dips on U.S. stockpile build; OPEC+ considers output hike.***

- **Oil Price Drop:** Brent and WTI crude settled at two-week lows after a surprise U.S. crude stock build of 2.4 million barrels, defying analyst expectations of a draw.
- **OPEC+ Outlook:** The group will discuss a potential October output hike, signaling a focus on regaining market share over price support after already raising targets through September.
- **Global Factors:** Weak U.S. economic data boosted expectations of Fed rate cuts, while geopolitical moves—Trump urging Europe to cut Russian oil imports, Russia expanding sales to China, and rising Venezuelan exports—added uncertainty to the market outlook.



## ***OPEC+ set to weigh additional oil production increase on Sunday, sources report.***

- **Output Hike on Agenda:** Eight OPEC+ members will meet Sunday to decide on October output, with options ranging from further production hikes to pausing increases.
- **Shift in Strategy:** Since April, OPEC+ has reversed years of output cuts, adding about 2.5 million bpd—2.4% of global demand—in response to market share pressures and U.S. calls to lower prices.
- **Price Dynamics:** Despite higher output, Brent remains near \$68 a barrel, supported by sanctions on Russia and Iran and shortfalls in OPEC+'s pledged increases, suggesting supply gains have not eased prices as expected.

## Recommended readings

### ***Parading China's Nuclear Arsenal Out of the Shadows. (Source: CSIS)***

- **China's Open Nuclear Acknowledgement:** For the first time, China publicly displayed its nuclear triad at the Victory Day parade—revealing air, sea, and land-based nuclear delivery systems that can all reach the U.S. homeland, signalling a strategic shift from secrecy to open deterrence.
- **Strategic Messaging:** By showcasing only long-range nuclear systems (while omitting shorter-range ones), Beijing signalled that its nuclear arsenal is primarily designed to deter U.S. intervention in regional conflicts, especially over Taiwan, while maintaining conventional dominance locally.
- **U.S. Lagging:** China's rapid buildup and Russia's expansion highlight America's slow nuclear modernisation, leaving Washington at risk of strategic disadvantage without an updated strategy and arms control efforts.

### ***Navigating the US–China AI Divide: Priorities for India. (Source: ORF)***

- **Divergent US–China AI Strategies:** The US AI Action Plan emphasizes domestic innovation, deregulation, and export controls to secure technological leadership, while China's Global AI Governance Plan prioritizes international cooperation, governance frameworks, and leveraging decades of infrastructure diplomacy through the BRI and DSR.
- **China's Global South Strategy:** Beijing is positioning itself as a partner for the Global South by offering technological assistance and embedding its standards, aiming to secure leadership through adoption and market penetration rather than pure innovation.
- **India's Value-Based Leadership Opportunity:** India can carve out space by exporting adaptable, frugal innovations like its Digital Public Infrastructure and lightweight AI tools, while advancing sovereignty-respecting governance frameworks to build trust and consensus across the Global South.