

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **U.S. Reverses G20 Boycott; Trump to Attend South Africa Summit** : The United States has reversed its boycott and plans to attend the G20 summit in South Africa. The decision came at the "11th hour," and logistical arrangements are underway. Meanwhile, UK Prime Minister Sir Keir Starmer arrived in Johannesburg to promote UK business interests and rally international support for Ukraine.
- **U.S. Reaffirms Support for Japan Amid Rising Tensions with China** : The United States reaffirmed its unwavering support for Japan after China criticized Prime Minister Sanae Takaichi's comments on Taiwan, stressing its commitment to the US-Japan alliance and Japan's defense, including the Senkaku Islands.
- **Turkey to Host COP31, Australia to Lead Negotiations** : Turkey won the hosting rights for COP31, while Australia agreed to lead the summit's negotiations and a pre-COP Pacific event, resolving a diplomatic standoff between the two nations over next year's UN climate conference.



Global Economic development

Global markets are experiencing **heightened volatility** amid concerns over **stretched tech valuations**, **mixed U.S. labor data**, and shifting **monetary policy expectations**. Stocks across major regions fell, driven largely by fears of an **AI-driven asset bubble** despite strong earnings from firms such as **Nvidia**. **U.S. labour market momentum** has weakened, with a **government shutdown** forcing the **BLS** to merge its **September–October data** and limiting **expectations** to **modest job gains**. **Structural pressures** such as **lower immigration**, **AI-driven automation**, and **global trade uncertainty** continue to reshape the **job landscape**. The **Federal Reserve** remains **cautious**, with **muted rate-cut expectations** and **Chair Powell** warning that **easing** is not **assured**. **China** is showing improved **sentiment**, with rising exports and a **new Five-Year Plan** boosting advanced manufacturing. **Goldman Sachs** now forecasts **GDP growth** of **4.8%** in **2026** and **4.7%** in **2027** respectively. A **temporary Trump–Xi truce** has eased **trade tensions**, while the **property sector's drag** is **slowly fading**. The **IMF** projects the **weakest medium-term growth** for **G20 economies** since **2009**, driven by **protectionism**, **ageing populations**, and **fiscal strain**. **Emerging markets** remain **firmer**, with **India** leading **SBI** expects **~7.5% GDP growth** supported by **investment**, **rural recovery**, and **strong GST collections**. **Gulf markets** rebounded after **Nvidia's earnings** lifted **sentiment** in the **UAE**, **Saudi Arabia**, and **Oman**, while **Qatar** and **Egypt** declined due to **company-specific pressures**. **Global markets** are navigating a complex mix of **uneven data**, **tech uncertainty**, **geopolitics**, and shifting **central bank strategies**. **China** and **India** show momentum, but **global growth** remains **fragile**, underscoring the need for **coordinated policies** and **stable trade**.

IAEA demands Iran nuclear access; Iran refuses.

- **IAEA Pressure and Iranian Pushback**: The IAEA passed a resolution demanding full access to Iran's nuclear program, including recently attacked sites, but Tehran has refused cooperation on those bombed locations and warned of consequences.
- **Diplomatic Split and Voting Outcome**: The resolution passed with 19 votes in favor, 3 against (Russia, China, Niger), and 12 abstentions, highlighting a divided international stance on Iran's nuclear transparency.
- **Backchannel Diplomacy Amid Rising Tensions**: With concerns over renewed Israeli strikes and worsening economic conditions, Iran has reached out to Saudi Arabia to help revive U.S.-led nuclear talks, signaling both anxiety and willingness to return to diplomacy if its rights are protected.

India and Israel restart Free trade negotiation.

- **FTA Restart**: India and Israel have officially signed the Terms of Reference (ToR) in Tel Aviv to restart negotiations on a Free Trade Agreement (FTA). This marks a major step toward deepening economic cooperation, boosting bilateral trade, and strengthening strategic and investment ties between the two countries.
- **Framework Focus**: The framework will guide talks on market access, tariffs, investments, customs, technology transfer, and trade, aiming for a balanced, mutually beneficial agreement.
- **Trade potential**: Since 1992, trade rose from \$200M to \$10.77B in 2022–23 but recently fell; strong opportunities remain in startups, tech, sustainability, defence, and innovation, reflecting both economies' complementarities.

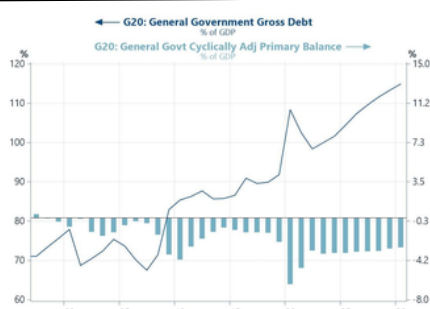


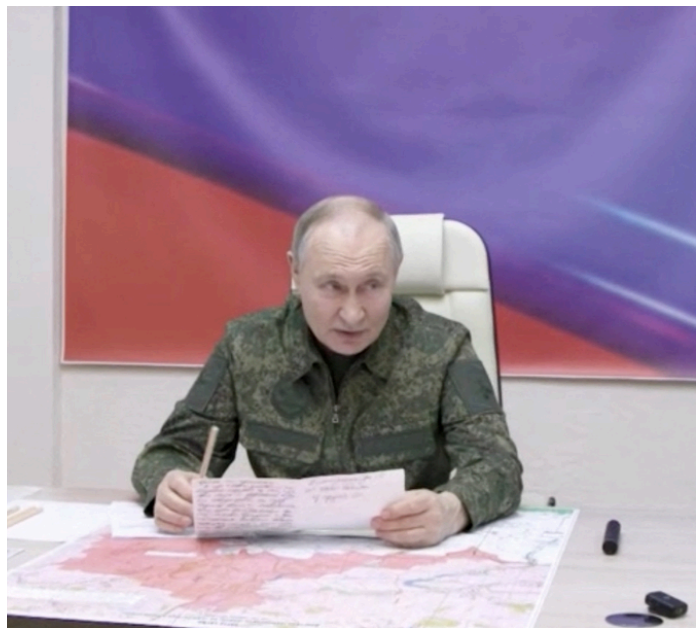
CHART OF THE WEEK

Heading into **2026**, the key question is whether **major economies** can still support growth or if rising debt signals **fiscal fatigue**. **G20 debt ratios** continue to climb, with **primary balances** in deficit, leaving fiscal policy to carry much of the **macroeconomic load**. In the **U.S.**, outcomes hinge on **expiring tax cuts** and **fiscal packages**. **Europe** faces rising **defense** and green-transition costs under renewed **EU rules**. **Japan** may tighten **fiscal policy** as the **BoJ** eases **ultra-loose measures**, while **China** leans on **local borrowing** and **quasi-fiscal support**, adding long-term strain. **Persistent deficits** may sustain demand, but **higher debt** clouds **monetary policy**. With funding needed for **AI**, **energy**, and **geopolitical priorities**, markets may soon see the limits of fiscal space. **Source : Haver Analytics.**



Armed anti-Hamas factions aim for a role in a future Gaza peace framework.

- **Emergence of Militias:** Various armed groups, including clan-based forces, criminal gangs, and new militias, have risen to challenge Hamas in Gaza. Some receive covert support from Israel and elements of the Palestinian Authority, though none are officially included in the US-led peace plan.
- **Local Operations and Controversy:** Leaders like Hossam al-Astal and Yasser Abu Shabab run small but well-supplied forces in areas controlled by Israel under the ceasefire. While some locals see them as alternatives to Hamas, many Gazans view them as criminal, dangerous, and illegitimate.
- **Integration and Long-Term Risks:** Israel backs militias to counter Hamas, but their future role is uncertain and they could later turn against Israel.



Trump's 28-Point Ukraine Peace Proposal: Key Points and Reactions .

- **Trump's 28-Point Peace Plan:** It Proposes that Ukraine cede Crimea, Luhansk, and Donetsk to Russia, limit its armed forces, prevent NATO expansion, and use \$100bn in frozen Russian assets plus \$100bn from Europe for reconstruction, with Russia reintegrated into the global economy.
- **Ukraine's Reaction:** Zelenskyy met U.S. officials, emphasizing a need for a dignified, sovereign peace; Kyiv had no role in drafting the plan and will consult European allies, with analysts warning that the proposed concessions could be catastrophic.
- **Implementation Concerns:** Experts cite vague, unenforceable terms, unclear U.S. security guarantees, and potential amnesty for Russian war crimes, raising doubts that the plan could realistically end the war or gain European support.

Other Geopolitical developments

Trump announces U.S. plans to sell F-35 jets to Saudi Arabia ahead of the crown prince's visit.

- **U.S. to Sell F-35 Jets to Saudi Arabia:** Trump announced the U.S. will sell F-35 jets to Saudi Arabia ahead of the crown prince's White House visit, underscoring the kingdom's key ally status.
- **Strategic and Security Concerns:** The sale raises U.S. and Israeli concerns over stealth technology access and regional military balance, given Saudi ties with China and Israel's F-35 exclusivity.
- **Broader Diplomatic Agenda:** During the visit, leaders are expected to discuss defense deals, civilian nuclear cooperation, and Trump's push for Saudi Arabia to join the Abraham Accords, contingent on a path toward a Palestinian state.

Syria denounces Netanyahu's visit to Israeli-occupied southern territory.

- **Netanyahu Visits Troops in Southern Syria:** Israeli Prime Minister Benjamin Netanyahu toured troops deployed in southern Syria, reiterating Israel's commitment to protect the Druze community and safeguard the Golan Heights and Israel's northern border.
- **Syria Condemns the Visit:** Damascus called Netanyahu's trip a "dangerous violation of Syrian sovereignty and unity," viewing it as an attempt to impose a fait accompli and a signal that Israel will not relinquish recently seized positions.
- **Stalled Security Talks:** U.S.-brokered negotiations on a security pact between Israel and Syria have faltered, particularly over Israel's request to open a "humanitarian corridor" in Sweida, highlighting ongoing tensions and the fragile state of regional diplomacy.



Oil prices fall amid U.S. efforts to broker a Russia-Ukraine peace deal.

- **Peace Push Pressures Prices:** Oil slipped as the U.S. urged Ukraine to consider a peace deal with Russia that includes territorial concessions Zelenskiy has previously rejected.
- **Sanctions Uncertainty:** Sanctions uncertainty added market pressure, with U.S. sanctions on Rosneft and Lukoil set to take effect Friday, raising questions about whether they might be lifted or delayed if peace talks progress.
- **Mixed Market Signals:** A larger-than-expected U.S. crude inventory draw offered some support to oil prices, indicating stronger refinery uptake and tighter supply. However, this was offset by rising gasoline and distillate stockpiles, which pointed to softening consumer and industrial fuel demand and raised concerns about the strength of the broader market.



Trump triggers California uproar with Pacific coast drilling plan.

- **Major Expansion of Offshore Drilling:** The Trump administration unveiled a plan to dramatically expand oil and gas lease sales in U.S. waters, including 21 off Alaska, seven in the Gulf of Mexico, and six along California's Pacific coast, replacing the Biden-era schedule.
- **Conflict with California and Conservation Groups:** The proposal sparked strong opposition from California Governor Gavin Newsom and environmental organisations, citing risks to coastal communities, ecosystems, and the state's climate policies.
- **Industry Support and Energy Agenda:** Interior Secretary Burgum and industry groups hailed the plan for boosting U.S. offshore energy, jobs, and Trump's energy agenda, while excluding the Atlantic coast.

Recommended readings

What's in the New U.S.-Saudi Minerals Agreement? (Source: CSIS)

- **Strategic Minerals Partnership to Counter China:** A new refinery, nuclear cooperation, and a minerals framework signal a major U.S.-Saudi shift, strengthening non-China supply chains and deepening long-term strategic ties.
- **Joint Refining, Nuclear, and Investment Frameworks Deepen Ties:** A new rare earths refinery, expanded civil nuclear cooperation, and a formal minerals framework mark a major shift in U.S.-Saudi alignment, strengthening non-China supply chains and deepening long-term energy and industrial ties.
- **Saudi Arabia's Rise as a Critical Minerals Powerhouse:** Driven by Vision 2030, Saudi Arabia is emerging as a global critical-minerals hub, shifting its partnership with the U.S. from oil to minerals, nuclear energy, and strategic industries.

South Africa's G20 Presidency and the Global South Continuum. (Source: ORF)

- **Historic Moment for Africa:** South Africa's 2025 G20 presidency, the first-ever leaders' summit on African soil caps four consecutive Global South presidencies and firmly places Africa at the centre of global governance and agenda-setting.
- **Ambitious Agenda for Inclusive Growth:** Amid rising geopolitical tensions, South Africa advances a focused development agenda built around reducing global inequality, strengthening food security, shaping ethical and inclusive AI governance, promoting fair value-creation in critical minerals, and securing sustainable debt frameworks for developing economies.
- **Consensus Under Strain:** The U.S. boycott and wider global divisions threaten unity, but the Global South-led Troika provides continuity, enabling South Africa to strengthen multilateral cooperation and elevate Africa's voice.