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MAKING SENSE OF *THIS* WORLD

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The Shifting Equilibria in Venezuela, Greenland and Iran

Last week, we [discussed](#) how recent developments in Venezuela, and to some extent in Iran, were beginning to echo the events of 2003, when the United States invaded Iraq in the Second Gulf War (the first being Operation Desert Storm in 1992, launched by President Bush Sr.). This week, events appear to be moving even further in that direction. President Trump has made it clear that the US intends to run Venezuela together with the “puppet president” Rodríguez, signalling a desire for *de facto* rather than *de jure* regime change. Meanwhile, longstanding links between former President Maduro and Hizbollah, the para-terroristic organisation active in Lebanon and Syria, have resurfaced in press reports, which allege collusion in drug trafficking operations and illicit finance.



As the US moves to assert control over Venezuela, Trump has also turned his attention to Greenland. He has intensified his controversial campaign to bring the territory under US control, declaring that the United States will act “whether they like it or not” if no agreement is reached with Denmark and Greenland. Speaking at the White House, Trump argued that the US must take control of Greenland to prevent Russia or China from gaining influence over the strategically vital Arctic island, framing the move as essential to US national security. He said he would prefer to “make a deal” the easy way, but warned that he was prepared to pursue the objective “the hard way” if necessary.

Trump’s rhetoric has sparked strong backlash from Greenlandic and Danish leaders. Greenland’s five political parties issued a joint statement rejecting any notion of becoming part of the United States, emphasising that “we do not want to be Americans... we want to be Greenlanders,” and asserting Greenlanders’ right to self-determination. Denmark’s prime minister, along with several European allies, has also condemned Trump’s approach, warning that coercive action could undermine NATO, led by Secretary General Mark Rutte, and violate international law. Some EU officials have expressed frustration with Rutte’s silence, noting that Article 5, the security guarantee underpinning the alliance, risks becoming ineffective if a conflict emerges between two allies that are meant to defend each other. As a result, Trump’s declaration has deepened diplomatic tensions over Greenland’s future and intensified global geopolitical competition in the Arctic.

Finally, none of this bodes well for Iran, where protests now appear to have reached a point of no return. Trump has sharply escalated his rhetoric in response to the mass anti-government demonstrations sweeping the country, which began in late December over economic hardship and have since evolved into widespread demands for political change. He has publicly voiced strong support for Iranian protesters, calling them “brave people” and asserting that the “USA stands ready to help” those seeking greater freedom and rights. Trump has repeatedly warned Iran’s leadership, especially Supreme Leader Ayatollah Ali Khamenei, against violently suppressing demonstrators, suggesting that if security forces kill protesters, the United States could respond with force. Through social media, he has signalled that Iran is in “big trouble” and that Washington could consider military options, including strikes on Iranian targets, though he has stopped short of deploying US troops.

These statements come as Iran’s government has launched a harsh crackdown, including a near-total internet blackout and mass arrests, leading to rising estimates of the death toll. Tehran has warned Washington against intervention and has threatened retaliation against US and Israeli military assets if attacked. For the first time, Iran’s opposition appears to be coalescing, at least symbolically, around Reza Pahlavi, the son of the last Shah of Iran, who was deposed in the 1979 Islamic Revolution led by Khomeini. Some remain sceptical about Reza Pahlavi’s real influence within Iran after more than forty years in exile in the United States. Others argue that Trump may attempt to apply a “Venezuela script”: taking direct control of oil reserves, changing the leadership, while keeping the regime’s core institutions, particularly the Islamic Republic and the Revolutionary Guard, intact. As [we warned](#) several months ago, in June 2025, the problem with taking direct control of Iran, a vast country of more than 90 million people, is simple: you break it, you own it.

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Looking Ahead

The Week Ahead: US Headline Inflation Rate To Stay Unchanged While Core Inflation Rises; IP To Rise In US And UK, Stall In UK

In the US, in December, headline inflation is expected to stay at 2.7% y-o-y, whereas core inflation rate is likely to rise to 2.7% y-o-y (*p*: 2.6%). In December, IP production is seen rising by 0.2% m-o-m (*p*: 0.2%).

In the EZ, in November, IP is expected to stall m-o-m and rise by 1.9% y-o-y (*p*: 2.0%). Among the largest EZ economies, in December, headline inflation rate is likely to: *i*) ease off to 1.8% y-o-y (*p*: 2.3%) in Germany; *ii*) rise by 1.2% y-o-y (*p*: 1.1%) in Italy.

In the UK, in November, IP is seen increasing marginally by 0.1% m-o-m (*p*: 1.1%) and shrinking by 0.8% y-o-y (*p*: -0.8%). Manufacturing production is seen rising to 0.5% m-o-m (*p*: 0.5%) and to 0.3% y-o-y (*p*: -0.8%).

The Quarter Ahead: Trump Sought \$100bn In US Oil Investment For Venezuela; Widespread Protests in Iran

Trump urged US oil majors to commit at least \$100bn to Venezuela, but executives responded coolly, warning the country remains “uninvestable” without political and legal changes. While acknowledging Venezuela’s vast reserves, companies made no firm commitments, citing sanctions, expropriation risks, and instability, despite assurances of US protection and control over the sector.

Iran’s army said it would defend “national interests” as antigovernment protests intensify, blaming Israel and “hostile groups” for unrest. The warning comes amid mass arrests, a nationwide internet blackout, and growing demonstrations over inflation and living costs, with rights groups reporting dozens of deaths and hundreds detained as authorities threaten harsh penalties for protesters.

Last Week’s Review

Real Economy: US Unemployment Rate Fell; Inflation Rate Eased Off In EZ; PMIs Fell In US And EZ, While Rose In UK

In the US, in December, unemployment rate declined to 4.4% (*c*: 4.5%; *p*: 4.5%). NFPs rose by 50K (*c*: 60K; *p*: 56K). In December, S&P Global Composite and Services PMIs edged down to 52.7 (*c*: 53.0; *p*: 54.2) and 52.5 (*c*: 52.9; *p*: 54.1). In January, Michigan Consumer Sentiment rose 54.0 (*c*: 53.5; *p*: 52.9).

In the EZ, in December, headline and core inflation rates eased off to 2.0% y-o-y (*c*: 2.0%; *p*: 2.1%) and 2.3% y-o-y (*c*: 2.4%; *p*: 2.4%). In November, unemployment edged down to 6.3% (*c*: 6.4%; *p*: 6.4%). In December, economic sentiment fell to 96.7 (*c*: 97.1; *p*: 97.0). Consumer confidence contracted to -13.1 (*c*: -14.6; *p*: -12.8). In December, HCOB Composite and Services PMIs edged down to 51.5 (*c*: 51.9; *p*: 52.8) and 52.4 (*c*: 52.6; *p*: 53.6). Among the largest EZ economies, in December, headline inflation rate: *i*) rise by 0.8% y-o-y (*c*: 0.9%; *p*: 0.9%) in France. In November, retail sales increased by 2.3% y-o-y (*c*: 1.6%; *p*: 1.9%).

In the UK, in December, S&P Global Composite and Services PMIs edged up to 51.4 (*c*: 52.1; *p*: 51.2) and 51.4 (*c*: 52.1; *p*: 51.3).

Financial Markets: Stocks Rose; Long-Term Yields Fell; US Dollar, Oil And Gold Prices Up

Market Drivers: Most stocks opened the year strongly, with most major indexes hitting record highs as investors brushed off geopolitical risks. Bonds posted modest gains, with Treasuries mixed and *munis* and corporate bonds outperforming. In Europe, the stocks climbed on optimism over growth, earnings, and interest rates.

Global Equities: increased w-o-w (MSCI ACWI, +1.5%, to 1034.87). The US S&P 500 index rose (+1.6% w-o-w, to 6,966.28). In the EZ, share prices increased (Eurostoxx 50, +2.5% w-o-w, to 5,997.47). In EMs, equity increased (MSCI EMs, +1.6%, to 1,452.35). Volatility is virtually unchanged at 16.16 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: w-o-w, the 10-year US Treasury yields edged down (-3 bps to 4.17%). The 2-year US Treasury yields increased (+6 bps to 3.54%). The German 10-year bund yields fell (-7 bp to 2.83%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.7%, to 99.13; EUR/USD -0.7%, to 1.17). In EMs, currencies fell (MSCI EM Currency Index, -0.2% w-o-w, to 1,853.57).

Commodities: w-o-w, oil prices increased (Brent, +4.3% to 63.34 USD/b). Gold prices rose. w-o-w (-3.6% to 4,500.00 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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