



## MAKING SENSE OF *THIS* WORLD

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By Brunello Rosa



### The “Unwinnable” War in Iran Destabilises The Global Geopolitical Landscape

[“This is a good time to declare victory and get out.”](#) This is one of the few sensible phrases pronounced by the US administration since the beginning of the war in Iran on February 28<sup>th</sup>. One wishes it was pronounced by US President Donald Trump, but instead it came from the administration’s AI and Crypto “czar” David Sachs on a recent podcast.

There is no need to repeat what has been abundantly reported in the media, namely that the US severely miscalculated the resistance of Iran and its ability to withstand the extended and intensive bombing campaign, hoping for an “unconditional surrender” that will never come from the regime of the Ayatollahs. So, like a seasoned trader would say, the US should “cut its losses and go home,” masking the losses with a phantomatic victory to be sold to the American people.

For Israel, the situation is completely different. While the US focuses on Iran, Netanyahu focuses on his own objectives, which are: 1) to keep the war going for as long as possible, because this increases his chances of winning (or at least not losing) the upcoming general elections – an election loss would force him to face his ongoing judicial cases; 2) to keep on building the project of “[Greater Israel](#)”, which for the time being means stably occupying the south of Lebanon and using the same methods there as were used in Gaza, i.e. the obliteration of any building and flattening whatever stands in front of its tanks, whatever the human casualties. Thus the objectives of the US and Israel actually diverge: the US needs a rapid resolution of the conflict, while Israel benefits from its continuation.

As we discussed last week in our column, the problem of the US is that without defining an objective for this war, the war cannot be won by definition. The US administration provided several reasons why the attack was started, meaning they didn’t have a single good one. The continued shifting of the objectives (from regime change, to the end of the nuclear program, to the control of the Strait of Hormuz, etc.) means that “declaring victory” becomes more complicated with the passage of time. This is completely asymmetric to the situation of the Iranians.

For the Islamic Republic (as opposed to the Iranian people, who may have a different aim in mind), declaring victory becomes increasingly easy as time goes by – surviving one more day against the attacks of the strongest armies and the most powerful countries in the world is already a victory. Keeping the regime standing despite its decapitation; maintaining its 400 kg of enriched uranium in its deposits; proving that the US cannot guarantee the security of the neighbouring Arab countries; forcing the US to ask support from its allies to re-open the Strait of Hormuz; forcing the US to send troops to the region, re-deploying from other conflict areas; these are all easy signs of victory.

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If the US sends “boots on the ground”, that would be the strongest sign of success for the Iranians: it means that their strategy worked – forcing the enemy into a prolonged conflict with increasing American casualties, in the attempt of reaching an undefined goal. Yet if the objective is “regime change”, “boots on the ground” is a necessary but not sufficient condition. Ditto for the total elimination, or confiscation, of the Iranian nuclear stock.

So, as Sacks says: the US should declare victory (i.e. cut its losses) and go home, in order to minimize the humiliation it is bound to face. Instead, the US is doubling down and sending Marines into the region: that will certainly transform the supposed “blitzkrieg” into a long war of attrition, from which it will become increasingly difficult to get out. And yet another asymmetry exists as well: Iranians, including civilians, are killed by the thousands, but – for the American-Israeli narrative – these are just “collateral damage” (as the Gaza example showed). Instead, every single American soldier killed in this war will be felt as a humiliation, which will require retribution, i.e. further escalation and increased duration of the conflict. If the Vietnam example sounds familiar, it’s because it is.

If that meant “only” another unjustified American war in the Middle East, which has transformed the “America First’s” of Trump, who wanted to end the “forever wars” in the region and win the Nobel Peace Prize, into “[George W. Trump](#),” one could cynically say. It’s the usual American cowboys who didn’t study history and entered yet another conflict without knowing what they were trying to achieve.

But the situation is much worse than this, for the following reasons. First, the damage of the war will soon be felt by the entire global economy. The super tankers that left the Middle East before the closure of the Strait of Hormuz have not yet arrived at their destinations. When they do arrive, over the next 7-10 days, in Asia and Europe, no more ships will come, and the real squeeze to energy supply will be felt. This will cause oil prices to start drifting towards \$200 pb, which will precipitate the global economy into a severe recession.

Second, weapons and ammunition are not infinite: the US is depleting its arsenals, and is moving its weapons, for example its PATRIOTS for anti-missile defense, from one side of the world to another. They have been re-deployed from Ukraine, or the Far East, to the Middle East, to keep the promise of providing security to the monarchies of the Gulf, which are taking the brunt of the Iranian counter-offensive. But this re-deployment of troops ([for example the 5000 navy troops with Marines are coming from Japan](#)), will weaken other key fronts, making them vulnerable to the attacks of the adversary in those regions. For example, Ukraine risks being overwhelmed, and Europe with it, without US artillery.

The entire global geo-strategic landscape risks being re-defined: Russia will gain massively from this war, not just thanks to higher oil prices and the relaxation of US sanctions, but for its ability to make progress in Ukraine and reinforce its links to Iran. China has not even entered the game yet, but if it did it could make the war in Iran last forever. And we can now solidly think that the takeover of Taiwan is not a question of “if” but “when.” The China-Russia-Iran nexus is being reinforced by the war: Trump even said it’s “fair” that Russia is helping the Iranians with intelligence, as the Americans do the same with Ukrainians.

Therefore, if Trump’s objective was forcing Xi and Putin to the table for a Yalta 2.0 agreement, this risks failing miserably, because China and Russia will not need that: they can simply observe the Western front collapse with an increasing division between US and Europe, and reap the fruits of the collapse of US influence at the global level. Why should they sign any deal with somebody that cannot even keep together its own sphere of influence?

Some are even fearing that in order to cover the bad news from the Middle East, the US may be tempted to enter yet another conflict, trying to scoop up an easy win, such as with the “[friendly takeover](#)” (i.e. invasion) of Cuba. But we will keep that discussion for another column.

### Looking Ahead

#### **The Week Ahead: EZ Inflation To Rise; UK Unemployment To Remain Unchanged; CBs To Remain On Hold**

**In the EZ**, in February, headline and core inflation rates are seen raising to 1.9% y-o-y (*p*: 1.7%) and 2.4% y-o-y (*p*: 2.2%). In March, ZEW economic sentiment index is expected to fall to 24.3 (*p*: 39.4). Among the largest EZ economies, in February, headline inflation rate is likely to increase by 1.6% y-o-y (*p*: 1.0%) in Italy.

**In the UK**, in January, unemployment rate is expected to remain at 5.2%.

**CBs To Remain On Hold.** In the US, the Fed is expected to keep its target Fed funds range at 3.50% - 3.75%. In the UK, the BoE is likely to keep its Bank Rate unchanged at 3.75%. In the EZ, the ECB is seen keeping its *i*) interest rate on the 'main refinancing operations' at 2.15%; *ii*) interest rate on the 'marginal lending facility' at 2.40%; and the key *iii*) 'deposit facility' at 2.00%.

#### **The Quarter Ahead: Countries To Release Emergency Oil; Trump Renews Call To Secure Hormuz; DOJ Appeals Powell Probe Block**

**Countries agreed to a record 400-million-barrel emergency oil release**, led by a 172-million-barrel U.S. draw from the Strategic Petroleum Reserve. Yet markets remain tight: Brent is above \$100 and prices have risen more than 17%. The closure of the Strait of Hormuz is blocking about 10% of global supply, far exceeding the pace at which strategic reserves can be released.

**Trump urged reopening the Strait of Hormuz** and said the U.S. and allies may deploy warships to protect shipping. His comments followed U.S. strikes on Iran's Kharg Island, a key export hub, further escalating the conflict. Fighting across the Gulf continues to disrupt shipping and energy infrastructure, while markets remain focused on risks to the Strait.

**A federal judge blocked grand jury subpoenas targeting Fed Chair Powell**, saying there was "a mountain of evidence" they were meant to pressure the Fed to cut interest rates, as President Trump has demanded.

### Last Week's Review

#### **Real Economy: US QoQ GDP Decelerated; Core PCE Prices Rose To Highest Since 2024 In US**

**In the US**, in Q4, according to the second estimate, GDP growth rate decelerated to 0.7% q-o-q (*c*: 1.4%; *p*: 4.4%). In January, PCE Price Index fell to 2.8% y-o-y (*c*: 2.9%; *p*: 2.9%), while core PCE Price Index increased to 3.1% y-o-y (*c*: 3.1%; *p*: 3.0%). In February, headline inflation and core rates stood at 2.4% y-o-y (*p*: 2.4) and 2.5% y-o-y (*p*: 2.5%) as expected. In March, Michigan Consumer Sentiment fell to 55.5 (*c*: 55; *p*: 56.6).

**In the EZ**, in January, IP shrank by 1.2% y-o-y (*c*: 1.4%; *p*: 2.2%). Among the largest EZ economies, the headline inflation rate: *i*) eased off to 1.9% y-o-y (*c*: 1.9%; *p*: 2.1%) in Germany; *ii*) rose to 0.9% y-o-y (*c*: 1.0%; *p*: 0.3%) in France.

**In the UK**, in January, IP rose to 0.4% y-o-y (*c*: 0.6%; *p*: 0.5%).

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

**Market Drivers:** US equities fell for a third consecutive week as Middle East tensions and volatile oil prices weighed on sentiment. US Treasuries also declined, with yields rising on geopolitical uncertainty, energy-driven inflation risks, and firm inflation data. In Europe, stocks slipped as investors assessed the conflict's duration, energy price trajectory, and impact on regional growth.

**Global Equities:** declined w-o-w (MSCI ACWI, -1.8%, to 999.21). The US S&P 500 index declined (-1.6% w-o-w, to 6,632.19). In the EZ, share prices marginally declined (Eurostoxx 50, -0.1% w-o-w, to 5,716.61). In EMs, equity declined (MSCI EMs, -2.0%, to 1,469.47). Volatility is virtually unchanged at 26.37 (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 (+16 bps to 4.29%). The 2-year US Treasury yields rose (+17 bps to 3.73%). The German 10-year bund yields increased (+12 bp to 2.98%).

**FX:** w-o-w, the US Dollar Index increased (DXY, +1.4%, to 100.36; EUR/USD -1.7%, to 1.14). In EMs, currencies declined (MSCI EM Currency Index, -0.6% w-o-w, to 1,844.19).

**Commodities:** w-o-w, oil prices increased (Brent, +11.3% to 103.14 USD/b). Gold rose declined w-o-w (-1.9% to 5,061.70 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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