

Weekly Newsletter

June 20th, 2025

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Musings

"In geopolitics, there are no permanent friends or enemies, only permanent interests."

— Henry Kissinger (paraphrased)

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,967.85	-0.15%	1.47%
Nasdaq Composite	19,447.41	0.21%	0.71%
10Y UST Yield	4.377	-0.73%	-4.29%
Crude oil	73.84	1.18%	2.96%
Gold	3,368.75	-1.87%	28.37%
DX	98.77	0.64%	-8.95%
USD/INR	86.56	0.55%	1.20%
Euro STOXX 50	5,218.20	-1.02%	7.42%
India (Nifty)	25,112.40	1.59%	6.21%
Japan (Nikkei)	38,403.23	1.50%	-3.74%
China (CSI 300)	3,846.64	-0.45%	-2.24%
Saudi (TASI)	10,610.71	-2.12%	-11.85%
Abu Dhabi (ADX)	9,513.43	-0.53%	1.00%
Dubai (DFM)	5,351.60	-0.24%	3.74%

News from the markets

Doubts about whether the US will deepen its involvement in the Middle East conflict were answered on June 22nd, 2025, as the **United States forces struck Iran's three principal nuclear sites: Natanz, Esfahan and Fordow**. Six bunker-buster bombs were dropped on Fordow, while 30 Tomahawk missiles were fired against other nuclear sites. U.S. B-2 bombers were involved in the strikes.

CBS News reported that the US reached out to Iran diplomatically on Saturday to say the strikes are all the US plans and it does not aim for regime change.

Meanwhile, **Iranian state television warned on Sunday that "every American citizen or military personnel" in the Middle East is now on Tehran's "target"**. In particular, Iran threatened to close the Strait of Hormuz and target U.S. naval forces in Bahrain.

The Straits of Hormuz handles about 20–21% of global oil consumption—roughly 18–20 million barrels per day—**and one-fifth of the world's LNG exports**, primarily from Qatar. While Saudi Arabia and the UAE have pipelines (e.g., the East-West Pipeline and Fujairah Pipeline) that can bypass the strait, they only cover a fraction of the volume—about 2.6 million barrels/day.

The U.S. also maintains a significant military presence in the Middle East, with several bases strategically located near Iran. These installations serve various purposes, from intelligence gathering to rapid deployment capabilities. Here are some of the key ones:

- Al Udeid Air Base, Qatar – One of the largest U.S. military bases in the region, it hosts thousands of personnel and is a central hub for air operations.
- Ali Al Salem Air Base, Kuwait – Supports air mobility and logistics, and often serves as a staging point for operations in Iraq and beyond.
- Al Dhafra Air Base, UAE – Hosts U.S. Air Force units and advanced aircraft like the F-22 Raptor.
- Camp Arifjan, Kuwait – A major logistics and command center for U.S. Army operations in the region.
- Erbil and Al Asad Air Bases, Iraq – These have been used for counterterrorism operations and intelligence missions.
- Tower 22, Jordan – A smaller but strategically located base near the Syrian border, which has seen recent attacks by Iran-backed militia

OPEC+ countries are set to convene on July 6th to consider adding more barrels in August. Saudi Arabia favors further large increases in order to recoup market share as quickly as possible.

Separately, the **UN's International Atomic Energy Agency (IAEA) said on Sunday that it had not detected any increase in radiation levels at key nuclear sites in Iran following US air strikes.**

The Federal Reserve held interest rates steady at its June meeting, as expected, while reaffirming the possibility of two rate cuts later this year. However, there's clearly both significant debate and uncertainty within the central bank about which way the economy will shift next.

Federal Reserve officials now see a combination of slower growth and higher inflation in 2025. Specifically, the central bank lowered its 2025 GDP forecast to 1.4% from 1.7% while raising its outlook for "core" PCE inflation to 3.1% from 2.8%. The Fed also moved up its unemployment forecast slightly to 4.5% from 4.4%.

As widely anticipated, **the Bank of England (BoE) decided to keep its benchmark rate at a 2-year low of 4.25%** on June 19th. While the prevailing view at the bank was that inflation would remain elevated over the coming months but start to slow towards next year, fears are growing that the conflict between Israel and Iran will escalate and that US tariffs will further fuel inflation.

The Swiss National Bank cut its interest rate to zero on June 19th and did not rule out returning borrowing costs to negative territory in future, although it stressed this was not a step it would take lightly. The central bank now has the lowest borrowing costs among its peers, with markets giving a 53% probability of further cuts in September.

Japan's top trade negotiator Ryosei Akazawa said on June 20th that trade negotiations with the U.S. "remained in a fog" despite efforts by both sides to seek an agreement. Tokyo has failed so far to clinch a trade deal with Washington and fulfil its goal of convincing President Donald Trump to scrap a 25% tariff on Japanese cars as well as a 24% reciprocal tariff on other Japanese imports.

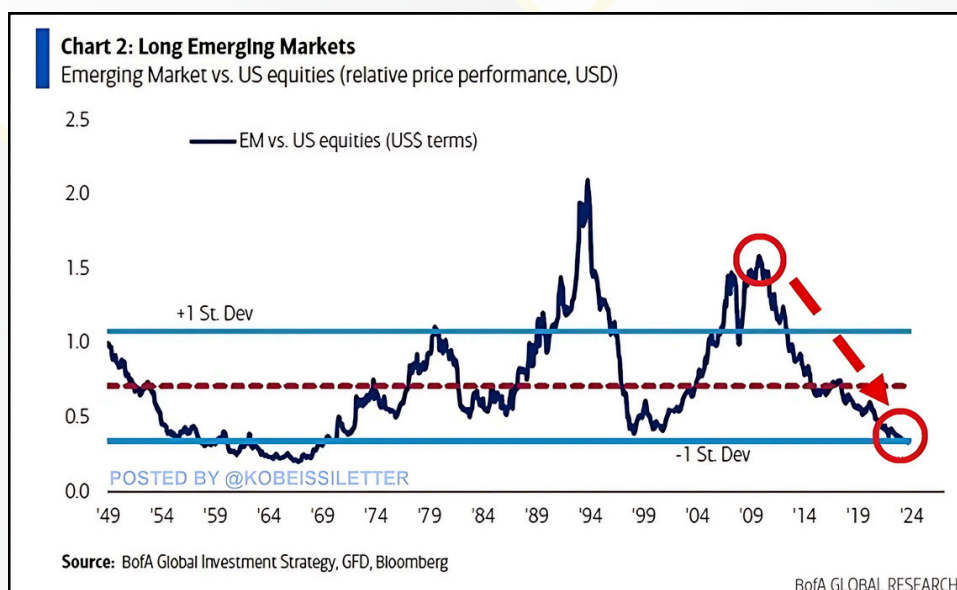
This failure by the United States to reach a tariff deal with Japan, a key Pacific Rim ally, and threats to notify multiple countries of new duty rates on imports after talks with only one, the United Kingdom, have shown any results, may prompt China to take a harder line with Washington on reaching a deal.

While U.S. crude prices have climbed some 10% over the past week, they are likely to spike higher when markets open on Monday. The S&P 500 has been little changed as of yet, following an initial drop when Israel launched its attacks. That could also change as other asset classes, including stocks, feel the knock-on effects of the increase in prices.

Key economic events coming this week

June 16 th	<ul style="list-style-type: none"> US Manufacturing PMI (Jun) US Existing Home Sales (May)
June 17 th	<ul style="list-style-type: none"> US CB Consumer Confidence (Jun) US 2-Year Note Auction
June 18 th	<ul style="list-style-type: none"> US New Home Sales (May) US Crude Oil Inventories US 5-Year Note Auction Micron earnings
June 19 th	<ul style="list-style-type: none"> US GDP (Q1) US Initial Jobless Claims US 7-Year Note Auction Nike earnings
June 20 th	<ul style="list-style-type: none"> US PCE (May)

Chart of the Week



The ratio between emerging market performance and US equities has fallen to its lowest in ~ 55 years.

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