The Poon Report

News Summary

The media is all-over Fed Res chair this weekend following his address at Jackson Hole. FT said Warsh may be about to hand Trump just the thing he does not want: an interest rate rise weeks before November's crucial midterm elections. Warsh made it clear that concerning inflation numbers mean "the Fed's predominant focus right now should be on prices. Warsh prioritised the demands of markets and his fellow rate-setters, both camps that have criticised him in recent weeks for his failure to spell out how he plans to tackle inflation.

Mohamed El-Erian said Warsh went a long way towards assuaging doubts by deftly navigating both short- and long-term issues. If markets can look past the short-term headlines and spend more time on the ongoing strategic shifts, Jackson Hole 2026 may well be remembered as the moment the Fed began leading the forward-looking economic conversation once again, rather than merely reacting to the latest data.

Irwin Stelzer in The Sunday Times said Fed's price-stability objective of 2%, as measured by the personal consumption expenditure price index, is a firm, fixed target. Warsh is clearly unhappy with trends in inflation but finds comfort in the performance of the economy. A healthy economy, headed towards more rapid growth, with a stable labour market, inflation too high, broad financial conditions not restrictive, and interest rates the most potent tool in the Fed kit. Come the next Fed meeting in Sept, Warsh might have some explaining to do if his policy gurus fail to raise rates.

FOMC decision comes Sept 17, markets ratcheted up their bets on rate rises, with investors now viewing a quarter-point rise. The committee will have gatherd info on US labour report will be out on Sept 4, and inflation data on Sept 11. However, the PCE will only be out end of the month.

Stock market will start the week on the backfoot as investors scramble to recalibrate their US interest rate expectations. Some economists are even forecasting the RBA to raise the cash rate to 4.6% at this month's board meeting, although the bond market is less assured, pricing in a 50% chance.

The Japanese yen weakened to near 160, from what I hear, the local day traders will start to offload the USD and rebuild short USDYEN positions towards 165.

On Friday, US has reached a deal with Venezuela to control more than 65bn barrels of its proven oil reserves. Sec of State Rubio called the oil deal "a huge win for both the American and Venezuelan people". But it is unclear whether the Venezuela agreement could face legal and constitutional challenges in the South American nation.

However, this oil deal has been heavily criticised by both members of the country's opposition and some supporters of the government. It is also unclear what role PDVSA, Venezuela's sanctioned state-owned oil company, would play. One lawmaker said those who destroyed PDVSA are the same ones who remain in power and who are not going to rebuild anything.

WSJ reported that agreement announced would transform the US government from a broker of American oil investments in Venezuela to an investor itself. It would give Washington a direct financial stake in a private company, led by controversial Venezuelan businessman Alejandro Betancourt, would have the opportunity to develop 17 oil fields said to contain 65bn barrels of oil. The Pentagon would help finance the oil venture and reap the rewards of its future output.

Will Russia launch strikes on European countries? The Sunday Express wrote State Duma deputy Shkhagoshev issued a shocking threat to England that Putin is waiting for one line to be crossed before he launches strikes on England

The Sunday Times noted there was no doubting the drama of CIA director Ratcliffe's visit to Moscow last week. There were details being briefed out: it was to deliver a warning to Russia not to attack Nato countries. The author highlighted a 2021 visit by Burns, CIA director under Biden, where he told the Russian president that US had fully uncovered Russia's plan to invade Ukraine — although this failed to deter Putin from going ahead and doing it anyway.

In The WSJ, Russia has turned up the heat on Kyiv's allies in Europe, with a string of so-called grey zone activities aimed at sowing fear. European authorities have linked Russia to a spate of drone incursions, acts of sabotage, cyberattacks and other hostile actions across the continent recently. Western officials say Russia could escalate its confrontation further and has already captured Ukrainian drones that it could use for potential false-flag attacks on NATO countries.

Middle News

Gillian Tett: Is China's 'wise camel' the winner from the US-Iran war?

Taken from FT Saturday, 29 August 2026

A decade ago, when then US president Barack Obama cut a deal with Iran, he knew he would face criticism for failing to stop big Chinese banks from helping Tehran.

So, he ruefully admitted the obvious: such banking sanctions could be an own goal. "To [really hurt Iran] … we would have to cut off countries like China from the American financial system," Obama observed. "[But] since they happen to be major purchasers of our debt, such actions could trigger severe disruptions in our own economy and… raise questions internationally about the dollar's role as the world's reserve currency."

Quite so. In recent months, US President Donald Trump has repeatedly slammed Obama for that Iran deal. But the irony is that Treasury Sec Scott Bessent is now grappling with the strategic trap Obama highlighted — which illustrates the nature of the new world order.

After all, as economists at Stanford, Yale and Columbia Universities argue in an IMF essay, the key to understanding geopolitics today is to recognise that the US and China each want to wield hegemonic power (ie bully others).

China has hegemonic power because it controls key industrial supply-chain nodes like rare earth minerals and pharmaceutical inputs, while America controls the dollar-based global financial system. Meanwhile, energy and tech hegemony, in my view, are still being contested.

Right now, both sides are trying to break the others' hegemonic power, but neither is likely to succeed soon. Cue grinding instability as proxies, like Iran, are sucked in.

This week illustrated that. On Monday Bessent announced an "economic D-Day" against Iran and threatened "the single greatest financial offensive ever marshalled against an adversary" with "secondary sanctions" on any entity doing money laundering for Iran, or trades in digital assets, technology, gold, aviation and shipping.

Washington is doing this because it has failed to win the war by military means. But just as Bessent's efforts to calm bond markets last week with aggressive buybacks seem to have backfired, his Iran campaign could undermine his credibility too.

Yes, some economists like Robin Brooks consider this "an important step in the right direction" given that Iran is now in a state of "economic collapse". And, yes, countries like the UAE (hitherto a crucial trading partner and banking centre for Iran) have joined the US embargo. Turkey, another key player, may yet follow suit.

However, China is the elephant in the room: as a Congressional report notes, it is "Iran's largest trading partner… despite US and multilateral sanctions on Tehran" and has pledged $400bn of investment there. It has also been buying 90% of Iran's oil exports.

And while some Hong Kong tiddlers have been targeted, no sanctions were presented against big Chinese banks — even though Congress members like Republican Darin LaHood begged for this, to "send a clear message to China". Or as Daniel Tannebaum, Oliver Wyman partner and sanctions expert, tells me: "Unless they sanction a Chinese bank everyone has heard of, this will fall flat."

Why the miss? Bessent probably wants to avoid derailing a planned summit between Trump and Chinese President Xi Jinping next month, which is supposed to produce trade deals.

Indeed, Beijing has already threatened to "take all necessary measures" to retaliate if it is hit with anti-Iran sanctions. This means using its own hegemonic weapons, say stopping rare earth exports, which the US can ill-afford. "I don't think China wants to help, [with Iran]" says Nicholas Burns, former US ambassador to Beijing.

Then there is the dollar. To understand this threat, it is worth watching a five-minute propaganda film released a few months ago on Chinese state TV, in animated Jianghu (martial arts) style. This is not as sharp as Iran's "Lego" posts that mock Trump. But it is "pleasingly poetic" for Chinese viewers, says the scholar Philip Cunningham — and geopolitically significant.

It features a mad "eagle" (aka Trump) that attacks a kingdom of small "cats" (Iran), which successfully fight back. Then other animals shun the "white eagle gold tickets" (dollars), leaving the eagle looking foolish, while wise camels (China) look on from a distance. Is it just a Beijing martial arts fantasy? Bessent would argue so. After all, the dollar remains "the backbone of global finance", accounting for 89% of global foreign exchange trade, and US capital markets continue to soar, never mind geopolitics.

But this dollar dominance is also quietly "eroding", says Seb Murray of Stanford Business School.

Or to cite Luke Gromen, a market analyst: "Every other weaponisation of the USD over the past 14 years has [driven] ever-greater volumes of trade and global trade finance into the Chinese yuan, via China's [payment] system."

Hence Bessent's dilemma: events in Iran not only show the limits of Trump's military power, but the potential limits of Washington's financial power too. Investors and US voters should re-read Obama's 2015 speech and watch that Chinese eagle-versus-cat film if they want to understand the grim reality of geoeconomics and geo-finance today.

(Link to article - FT)

US Treasury imposes limits on Egyptian bank for doing business with Iran

Taken from FT Saturday, 29 August 2026

The US Treasury department is set to revoke US financial access to an Egyptian bank's branches in the UAE, in one of the Trump administration's first steps towards implementing its threatened economic crackdown on Tehran.

The move, announced on Friday, would cut off the UAE branches of Banque Misr, Egypt's second-largest bank, from banking access to US financial institutions in an effort to block them from transacting in dollars.

"Treasury promised to sever every economic lifeline Tehran has left and finally end the threat of the Iranian regime," said Treasury Sec Scott Bessent in a statement shared with the Financial Times.

"We also warned that Iran's enablers cannot continue to enjoy access to the US dollar and the global financial system. Banque Misr UAE decided to find out the hard way and, today, we are taking the first step in holding it accountable for its continued, egregious support of the Iranian regime."

The Treasury's action targeting the UAE operations of the Egyptian bank is subject to a 30-day public comment period before it takes effect. It is the first measure taken by the Trump administration since Bessent announced "Economic D-Day" against Iran and its economic and financial partners on Monday.

But the limited nature of the move shows how Washington is reluctant to hit bigger targets around the world that help finance the Iranian regime, including major banks and state-backed entities in China, amid fears that this could further destabilise the global economy and markets. The action comes as Bessent prepares to host G20 finance ministers in North Carolina next week, with the US effort to inflict more damage on Iran's economy high on the agenda.

The US government says Iran has long relied on a shadow-banking network to evade sanctions and launder illicit oil revenues to gain access to foreign currencies.

The Treasury is also imposing sanctions on the general manager of the Dubai branch of Iran's Bank Melli and a Hong Kong-based company that the US accuses of helping launder funds for an Iranian entity under sanctions.

The action against Banque Misr UAE is less sweeping than sanctions. But the Treasury said it would bar US financial institutions from "opening or maintaining a correspondent account for, or on behalf of, Banque Misr UAE".

It would also "require US financial institutions to take reasonable steps not to process a transaction for a correspondent account in the United States of a foreign banking institution if such a transaction involves Banque Misr UAE".

"Treasury estimates that between January 2024 and June 2026, Banque Misr UAE processed approximately $1.8bn for 103 companies that are potentially part of Iranian shadow-banking networks," the department said.

The move highlights America's ability to use the global dominance of the US dollar to exert financial pressure. But the targeting of an Egyptian bank's Emirati offices stops well short of the "Economic D-Day" threatened by Bessent, which experts said would have to strike major Chinese financial institutions to have real impact.

(Link to article - FT)

Drain on U.S. Munitions from Iran War Raises Fears Over Ability to Deter China, Russia

Taken from WSJ Saturday, 29 August 2026

The U.S. has rushed so many munitions to the Middle East to fight Iran that military planners are concerned the loss of firepower is diminishing America's ability to defend against potential threats from China and Russia, said U.S. officials.

The cuts have been so deep that the U.S. inventories in Europe of PAC-3 Patriot air defense interceptors and Atacms surface-to-surface missiles are deemed to be "beyond critical," some of the officials said.

The U.S. and Iran have mostly halted direct attacks in recent weeks. But refilling weapons stocks moved from countries like Japan, South Korea and Germany could take years, leaving soft spots in the U.S. global military posture even as Western military officials don't assess that full-scale attacks by China and Russia are imminent, officials said.

In addition to Patriot interceptors, other European-based weapons have been drawn down to extremely low levels, including precision-strike missiles and guided rockets, officials added. Thaad antimissile interceptors and Merops counter-drone systems have also been sent from Europe to the Middle East, further diminishing supplies on the continent.

The shrinking inventories have led the U.S. European Command to adjust its operational plans, officials said. They have also increasingly led administration officials to assess that America couldn't fully execute contingency plans to defend Taiwan from a Chinese invasion if it occurred in the near term, The Wall Street Journal has previously reported.

Each move of military forces and assets to the Middle East, including munitions, would have required approval by Defense Sec Pete Hegseth, who manages an "orders book" that directs the movement of military assets, around the world under longstanding Pentagon procedures.

(Link to article - WSJ)

News Europe

Senior German politicians call for ban on parts of far-right AfD

Taken from FT Saturday, 29 August 2026

Two of Germany's most senior politicians have called for their country's top court to consider banning parts of the far-right Alternative for Germany.
Boris Pistorius, Germany's defence minister, and Cem Özdemir, leader of the state of Baden-Württemberg, said the constitutional court should be asked to consider outlawing the AfD in four eastern states.
The AfD party branches in Saxony-Anhalt, Saxony, Thuringia and Brandenburg were dominated by ethnonationalist figures who viewed "true Germans" as people with "the right blood, the right pedigree, and the right convictions", Pistorius and Özdemir said in a joint article for the Frankfurter Allgemeiner Zeitung.
"They don't want a better democracy; they want to bring democracy to an end," they added, as they called for the "prompt initiation" of legal proceedings to consider outlawing the AfD in the four states.
Their intervention comes ahead of a critical election in the small state of Saxony-Anhalt on Sept 6 that could result in the AfD taking control of a German regional government for the first time.
Polls suggest the party will win at least 40% of the vote in the state of 2mn people, which was once part of the communist East Germany. That puts the AfD close to being able to take power in the state, in what would be the most far-right German regional administration since the end of the Third Reich.
Experts say that the court process to consider an AfD ban would take at least two years.
The AfD is ahead in national opinion polls, with support at around 28%, and in recent months has increased its lead over Chancellor Friedrich Merz's centre-right Christian Democrats.
(Link to article - FT)

EU gas stores at their lowest level in 13 years

Taken from The Guardian Saturday, 29 August 2026

Europe is on course to enter the cooler months with gas stores at their lowest level in 13 years, which has triggered "winter panic" among energy traders, experts have warned.
The EU's gas stocks were 63% full in the last week of August, well below the 80% average for late August over recent years and among the lowest levels ever recorded for this time of year.
At the current sluggish rate of gas storage injections, the EU is likely to enter the winter heating season with gas stocks about a fifth below the five-year average, and at their lowest level since 2013, according to Greg Molnar, a gas analyst and professor.
"Low storage levels are naturally increasing the risk of heightened winter price volatility," he said, which could be made worse by "cold spells or slow wind patterns" increasing gas usage over the winter.
The UK may be particularly exposed to market volatility, because it is one of the biggest gas consumers in Europe but has some of the lowest levels of domestic gas storage capacity.
(Link to article - Guardian)

Iceland EU referendum on a knife edge as counting continues

Taken from BBC News Sunday, 30 August 2026

Iceland's closely fought referendum on whether to resume membership talks with the EU is going down to wire, with the result too close to call.
Based on the first 153,197 votes counted of the 270,000 voters eligible, 50.1% rejected the government's proposal, while 49.9% said yes, public broadcaster RUV said, with just 435 votes splitting them.
PM Kristrún Frostadóttir's centre-left government promised to hold a referendum by 2027, but brought it forward because of international tensions, including US President Donald Trump's threats against Greenland.
However, debate in this island nation of almost 400,000 people centred more on its fishing industry rather than security concerns.
Already part of the EU's single market and Schengen border-free zone, EU membership would bring Iceland into the customs union and eventually the euro.
Fish and marine industries account for almost 40% of Iceland's exports and many No voters feared they would cede some control of their lucrative fishing grounds under the EU's common fisheries policy.
The referendum campaign has fuelled debate about Iceland's place in the world, Frostadottir said after casting her ballot in the capital on Saturday.
The question on the ballot was: "Should Iceland resume accession negotiations with the European Union?"
A Yes vote would not be a final decision on joining the EU, but a move towards an accession agreement, which would then have to be approved by a second referendum.
Equally, the No vote would not rule out the chance of Iceland resuming talks in the future.
(Link to article - BBC)

Russia issues horror WW3 threat to strike 5 UK locations - map shows targets

Taken from The Sunday Express 30 August 2026

Vladimir Putin is waiting for one line to be crossed before he launches strikes on England, a Russian politician has claimed. State Duma deputy Adalby Shkhagoshev issued a shocking threat to England during an episode of the TV show 60 Minutes that Moscow could hurt the country "very painfully".

When asked by host Olga Skabeeva why there haven't been attacks against NATO allies, he responds: "I see it and I understand it; we're also being asked these questions. For example, why aren't we striking England right now? We're watching it very seriously; we have our plans."

"As soon as certain lines I've mentioned are crossed by England, we will certainly use the kinds of weapons that will strike England very painfully."

The "certain lines" he referred to are a "serious threat to our national security and to our borders", which he mentioned earlier in the episode.

Military expert Mikhail Khodaryonok added that Russia has the ability to launch an attack on Britain, warning of action "sooner or later".

He said: "As to the hypothetical strikes against the objects of the United Kingdom's military-industrial complex, Britain's leadership has to realise that sooner or later, they will have to answer for their actions.

"If not today the tomorrow, or the day after tomorrow, but in the historically observable future after all. We have all technical means for a strike against the military-industrial complex of Great Britain."

While it's not explicitly clear what it depicts, as it's in Russian, the map highlights five areas up and down the country, in the rough areas of London, Norfolk, Bristol, Bath, and Edinburgh.

Russian Foreign Ministry spokesperson Maria Zakharova also warned on Thursday that London will not be able to avoid responsibility for supplying Kyiv with Storm Shadow missiles and the technology to produce them.

She said: "Any British military facilities in Ukraine and beyond could become targets for Russian strikes if Kyiv uses British weapons against Russia."

Zakharova threatened that any British military facilities in Ukraine and beyond its borders could become targets for Russian strikes if Kyiv uses British weapons against Russia.

She added: “Any British military facilities and equipment in Ukraine and beyond could be targeted in response to Ukrainian strikes using British weapons on Russian territory.”

(Link to article - Express)

Is Russia going to launch an attack on Nato?

Taken from The Sunday Times 30 August 2026

There was no doubting the drama of CIA director John Ratcliffe’s visit to Moscow last week, swooping in on board a military jet.

No attempt was made to do it covertly, and within hours there were details being briefed out: it was to deliver a warning to Russia not to attack Nato countries; it was to relay a “bleak” assessment of the state of the war against Ukraine and urge Vladimir Putin to make a deal to end the fighting.

“We’re in a very dangerous situation,” Lord Ricketts, Britain’s national security adviser between 2010 and 2012 told me, of the potential for Russian escalation. “To send [Ratcliffe] there in a way that was intended to become public was itself a signal, a warning.”

The most noteworthy previous visit of this kind, by William Burns, the CIA director under President Biden, in 2021, was not publicly acknowledged at the time. He told the Russian president that the United States had fully uncovered Russia’s plan to invade Ukraine — although this failed to deter Putin from going ahead and doing it anyway.

Tom Wright, a top National Security Council (NSC) official at the time of that visit and now senior fellow at the Brookings Institute, thinks a deterrent message today, when America’s setback in the Middle East might colour views in the Kremlin, is vital. “Hopefully what Ratcliffe was trying to do was underline our commitment to defending Nato, saying we’ll defend every inch of Nato, and instil doubt in Putin’s mind that he could get away with it,” he said.

So, what exactly does the US think Russia might be planning to do? And will Ratcliffe have changed any minds in the Kremlin?

There has been mixed messaging from people in Washington about what might be on the horizon. The president said he didn’t expect an imminent move from Russia, but that’s to be expected, since acknowledging any such thing would immediately prompt a follow-up question of “What are you going to do about it?”.

Ratcliffe’s stopover in the capital of Latvia enroute to Moscow, as well as recent Nato exercises, have brought the focus to the Baltic republics, and whether Russia might be about to mount some kind of direct operation against them. There is no doubt that a military incursion in a Russian-speaking area of Estonia or Latvia could provoke a serious crisis for Nato. But the potential victims of such a move are playing it softly.

Those I spoke to say the threat is more that Putin intensifies actions against Nato countries, with either a small-scale incursion into a Baltic country or by ratcheting up sabotage attacks on the supply routes for Ukraine-bound weaponry. That could bring its own crisis, particularly if lives are lost on a significant scale, as was a possibility during last month’s drone

operation at Leipzig airport. Moscow has denied any involvement in the incident in Germany, in which an explosives-laden drone was discovered near a Ukrainian aircraft used for military supplies.
So, was Ratcliffe's visit restricted to a "we know what you're up to" discussion with Alexander Bortnikov, head of the FSB security service? Sean Wiswesser, a former CIA senior operations officer and chief of station, argues that, following the Leipzig incident, more was needed. "We need consequences for credible deterrence," he said. "We may need to risk war to prevent it."
(Link to article - Times)

Russia Is Bombarding Europe With a New Wave of 'Gray Zone' Attacks

Taken from WSJ Sunday, 30 August 2026

Russia has turned up the heat on Kyiv's allies in Europe, with a string of so-called grey zone activities aimed at sowing fear, as it struggles to advance on the ground in Ukraine and faces increasingly damaging Ukrainian drone and missile attacks at home.
European authorities have linked Russia to a spate of drone incursions, acts of sabotage, cyberattacks and other hostile actions across the continent over recent months.
Leaders across the U.S.-led NATO say the moves are a worrying indication of Russia's rising appetite for risk in Europe, as President Vladimir Putin seeks to curb flows of European aid to Ukraine and sow divisions among allies.
Western officials say Russia could escalate its confrontation further and has already captured Ukrainian drones that it could use for potential false-flag attacks on NATO countries. Kremlin spokesman Dmitry Peskov has dismissed the reports, saying they are being used to justify European militarization against Russia.
European authorities have accused Russia of hiring local agents over Telegram and other social-media platforms to conduct sabotage, espionage and vandalism meant to stoke divisions. Estonia is investigating whether Russia-linked sabotage was behind the arson attack this month on a local defense company, Milrem Robotics, while recent explosions and fires at munitions facilities in Italy, Bulgaria and Finland have drawn suspicion of Russian involvement, even though authorities haven't said they see evidence of that.
Russia's campaign may prompt worry among Europeans that they face personal danger as a result of their governments' Ukraine policies. Another potential fear is that sending weapons to Ukraine depletes European arsenals, which might be needed to fight Russia—and if Moscow shows it poses a threat, the logic of not sending arms east increases.
New U.S. intelligence reports assess that Russia could try to test NATO's resolve with a limited assault on a member country in the next few years, through steps potentially ranging from a cyberattack to a small-scale land incursion. NATO's collective security is based on the founding principle that an attack on one member represents an attack on all.
Short of that, the Kremlin still gains from riling domestic politics ahead of coming local or national elections in NATO countries including Germany, France, Finland, Estonia and Poland. Poland is particularly prone to disruption because tensions with Ukrainian refugees have been mounting.
(Link to article - WSJ)

French economy won't improve any time soon, warns rating agency

Taken from The Sunday Telegraph 30 August 2026

France has been warned it risks edging towards a debt downgrade as its government continues to spend beyond its means.
Fitch, one of the world's top credit rating agencies, reaffirmed the country's A+ borrowing status despite concerns that it did not expect France's economy to improve any time soon.
The ratings agency said deficit projections had risen "reflecting weaker growth, higher interest expenditure and additional defence commitments".
Fitch said it did not expect any improvement in France's debt pile in 2027 given the upcoming election, warning that "persistent political fragmentation is a key rating weakness".
"Our baseline is that fragmentation persists beyond the election and will continue constraining progress on deficit reduction," Fitch wrote in its report.
One reason France is able to retain its gold-plated rating despite the country's spiralling debt pile is the safety net afforded by its currency.
This is because the euro's role as a global reserve currency means France should have a steady stream of global investors, central banks and foreign institutions as lenders.
However, the nation lost its double-A grade in September 2025 after successive governments led by Michel Barnier and François Bayrou prompted concerns about political instability.
France's public finances have come under strain as an inability to rein in spending has pushed its borrowing costs to 18-year highs this month.
Its growing deficit, which stands at 5.1% of GDP, has come under further scrutiny after the candidates for next year's presidential election held their first debate this week.
(Link to article - Telegraph)

Incoming Swiss banking chief warns against regulatory over-reach

Taken from FT Sunday, 30 August 2026

Switzerland risks undermining its position as a global financial centre by imposing excessive regulation on its banks, the incoming head of the country's banking lobby has warned, as Bern embarks on its biggest overhaul of the sector since the financial crisis.

Giorgio Pradelli, who heads Zurich-based bank EFG International, takes over as chair of the Swiss Bankers Association (SBA) next month.

Speaking in his capacity as EFG chief executive, Pradelli said Switzerland could not assume its pre-eminence in global banking would endure as competing financial centres simplify their rules.

"We cannot take it for granted that Switzerland will always be prominent if we do not apply the right policies, including the regulatory framework," he told the FT, adding it "had to be proportionate".

Pradelli's intervention is a sign of how concerns that Bern risks overcorrecting for the collapse of Credit Suisse stretch across Switzerland's financial sector.

Although UBS, which took over its rival in a state-sponsored takeover in 2023, is the bank most directly affected by proposed new rules, the reforms reach across the banking system.

(Link to article - FT)

News Americas

Trump hails 'historic' deal for US to control 65bn barrels of Venezuela's oil

Taken from BBC News Saturday, 29 August 2026

The US has reached a deal with Venezuela to control more than 65bn barrels of its proven oil reserves, President Donald Trump announced.

"This Historic Transaction MORE THAN DOUBLES American Oil Reserves, greatly increases our Oil Supply, and will substantially lower Gas Prices for all Americans," Trump posted on social media.

Venezuela's interim President, Delcy Rodriguez, hailed the agreement as one that would help her nation's economic revival.

Trump vowed to tap Venezuela's reserves, the world's largest, after the US captured its then-President Nicolás Maduro this year. More recently, Trump has been under pressure to tame domestic petrol prices, which spiked amid the Iran conflict.

Sec of State Marco Rubio called the oil deal "a huge win for both the American and Venezuelan people". Few details were released.

"For the Venezuelan people, this deal will bring nearly $100bn in private investment, support thousands of high-paying jobs, and drive the reconstruction of Venezuela's economy," Rubio said on social media.

In his own post, Trump said Rubio and Defence Secretary Pete Hegseth had reached the agreement with Venezuela's leadership "through a partnership with private business".

He did not elaborate on the partnership or describe possible commitments and terms for the US in the deal, but he claimed the agreement was reached "at no cost to the American Taxpayer".

Venezuela's interim president said in a statement that the agreement would have "a significant impact on our nation's revival".

The deal calls for the development of 17 strategic oil fields with a proven potential of 65bn barrels, as well as "an investment of more than $100bn, and more than $209bn in taxes for the State", Rodriguez said.

"These investments will contribute not only to the recovery and modernization of our industry, but also to our country's economic growth, the energy security of our hemisphere, and greater balance in international markets," she said.

Under the deal the US government will retain 55% control of a joint venture with an "experienced private operator in Venezuela", a US official told the BBC's media partner CBS News.

But it is unclear whether the Venezuela agreement could face legal and constitutional challenges in the South American nation. The official text of the agreement between Washington and Caracas has not been released.

(Link to article - BBC)

Katie Martin: Risk of a new age of financial repression is rising

Taken from FT Saturday, 29 August 2026

In normal person-speak, the grand-sounding term "financial repression" is sometimes translated as like holding a gun to someone's head and making them buy your bonds. It is not supposed to be taken literally.

And yet a week ago, Donald Trump hinted at precisely that. Asked about Scott Bessent's recent efforts to support the US government bond markets, the president casually observed that the Treasury Sec's upsized buybacks are "one type of intervention" and that "the ultimate intervention is our military. And if we have to use that, we will".

Analysts and investors appear willing to let this wild statement slide — something it would be hard to imagine had it come from the lips of any other president of any country ever. Remember this the next time someone tells you America's exorbitant privilege is dead or that its role as protector of the world's premier safe asset and leading reserve currency is a burden. Just like its current president, it simply gets away with stuff in financial markets that no other country could.

But the idea of pushing US government bonds down the throats of otherwise unwilling investors, through coercion, regulation or other means, is being taken increasingly seriously. It is one way to wage a war with the bond market.

Other bond-boosting tactics are struggling. Arguably the slickest is to employ the kind of Jedi mind control trick used by ECB chief Mario Draghi back in 2012. He was able to pull borrowing costs back down in a debt crisis then simply by stating he would do "whatever it takes" to get there. Even now, borrowing costs in, for example, France, are much lower than they might otherwise be thanks to the threat — not the exercise, just the threat — of forceful responses to push them down in a crisis. But this takes rock-solid credibility and in the US at the moment, that is in short supply.

The most durable way to win a bond war is to do the work to fix the underlying economic forces that have created it in the first place. In Turkey, for example, that meant letting the central bank crank up interest rates, despite howls of protest from the country's president. For the US, it demands a large retrenchment in government spending, or large tax rises, or both to address the real underlying storm sweeping through global debt markets. All the big borrowers are feeling the pain, from Japan to the UK and US. Massive levels of borrowing and huge gaps between what governments collect in taxes and spend at the other end are not new. But in markets, things are fine until they are not, and this is starting to look not so fine. And yet few expect any of the key offenders here to do the work for a proper reset.

Right now, the US is spared the apparent risk of military intervention in markets by another useful resource for winning a bond war: luck. Inflation, the bond market's traditional foe, has never been the main concern in this latest episode, but the recent fall in oil prices does give the debt markets some breathing room. Bessent also has at the very least succeeded in scaring some speculators out of pushing borrowing costs much higher right now. Yields have stabilised at elevated levels since his Treasury department announced state purchases of long-term debt.

But luck has a habit of running out. If and when it does, the chance of the US reaching for the button marked "financial repression" is rising. It is a dirty phrase in finance circles, encompassing a range of efforts including bank capital requirements and even capital controls to force private sector investors to accept low returns so that countries can keep on spending on the cheap. It's rather antiquated and very un-American — a refusal to let markets do what they do best: pricing risk.

"The primary preoccupation henceforth stands to be financing government expenditure, and with monetary policy being subordinated to this need," warned David Skilling and John Llewellyn of Independent Economics in a note last week. "Monetary policy support will likely involve financial repression, with lower real interest rates for the US (and others) as yields are capped in various ways and ownership of Treasuries is required or incentivised… The US will use economic and geopolitical pressure to attract capital, in increasingly aggressive ways. These capital wars stand to be markedly more consequential than the recent trade wars."

Any serious moves in this direction would mark a profound shift in the global financial regime. And yet it is already a sufficiently live possibility that money managers are starting to advise clients on what to do if it happens.

"Initiatives that result in financial repression and yields being brought down artificially should be favourable for equities, while gold would be another beneficiary," was the breezy assessment of UBS Wealth Management in a note this week.

If the past few years have taught us nothing else, it is to imagine the unimaginable. This is the latest example to add to the list.

(Link to article - FT)

Warsh puts Fed on collision course with Trump ahead of midterms

Taken from FT Saturday, 29 August 2026

Kevin Warsh may be about to hand Donald Trump just the thing he does not want: an interest rate rise weeks before November's crucial midterm elections.

For years, Trump piled pressure on Warsh's predecessor as Fed Res chair, Jay Powell, to lower rates. Since he appointed Warsh earlier this year, the US president has renewed his calls.

But Warsh made it clear in his speech at the Jackson Hole gathering of economists and central bankers on Friday that "concerning" inflation numbers mean "the Fed's predominant focus right now should be on prices".

Any rate rise would put Warsh squarely in Trump's crosshairs, analysts said.

"Warsh has drawn a clear and vivid line in the sand about his goals and intentions, which will put him directly at odds with Trump's push for lower rates no matter the data or consequences," said Eswar Prasad, professor at Cornell University, adding that the Fed chair had "made it abundantly and emphatically clear that he intends to put the Fed's price stability mandate front and centre".

Warsh faced a dilemma ahead of his first major speech as Fed Res chair: assure his critics on Wall Street and within the US central bank that he is serious about bringing inflation under control — or appease Trump and do little to convince markets that interest rate rises are coming.

His address at Jackson Hole made it clear that he had chosen the first course. He prioritised the demands of markets and his fellow rate-setters, both camps that have criticised him in recent weeks for his failure to spell out how he plans to tackle inflation, which has now exceeded the Fed's 2% goal for more than five years.

After digesting the whole speech, markets ratcheted up their bets on rate rises, with investors now viewing a quarter-point rise in September as likelier than not after the Fed chair warned there was "work to do" if price rises across the world's biggest economy did not ease soon. Warsh's remarks did what he had set out to do, winning praise from analysts and a strong round of applause from those in the room.

But the prospect of rate rises as soon as September may not be greeted as favourably by a president who has spent much of his second term in the White House calling for aggressive cuts.

Just last week Trump said US borrowing costs — at 3.5-3.75% — were "ridiculous".

Warsh supported a hold at the July meeting but Robert Sockin, chief US economist at PGIM, said his Jackson Hole speech placed the Fed chair firmly in the hawks' camp. "[It] reaffirms our view that Warsh is the most hawkish member on the FOMC or, at a minimum, tied for that ranking," Sockin said.

(Link to article - FT)

Mohamed El-Erian: Warsh charts a forward-looking path for the Fed at Jackson Hole

Taken from FT Sunday, 30 August 2026

Kevin Warsh delivered his first speech at the annual Jackson Hole central banking conference as the new chair of the Fed Res under the pressure of remarkably high and unusually varied expectations.

Yet in a powerful half-hour presentation, he went a long way towards assuaging doubts by deftly navigating both short- and long-term issues. That's the good news. Less good is that the immediate media and market focus have been on the less consequential part of his speech.

We should not underestimate the tricky task Warsh faced in the run-up to his Friday speech: striking the right balance in responding to criticisms about the market's lack of understanding of his so-called "reaction function" — how the Fed would respond to changes in the economy under his watch. At the same time, he had to adhere to the symposium's original objective (including this year's focus on innovation) by addressing longer-term issues central to the economic outlook and Fed policy effectiveness.

Despite the considerable volume of Warsh's writings and congressional testimony, some Wall Street commentators felt not enough was known about his reaction function. They wanted not just details on this but also his current view of the economy and a bit of guidance on future policy. It did not help that, in recent weeks, there has been more focus on inflation.

The criticisms of the reaction function and forward guidance, while misdirected, are understandable. After all, for several years, the market has been conditioned by a Fed that relied on a mantra of "data dependency" for policy decisions, spoke often, and loved to issue forward guidance. The result is something that Warsh and many others, including me, regret: to quote Warsh, "a market regime that looks to the Fed for its next trade" and, as such, plays the referee rather than the ball.

Warsh had other reasons to adhere to Jackson Hole's original intentions. We are living through a period of historic change driven by innovation-led transformation and the rise of geopolitical factors in economics. Two other considerations have also fuelled the need for thinking about longer-term issues. First, the approach taken by Warsh's predecessor, Jay Powell, who tended to focus on shorter-term issues in his tenure. Second was the importance of providing a "North Star" vision to help bring together, over time, a highly divided FOMC.

In response to these pressures, Warsh addressed the loud call for his views on the current state of the economy, the balance of risks to the Fed's dual mandate on employment and price stability, and his commitment to using the Personal Consumption Expenditure index as the central bank's preferred inflation target. The resulting tone in this section, which has attracted the most media attention, was somewhat hawkish.

Warsh also restated his view that forward guidance has "outlived its role" and that it leads to the risk of the "hall of mirrors" phenomenon where the Fed and the market send back the same signals to each other. He referred back to the Fed's big 2021—22 policy mistake, in which prior incorrect forward guidance slowed the needed response, allowing consumer price inflation to surge to more than 9%. The result was a consequential hit to affordability, and the compounded effects are still with us today.

Having said all this, the most important section of his speech pointed to the questions that the current phase of innovation poses for the economy and policy effectiveness, including the role of AI as a "new factor of production". While it has attracted less media attention, this is the most interesting and important part of his speech, as the issue has massive implications for economic functioning, the evolution of monetary policy and financial stability risks. It is an area where a lot more work is urgently required.

Ultimately, Warsh delivered a masterclass in central bank communication at a pivotal juncture. He addressed immediate market demands for details on his reaction function while, more importantly, putting the broader secular realities of productivity and AI front and centre. If markets can look past the short-term headlines and spend more time on the ongoing strategic shifts, Jackson Hole 2026 may well be remembered as the moment the Fed Res began leading the forward-looking economic conversation once again, rather than merely reacting to the latest data.

(Link to article - FT)

Irwin Stelzer: Kevin Warsh at a crossroads as Fed grapples with inflation

Taken from The Sunday Times 30 August 2026

Hawks are known to breed in and inhabit the mountains of Wyoming. Add to those a variety of the human version, newish chairman of the Fed Res Board, Kevin Warsh, who pledged that his standard of success will be "inflation moving to our objective, clearly and at sufficient speed. The Fed's price-stability objective of 2%, as measured by the personal consumption expenditure price index, is a firm, fixed target."

Short-term interest rates are the Fed's "predominant tool to achieve its dual mandate" of price stability and maximum employment, and "credit and loan markets are showing few signs of policy restraint." In response to these unmistakably hawkish remarks the price of gold fell. The dollar rose. Market expectations of a September rate increase rose from 35% to 57%.

Warsh treated an audience of some 120 at the Jackson Hole Economic Symposium, including central bankers, Fed Res and government officials, selected academics, media and representatives of financial institutions to the well-crafted speech that reasonable members were hoping for. He repeated his "discomfort" with forward guidance but abandoned his previous practice of carrying concision to the level of opacity.

The data he believes relevant include clear market signals "as unfiltered as possible", the latter perhaps a jab at Treasury Sec Scott Bessent's intervention to support prices on long-term government notes and bonds, driving down yields, distorting the market signals from which the chairman planned to receive guidance when setting the Fed's benchmark interest rates.

In gauging underlying inflation, Warsh looks to the 3.7%, 12-month change in the PCE price index, and the six-month change, now running at 4.1%, along with other measures of the inflation rate. "They do not tell me that underlying trends have meaningfully improved." He disaggregates the 199 individual components of the PCE price index and finds that prices of 54% have risen more than 3% over the past year, compared with only 32% in the two decades preceding the Covid pandemic. And he keeps an eye on commodity markets.

He is clearly unhappy with trends in inflation, but finds comfort in the performance of the economy, which has strengthened since July, and proved resilient to shocks. Business capex increased 9% in the past four quarters, the highest growth rate since 2021. Profits of S&P 500 firms have grown by more than 20% over the past year, while overall market volatility is low. Real consumer spending "has been healthy", the trend in what is called "private domestic final purchases", which Warsh sees as carrying "more signal" than GDP, has been "positive".

Warsh is impressed with the performance of the labour markets — "quite stable". There are weak spots, especially for recent graduates, but "in general… people who want to work, by and large, are holding or finding jobs." There's lots more, including extended speculation on the impact of AI, which unsurprisingly concludes: "The potential for substantially higher growth is on the rise."

Warsh, who has criticised past Feds for wandering from the bank's "lane", monetary policy, did not cover much that is troubling many observers. President Trump has found new ways to work around the Supreme Court's decision that struck down many of his tariffs. Despite Trump's denial, a portion of that burden will be reflected in consumer prices. As will the economic consequences of the war with Iran, among other reasons because the $5.65 price of that workhorse fuel, diesel oil, up 52% from last year, will ripple through the economy.

Then there is the problem of the national debt, zooming past the $40trln mark as deficits clock in at 6% of GDP and seem likely to be headed higher. Republicans are asking Congress for billions to fund the war with Iran and restock depleted supplies of military weapons and ammunition. For them tax increases are off the table.

Meanwhile, Democrats, who traditionally demand increases in entitlements equal to increases in military spending, are looking over their left shoulders at the primary successes of Democratic Socialists of America and their fellow-travelling candidates and are likely to demand increased spending to offset the coming 9-11% increase in health care costs, and more.

Not least is Bessent's intervention in the very markets to which Warsh was looking for an "unfiltered" market signal. The chairman, who did not mention Bessent — a former colleague — by name, had hoped to update the Fed-Treasury accord to create "joined-up" economic policy, as Tony Blair might have called it. Instead, we have fiscal dominance, a condition in which fiscal policy constrains monetary policy, often a portend of accelerated inflation.

There you have it. A healthy economy, headed towards more rapid growth, with a stable labour market, inflation too high, broad financial conditions not restrictive, and interest rates the most potent tool in the Fed kit. Come the next Fed meeting in September, Warsh might have some explaining to do if his policy gurus fail to raise rates. That's my forward guidance, not his.

(Link to article - Times)

Oil deal with US is denounced by both sides of Venezuelan politics

Taken from FT Sunday, 30 August 2026

The Trump administration's deal to take control of 65bn barrels of Venezuela's oil has been heavily criticised by both members of the country's opposition and some supporters of the government.

While Trump called it the "biggest oil deal in world history", Venezuelan interim president Delcy Rodríguez said it would create investment in the country of more than $100bn.

The two governments have made few details available about how the arrangement would actually work and have yet to explain where the new investment would come from. It is also unclear what role PDVSA, Venezuela's sanctioned state-owned oil company, would play.

Juan Pablo Guanipá, one of the most prominent members of the opposition who is currently in Venezuela, said that foreign investment was vital to revive the country's oil industry following years of mismanagement and that the deal had some "potential" to help boost activity.

But, referring to the Rodríguez government, he added that "as long as we have the same people who destroyed the country and PDVSA [the state-owned oil company] handling the money that comes from this agreement, we are building a skyscraper on clay".

Henrique Capriles, a lawmaker who leads a moderate opposition faction in Venezuela, said there were many doubts about the agreement because of the "opacity and corruption" of the government.

"Those who destroyed PDVSA are the same ones who remain in power and who are not going to rebuild anything," he said on X. He said the government needed to explain the legal basis for the agreement under the Constitution and what the Venezuelan people were going to receive from it.

Opposition politicians fear that the Trump administration will now be much more reluctant to push for elections because they will rely on Rodriguez remaining in power to implement the new oil deal. "They don't want an election where this will be one of the main debates," said a prominent opposition figure.

Rafael Ramírez, who was president of PDVSA from 2004 to 2014, said that the deal reached with Washington represented "the greatest looting in our country's history".

On Saturday, leftwing groups took to the streets of Caracas to reject the "guardianship" of Venezuela by the US, with many holding signs saying, "Yankees out of Venezuela".

"They attacked the Venezuelan homeland on January 3 and today they are trying to subjugate us," said Fernando Berroterán, a member of the Popular Anti-imperialist Front.

(Link to article - FT)

Inside Trump's Plan to Give the Pentagon a Stake in Venezuela's Oil Riches

Taken from WSJ Sunday, 30 August 2026

President Trump spent months declaring his ouster of Venezuela's leader had secured the country's oil for America. When U.S. energy companies resisted investing at the speed and scale he wanted, his administration devised an extraordinary solution to turn his vision into reality: make the U.S. government itself an investor.

The agreement announced Friday evening would transform the U.S. government from a broker of American oil investments in Venezuela to an investor itself.

It would give Washington a direct financial stake in a private company that would be granted century long rights to some of the world's largest proven oil reserves—and tie the U.S. more closely to the unelected government that is granting those rights.

The private company, led by controversial Venezuelan businessman Alejandro Betancourt, would have the opportunity to develop 17 oil fields said to contain 65bn barrels of oil, or one-fifth of the country's reserves. The Pentagon, in a striking expansion of its remit, would help finance the oil venture and reap the rewards of its future output.

"If this deal can survive subsequent Venezuelan governments, then Trump will have secured strategic oil reserves for the U.S. that go beyond the shale revolution," said Schreiner Parker, a partner at consulting firm Rystad Energy. "Now, there's a lot of uncertainty as to how these barrels go from reserves to actual production, and who's going to invest the time, effort and money to do that."

Although it was negotiated by senior officials in both governments, the structure would make the U.S. an investor in a private company rather than a direct counterparty to the Venezuelan government.

The U.S. plans to take a 35% passive stake in Betancourt's North American Blue Energy Partners and would secure preferential rights to purchase 20% of its production at cost, according to people involved in negotiating the agreement.

(Link to article - WSJ)