



MAKING SENSE OF THIS WORLD

5 May 2026



R&R Weekly Column
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The War In the Middle East Re-Starts, After “NACHO” Trump Has Strengthened the Iranian Regime

The Strait of Hormuz, on this fourth day of May, has become the geopolitical equivalent of a pressure cooker without a release valve. **Iran today launched what the United Arab Emirates' Ministry of Defence describes as a coordinated wave** — twelve ballistic missiles, three cruise missiles, four drones — at Emirati territory, sparking a fire at the Fujairah oil zone and injuring three; simultaneously, Iranian forces fired cruise missiles at vessels transiting the strait, while a South Korean cargo ship sustained the day's only confirmed maritime damage. The retaliation followed the recent Emirati decision to leave OPEC and align more with Israel and US positions, and Donald Trump's launch of "Project Freedom," an operation deploying guided-missile destroyers, more than one hundred aircraft, and 15,000 service members to forcibly extract the hundreds of vessels stranded in the Persian Gulf since open hostilities erupted on 28 February. Tehran's calculus is transparent: any unilateral Western reopening of the strait is, by Iranian definition, a violation of the fragile 8 April ceasefire — and therefore a *casus belli* sufficient to justify reactivating the kinetic theatre.










Against this backdrop, **Tehran has tabled a fourteen-point peace plan via Pakistani mediators**, structured around a thirty-day window to convert the truce into a comprehensive settlement. The terms are maximalist: lifting of all sanctions; withdrawal of US forces from Iran's periphery; release of frozen assets; reparations for war damage; cessation of hostilities including in Lebanon; and, most provocatively, retention of an indigenous uranium enrichment capacity, with existing stockpiles to be transferred abroad and diluted to civilian-grade levels. Trump rejected the proposal within twelve hours of receipt, declaring that Tehran "has not yet paid a big enough price"; he subsequently asserted that Iran possesses "no navy, no air force, no anti-aircraft equipment, no radar." Yet the empirical evidence of today's strikes belies the rhetoric. The Islamic Republic retains sufficient capacity to threaten allied infrastructure, contest a critical chokepoint, and impose tangible costs on global energy markets — Brent crude has now crossed \$110, and the US national average gasoline price has reached \$4.46.

It is here that the strategic paradox identified by [Danny Citrinowicz in his recent Foreign Affairs essay](#) becomes analytically indispensable. The original Israeli premise sold to Trump in early February — that decapitation strikes would catalyse an internal rebellion against the clerical regime — has produced the inverse outcome. The killing of Ayatollah Khamenei and senior leadership figures, far from precipitating collapse, has consolidated the Islamic Republic around its hardline factions; external aggression has reactivated the patriotic reflex that had, until February, been steadily eroding the regime's legitimacy. Thus, **the war that was meant to end the Islamic Republic has, in fact, refurbished its domestic mandate** — a historical pattern visible since Iraq's 1980 invasion.

Markets have begun to price this lock-in with characteristic dark humour. Traders have abandoned last year's TACO acronym — "Trump Always Chickens Out," coined to describe the predictable retreat from tariff threats — in favour of **NACHO, "Not A Chance Hormuz Opens,"** reportedly first surfaced by Bloomberg's Javier Blas. The semantic shift matters: TACO described oscillation; NACHO describes structural deadlock. Wall Street has correctly identified that the Hormuz file is no longer subject to the President's familiar rhythm of escalation and climbdown.

The implications are threefold. First, energy markets must adjust to a sustained risk premium rather than transient spikes. Second, Gulf allies — already absorbing direct retaliation — face the compound burden of escalating exposure alongside compulsory alignment with Washington. Third, and most strategically, the Iranian regime now possesses precisely what it lacked in early 2026: a unifying external enemy, a defensible negotiating posture, and the demonstrated capacity to make the region pay for any unilateral American assertiveness. In failing to deliver collapse, the war has delivered consolidation. The standoff, therefore, will not break — it will deepen.

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Looking Ahead

The Week Ahead: QoQ GDP To Advance In US And EZ; Headline Inflation To Rise In EZ; G4 Central Banks To Remain On Hold

In the US, in April, unemployment rate is expected to remain unchanged at 6.3%. NFPs are likely to rise by 73K (*p*: 178K). In April, S&P Global Services and Composite PMIs are seen edging up to 51.3 (*p*: 49.8) and 52.0 (*p*: 50.3). In May, Michigan consumer sentiment is expected to decline to 49.5 (*p*: 49.8).

In the EZ, in March, retail sales are expected to contract by 0.4% m-o-m (*p*: -0.2%). In April, S&P Global Manufacturing PMI is expected to increase to 52.2 (*p*: 51.6). Services and Composite PMIs are likely to edge down to 47.4 (*p*: 50.2) and 48.6 (*p*: 50.7).

In the UK, in April, Services and Composite PMIs are likely to increase to 52 (*p*: 50.5) and 52 (*p*: 50.3).

The Quarter Ahead: OPEC+ Approved A Third Straight Increase In Output Quotas; Germany Says US Troop Cut Foreseeable

OPEC+ agreed a third consecutive output quota increase, raising June targets by 188,000 bpd. However, with the Strait of Hormuz still closed due to the Iran war 2026, most members cannot meet these targets, making the hike largely symbolic. The move signals continuity after the UAE exit and underscores OPEC+'s intent to maintain market control, even as actual supply remains constrained.

Germany says the planned withdrawal of 5,000 US Armed Forces troops "foreseeable," stressing the US presence remains mutually important, as NATO seeks details. Trump hinted at deeper cuts after tensions with Friedrich Merz. The US still maintains over 36,000 troops in Germany, its largest European deployment.

Last Week's Review

Real Economy: QoQ GDP Rose In US And Advanced Marginally EZ; Headline Inflation Rose In EZ; G4 CBs Remained On Hold

In the US, in Q1, according to the advanced estimate, the economy advanced by 2.0% q-o-q (*c*: 2.3%; *p*: 0.5%). In April, CB Consumer Confidence increased to 92.8 (*c*: 89.0; *p*: 92.2).

In the EZ, in Q1, according to the flash estimates, GDP growth rate advanced marginally by 0.1% q-o-q (*c*: 0.2%; *p*: 0.2%) and 0.8% y-o-y (*c*: 0.9%; *p*: 1.2%). In April, according to flash estimates, headline inflation increased to 3.0% y-o-y (*c*: 2.9%; *p*: 2.6%), while core inflation eased off to 2.2% y-o-y (*c*: 2.3%; *p*: 2.3%). In March, unemployment rate edged down to 6.2% (*c*: 6.2%; *p*: 6.3%). In April Economic Sentiment declined to 93.0 (*c*: 95.2; *p*: 96.2), while Consumer Confidence deteriorated further to -20.6 (*c*: -20.6; *p*: -16.3). Among the largest EZ economies, in April, headline inflation rate: *i*) rose to 2.9% y-o-y (*c*: 3.0%; *p*: 2.7%) in Germany; *ii*) rose to 2.2% y-o-y (*c*: 2.0%; *p*: 1.7%) in France; and *iii*) increased to 2.8% y-o-y (*c*: 2.6%; *p*: 1.7%) in Italy. In Q1, the GDP growth rate: *i*) stalled q-o-q (*c*: 0.2%; *p*: 0.2%) and decelerated to 1.1% y-o-y (*p*: 1.3%) in France; *ii*) advanced by 0.2% q-o-q (*c*: 0.1%; *p*: 0.3%) and 0.8% y-o-y (*c*: 0.6%; *p*: 0.8%) in Italy; *iii*) advanced by 0.3% q-o-q (*c*: 0.2%; *p*: 0.3%) and by 0.3% y-o-y (*c*: 0.3%; *p*: 0.4%) in Germany.

CBs Remained On Hold. In the US, the Fed maintained its target Fed funds range at 3.50% - 3.75%. In the UK, the BoE held Bank Rate (BR) at 3.75%. Also the ECB and BoJ kept their policy stances unchanged in April.

Financial Markets: Stocks Were Mixed; Yields Edged Up; US Dollar And Gold Prices Increased; Oil Prices Were Up

Market Drivers: US equities mostly looked through mixed signals, from Middle East tensions to a more hawkish Federal Reserve meeting. Europe lagged, even as earnings showed improving momentum. Sentiment remained constrained by stalled Iran-US talks.

Global Equities: increased w-o-w (MSCI ACWI, +0.7%, to 1,079.96). The US S&P 500 index increased (+0.9% w-o-w, to 7,230.12). In the EZ, share prices declined (Eurostoxx 50, -0.1% w-o-w, to 5,881.51) In EMs, equity declined (MSCI EMs, -1.1%, to 1,601.42) Volatility is fell to 19.69 (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 (+7 bps to 4.38%). The 2-year US Treasury yields rose (+11 bps to 3.89%). The German 10-year bund yields increased (+2 bp to 3.03%).

FX: w-o-w, the US Dollar Index declined (DXY, -0.4%, to 98.16; EUR/USD +0.0%, to 1.17). In EMs, currencies fell (MSCI EM Currency Index, -0.1% w-o-w, to 1,866.12).

Commodities: w-o-w, oil prices increased (Brent, +2.7% to 108.17 USD/b). Gold rose declined w-o-w (-2.7% to 4,661.40 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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