MAKING SENSE OF *THIS* WORLD

9 March 2026

R&R Weekly Column
By Brunello Rosa

Trump's "Venezuela-style" Strategy in Iran May Lead to A Long War of Attrition

The war in Iran has now entered its tenth day, and it is already clear that this will not resemble the brief 12-day conflict of June 2025, when the United States and Israel bombed Iran's nuclear facilities at Natanz, Fordow and Isfahan. At the time, President Trump declared that the strikes had "obliterated" Iran's nuclear programme. That claim now appears doubtful. One of the main justifications for the current campaign is that Iran had again moved close to uranium enrichment levels required for a nuclear weapon.

The central question now is how long this conflict will last. The answer depends almost entirely on how Washington defines victory. In many respects, it is the United States, even more than Israel, that will determine the political endgame of this war.

If the objective is full regime change and the creation of a new government capable of surviving on its own, the conflict could drag on for years. The precedents of Iraq and Afghanistan are sobering. In both cases, the United States succeeded in toppling the existing regimes, but the political systems that followed proved fragile and dependent on long-term American support. After two decades, Washington ultimately withdrew, leaving power either in the hands of former adversaries, as in Afghanistan with the Taliban, or with governments heavily influenced by factions aligned with Iran, as in Iraq.

A more limited goal would be to preserve the Iranian state while installing a leadership more favourable to Washington. That could shorten the conflict, though probably not to the extent President Trump might hope. An even narrower objective would be to leave the current regime intact but weaken it enough to limit its regional ambitions. Such an outcome might end the current hostilities more quickly, but it would also carry the risk of renewed escalation in the future.

Recent developments suggest another possible scenario. Iranian authorities have indicated that the Assembly of Experts is close to selecting a successor to Supreme Leader Ayatollah Ali Khamenei. Israeli officials have warned that any newly appointed leaders, as well as members of the Assembly itself, could become military targets, an implicit attempt to influence the succession process. At the same time, President Trump has hinted that the United States might seek to shape the choice of Khamenei's successor. This suggests a strategy reminiscent of the Venezuela playbook: the regime remains formally in place, but its leadership becomes aligned with Washington.

Such an approach might appear to offer a quicker resolution to the current conflict. In practice, however, it risks triggering a prolonged war of attrition. Iran is unlikely to accept externally imposed leadership. If Mojtaba Khamenei, the son of the current Supreme Leader, were selected as successor, the decision would almost certainly be interpreted as an act of defiance. Given that members of his family have reportedly been killed in recent strikes, and considering his close ties to the more hardline factions of the Revolutionary Guard, Mojtaba would be unlikely to pursue a conciliatory approach toward the United States.

Israel could attempt to target any new leadership, including Mojtaba himself, but removing successive leaders would not necessarily produce a quick strategic outcome. Instead, it could deepen Iran's resolve and prolong the conflict.

At the same time, the economic consequences are already mounting. The Strait of Hormuz remains effectively closed, pushing oil prices higher and feeding inflation across global markets. Slower economic growth and rising energy costs could also carry domestic political consequences in the United States. If the conflict drags on, it could weaken President Trump politically and increase the risk that Republicans lose control of one or both chambers of Congress in the upcoming mid-term elections.

For Iran, this dynamic may offer a clear strategic response. By selecting a more hardline leader and absorbing the initial military pressure, Tehran could transform a rapid American-Israeli offensive into a drawn-out confrontation. In that scenario, the conflict would evolve into a long war of attrition, one that may ultimately work to the advantage of the Islamic Republic rather than its adversaries.

Our Recent Publications

- *The $1.25 Trillion Bet on Orbital AI, by Nato Balavadze, 5 March 2026*
- *Europe's Competitiveness Crisis: From Fragmentation to Strategic Scale, by Lāsma Kokina, 4 March 2026*
- *Digital Rupee: A Cautious and Calibrated Rollout, by Ajay Nandakumar, 3 March 2026*
- *Battle over Clarity Act: Market Power vs Financial Control, by Ajay Nandakumar, 26 February, 2026*

Looking Ahead

The Week Ahead: US QoQ GDP To Decelerate: Headline Inflation To Rise In US And France, And Ease Off In Germany

In the US, in Q4, according to the second estimate, GDP growth rate is expected to decelerate to 1.4% q-o-q (*p:* 4.4%). In January, PCE Price Index is likely to remain at 2.9% y-o-y, while core PCE Price Index is seen increasing to 3.1% y-o-y (*p:* 3.0%). In February, headline inflation rate is expected to rise to 2.5% y-o-y (*p:* 2.4%), while core inflation rate is likely to remain at 2.5% y-o-y (*p:* 2.5%). In March, Michigan Consumer Sentiment is seen falling to 56.3 (*p:* 56.6).

In the EZ, in January, IP is seen rising by 0.6% m-om- (*p:* -1.4%). Among the largest EZ economies, the headline inflation rate is expected to: *i)* ease off to 1.9% y-o-y (*p:* 2.1%) in Germany*; ii)* rise to 1.0% y-o-y (*p:* 0.3%) in France.

In the UK, in January, IP is seen rising to 0.6% y-o-y (*p*: 0.5%).

The Quarter Ahead: Hormuz Disruption Drives Oil and Fuel Spike, Posing Challenge for Republicans

Kuwait has cut oil production and refining as tankers avoid the Persian Gulf due to Iranian threats. With the Strait of Hormuz—through which about 20% of global oil flows—effectively blocked, Gulf producers are reducing output as storage fills, while Iraq has already cut 1.5 million barrels per day. Global production cuts could exceed 4 million barrels per day and push Brent above $100.

US gasoline and diesel prices have surged, posing a potential political challenge for Republicans ahead of the November midterm elections. Fuel prices jumped more than 10% this week as oil rose above $90 per barrel, pushing the national average gasoline price to $3.32 per gallon and diesel to $4.33. The sharpest increases have hit parts of the Midwest and South.

Last Week's Review

Real Economy: Unemployment Rose And Non-Farm Payroll Employment Contracted In US; QoQ And YoY GDP Decelerated In EZ

In the US, in February, unemployment rate edged up to 4.4% (*c*: 4.3%; *p:* 4.3%). NFPs fell by 92K (*c*: 59K; *p:* 126K). In S&P Global Manufacturing and Services PMI edged down to 51.6 (*c:* 51.2; *p:* 52.4) and 51.7 (*c:* 52.3; *p:* 52.7) Composite PMI fell too to 51.9 (*c:* 52.3; *p:* 53.0).

In the EZ, in Q4, according to the third estimate, GDP growth rate decelerated to 0.2% q-o-q (*c:* 0.3%; *p:* 0.3%) and 1.2% y-o-y (*c*: 1.3%; *p:* 1.4%). In February, headline and core inflation rates rose to 1.9% y-o-y (*c:* 1.7%; *p:* 1.7%) and 2.4% y-o-y (*c:* 2.2%; *p:* 2.2%). In January, unemployment rate edged down to 6.1% (*c*: 6.2%; *p:* 6.2%). In February, HCOB Manufacturing and Services PMI rose to 50.8 (*c:* 50.8; *p:* 49.5) and 51.9 (*c:* 51.8; *p:* 51.6). Composite PMI rose as well to 51.9 (*p*: 51.3) as expected.

In the UK, in February, S&P Global Manufacturing and Services PMI fell to 51.7 (*c:* 52.0; *p:* 51.8) and to 53.9 (*c:* 53.9; *p:* 54.0). Composite PMI stood at 53.7 (*c:* 53.9).

Financial Markets: Stocks And Yields Fell; US Dollar Rose; Oil Prices Were Up, While Gold Prices Were Down

Market Drivers: Middle East tensions and rising energy prices weighed on global markets. U.S. stocks ended a volatile week lower as investors assessed the Iran conflict, inflation risks, and mixed data, while oil surged and Treasury yields rose. European equities also fell sharply, with the STOXX Europe 600 dropping 5.6% as risk sentiment deteriorated.

Global Equities: declined *w-o-w* (MSCI ACWI, -3.5%, to 1017.41). The US S&P 500 index declined (-2.0% w-o-w, to 6,740.02). In the EZ, share prices marginally declined (Eurostoxx 50, -6.7% w-o-w, to 5,719.90) In EMs, equity declined (MSCI EMs, -6.9%, to 1,499.72) Volatility rose to 26.40 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: *w-o*-w, the 10-year US Treasury yields were up (+17 bps to 4.13%). The 2-year US Treasury yields rose (+18 bps to 3.56%). The German 10-year bund yields increased (+21 bp to 2.86%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +1.4%, to 98.98; EUR/USD -1.7%, to 1.16). In EMs, currencies declined (MSCI EM Currency Index, -1.6% w-o-w, to 1,855.10).

Commodities: *w-o-w,* oil prices increased (Brent, +27.2% to 92.69 USD/b). Gold rose declined w-o-w (-2.1% to 5,158.70 USD/Oz).

@RosaRoubini Rosa & Roubini Rosa&Roubini Associates

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini.com

75 King William Street, London EC4N 7BE, United Kingdom

Nato Balavadze *contributed to this Viewsletter.* *The picture in the first page was taken from this website.*

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
DJEM	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