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30 June 2025



***R&R Weekly Column
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Iran: The Islamic Republic Is Still Intact, And Nuclear Facilities Might Be Operational

Last weekend, [the US conducted a military air strike against the Iranian nuclear facilities](#) of Natanz, Fordow and Isfahan. In spite of the use of the GBU-57 series MOP (Massive Ordnance Penetrator), a 13,600 kg class precision-guided “bunker buster” bomb, against these three nuclear sites, it is unclear how damaged the uranium enriching facilities are.

A leaked memo by US intelligence, which was reported by [CNN and the New York Times](#), said that the damage was likely lower than had been expected, and was potentially limited in its effect. [Reports by European intelligence](#) and the Atomic Energy Agency (AEA) confirmed this assessment. [In a recent interview](#) given by Rafael Grossi, the head of the AEA of the United Nations, Grossi said that Iran may possibly be able to restart enriching uranium within months. There have been several reports suggesting that Iran [had moved the enriched uranium](#) (up to 408 kg) to different locations. The level of enrichment is reportedly close to 60%, not too distant from the 90% needed for the nuclear bomb. Needless to say, US President Trump, who affirmed that Iran’s nuclear facilities had [been “obliterated”](#), stated that these [reports are all “fake news”](#). Pete Hegseth, the US Secretary of Defence, [frontally attacked what MAGA defines as “legacy media”](#) for spreading false news, which he claims is motivated by their “hatred” of Trump. Even if this were the case, other reports suggest that Iran now fears new attacks – potentially by Israel acting alone – on Isfahan, the only site where the MOP wasn’t used. Isfahan was instead hit by Tomahawks fired from US submarines.

It is likely that, as in every war, the truth lies somewhere in the middle. Most likely, the nuclear facilities have been severely damaged, but not obliterated. According to the MOP specifications, the ordnance is able to hit a target up to 40m under hard rock, while there have been suspicions that the uranium enriching facilities were around 100m underground. So, it is possible that the tunnels to reach the facilities have been destroyed, but not the facilities themselves. This may have pushed back the nuclear program by some time, but not terminated it.

Meanwhile, the Iranian regime is still intact, albeit severely weakened. After entertaining [the idea of regime change](#), Trump made up his mind and said that [this would cause “chaos.”](#) Or more simply, the US would have to pay for the new regime, something that it is currently unwilling and potentially unable to do. Meanwhile in Iran, at the funerals for the heads of the Revolutionary Guard, [people chanted anti-American and anti-Israeli slogans](#).

There are no signs of the type of uprising of the population against the leader of the Islamic Republic for a regime change to occur. The [Supreme Leader Khamenei even said that the Islamic Republic has survived](#) and is ready to continue its fight against the US. Potential successors, such as Reza Pahlavi Jr., [who held a press conference](#) saying he would be ready to lead a transition phase, have not generated the type of internal support for such an operation to be successful.

Where will things go from here? One would hope that Iran would give up its nuclear program after these events. But this is unlikely to happen. It would only accept doing so if China and Russia provide the type of “security guarantees” (including the nuclear umbrella) that would be considered sufficiently credible for Iran to give up its own program.

History however shows that regimes that do not possess the nuclear bomb themselves, and only rely on other countries’ umbrella, are eventually overturned (eg. Libya, Syria, Iraq, and Afghanistan, plus endless examples in Africa, Asia and Latin America. After all, Ukraine gave up its [nuclear arsenal to Russia in 1994 with the Budapest treaty](#), trusting the security guarantees provided by the US and the UK. We know how that situation has evolved.

Our Recent Publications

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📖 [The 2025 UK Strategic Defence Review: Ambitions, Constraints, and Gaps](#), by Nato Balavadze, 24 June, 2025



Looking Ahead

The Week Ahead: US Unemployment To Remain Unchanged; QoQ GDP To Advance In UK; Headline Inflation To Rise In EZ

In the US, in June, unemployment rate is likely to stay at 4.2%. NFPs are seen rising by 129K (*p*: 139K). In June, S&P Global Manufacturing is expected to remain at 52, whereas Services PMI is expected to edge down to 53.1 (*p*: 53.7). Composite PMI is seen falling to 52.8 (*p*: 53.0). 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, according to flash estimates, headline inflation is likely to rise to 2.0% y-o-y (*p*: 1.9%), while core inflation is expected to stay at 2.3%. In May, unemployment rate is seen remaining at 6.2%. In June, HCOB Manufacturing is seen remaining unchanged at 49.4, while Services PMI is expected to edge up to 50.0 (*p*: 49.7). Composite PMI is likely to stay at 50.2.

In the UK, in Q1, GDP growth rate is expected 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 47.7 (*p*: 46.4) and 51.3 (*p*: 50.9). Composite PMI is seen increasing to 50.7 (*p*: 50.3).

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: QoQ GDP Shrank In US; Economic Sentiment Fell In EZ

In the US, in Q1, according to the final estimate, GDP growth rate shrank by 0.5% q-o-q (*c*: -0.2%; *p*: 2.4%). In June, CB consumer confidence fell to 93 (*c*: 100; *p*: 98.4). Still in June, Michigan consumer sentiment increased to 60.7 (*c*: 60.5; *p*: 52.2).

In the EZ, in June, economic sentiment declined to 94.0 (*c*: 95.1; *p*: 94.8). Consumer confidence deteriorated to -15.3 (*p*: -15.1) as expected.

Financial Markets: Stock Prices Rose, While US Yields, Dollar, Gold And Oil Prices Fell

Market Drivers: US Stocks rallied amid easing Middle East tensions, dovish Fed signals, and reports of a new US-China trade deal, with more deals reportedly nearing completion. Softer economic data and rate-cut hints pushed US Treasury yields lower, boosting returns. In Europe, stocks also increased as a ceasefire held, trade fears eased, and optimism grew over German stimulus and NATO defense spending.

Global Equities: Increased w-o-w (MSCI ACWI, +3.3, to 914.79). The US S&P 500 index edged up (+3.4% w-o-w, to 6,173.07). In the EZ, share prices increased (Eurostoxx 50, +1.8% w-o-w, to 5,325.64). In EMs, equity edged up (MSCI EMs, +3.3%, to 1,228.53). Volatility declined slightly to 20.20 (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 (-13 bps to 4.27%). The 2-year US Treasury yields edged down (-16 bps to 3.74%). The German 10-year bund yields rose (+9 bp to 2.60%).

FX: w-o-w, the US Dollar Index declined (DXY, -1.3%, to 97.4; EUR/USD +1.7%, to 1.15). In EMs, currencies increased (MSCI EM Currency Index, +1.0% w-o-w, to 1,853.52).

Commodities: w-o-w, oil prices fell (Brent, -13.3% to 66.80 USD/b). Gold prices decreased w-o-w (-2.5% to 3,302.30 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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