# MAKING SENSE OF *THIS* WORLD

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## Deal Or No-Deal? Uncertainty Dominates The Final Steps Of The US-Iran Agreement

According to both US and Iranian sources, the two countries would be closer than ever to reaching an agreement to extend the ceasefire by 60 additional days, during which they would negotiate the terms of a more durable peace deal.

According to the news agency Axios, Tehran would pledge never to acquire a nuclear weapon and, more concretely, open its highly enriched uranium to down-blending on Iranian soil under UN inspection; yet — and this is the operative qualifier — such steps would materialise only should a second deal, governing the programme's subsequent stage, be reached. The sequencing is deliberate: commitment first, verification later, irreversibility deferred indefinitely.

The maritime and economic provisions follow the same logic of staged reciprocity. Washington would lift its blockade of the Strait of Hormuz, reopening the waterway without tolls and restoring pre-war shipping within thirty days; the ceasefire, notably, extends across the whole Middle East, Lebanon included, rather than confining itself to the immediate theatre. On sanctions, oil restrictions would be suspended for an initial sixty days, with further relief contingent upon Iranian compliance and demonstrated "good faith" in subsequent talks — relief, in other words, as a reward for behaviour rather than a precondition for it.

The frozen-asset question is where reciprocity frays. Iran wants a portion of its sanctioned funds released upon signing; Washington counters that any release would come in conditioned, sequenced tranches. The ceasefire itself runs sixty days, mediated by Qatar and Pakistan, with a signing ceremony envisaged in Geneva under JD Vance and — in a nod to its brokers — christened the "Islamabad Agreement." Thus the structure is clear; the mechanics remain hostage to the asset dispute and to whoever blinks first.

Therein lies the fragility. The MOU may have been agreed by negotiators and approved in Tehran "at high levels," but it has not yet received approval from Mojtaba Khamenei; the foreign ministry insists no final decision has been taken, and Trump's anticipated weekend signing has collapsed before. The frozen-asset clause stays contested.

A few things are certain. First, there have been protests in Iran against this, or any, deal. The regime's more ideological base remains fiercely opposed to any agreement with the Great Satan. Similarly, President Trump faces opposition from radical Republican Party members — not necessarily MAGA, as Trump's base has typically opposed a new Middle East adventure.

Secondly, in Iran and elsewhere, some fear this could be a massive trap. The story goes as follows: Trump obtains a ceasefire and — while negotiating the terms of a more durable peace deal — a US vessel, whether civilian or military, is sunk (by unspecified actors). The US would accuse Iran of sinking the ship. At that point the US could claim it had been attacked by Iran and invoke Article 5 of NATO, forcing allies to intervene in the Strait, something they have so far been reluctant to do. Additionally, Trump may use the state of war to further interfere with the midterm elections — some even fear he may ask Congress to pass a bill to postpone them. You think this is too wild? Well, just consider that the US entered World War 1 after the sinking of the RMS Lusitania; they entered WW2 after the Pearl Arbour attack; the US started the war in Vietnam after the incidents of US vessels in the Gulf of Tonkin, which historians claimed never happened.

Third, anyone who expected Trump's intervention to make things better in Iran should look at what is happening in Venezuela, where people are protesting because things have not changed since January's arrest of Maduro. The more hopeful opponents of the Maduro regime have grown disillusioned about the possibility of seeing any change in their country; that is because Trump chose Maduro's vice-president, Delcy Rodríguez, to run the country, not the opposition leader María Corina Machado. So, in Iran, people should expect that this deal with the US will not destabilise but rather stabilise the regime.

## Looking Ahead

**The Week Ahead: Inflation To Rise In UK And EZ; UK Unemployment To Remain Unchanged; Fed and BOE To Stay On Hold**

***In the US,*** in May, IP is expected to rise by 0.2% n-o-n (*p:* 0.7%). In May, retail sales are seen increasing by 0.5% m-o-m (*p:* 0.5%).

***In the EZ,*** in May, headline and core inflation rates are likely to rise to 3.2% y-o-y (*p:* 3.0%) and 2.5% y-o-y (*p*: 2.2%). In June, ZEW Economic Sentiment Index is seen increasing to -7.6 (*p:* -9.1). In April, IP is expected to rise by 0.3% n-o-n (*p:* 0.2%).

***In the UK,*** in April, unemployment rate is likely to remain unchanged at 5.0% (*p:* 5.0%). In May, headline and core inflation are expected to increase to 3.0% y-o-y (*p*: 2.8%) and 2.7% y-o-y (*p:* 2.5%). In May, retail price index is seen increasing to 3.3% y-o-y (*p:* 3.0%). In June, Gfk Consumer Confidence is expected to shrink by 23 (*p:* -23).

***CBs To Stay On Hold.*** In the US, the Federal Reserve is expected to maintain its target Fed funds range at 3.50% - 3.75%. In the UK, the BoE is likely to hold its Bank Rate at 3.75%.

**The Quarter Ahead: SpaceX's Record $75 Billion IPO; Anthropic Suspends New AI Tools Over US Government Security Concerns**

***SpaceX's record-breaking $75 billion IPO valued the company at over $2 trillion,*** making it one of the world's most valuable firms and pushing Elon Musk's net worth above $1 trillion. Despite ongoing losses and a valuation exceeding 100 times revenue, the IPO was priced without a traditional book-building process, leading some analysts to argue it reflected Musk's influence more than market fundamentals.

***Anthropic suspended access to its Claude Fable 5 and Mythos 5 AI models*** for foreign nationals following a US government directive over national security concerns and potential safeguard bypasses. The move has reignited calls in Europe for greater investment in sovereign AI and reduced dependence on U.S. technology providers.

## Last Week's Review

**Real Economy: Inflation Rose In US And France, While Eased Off In Germany; ECB Raised Interest Rates**

***In the US,*** in May, headline and core inflation rates rose to 4.2% y-o-y (*c:* 4.2%; *p:* 3.8%) and 2.9% y-o-y (*c:* 2.9%; *p:* 2.8%). In June, Michigan Consumer Sentiment increased to 48.9 (*c:* 46; *p:* 44.8).

***In the EZ,*** among the largest EZ economies, in May, headline inflation rate: *i)* eased off to 2.6% y-o-y (*c:* 2.6%; *p:* 2.9%) in Germany; *ii)* rose to 2.4% y-o-y (*c:* 2.4%: *p:* 2.2%) in France. In April, IP shrank by 0.2% y-o-y (*c:* -0.1%; *p:* 0.0%).

***In the UK,*** in April, IP shrank by 0.2% y-o-y (*c:* -0.1%; *p:* 0.0%).

***ECB Turned Hawkish.*** In the EZ, the ECB raised its main policy rates i.e. its *i)* interest rate on the 'main refinancing operations' at 2.40%; *ii)* interest rate on the 'marginal lending facility' at 2.65%; and the key *iii)* 'deposit facility' at 2.25%.

**Financial Markets: Stocks Mostly Rose; Yields Were Up; Dollar Fell; Oil And Gold Prices Declined**

***Market Drivers:*** US stocks ended a volatile week higher as optimism over a potential US-Iran agreement and lower oil prices offset mixed inflation data and weakness in some AI-related stocks. Treasury yields fell as reports of de-escalation in the Middle East improved sentiment. In Europe, stocks gained, with markets supported by rising hopes for a peace agreement despite ECB policy uncertainty and ongoing geopolitical tensions.

***Global Equities:*** increased *w-o-w* (MSCI ACWI, +0.6%, to 1,112.31). The US S&P 500 index rose (-0.6% w-o-w, to 7,431.46). In the EZ, share prices were up (Eurostoxx 50, +2.1% w-o-w, to 6,187.63) In EMs, equity decreased (MSCI EMs, -0.1%, to 1,715.97). Volatility fell to 17.97 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

***Fixed Income:*** *w-o-*w, the 10-year US Treasury yields were down (-6 bps to 4.49%). The 2-year US Treasury yields fell (-7 bps to 4.09%). The German 10-year bund yields edged down (-4 bps to 3.00%).

***FX:*** *w-o-w,* the US Dollar Index decreased (DXY, -0.3%, to 99.75; EUR/USD +0.4%, to 1.16). In EMs, currencies increased (MSCI EM Currency Index, +0.4% w-o-w, to 1,867.44).

***Commodities:*** *w-o-w,* oil prices declined (Brent, -6.2% to 87.33 USD/b). Gold rose declined w-o-w (-2.9% to 4,238.80 USD/Oz).

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## *Abbreviations, Acronyms and Definitions*

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| 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 |