



## MAKING SENSE OF *THIS* WORLD

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**R&R Weekly Column**  
**By Brunello Rosa**



### **Israel and Iran: Two Countries Fighting For Survival**

Last week, Israel began its attack on Iran. Nuclear sites, strategically important locations, and the places of work or residences of the heads of the Iranian Islamic Republic were the main targets of the bombing campaign.

[Some key figures of the Iranian regime have been killed](#) by the attack, which involved more than half of Israel's air force, reportedly 200 aircraft sent in at least two waves. [Among others](#), Hossein Salami, commander of Iran's Islamic Revolutionary Guard Corps, Mohammad Bagheri, Chief of Staff of the country's armed forces, and G. Rashid, the deputy commander of the Iranian armed forces, General Amir Ali Hajizadeh, commander of the IRGC aerospace force, and several nuclear scientists have been eliminated during the strikes. The residence of regime leader Khamenei was targeted as well, but there is no confirmation of the effects of this attack.

Iran responded by launching several missiles, including ballistic ones, but the vast majority were intercepted by Israel's "iron dome" protective systems. Nonetheless, some reached Tel Aviv. Iran promised an even larger retaliation, as Israeli strikes are likely to continue for a few more days at least, and potentially for weeks. [Further escalation is likely as time goes by](#). But let's try to answer some of the most pressing questions at the moment.

*Why did Israel strike now?* Among [the various reasons for doing so](#), the key one is that Iran and the US were on the verge of signing a new version of the JPCOA, [as we discussed in an in-depth report](#). Israel was unlikely to be satisfied with this deal, which would recognise the current regime, and give it a lifeline for a bit longer. These strikes clearly sabotage the deal.

*What are the immediate objectives?* The first objective of the strike was to neutralize the nuclear sites where uranium is enriched and had been getting closer to reaching "breakout capability" — which would have allowed Iran to build a nuclear weapon in the space of two weeks. The International Atomic Energy Agency (IAEA) announced earlier this week that Iran had violated its commitments under the Nuclear Non-Proliferation Treaty. Reportedly, the attacks on Natanz, a multistorey enrichment area with centrifuges, electrical rooms and other infrastructure have severely damaged the underground area of the site. It remains to be seen whether these strikes will have irretrievably compromised Iran's nuclear program or only temporarily stopped it.

*What are the longer-term objectives?* In the last few months, Israel's PM Netanyahu appealed directly to the Iranian population, exhorting them to rebel against the regime, and this message was repeated yesterday. Ideally, if the population wanted to rebel after several years of economic difficulty, this would be the right time to do so, as the regime has been decapitated and its ability to resist would be severely diminished. But the Iranian population, which is very patriotic, may paradoxically rally in favour of the dwindling system, in a gesture of national pride. Regime change may be an objective, but realistically, Israel is likely aiming at weakening the Islamic Republic and reducing its influence in the region after having targeted its proxy agents, i.e. Hamas in Gaza, Hezbollah in Lebanon and the Houthis in Yemen. If the regime were to collapse, it's not clear who could replace the Ayatollahs in power.

*Is the US involved in the attacks, or will it soon be?* The US was informed about Israel's intentions: President Trump himself said, a couple of days prior to the attack, that Israel was likely to attack. But most likely the US was not directly involved in this first phase of the conflict, as they were conducting diplomatic talks with Iran on the nuclear deal. If the conflict continues and escalates further, US logistical support will be likely needed by Israel. It's an open question whether the US will directly participate in military operations.

More in-depth analysis will follow, with a report that we will publish next week. For the time being it's obvious that both Israel and Iran are fighting for their survival. And this seems to be the pre-condition for further escalation in the coming days.

#### **Our Recent Publications**

📄 [South Korea: Economy Stalls Amid Political Turmoil and US Trade Pressure](#), by Nato Balavadze, 13 June 2025

📄 [The Rise of Digital Assets: Embracing a New Chapter for Digital Banking](#), by Attul Sehgal and Red Octopus Innovation, 11 June 2025

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### Looking Ahead

#### **The Week Ahead: Inflation To Ease Off In EZ And UK; Retail Sales To Shrink In US And UK; Fed And BoE To Keep Rates On Hold**

**In the US**, in May, retail sales are expected to contract by 0.5% m-o-m (*p*: 0.1%).

**In the EZ**, in May, headline and core inflation are likely to cool off to 2.3% y-o-y (*p*: 2.7%) and 1.9% y-o-y (*p*: 2.2%). Among the largest EZ economies, in May, headline inflation rate is expected to: *i*) ease off to 1.7% y-o-y (*p*: 1.9%) in Italy. In June, consumer confidence is seen rising to -14.5 (*p*: -15.2).

**In the UK**, in May, headline and core inflation are seen easing off to 3.4% y-o-y (*p*: 3.5%) and 3.7% y-o-y (*p*: 3.8%). In May, retail sales are likely to rise by 1.5% y-o-y (*p*: 5.0%) and shrank by 0.5% m-o-m (*p*: 1.2%).

**CBs To Remain On Hold**. In the US, the Fed is expected to hold its Fed funds range at 4.25% - 4.50%. In the UK, the BoE is likely to keep its Bank Rate (BR) at 4.25%.

#### **The Quarter Ahead: Iran-Israel Conflict; Trump Deploys National Guard Troops to L.A. Amid Immigration Protests**

**Iran-Israel Conflict**. Iran and Israel exchanged missile strikes on Saturday after Israel launched a major offensive targeting nuclear sites and killing Iranian commanders. Israel said it hit over 150 targets and urged citizens to stay in shelters as the Iron Dome intercepted incoming missiles.

**Trump approved U.S. Steel's merger with Japan's Nippon Steel** via executive order after the firms signed a national security deal granting the US a "golden share" for oversight. The agreement includes \$11 billion in planned investments by 2028. All regulatory approvals are now in place, and the deal will close soon. Trump had initially opposed the sale, which Biden blocked over security concerns.

### Last Week's Review

#### **Real Economy: Inflation Rose In US And Germany, While Eased Off In France; UK Unemployment Increased**

**In the US**, in May, headline inflation rose to 2.4% y-o-y (*c*: 2.5%; *p*: 2.3%), while core inflation remained unchanged at 2.8% y-o-y (*c*: 2.9%; *p*: 2.8%). In June, according to preliminary estimates, Michigan Consumer Sentiment rose to 60.5 (*c*: 53.5; *p*: 52.2).

**In the EZ**, in April, IP advanced to 0.8% y-o-y (*c*: 1.4%; *p*: 3.7%). In May, among the largest EZ economies, headline inflation rate: *i*) remained at 2.1% y-o-y (*c*: 2.1%; *p*: 2.1%) in Germany; and *ii*) cooled off to 0.7% y-o-y (*c*: 0.7%; *p*: 0.8%) in France.

**In the UK**, in April, unemployment rate edged up to 4.6% (*p*: 4.5%) as expected. In April, IP rose to -0.3% y-o-y (*c*: -0.2%; *p*: -0.7%).

#### **Financial Markets: Stock Prices Decreased; Yields Fell; Dollar Declined, While Gold And Oil Prices Rose**

**Market Drivers**: Stocks reversed early gains as Middle East tensions escalated. US Treasuries rose through Thursday on softer-than-expected CPI data but pared gains Friday after Israel's strike on Iran. In Europe, stocks fell amid renewed US trade policy uncertainty and regional conflict.

**Global Equities**: Decreased w-o-w (MSCI ACWI, -0.3%, to 889.69). The US S&P 500 index edged down (-0.4% w-o-w, to 5,976.96). In the EZ, share prices decreased (Eurostoxx 50, -2.6% w-o-w, to 5,290.85). In EMs, equity edged up (MSCI EMs, +0.6%, to 1,190.03). Volatility rose to 21.97 (VIX S&P 500, 52w avg.: 15.6; 10y avg.: 18.8).

**Fixed Income**: w-o-w, the 10-year US Treasury yields were down (-10 bps to 4.41%). The 2-year US Treasury yields edged down (-5 bps to 3.95%). The German 10-year bund yields fell (-2 bp to 2.54%).

**FX**: w-o-w, the US Dollar Index decreased (DXY, -1.0%, to 98.2; EUR/USD +1.4%, to 1.16). In EMs, currencies increased (MSCI EM Currency Index, +0.2% w-o-w, to 1,835.29).

**Commodities**: w-o-w, oil prices rose (Brent, +11.7% to 74.23 USD/b). Gold prices increased w-o-w (+3.2% to 3,452.80 USD/Oz).



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## Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	M5S	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DIEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year



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