

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Nepal PM Resigns Amid Deadly Protests, Interim Talks Stall** : Nepal's PM K.P. Sharma Oli resigned after protests over a social media ban left 30 dead and 1,000 injured. Ex-chief Justice Sushila Karki has become country's interim prime minister. The army lifted the curfew.
- **Conservative Activist Charlie Kirk Killed in Campus Shooting, Suspect Arrested**: Conservative activist Charlie Kirk was shot dead during a campus debate at Utah Valley University. President Trump ordered flags at half-mast, condemned the attack as political violence, and confirmed the suspect is in custody.
- **Scott Bessent to Meet Chinese Officials in Madrid During Europe Trip** : U.S. Treasury Secretary Scott Bessent will meet Chinese Vice Premier He Lifeng and other officials in Madrid next week to discuss trade, security, and TikTok, during his September 12–18 trip to Spain and Britain, which includes meetings with European counterparts and Trump's UK state visit.



Global Economic development

The **global economy** is showing **mixed signals**, with some regions **resilient** and others under **strain**. In the **United States**, rising inflation at **2.9%** alongside surging **unemployment** claims points to **early stagflation**, leaving the **Federal Reserve** in a difficult position as it balances **rate cuts** with **inflation control**. **China**, meanwhile, continues to battle **deflation**, with consumer prices falling **0.4% year-on-year** in August and **factory-gate prices** contracting for the **35th consecutive month**, highlighting **weak demand** and **oversupply** despite **policy support**. **Global momentum** has improved, with the **J.P. Morgan PMI** hitting a **14-month high** in August, though **confidence** remains weighed down by **US tariffs**. **India** stands out with **inflation** at **2.07%** and strong **7.8% growth** in Q2, giving policymakers scope to **ease rates**. The **GCC** also recorded record banking profits of **\$16.2 billion in Q2**, supporting **solid regional growth**. In **Africa**, however, **rising debt burdens** are driving continued reliance on the **IMF**. Meanwhile, the **Eurozone** is cautious as the **ECB** kept rates at **2%** in September. **Inflation** hovers near **target**, but political instability in **France** and trade uncertainties weigh on the **outlook**, with **modest growth** expected and a **possible rate cut** in **December**. With **external debt** exceeding **\$650 billion** and annual servicing costs near **\$90 billion**, about 20 countries remain in **IMF programs** despite resistance to austerity. While **contentious**, these partnerships are increasingly seen as vital for maintaining liquidity. Overall, the picture is one of divergence: the **United States** faces **stagflation risks**, **cautious EU monetary policy**, **China deflationary drag**, while **India** and the **GCC** show resilience, and Africa grapples with **debt stress**. **Policymakers globally** are under pressure to balance **growth** and **stability** amid persistent **trade, financial, and geopolitical challenges**.

Fed Faces Pressure to Cut Rates as Jobs Data Weakens and Inflation Rises.	UN strongly backs two-state solution declaration while denouncing Hamas.
• Fed Rate Cut Expectations: Standard Chartered now forecasts a 50-bps cut at the September 17 meeting after weak August jobs data, though most economists and banks, including Morgan Stanley and Deutsche Bank, still expect a smaller 25-bps reduction. • Labor Market Concerns: US job growth slowed sharply in August, unemployment hit 4.3%, and previous job data was revised downward, prompting economists to anticipate more rate cuts this year despite inflation risks. • Diverging Forecasts: Barclays, Macquarie, and Bank of America now see multiple 25-bps cuts through year-end, while markets price in three cuts in 2025. Inflation rose 2.9% in August, complicating the Fed's balancing act between growth and price stability.	• UN Endorses Two-State Plan: The UN General Assembly voted 142–10, with 12 abstentions, to back a declaration calling for “tangible, time bound, and irreversible steps” toward a two-state solution, while condemning both Hamas’s October 7 attacks and Israel’s actions in Gaza. • Global Reactions: The resolution was supported by all Gulf Arab states but opposed by the U.S., Israel, and eight other countries. France hailed it as isolating Hamas, while Washington dismissed it as a “publicity stunt” that undermines peace efforts. • Humanitarian and Political Implications: The declaration demands an immediate end to the Gaza war, calls for a temporary UN stabilization mission, and highlights the heavy civilian toll.

Change in Consensus GDP Forecast for 2026 since Jan 2025, % points

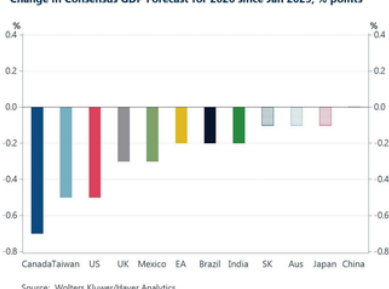


CHART OF THE WEEK

Growth forecasts for **2026** have been revised lower for most **major economies** since January, reflecting a broad shift in outlook. The **sharpest downgrades** are seen in Canada, Taiwan, and the US, while projections for **China** remain largely **unchanged**. The main drag comes from a more **restrictive trade environment** driven by expanded **US tariffs**, reinforced by global headwinds such as **geopolitical tensions**, **ongoing investment** and **export-control frictions**, and persistently **high capital costs**.

Source : Haver Analytics.



Israel's Strike on Hamas in Doha Sparks International Backlash .

- **Israeli Strike on Hamas in Doha:** Israel carried out a strike targeting Hamas leadership in Qatar's capital, killing six people—including a Qatari security official—while failing to hit the main negotiating delegation. The attack risks undermining ongoing Gaza ceasefire and hostage negotiations.
- **International Reactions:** The United Nations Security Council condemned the strikes on Doha, stressing the need for de-escalation and solidarity with Qatar. US President Donald Trump and Acting US Ambassador Dorothy Shea expressed displeasure, noting the attack does not advance US or Israeli interests. Qatar's Prime Minister criticized Israel for attempting to derail peace efforts, while other nations, including Pakistan and Algeria, condemned the operation.
- **Context of the Conflict:** The strike comes amid ongoing hostilities from Hamas's October 7, 2023 attack, which killed 1,200 people and took 251 hostages, with Gaza casualties now exceeding 64,000.



Russia Blocks Western Security Plan as Peace Talks Stall; Prince Harry Visits Kyiv.

- **Russia Rejects Western Security Force:** Putin rejected Western plans for a post-ceasefire "reassurance force" in Ukraine, warning foreign troops would be targets and insisting Moscow should be guarantor—an idea Kyiv rejects—as tensions rose when Poland shot down a drone near its border, alarming NATO allies.
- **Talks on Hold:** The Kremlin said peace talks are paused but possible, blaming Zelensky and the EU for stalling progress.
- **Prince Harry's Surprise Kyiv Visit:** Invited by the Ukrainian government, Prince Harry pledged support for war-wounded personnel through the Invictus Games Foundation, unveiling new rehabilitation initiatives for soldiers and civilians affected by the three-year war.

Other Geopolitical developments

Turkey launches training program for Syrian forces under new security agreement.

- **Turkey-Syria Security Deal:** Turkey has begun training Syrian soldiers and police under an August security agreement, with plans to train up to 20,000 personnel over time. Bases in northern Aleppo have been evacuated and handed over to the new Syrian administration.
- **Military Restructuring:** The agreement is viewed as the first step toward modernizing Syria's armed forces through training, consultancy, and equipment support, following Damascus's request for Turkish assistance after Israeli airstrikes.
- **Regional Tensions:** Israeli strikes on Latakia and Homs targeted depots storing Turkish-made weapons, raising fears of escalation, despite ongoing deconfliction mechanisms between Ankara and Tel Aviv.

Israeli-Russian researcher Elizabeth Tsurkov released after abduction in Iraq.

- **Elizabeth Tsurkov's Release:** Israeli-Russian researcher and Princeton student Elizabeth Tsurkov was freed in Iraq after months of captivity and torture by the Iran-backed militia Kataib Hezbollah.
- **Official Confirmations:** Former US President Donald Trump and Iraqi Prime Minister Mohammed Shia al-Sudani confirmed her release, crediting Iraqi security services with locating her and transferring her to the US embassy in Baghdad.
- **Professional Background:** Tsurkov, who entered Iraq on her Russian passport, focuses her academic work on the Levant, the Syrian uprising, and the wider civil war. Israeli Prime Minister Benjamin Netanyahu had revealed months after her disappearance that she was being held by Kataib Hezbollah, a powerful Iraqi Shia militia designated as a terrorist group by Washington since 2009 and long supported by Iran.



Oil prices fell 2% amid concerns over global oversupply and weakening US demand.

- **Oil prices fall on oversupply fears:** Brent crude dropped 1.7% to \$66.37 a barrel and WTI fell 2% to \$62.37, as concerns over swelling global supply and softer U.S. demand outweighed risks tied to conflicts in the Middle East and Ukraine.
- **Supply outlook pressures markets:** The IEA projected stronger output growth, with OPEC+ boosting production and Saudi exports to China increasing.
- **Geopolitical and economic factors add uncertainty:** Russia's oil revenues declined, India restricted sanctioned tankers, and uncertainty over U.S. inflation and rate cuts added pressure.



US will urge G7 to introduce tariffs on Chinese and Indian imports of Russian oil.

- **US push for G7 tariffs on China and India:** The Trump administration is pressing the G7 to impose 50–100% tariffs on China and India for buying Russian oil.
- **Escalating pressure on allies and trade tensions:** Washington has already raised tariffs on Indian imports and briefly hiked duties on Chinese goods earlier this year. Trump is now pressing allies, including the EU, to join in coordinated action, arguing that only collective economic pressure can force Russia to negotiate.
- **Global hesitation:** While Canada backs talks, EU officials remain cautious over economic risks and possible retaliation from Beijing.

Recommended readings

Who decides? Courts, Congress, and the shifting boundaries of tax authority. (Source : Brookings)

- **Courts are reshaping tax authority:** Recent rulings shift power from agencies and Congress toward the judiciary, making tax rules more vulnerable to legal challenges and leaving greater uncertainty for taxpayers and businesses.
- **Open to interpretation:** Loper Bright weakened IRS/Treasury authority by ending judicial deference to agency interpretations, while Moore upheld Congress's international tax but left open whether taxing unrealised gains—or wealth—is constitutional.
- **Presidential tariff powers in question:** Ongoing IEEPA litigation tests whether presidents can unilaterally impose sweeping tariffs that act like taxes, blurring the line between emergency powers and Congress's exclusive taxing role.

Von der Leyen's stirring message to Europe: Fight to survive. (Source : Atlantic Council)

- **Europe's security awakening:** Ursula von der Leyen's 2025 State of the Union came against the backdrop of NATO fighters downing Russian drones in Polish airspace—a first in allied history. She declared that "Europe is in a fight," urging Europeans to face the reality that the continent's peace project is under direct threat and must now transform into a security actor capable of defending its territory and values.
- **Support for Ukraine:** She announced major initiatives, including a Qualitative Military Edge program, a €6 billion drone alliance, and hosting a summit for the return of abducted Ukrainian children, underscoring that "Ukraine's freedom is Europe's freedom."
- **Shift from US reliance:** The speech downplayed the United States' role, presenting Europe's defense as a self-reliant project and signaling a push for "Europe's independence moment" in the face of Russia's aggression.