

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- Hamas Agrees to Release Israeli Hostages, Seeks Further Gaza Peace Talks:** Hamas will release all remaining Israeli hostages but seeks further talks on the US Gaza peace plan. It backs ending the war, Israel's withdrawal, prisoner exchanges, aid, and opposes Palestinian expulsion.
- Russia Turns to Asia Amid Fuel Shortages:** Facing refinery shutdowns from Ukrainian strikes, Russia plans to import gasoline from China, South Korea, and Singapore to ease domestic shortages. Moscow has also extended its gasoline export ban and tightened diesel restrictions through 2025 to stabilize supplies.
- G7 Backs UN Sanctions Snapback on Iran :** The G7 foreign ministers and the EU have endorsed reimposing UN sanctions on Iran through the snapback mechanism, citing nuclear violations. The UN has reinstated an arms embargo and other measures, while Russia rejects the move and Tehran warns of a strong response.



Global Economic development

The **global economy** faces **competing forces**: optimism from **AI-driven productivity** and diversification versus headwinds from **U.S. tariffs**, **political gridlock**, **energy volatility**, and **fiscal strains**. In the **U.S.**, stocks hit record highs despite the **shutdown**, as weak jobs data fuelled **Fed rate-cut bets**. **Gold** neared records, the **dollar** softened, and analysts warned of a **pullback** with data releases **delayed**. The **EU** is easing **fiscal rules**, cutting **sanctions** on **excessive deficits** to **0.05%** of **GDP**, while releasing **€3.07 billion** for green, digital, and infrastructure reforms. **China** expanded foreign access to **stock, bond, and swap markets** to boost **yuan use**. **Equities** surged (**CSI 300 +16% YTD**) on **AI optimism**, but slowing **output, weak consumption**, and leverage **risks** raise **doubts**. **India** grew **7.8%** in **Q1 FY26**, though the **ADB** trimmed forecasts to **6.5%** on **U.S. tariffs**. With **inflation** at **2.4%**, the **RBI** cut rates to **5.5%**, while strong demand and services provide **resilience**. In the **Gulf**, **Saudi Arabia** and **UAE (Abu Dhabi)** gained **modestly**, though **Qatar lagged**. **Oil prices** stayed pressured. **Abu Dhabi's non-oil GDP** rose **6.6%** in **Q2**, led by **finance** and **real estate**, as it pursues an **AI-native government strategy**. **Sub-Saharan Africa's growth** is set to rise from **3.8%** in **2025** to **4.1%** in **2026**, led by **Zambia (7.4%)** and **Ethiopia (7.2%)**, though **risks** persist from **tariffs, inflation, debt, and energy shortages**. Overall, **global markets** balance **optimism** with **fragility**: **AI** and diversification drive momentum, but **weak Chinese fundamentals, EU fiscal strains, U.S. political risks, and African vulnerabilities** highlight the **recovery's uncertainty**. Sustained growth depends on **effective policy, stability**, and converting innovation into **productivity**.

Trump warns of slashing funding to 'Democratic-run agencies' as government shutdown looms.

- Partisan Shutdown Strategy:** The Trump administration used the shutdown to target Democrats, with SBA and HUD posting partisan messages and directing staff to do the same — a move watchdogs say may violate the Hatch Act.
- Targeted Cuts & Project 2025 Agenda:** The White House froze \$18 billion for New York transit and \$8 billion for green energy in Democratic states, part of Trump's Project 2025 push to shrink the federal workforce and cut Democratic priorities.
- Economic Fallout:** The shutdown has sidelined 750,000 workers, costing \$400 million daily and disrupting research, oversight, and veterans' services, with Democrats warning Americans are being used as leverage.

Trump issues executive order ensuring Qatar's security following Israeli attack.

- Trump pledges US security guarantee for Qatar:** Through a new executive order, President Trump vowed to protect Qatar's territorial integrity, including possible military retaliation, following Israel's airstrikes in Doha that killed several Hamas members and a Qatari security officer.
- Diplomatic efforts and apologies:** Israeli Prime Minister Netanyahu apologized to Qatar for the death of its citizen during a White House call with Trump, while US officials, including Secretary of State Marco Rubio, reaffirmed the US-Qatar security partnership.
- Strategic significance of Qatar:** Qatar, home to the US Al Udeid Air Base, remains a key security partner, with Trump's pledge highlighting US support despite legal uncertainties.



CHART OF THE WEEK

Equity markets are buoyed by hopes that **AI-driven productivity** could support global growth, though macro data offer little concrete proof. High-frequency indicators, like **Citigroup's Economic Surprise Index**, show persistent upside surprises, while **inflation** surprises remain muted—suggesting **supply-side gains**. The key question for **investors** is whether this trend reflects lasting **productivity improvements** or just a **temporary cyclical effect**. **Source : Haver Analytics.**



Trump says Hamas is “ready for peace” and urges Israel to halt its bombing of Gaza.

- **Hamas Response to Trump Plan:** Hamas accepted parts of Trump’s 20-point peace proposal, agreeing to free Israeli captives and hand Gaza’s administration to Palestinian technocrats, while avoiding commitments on disarmament. The group also expressed readiness for mediated negotiations.
- **Trump’s Reaction and Israeli Concerns:** Trump called Hamas’s response “unprecedented” and urged Israel to halt bombings, while Netanyahu faced political pressure as captives’ families backed Trump.
- **Mixed International Signals:** Qatar and Egypt welcomed Hamas’s response, and the UN urged peace, but Hamas rejected Trump’s “Board of Peace,” insisting Gaza remain Palestinian-led.



Europe divided over 'drone wall' project as strategy to counter Russian attacks remains unclear.

- **EU Divisions Over Drone Wall:** The European Commission’s proposal for a “drone wall” to counter Russian attacks faces opposition from member states without eastern borders, with France, Germany, Italy, and Spain questioning its cost, scope, and focus.
- **Project Scope and Objectives:** The drone wall would link radars, sensors, and countermeasure systems across EU countries for coordinated detection and intervention, with Ukraine providing expertise based on its experience countering Russian drones.
- **Next Steps and Funding:** Implementation details remain unclear, with financing possibly coming from the €1.5 billion European Defense Industrial Programme; EU and NATO officials plan further discussions and exercises, including a formal summit later this month.

Other Geopolitical developments

Pentagon announces scaling back of its mission in Iraq.

- **U.S. Mission in Iraq Scaled Back:** The Pentagon plans to reduce troop numbers in Iraq to fewer than 2,000, with most stationed in Erbil, while Baghdad assumes primary responsibility for counter-ISIS operations.
- **Focus Shift to Syria and Kurdistan:** Remaining U.S. and coalition forces will concentrate on combating Islamic State remnants in Syria and the Kurdistan region, with Baghdad-based troops handling routine security cooperation.
- **Strategic and Political Context:** The drawdown reflects ISIS no longer posing a major threat from Iraq, addresses Baghdad’s concerns about U.S. troop presence, and aligns with broader regional efforts to prevent ISIS resurgence amid Syrian instability.

Henry Hamra, a Syrian Jew residing in the US, is running for a seat in the new Syrian parliament.

- **Historic Candidacy:** Henry Hamra, a Syrian Jew who fled to the US in 1992, is running for a seat in Syria’s new parliament, potentially becoming the first Jewish representative since 1947. He seeks to represent the Damascus district and has campaigned on unity, heritage protection, and lifting US sanctions under the Caesar Act.
- **Community and Heritage Focus:** Hamra’s platform focuses on reconnecting Syrian Jews, preserving cultural heritage, and engaging the diaspora, earning support as a step toward minority inclusion.
- **Political Context:** Syria’s new parliament mixes local elections and presidential appointments, welcoming back Syrian Jews amid regional tensions and talks with Israel.



Oil drops 2% to a four-month low amid oversupply worries.

- **Oil Prices Drop on Oversupply Concerns:** Brent fell 1.9% to \$64.11/bbl and WTI dropped 2.1% to \$60.48/bbl, marking four-month lows amid fears of rising OPEC+ production and slowing global demand.
- **Supply and Inventory Pressures:** OPEC+ may raise output by 500,000 bpd in November, while U.S. crude, gasoline, and distillate inventories increased due to softer refining activity, suggesting a growing supply surplus.
- **Geopolitical and Demand Factors:** Potential disruptions from Russian oil are minimal so far, stockpiling from China supports prices, and U.S. support for Ukraine aims at Russian energy infrastructure, adding complexity to the market outlook.



US crude oil stocks increase by 0.4% for the week ending September 26.

- **U.S. Crude and Product Inventories:** U.S. commercial crude stocks rose 0.4% to 416.5M barrels, gasoline inventories grew to 220.7M, and the Strategic Petroleum Reserve reached 406.7M barrels.
- **Production, Imports, and Refinery Activity:** U.S. crude output rose slightly to 13.51 million bpd, while imports and exports fell. Refineries processed 16.2 million bpd (91.4% capacity), with modest declines in gasoline and distillate production; four-week average product supply was 20.3 million bpd.
- **Government Shutdown Context:** The U.S. government shut down at September's end, but the EIA can continue operations and publish updates temporarily.

Recommended readings

Africa's untapped natural resource potential could be the engine for economic transformation. (Source: World bank)

- **Untapped Resource Potential:** Sub-Saharan Africa's rich resources remain underexplored; improved policies and investment could raise \$20 billion annually and fund public investment while supporting a green transition.
- **Industrialisation and Value Chains:** Using resources for industrialization and regional value chains can boost jobs and productivity, with AfCFTA enabling cross-border trade and greater economic integration.
- **Policy and Governance Imperatives:** Past resource booms show revenue alone doesn't ensure inclusive growth; Africa needs strong institutions, fair contracts, regional policies, and responsible investment to turn resources into sustainable, diversified growth.

Assessing China's New Climate Commitments. (Sources: CSIS)

- **China's New Climate Targets:** Xi Jinping announced 2035 goals including a 7–10% emissions cut from peak levels, >30% non-fossil energy share, 3,600 GW solar/wind capacity, forest expansion, EV dominance, and a broader carbon market.
- **Domestic and Global Implications:** While the targets support China's renewables, EVs, and cleantech sectors, they are less ambitious than expected and leave room for coal power. The mixed ambition reflects internal trade-offs between economic growth and decarbonization.
- **Impact on the World:** China reaffirms support for the Paris Agreement and positions itself as the global cleantech leader, but its modest emissions goals fall short of limiting warming to 1.5–2°C, raising concerns for global climate progress and competition with the U.S.