



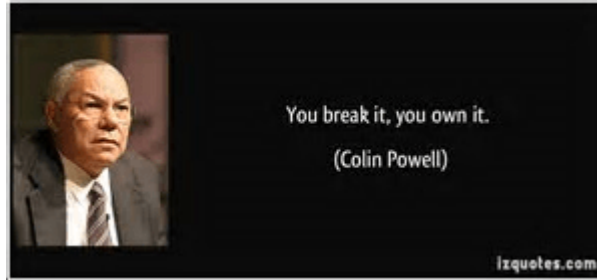
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## MAKING SENSE OF *THIS* WORLD

**23 June 2025**



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



### From Isolationism to Nation Building in the Middle East: The Metamorphosis of MAGA?

In our [column last week](#), we discussed how tensions in the Middle East escalated as a result of Israel's decision to strike Iran, which was – according to Israeli intelligence – on the verge of being able to assemble a nuclear bomb. [Strikes against nuclear sites and national security-related targets continue as of the time of writing this](#), as the [US conducted its first operation on the three nuclear sites of Natanz, Fordow and Isfahan](#). Iran has responded by firing ballistic missiles against Israel, and while the majority of them have been intercepted by the “Iron Dome,” some have hit civilian and military targets. He has now vowed “[everlasting consequences](#)” on the US for its strike.

Last week we asked a series of questions, including: 1) What's the ultimate goal of this campaign? and 2) Will the US become involved in the conflict? The answer to the first question is ambiguous. The declared goal is to annihilate Iran's nuclear program, but the consequence (whether intended or not) may be the fall of the Islamic Republic. In fact, regime change would be the obvious consequence of the elimination of Supreme Leader Khamenei. If the regime were to remain in place after the death of Khamenei, a much more radicalised Supreme Leader would likely be chosen. So, the decision to “take him out” ([as Trump put it](#)) would be massively consequential.

This explains the [difficulty in fully answering the second question](#), about the US involvement in the conflict? True, the US has deployed the [GBU-57 series MOP \(Massive Ordnance Penetrator\)](#), a 13,600 kg class [precision-guided "bunker buster" bomb](#), over the three aforementioned nuclear sites. Trump says it's now time for peace, but now that American bombs have been dropped on Iranian soil, the US is officially involved, not just in “finishing the job” but also in the aftermath of doing so: “You break it, you own it” says the [Pottery Barn rule](#), which apparently was used by [Colin Powell at the time of the 2003 US invasion](#).

If the Iranian regime were to collapse as a result of the US involvement in the war, then the US would be involved, once again, in a “nation building” exercise in the Middle East, exactly what Trump explicitly ruled out during his recent trip in the region (which was [the first of his second term](#)). More importantly, Trump has long campaigned on an “America First” program that mobilised the MAGA base, a key component of which was to abandon the “[forever wars](#)” in the Middle East of the past US administrations (and chiefly the Republican ones from “[Desert Storm](#)” of President Bush Sr. to “[Shock and Awe](#)” of President Bush Jr.).

For this reason, while traditional Republican hawks such as [Lindsey Graham have pushed for a US intervention in Iran](#), MAGA leaders such as Steve Bannon and [Marjorie Taylor Greene](#) have expressed scepticism, suggesting that the [MAGA base and the US would be torn by this decision](#). Trump initially said that [he would take two weeks to decide](#), which was also a window of time for the Iranian regime to go back to the negotiating table on the “nuclear deal.” But after Sunday morning's bombings, all bets are off. Clearly Trump has been tempted to militarily intervene in Iran, hoping for a rapid conclusion of the war. But history is full of examples of wars that were supposed to be concluded in days, and got protracted for years, from Hitler's “Blitzkriegs” to Putin's “Operation Z” in Ukraine.

#### Our Recent Publications

📄 [Review: BoE Leaves Rates Unchanged, But The Split Vote Suggests Further Easing Ahead](#), by Brunello Rosa and Nato Balavadze, 19 June 2025

📄 [A Primer On the Geopolitical Battle Over Money and Payment Infrastructures: Can the Dollar be Dethroned?](#), by Martijn van der Linden & Brunello Rosa, 18 June 2025

📄 [Review: BoJ Keeps Rates Unchanged, But Slows The Pace of QT](#), by Brunello Rosa & Nato Balavadze, 17 June 2025

📄 [Review: Fed Leaves Rates Unchanged, And Signals A More Cautious Approach To Easing](#), by Brunello Rosa and Nato Balavadze, 19 June 2025

📄 [Preview: BoE To Keep Rates On Hold, Amid Strong Growth and Above-Target Inflation](#), by Brunello Rosa and Nato Balavadze, 18 June 2025

📄 [Israel's War on Iran: What's The Endgame?](#), by Giorgio Cafiero, 17 June 2025



### Looking Ahead

#### **The Week Ahead: QoQ GDP To Shrink In US, While Advancing In UK; PMIs To Rise In EZ And UK, While Falling In US**

**In the US**, in Q1, according to the final estimate, GDP growth rate is seen shrinking by 0.2% q-o-q (*p*: 2.4%). In June, S&P Global Manufacturing and Services PMIs are expected to edge down to 51.2 (*p*: 2) and 52.9 (*p*: 53.7). In June, CB consumer confidence is seen rising to 99.1 (*p*: 98.0). Still in June, Michigan consumer sentiment is likely to increase to 60.5 (*p*: 52.2).

**In the EZ**, in June, economic sentiment is likely to increase to 95.5 (*p*: 94.8), while consumer confidence is seen deteriorating to -15.3 (*p*: -15.1). In June, HCOB Manufacturing and Services PMIs are expected to edge up to 49.7 (*p*: 49.4) and 50.0 (*p*: 49.7). Composite PMI is likely to decline too to 50.5 (*p*: 50.2).

**In the UK**, in Q1, according to the final estimate, the economy is likely to advance by 0.7% q-o-q (*p*: 0.1%) and 1.3% y-o-y (*p*: 1.5%). In June, S&P Global Manufacturing and Services PMIs are expected to edge up to 46.9 (*p*: 46.5) and 51.5 (*p*: 50.9).

#### **The Quarter Ahead: US Strikes Iran Nuclear Sites; Tehran Warns Of Lasting Consequences. Coinbase Gets EU Crypto License**

**The US bombed three Iranian nuclear sites**, escalating the Israel-Iran conflict. Trump warned of harsher strikes unless Tehran seeks peace. Iran condemned the attack, vowing consequences. Explosions later hit Jerusalem as Israel intercepted Iranian missiles. **Coinbase has secured a MiCA license from Luxembourg**, becoming the first U.S. crypto exchange approved under the EU's new regulatory framework. It will now make Luxembourg its main EU hub, shifting focus from Ireland. Rival Gemini is awaiting a similar license from Malta.

### Last Week's Review

#### **Real Economy: Inflation Eased Off In EZ And UK; Monthly Retail Sales Shrank In US And UK; Fed And BoE Kept Rates On Hold**

**In the US**, in May, retail sales rose by 3.3% y-o-y (*p*: 5.0%) and contracted by 0.9% m-o-m (*c*: -0.7%; *p*: -0.1%).

**In the EZ**, in May, headline and core inflation cooled off to 2.3% y-o-y (*p*: 2.7%) and 1.9% y-o-y (*p*: 2.2%) as expected. Among the largest EZ economies, in May, headline inflation rate to: *i*) eased off to 1.7% y-o-y (*c*: 1.9%; *p*: 1.9%) in Italy. In June, ZEW economic sentiment index rose to 35.3 (*c*: 23.5; *p*: 11.6). In June, consumer deteriorated to -15.3 (*c*: -14.5; *p*: -15.2).

**In the UK**, in May, headline and core inflation eased off to 3.4% y-o-y (*c*: 3.4%; *p*: 3.5%) and 3.8% y-o-y (*c*: 3.6%; *p*: 3.8%). In May, retail sales contracted by 1.3% y-o-y (*c*: 1.7%; *p*: 5.0%) and by 2.7% m-o-m (*c*: -0.5%; *p*: 1.3%) respectively.

**CBs Remained On Hold**. In the US, the Fed hold its Fed funds range at 4.25% - 4.50%. In the UK, the BoE kept its Bank Rate (BR) at 4.25%.

#### **Financial Markets: Stock Prices Decreased; Yields and Gold Prices Fell; While Dollar and Oil Prices Were Up**

**Market Drivers**: Stocks closed mixed in US and Europe as hopes for Middle East de-escalation clashed with fears of an oil spike after the Israel and then the US bombed Iran. Investors turned to safe havens, boosting the dollar and Treasuries amid rising geopolitical tensions and weak economic data.

**Global Equities**: Decreased w-o-w (MSCI ACWI, -0.4%, to 885.76). The US S&P 500 index edged down (-0.2% w-o-w, to 5,967.84). In the EZ, share prices decreased (Eurostoxx 50, -1.1% w-o-w, to 5,233.58). In EMs, equity edged down marginally (MSCI EMs, -0.0%, to 1,189.85). Volatility declined slightly to 21.65 (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 (-3 bps to 4.38%). The 2-year US Treasury yields edged down (-5 bps to 3.90%). The German 10-year bund yields fell (-3 bp to 2.51%).

**FX**: w-o-w, the US Dollar Index increased (DXY, +0.5%, to 98.7; EUR/USD -0.3%, to 1.15). In EMs, currencies are virtually unchanged (MSCI EM Currency Index, +0.0% w-o-w, to 1,835.48).

**Commodities**: w-o-w, oil prices rose (Brent, +3.7% to 77.01 USD/b). Gold prices decreased w-o-w (-1.9% to 3,385.70 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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