BANCO DE MÉXICO

Síntesis de Prensa Extranjera

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Bloomberg

Mexico Poised for Tax Hikes Sheinbaum Once Said Wouldn't Happen

By Gonzalo Soto
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Mexican President Claudia Sheinbaum has repeatedly ruled out tax hikes to help reduce her nation's fiscal deficit. But a slew of new levies are hiding in plain sight in a 2026 budget blueprint her ruling Morena party is pushing through Congress.

The plan, which lower house lawmakers approved last week, adds some 137 billion pesos ($7.4 billion) in revenues through new or increased taxes on sodas, gory video games, cigarettes and lucky gamblers, according to an analysis by local think tank CIEP.

Sheinbaum has cast the so-called sin taxes as a matter of public health, telling reporters last week that they are meant to reduce consumption of unhealthy goods.

But they have nevertheless generated sharp criticism that Sheinbaum is going back on a core campaign promise: that Mexico wouldn't need major fiscal reform, or new taxes, to fund an agenda that calls for maintaining budget discipline even while further expanding social spending.

And while the revenue hikes are expected to sail through the Morena-controlled Senate by the end of October, the risk of political fallout is real. Such sin taxes typically weigh hardest on the poor, the very Mexicans who form the backbone of both Morena and the president's enduring popularity.

"Officials may try to deny this is a fiscal revamp with a direct hit to Mexican pockets, but the evidence is overwhelming," said Marco Cancino, a public finance expert who argues Sheinbaum should dedicate the new tax revenue to public health programs.

"Money is scarce," Cancino added. "They went for it in products they can label as unhealthy."

Sheinbaum's office didn't respond to detailed questions about the new levies. But she has pointed to data to push back on the idea that she's merely trying to fill public coffers and close budget gaps.

For years, Mexico has held the distinction as the world's top per capita consumer of Coca-Cola, and Sheinbaum often notes out that chronic diseases like diabetes are especially deadly in the country. The heavy consumption of soda and other tasty high-calorie foods kill at least 100,000 Mexicans each year, she lamented at a recent morning news conference.

"The objective is to prevent, prevent, prevent," she said last week.

The budget plan proposes raising taxes on sugary drinks to 3.08 pesos per liter, a 90% hike from the current rate. Even sweetened, no-calorie sodas will face a new levy, albeit at a lower rate after intense industry lobbying. The proposal estimates revenue from such drinks will surpass 75 billion pesos in 2026, nearly double this year's projected total.

Leading industry CEOs have panned the tax in recent days. While the global chief of Coca-Cola Co., James Quincey, described it as "a significant increase," the top executive of local bottler Arca Continental SAB, Arturo Gutiérrez, told investors that the tax would require the company to raise prices by at least 8% plus inflation.

The plan also raises taxes on gambling winnings to 50% from 30% and adds an 8% levy on adult-only video games that include blood spilling and foul language. Cigarette smokers will face a gradually higher tax that is projected to reach 23 pesos per pack by the end of the decade, an 80% increase from the present rate.

The lower house plan also hits e-commerce platforms with a new levy that would require them to retain 10.5% of the sales of retailers that use their services. The budget doesn't include an estimated revenue figure for that tax, which has drawn industry ire.

David Geisen, Mexico country manager for MercadoLibre Inc., called it "by far the most damaging policy" for the sector in a social media post last week. The firm, Latin America's largest e-commerce company, estimates 1 million small and medium businesses could face the tax.

The Mexican government is expected to collect a record 10.1 trillion pesos in revenue next year, with the new and higher rates forming only a small part of the haul. An even bigger chunk is projected to come from Sheinbaum's core pledge to boost revenues with improved tax collections.

Sheinbaum managed to reduce the 2025 budget deficit after her predecessor and mentor, Andrés Manuel López Obrador, spent big in the final year of his term. Still, the 2026 plan projects the fiscal deficit will reach 4.1% of gross domestic product, roughly even with this year's estimated red ink.

With such a firm grip on power, Morena lawmakers appear ready to weather potential blowback from the taxes, especially if Mexicans don't buy Sheinbaum's health-conscious arguments for them. But not everyone is on board.

Gerardo Esquivel, a left-leaning economist with close ties to the party, calculated that impact of the soda tax would be eight times higher on poor Mexicans than high-income earners.

"It's all very well trying to raise more revenue with the promise of increasing resources for health care," Esquivel wrote in a recent newspaper column. "The question is why it's considered preferable to do so through such a regressive approach."

EL PAÍS

TikTok Shop se acerca al Gobierno mexicano al prever el impacto de la nueva política de impuestos para sus vendedores

TikTok Shop, la plataforma de ventas de la popular red social, enfrentará su primera temporada de descuentos en México impulsada por el viento de cola y un crecimiento en los últimos siete meses de 34 veces el valor promedio de sus ventas diarias. Además, prevé contar con la expansión tanto de los productos que ofrecen como de los influencers que usan sus canales para la promoción. Pero a pesar de las métricas, la empresa reconoce que la industria del comercio electrónico está preparándose para recibir el impacto de las renovadas políticas tributarias del país, que podrían golpear directamente a los comerciantes digitales y sus consumidores.

Mercado Libre, un importante jugador del mercado, dijo la semana pasada que los planes del Gobierno para elevar la recaudación por ventas en línea repercutirá directamente en este sector en expansión. La mayor exposición se la llevarían las pymes que verán mermada su liquidez y las personas que ahí se abastecen, quienes deberán pagar mayores precios. En detalle, la iniciativa aprobada en la Cámara de Diputados introduce la obligación para las plataformas de retener impuestos equivalentes al 10,5% de todo lo que transaccionan las empresas (personas morales) que canalizan sus ventas en línea, es decir, 2,5% de Impuesto Sobre la Renta (ISR) y 8% del Impuesto al Valor Agregado (IVA). Ahora queda en manos de los senadores darle la última aprobación al texto que forma parte del presupuesto de ingresos del próximo año.

"Estamos mirando con mucha atención, trabajando en el diálogo muy cercano con el Gobierno y queriendo entender un poco más todo este impacto, que será para toda la industria, para ver cómo podemos ayudar a todos nuestros partners, que son marcas y creadores", dijo la empresa en el lanzamiento a la prensa de la plataforma. El canal de "ventas por descubrimiento" está operando desde febrero y la empresa recalca que está logrando los objetivos comerciales que esperaban, justo antes de la temporada de promociones del Buen Fin y el Black Friday. Su modelo se basa en ofrecer una experiencia y oferta personalizada basada en los gustos y preferencias de los usuarios que pasan horas en la aplicación. Además, pueden crear interacciones reales en transmisiones en vivo con los potenciales compradores: un mecanismo que está reemplazando las asesorías de los dependientes en las tiendas físicas.

La plataforma también se desmarcó de las críticas que señalan que los marketplaces que no tienen presencia corporativa en el país -y particularmente los de origen chino- evaden la carga tributaria de sus competidores. "Hacemos el pago tributario. Pagamos por estas retenciones y, cuando el creador recibe la comisión por venta, ya viene con los descuentos que nosotros recolectamos para pagar los impuestos".

La retención de las ventas en línea ahora se hace únicamente para las personas que comercializan en estos canales, como una manera de asegurar que cumplirán con sus obligaciones como contribuyentes. La propuesta gubernamental extendería esta obligación a las empresas, que si bien contarían con crédito fiscal a su favor, han objetado que parte de sus ganancias y flujos de caja se queden días o meses represados en el Servicio de Administración Tributaria (SAT).

En el trasfondo, estas medidas ponen en evidencia que el Gobierno de Claudia Sheinbaum está buscando fuentes frescas de ingresos en un contexto de rigidez productiva y de inversiones privadas, gasto público al alza y menos espacio para el endeudamiento. No obstante, el sector ha hecho públicas sus preocupaciones, alegando que se estaría asestando un golpe a una industria que ha crecido a dos dígitos en los últimos años.

La marca de artículos deportivos Wilson resaltó durante la presentación el potencial de las ventas en línea para dinamizar el comercio. "En nuestro caso, TikTok Shop está comparándose con los canales más grandes, como Mercado Libre, Amazon o Liverpool, que son esos canales de venta más fuertes. Tenemos aquí unos 1.200 pedidos en un solo día, con un crecimiento abismal, y eso que solo tenemos dos meses con ellos", dijo un representante de la empresa.

Bloomberg

Mexico's Wet Weather Batters Consumer Firms, to Weigh on Results

Even as Mexican stocks hit fresh record highs over the last six months, consumer companies were among the worst performers. And bottlers in particular typically a safe bet in a country where the average person drinks 166 liters of soda a year were the worst of the worst.

Soda bottler Arca Continental SAB on Thursday reported a more than 2% volume slump in the country, after a 5% dip the quarter before. That's as Coca-Cola Femsa SAB, the world's largest bottler of the iconic soda, saw Mexico volumes shrink by 10% year-over-year in the second quarter. The latter which counts Coca-Cola Co. and Fomento Economico Mexicano SAB (Femsa) as shareholders is due to report a fresh round of results Friday.

The culprit? Incessant rain, which has kept customers for everything from sodas to beer at home.

Drops like those for companies Scotiabank has called "Mexican bellwethers" are "very unusual," analyst Felipe Ucros said ahead of third-quarter earnings. "The most impactful thing has been weather."

In a Thursday earnings call, Arca Chief Executive Officer Arturo Gutierrez Hernandez cited increased rainfall and cooler temperatures this year, along with economic weakness as headwinds in Mexico adding that the firm hopes both improve looking forward. Femsa and another retail giant, Walmart de Mexico SAB, with stores in Mexico and Central America, cited atypical weather as headwinds in the last quarterly reports.

Mexico notched the wettest month in three years in June, according to government data. Since then, the capital has seen precipitation so strong it has further snarled traffic and shuttered the international airport. Just this month, heavy rains in the center and south east of the country have caused floods and landslides, leaving at least 76 dead and dozens missing.

This year's unrelenting rainy season will only add to other issues dragging on corporate earnings. Mexico's consumer sector has already been hit by dampening sentiment over persistent inflationary pressures, higher labor costs due to rising minimum wages and a global trade war that has muddied the outlook for the global economy.

Bank of America Corp. analysts recently wrote that they expect "overall soft results" for Mexican retailers, in part citing "tough" weather. Weaker consumer confidence and lower remittances are also pushing shoppers toward lower ticket items, private labels and small boxes, they said.

Of the top 10 worst performers in the Mexbol index in the last six months, five were consumer-focused names. Besides Arca and Coca-Cola Femsa, that includes Femsa, the company behind ubiquitous convenience store chain Oxxo.

EL PAÍS

La Auditoría Superior detecta irregularidades por 5.161 millones de pesos en las finanzas públicas en el último año de López Obrador

Zedryk Raziel, Elena San José

La Auditoría Superior de la Federación (ASF) ha reportado que 5.161 millones de pesos del gasto público se ejercieron de manera irregular en 2024, el último año del sexenio de Andrés Manuel López Obrador. La cifra corresponde a la segunda tanda de informes de tres entregas que elabora el órgano auditor en cada año fiscal. El mayor quebranto se ha localizado en el Gobierno de Veracruz, que encabezó hasta ese año Cuitláhuac García, militante de Morena, el partido oficialista, y actualmente funcionario en la Administración de Claudia Sheinbaum. La ASF ha detectado anomalías por 1.078 millones de pesos de recursos destinados al sector salud. Veracruz es el Estado donde la Auditoría señala mayor probabilidad de desvíos de fondos federales.

El auditor superior, David Colmenares, que ha presentado el informe en la Cámara de Diputados, ha puntualizado que, del monto total pendiente de aclarar, solo el 11% corresponde a entes del Gobierno federal, mientras que el 89% se concentra en la gestión de los Estados. De los más de 550 millones de pesos que están sin justificar dentro del primer grupo, 272 millones corresponden al Consejo de la Judicatura Federal, prácticamente la mitad. Las presuntas irregularidades responden a "erogaciones y adquisiciones de bienes y prestación de servicios", según refleja el informe, que señala la ausencia de documentación que acredite el servicio de seguridad y vigilancia (21 millones), el de mantenimiento y limpieza de los edificios (49 millones) y el de servicios de impresión, digitalización y soporte especializado del software de firma electrónica (201 millones).

Lejos de la cifra que engrosa el Poder Judicial se encuentra la Marina, que suma casi 63 millones de pesos sin justificar, la mayoría localizados en proyectos de infraestructura del Sistema Portuario. La Secretaría de Gobernación, finalmente, no ha justificado todavía un gasto que asciende a 10 millones de pesos y que se localiza en el Instituto Nacional de Migración. La Auditoría ha observado deficiencias en los procesos de contratación y falta de evidencias que acreditaran "la experiencia y perfil técnico del personal que gestionó y operó" en el servicio de seguridad de la información. Las carencias alcanzan también la revisión del proceso de ciberseguridad.

El mayor boquete, sin embargo, se ha identificado en el gasto federalizado, esto es, en los recursos que el Gobierno nacional transfiere a los Estados para apoyarles en rubros como salud, educación e infraestructura. Más de 4.607 millones de pesos de los fondos con irregularidades corresponden a ese universo, en el que destaca la gestión de los servicios sanitarios, que suman el 35% del total. La propia Secretaría de Salud federal suma 19,6 millones sin aclarar. El 65% restante corresponde al financiamiento de obras en zonas de alta marginación, al pago de la nómina de los profesores y de las pensiones, al saneamiento financiero y al departamento de deuda, según ha destacado el auditor en su presentación.

Después de Veracruz, los Estados con más anomalías en el gasto fueron Hidalgo (583 millones de pesos), gobernado por el morenista Julio Menchaca; Chiapas (472 millones de pesos), en el último año de Rutilio Escandón, también de Morena, hoy cónsul en Miami; y Durango (390 millones de pesos), encabezado por el priista Esteban Villegas. Los Gobiernos de Ciudad de México, Querétaro, Quintana Roo, Sinaloa y Zacatecas, en contraste, no cuentan con ninguna irregularidad en su expediente. "Reconocemos el esfuerzo y los resultados obtenidos en esta etapa", ha señalado Colmenares en ese sentido, y ha recordado que las observaciones realizadas en este informe aún pueden ser aclaradas por las entidades en la etapa de seguimiento.

En el caso de Veracruz, el mayor quebranto en el gasto de salud (730 millones de pesos) se dio en el programa de medicamentos gratuitos, donde la ASF no encontró comprobantes de que los bienes fueran entregados a los beneficiarios; otras irregularidades pasan por el incumplimiento de contratos, el pago de prestaciones no autorizadas, pagos en exceso y pagos a trabajadores cuya relación laboral no existía. El órgano auditor detectó algo peor: además de las irregularidades en el gasto, el Gobierno de Cuitláhuac García falseó la información que reportaba a la Secretaría de Hacienda federal, según se desprende de "las cifras reflejadas en los registros contables y presupuestarios al 31 de diciembre de 2024 proporcionados por los Servicios de Salud de Veracruz" a la ASF. En enero de 2025, la presidenta Sheinbaum se refirió al ya exgobernador García como "un hombre honesto y consecuente" y lo designó como titular del Cenagas, el Centro Nacional de Control del Gas Natural.

EL PAÍS

La Auditoría señala un desvío de 63 millones de pesos en el parque ecológico construido sobre el aeropuerto de Texcoco

Zedryk Raziel

La Auditoría Superior de la Federación (ASF) ha señalado un posible desvío de 62,7 millones de pesos en el Proyecto Ecológico Lago de Texcoco, un plan de recuperación de la zona lacustre desarrollado sobre el malogrado Nuevo Aeropuerto Internacional de Ciudad de México (NAICM). La cifra corresponde a la revisión del gasto público de 2024, el último año del sexenio de Andrés Manuel López Obrador. La cancelación del NAICM fue una de las primeras decisiones ejecutivas del expresidente y uno de los gestos políticos más relevantes de su Administración, que marcaba una ruptura respecto de los Gobiernos anteriores. López Obrador insistía en que el multimillonario aeropuerto se construía con base en contratos corruptos y que, además, implicaba desecar el ancestral lago de Texcoco. Al ganar la presidencia, en 2018, ordenó cancelar la fastuosa obra e iniciar el proyecto de restitución ecológica.

En la trama de desvíos en el parque de Texcoco revelada por la ASF se encuentra Humberto Armenta, un empresario de Nuevo León que asesoró al Gobierno de López Obrador en materia de obras hidráulicas. El informe del órgano auditor se refiere al contrato adjudicado a la firma Reocon Infraestructura Terrestre, S.A. de C.V. para la rehabilitación de las vialidades de acceso al lago. Según la Auditoría, el Gobierno pagó "en exceso" 62,7 millones de pesos por obras no ejecutadas "en cuatro conceptos relativos a la construcción de carpeta asfáltica de 10 centímetros de espesor". El contrato se suscribió el 10 de febrero de 2023 y a partir de entonces fue modificado cinco veces para ampliar el plazo de cumplimiento y el costo, que terminó siendo de 543,8 millones de pesos.

Reocon Infraestructura Terrestre fue creada el 27 de enero de 2023, esto es, dos semanas antes de la firma del contrato con el Parque Ecológico, según consta en el acta constitutiva de la empresa. La empresa se formó con el capital de otras dos firmas: Regiomontana de Construcción y Servicios, S.A.P.I. de C.V. (también conocida como RECSA) y Ozone Ecological Equipments, S.A. de C.V. Para dirigir Reocon se integró un consejo de administración, presidido por Humberto Armenta y en el que participan Andrés Alanís Peña y los hermanos José Antonio y Julio García Jesús. De hecho, la ASF ha indicado que, al auditar otro contrato adjudicado por el Parque Ecológico a RECSA para la instalación de mobiliario, "los verificadores constataron diferencias entre lo suministrado y colocado contra lo pagado", aunque en este caso no se determinó el monto del daño monetario.

Las irregularidades señaladas rodean a las firmas de Humberto Armenta. Ozore Gestión de Agua, S.A. de C.V., también vinculada a su grupo, obtuvo por adjudicación directa un contrato del Gobierno federal por 1.688 millones de pesos para construir una planta potabilizadora en Durango, como parte de proyecto de López Obrador denominado Agua Saludable para La Laguna. A semejanza de lo que sucedería con el parque del lago de Texcoco, la empresa fue constituida en abril de 2022 y a los nueve días ganó el contrato, según publicó Mexicanos Contra la Corrupción y la Impunidad (MCCI). Ozore se retrasó en la ejecución de la obra, elevando los costos. Pese a ello, la empresa Ozone Ecological, ligada a Ozore, obtuvo en 2024 un nuevo contrato de 815 millones de pesos para la construcción de otra planta potabilizadora en ese mismo Estado.

La firma RECSA ganó en julio de 2024 el contrato para construir "el hidroparque ecológico más grande de América Latina" en Nuevo León, por un monto de 1.574 millones de pesos. La figura que relaciona a todas esas compañías es Armenta, que formó parte del grupo de especialistas que ayudó a López Obrador en sus propuestas en materia de infraestructura. Concretamente, según lo publicado por MCCI, el empresario elaboró el documento maestro para la plataforma de gestión hídrica e infraestructura hidráulica que López Obrador tomó como modelo en su sexenio. Ese medio incluyó en el reportaje varias fotos publicadas por Armenta en sus redes en donde aparece explicando documentos al expresidente. Otras imágenes muestran al empresario al lado de algunos mandatarios estatales morenistas, como Claudia Sheinbaum (cuando gobernaba Ciudad de México), Adán Augusto López (Tabasco) y Cuitláhuac García (Veracruz).

Para muchos ambientalistas, y especialmente para los habitantes de los municipios cercanos al lago de Texcoco, el Parque Ecológico ha ayudado a recuperar un pulmón natural en el marginalizado oriente del Estado de México. El cuerpo lacustre, que se intentó desecar en el sexenio de Peña Nieto, ha recuperado su camino. La vegetación y las aves han regresado a su hábitat. El parque recibe cada fin de semana a unos 3.500 visitantes. Pero la corrupción quita relumbre al verdor del paisaje. La ASF ha documentado que más de 5.000 millones de pesos se gastaron de manera irregular en el último año de López Obrador. Una porción de las irregularidades desembocan en el lago de Texcoco.

EL PAÍS

México rechaza los señalamientos de la ONU que estiman que existe la desaparición forzada sistemática en el país

Rodrigo Soriano

México se mantiene firme en su lucha para negar que las desapariciones en el país sean sistemáticas ante la Organización de Naciones Unidas (ONU). La Secretaría de Relaciones Exteriores ha emitido este jueves un comunicado en el que ha vuelto a rechazar el proceso que el Comité contra la Desaparición Forzada (CED, por sus siglas en inglés) activó en abril para tratar de determinar si las desapariciones que ocurren en el país son generalizadas y sistemáticas. Los colectivos y el Gobierno mexicano enviaron en septiembre el informe que abordaba la materia. El Ejecutivo pidió entonces que su documento fuera confidencial. El Gobierno mexicano reconoce hasta este jueves la desaparición de casi 134.000 personas.

"La desaparición de personas es un delito grave que se combate en México mediante una política de Estado basada en la prevención, la investigación y la sanción", ha defendido la Cancillería. La ONU respaldó en abril la postura de algunos colectivos, investigadores y periodistas, al afirmar que en el país sí existían esas desapariciones "sistemáticas y generalizadas". La afirmación llevó a que el CED activara su artículo 34, un mecanismo que permitía llevar "la cuestión, con carácter urgente, a la consideración de la Asamblea General de las Naciones Unidas, por medio del secretario General".

COMUNICADO. "La Secretaría de Relaciones Exteriores rechaza las afirmaciones emitidas por el Comité contra la Desaparición Forzada".https://t.co/0NaH0o6mZY pic.twitter.com/cnl6YNMSWH

La Cancillería ha defendido que México es uno de los países más abiertos al escrutinio internacional, pero ha expuesto que las afirmaciones del CED "carecen de sustento". "El fenómeno de la desaparición forzada en México está principalmente vinculado con la delincuencia organizada", han asegurado en la nota, donde también han buscado hacer eco de la estrategia de Paz y Seguridad. Y continúa: "Se han fortalecido las instituciones encargadas de la búsqueda e identificación de personas, se han desarrollado nuevas herramientas de coordinación interinstitucional y se mantiene un diálogo permanente y constructivo con familiares y colectivos de víctimas".

El artículo 34 activado en abril expone que "si el CED recibe información que, a su juicio, contiene indicios bien fundados de que la desaparición forzada se practica de forma generalizada o sistemática en el territorio [...] podrá llevar la cuestión, con carácter urgente, a la consideración de la Asamblea General". Las reacciones no tardaron en saltar en aquel momento. La Secretaría de Gobernación y la Comisión Nacional de Derechos Humanos se lanzaron entonces contra la institución internacional; y el presidente del Senado, Gerardo Fernández Noroña, llegó a decir que esa postura era una "estrategia para descarrilar" el Gobierno.

Naciones Unidas alzó la voz una década atrás para afirmar que el México había "un contexto de desapariciones generalizadas". Fue tras la desaparición de los 43 estudiantes normalistas en Iguala, Guerrero, durante el Gobierno priista de Enrique Peña Nieto (2012-2018). Lo volvió a exclamar en 2018 tras la impedimenta del Ejecutivo a que el organismo internacional realizara su investigación. Pero no fue hasta finales de 2021 que el CED logró hacer su primera visita al país. Recogió las conclusiones en un informe que presentó al año siguiente, donde señalaban que la desaparición se había convertido en México en el crimen perfecto.

REUTERS

Mexico's Sheinbaum cites progress on trade talks with Washington

By Reuters

October 24, 20259:13 AM CSTUpdated 44 mins ago

MEXICO CITY, Oct 24 (Reuters) - Mexican President Claudia Sheinbaum said on Friday that trade talks with Washington were going well, declining to comment about U.S. President Donald Trump's announcement that the U.S. was ending trade talks with Canada.

"Let's wait to see how the relationship with Canada progresses... in the case of Mexico, we are quite far along."

When asked if Mexico could continue on its own with Canada, Sheinbaum said, "Let's not get ahead of ourselves."

EL PAÍS

Trump vuelve a cargar contra México: "Está gobernado por los carteles, pero Sheinbaum es valiente"

David Marcial Pérez

El presidente de Estados Unidos, Donald Trump, endurece y esparce sus críticas sobre el dominio que, según él, el narcotráfico ejerce en países latinoamericanos. Tras reiterar que se acerca una posible "acción terrestre" (previsiblemente en Venezuela), y volver a arremeter contra el presidente de Colombia -su blanco más reciente-, Gustavo Pero, este jueves le ha tocado el turno a México. Aunque ha expresado su "respeto" por la presidenta Claudia Sheinbaum, inmediatamente ha acusado a ese país de estar "gobernado por los carteles" de la droga. Una acusación que ha venido formulando desde comienzos de su segundo mandato este año, pero que parecía haber quedado aparcada en los tiempos más recientes.

"Ves un país como México, y respeto de veras a su presidenta, y respeto a mucha gente allí, a muchos de sus líderes, pero tienen miedo en su propio país, porque esos carteles gobiernan esos países", ha sostenido, en comentarios durante una mesa redonda con parte de su gabinete de seguridad nacional para tratar sobre el narcotráfico y el tráfico de personas. En concreto, respondía a un periodista que le preguntaba sobre una comparación previa del secretario de Defensa, Pete Hegseth, que equiparaba a los carteles del narcotráfico con el terrorismo del Estado Islámico (EI) y Al Qaeda y había asegurado que esas organizaciones han disminuido porque ahora "saben que acabarán detenidos".

Trump reiteraba más adelante en su declaración: "México está gobernado por los carteles. Tengo un gran respeto por la presidenta, una mujer que creo que es estupenda. Es una mujer muy valiente, pero México está gobernado por los carteles, y nos tenemos que defender de eso".

Son palabras muy similares a las que ha utilizado en otras ocasiones, en las que ha descrito algo similar a un cuento de hadas: un país gobernado por una princesa asustada, que necesita la intervención de un caballero llegado de fuera que venga a rescatarla. Sheinbaum, por su parte, ha adoptado una estrategia de no confrontación hacia el vecino del norte que conjuga con "descartar absolutamente" una intervención militar estadounidense en su suelo. Una estrategia que resume en la premisa de "cooperación sí, sumisión nunca", y que acompaña de la entrega de 55 capos del narcotráfico, la militarización de la frontera y los decomisos masivos de fentanilo. Esa posición le ha permitido frenar los impulsos más agresivos de Trump, al menos hasta el momento.

Al comienzo de su nuevo mandato, Trump había designado como grupos terroristas a algunos de los principales cárteles de la droga en México, incluidos el Cartel de Sinaloa y el Cartel Jalisco Nueva Generación.

La calificación de terroristas a las organizaciones de crimen organizado mexicanas ha sido uno de los capítulos más delicados de la crisis bilateral iniciada por las políticas ultranacionalistas del magnate republicano, incluida una latente guerra comercial y la agresiva política antiinmigración.

La Agencia de inteligencia, la CIA, ha pisado el acelerador con los vuelos de drones no tripulados para espiar las actividades de las mafias del narcotráfico. Antes incluso de la declaración de los carteles como terroristas. Medios estadounidenses afirman, citando fuentes militares, que hubo al menos 18 vuelos de ese tipo durante las dos primeras semanas de la presidencia de Trump.

Una aeronave del Pentágono fue identificada el 3 de febrero frente a las costas de Sinaloa, en pleno corredor del Pacífico, una de las mayores zonas de producción de drogas sintéticas, como la metanfetamina y, sobre todo, el fentanilo. El potente opioide ha provocado una crisis de salud pública en Estados Unidos, responsable de más de 70.000 muertes al año. Es una de las mayores obsesiones de la Administración Trump y señala a México como el gran culpable. Las Fuerzas Armadas reconocieron una semana después de aquel primer vuelo que efectivamente fue ordenado por la Casa Blanca.

En sus declaraciones este jueves, Trump también ha vuelto a arremeter contra Colombia, "un antro de drogas, y lo es desde hace mucho tiempo". Y ha reiterado sus insultos hacia el presidente del país andino: "Tienes ahí un líder lamentable ahora mismo, un mal tipo, un matón". "Están fabricando cocaína a niveles que jamás habíamos visto antes, y la están enviando aquí, y no van a hacerlo mucho más tiempo. No vamos a aguantarlo mucho más tiempo. Colombia es muy mala".

El endurecimiento de su retórica va en paralelo a la agresividad estadounidense contra el transporte de droga. Tras los dos últimos ataques contra supuestas narcolanchas en el Pacífico, que han dejado cinco víctimas mortales y se suman a los ya perpetrados en aguas internacionales en el Caribe, el presidente ha advertido en el acto de este jueves que "la tierra será lo siguiente" en su campaña para evitar la entrada de narcóticos en su país. No ha precisado dónde se plantearía esa acción.

Sí ha indicado que, según él, no necesita la autorización del Congreso para dar luz verde a ese tipo de iniciativas, pese a que la legislación estadounidense prevé que debe ser esa institución la que autorice poderes de guerra. "No creo que necesitemos una declaración de guerra. Simplemente vamos a matar a gente que trae drogas a nuestro país", ha sostenido.

EL PAÍS

México entrega a Estados Unidos a Zhi Dong Zhang, el capo chino del fentanilo

David Marcial Pérez

El capo chino del fentanilo Zhi Dong Zhang ha sido entregado este jueves a las autoridades estadounidenses. Brother Wang, uno de sus alias, había sido detenido a finales de octubre de 2024 en la capital mexicana, pero logró fugarse este verano tras la polémica decisión de un juez de otorgarle el arresto domiciliario. El capo chino llegó a Cuba con pasaporte falso tras ser rechazada su entrada en Rusia por lo mismo. Las autoridades cubanas notificaron esta semana a sus homólogos mexicanos que había sido detenido junto a dos personas, una de nacionalidad mexicana y otra china. Zhi Dong está acusado de lavado de dinero y tráfico de drogas a través de una organización criminal con vínculos con el Cartel de Sinaloa y Cartel Jalisco Nuevo Generación (CJNG). El capítulo mexicano de Brother Wang se ha cerrado esta tarde, cuando el secretario de Seguridad, Omar García Harfuch, ha confirmado su entrega a Estados Unidos, donde enfrentará a la Justicia. Era un objetivo prioritario de Washington en su cruzada contra el fentanilo.

Harfuch ha anunciado el traslado a través de un mensaje en sus redes sociales. Tras repasar los detalles de la primera detención y posterior fuga, el secretario de Seguridad confirmó que "el pasado 31 de julio fue detenido en Cuba junto con otras dos personas y el día de hoy fue entregado a las autoridades de Estados Unidos". El capo chino tenía una orden de caputura internacinoal de Interpol.

Resultado de labores de investigación, cooperación internacional y coordinación, el 30 de octubre de 2024 autoridades mexicanas del @GabSeguridadMX detuvieron en la Ciudad de México a Zhi Dong "N", identificado como responsable del tráfico internacional de droga, lavado de dinero... pic.twitter.com/Exgt6jxbvW

La agencia antidrogas estadounidense (DEA) llevaba tiempo detrás de Zhi Dong, al que acusan de dirigir desde al menos 2016 una red criminal que trabaja para los dos principales carteles mexicanos. La organización de Zhi Dong tiene su base en Los Ángeles (California) y Atlanta (Georgia), pero con vínculos en Centroamérica, Sudamérica, Europa y Asia.

"El 11 de julio de 2025, se fugó de las autoridades después de que un juez lo beneficiara con la medida de prisión domiciliaria, por lo que se implementó un operativo de búsqueda y se alertó a las instancias internacionales", ha informado Harfuch. La fuga generó mucha controversia porque estaba bajo vigilancia militar y provocó una cacería que llevó a los agentes mexicanos a El Caribe. El gran estratega de la política de seguridad ha agradecido al Gobierno de Cuba por su "valiosa colaboración" en la recaptura y entrega de Zhi Dong.

La decisión del juez fue criticada incluso por la presidenta, Claudia Sheinbaum. En plena negociación de un acuerdo de seguridad con EE UU, que tiene al fentanilo como enemigo público número uno, la mandataria salió a defender los avances de su Gobierno en el combate contra el crimen y cargó contra la decisión judicial. "El juez, sin ningún argumento, porque la Fiscalía estuvo peleando y dando todos los argumentos, le da prisión domiciliaria. No debería de haber tenido esa resolución por parte de un juez". "¿Cómo es posible?", insistió la mandataria, quien argumentó que su Gobierno ha estado insistiendo "en la corrupción del Poder Judicial".

La fuga del narco chino sucedió además en un momento especialmente delicado. Seis días antes, un tribunal federal de Georgia había emitido nuevos cargos contra Zhi Dong. En concreto, le acusan de lavar, solo entre los años 2020 y 2021, al menos 20 millones de dólares en Estados Unidos, a través de una compleja trama de más de 150 empresas fantasma y 170 cuentas bancarias.

EL PAÍS

Las alianzas del PAN en los Estados condicionan su divorcio del PRI

El Partido Acción Nacional (PAN) pateó un avispero al anunciar su ruptura con el Partido Revolucionario Institucional (PRI), una coalición electoral que nació en las intermedias de 2021 y que está en vías de extinción como ingrediente esencial del relanzamiento electoral del partido mexicano de derecha. Pero esa estrategia que el líder nacional panista, Jorge Romero, ha dibujado en el discurso -y que falta aterrizar en los hechos- ya ha encontrado las primeras reticencias ante los términos en los que el PAN busca resurgir de las cenizas y tomar un segundo aire para conquistar el voto de los ciudadanos. No todos dentro del partido están de acuerdo o dispuestos a renunciar a la alianza. A algunos líderes panistas en los Estados no les salen las cuentas electorales de la ruptura con el PRI, un costo que no están dispuestos a asumir.

Romero presentó el nuevo rumbo de la agrupación política aupado por sus más cercanos y cuenta con el beneplácito del ala más conservadora del PAN que, pese a tener puntos de crítica a la nueva apuesta, marca como un acierto el divorcio del priismo. Un matrimonio que, consideran, nunca debió ser. En cambio, el líder nacional se olvidó de escuchar las voces de todos los líderes del partido en los diferentes Estados del país. El PRI gobierna, con el apoyo del PAN, en dos: Coahuila y Durango. En ellos, a los líderes panistas no les interesa romper la coalición. Y a las de otros cuatro entidades tampoco, donde, si bien no gobiernan, ven que aún hay músculo electoral en la alianza con miras a las elecciones intermedias de 2027.

Los militantes de a pie, los que marcan las boletas en los comicios, también han sido desplazados de la ecuación, refieren liderazgos panistas. Y la factura para Romero empieza a tomar forma. Una incipiente rebelión panista se ha comenzado a fraguar en al menos esos seis Estados -de los 32 del país-, en donde la luna de miel con el tricolor no tiene pinta de terminar. En respuesta, el dirigente nacional ha salido rápidamente a dar un manotazo sobre la mesa, que, según los mismos panistas, está lejos de surtir efecto.

El norte del país se ha pintado como un gran foco rojo en el mapa político del PAN y como un obstáculo ante la retórica anunciada de ir en solitario, sin alianzas. Nuevo León ha encendido la primera chispa. Policarpo Flores, dirigente local de Acción Nacional en el Estado norteño, ha confirmado lo que adelantó EL PAÍS y ha dicho que la coalición con el PRI se mantiene. ¿Por qué? Porque el alcalde priista de Monterrey Adrián de la Garza, que ganó en las últimas elecciones a Mariana Rodríguez, esposa del gobernador, Samuel García, tiene los números, según encuestas internas, para arrebatar a Movimiento Ciudadano el control del Estado.

Coahuila, uno de los dos Estados que sigue en poder del PRI en coalición con el PAN, tampoco tiene intenciones de acatar la decisión que se ha tomado desde la dirigencia nacional. En Durango, la separación del priismo se alista para quedar solo en el discurso. La fórmula electoral ganó un puñado de municipios y arrebató la capital a Morena en los comicios de junio pasado. Mario Salazar, dirigente local, ha dicho que se ha puesto en pausa el acuerdo y que está en análisis, pero subrayando el éxito de la dupla política. Cuentan, además, con repetir el triunfo del panista José Antonio Ochoa en la capital del Estado en 2028 en la pelea por la gubernatura. "Acaba de haber acuerdo político en Durango; si no se hubiera ido en coalición no se gana", recalcó Marko Cortés, antecesor de Romero en la dirigencia (2018-2024) y artífico de la alianza priista. El michoacano ha sostenido que, aunque en lo nacional la alianza ya ha cumplido su ciclo, en lo local debe replantearse.

Sonora también apunta a integrar ese atisbo de disidencia. De acuerdo con panistas de la dirigencia de Gildardo Real, la coalición con el PRI sigue firme en los hechos. Chihuahua no se ha quedado atrás, donde el también panista Marco Antonio Bonilla, alcalde de la capital del Estado, cuenta con los números, sostienen, para mantener el Estado que hoy gobierna su colega de partido Maru Campos. Ya un mes antes de que el PAN hablara de su relanzamiento y su ruptura con el PRI, Bonilla adelantó en un encuentro entre liderazgos blanquiazules en el Senado que, en caso de ser candidato a la gubernatura, solo iría en alianza con el PRI, narraron asistentes a la reunión. "En el tema del PRI, hay que corregir la plana, porque no hay ruptura. La agenda legislativa es la misma", dijo Bonilla a este diario.

El alcalde chihuahuense ha recurrido al ejemplo de Venezuela para respaldar la alianza. "La oposición [en Venezuela] no entendió a tiempo que lo que tenía que hacer era unir esfuerzos para enfrentar a un régimen populista como el que viven", lanzó en referencia a Nicolás Maduro. Su postura ha sido contundente en un plano local: "En Chihuahua y en todo el país [...] por delante de los intereses partidistas del PAN, del PRI y de MC, están los intereses de México y de los mexicanos", remató.

Por último, San Luis Potosí se vislumbra como el sexto Estado con motivos para sublevarse. El priista Enrique Galindo, alcalde de la capital de la entidad, tiene un pie en la candidatura para gobernador. Es la apuesta del PRI-PAN para buscar el Gobierno en 2027 de un Estado en la bolsa del oficialismo. La entidad es gobernada por el PVEM, uno de los dos partidos satélites de Morena. Las alianzas locales se han convertido en la bomba de tiempo inmediata a desactivar. Romero ha dado este jueves el primer golpe. "Las decisiones de alianzas estatutarias son decisiones de la directiva nacional del PAN, punto. Y que me escuche quién me tenga que escuchar", dijo durante una entrevista de radio en Fórmula en una alusión velada a quienes han puesto resistencia a la ruptura. En paralelo, al dirigente nacional se le abren otros frentes no menos espinosos.

Ante la reforma contra el nepotismo, el PAN se encuentra con que debe cubrir un puñado de vacíos que deja la herencia de cargos. Ha abierto sus candidaturas a los ciudadanos, pero antes de que se concreten sobrevuelan las dudas. "¿Se van a combatir las prácticas antidemocráticas de dirigencias estatales? ¿Qué vamos a hacer para blindar al partido de personajes que tengan vínculos poco claros?", pregunta Adriana Dávila, quien peleó en 2024 la dirigencia con Romero. No es la única con cuestionamientos. Las voces críticas empiezan a subir el volumen ante un cambio de rumbo que tiene, dicen, muchos faltantes. Quieren fechas, auditorías y métodos de encuestas combinadas con focus group, con un análisis antropológico, como garantía de que los candidatos propuestos puedan ganar. Otros plantean que, en caso de incumplir con el nuevo rumbo, haya consecuencias para la dirigencia por ese paso en falso. "Lo que se anunció el sábado está grabado: no a las alianzas con el PRI ni con ningún partido político. Se tiene que sostener. Si no, no solo Jorge Romero, todos los que encabezan la dirigencia nacional se tienen que ir", ha lanzado el exgobernador de Querétaro, Francisco Domínguez.

EL PAÍS

El desprestigio del acuerdo

Juan José Rodríguez Prats

En nuestra vida política, los acuerdos siempre son sospechosos. Se presume que las coincidencias, aun cuando tengan sustentos racionales, se dieron porque una de las partes amenazó o deshonestamente sometió al otro. No se presume la buena fe. No se concibe que sea consecuencia del entendimiento. Grave lastre que ha impedido el avance democrático.

Los escasos periodos en que la institucionalidad ha prevalecido y, por lo tanto, se ha consolidado la gobernabilidad, se ha debido a la acción de hábiles concertadores para lograr pactos benéficos para la sociedad. La memoria y nuestro compromiso con la búsqueda de la verdad, así como la disposición para asumir sus consecuencias siempre serán necesarios. Nuestro deber fundamental y primario es la preeminencia del futuro. La mirada al horizonte, no en el remo cuando choca con el agua.

Benito Juárez fue un talentoso y convincente negociador. El periodo de la República restaurada fue el resultado de su capacidad para, venciendo ánimos revanchistas, impedir que continuara la lucha fratricida. Plutarco Elías Calles repitió la operación al convocar a la formación de partidos. Focalizo el desempeño del PAN.

Desde su origen, con Manuel Gómez Morín, siempre hubo apertura para el diálogo. Manuel Ávila Camacho ofreció posiciones en su gabinete, Adolfo Ruiz Cortines y Antonio Ortiz Mena consultaban a destacados panistas en diversos temas de gobierno. Jesús Reyes Heroles hizo, con toda seriedad y respeto, un auténtico ejercicio de discusión pública que marcó el inicio de nuestra transición a la democracia. El PAN participó en ese proceso.

Un momento culminante se dio en noviembre de 1994 cuando don Luis H. Álvarez, apoyado por Carlos Castillo Peraza y Diego Fernández de Cevallos, le tomaron la palabra a Carlos Salinas de Gortari para hacer las reformas que permitieron la alternancia en el régimen presidencial. Desde entonces se ha hablado del PRIAN. No hay nada de qué avergonzarse. Los acuerdos se hicieron con toda transparencia y cuidando el interés nacional.

Ahora sí vamos a un choque de trenes en 2027. Desde el poder existe un obstinado propósito de enfrentamiento sin ningún recato para respetar la ley. Tenemos un tiempo perentorio y fatal. Nada de amarrarse con aberrantes ordenamientos. Liderazgos con autoridad moral e intelectual para decidir. Rescato el lema gomezmoriniano: “Por una patria ordenada y generosa y una vida con honor”.

¿Es tan difícil definir qué es bueno para México? Nos hemos enredado en un debate infernal. Hagamos un ensayo. Comparemos los gobiernos de Enrique Peña Nieto y Andrés Manuel López Obrador. Gobernaron igual, pero AMLO anuló la reforma al sector energético e incurrió en un estatismo empresarial absurdo y costoso por inepto y corrupto. Además, disfrazó su política clientelar de programas sociales.

Rompamos el cajón de las izquierdas y derechas. Son telarañas mentales, cobijo de resentimientos y frustraciones. Insisto, Estado de derecho. No hay leyes con tintes ideológicos cuando los fines a alcanzar son claros y definidos. Me asusta la inmensa brecha entre la reflexión política y la realidad. La violencia, la pobreza, la insalubridad y la ignorancia en los municipios es palpable y no hay muchas formas de atacarlas.

Sugiero un simple remedio, ponerse en el lugar del Ejecutivo en cualquiera de los niveles de gobierno. ¿Qué hacer? ¿Consultar las plataformas electorales? La labor es más sencilla. Leer la Constitución (la anterior, no la actual) y designar los mejores colaboradores en seguridad, hacienda, gobierno y un largo etcétera. Y después vigilarlos.

Por favor, dejemos de demonizar los acuerdos y pongamos manos a la obra para sumar voluntades. ¿Qué hay riesgos? ¿Y cuándo no? La razón existe y la fe para dilucidarla también.

Cada vez es más evidente que el populismo se engendra cuando se polarizan y radicalizan las cúpulas partidistas. Ese es el terreno fértil para que la ciudadanía “se agarre de cualquier clavo ardiente”.

Cabe recordar que en el sexenio de Vicente Fox no se logró dar continuidad a las reformas porque PRD y PRI se aliaron con un fin: evitar a cualquier precio que el PAN hiciera un buen gobierno. Ahí fracasó la transición, por eso la mala imagen de los acuerdos. La mezquindad, la mediocridad y la avaricia son veneno para la democracia.

El asunto es de cultura política (Perogrullo dixit). No sabemos discutir y por ello se torna imposible conformar pactos. No recuerdo, en mi larga trayectoria, ningún momento en que la deliberación haya estado tan degradada. La causa eficiente (el agente o proceso que la produce) es sin duda por falta de ética. Si no ponderamos nuestras obligaciones con responsabilidad, prevalecerá quien quiera extinguir a su adversario. Así la “voluntad general” se vuelve inaccesible.

Algo bueno tuvo el acto panista del pasado sábado: abrir un necesario debate entre académicos, editorialistas y líderes partidistas, procurando que tenga el mayor nivel y revisando nuestra evolución en los últimos años con rigor y objetividad. Hay destellos en la historia de México que nos deben inspirar para obtener lecciones. Sin mucho rascarle, la confrontación de ideas de Gómez Morín y Lombardo Toledano.

La crítica hoy es la misma que hace 86 años: el PAN es intransigente. La respuesta es la misma: queremos acuerdos honestos, transparentes y respetando la preeminencia del interés nacional. Ese debería ser el relanzamiento del PAN.

REUTERS

Fed seen headed for more rate cuts as inflation undershoots expectations

By Reuters

October 24, 20257:42 AM CSTUpdated 45 mins ago

Oct 24 (Reuters) - The Federal Reserve will likely deliver quarter-point interest rate cuts at each of its next three meetings, traders bet on Friday after a U.S. government report showed consumer inflation rose a little less than expected last month.

The Consumer Price Index climbed 3.0% in the 12 months through September, the Labor Department's Bureau of Labor Statistics said on Friday, a tick up from its 2.9% increase in August but below the 3.1% expected by economists polled by Reuters.

That may give even the central bank's more hawkish policymakers comfort that continuing to ease borrowing costs to support the labor market won't reignite inflation, analysts said.

"As odd as it may seem, the Fed will be happy with inflation staying around 3% for the next couple of months," said Olu Sonola, Fitch Ratings' head of U.S. economic research.

Futures contracts that settle to the Fed's policy rate reflected near-100% certainty that the Fed will cut its policy-rate range to 3.75%-4.00% at its meeting next week, and a 95% chance of a further cut in December. After the softer-than-expected September inflation reading, traders put about a 55% chance on another rate cut at the Fed's January meeting, up from less than 50% previously.

Bloomberg

Fed's Portfolio Unwind Gains Urgency as Markets Flash Warnings

By Alex Harris
October 24, 2025 at 5:15 AM CST

When Federal Reserve officials meet next week to decide whether to cut interest rates again, they'll face another question that's becoming increasingly urgent — how soon they should stop shrinking the bank's $6.6 trillion portfolio of securities.

Money markets have been flashing warnings for several weeks that the process, known as quantitative tightening, may have run its course. Now, Wall Street strategists say, stress signals have gathered such momentum that the Fed may be forced to end QT as soon as this month.

Since the central bank started reducing its portfolio in June 2022, more than $2 trillion in funds have left the financial system. This has nearly emptied its main liquidity barometer — the reverse repurchase facility — just as a deluge of short-term debt issuance is luring more cash away.

In turn, a variety of interest rates used among banks to borrow and lend to each other have risen, while a tool introduced to dampen market pressures has seen regular use over the past week. Even the Fed's benchmark rate, which is seen as less sensitive to liquidity conditions, has ticked higher within its range for the first time in two years.

Against this backdrop, Chair Jerome Powell is almost certain to address the fate of the Fed's portfolio of securities at the Oct. 28-29 meeting. A portion of a speech he delivered just two weeks ago was dedicated to the topic, signaling for the first time that the process could end in coming months.

For many on Wall Street, the Fed will need to move fast if it wants to avoid the kind of distortions that rocked money markets in September 2019. Back then, short-term rates skyrocketed as the central bank was tightening its portfolio again, putting at risk its ability to control costs and steer the broader economy.

"You can make the case that there's not just a risk that the Fed is at the in-between stage, but they're there," said Mark Cabana, head of US interest rate strategy at Bank of America Corp. "There's a very small echo of 2019 and that the Fed over-drained cash and likely knows it."

Bank of America, along with JPMorgan Chase & Co., this week joined TD Securities and Wrightson ICAP among banks that expect the Fed to end QT at the October meeting. Several other banks have moved up the timing to December from early next year.

For Jason Granet, chief investment officer at BNY, what's changed since Powell's speech is that "the balance sheet has been elevated in the conversation." The risk of waiting longer is that things get worse by year end.

"They see things and they're ready to act," Granet said in an interview. "I think that's an environment that they're going to be modestly more conservative than not."

Policymakers slowed the runoff in April to get ahead of potential disruptions once the government raised the debt ceiling over the summer. Since July, Treasury has issued a slew of bills to rebuild its cash pile, draining bank reserves at the central bank which are put into government securities.

The Fed has long said that it would stop shrinking its portfolio once reserves fall near a level known as "ample", the minimum needed to prevent market disruptions. Governor Christopher Waller previously estimated ample at around $2.7 trillion but has since indicated reserves may be already low enough. Reserves fell below $3 trillion earlier this month and stood at $2.9 trillion as of Oct. 22.

"Money markets at current or higher levels should signal to the Fed that reserves are no longer 'abundant,"' Bank of America's Cabana and Katie Craig wrote Thursday. "By some metrics the Fed many also judge that reserves are no longer 'ample."'

Ending the balance sheet runoff early would allow the Fed to start buying securities again to beef up reserves. JPMorgan strategists expect the central bank will start temporary open market operations immediately after QT stops to alleviate funding stresses around settlement dates, and conduct more regular purchases of Treasury bills for reserve management purposes in early 2026.

Short-term rates have remained stubbornly elevated even outside key settlement periods for Treasury auctions and tax payments that are typically volatile. In the past month, the effective fed funds rate, which rarely moves between Fed rate-setting decisions, has risen three times within the target range.

By comparison, in 2018 it took several months for the benchmark to move that quickly, according to Matthew Raskin, head of US interest rate strategy at Deutsche Bank.

Cabana said depending on where the Fed believes short-term rates should be setting relative to interest on reserve balances, or IORB, it may have to "backfill" about $150 billion.

Dallas Fed President Lorie Logan said in August that they were looking at market rates stabilizing close to, or slightly below IORB. While views at the Fed on the ideal level of reserves have differed, patience may be running out after some rates moved above IORB.

The September 2019 turmoil revealed that the Fed has less tolerance for volatility in the fed funds rate and the "constellation of money market funds," the JPMorgan strategists, led by Teresa Ho, wrote.

"Committing the same mistake twice could have significant ramifications," they said.

Bloomberg

Fed Asks for Rethink of Capital Rules That Favored BNP Paribas

By Laura Noonan

October 24, 2025 at 2:38 AM CST

Regulators in the US are pushing ahead with their challenge to a twist in global bank capital rules that favors Europe's largest lenders.

The US is proceeding with its challenge despite agreeing to maintain the current methodology for this year's assessment of global systemically-important banks.

The US objection stems from how the 2022 change was made and slow progress toward creating a truly single banking market across the euro zone.

Regulators in the US are pushing ahead with their challenge to a twist in global bank capital rules that favors Europe's largest lenders, despite recently rubber-stamping the arrangements for 2025.

The Federal Reserve has asked for a formal consultation over a 2022 decision that leveraged Europe's nascent banking union to grant euro-zone banks more favorable treatment for cross-border exposures within the bloc, compared with other international activities, people familiar with the situation said. Major European firms including BNP Paribas SA benefited from the treatment because some capital surcharges depend on how international a lender is.

The US is proceeding with its challenge even though it agreed to maintain the current methodology for this year's assessment of global systemically-important banks during a recent meeting of the Basel Committee for Banking Supervision, the people said, asking not to be named discussing confidential supervisory issues.

The Basel Committee declined to comment, as did spokespeople for the Federal Reserve, the European Central Bank and BNP Paribas.

The move comes against a backdrop of already fragile international coordination. The US initiative sparked a strong response from European regulators at the Basel Committee, who saw it as a provocative move in a sensitive area, people familiar with the situation said. Some regulators from third countries were also alarmed at the development, which they interpreted as the US reneging on a deal it previously agreed to.

The timing of the proposed consultation is unclear. The Basel Committee's charter says that consultations typically run for 90 calendar days, during which all "interested parties" can submit written feedback, which is typically published at a later stage. One person familiar with the process said agreeing to a consultation did not mean the arrangements would necessarily change.

The US objection stems from how the 2022 change was made — a process that relied on supervisory judgment rather than a consultation — as well as slow progress toward creating a truly single banking market across the euro zone, people familiar with the discussions said.

The treatment significantly reduces the risk score for pan-euro area operations, rather than completely eliminating it, which some Europeans argue already reflects the partial nature of banking union. It is most relevant for a handful of European banks, including BNP Paribas, Credit Agricole SA and Deutsche Bank AG. All three lenders are scheduled to report third-quarter earnings next week.

REUTERS

Bank of Canada to cut interest rate once more on October 29, say economists

By Indradip Ghosh
October 24, 20255:57 AM CSTUpdated 2 hours ago

BENGALURU, Oct 24 (Reuters) - The Bank of Canada will reduce its overnight interest rate by 25 basis points on October 29 for a second consecutive time to support a weak economy under threat from U.S. tariffs, according to a majority of economists polled by Reuters.

Tariffs imposed by the U.S. on steel, aluminum and automobiles have hurt Canada's exports, leading to a 1.6% economic contraction in the second quarter. The economy has been partly shielded by the U.S.-Mexico-Canada Agreement (USMCA) which is up for review next year.

U.S. President Donald Trump on Thursday suddenly terminated all trade talks with Canada. Unemployment was already at a record high and firms are pessimistic about investments and hiring.

BoC Governor Tiff Macklem recently said the central bank would place more emphasis on potential risks in its upcoming decision.

The BoC will cut its key rate by a quarter percentage point to 2.25% next week for a second time in a row, according to around 70% of economists - 23 of 34 - surveyed in the October 21-24 Reuters poll. That forecast comes despite a recent surge in inflation.

Eleven expected the central bank to hold, with only BMO among the big five Canadian banks in that group. That included six who expected the next cut to come in December.

The central bank has already delivered 250 basis points of rate cuts, one of the most aggressive in the G10 group of countries.

"The priority at this point is still to provide some economic momentum to help close the slack and bring the unemployment rate down again," said Avery Shenfeld, chief economist at CIBC Capital Markets.

"For now, our forecast is this is the last rate reduction, but the BoC would likely return with rate cuts in 2026 if trade negotiations are unable to extend the USMCA deal...the biggest risk is we lose the exemption from tariffs we now have under the agreement."

A more than 60% majority - 21 of 34 - predicted the rate to be 2.25% at the end of next year. That matches the bottom of the central bank's 2.25%-3.25% estimated neutral rate range, which neither stimulates nor restricts economic activity. Only eight economists saw the rate at 2.00% or lower by end-2026.

"We expect cutting beyond that (2.25%), into outright stimulative levels of interest rates, will be more difficult with inflation still sticky at an above-target rate and fiscal policy potentially ramping up as a support after the federal budget in early November," said Abbey Xu, economist at RBC.

The Canadian economy likely rebounded last quarter, growing at an annualised 0.5%, poll medians showed.

It is forecast to expand 0.9% this quarter and average 1.2% growth this year and next, the lowest since the pandemic.

The unemployment rate is expected to remain near the current 7.1% until at least the second half of next year.

Inflation, which rose to 2.4% last month from 1.9% in August, will remain largely contained around the middle of the BoC's 1%-3% target range over the coming years, the poll showed.

Bloomberg

ECB’s Villeroy Warns Deregulation Could Seed Financial Crisis

By Mark Schroers and Francine Lacqua

October 24, 2025 at 7:44 AM CST

An excessive relaxation of standards in the financial industry could trigger stress resembling the 2008 meltdown, European Central Bank Governing Council member Francois Villeroy de Galhau warned.

While the US wants to loosen regulation on banks to bolster economic growth, Europe has adopted a more prudent stance, involving simplifying — rather than cutting back — existing rules. Villeroy, who heads France’s central bank, said the region mustn’t be tempted to follow America’s lead.

“We still need regulation and this is our debate with our US partners,” he told the Berlin Global Dialogue conference on Friday. “It’s obvious. We favor together simplification of some financial rules, but we don’t advocate deregulation. This would be a very dangerous game, seeding — probably — the risk of the next financial crisis.”

Villeroy isn’t the only policymaker to call for banking regulation to remain robust. ECB President Christine Lagarde cautioned this month against lowering standards, arguing that scrutiny of non-banks must actually be strengthened.

Speaking at the same event as Lagarde, Executive Board member Isabel Schnabel said “now is not the time for deregulation,” urging governments to “resist joining a ‘race to the bottom.’”

Bloomberg

Bank of England Probes Data Center Lending Amid AI Bubble Fears

By Laura Noonan
October 24, 2025 at 8:04 AM CST

The Bank of England is reviewing lending to data centers that are a one way bet on the future of artificial intelligence.

The BOE has already called out the market risk from a surge in the valuations of firms in the industry, warning of the dangers of a sharp correction if “expectations around the impact of AI become less optimistic.”

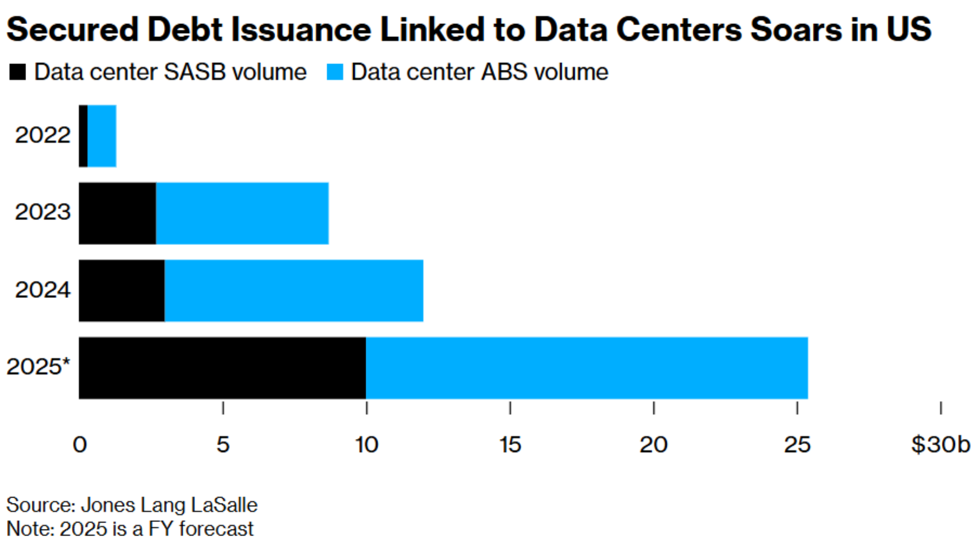
Now, the central bank’s attention is moving to the links between AI companies and the financial sector, according to people with knowledge of the matter. Although lending is small at the moment, with much of the early construction works funded by equity, it’s expected to grow significantly. About $5.2 trillion of spending is required globally through 2030 to keep up with the demand for computing power for AI, according to McKinsey & Co.

One person said the BOE was looking into the area after growing concerned as the nascent sector’s spending migrated from hiring staff to spending billions of dollars on building and financing data centers with limited other uses.

Indirect Exposure

For now, banks have little direct exposure to AI companies, but the financial sector has indirect exposure through things like securitized loans for data centers, a second person said. There’s about $49 billion of data center asset backed- and commercial mortgage-backed securities outstanding, Bank of America Corp. estimated in August.

The BOE is also keen to learn more about the interconnected nature of some of the companies at the heart of the AI boom, the person added. The BOE declined to comment.



Bloomberg

Farage Floats Ousting Bailey in Sign He Would Meddle With BOE

By Alex Wickham
October 23, 2025 at 11:00 PM CST

Nigel Farage suggested he would replace Bank of England Governor Andrew Bailey if he became prime minister, indicating he would interfere in the central bank's independence.

Farage also floated abolishing the Financial Conduct Authority, calling them "useless" and saying there needs to be a "radical rethink" of what they are and what they do.

Farage's comments signal he would apply political pressure to the independent central bank, similar to his ally US President Donald Trump, and come as Reform UK's policies face increased scrutiny amid projections showing Farage on track to become Britain's next prime minister.

Nigel Farage suggested he would replace Bank of England Governor Andrew Bailey if he became prime minister, in a signal the populist leader would interfere in the central bank's independence if his Reform UK wins the next election.

"He's had a good run. We might find someone new," Farage said in an interview with Bloomberg's The Mishal Husain Show when asked whether he'd keep Bailey in post.

Farage's views on the length of Bailey's tenure are for now academic, given the governor's single eight-year term expires in March 2028 and Prime Minister Keir Starmer doesn't have to hold a general election until the late summer 2029.

The Reform leader, however, has predicted a vote could come as soon as 2027 because the Labour government is in "crisis." His comments are the clearest indication that he would emulate his ally, US President Donald Trump, in applying political pressure to the independent central bank.

Farage, a former commodities trader, also floated abolishing the Financial Conduct Authority, the UK's top financial regulator. Asked if he could disband the FCA, he replied: "They are useless. They are utterly useless. We need a radical rethink of what they are, what they're for, who they serve, what their purpose is."

"The Bank of England, the British government, the regulator, whatever shape that takes, they've all got to understand the world is changing — has changed — very, very rapidly," he added.

The Mishal Husain Show is a new video podcast from Bloomberg Weekend. The full conversation with Nigel Farage will be published on Oct. 24. Subscribe here.

It isn't the first time Reform has railed against the central bank. Last year, Farage called Bailey "the worst governor of the BOE in our history." He met with Bailey last month, and afterward said the bank's efforts to establish a digital pound represented overreach by the state into citizens' lives.

His deputy, Richard Tice, meanwhile, has suggested that under Reform, the Treasury could appoint "one or two" representatives to the Monetary Policy Committee, giving it direct influence over interest-rate decisions.

Reform's 2024 election manifesto also vowed to revamp the BOE's bond operations — which have been a drain on the government's coffers as losses mount from the unwinding of quantitative easing, with the party saying it could save £35 billion ($47 billion) a year by scrapping interest on central bank reserves.

Farage's remarks came in an almost hour-long conversation in which he spoke about everything from domestic spending plans to Trump's immigration policy, while also pivoting to a tougher line on Russian President Vladimir Putin following accusations from opponents that he is soft on the Kremlin.

In his Bloomberg interview, Farage also:

Replied "gotta shoot them down" when asked what he would do if Russian jets crossed into allied airspace

Praised Trump's ICE deportation raids as "truly remarkable," but stopped short of committing to using the army in the same fashion, saying Britain would "do it our way, not the American way"

Pledged to renegotiate the UK's post-Brexit deal with the European Union, vowing "100%" to end the "catastrophic" alignment of rules and regulations with the bloc. "We'll have to play hardball," he said

Said he was "struggling a bit" with his Anglican faith, adding that "if I was a more regular churchgoer, I probably would have defected to the Catholics"

Advocated the UK embracing cryptocurrency, saying "we're years and years behind the rest of the world"

Projections showing Farage on track to become Britain's next prime minister — despite only having five Reform Members of Parliament — have increased scrutiny on his policies in recent weeks. He used the interview to disown last year's Reform manifesto and vowed to return with a plan for larger cuts to government spending in order to lower taxes.

"I didn't write it. I inherited it, to be fair," he said of the document Reform UK stood on in July 2024. "We're having a full rethink of everything."

Earlier this month, the party said it would scrap some of its most eye-catching proposals such as £90 billion of tax breaks, as its poll lead put it in the cross-hairs of more established rivals.

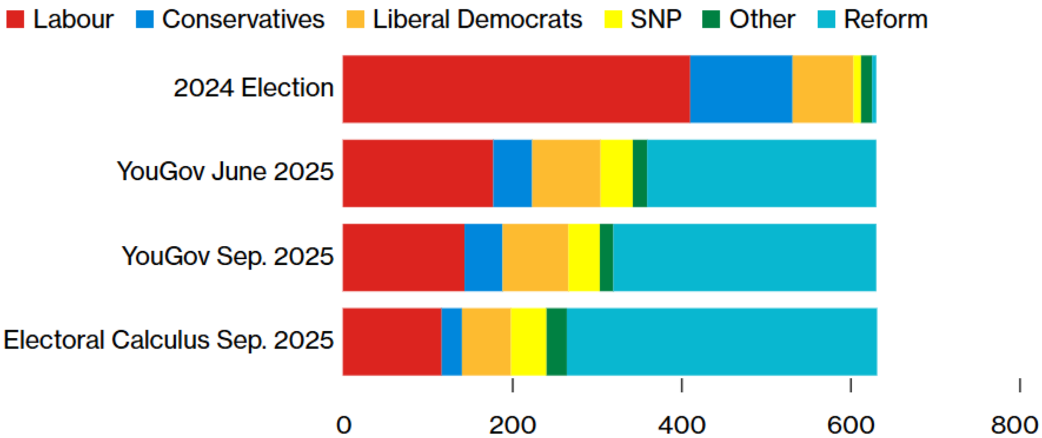
Indicating he would make announcements on new economic policies in the coming weeks, Farage said he would "probably go further" than the £50 billion of proposed spending cuts the party pledged at the last election, including looking at how to cut disability welfare spending.

"The big one, and the thing that I've got to think out far more fully is the whole explosion of PIP, of disability payments," he said, referring to benefits called Personal Independence Payments.

He also said he'd keep a promise to raise the threshold at which workers start paying income tax to £20,000 a year, while conceding the public finances meant it wouldn't be delivered "immediately" on winning office. He said he would set out a time-frame for the policy "over the course of the next few weeks."
"I suspect what we come back with will be a lot more radical," he said. "We're gonna make even bigger promises."
Seeking to explain how he'd govern differently from Conservative and Labour prime ministers, Farage said: "Everything in life's about risk. We need far more risk taking."
"We've had too many unifiers and look where consensus politics has got us: look at the mess it's got us into," he said. "Some people won't like it, but that's the way it is."

Reform is Upending the UK's Political Order

Seats won in 2024 versus recent poll projections.



Source: YouGov, Electoral Calculus, Bloomberg
Note: Election results, YouGov polls excludes 18 seats in Northern Ireland and the House of Commons speaker's seat. Electoral Calculus data excludes NI seats, but includes the current speaker in the Labour tally.

Bloomberg

BOE Bows to Pressure to Reveal Detail of Hedge Fund Talks Faster

By Greg Ritchie and Philip Aldrick
October 24, 2025 at 4:40 AM CST

The Bank of England will speed up the publication of minutes to its meetings with major banks and hedge funds after traders warned that attendees may gain unfair access to market-moving information.

The central bank has invited executives from firms to share views on financial markets in person with the rate-setting Monetary Policy Committee in a new forum called the Market Participants Group.

Investors raised concerns that those on the panel will be able to pick up information on the MPC's thinking that gives them an advantage, prompting the BOE to accelerate the time taken to publish minutes of the discussions.

The Bank of England will speed up the publication of minutes to its meetings with major banks and hedge funds after traders warned that the attendees may gain unfair access to market-moving information.

The central bank has invited executives from firms including Balyasny Asset Management, Citadel, JPMorgan Chase and Co. and Rokos Capital Management to share views on “relevant themes and narratives in financial markets” in person with the rate-setting Monetary Policy Committee. Named the Market Participants Group, the new forum will meet quarterly, with the inaugural discussion on Nov. 12.

Investors raised concerns that those on the panel will be able to pick up information on the MPC’s thinking that gives them an advantage, according to traders familiar with the matter, who are not authorized to speak publicly. Several former MPC members have also expressed reservations that officials may inadvertently reveal something.

The BOE has responded by accelerating the time taken to publish minutes of the discussions from a two-week delay to 7.30 a.m. the following morning. According to a person familiar with the change, it was made due to market participant feedback and to avoid any perception of an advantage for those in attendance.

While it’s not uncommon for central banks to hold meetings with private investors, the practice has attracted controversy in recent years, with critics saying it gives bigger firms exclusive access to information. In 2021, the BOE said it would cease off-the-record briefings with individual private financial institutions, after former rate-setter Ben Broadbent’s attendance at a private roundtable jolted markets.

BOE splits

The new meetings come at a time when the BOE’s monetary policy is deeply contested and uncertain. Governor Andrew Bailey is seen as a crucial swing voter on a committee split between hawkish officials emphasizing the risks of persistent inflation and dovish rate-setters wary of risks to economic growth.

A spokesperson for the BOE declined to comment. Its website stresses that the MPG is intended as a forum for MPC members to hear from market participants, rather than to share their own views. The meetings will be chaired by Bailey in the BOE’s Threadneedle Street headquarters, with the published minutes described as a non-attributable “high level” account of the discussion.

Two former MPC members, who spoke on condition of anonymity, said the BOE should livestream the event to remove any risk that the invited investors gain privileged information. Martin Weale, another former rate-setter now economics professor at King’s College London, added that minutes of the meeting were unlikely to be sufficiently transparent. “There is a good case either for live-streaming the event or for the release of a transcript within 24 hours,” he said.

Another former rate-setter said the MPC is being naïve, arguing that market sensitive leaks are likely. MPC members may not even be aware when they’ve let something slip, they added.

‘Listening mode’

The meetings are designed to be a one-way flow of information from the invited investors to BOE officials. In a speech announcing the MPG in June, the BOE’s Director of Markets Andrea Rosen said “MPC members will ask questions but will be in listening mode, without communicating any information that is not already in the public domain, including about their own policy stance.”

Even so, the private and in-person nature of the discussion has raised concerns. The BOE’s terms of reference for the group concede that disclosure of non-public market-moving information is possible.

“Although every attempt will be made to prevent this, members may be exposed to sensitive information and, potentially, to material non-public information,” the terms of reference state. “Any non-public information disclosed or opinions expressed during meetings will be treated as confidential.”

The MPG is modeled on similar arrangements at the European Central Bank and the Federal Reserve Bank of New York. The ECB has been holding twice yearly meetings between a select group of investors and members of the rate-setting governing council under its Institutional Investor Dialogue. The New York Fed president meets its Investor Advisory Committee on Financial Markets four times a year.

Among the rotating 18 committee members who will attend the quarterly BOE meetings are Chris Rokos, the billionaire founder of Rokos Capital Management, and KKR & Co. head of global asset allocation Henry McVey. Both live overseas and will have to fly into the UK to address the MPC.

Bloomberg

Bundesbank Head Says EU Must Be Ready to Retaliate Against China

By Francine Lacqua
October 24, 2025 at 7:48 AM CST

Bundesbank President Joachim Nagel said he hopes that Europe can overcome trade difficulties with China, but should be ready to take firm action if necessary.

“I think this retaliation question, I think at the end, it has to be decided by politics where we are going here, is retaliation the right strategy?,” he told the Berlin Global Dialogue conference on Friday. “It would be better to find a kind of an agreement, a kind of a joint understanding how to manage the whole situation.”

But if retaliation is a last resort, “I would say, okay, we have to be strong and have to take a bold decision,” he said.

Europe is becoming increasingly worried about China’s restrictive trade measures. The EU is scrambling to protect its industries from a glut of subsidized Chinese competition. Beijing also recently announced strict new export controls on rare earth minerals that could imperil Europe’s industry – accelerating its mounting restrictions on foreign firms.

“I hope there’s still some room to maneuver and find maybe a kind of a cooperative spirit,” Nagel said. “How to deal with the situation with with China. There’s still time to to solve it. We will see.”

The Bundesbank chief spoke just hours after German Foreign Minister Johann Wadephul canceled his first official trip to China just two days before he was set to depart, citing scheduling issues.

Bloomberg

Russia Cuts Rate to 16.5% as Refinery Attacks Feed Inflation

The Bank of Russia continued its cycle of key interest-rate cuts even as Ukrainian attacks on refineries and a looming tax increase stoke inflation risks.

The central bank lowered borrowing costs by 50 basis points to 16.5% on Friday, its fourth straight reduction, though the smallest so far. Economists had been split ahead of the meeting, with roughly half expecting a cut, while the rest predicted a hold.

"Inflation expectations remain elevated," policymakers said in a statement announcing the decision. "This may impede a sustainable slowdown in inflation."

Governor Elvira Nabiullina will hold a briefing at 3 p.m. in Moscow.

The bank increased its forecast for price growth in 2026 to 4%-5% from 4% earlier. It also decreased the outlook for the current year's gross domestic product to 0.5%-1% from 1%-2%.

After briefly aligning with the Bank of Russia's 4% goal, inflation has picked up once again. Part of the reason is the end of seasonal factors like the summer drop in fruit and vegetable costs, while the effect of a stronger ruble is also fading.

More to blame, however, are fuel shortages. With the Kremlin showing little interest in negotiating an end to the war it started in 2022, Ukraine is stepping up strikes on energy infrastructure including refineries, oil pipelines and sea terminals. Gasoline prices jumped 3% in September and have risen another 2% this month.

"The current price growth acceleration was substantially affected by one-off factors," the central bank said. "Price dynamics remain uneven across consumer basket components."

The inflation outlook was already fragile. The central bank expects higher recycling fees for imported cars to squeeze the availability of such vehicles, and estimates that a plan to lift value-added tax to 22% from 20% in 2026 to finance ballooning defense outlays will add 0.6-0.8 percentage points to consumer-price gains.

"In an environment where several, temporary pro-inflationary factors are overlapping, monetary policy must consider their cumulative impact on the process of lowering inflation expectations," the central bank said this month. Inflation expectations held at 12.6% in October.

To hit its inflation target by the end of next year, the central bank reckons seasonally adjusted monthly numbers must stay close to 4% for an extended period. It was a retreat to that level in June that kicked off the latest spell of rate cuts from a peak of 21%. That helped calm recession fears, even as rates remained too high to bring much relief to businesses.

New sanctions from Washington announced this week on Russia's biggest oil producers further complicate the situation. Apart from markedly reducing a major source of funding for the war taxes generated by oil exports, "the latest measures may also have negative implications for the Russian economy and reignite the odds of a hard landing," said Piotr Matys, a senior analyst at In Touch Capital Markets Ltd.

The central bank warned that the "disinflationary impact" of the 2025 budget would be considerably smaller than expected, and said changes in fiscal policy could warrant an adjustment in monetary policy.

Policymakers now expect the key rate in 2026 to be at an average of 13%-15% instead of 12%-13% as forecast earlier.

The high key rate is weighing more heavily on civilian industries than on consumer demand and production in defense-related sectors, according to Olga Belenkaya, an analyst at Finam Investment Company in Moscow. That explains why wages and consumption continue to rise despite the faltering economic expansion.

Indeed, unemployment is at a record-low 2.1%, boosting competition for workers and leaving wages outpacing gains in productivity. That, in turn, is fueling consumer demand and adding to inflationary pressure.

"The central bank's job is particularly challenging right now," Sofya Donets, chief economist at T-Investments, said before the announcement. "It has to navigate between the risks of an excessive cooling of economic activity and the risks of inflation."

The central bank plans its next rate decision on Dec. 19.

Bloomberg

PBOC Adviser Says China Has to Do ‘Something Major’ for Economy

By Bloomberg News

October 23, 2025 at 6:24 PM CST

China needs a bolder spending package to mend the finances of households and companies, according to a central bank adviser, as signs of resilience in the economy mask the damage wrought by the trade war with the US.

While booming exports supported economic output in the third quarter, indicators ranging from inflation to private investment and unemployment all point to sluggish confidence in the face of tariff uncertainties, said Huang Yiping, a member of the monetary policy committee at the People’s Bank of China.

“What we really need is for the government, including the central bank, to do something major — to repair the balance sheets of households, enterprises, local governments and maybe also the financial institutions,” he said in an interview on the sidelines of the Bund Summit in Shanghai.

The assessment calls into doubt the ability of the world’s second-biggest economy to remain mostly immune to the trade war without a larger dose of stimulus.

Top officials appeared mindful of the challenges facing China at a four-day meeting of the Communist Party’s Central Committee this week. While focused on laying out longer-term plans, a communique released Thursday reiterated a call to stabilize employment, enterprises, markets and expectations.

Huang, who’s also an economics professor at Peking University, called for aggressive fiscal easing so the central government can provide local authorities with more money to spend as they see fit.

Fewer restraints on spending would mark a break from the approach favored by Beijing. Many public bonds, for example, come with strict strings attached — such as having to generate profits from projects — causing fiscal largess to be idled and restricting expenditure in areas like infrastructure and public services.

China reported solid economic growth last quarter, putting it on track to reaching the official target of around 5% this year.

But the expansion has become more lopsided. Consumption is slowing on the back of the fading impact of the government’s trade-in subsidies while industrial production picks up thanks to the strength of exports.

Deflation across the economy extended into the 10th straight quarter, as a consequence of weak domestic demand still held back by slumping housing prices.

Huang reiterated a call for the government to stabilize the property market, once a mainstay of the economy that’s needed to help restore consumer confidence.

Higher household incomes and confidence are key to boosting consumption in a more sustainable way, since subsidies for consumers can only have a temporary impact, according to Huang.

When it comes to monetary policy, Huang sounded more cautious, saying it can play a role but warning there’s no room for aggressive easing in the short term.

In addition, China needs to steer local governments away from being held responsible for promoting growth as in the past, he said. Beijing is trying to rein in excessive local subsidies that fueled a glut of production capacity in industries such as electric vehicles.

Local officials should be assessed more on the basis of indicators such as employment and household income, rather than just the rate of economic growth alone, Huang added.

“Local governments directly engaging in economic activities — that’s a transitional period,” he said. Going forward, “what the local government should focus on is really narrowly defined government activity.”

REUTERS

India central bank to exempt sovereign-backed real estate fund from alternate investment fund rules

By Reuters

October 24, 20256:58 AM CSTUpdated 1 hour ago

Oct 24 (Reuters) - The Reserve Bank of India will exempt a government-backed real estate rescue fund from its tightened rules for alternate investment funds (AIF), it said in a notification on Friday.

The fund, called Special Window for Affordable and Mid-Income Housing (SWAMIH), was set up in 2019 to rescue stressed real estate projects by providing debt financing for stalled housing projects.

SWAMIH is managed by SBICAP Ventures, a unit of government-owned State Bank of India. The lender is also a large investor in the fund.

Last year, the RBI asked banks and non-banking finance companies to raise provisions for AIF investments, including sovereign funds, if they were also lenders to the projects in which the AIFs were investing. The tightened rules, introduced to curb indirect lending risks and potential ever-greening of loans, were partially eased in March.

The government subsequently sought an exemption from these rules for sovereign-backed funds, citing their "socio-economic purpose".

Under the current framework, a single regulated entity's investment in any AIF is capped at 10% of the scheme's corpus, with total combined investment by all lenders limited to 20%.

THE WALL STREET JOURNAL.

U.S. Inflation Picked Up to 3% in September

By Konrad Putzier and Harriet Torry
Updated Oct. 24, 2025 9:41 am ET

Annual inflation picked up slightly in September, though not as much as economists expected.

However, government data show inflation remains a sticky issue, with price increases above where policymakers want them. Food and gasoline prices rose from August, while pressure on housing costs eased.

Consumer prices rose 3.0% in September from a year earlier, the Labor Department said Friday, hotter than August's increase of 2.9%.

Economists surveyed by The Wall Street Journal had expected a rise of 3.1%.

Core prices, excluding the volatile food and energy categories, rose 3%, below forecasts for a 3.1% increase.

Month over month, prices rose 0.3% in September, below expectations of 0.4%. Core prices rose 0.2%.

Energy prices rose 1.5% from August on a seasonally adjusted basis, driven by a jump in gasoline prices.

Apparel prices rose 0.7% from August and household furnishing prices rose 0.2%, but toy prices fell slightly. Economists are paying attention to these tariff-sensitive categories to parse the impact of trade wars on inflation.

Stocks rose shortly after the opening bell Friday.

Economists and policymakers are paying close attention to the latest inflation report for clues on the state of the economy and the direction of interest rates. Hiring slowed to a crawl during the summer, prompting the Federal Reserve to cut interest rates in September. The report is out more than a week late because a government shutdown has stopped work on economic data. The government decided to issue the inflation report, which is needed to determine cost-of-living increases for Social Security payments. Jobs data is still on hold.

Inflation has remained above the Fed's target of 2%, and some economists worry price growth could pick up again if rates fall too low. Tariffs have pushed up the prices of some imported goods such as furniture.

In late September, President Trump announced new tariffs on certain pharmaceutical imports, heavy trucks and home goods. Earlier this month, he threatened additional tariffs of 100% on Chinese imports effective Nov. 1, after Beijing restricted rare-earth exports.

Fed officials are expected to cut rates again at their meeting next week. But they are divided over how far to cut, and whether to give priority to boosting employment or fighting inflation. Trump, who has been pushing for control of the traditionally independent Fed, has said he favors aggressive rate cuts to lower mortgage rates and interest payments on government debt.

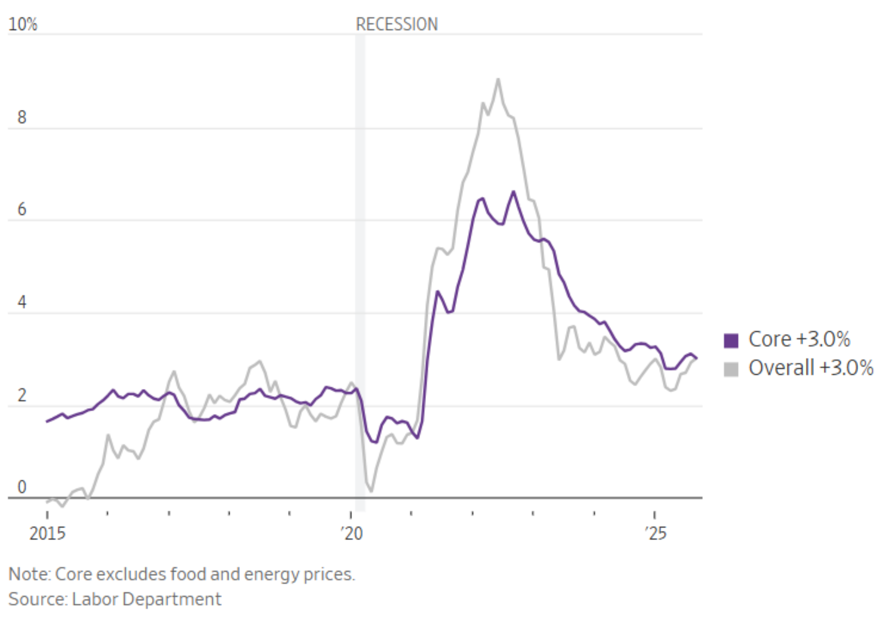
People walk on Fifth Avenue in New York City with their reflections visible in a large window.

The September inflation report is being scrutinized for clues on the state of the U.S. economy. adam gray/Reuters

Fed Chair Jerome Powell said earlier this month that he is trying to avoid cutting rates too early while also supporting the labor market. "There really isn't a risk-free path now, since [inflation] appears to be continuing to increase quite gradually…but now the labor market has demonstrated pretty significant downside risks," he said at a conference.

Employers added just 22,000 jobs in August, the latest month for which Labor Department data is available. More recent data from Bank of America, payroll processor ADP and a number of surveys suggest hiring remained weak in September.

Consumer-price index, change from a year earlier



Note: Core excludes food and energy prices.
Source: Labor Department

MarketWatch

U.S. economy speeds up despite shutdown, but tariffs weigh on exports and business confidence

By Jeffry Bartash

Published: Oct. 24, 2025 at 10:18 a.m. ET

The U.S. economy sped up in October during the ongoing government shutdown, new surveys show, but high tariffs were hurting exports, businesses said, casting a cloud over the upcoming year.

S&P Global said its index of service companies, which employ most Americans, rose to a three-month high of 55.2 in October from 54.2 in the prior month. Any number above 50 signals expansion.

A survey of manufacturers edged up to 52.2 from 52.0 in the prior month. Makers of cars, electronics, appliances and other goods are the ones most affected by high tariffs adopted by the Trump administration.

“October’s flash PMI data point to sustained strong economic growth at the start of the fourth quarter,” said Chris Williamson, chief business economist of S&P Global.

“However, business confidence in the outlook for the coming year has deteriorated further, and is at one of the lowest levels seen over the past three years as companies worry about the impact of policies, most notably tariffs,” he added.

The S&P surveys are the first indicators each month to reflect how well the economy is doing. The indexes are even more useful now during a prolonged federal shutdown that has resulted in key government economic reports being postponed.

Key details: The service side of the economy reported “especially robust growth,” in October, S&P said.

Manufacturers increased production to satisfy domestic demand, but they were also struggling with a growing backlog of unsold goods as exports waned.

The cost of supplies, meanwhile, rose again largely due to tariffs, S&P reported.

Yet companies had trouble passing the costs onto customers “in the face of subdued demand and intense competition.” That’s helped to keep inflation contained, S&P said.

Big picture: The economy is in a holding pattern of sorts. It’s not growing rapidly or getting notably weaker. Businesses are waiting to see where tariffs settle before they hire more people or make big investment plans.

The Federal Reserve cut interest rates last month and is likely to do so again next week in an attempt to prevent the labor market from worsening. But rate cuts alone probably aren’t enough to jazz up the economy.

Bloomberg

US Business Activity Expands at Second-Fastest Pace This Year

By Nazmul Ahasan

October 24, 2025 at 7:45 AM CST

US business activity expanded this month at the second-fastest pace of the year on stronger orders growth, and firms were more restrained with pricing to stoke sales.

The S&P Global flash October composite output index rose nearly 1 point to 54.8, with figures above 50 indicating expansion.

The data point to sustained strong economic growth at the start of the fourth quarter, with business activity picking up momentum across both manufacturing and services.

US business activity expanded this month at the second-fastest pace of the year on stronger orders growth, and firms were more restrained with pricing to stoke sales.

The S&P Global flash October composite output index rose nearly 1 point to 54.8, according to data released Friday. Figures above 50 indicate expansion.

The group's composite gauge of new orders climbed to 54.2, the highest this year. The advance was propelled by the strongest growth in bookings at factories since February of last year. New business for service providers expanded the most since the end of 2024.

The data “point to sustained strong economic growth at the start of the fourth quarter, with business activity picking up momentum across both manufacturing and services,’’ Chris Williamson, chief business economist at S&P Global Market Intelligence, said in a statement.

At the same time, details of the surveys were more mixed. While growth in factory production picked up, a measure of manufacturing employment slipped to a three-month low. Employment in services expanded at only a slightly faster pace than a month earlier.

While a composite measure of prices paid for materials barely picked up this month, it remained elevated at 60.8. In contrast, the group's index of selling prices grew at the slowest pace in six months, suggesting firms are competing on price to win sales, Williamson said.

Companies' pricing strategies coincide with order backlogs that were essentially stagnant and new export business that shrank the most in six months.

Both composite measures appear to draw heavily on the manufacturing sector, helping explain an unprecedented build-up of unsold stocks at factories, according to the report.

BBC

Trump says trade talks with Canada 'terminated' over anti-tariffs advert

2 hours ago

Osmond Chia,Business reporter, and Maia Davies

US President Donald Trump has announced an immediate end to all trade negotiations with Canada over an advert critical of the tariffs he has imposed on the nation.

The advert, sponsored by the government of Canada's province of Ontario, quoted Trump's predecessor, Ronald Reagan, an icon of US conservatism, saying tariffs "hurt every American".

Trump wrote on social media that the advert was "FAKE" and "egregious", adding that trade talks were "HEREBY TERMINATED".

His administration has imposed a 35% levy on many Canadian imports, as well as individual tariffs targeting particular industries like car and steel manufacturing. Ontario has been particularly hard-hit by these.

Trump has allowed exemptions for goods that fall under a free trade agreement with Mexico and Canada that he negotiated during his first term.

But Canada's Prime Minister Mark Carney has since his election earlier this year attempted to strike a deal that would ease the US tariffs.

This has been complicated by Ontario Premier Doug Ford, who is one of the most vocal critics of the taxes levied on US firms buying Canadian products.

In the minute-long advert published last week, Reagan's voice can be heard narrating over images that include the New York Stock Exchange and cranes adorned with both US and Canadian flags.

The video excerpts a 1987 national radio address by Reagan that focused on foreign trade.

What's in controversial Reagan advert and is it what he really said?

"When someone says, 'let's impose tariffs on foreign imports', it looks like they're doing the patriotic thing by protecting American products and jobs. And sometimes, for a short while it works, but only for a short time," Reagan says in the advert.

"Over the long run, such trade barriers hurt every American, worker and consumer.

"High tariffs inevitably lead to retaliation by foreign countries and the triggering of fierce trade wars... Markets shrink and collapse, businesses and industries shut down and millions of people lose their jobs."

The Ronald Reagan Foundation - which is charged with preserving his legacy - released a statement on Thursday saying the advert had used "selective" audio and video of the former president's remarks.

It said the advert "misrepresents" the former president's address, without specifying why, and accused the Ontario government of not seeking permission to use and edit the remarks.

The foundation said it was "reviewing its legal options".

Trump referenced this statement, and said the video was designed to "interfere with" the US Supreme Court's upcoming decision in November on whether Washington's sweeping tariffs on many nations' products are legal.

The court's decision represents the biggest test of Trump's presidential authority and signature economic policy, potentially forcing the US to refund billions collected in tariffs.

While the minute-long advert only includes excerpts from the original, five-minute-long address, it does not alter Reagan's words.

The order in which he makes the comments has been changed. The advert's penultimate sentence is taken from near the beginning of his speech, and a phrase that features about halfway through the advert is likewise taken from an earlier point in the address.

The original address - titled Address to the Nation on Free and Fair Trade - is regarding a specific set of tariffs the Reagan administration had at the time imposed on some Japanese goods.

Reagan seeks to use the speech explain why he had introduced the tariffs in this "special case" despite his belief that "imposing such tariffs or trade barriers and restrictions of any kind are steps that I am loath to take".

He makes clear that he wants to lift them as soon as possible "to promote the prosperity and economic development that only free trade can bring" - a position he stresses throughout the speech.

Trump later doubled down on his criticism of the advert, writing that "Ronald Reagan did not like Tariffs, when actually he LOVED TARIFFS FOR OUR COUNTRY, AND ITS NATIONAL SECURITY".

The advert was run as part of a campaign worth $75m Canadian dollars (£40m; $54m) on mainstream TV channels in the US.

In a post accompanying the advert, Ford wrote that "we'll never stop making the case against American tariffs on Canada".

China's embassy in Washington also used a similar Reagan clip in a post on X to cast doubt on Trump's global tariffs earlier this year.

Ontario is Canada's most populous province and its largest regional economy, and has suffered the most as a result of the US tariffs.

Ford hit back at Trump's earlier tariff threat against Canada by saying he was willing to cut off power supply to the US.

He had also described Washington's trade policies against Canada as having pulled a knife and "yanked it into us", and called on US lawmakers to put pressure on Trump.

Trump's sector-specific levies on Canadian goods include a 50% levy on metals and 25% on automobiles.

The White House's global tariffs - particularly on steel, aluminium and cars - have hit Canada hard, forcing job losses and putting pressure on businesses.

Carney and Ford have not yet commented on Trump's announcement.

It is the second time Trump has said he was ceasing trade talks with Canada, after Ottawa announced it would impose a digital services tax on US technology firms earlier this year.

Bloomberg

Trade Talks Were Making Progress Before Trump Blowup, Carney Says

By Brian Platt and Laura Dhillon Kane

October 24, 2025 at 8:19 AM CST

Prime Minister Mark Carney said Canada is prepared to resume trade talks "when the Americans are ready".

US President Donald Trump halted negotiations between the two countries due to a televised ad campaign funded by the province of Ontario.

Trump called the ad "FAKE", but the clips used in it are real, and Ontario Premier Doug Ford appeared to stand by the ad.

Prime Minister Mark Carney said Canada is prepared to resume trade talks “when the Americans are ready,” hours after US President Donald Trump halted negotiations between the two countries.

“We can’t control the trade policy of the United States,” Carney said Friday before boarding a government plane for a nine-day trip to Asia. “We recognize that that policy has fundamentally changed from the policy in the 1980s, 1990s, 2000s.”

US and Canadian negotiators had been making headway in talks about the steel, aluminum and energy sectors, Carney said. “We stand ready to pick up on that progress and build on that progress when the Americans are ready to have those discussions.”

The prime minister took no questions from reporters.

Trump said on his Truth Social platform late Thursday that he was terminating all negotiations with Canada over a televised ad campaign funded by the province of Ontario. The ad uses excerpts from a 1987 address by former President Ronald Reagan defending the principles of free trade and slamming tariffs as an outdated idea. Trump called the ad “FAKE.” The clips used in it are real.

Ontario Premier Doug Ford appeared to stand by the ad on Friday morning. “Canada and the United States are friends, neighbors and allies,” Ford said in a social media post. “President Ronald Reagan knew that we are stronger together. God bless Canada and God bless the United States.”

Top White House adviser Kevin Hassett expressed a different view of the talks. “The fact is that the negotiations with the Canadians have not been very collegial. They’ve not been going well,” Hassett said on Fox News. “I think the president’s very frustrated.”

Canada’s economy has been badly damaged by Trump’s tariffs, as about three-quarters of its exported goods went to the US last year. Ontario, which has about 16 million people, has been at the center of the trade war because of its steel and automotive industries, two sectors Trump has hit with tariffs.

Trump and Carney are likely to see each other next week, as both will be attending the ASEAN and APEC summits in Malaysia and South Korea, respectively.

REUTERS

Canada's Carney visits Asia to forge new alliances and reduce US dependence

By Maria Cheng

October 24, 20257:05 AM CSTUpdated 1 hour ago

OTTAWA, Oct 24 (Reuters) - Canada's Prime Minister Mark Carney embarks on his first official visit to Asia on Friday in an attempt to deepen trade and security ties at a time when the North American country is struggling to lessen its overwhelming dependence on the U.S. and redefine its foreign policy in pursuit of new markets.

Canadian government officials said Carney’s week-long trip might also include a meeting with Chinese President Xi Jinping, in a possible effort to reset a previously fractious relationship worsened by an ongoing trade war.

The Reuters Tariff Watch newsletter is your daily guide to the latest global trade and tariff news. Sign up here.

U.S. President Donald Trump terminated trade talks with Canada via a late-night post on Truth Social on Thursday, over an Ontario political ad that used Republican icon Ronald Reagan saying tariffs cause economic disaster.

Analysts say it will be critical for Carney to explain to Asian leaders that Canada has its own agenda and is no longer as aligned with the U.S., whose president has repeatedly threatened to annex Canada as the 51st state.

"While the world economy is fragmenting, Carney needs to make it clear that Canada stands apart and is still interested in rules-based trade and globalization," said Vina Nadjibulla, vice president of the Asia Pacific Foundation of Canada.

Last month, Canada signed a trade deal with Indonesia, aiming to establish duty-free access for up to 95% of its goods exported there in the next year.

Trade Minister Maninder Sidhu told Reuters Canada is now targeting agreements with the Philippines, Malaysia, South Korea and Japan.

Carney will attend the Association of Southeast Asian Nations summit in Kuala Lumpur, visit Singapore for meetings and attend the Asia-Pacific Economic Cooperation summit in South Korea.

Trump also departs for Malaysia late on Friday night and will meet Xi in South Korea next Thursday, the White House said.

While Carney says he wants to diversify exports over the next decade, Canada still relies on the U.S. for about 75% of its exported goods.

Fen Hampson, a professor of international affairs at Ottawa’s Carleton University, said there were far greater business opportunities for Canada in Asia than in Europe, which Carney has visited three times since becoming prime minister in March.

The Asia-Pacific Economic Cooperation, or APEC, says it has laid the groundwork for a more connected global economy and led to the establishment

“The economies in Southeast Asia are much more dynamic and compatible with Canada in terms of energy and commodities trade,” Hampson said. He noted, however, that any deals Canada pursues with China will inevitably be coloured by geopolitical dynamics between the U.S. and China.

“As tensions escalate between the U.S. and China, there will be less room for Prime Minister Carney to maneuver,” Hampson said.

He suspected it would be difficult to resolve Canada’s ongoing tariff disputes with China over canola and electric vehicles, for example, without better relations between the two global superpowers.

“There’s enormous pressure on us from the Americans to not concede to their perceived rival,” Hampson said.

FORMER BANKER RAISES HOPES FOR IMPROVED RELATIONS

Most Canadians are also wary of drawing closer to China. A poll this month from Angus Reid and the Asia Pacific Foundation of Canada found 59% of people surveyed still view China negatively and only 14% think Canada should seek closer economic ties.

Relations between Canada and China cratered during the premiership of Carney's predecessor, Justin Trudeau. Canadian citizens were detained and executed by the Chinese government, Canada's security authorities concluded China interfered in at least two federal elections, and Xi publicly scolded Trudeau, alleging he leaked their discussions to the press.

Analysts say Carney’s credentials as a former central banker and international experience buy him significant credibility that his predecessor often lacked.

Carney spoke with Chinese Premier Li Qiang last month, opens new tab and said he expected to meet senior Chinese leadership soon to “see where the trade relationship evolves.”

Still, in a region that places tremendous importance on protocols and customs, the prime minister may need to tread carefully.

“Whatever deals there are, what will be just as important is how Carney comports himself with Xi Jinping,” said Isaac Stone Fish, CEO of Strategy Risks, a business intelligence firm specializing in China.

“Appearing to literally bow to Xi will look weak and Carney certainly knows the importance of optics.”

REUTERS

Euro zone business activity growth accelerates as demand jumps, PMI shows

Euro zone business activity unexpectedly grew at a faster pace in October as companies received new orders at the quickest rate in 2-1/2 years, suggesting the bloc's economy gained momentum at the start of the final quarter, a survey showed on Friday.

The HCOB Flash Eurozone Composite PMI, compiled by S&P Global, rose to 52.2 in October from 51.2 in September, marking the tenth consecutive month of expansion and reaching a 17-month high and confounding expectations in a Reuters poll for a dip to 51.0.

PMI readings above 50.0 indicate growth in activity.

"October's flash PMIs suggest that the euro zone economy may have picked up a bit at the start of the fourth quarter," said Adrian Prettejohn at Capital Economics.

"At the country level, there was a stark contrast between Germany and France."

In France, activity declined faster than expected as demand for goods and services in the euro zone's second-biggest economy weakened further amid a volatile political climate.

But in Germany, Europe's largest economy, the private sector recorded its strongest growth in nearly 2-1/2 years, buoyed by a robust rise in services activity.

Germany's strong and much higher-than-expected reading gave the euro a boost.

In Britain, outside the European Union, businesses could be at a turning point as the manufacturing sector showed signs of a recovery and inflation pressures receded, although caution is still weighing on firms ahead of next month's government budget.

Services activity led the euro zone's expansion, with its PMI climbing to 52.6 from 51.3 in September, reaching a 14-month high. The Reuters poll predicted 51.1.

Manufacturing output grew marginally faster at 51.1 compared with 50.9 last month, though the sector's headline PMI sat at 50.0 having risen from 49.8 in September, better than the expected no change from last month.

Employment returned to growth in October following September's slight decline, with the services sector creating jobs at the fastest rate since June 2024. Manufacturing firms, however, cut staff at the quickest pace in four months as they adjusted to weaker demand conditions.

The increase in overall operating costs slowed slightly but firms did lift their own prices a little faster.

"Inflation in the euro zone services sector remains moderate. The rate of inflation for sales prices has risen slightly, but remains close to the long-term average. The European Central Bank, which pays particular attention to inflation in the service sector, is likely to see this data as confirmation of its stance not to implement further interest rate cuts," said Cyrus de la Rubia, chief economist at Hamburg Commercial Bank.

The ECB has finished cutting interest rates as inflation holds around its 2% target and the economy marches steadily on, according to a growing majority of economists in a Reuters poll published on Wednesday.

Despite the improved activity, business confidence dipped to a five-month low, suggesting firms remain cautious about future prospects.

REUTERS

UK inflation expectations rise to highest since April, Citi/YouGov survey shows

By Reuters

October 24, 20251:53 AM CSTUpdated 6 hours ago

LONDON, Oct 24 (Reuters) - The British public's expectations for inflation over the next 12 months rose to 4.2% in October, the highest since April, a monthly survey by YouGov for U.S. bank Citi showed on Friday.

Citi said the reading was likely to reinforce the wariness some members of the Bank of England's Monetary Policy Committee feel about cutting interest rates further, even after September inflation came in below the BoE's 4% forecast.

Financial markets moved rapidly to price in a nearly 80% chance of a further quarter-point rate cut this year after weak labour market data last week was followed by lower-than-expected headline inflation.

Previously, the next BoE rate cut had not been expected until March or April next year after August's rate cut was only approved by a narrow 5-4 margin due to some policymakers' fears that inflation was becoming too persistent.

"We think inflation expectations remain an important aspect of the monetary policy framework, particularly for those who are cautious about further cuts," Citi economists Callum McLaren-Stewart and Michel Nies wrote.

"For those who favour a hold, a further drift in expectations may be at least as significant as an undershoot in realised CPI," they added.

Year-ahead inflation expectations had stayed in a narrow range of 3.9% to 4.0% for the previous five months on Citi's measure.

Long-term inflation expectations also rose to 4.2% in October from 4.1% in September, Citi said.

The results were based on a YouGov survey of 2,005 adults conducted on October 21 and October 22.

Bloomberg

UK Economy Shows Signs of Holding Up Ahead of Labour’s Budget

By Irina Anghel
October 24, 2025 at 2:30 AM CST
Updated on October 24, 2025 at 4:13 AM CST

The UK private sector grew faster than expected in October, with the composite purchasing managers' index increasing to 51.1 from 50.1 the previous month.

Businesses became more optimistic about their growth prospects despite speculation that taxes will increase by billions of pounds in the next month's Labour government budget.

The latest PMI numbers put the UK on track to grow by an average of just 0.1% on the quarter, slower than expected by Bank of England rate-setters who forecast 0.3% growth.

The UK private sector grew faster than expected in October, with economic data showing little sign of nervousness ahead of near-certain tax rises in next month’s Labour government budget.

S&P Global’s composite purchasing managers’ index increased to 51.1 from 50.1 the previous month, flash estimates published Friday show. The reading was stronger than the 50.5 forecast by economists and remained above the 50 threshold indicating expansion.

The improvement was most pronounced among British manufacturers, which returned to growth for the first time since October last year.

Businesses became more optimistic about their growth prospects in the year ahead despite mounting speculation that Chancellor of the Exchequer Rachel Reeves will increase taxes by billions of pounds on Nov. 26. It’s a stark reversal of the situation a year ago when confidence plummeted in the run-up to Labour’s first budget due to ministers’ repeated warnings of “difficult decisions.”

The PMI release “completes a clean sweep of data this morning — after consumers’ confidence for October and retail sales in September — that suggests household and business confidence remains solid,” said Elliott Jordan-Doak, an economist at Pantheon Macroeconomics.

Retail sales grew unexpectedly in September thanks to strong demand for household goods and jewelery, according to Office for National Statistics data published earlier Friday. A GfK survey overnight also revealed that consumer confidence improved in October to match the highest level recorded in 2025 as its indicator tracking big purchases intentions rose to the highest since early 2022.

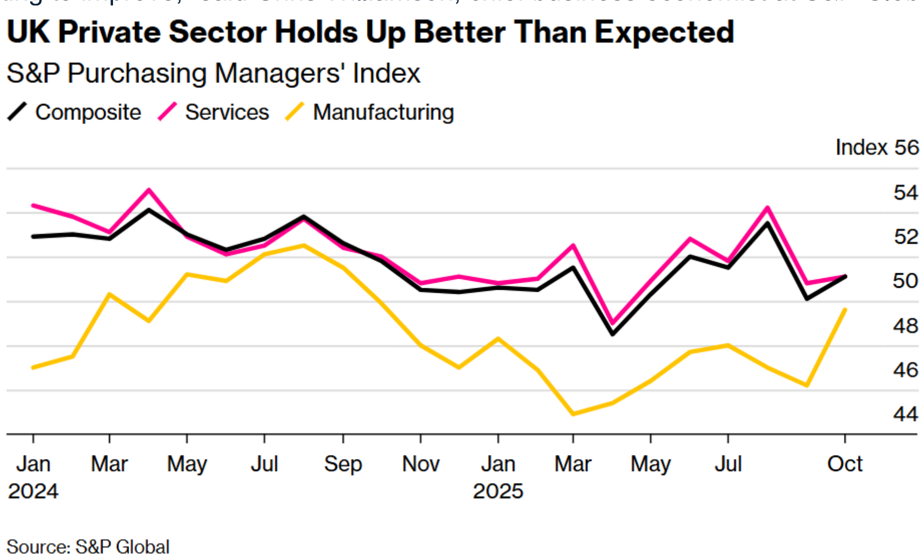
The raft of better-than-expected data will provide some relief for Reeves. However, the indicators are not strong enough to signal that a meaningful recovery is on the cards for the UK economy.

Pantheon Macroeconomics estimates that the latest PMI numbers put the UK on track to grow by an average of just 0.1% on the quarter. That’s slower than expected by Bank of England rate-setters who forecast 0.3% growth.

S&P’s survey also provided some signs of softening demand. Services firms only reported a modest uptick in activity, citing weak consumer sentiment and clients postponing decisions due to Labour’s budget.

Manufacturing offered a slightly more upbeat picture. While the sector is still reeling from the cyberattack at Jaguar Land Rover, factory output grew at the fastest pace in over a year, thanks to improving domestic demand and restocking efforts.

“October’s flash UK PMI survey brings hope that September was a low point for the economy from which business conditions are starting to improve,” said Chris Williamson, chief business economist at S&P Global Market Intelligence.



Bloomberg

UK Retail Sales Rise Again in Unexpected Boost for Economy

By Tom Rees
October 24, 2025 at 12:07 AM CST
Updated on October 24, 2025 at 12:53 AM CST

UK retail sales grew for a fourth straight month, with the volume of goods sold online and in stores climbing 0.5% month-on-month in September.

The retail sector held up despite the arrival of wet and cool weather, with non-food sales climbing 0.9% and sales in household goods stores rising sharply.

Economists said retail spending made a positive contribution to GDP in Q3, and that households still holding sizeable savings buffers may lead to a pick-up in discretionary spending if confidence continues to improve.

UK retail sales unexpectedly grew for a fourth straight month, providing a glimmer of hope after recent data pointed to a cooling economy and jobs market.

The volume of goods sold online and in stores climbed 0.5% month-on-month in September after August's revised 0.6% gain, the Office for National Statistics said on Friday. It was considerably better than the 0.4% drop expected by economists.

The retail sector held up despite the arrival of wet and cool weather after a scorching summer that helped to spur spending. After the data was released, the pound erased a small drop to trade steady at around $1.333.

The ONS said volumes hit their highest level since July 2022 with non-food sales climbing 0.9%. Sales in household goods stores rose sharply and non-store retailers enjoyed another positive month as online jewellers reported strong demand for gold. Economists said people may have rushed to buy jewellery after seeing reports of gold's surging price.

Martin Beck, chief economist at WPI Strategy, said "retail spending made a positive contribution to GDP in Q3, the strongest since Q1 2024."

"With households still holding sizeable savings buffers, there remains scope for a pick-up in discretionary spending if confidence continues to improve," he said. "But for now, a full retail revival still looks some way off."

There is little sign that speculation of tax hikes ahead of Chancellor of the Exchequer Rachel Reeves' budget on Nov. 26 has hurt consumer sentiment. Earlier on Friday, GfK said its household confidence gauge edged up two points to minus 17 in October, matching the level in August which was the highest in 2025.

GfK's indicator tracking sentiment around buying big ticket items rose to the highest since early 2022.

While Britain was the fastest expanding country in the Group of Seven in the first half of the year, a deteriorating jobs market and stuttering growth have prompted traders to revive bets on a Bank of England interest-rate cut before the end of the year. Policymakers are also watching the budget carefully for any signs that another round of tax rises will dampen growth further.

UK government stands by its pledge on income tax, minister says

By Reuters

October 24, 202512:57 AM CSTUpdated 7 hours ago

LONDON, Oct 24 (Reuters) - Britain's ruling Labour Party remains committed to its pre-election tax pledges, including on income tax, minister Nick Thomas-Symonds told Sky News on Friday, ahead of next month's budget.

Reeves and Prime Minister Keir Starmer told voters before last year's election that they would not raise the rates of social security contributions, value added tax (VAT) or income tax on what they called "working people".

The Guardian on Thursday reported that finance minister Rachel Reeves was considering raising income tax in the budget to help close a multibillion-pound deficit.

"We stand by our manifesto pledges on VAT, on national insurance and on income tax," Thomas-Symonds said when asked about the Guardian report.

In her first budget last year, Reeves increased the rate of social security contributions, or National Insurance Contributions, paid by employers but said she remained committed to not raising the tax burden on working people.

The Guardian said officials were weighing options including an increase in the basic rate of income tax or changes to thresholds, though no final decision has been made.

Earlier this month, the National Institute of Economic and Social Research said that Reeves should break her promise on income tax rather than attempt to raise the £30 billion ($40.26 billion) in revenue she is expected to need in more economically damaging ways.

Bloomberg

French Premier Says Deficit Must Fall Below 5% GDP in 2026

By William Horobin

October 24, 2025 at 7:32 AM CST

French Prime Minister Sebastien Lecornu said the budget deficit must fall below 5% of economic output next year, leaving room for parliament to negotiate changes to the government's initial draft.

"The deficit must come below 5% next year," Lecornu said as the National Assembly begins debating the government's fiscal plan that targets a reduction to 4.7% from 5.4% in 2025.

Lecornu is under pressure to make concessions on his plans as he has no majority in parliament and opposition groups threaten to unite in no-confidence votes that would force his resignation.

"The budget the government is proposing is imperfect," he told lawmakers. "You will modify it and the government will also modify it to support and guide the debate."

REUTERS

IMF urges Asia to cut trade barriers to beat US tariffs

By Leika Kihara

October 23, 20258:01 PM CSTUpdated 12 hours ago

Oct 24 (Reuters) - The International Monetary Fund on Friday urged Asia to lower non-tariff barriers and integrate regional trade to reduce its vulnerability to U.S. tariffs and global financial shocks.

Trade has been central to Asia's economic growth with China serving as the supply chain hub for goods production across the globe, which makes it vulnerable to the hit from U.S.-China trade tensions and President Donald Trump's tariffs, the IMF said in a regional economic outlook report for Asia.

Trade friction with the U.S. and an investment boom in artificial intelligence have led to rising intra-regional trade in Asia, the report said.

Promoting further regional trade integration, including by removing trade barriers, could help Asian countries diversify export markets, reduce costs and offset some of the headwinds from the tariff shocks, it said.

"If Asia integrates more within the region, that itself provides you a buffer against external shocks," Krishna Srinivasan, director of the IMF's Asia and Pacific Department, told Reuters.

Asia is highly integrated in intermediate goods trade, with about 60% of total exports made within the region, Srinivasan said. By contrast, only 30% of final goods exports by Asian countries are made within the region - a sign of the region's reliance on U.S. and European markets, he added.

The report said Asia can benefit from pursuing broader-based trade agreements, such as one seen in the European Union, as its current focus on bilateral agreements create overlapping rules and inconsistent standards.

Lowering non-tariff barriers, which increased during the COVID-19 pandemic and remain pervasive in Asia, could deliver sizable benefits, it said.

In fact, some countries are voluntarily reducing non-tariff barriers as part of trade negotiations with the U.S., which is a "very positive" trend, Srinivasan said.

With greater regional trade integration, Asia could see gross domestic product rise by as much as 1.4% over the medium term, and the Association of Southeast Asian Nations economies by as much as 4%, Srinivasan said.

"There is a silver lining in that some countries, which had to liberalise anyway, are now liberalising," he said.

The IMF expects Asia's economy to expand 4.5% in 2025, slowing from 4.6% last year but up 0.6 percentage point from its estimate in April, due to strong exports driven in part by front-loading of shipments ahead of higher U.S. tariffs.

It expects growth to slow to 4.1% in 2026 due to the impact of trade tensions, weak demand in China and soft private consumption in emerging economies.

"While trade policy uncertainty has declined somewhat compared to April, it remains high and could weigh on investment and sentiment more than expected," the IMF said in the report.

China strikes conciliatory tone ahead of expected Trump-Xi meeting

Published Fri, Oct 24 20251:07 AM EDT

Evelyn Cheng

BEIJING — The U.S. and China can still find ways to work together, Chinese Commerce Minister Wang Wentao told reporters Friday, ahead of an expected meeting between the presidents of both countries on Oct. 30.

“General Secretary Xi Jinping has stressed that dialogue and cooperation are the only right choice for China and the U.S.,” Wang said in Mandarin, translated by CNBC. “China, as a responsible big nation, has always opposed decoupling and ‘breaking the chain,’ [while] adhering to global supply chain security and safety.”

Wang said that both sides can find ways to address the issues they have with each other “on the basis of mutual respect.” The two countries, he added, can “find the right path for getting along, for the healthy, stable and sustainable development of China-U.S. relations.”

While China has not yet officially confirmed a meeting, the White House said overnight that U.S. President Donald Trump and Xi are expected to meet on the sidelines of the Asia-Pacific Economic Cooperation summit in South Korea next Thursday.

Beijing has said Vice Minister He Lifeng would travel to Malaysia from Friday to Monday for trade talks with U.S. Treasury Secretary Scott Bessent.

Commerce Minister Wang was speaking Friday during a press conference following the “Fourth Plenum,” a high-level meeting to discuss five-year development goals, which ended Thursday.

At the same press briefing, Han Wenxiu, a senior official within the Central Committee of the ruling Communist Party, said China must “strive to achieve major breakthroughs” in new tech drivers, while promoting consumption and accelerating the construction of a new energy system.

“Relations between big countries influence the international situation, and changes in the international situation deeply impact China’s domestic development,” said Han, who is the executive deputy director of the central committee’s financial and economic affairs office.

Bloomberg

India’s Economic Momentum Slows in October as US Tariffs Hit

By Anup Roy

October 23, 2025 at 11:44 PM CST

India’s overall economic activity slowed in October as services lost pace and demand for new orders softened after higher US tariffs took effect, a flash survey by HSBC Holdings Plc showed.

The composite index fell to 59.9 compared with 61.0 in September, mainly due to the dip in the services index. It fell to 58.8 from 60.9 last month while the manufacturing purchasing managers’ index rose to 58.4 from 57.7 in September.

The indexes reflect business confidence in the economy and are based on preliminary surveys. The data could get revised when final PMI figures are released next month. A reading above 50 indicates expansion in economic activity, while a print below that indicates contraction.

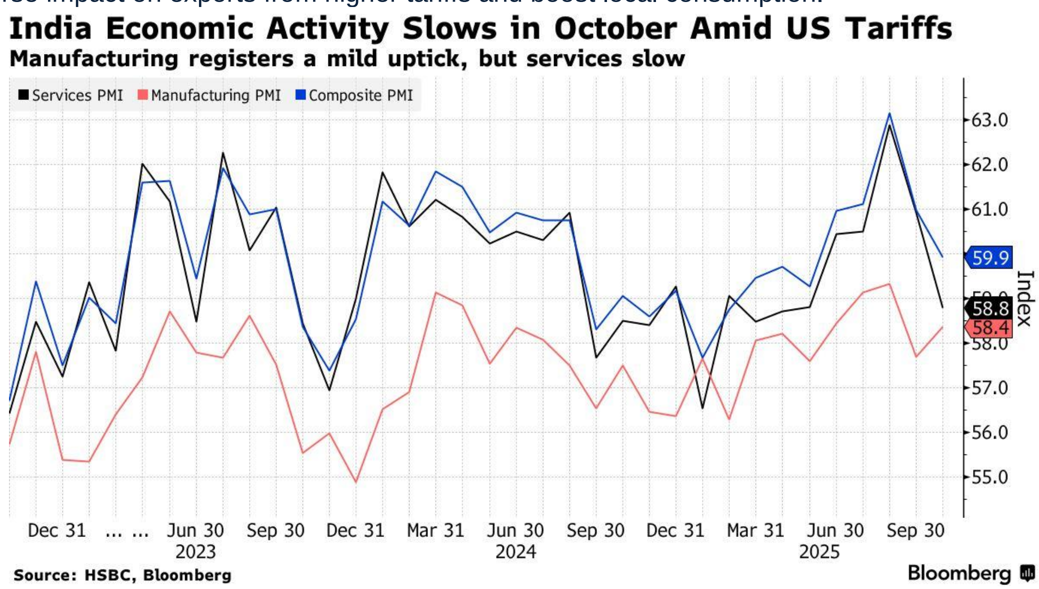
The loss of momentum may signal that the economy is slowing after the US imposed a 50% tariff on shipments from India under President Donald Trump, partly in response to New Delhi’s purchases of Russian oil. The levies, along with broader global trade uncertainty, pushed India’s trade deficit to its widest in more than a year in September.

While the two countries have yet to reach a trade agreement, India is expected to sharply reduce its purchases of Russian oil following US sanctions on major Russian suppliers.

The data showed the weakest expansions in aggregate new orders and output since May, HSBC said in a statement Friday, with international sales also rising to a lesser extent. The economy also produced less jobs in the month.

The manufacturing PMI climbed a bit “likely on the back of goods and services tax rate cuts which are buoying domestic demand and curbing cost pressures,” said Pranjul Bhandari, chief India economist at HSBC. “The drag from US tariff continues to show up in new export orders and future optimism,” she said.

Last month, India reduced taxes on most items of everyday use, premiums on insurance policies and vehicles, mainly to offset any adverse impact on exports from higher tariffs and boost local consumption.



Bloomberg

Brazil Inflation Cools More Than Forecast as Rates Stay High

By Andrew Rosati
October 24, 2025 at 6:12 AM CST
Updated on October 24, 2025 at 6:40 AM CST

Brazil's annual inflation eased more than expected in early October, with consumer prices gaining 4.94% from the same month a year ago.

Central bankers remain far from declaring victory, with inflation stuck well above target, pushed up by a hot jobs market and public spending.

The central bank intends to hold the benchmark Selic at 15% for the months to come, and may want to see further evidence of a cooling labor market and softening in services inflation before cutting rates.

Brazil's annual inflation eased more than expected in early October, a drop that's unlikely to alter the central bank's hawkish stance and lower borrowing costs anytime soon.

Official data released Friday showed consumer prices gained 4.94% from the same month a year ago, just under the 5% median estimate of analysts surveyed by Bloomberg. On the month, inflation hit 0.18%.

Central bankers are making gradual progress in taming prices in Latin America's largest economy, but remain far from declaring victory. With inflation stuck well above target, pushed up by a hot jobs market and public spending, they intend to hold the benchmark Selic at 15% for the months to come.

Transport costs gained 0.4%, pressured by higher fuel and airfare costs, and drove price increases in the first two weeks of October. On the other hand, the price of housing items fell 0.64% and food and beverages ticked down slightly, the statistics agency said.

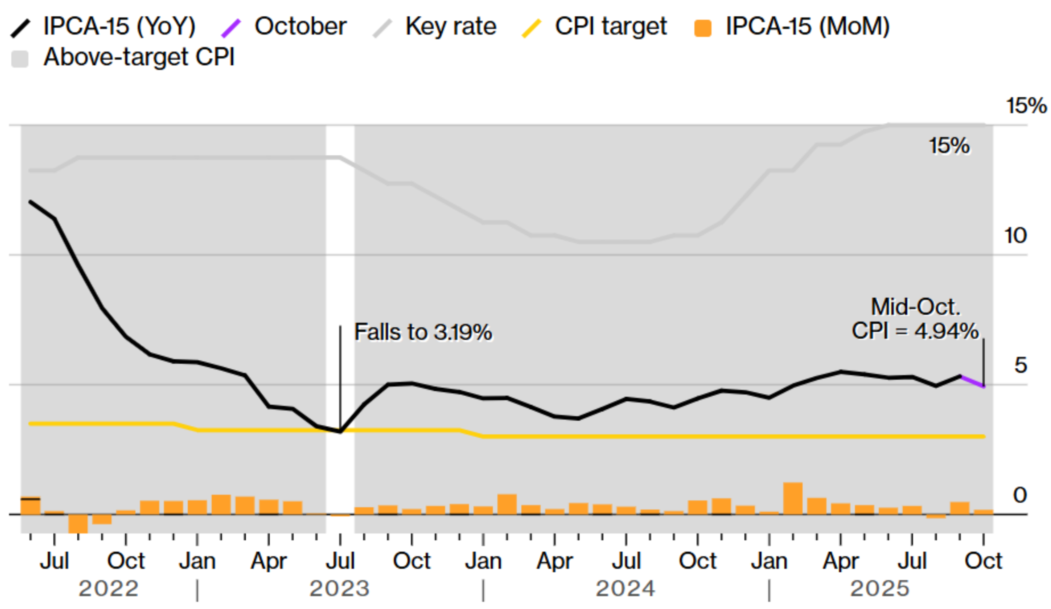
A flurry of new government assistance programs, launched by President Luiz Inacio Lula da Silva ahead of next year's general election, are further clouding the economic outlook. Investors' fears that the outlays will put more stress on Brazil's shaky public finances are driving inflation expectations above the 3% goal through 2028.

Economists expect Brazil's consumer prices to continue to fluctuate and note that services inflation — a key cause of concern for central bankers — is edging down but remains elevated.

"The central bank may want to see further evidence of a cooling labor market and softening in services inflation before cutting rates," Liam Peach, a senior emerging markets economist at Capital Economics, wrote in a research note.

Brazil Mid-October Inflation Slowed Back Below 5%

Annual print hit 4.94% vs. 5% est.; monthly at 0.18% vs 0.21% est.



Sources: Statistics agency, central bank, Bloomberg
Note: CPI target at 3% from Jan.'24, 3.25% in '23

REUTERS

Brazil posts wider-than-expected current account deficit in September

By Reuters

October 24, 20256:25 AM CSTUpdated 2 hours ago

BRASILIA, Oct 24 (Reuters) - Brazil's current account deficit reached $9.77 billion in September, wider than the $7.75 billion shortfall forecast by economists in a Reuters poll, central bank figures released on Friday showed.

Foreign direct investment (FDI) for the month came in at $10.67 billion, beating the $6.5 billion expected in the poll and marking the highest level for the month in the historical series.

Over the past 12 months, FDI amounted to 3.47% of gross domestic product (GDP), not enough to cover the current account deficit, which stood at 3.61% of GDP.

Brazil's widening external gap has been driven mainly by a shrinking trade surplus: imports have been growing faster than exports as Latin America's largest economy continues to show resilience despite high borrowing costs.

In September, the trade surplus narrowed by $2.2 billion from the same month a year earlier, said the central bank.

Also contributing to the larger current account deficit, the deficit in factor payments rose by $946 million, only partially offset by a $640 million decline in the services deficit.

According to the central bank, portfolio investments in the domestic market posted net inflows of $4.43 billion in September, a 49.6% increase from a year earlier, driven by $5 billion in net debt inflows and $572 million in net equity outflows.

THE WALL STREET JOURNAL.

Has Argentina Really Changed? Soon, We Will Find Out

Greg Ip

Oct. 24, 2025 5:30 am ET

BUENOS AIRES—The adage “The most dangerous words in investing are ‘It’s different this time’” could have been coined to describe Argentina. For 50 years, it repeatedly convinced international lenders it had changed its ways, only to slide back into default, instability and inflation.

This Sunday, Argentines will demonstrate whether this time really is different. Midterm elections will decide whether President Javier Milei’s radical economic reform will continue.

President Trump is betting that Argentina really is different now. His Treasury has committed $20 billion to stabilizing the peso in hopes of helping Milei, an ideological ally, and drawing Argentina more firmly into the U.S. orbit.

Milei has already proved that something is different, just by getting elected two years ago on a promise to shrink the state, liberalize the economy and balance the budget—and, so far, by delivering.

“It’s a cultural battle. Argentines have heard for 50 years that the state was going to solve all their problems,” said Federico Sturzenegger, a free-market economist trained at the Massachusetts Institute of Technology who runs Milei’s Ministry of Deregulation and State Transformation. “Here comes this person who says, ‘No, it’s exactly the opposite. The state is the cause of all your problems.’ His message is 180 degrees apart from what we’ve listened to for 50 years.”

Milei slashed government spending and generated the first fiscal surplus in 16 years. The central bank stopped printing money, and inflation has plummeted, to 32% in September from 200% at the end of 2023.

Donald Trump hosting a bilateral lunch with President Javier Milei of Argentina in the Cabinet Room of the White House.

President Trump at a lunch with Argentine President Milei at the White House earlier this month. Alex Wroblewski/Press Pool

Sturzenegger ticks off some of the 10,000 regulations he says Milei has repealed: restrictions on satellite internet and commercial air service to small rural communities; price controls, such as on mate (pronounced “mah-tay”), the national drink. Rents have been deregulated, bringing apartments back onto the market.

The goal, he said, is not just to introduce competition but to choke off the money that unions, “crony capitalists” and Peronists—the populist, left-wing movement descended from Argentine strongman Juan Perón—rake off the economy.

It’s an ongoing struggle. A Milei decree lifted restrictions on imports of used machinery. Sturzenegger recounts visiting a packaging factory that imported a used machine for $500,000 that would have cost $3 million new. Now, those “crony capitalists”—domestic producers that sell the machinery at several times the world price—have “connected with the Peronists in Congress to try to repeal this decree.”

It isn’t paying off yet

This much hasn’t changed about Argentina: Its people are impatient. The Washington-based Institute of International Finance projects growth of 4.1% this year because of a strong start, but growth has flagged, real wages are close to flat, and unemployment has risen. The main reason is that to keep the peso from falling against the dollar, which would jolt inflation higher, the central bank has kept interest rates painfully high—at 80% for a personal loan.

Milei’s approval rating has plummeted to 35% from nearly 50% last year, according to pollster Zuban Córdoba. His party, Freedom Advances, controls just 10% of the seats in the Senate and 15% in the Chamber of Deputies. It had hoped to pick up enough seats Sunday to push through legislation. Now, analysts think a more realistic goal is to control a third of seats with allies, enough to veto laws, such as the big spending boost recently approved by Congress, and block impeachment.

People protesting against Argentina's President Javier Milei.

Protesters on the outskirts of Buenos Aires rally against President Milei ahead of Argentina’s midterm elections next week. Matias Baglietto/Reuters

Building a coalition will require political skills that to date, Milei hasn’t exhibited in abundance. “He gets bored in long meetings, negotiating with different actors,” said Sergio Berensztein, a political analyst in Buenos Aires. “He doesn’t like meeting with governors and mayors. He likes to play with his dogs and read Econometrica,” an academic journal.

The unfinished business

A weak showing would cripple Milei’s ability to confront the biggest tasks in economic reform: labor rules that make hiring and firing difficult, undermining job creation; a complicated and costly pension system; and a bewildering array of taxes with perverse incentives.

MarketWatch

The Fed's message to investors needs to be much clearer

By Craig Torres and Fabio Natalucci

Published: Oct. 24, 2025 at 10:29 a.m. ET

The U.S. economy is undergoing multiple regime shifts simultaneously. Given the rapidly changing economic and financial landscape, investors need to be wary of becoming overly dependent on the Federal Reserve's guidance on interest rates.

The upending of the international order of trade and finance, the wrenching down of immigration flows, mercantilist trade policies and the U.S. government's increasing interest in the economic affairs of leading U.S. companies could serve as impediments to growth while keeping inflation above the Fed's 2% target.

At the same time, financial deregulation, the diffusion of artificial intelligence into business processes, and innovations in payments and digital finance could all boost profits and productivity, though how quickly this happens is still unclear.

Signaling a steady rate-cutting path when the economy is still adjusting to significant trade- and immigration-policy changes comes with significant risks for investors.

Inflation has been above the Federal Reserve's target for more than four years. Most of the gauges on the Atlanta Fed's underlying inflation dashboard are higher than ranges consistent with a 2% annual inflation rate.

Signaling a steady rate-cutting path when the economy is still adjusting to significant trade- and immigration-policy changes comes with significant risks for investors. The forward rate curve could abruptly flatten if inflation turns out to be stubbornly high, with significant implications for risk asset prices given already elevated valuations.

"The economy hasn't fully absorbed the cost of trade and immigration policy," said Michael Gapen, chief U.S. economist at Morgan Stanley & Co. "Corporates have largely absorbed the cost, and we are still at the forefront of understanding how much they can absorb and pass on."

MarketWatch Live: CPI shows U.S. consumer prices rising less than forecast in September. That cues up another Fed interest-rate cut.

Former St. Louis Fed president James Bullard notes that the ratio of household net worth to disposable income is around postwar highs. Financial conditions are already very accommodative, and more rate cuts will ease them further, which could stoke demand and push stocks to record highs.

"The economy doesn't look like it is slowing down," said Bullard, now the dean of the Mitch Daniels School of Business at Purdue University. "You are going to get a lot of investment, and you are going to get plenty of consumption. Asset prices are very high."

Adding to the heightened uncertainties about both the near-term outlook and the longer-term potential of the economy is the fact that data availability has been limited by the ongoing government shutdown.

With downside risks to employment judged to have risen, the Federal Open Market Committee's goal now is to offset labor market weakness. Futures markets are pricing in a quarter-point cut for both the Oct. 28-29 meeting and in December, with two more in the first half of next year.

That would drive the benchmark lending rate down to 3% to 3.25%, close to neutral territory based on the Fed's longer-run projections.

Several officials argue that tariffs will result in a one-time increase in the price level, with inflation nicely settling back to 2% in coming quarters. That is what the median estimate in the Fed's September economic projection implies, with the rate of price changes about on target by 2027.

The most appropriate message from Fed officials in December could be one of agnostic symmetry: Going forward, we could stay here, we could raise, we could cut, depending on how plausible scenarios may play out. It's a version of Fed Chair Jerome Powell's description of the policy tensions at this moment.

'[W]e have to keep our eye on inflation. At the same time, we cannot ignore and must keep our eye on maximum employment.'

— Fed Chair Jerome Powell

"There are no risk-free paths now. It's not incredibly obvious what to do," Powell said at his September press conference. "So we have to keep our eye on inflation. At the same time, we cannot ignore and must keep our eye on maximum employment."

Regime shifts typically have cascading effects and are often associated with nonlinearities, and the time of transition to a new equilibrium is impossible to forecast. Markets have never been good at this, often prone to bubbles as excitement builds about disruptive technologies, usually with a narrative about how "this time is different."

In a cutting cycle, investors tend to price in a fast descent toward the estimated neutral rate. With so much uncertainty around the underlying trend rate of inflation and the longer-run equilibrium rate, this seems a bad time for monetary-policy makers to endorse that slope and for investors to bet on it.

Ideally, the Federal Open Market Committee would have a consensus forecast and alternative scenarios and rate paths. One scenario: that the AI investment boom continues with even more frothy financial conditions amid scarce labor, which keeps GDP above potential output and inflation elevated. Another possibility: that further labor-market weakness and constantly changing and disorderly government economic policy.

Different scenarios would help investors assess a range of plausible economic outcomes and associated Fed responses, enhancing market efficiency and price discovery in response to new data.

Powell understands the communication problem. Now he needs the FOMC to sign on to some mechanism for a fuller expression of possible policy paths and underlying scenarios to increase transparency and accountability at a time of severe threats to Fed independence.

The goal is to find "the right pace and the right destination as we go," Powell said at his press conference around this time last year. "You don't want to tie yourself up [with] guidance."

THE WALL STREET JOURNAL.

Electricity Prices Going Up? Green Policy Is to Blame

By Steve Goreham

Oct. 23, 2025 4:49 pm ET

Electricity prices are rising, and Democrats are making it a campaign issue. They blame the price hike on President Trump and congressional Republicans, who ended Biden-era renewable-energy subsidies in the One Big Beautiful Bill Act. But prices are actually soaring because of plant closures and natural-gas shortages in blue states, all in the name of green energy.

Energy Department data show that electricity prices in California, Connecticut, Maine, Maryland, Massachusetts and New York have risen more than 30% in the past five years compared with just 22.5% nationally. Because of climate policies, these states closed most of their coal-fired power plants and nuclear facilities over the past 15 years, making nonrenewable energy generation more difficult. In comparison, prices in Florida, Georgia, Missouri, Texas and other states hampered less by green energy initiatives are rising less than the U.S. average. These states continue to be more friendly to lower-cost hydrocarbon fuels for electricity generation.

California's electricity prices are up 58% over the past five years and have more than doubled since 2008. The state closed all but one of its coal plants and all nuclear facilities except the Diablo Canyon plant. California now has the nation's second-highest residential electricity prices at 31.9 cents a kilowatt-hour in 2024, almost double the national price of 16.5 cents. The state's massive investment in renewable sources, which account for more than half of California's in-state electricity generation in 2024, has driven the price jump.

Massachusetts has a similar issue: Residential power prices are the third highest in the nation. The state produces only about half as much electricity as it did in 2010 because of closures of coal plants and the Pilgrim nuclear plant in 2019. But the state is still moving forward with renewables: Solar power provided a quarter of Massachusetts power generation 2024. The 2023 Massachusetts Climate Report Card calls for "substantial additions" of clean energy to reduce greenhouse gasses—and it warns of "significant challenges" to meeting its longer term goals.

New York closed its last coal plant in 2020 and the Indian Point nuclear plant in 2021, planning to generate increasing output from renewable sources. But those sources haven't grown fast enough. The New York Independent System Operator now warns of a significant power shortfall, but the New York State Scoping Plan has called for 70% renewable electricity by 2030 and 100% zero-emissions electricity by 2040.

Across the Hudson River in New Jersey, surging electricity prices are a top issue in the gubernatorial race. Candidates Jack Ciattarelli and Mikie Sherrill both criticize Gov. Phil Murphy's power policies. The state's last two governors closed one nuclear plant and five coal plants. Because of the closures, in 2023 the state imported about one-fifth of its power from other states.

Green policies have created a costly natural-gas shortage in New England. In 2024 gas generated 55% of the electricity for New England homes. But for more than a decade, New York blocked the construction of gas pipelines to New England in an effort to decarbonize. To reduce the shortage, Massachusetts imports liquefied natural gas from Canada and overseas locations at higher prices.

The lack of pipelines forces residents in Connecticut and other New England states to pay as much as double the price for gas compared to residents in other states. Connecticut electricity prices have climbed 31% in the past five years largely because of the gas restrictions. The Trump administration is pushing to revive two pipeline projects that New York previously blocked to bring lower-cost gas to New England.

Democrats should stop blaming Republicans for soaring energy prices in blue states that their own green energy policies cause. If they want prices to reverse course, then they should use the electricity sources that are actually cheaper.

Bloomberg

American 'State Capitalism' Is Destined for Failure

October 24, 2025 at 4:00 AM CST

By The Editorial Board

Call it industrial policy, state capitalism, old-fashioned socialism: It's a bad idea. Across several recent administrations, the US government's role in the economy has grown increasingly intrusive. The current White House has taken things to an extreme. It's a tried-and-failed experiment that should be scrapped before it does any more harm.

Citing a variety of goals — protecting national security, bolstering supply chains, boosting domestic manufacturing — the administration has been giving itself "a piece of the action," as the commerce secretary puts it, in company after company. So far, it has taken a 10% stake in Trilogy Metals Inc.; a $400 million chunk of MP Materials Corp.; a possible 5% share of Lithium Americas Corp., along with a cut of its Thacker Pass project; a "golden share" in United States Steel Corp.; and a 10% piece of Intel Corp. It has also offered export-control exemptions to Nvidia Corp. and Advanced Micro Devices Inc. in exchange for 15% of the resulting revenue. The president has mused about more such deals to come. ("I want to try and get as much as I can," he says, believably.)

Decades of hard experience show the perils of such intervention. Outside of genuine emergencies, it is likely to lead to misallocated resources, slower growth, less dynamism and more rent-seeking. Far from strengthening domestic industry, it will favor incumbents over startups, delay needed reforms and restructurings, and invariably prioritize politics over productivity. It's a formula for stifling innovation and enfeebling the competitive spirit.

Unfortunately, "state capitalism" is fast becoming formal policy in numerous respects. One recent analysis found that the US now doles out nearly $200 billion in direct subsidies for favored businesses each year, thanks partly to splurges from the Infrastructure Investment and Jobs Act, the Chips and Science Act, and the Inflation Reduction Act. This largesse may support faltering companies or satisfy political constituencies — it may even have social benefits, as with green energy — but over time it will likely invite corruption, waste tax dollars and sap ambition.

In the same spirit, the president has imposed an expansive tariff regime, affecting trillions of dollars in trade, in hopes of reshaping the economy according to his priorities. At nearly 19%, by one estimate, the US average effective tariff rate is now higher than at any time since the 1930s. Such duties will not just raise prices, slash output and erode real wages — they'll also shield domestic companies from the salutary effects of global competition.

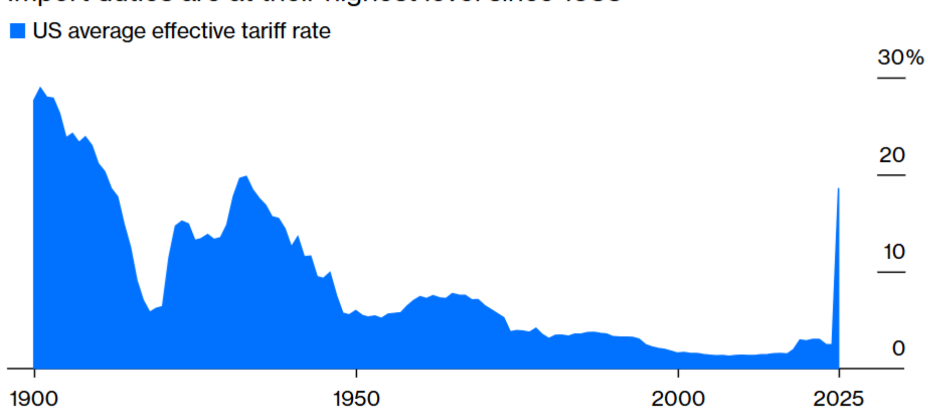
To say the White House is picking winners and losers, then, would be an understatement. It offers ad hoc tariff exemptions for the politically pliable. It props up favored factories with make-work jobs. It provides a "concierge approach" to fossil-fuel permitting while all but outlawing wind projects. Its more distinctive ideas — a sovereign wealth fund, a strategic Bitcoin reserve, a manufacturing "investment vehicle" — all reflect the same thinking: Where capital is concerned, the government knows best.

Time was, Republicans opposed such intrusions, and rightly so. They're antithetical to American capitalism. If the US continues down this path, expect ever-changing rules, unbridled lobbying, exemptions and exceptions for the well-connected, and perpetual uncertainty for any company hoping to make an honest investment. Rather than competing on the merits, business leaders will need to get wise to the ways of Washington.

If it wants to boost the economy, the administration should stop helping itself to equity stakes and instead focus on the basics: prudent regulation, sound infrastructure, top-notch research, pro-growth tax reforms and perhaps even a modicum of stability in Washington. It should remember that the US economy became the wonder of the world thanks to free markets and vigorous enterprise, not central planning.

Tariffs Are Back

Import duties are at their highest level since 1933



Source: Yale Budget Lab
Note: Tariffs enacted in 2025 are measured pre-substitution.

FT FINANCIAL TIMES

America's risky gunboat diplomacy around Venezuela

Editorial

Venezuela's brutal authoritarian regime has been the scourge of the Americas for more than decade. Backed by Russia, China and Iran, President Nicolás Maduro has steadily tightened his grip, triggering economic collapse and the exodus of around 8mn migrants. It is tragedy without modern parallel in the western hemisphere.

Washington has tried different strategies: "maximum pressure" economic sanctions, negotiations with the regime, even recognising an alternative government. All have failed to dislodge Maduro, who kept Venezuela's military and security forces under his thumb, helped by a formidable Cuban counter-intelligence operation President Donald Trump has now turned to gunboat diplomacy, assem bling in the Caribbean an impressive array of US military firepower to pressure Venezuela's revolutionary socialist leadership. The task force includes destroyers with Tomahawk missiles and boats carrying special forces commandos. Its deployment evokes memories of the long and chequered history of US military intervention in Latin America.

Trump has not been clear about his ultimate goal perhaps deliberately, as this gives him more options. But his hawkish secretary of state Marco Rubio is pressing for regime change and the drums war are beating ever louder.

US military forces have blown out of the water at least nine boats Washington says were trafficking drugs, killing almost all of their occupants. Those moves have generated striking images popular with many Americans, but raised disturbingle questions.

There are indeed US indictments against Maduro and key figures in his regime on charges of drug trafficking.

But ordering the military to kill civilians in international waters on the grounds that they are terrorists posing national security threat is another matter: Trump has not sought congressional authority to treat Latin American drug cartels the next al- Qaeda.

Last week Trump mused about the possibility of military strikes on land in Venezuela. Missile strikes or bombings could create the vivid social media clips the US president loves and ratchet up pressure on Maduro, but are far from guaranteed to trigger regime change.

With about 10,000 troops, the US task force is too small to attempt a scale invasion. The successful 1989 mission to topple the dictator Manuel Noriega in Panama, 12 times smaller than Venezuela, required over 27,000 Military experts have speculated that Trump could use commandos for a snatch operation to extract Maduro and perhaps some key allies to face trial in the US. The risks are high: the sight of US commandos being paraded as captives or in body bags would be Trump's worst nightmare. Yet the biggest peril could be the unintended consequences.

Removing Maduro is one thing: guaranteeing successful transition to the real winners of last year's presidential election quite another.

Edmundo González, whom independent monitors credit with winning over 80 per cent of the votes in the election Maduro stole, is in exile in Spain. María Corina Machado, winner of this year's Nobel Peace Prize for her brave fight against Maduro's tyranny, is in hiding Venezuela. The US record on nationbuilding after military action woeful.

A botched military operation could lead to hardline elements in Venezuela's government, such as interior minister Diosdado Cabello, seizing control. It could also entrench Maduro for another decade and trigger yet more repression. These are not reasons to accept the loathsome Maduro regime: far from it.

But the White House is contemplating military intervention, it should be careful what wishes for.

THE WALL STREET JOURNAL.

Putting the Oil Squeeze on Putin

By The Editorial Board

Oct. 23, 2025 5:52 pm ET

President Trump sure can turn on a dime on Russia. On Wednesday he finally decided to blacklist Russian oil giants Rosneft and Lukoil, only days after he said Vladimir Putin wants peace. This is progress, but the sanctions won't turn the war unless the Administration keeps adding to the military and economic pressure.

Brent oil prices popped to $66 a barrel on Thursday from about $60 earlier in the week as markets digested the potential impact of the latest U.S. and European sanctions. The goal is to limit Russian energy exports that account for about a third of the Kremlin budget and fund its military.

The U.S. and Europe cut off nearly all Russian crude imports soon after Russia invaded Ukraine in February 2022. The G-7 later limited insurance for shippers that transport Russian crude sold at more than $60 a barrel. The Biden team pushed this price cap as an alternative to tougher sanctions that might have reduced Russian exports and raised U.S. gasoline prices.

Chinese and Indian refineries have continued to buy Russian oil, often carried by shadow fleets and sold through intermediaries. Europe has sanctioned these fleets to little effect. Russian seaborne crude exports have increased to 3.8 million barrels a day from about 2.8 million before the Ukraine invasion.

President Trump earlier wavered on tightening sanctions on Russian oil because he didn't want to spoil the mood music with Mr. Putin as he tries to negotiate an end to the Ukraine war. He also worried about rising gas prices. But global oil markets are well-supplied thanks to increased production by Saudi Arabia and North American frackers.

U.S. and Canadian production hit records this summer and combined are about 3.4 million barrels a day higher than in 2019. Crude prices have fallen from $75 a barrel a year ago, and a projected surfeit next year could send them lower. U.S. shale drillers might welcome somewhat higher prices as their margins get squeezed by the President's tariffs.

The sanctions on Rosneft and Lukoil—Russia's two biggest oil producers—will bar refineries and banks that transact with them from U.S. financial markets and conducting business in dollars. The impact of the sanctions will depend on how strictly the Administration enforces them.

Four Chinese state-owned oil companies said Thursday they'll suspend purchases of Russian seaborne oil. But most Chinese buyers are independent "teapot" refiners that pay in other currencies and are unlikely to be deterred. India may have a harder time dodging sanctions. Reuters reported that India's major refiner, Reliance Industries, will stop importing oil under its long-term deal with Rosneft.

A trigger for the oil sanctions may have been a phone call this week in which Russian Foreign Minister Sergei Lavrov told Secretary of State Marco Rubio that Russia still wants all of Donetsk oblast in Ukraine—a nonstarter with Kyiv. Mr. Trump later cancelled plans to meet Mr. Putin in Budapest.

Good. The new economic pressure on Russia is welcome, but only if it lasts. Mr. Trump has wavered between wooing and lamenting Mr. Putin, which has let the Russian continue his campaign to annihilate Ukraine.

Mr. Trump might look up the road to Congress, where a majority wants to impose more serious penalties on Russia and its abetters. This includes a bill by Sens. Lindsey Graham and Richard Blumenthal for 500% tariffs on countries that buy Russian oil.

The Senate Foreign Relations Committee this week approved other sanctions bills. One would designate Russia a state sponsor of terrorism unless it returns abducted Ukrainian children. Another would sanction Chinese entities that export dual-use technologies to Russia. Tougher sanctions can drive up the cost of war for Mr. Putin, but they will be more powerful if they are accompanied by more weapons for Ukraine.

The Washington Post

Can Japan persuade the U.S. not to go wobbly on Taiwan?

Editorial

President Donald Trump will meet with Japanese Prime Minister Sanae Takaichi on Monday, and much attention has gone to disputes over trade and defense spending. Yet the most important issue has remained below the radar: Taiwan.

Takaichi — a conservative "Japan First" nationalist who has called for a crackdown on illegal immigrants and more spending on her country's military — has plenty in common with her American counterpart. And there is much for Trump to like in Japan's policy direction, even as they continue to negotiate over automobile tariffs or the costs of keeping about 60,000 American troops stationed on the island.

Yet the new prime minister and the broader Japanese political class are deeply unsettled by the possibility that Trump is softening on China as he tries to reach a broad trade deal with President Xi Jinping, whom Trump plans to sit down with next Thursday in South Korea.

Watch to see whether Takaichi, staunchly pro-Taiwan, presses Trump at the start of his Asia swing on whether the United States will commit to defending the island in the event China attacks.

Trump changed the American consensus on China during his first presidential run, complaining about trade deficits with Beijing and its theft of intellectual property. He congratulated a newly elected Taiwanese leader over the phone before taking office, and in 2018, he imposed tariffs on hundreds of billions of dollars worth of Chinese imports. Restrictions on technology exports nearly destroyed the telecoms giant Huawei. He vacillated over the course of his first term, praising Xi at times while criticizing China strongly over covid-19.

His second term remains a mixed bag. No country has been hit harder by Trump's global trade war than China, and he is threatening new 100 percent tariffs in retaliation for Beijing restricting the export of crucial rare earth minerals. At the same time, he loosened a Biden-era ban on the sale of critical artificial intelligence chips to China and reached a deal to transfer ownership of the popular app TikTok, allowing its Chinese parent company, ByteDance, to retain a stake. The concessions all seemed aimed at securing a far-reaching agreement with Xi.

Then there's Taiwan. Trump has halted a $400 million arms package to the self-ruled democratic island. He has also not used any of his annual $1 billion drawdown authority to send weapons to the Taiwanese and discouraged a visit to the U.S. by President Lai Ching-te. A planned June meeting between senior American and Taiwanese defense officials has been postponed.

Trump has spoken critically of Taiwan, raising questions about his commitment to help the island in the event of a Chinese invasion. He has accused Taiwan of stealing the U.S. semiconductor industry. And while preserving the long-standing U.S. policy of "strategic ambiguity," he has insisted that China will not invade while he is president. Is that an invitation for Beijing to take the island later?

For Japan, Taiwan is a key to its new defense posture, which names China as the main source of instability in the Asia-Pacific region. No country has deeper ties with Taiwan, nor would be more impacted by a Chinese takeover of the island. Taiwan lies less than 70 miles from Japan's southwesternmost islands, making it vital to Japan's shipping lanes. A Chinese takeover of Taiwan would put Japan on the front lines of a new cold war in the Pacific.

Takaichi visited Taiwan in April, and said it was "crucial" to strengthen security cooperation between Tokyo and Taipei. During that visit, she called for a "quasi-security alliance" between regional democratic partners, including South Korea, Australia and the Philippines. It makes sense for the U.S. to welcome this development, as the damage done to Japan and its allies by a Chinese takeover of Taiwan would no doubt adversely harm America's position in the region.

Japanese leaders might look to Europe as a model. Trump started his second term berating President Volodymyr Zelensky in the Oval Office and courting Russian President Vladimir Putin. Now he is putting sanctions on Russian oil companies and coordinating strikes deep into Russian territory. The U.S. could do more on providing military assistance, but American's European allies deserve credit for helping shift Trump's stance.

Japan's challenge is to do the same for China policy in general and Taiwan in particular. Trump is a tough negotiator, but American and Japanese interests are fundamentally aligned on China and Taiwan. The fate of that small island could very well rest on how Japan's new prime minister manages her relationship with the president.

Bloomberg

Argentine Beef Imports Would Betray US Ranchers

October 24, 2025 at 4:00 AM CST

By Patricia Lopez

American cattle ranchers might be forgiven for wondering whether President Donald Trump's new slogan is "Argentina First."

Trump, in response to rising US beef prices, said Sunday he may buy Argentine beef to drive down costs for American carnivores — a move that has angered the domestic cattle industry. "We would buy some beef from Argentina," he declared. "If we do that, that would bring our beef prices down." Economists say importing Argentine beef would do little to bring down prices for consumers, because the country's output is relatively small. But it sure has riled up American ranchers.

Trump has built an entire political brand around protecting and enhancing industries at home, eschewing the free-trade philosophies that once were a hallmark of the GOP. Yet during Argentina President Javier Milei's most recent White House visit, Trump said the US may consider a free-trade deal with the South American country, and it appears beef could be part of such an agreement.

Is this departure a one-off? A return to past practice? A tacit acknowledgment that tariffs may not be the answer to every problem? It's impossible to know. But ranchers, who backed Trump heavily, now feel betrayed. Cattlemen's groups, individual ranchers and even several Republican lawmakers have expressed their displeasure.

"I'm appalled President Trump, who campaigned on how he loved farmers, is putting America's farmers out of business by helping Argentina farmers first," said John Boyd, a cattle and crop farmer and founder of the National Black Farmers Association.

And on Wednesday, the National Cattlemen's Beef Association posted on X that "cattlemen and women cannot stand behind President Trump while he undercuts the future of family farmers and ranchers by importing Argentinian beef," calling his proposed imports an "effort to manipulate markets."

It's true that prices for American beef have hit record highs, with even humble ground beef closing in on $8 a pound. Shrinking herds, rising production costs, high tariffs on beef from Brazil (a top competitor), drought, and Americans' voracious appetite for red meat have all driven prices higher.

But although 2024 was a rare banner year for beef revenues, higher prices haven't necessarily saved ranchers' fortunes. Increasing consolidation in the industry has also made survival more difficult for independent cattle producers. Farm bankruptcies, which include ranchers, were up 56% from the previous year ending in June. More than half of all cattle ranchers have disappeared from the American landscape since 1980.

Ranchers wanted to believe Trump when he said tariffs, while painful, would produce lasting gains. They have been slow to direct their anger at him. But now they may be approaching a breaking point.

In a post that went viral this week, Meriwether Farms made a poignant plea to Trump. It started with the now-routine obeisance, but quickly cut to the chase: "We love you and support you," the post stated. "But your suggestion to buy beef from Argentina to stabilize beef prices would be an absolute betrayal to the American cattle rancher."

Cattlemen above all want to see a return to mandatory Country of Origin labeling to promote high-quality American beef. They want more regional processing plants, help restocking herds after years of drought (the national cattle herd is at a 75-year low) and easier interstate sales.

In an attempt at damage control, the USDA on Wednesday hurriedly announced measures that it said would strengthen the beef industry. The National Cattlemen's Beef Association said Wednesday it had no comment on the USDA plan, but was "still extremely concerned" by Trump's push for Argentine beef.

Trump clearly is enamored with Milei, calling the far-right libertarian leader "my favorite president" and pledging to do what he can to help him survive. He certainly put Argentina first when it came to soybean farmers, who have been shut out of their most lucrative market — China — because of Trump's trade war. Trump extended an up to $40 billion bailout to Argentina earlier this month. Argentina then suspended its export taxes and landed a fat soybean contract with China — a double whammy for US soybean farmers, who are still waiting for their aid package.

Republican Senate Majority Leader John Thune sees the danger even if Trump does not. In a rare break with the president, Thune said Thursday that flooding the US market with foreign beef would be a mistake. "This isn't the way to do it," said Thune, whose home state of South Dakota is a major beef producer. "It's created a lot of uncertainty in that market. So I'm hoping that the White House has gotten the message."

Earlier Trump admonished cattle ranchers in a Truth Social post, saying they should thank him for tariffs on imported beef, otherwise "they would be doing just as they've done for the past 20 years — Terrible!" He urged ranchers to lower their prices.

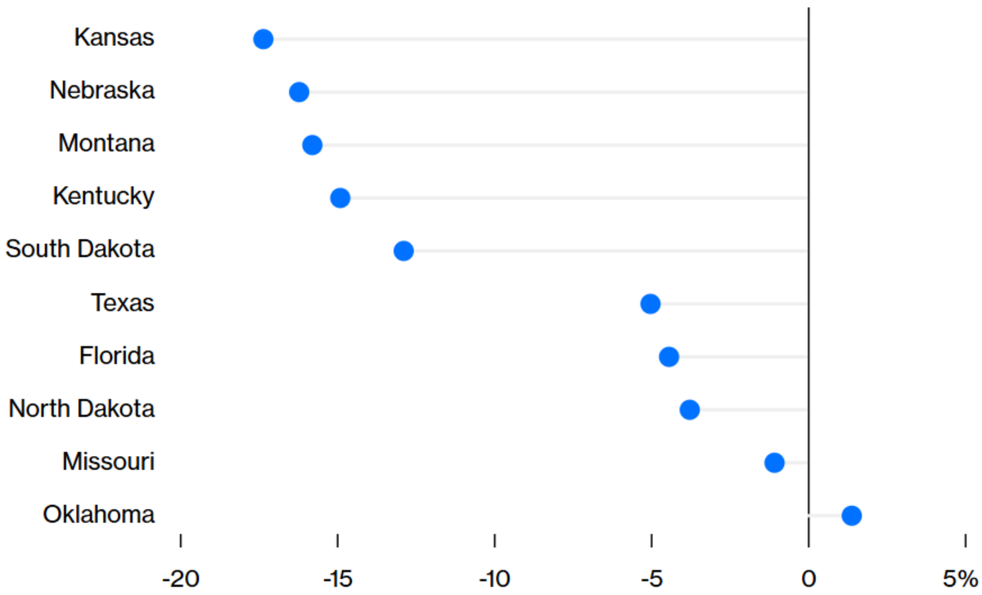
But ranchers don't control the market that way. Four multinational meatpacking corporations do, overseeing an estimated 80 to 85% of the domestic market. His "beef" over beef prices is with them.

Trump has described Argentina as "fighting for its life," telling a reporter, "they have no money, they have no anything . They're fighting so hard to survive."

But American ranchers are also fighting to survive. And they were counting on Trump to help them.

Cattle Inventory Is Falling Across the US

Percent change in herd numbers since 2016



Source: USDA data analyzed by Lauren Cross, Investigate Midwest

FT FINANCIAL TIMES

Gold as an equity hedge requires investor patience

Rebecca Patterson

Investors who had recently jumped on the gold bandwagon learnt a painful lesson on Tuesday when prices posted their largest one-day fall in 12 years.

It is a lesson they should remember for when the broader equity market cycle eventually turns gold's diversification benefits rarely come without some bumps along the way. While this week's sell off is unlikely to change the more structural reasons why investors have been addinggold to portfolios, that does not meana repeat won't happen.

Indeed, history shows a consistent pattern in which gold prices fall alongside stocks before decoupling and usually heading higher. Those who want the benefits of portfolio diversification through gold need patience.

Looking at the last six instances where the S&P 500 fell by 15 per cent or more, gold prices initially declined as well. By the time the S&P 500 troughed, however, gold had outperformed by a noteworthy average of 40 percentage points and with absolute positive returns in four of the six instances.

The correlation and admittedly small sample size behind this conclusion is less important than understanding why gold behaves this way. That's especially true today with stocks near record highs and growing investor questions about how much longer the rally can continue.

When sustained equity drawdowns start, investors begin to prioritise increasing cash holdings. This often means not just selling what you want but what you can, since periods of market stress often limit the ability to sell less liquid assets at reasonable prices.

Gold, a relatively liquid commodity, tends to get caught up in this dynamic.

As a result, it often sees lower prices alongside equities for days or even several weeks.

For those new to gold investing, those initial losses on gold holdings can feel like a betrayal. How did this asset that was supposed to cushion a portfolio not work the way they expected? It important to know that these gold price pullbacks usually prove less extreme than those in equities, both in degree and duration. There are a few reasons for this.

First, central banks respond to financial instability by lowering interest rates, which in turn reduces the oppor tunity cost of owning assets like gold that do not offer yield.

Second, as investors reassess the market environment and adjust portfolios, they usually reduce risk assets like equities and credit and add safer ones, including longer-duration government bonds gold.

Gold prices are also supported by limited supply and an expectation that key holders of gold namely, central banks are unlikely to suddenly sell reserves given their long-term investment horizon focused on liquidity and stability.

Today, conditions appear to be building for a repeat of this historical pattern, in which gold might see period of negative returns before once again showing its diversification ability.

Such risk seems relatively more likely after a run-up in gold prices of more than 57 per cent this year alone (includthe recent sell Even if some of the shine wears off gold in this potential scenario, there is good reason to expect the price decline will once again be shorter and less deep than that in assets.

First, central banks are adding to gold reserves as a way to reduce exposure to US dollar-denominated assets. This trend is likely to continue with nearly a third of 75 central banks surveyed by the Official Monetary and Financial Institutions Forum saying they plan to raisegold holdings in the next 1-2 years.

Gold may also appear relatively more attractive in a world where both fiat money and low and stable inflation are increasingly questioned. It is seen as an alternative to fiat money as a store hold of wealth, if not an efficient payment vehicle.

One factor that could limit gold's outperformance in the next potential equity bear market is the US Federal Reserve. Back in 2022 when the S&P 500 fell in part because of fears that Fed tightening would weigh on earnings growth, gold prices declined as well.

Higher interest rates reduced its relative attractiveness. But even then, gold still managed to buffer overall portfolio returns, outperforming US equities over the pullback by more than 18 percentage points.

When equities eventually take step down from their current heights, history suggests diversity assets such as gold will help limit portfolio losses.

Investors should know what to expect before that period arrives if they are to avoid tactical mistakes along the way.

Bloomberg

The Debasement and Fall of the Roman Empire

October 24, 2025 at 7:00 AM CST

By John Authers

Currency debasement has a long history. When the Roman Republic started minting the denarius in the second century B.C.E., each coin was 98% silver. As the centuries passed, coins were clipped, baser metals were added, and by the third century of the Common Era, each denarius was less than 5% silver.

This debasement was literal, and visible. Put denarii in a museum case in chronological order, and you can see them losing their shine, shrinking, and beginning to turn green as the years go by. The long adulteration of the Roman currency overlapped, of course, with the long decline and fall of the empire that issued it. A country with a debased currency, goes the narrative, is also debauched, and on the way to inevitable decline. (For much more on Rome and inflation, read this great piece by Opinion colleague Daniel Moss.)

In support of this, the internet yields up a quote from Edward Gibbon, who wrote History of the Decline and Fall of the Roman Empire:

The five marks of the Roman decaying culture: Concern with displaying affluence instead of building wealth; Obsession with sex and perversions of sex; Art becomes freakish and sensationalistic instead of creative and original; Widening disparity between very rich and very poor; Increased demand to live off the state.

At first sight, this is jaw-dropping; the parallels between decadent Rome and criticisms of the American empire are obvious. At second sight, it's obviously too good to be true. Gibbon was a brilliant writer, but his quill produced 18th-century aphorisms with a flowery vocabulary. This quote has been written in bullet points. It comes from someone who is used to arguments expressed in PowerPoint.

A little longer on the internet finds historians who can debunk it. But Roman currency debasement lends itself so appealingly to a broader narrative of decline that it's impossible to resist, so much so that it scarcely matters that Gibbon never said this. Rome really did debase its coins, and its empire really did decline and fall. Gibbon really wrote about these things, although his great and most contentious point was to hold Rome's adoption of Christianity responsible for its fall.

Rome seems relevant again because debasement is back, and creating a renewed terrifying narrative. The gold price has hit a series of records. Even after a sharp selloff this week, it has gained 55% this year, far more than the stock market, and is on course for its strongest year since 1979. Or, put differently, the value of the dollar in terms of gold has dropped by the most since the era of stagflation, the Iran hostage crisis, and the Soviet invasion of Afghanistan.

This is all the more remarkable as gold usually only surges like this when other investments are doing badly — as in 1979.There's no precedent for gold, the favorite choice of pessimists, to rally this strongly when optimists are also making a great profit on equities.

Most remarkable is the narrative of debasement that has accompanied the market moves. All anyone on Wall Street wants to talk about is debasement. In the first three weeks of this month, the word appeared in 1,619 stories published on the Bloomberg terminal (from all sources). Since 2015, the average for a complete month was 383, and the previous record was 1,299. Searches for "debasement" also reached unprecedented levels on Google Trends.

In the literal sense that a dollar (the modern world's successor to the denarius) will get you much less gold than used to be the case, there has been debasement this year. Moves in the buying power of money are expressed these days with inflation data. Nobody says that cash has intrinsic value. If value in terms of precious metal is what matters, then the dollar debased in one fell swoop on the day in August 1971 when Richard Nixon ended the currency's peg to the gold price.

Alternatively, we could use gold's price in dollars since then as a measure of debasement. Again, it suggests that the dollar's dilution has been almost total. Under Rome, the weight of silver in a denarius fell by more than 95% over the course of three centuries. Since Nixon, the weight of gold that a dollar will buy you has dropped by more than 99% in barely more than half a century. Debasement per se has already happened. So why should this narrative take hold now?

When Narratives Go Viral

The best explanation may lie in the emerging field of narrative economics, to borrow a term from the Yale University economist Robert Shiller. He argues that markets and prices are often driven by stories and narratives that can take on the characteristics of epidemiology, suddenly spreading and "going viral." Markets can spark contagion (as in the rise in the gold price), which in turn moves other markets still further.

This applies even to gold, which Shiller describes as a "relatively useless metal, mentioned something like 300 times in the Bible." And this: "You can have both long-term and short-term contagions; the contagious idea that gold has value has been going around for thousands of years."

To become contagious, a narrative needs to have some visual and arresting element. His favorite example is the Laffer Curve, the economic notion that reducing tax rates can increase the amount the government collects in tax. It is almost invariably coupled with the irresistible story of how the economist Arthur Laffer first came up with the idea by drawing on the back of a napkin in the restaurant. That detail made it far more contagious.

As the first lines of this essay should make clear, anything connected to precious metal, and particularly with the decline of the Roman Empire, has the potential to be a viral narrative. That is even more the case if it can also be linked to the prospects of the US government under Donald Trump, a man who divides and galvanizes opinion like no other in living memory. Add it all together, and the narrative acquires the weight of a fake quote from Edward Gibbon.

The gold price seems to be rising primarily in response to reserve managers in large central banks deciding to reduce their exposure to the dollar by building up their reserves of gold instead. As the metal is in very limited supply (all the gold that has ever been mined would fit into an extremely valuable cube with sides of 72 feet), a small move out of the dollar can create a big move in just gold.

The fact that they feel moved to do this is unambiguously concerning. It is one of the many moving parts in the global financial system as different actors work out their response to the massive change in US economic policy under Trump. It does not in itself come close to justifying the extreme interest in debasement — and by the same token, the fall in the gold price over the last week doesn't mean that the alarm is over.

Robin Brooks of the Brookings Institution argues that the "debasement trade" is not just concerned with precious metals, but about "markets trying to get ahead of what they see as inevitable monetization of debt overhangs across many advanced economies." The precious metals bubble is one symptom of this, as is the sudden fascination with debasement. Other factors are arguably more important now that gold has no formal financial significance, particularly in currencies and bond yields. It will be many years before the fears surrounding government debt can be assuaged. As demand for gold is fear-based, Brooks believes that "bubbles like the precious metals spike of recent weeks are inevitable."

It's probably better to look out for metrics that lack the same compelling historical antecedents of the rising gold price. Governments finance themselves with bonds. When the market loses confidence in them, their price will fall, meaning higher yields and, therefore, higher interest costs for the government. Bonds are beginning to acquire narratives that could make them contagious, such as the person of the hapless British prime minister Liz Truss, brought down by a revolt in the gilts market, or in the quasi-mythical "bond vigilantes" who demand fiscal sobriety.

The Treasury bond is the 21st-century equivalent of the Roman denarius, and Washington has made clear that it wants to find ways to keep yields down in maneuvers that have the technical label of "financial repression." Bonds with yields held artificially low by the government are, arguably, the modern-day descendants of denarii that have been clipped and turned green.

Or, to return to Edward Gibbon; he argued that the value of money had been "settled by general consent to express our wants and our property, as letters were invented to express our ideas." Money is a unit of account and it is worth what we can all agree it is. The use of gold and silver was, in Gibbon's mind, "in a great measure fictitious."