BANCO DE MÉXICO

Síntesis de Prensa Extranjera

Octubre 22, 2025

Uso General

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22 de octubre de 2025

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EL PAÍS

La debilidad de la industria y de las inversiones ponen en duda el Plan México para apuntalar la economía

Karina Suárez

La economía mexicana pierde fuelle en el segundo semestre del año. La debilidad tanto de la inversión como de las actividades industriales ha complicado el panorama para México en el tercer trimestre. De acuerdo con las cifras preliminares dadas a conocer el martes por el Inegi, se perfila una caída a tasa anual de 0,6% en los meses de agosto y septiembre. En plena incertidumbre arancelaria frente a Estados Unidos, el mayor tropiezo el mes pasado fue el de las actividades industriales que cayeron un 0,3%, respecto al mismo mes de 2024. Aunque el gobierno de Claudia Sheinbaum ha enarbolado el Plan México para apuntalar la economía ante estos nubarrones externos, los expertos apuntan que las cifras a la baja de sectores como la manufactura y la construcción así como un endeble comportamiento de la inversión pública y privada, ensombrecen el horizonte económico rumbo al último tramo del año.

De confirmarse la caída de agosto y septiembre, la actividad económica del país ligaría tres meses en contracción, luego de descender 1,2% anual en julio. Al interior del Indicador Oportuno de la Actividad Económica del Inegi se desglosa que las actividades terciarias o de servicios tendrían un avance de 0,4%, a tasa anual en agosto y un crecimiento de 0,8% en septiembre, leves ascensos que no alcanzarían a apuntalar la actividad económica durante el tercer trimestre del año. El indicador oportuno prevé que la actividad económica se contrajo en el arranque de la segunda mitad de 2025.

Sheinbaum presentó el Plan México a inicios de este año como su carta de navegación para encarar el muro proteccionista de Donald Trump. La apuesta desde entonces para su Gobierno era clara: impulsar una mayor producción interna, elevar la sustitución de importaciones asiáticas y promover una mayor integración industrial en América del Norte, bajo el paraguas del tratado comercial, TMEC. El banderazo de salida de la estrategia sexenal estuvo acompañado de metas ambiciosas en atracción de 277.000 millones de dólares en inversión y más de 1,5 millones de empleos por año. El panorama actual no es sencillo. No obstante, los continuos embates tarifarios de Washington, la reducción de la inversión por parte del Gobierno federal y la desaceleración económica interna han complicado el despegue de la estrategia.

Ignacio Martínez Cortés, coordinador del Laboratorio de Análisis en Comercio, Economía y Negocios de la UNAM, explica que la contracción industrial prevista tanto en agosto y septiembre de este año son reflejo de la zozobra que prevalece sobre el comercio exterior con Estados Unidos, principalmente, tras la imposición de tarifas en dos sectores estratégicos: el 50% al acero y el aluminio y hasta un 25% en los automóviles enviados desde territorio mexicano al mercado estadounidense. "México no está al margen del golpe global de las medidas arancelarias de Donald Trump y las empresas están evaluando si continúan en el exterior, en lugares como México, o trasladan parte de su producción a Estados Unidos", refiere.

En el interior, el especialista de la UNAM enfatiza un panorama microeconómico débil, con una inversión fija bruta que no repunta, un gasto público raquítico, un consumo privado endeble y, finalmente, una baja en la creación de empleo formal. "A estos factores, se añade el flagelo de la inseguridad, un elemento que también está cobrando factura en el ámbito local", indica.

Sobre el papel que juega el Plan México para reflotar la economía mexicana, el experto reprochó que en el siguiente paquete económico no se destinarán recursos presupuestarios para este plan sexenal, una omisión que lo convierte en una consigna política más que en una herramienta factible para alcanzar en 2030. "Bajo estas condiciones, la economía de México puede crecer en 2026 y 2027, pero será por su actitud inercial, más no por la ejecución del plan", zanja.

A diferencia del sexenio anterior, esta Administración encara una mayor incertidumbre en el comercio internacional, de la mano con la amenaza de EE UU de dar por concluido el TMEC, el acuerdo que ampara más del 80% de las exportaciones mexicanas. La falta de certeza sobre el futuro de la relación comercial entre México y Estados Unidos, aunada a la escalada proteccionista de Washington, ha paralizado proyectos de inversión privados en territorio mexicano. Además, con el mayor déficit fiscal en tres décadas, en niveles del 5,7% del PIB, este Gobierno ha puesto en marcha un plan de austeridad y ha cerrado la llave del gasto para obras. La inversión fija bruta, el indicador reportado por el Inegi, muestra una caída de 6,4% entre octubre de 2024, el arranque del sexenio de Sheinbaum, y junio pasado.

Gabriela Siller, directora de Análisis de Banco Base, coincide en la debilidad más marcada a partir del segundo semestre, lastrada por la caída de las manufacturas y la construcción. Desde Banco Base, los pronósticos de crecimiento apuntalan, cuando mucho, a 0,4% del PIB en 2025, lejos del rango de Hacienda, que fija un alza en un rango del 1,8% a 2,8%. Las previsiones de los organismos internacionales más optimistas apuntan cuando mucho a un alza de 1% para este año. "Vemos que todavía el consumo está estancado, la inversión fija bruta está a la baja y aunque las exportaciones son las que siguen apuntalando el crecimiento económico, tampoco el alza ya es tan alto", abunda Siller.

Grupo Financiero Monex añade que las expectativas de crecimiento previstas para el tercer trimestre de 2025 tienen ante sí el reto de la debilidad de las actividades secundarias y un sector de servicios que comienza a moderar su ritmo de crecimiento. "La confianza empresarial se mantiene en terreno de contracción en los sectores relacionados con la manufactura, construcción y comercios, aunque con una ligera mejoría en los últimos tres meses. Hacia adelante, será clave el seguimiento de las cifras definitivas de agosto porque permitirán confirmar la magnitud de la desaceleración en curso", concluye el cuartel financiero.

Bloomberg

Brazil’s WEG Counters US Tariffs by Making More Goods in Mexico

By Rachel Gamarski

October 22, 2025 at 8:59 AM CST

WEG SA, a Brazilian maker of industrial machinery, expects to offset the impact of US tariffs by the first half of 2026, following a bigger hit than anticipated for the final quarter of this year.

Chief Financial Officer Andre Luis Rodrigues said the company is bringing forward some investments and revamping its supply chain by shifting production for the US market to Mexico. This comes after the US put 50% tariffs on Brazilian goods in early August.

“We’ve been working to accelerate capacity investments in Mexico,” Rodrigues said in an interview. The company aims to have all of Mexico’s output dedicated to the US and Brazilian factories supplying Mexico and Central America, he said. “We don’t see this situation lasting for a long period, but it’s hard to say when it will be reversed.”

WEG is also putting more resources into the US, where it makes transformers and other products and has about 2,200 employees. In September, it announced a $77 million investment to expand capacity at a US facility.

On Wednesday, WEG reported better-than-expected results for the third quarter. That included net income of 1.65 billion reais, topping the average of analyst estimates.

WEG reiterated guidance for its margin on earnings before interest, taxes, depreciation and amortization to be between 21.8% and 22.4% for this year.

Stock Gains

The company’s shares rose as much as 1.8% on Wednesday. The stock had declined about 25% this year through Tuesday, trailing a 20% advance for the benchmark Ibovespa index.

The performance in the third quarter was slightly better than estimates, Citigroup analyst Andre Mazini said in a note to clients.

Brazil’s September trade data showed that exports of electric motors and generators from Jaragua do Sul, which are primarily WEG’s shipments, dropped 13% compared to the same period last year, according to a report from Bank of America. WEG is headquartered in the southern Brazilian city.

WEG said that its foreign industrial activity remained positive in its main markets, despite the new tariffs. With a stronger Brazilian real and a challenging domestic backdrop — including a 15% benchmark interest rate and next year’s presidential election — the company still expects to keep expanding profitability.

“Regardless of the macroeconomic scenario, WEG keeps finding ways to increase its net income,” Rodrigues said. “We’ll continue looking for opportunities to boost earnings per share.”

EL PAÍS

México adopta una profunda reforma a sus aduanas en medio del escándalo del huachicol fiscal

Carlos Carabana

El Congreso de la Unión ha aprobado la reforma a la Ley de Aduanas, con la que el Gobierno de la presidenta Claudia Sheinbaum busca aumentar la recaudación fiscal cerrando los espacios y oportunidades al contrabando técnico y otras formas de defraudación que suponen una fuga de capitales para la Hacienda mexicana. Todo mientras sigue el escrutinio público a las aduanas por su papel como escenario principal del enorme escándalo de corrupción de contrabando de combustible liderado por marinos de alto rango, que usaban su influencia para poner a gente de su confianza en puestos clave de estos recintos y poder operar una multimillonaria trama criminal.

En un rápido trámite legislativo de solo dos semanas y con cambios menores respecto a lo mandado por el Ejecutivo, la reforma entrará en vigor el 1 de enero de 2026. Esto dará tiempo a los actores involucrados para adecuarse a las nuevas normas que incluyen cambios notables sobre todo para el sector privado de la ecuación: los agentes aduanales y los recintos fiscalizados estratégicos. Un legislador de Morena, uno del Pan y un agente aduanal argumentan para EL PAÍS cómo ven esta legislación.

La reforma transforma tres aspectos principales. Uno es la figura del agente aduanal, la persona autorizada por el Servicio de Administración Tributaria para representar a los importadores y exportadores y se asegura del cumplimiento de la ley. Su patente pierde la vigencia permanente y será renovada cada 20 años. También desaparecen las "Causas excluyentes de responsabilidad del agente aduanal", haciendo que estos operadores y las agencias aduanales sean responsables, junto con las empresas importadoras y exportadoras, de que los productos estén dentro de la fracción arancelaria correcta y que se paguen los impuestos correspondientes. Hasta ahora, si las mercancías son de difícil identificación (como por ejemplo, un líquido que puede ser gasolina o aceite lubricante), los agentes aduanales quedaban exentos de responsabilidad legal.

"Si me presentan un contenedor con mil cajas que contienen botellas de agua, yo no puedo saber si todas las botellas tienen agua o resulta ser un ácido o una droga líquida; por eso existían estas excluyentes", asegura Fernando Ramos Casas, fundador de la Confederación Latinoamericana de Agentes Aduanales. Con 36 años de experiencia en el sector, vaticina que muchos agentes aduanales no van a querer trabajar con estas mercancías complicadas ("sensibles", se les dice en el argot) por las posibles consecuencias legales.

"Esta reforma no tiene un carácter punitivo ni es una persecución del Estado hacia el comercio exterior", contesta Juan Carlos Loera de la Rosa, senador por Morena. El también presidente de la Comisión de Asuntos de la Frontera Norte del Senado dice que "los ciudadanos exigimos que los funcionarios del Estado mexicano cumplan con la ley y, si no, que se les sancione; entonces no veo porque, si en los agentes aduanales se delega la responsabilidad del Estado, estos no se tienen que asegurar de que las mercancías que estén importando o exportando cumplan con lo que ellos manifiestan".

"El agente aduanal no es una autoridad, pero le dan estas responsabilidades fiscalizadoras", dice el diputado panista Héctor Saúl Téllez Hernández. "Tener que garantizar que un producto químico o líquido es lo que dice una empresa, sin tener a mano laboratorios específicos, me parece peligroso y una criminalización de los agentes, a los que se les amenaza con suspender su patente solo por empezar una investigación", continúa Téllez Hernández, que también es secretario de la Comisión de Presupuesto y Cuenta Pública.

En México hay poco más de 800 agentes aduanales. Según aseguró en el Senado el administrador central de Investigación Aduanera de la Agencia Nacional de Aduanas de México (ANAM), en lo que va de Administración se han cancelado 45 patentes y se tiene conocimiento de que, aparte, otros 30 eran los que gestionaban todo el contrabando de combustible en las aduanas. "Los agentes aduanales ya ni se toman la molestia de ir a revisar sus despachos", dijo el funcionario para justificar la reforma.

Para evaluar las acciones de los agentes aduanales se va a crear un Consejo Aduanero, presidido por la Secretaría de Hacienda y Crédito Público (SHCP) y compuesto por funcionarios del Servicio de Administración Tributaria (SAT), de la ANAM y de la Secretaría Anticorrupción y Buen Gobierno, que se encargará de decidir sobre las patentes aduanales y su gestión.

EL PAÍS

Las fuertes lluvias de octubre en México desbordaron las previsiones de Conagua

Hace 12 días que comenzó a llover cerca del río Cazones. La Huasteca veracruzana, acostumbrada a la humedad y a sus ríos sinuosos, convive con las lluvias, pero las precipitaciones incrementaron de manera desproporcionada. El viernes 10 el río se desbordó, subió aproximadamente cuatro metros sobre su nivel habitual y se llevó a personas y autos en el camino. Los efectos continúan hasta hoy. La Comisión Nacional del Agua (Conagua) ya proyectaba, desde el mes de agosto, que las lluvias serían intensas. La zona esperaba hasta 400 milímetros (mm) de lluvia. Esto superaba todos los récords recientes de Poza Rica. En octubre de 2007, cuando sumó más de 300 mm, se desalojaron cerca de 500 toneladas de lodo y escombros de la calle, desde entonces los pobladores exigían cambios en la infraestructura para evitar que se repitiera, en 2019 se repitió la promesa. Históricamente, octubre es el mes en el que más se presentan lluvias.

Solo el año pasado el recolector registró una lluvia de 96,3 mm, cuando pasó una tormenta sobre el territorio de Veracruz. La población advirtió de nuevo el temor a que se desbordara el río y que las familias tuvieran que evacuar sus hogares, de acuerdo con la prensa local. Las autoridades entonces dijeron conocer el mapa de riesgos de la zona y que actuarían en consecuencia. En la temporada de lluvias, solo en el mes de junio de 2024, en la Ciudad de México, cuando se registró un récord de lluvia, cayeron 211,6 mm, esto es apenas la mitad de lo que se proyectaba para la zona de mayor afectación de Veracruz, Puebla e Hidalgo, según el acumulado de lluvias de la propia Conagua.

Esta lluvia ha provocado 76 fallecimientos entre las comunidades afectadas y hay al menos 27 personas no localizadas. Cerca de 39.000 hogares tienen daños en diferentes grados. La última tragedia vivida en México, la llegada del Huracán Otis, que avanzó sobre el territorio nacional de forma sorpresiva, provocó la muerte de 68 personas y 31 desaparecidos.

Según los cálculos oficiales, en la región se superaría en un 75% la lluvia regular. Este era uno de los pocos puntos en el mapa que mostraban anomalías tan altas, junto con el sur de Veracruz, Chiapas y Querétaro, donde también se presentaron lluvias intensas al inicio del mes. En cuanto a la extensión territorial de cada Estado, Veracruz se encontraba a la cabeza de las anomalías y Puebla estaba en el cuarto lugar. El mapa de riesgos de la zona, que recupera los datos hasta 2023, ya proyectaba que los puntos en los que hoy se observan las afectaciones a la población corrían el riesgo de presentar daños severos.

Las denominadas "zonas susceptibles de inundación" calculadas por la Coordinación Nacional de Protección Civil, así como por el Centro Nacional de Prevención de Desastres y el Gobierno de Veracruz, apuntaban a que los alrededores del río Cazones mostraban una tendencia a vivir inundaciones ante una caída intensa de lluvia. Lo mismo ocurría con la zona cercana al Álamo y las comunidades que hacen frontera con el Estado de Puebla.

Desde 2024, la secretaria de Protección Civil del Gobierno de Rocío Nahle, Guadalupe Osorno, ya señalaba que en las zonas serranas, es decir, la mayor parte de los municipios que no son costeros en Veracruz, podrían presentar deslizamientos, de acuerdo con este mismo mapa de riesgos, por lo que se tenía conocimiento de la vulnerabilidad de la región.

La lluvia que provocó este desastre comenzó de forma tímida el 9 de octubre. Ese mismo día el Gobierno de México, en un comunicado conjunto de Conagua y la Secretaría de Medio Ambiente, informaba que la tormenta tropical Raymond y "el aporte de humedad de una zona de baja presión en el Golfo de México" provocaría lluvias de 250 a 350 milímetros en el norte de Veracruz, Guerrero y las costas de Michoacán. Además, apuntaba caída de lluvias en Colima, Oaxaca, Chiapas, Tamaulipas, Campeche y Quintana Roo. Para entonces, los documentos oficiales aseguraban que en Sonora, Sinaloa, Jalisco, Baja California Sur y Guerrero se preparaban brigadas para atender a la población.

Esa misma noche ya se advertían incrementos en el cause del río Cazones, que tendría efectos en los municipios de Tecolutla, Álamos, Temapache, Zihuatlán e Ignacio de la Llave. En todo el Estado de Veracruz hay al menos 34 muertos y 14 personas no localizadas. Es el que más municipios afectados registra, con 38, y donde además continúan cerrados 67 caminos.

El cauce de los ríos se desdibujó con las lluvias y afectó a comunidades pequeñas, como La Ceiba, del municipio de Xicotepec, en Puebla. En esta zona el agua cubrió parte de los hogares y se extendió en el camino del río San Marcos. En este Estado hay 19 muertos y cinco desaparecidos. Permanecen 19 caminos cerrados y 23 municipios registran daños. El mapa de riesgos de Protección Civil, tanto de Hidalgo como de Puebla, no presenta el nivel de actualización que el de Veracruz. Mientras el de Hidalgo señala posibles daños con cálculos de hasta 2008 y 2009, en Puebla no se muestran los datos comparativos.

Las lluvias persisten, de acuerdo con Conagua, Veracruz continuará recibiendo lluvias fuertes, mientras que Puebla, Hidalgo y San Luis Potosí presentarán precipitaciones aisladas.

EL PAÍS

Adrián Fernández: "México tiene la oportunidad de ser un jugador mundial en la lucha contra el cambio climático"

El Presidente del Instituto Nacional de Ecología del 2005 al 2011 y ex vicepresidente para América Latina de la Comisión de Desarrollo Sostenible de Naciones Unidas, a sus 64 años, Adrián Fernández cuenta con más de tres décadas de experiencia en el desarrollo de políticas ambientales y climáticas. Es fundador y director de Iniciativa Climática en México (ICM), una organización híbrida que capta fondos para canalizarlos de manera estratégica y es también un laboratorio de pensamiento. Algunos de sus informes han sido clave en la implementación de políticas públicas en el país. En 2022, presentaron, desde la sociedad civil, su propuesta de NDC de México (las contribuciones Determinadas a Nivel Nacional, que son los planes de acción climática de los países bajo el Acuerdo de París) y, un año después, la Ruta de Emisiones Netas Cero de México. Estos documentos, una guía de las políticas que debería implementar el país para cumplir la meta de eliminar por completo los gases de efecto invernadero en 2060, conforman parte de la estrategia que el Gobierno mexicano presentará en la próxima Conferencia de Cambio Climático de Naciones Unidas (COP30) que tendrá lugar este noviembre en Brasil.

"Si México quiere bajar sus emisiones, no bastará con hacer todos esos esfuerzos en el sector de energía. Tenemos que hacerlos también en el transporte", apunta Fernández. El experto ha participado este mes en México por el Clima: Semana de Acción, un encuentro que reunió en la capital mexicana a gobernantes, empresas y sociedad civil para analizar las prioridades de la agenda climática, y en el que ICM presentó uno de sus proyectos prioritarios: Drive Electric, una iniciativa global que, entre otras acciones, fomenta la regulación de los países para que puedan aumentar el porcentaje de vehículos eléctricos en circulación. "La electrificación del transporte tanto público como privado es una gran tendencia en el mundo y uno de los pilares que nos puede llevar a alcanzar la neutralidad de emisiones", dice. "México cuenta con las condiciones para convertirse en un líder regional de la electrificación del transporte. Pero hay que conseguir financiamiento para la infraestructura y las intervenciones urbanas".

Aunque ICM tiene hasta seis convenios de colaboración con las Secretarías de Medioambiente, Hacienda, Energía, Agricultura, Comunicaciones y Transportes, además de la Comisión Nacional Forestal, la organización no recibe dinero "ni del Gobierno ni de empresas". "Todo lo que hacemos es probono", aclara el especialista, que recibe a América Futura en su oficina en Ciudad de México.

Pregunta. A principios de año, Claudia Sheinbaum presentó el Plan México con el sector de la energía como uno de los principales ejes de desarrollo del país. Después se anunció la estrategia de descarbonización. ¿Hay un cambio de dirección respecto al Gobierno que le antecede?

Respuesta. Sheinbaum llegó al poder con dos retos. El primero era cambiar el rumbo del anterior Gobierno. Eso ya lo está haciendo. La presidenta está liderando una verdadera transición energética con cambios muy significativos con respecto a las políticas de la anterior administración, pero es silenciosa y tiene muchos mayores alcances que lo que se percibe públicamente. Su segundo desafío es acelerar y escalar esos esfuerzos. Plan México provee un muy buen primer piso de muchos temas energéticos que estaban pendientes, pero necesita sumar capacidades y financiamiento del sector privado para llevar a cabo esas acciones y medidas concretas en energía renovable.

P. México falló en su propósito de alcanzar el 35% de energía renovable para el 2024, como establecía la Ley de Transición Energética. ¿Logrará la meta de reducir el 35% los gases de efecto invernadero para 2030?

R. Sí, es posible, aunque fácil no está. Se va a necesitar continuar avanzando con las políticas públicas que permitan catalizar la inversión privada en aquellos muchos aspectos donde hay un atractivo por la rentabilidad de los proyectos. El Plan México habla de que se puede incorporar entre 6,4 y 9,5 gigawatts (GW) de energía renovable a través de la inversión privada para el año 2030. Necesitamos triplicar el nivel del esfuerzo y de la inversión privada para poder alcanzar las metas. ¡La buena noticia es que las renovables son rentables! Hay grandes oportunidades para que el capital privado, coordinado con el Gobierno, invierta a gran escala en energía solar y eólica. Pero hay que continuar desarrollando los reglamentos desde un marco legal de certidumbre.

P. Afirma que las renovables son rentables, pero, con la regulación que entró en vigor en marzo de 2025, los grandes proyectos deberán contar con un 30% de capacidad de almacenamiento con baterías, que conlleva un aumento significativo de los costos debido a la inversión en tecnología que requieren.

R. Aunque estas nuevas políticas suponen inversiones adicionales, ¡aun así las energías renovables son rentables! El mismo año que se aprobó el Acuerdo de París, en 2015, elaboramos un estudio muy detallado que tuvo que ver con Ley de Transición Energética en México y que analizaba los llamados "costos nivelados" para comparar qué es más caro: si el gas, el carbón, el sol, el viento, etcétera. Y ya demostramos hace una década que las energías renovables eran incluso más baratas que el gas. En México tenemos acceso al gas más económico del planeta, [que procede] de Estados Unidos. Pero tenemos además tanto sol y tanto viento que [las renovables] resultan más baratas.

P. Según algunos expertos, México necesita el gas natural como un combustible de transición hacia las renovables. Pero las plantas de gas resultan muy controvertidas por su impacto socioambiental. ¿Cómo llegar a un equilibrio?

R. Hoy en día, la mayor parte de la electricidad en México se genera con gas, así que va a tomar un tiempo para que podamos reemplazar esas plantas. El gas va a seguir jugando un papel importante en la matriz energética de México para las siguientes tres o cuatro décadas. Pero debemos crear una política pública para que la creciente demanda de energía se supla con toda esa nueva generación de energía renovable, con cero emisiones. Ahora mismo no se puede, pero sí muy pronto: ese es el desafío. Otro aspecto importante es que el gas solo debe utilizarse en los sitios y por el tiempo que sea indispensable. Según los análisis de ICM, a partir del 2030 ya no será indispensable construir más plantas de gas, ¡eso está a la vuelta de la esquina! Si queremos cumplir la meta de emisiones cero, ya no podemos construir centrales nuevas de gas después de ese año.

P. ¿Qué se necesita para impulsar la transición energética?

R. Si México quiere sumarse de manera acelerada a la modernización en la operación y optimización de la red energética con porcentajes cada vez mayores de renovables, y sin poner en riesgo la confiabilidad del sistema, hay que evaluar y diseñar los planes más agresivos de transición para todas las industrias y empresas. Para asegurar la construcción y establecimiento de nuevas grandes plantas de energía renovable solar, eólica y el fortalecimiento de la red, es necesario que los gobiernos impulsen innovación e investigación que asegure sustitutos de todas aquellas cosas que requieren eliminarse, para que se atienda en todo momento la demanda. Y, en la medida que eso va avanzando y se diseñan soluciones para los impactos sociales de la transición, hay que empujar y empujar con normatividad obligatoria.

P. ¿Y cómo va a enfrentar el Gobierno esa resistencia por parte de la industria?

R. Siempre hay resistencias de quienes van a verse afectados o quienes están expuestos al riesgo del cambio, eso es normal. Pero no puedes dejar estos cambios necesarios en manos del sector privado, porque tiene un conflicto de interés. Son los gobiernos, responsables de mirar por el interés público, quienes tienen que continuar haciendo evaluaciones objetivas y diseñar políticas inteligentes y razonables sin dejarse presionar por los muchos actores privados. Si le acercamos paulatinamente más y más datos duros al Gobierno, empezando por la presidenta, ella va a tomar las decisiones basadas en evidencia y no se va a dejar confundir por quienes quieren más y más gas. Para eso necesitamos análisis rigurosos y serios sobre la existencia, o no, de alternativas.

P. Se acerca la COP3O, que se celebrará en Brasil, ¿qué papel juega México?

R. Con Sheinbaum al frente, México regresa a intentar basar sus políticas públicas en ciencia y evidencia: con ella el país tiene la gran oportunidad de ser un jugador de clase mundial en la lucha contra el cambio climático. México tiene grandes capacidades para sumarse a países como Sudáfrica, Brasil y la India, muy parecidos en sus desafíos socioeconómicos y que necesitan usar la indispensable transición energética y de descarbonización para cerrar las brechas de desigualdad histórica. La transición energética tiene que ser una palanca que ayude a incrementar de manera demostrable y medible los niveles de prosperidad de las mayorías. Si la descarbonización y el combate al cambio climático no se hacen de forma justa y equitativa, nuestros nietos nos lo van a reclamar.

P. ¿Vamos a cumplir el Acuerdo de París, llegar a las emisiones cero?

R. La pregunta no es si vamos a llegar o no, sino cuándo. Sin duda, vamos a lograr esa meta. El problema con el cambio climático es que no tenemos tiempo. Necesitamos llegar a las emisiones cero a más tardar a mediados de siglo. ¿Está durísimo? Sí, pero es lo que necesitamos. Y si no lo logramos, ¡pues sálvese quien pueda!

How a 'dark fleet' of tankers helped a Mexican cartel build a fuel-smuggling empire

Stefanie Eschenbacher

On the afternoon of March 8, a petroleum tanker named Torm Agnes entered the Port of Ensenada on Mexico's Pacific coast carrying almost 120,000 barrels of diesel.

Such a vessel was a rare sight in that port, which mainly hosts cruise liners, luxury yachts and container ships. Ensenada lacks the infrastructure needed to unload cargos of flammable hydrocarbons safely making what happened later that day odder still.

Waves of fuel-hauling trucks rolled up to the dock to cart away much of the Torm Agnes' load. Workers scurried about filling the vehicles' cavernous tanks, up to six at a time, using hoses springing from a larger hosepipe affixed to the vessel. The operation, while risky, ran like clockwork, according to an eyewitness and a photo and video from the scene shared with Reuters.

"They had a team, they were very thorough on what to do, and they were very fast," the person said. "They worked insane hours, like through the night."

The audacious maneuver was the work of cartel-linked smugglers, according to three Mexican security sources and three people familiar with the operation part of a wave of bootleggers upending Mexico's fuel market with a flood of cut-rate fuel procured mainly from the United States that's disguised in customs declarations as something else.

The Mexican crooks didn't act alone. A Houston company named Ikon Midstream played a key role in the multi-million-dollar Ensenada operation, Reuters has found. It purchased the diesel in Canada, claimed in paperwork it was lubricants, and chartered the tanker to deliver it to a customer that Mexican authorities allege is a front for one of the country's largest and most violent cartels.

Ikon Midstream and its executive director, Rhett Kenagy, did not respond to multiple requests for comment. Attorney Joseph O. Slovacek, who represents the company and Kenagy, told Reuters in an October 18 email to stop contacting his clients. "No one will speak to your reporter!" Slovacek said.

The Port of Ensenada did not respond to a request for comment. Denmark-based Torm, which manages one of the world's largest fleets of tankers, including Torm Agnes, said it stopped doing business with Ikon Midstream just weeks after the Ensenada incident.

Narcotics remain the principal money-maker for Mexico's cartels. But illegal fuel and stolen crude oil have become the largest non-drug revenue source for these criminals, the U.S. Treasury Department says. Narcos have built this lucrative sideline by effectively embedding themselves inside North America's vast energy sector and mastering the logistics of moving petroleum products by truck, rail and most recently tanker.

Some U.S. officials have taken to calling the tankers carrying illegal fuel a new "dark fleet," a term more often associated with illicit shipping of Russian or Iranian crude oil designed to evade sanctions.

Fuel smuggling has grown so fast that bootleg imports now account for as much as one third of Mexico's diesel and gasoline market, swiping profits from some of the biggest names in the oil industry, five current and former Mexican government sources told Reuters. Illegal fuel entering the country is now valued at more than $20 billion a year, according to one of the people who helped Mexico's treasury calculate the size of the illicit trade.

Law enforcement agencies on both sides of the border are alarmed. The U.S. government is offering rewards of up to $10 million for information on cartel fuel crimes. In Mexico, tanker smuggling has sparked a corruption scandal now rocking the country's navy, which runs the ports and has long been considered one of the most trusted institutions in the country. In a September 7 press conference, the head of Mexico's Navy, Raymundo Morales, said the institution had launched an internal investigation and "will not tolerate corruption under any circumstances."

To uncover the inner workings of fuel smuggling into Mexico, Reuters spoke to more than 50 people with knowledge of the racket. They include five people who have had dealings in illicit cargos, Mexican and U.S. law enforcement officials, current and former oil industry executives in both countries, as well as energy traders and compliance specialists. Many of these people spoke on condition of anonymity out of fear for their safety.

Reuters is the first to publish a full account of Torm Agnes' journey, from loading in Canada to discharging at Ensenada and at another Mexican port from which it beat a hasty retreat. The account is based on information from seven people, all of whom were either involved in the logistics of moving the cargo or are investigating the journey's fallout, as well as tanker-tracking data and satellite images, internal shipping documents, customs data and port records.

Through those documents and sources, Reuters pieced together in previously unreported detail how the alleged scheme works and how it exploits loopholes in the vast and complex U.S. energy sector, touching a host of entities including oil majors, shipping companies and government agencies.

Aiding the cartels are U.S. players who help procure and transport the products, some unwittingly, others actively participating, authorities say. Texas State Senator Juan Hinojosa said his oil-producing state has become a hotbed for shady operators.

"The cartels have infiltrated many legitimate businesses along the border and further north," said Hinojosa, a Democrat who sponsored legislation in March that aims to crack down on unlicensed motor fuel depots near the border, toughen regulations on fuel transporters and boost punishment for scofflaws. The bill is stalled in the Texas senate but could be revived in the future.

The fuel smuggling scheme largely boils down to a lucrative tax dodge. Mexico slaps a levy known as IEPS on a wide variety of goods, including imported diesel and gasoline. Mexico is a major crude oil producer, but it imports these fuels because its aging refineries can't meet local demand. Crooks evade the tax, charged by the liter and often costing upwards of 50% of the cargo's value, by declaring the foreign fuel to be some other type of petroleum product that's exempt from the duty.

The cartels have infiltrated many legitimate businesses along the border and further north.

Texas State Senator Juan Hinojosa

U.S. and Mexican officials say smugglers typically utilize shell companies and falsified cargo documents to cover their tracks, and they pay bribes to corrupt port and customs officials to get their shipments through.

They also unload in a hurry in dicey locations, bypassing Mexico's nearly two dozen marine terminals set up for safe discharge of fuels, authorities and industry experts say. This allows smugglers to get the illicit cargo to their customers quickly, with minimal oversight and regulations.

Bootleg diesel is then sold at a discount in the Mexican market to thousands of unlicensed diesel stations, factories and mines. The smuggled gasoline goes mainly to unbranded filling stations. Cartels also steal fuel and crude oil outright from Pemex and sell some of it in the United States, helped by crooked importers that are undercutting American producers, the U.S. Treasury Department says.

Pemex did not respond to a request for comment about losses linked to fuel theft and smuggling.

Other oil companies are feeling the pain, too. In May, British multinational Shell disclosed the sale of its retail fuel business in Mexico. That exit was due in part to the difficulties of competing with cheaper narco fuel, five Shell sources told Reuters. Gas stations buy smuggled fuel at a discount of 5% to 10% below the price of legitimate imports, according to two sources familiar with the trade.

Shell declined to comment on its reasons for the sale.

Torm Agnes was transporting diesel it had picked up in Canada when it started its journey to Mexico, seven sources familiar with the deal told Reuters. By the time the vessel reached Ensenada, its cargo had transformed at least on paper into a petrochemical used to make industrial lubricants, according to cargo documents and port records reviewed by the news agency.

If that diesel, worth some $12 million, had been declared to customs authorities it would have been subject to nearly $7 million in tax when entering Mexico, according to a Reuters calculation based on the volume of diesel and the tax rate at the time. The petrochemical, however, was exempt from the levy.

Denmark-flagged Torm Agnes was one of several tankers in recent years that carried fuel but declared its cargo as lubricants to avoid taxes and customs controls, according to an undated summary of the alleged smuggling scheme from government security forces seen by Reuters. The document's authenticity was confirmed by two security sources.

Mexico's government has not said how much fuel smuggling has cost the country in lost IEPS revenue, but the source who used to help the treasury calculate the size of the illicit trade said it was nearly $4 billion in 2024. The opposition PAN party has put the number higher still at around $10 billion calling it "the largest corruption scheme in the history of Mexico."

Neither Mexico's tax authority nor its customs agency responded to requests for comment.

THE AMERICAN CONNECTION

At the center of that deal was a U.S. company: Ikon Midstream, a Houston-based fuel trader. The company bought the Canadian diesel and chartered Torm Agnes to deliver it to Mexico, according to four of the people and internal Ikon Midstream documents seen by Reuters.

In addition to the shipment to Ensenada, Ikon Midstream arranged at least four other maritime deliveries of diesel to Mexico this year, Reuters learned. Between January 8 and March 4, the company used a different tanker from the same fleet Torm Louise on four separate occasions to carry cargo from Texas to the Port of Tampico on Mexico's Gulf Coast, according to tanker-tracking data and shipping company Torm, which manages both the Torm Agnes and Torm Louise vessels.

Torm told Reuters that both tankers were loaded with diesel. It added that Torm Louise in three of its journeys also carried naphtha. In Mexico, bootleggers frequently use that highly flammable hydrocarbon to make low-quality gasoline. In declarations to Mexican customs, however, Ikon Midstream said all five shipments were "additives for lubricants" not subject to IEPS, according to Mexican port records obtained by Reuters through freedom of information requests.

The product that was declared on U.S. export bills of lading for two of the Torm Louise shipments was likewise lubricants, according to Kpler, a marine data provider based in Brussels. Reuters is the first to report that Ikon Midstream labeled these diesel shipments as lubricants in U.S. customs declarations.

Kpler said it was not able to share the source documents due to confidentiality agreements with its data providers.

U.S. Customs and Border Protection (CBP), which holds copies of these documents, initially declined a June freedom of information request from Reuters seeking to obtain them. In October, CBP said the information sought by Reuters was available in paper cargo manifests that would need to be requested in person at each port of export, a process the agency described as "time-consuming" and subject to further delays.

Torm in an August 5 email said it was not responsible for nor involved in completing customs paperwork for the shipments. All the documents it received from Ikon Midstream, Torm said, consistently declared the products being transported on its tankers to be "ULSD and/or naphtha." ULSD is an industry acronym for ultra-low sulfur diesel. Torm declined to share with Reuters the documents it said it had received from Ikon Midstream, citing contractual obligations.

"Based on what has come to light, we have decided not to engage in further business with Ikon Midstream," Torm said without elaborating in an August 27 email to Reuters. Torm broke off commercial relations with Ikon Midstream at the start of April and canceled two future contracts with the company, a Torm spokesperson said in a follow-up email to the news agency on September 5.

As part of Reuters' efforts to seek comment from Ikon Midstream, a reporter stopped by the company's Houston headquarters in August but was turned away by a person who said he worked for Ikon Midstream and gave his name only as Daniel.

Kenagy, like many executives involved in the trillion-dollar plus global oil trade, projects an image of success. Earlier this year, he bought a Houston mansion and grounds valued at more than $6 million, local property records show. His Instagram feed is peppered with images of sports cars, exotic motorcycles and private jets.

He and his wife, Janelle Alexis Flatt, appeared in a 2022 episode of the reality TV show Below Deck Sailing Yacht, which chronicles the lives of crew members aboard a luxury vessel and their experiences with guests who charter it.

Flatt did not respond to requests for comment.

Kenagy is also a registered agent for at least a half-dozen businesses that no longer are operational, including ventures in mining, construction and entertainment, Texas business records show.

In Mexico, a Monterrey-based company named Intanza was the recipient of the Torm Agnes' cargo, according to Mexican port records as well as an invoice for the Torm Agnes shipment viewed by the news agency.

Mexican authorities suspect Intanza is a front company for the Jalisco New Generation Cartel, according to three Mexican security sources and a second undated document from government security forces seen by Reuters outlining cartel ties to fuel smuggling.

Intanza has no website and no social media presence that Reuters could identify. A letter sent by Reuters to the Monterrey address listed for Intanza in the invoice could not be delivered because the courier service could find no presence of the company there.

Intanza's name surfaced again after Mexican authorities apprehended another tanker, Challenge Procyon, on March 21 at the Port of Tampico in Tamaulipas state. Intanza on March 27 filed a claim in a Tamaulipas court asking a judge to release that shipment, which it claimed was lubricants and wrongfully seized; the judge rejected Intanza's request. Mexico's Security Minister Omar García Harfuch in a March 31 social media post said that 10 million liters (about 63,000 barrels) of diesel had been found aboard Challenge Procyon.

Last month, García Harfuch declared that seizure to be "one of the largest in history" as he announced the arrest of 14 people, including business executives, former customs officials, and active and retired naval officials as part of investigations into Challenge Procyon and other alleged fuel smuggling. The government identified those apprehended only by their first names, as is customary in Mexico.

Mexico's Navy and the Attorney General's office said they could not comment on ongoing investigations and pointed Reuters to public statements on the issue. The security ministry did not respond to a request for comment.

Ramiro Rocha, listed as Intanza's legal representative in Mexico's official companies registry, said he has no involvement with the company and may have been a victim of identity theft.

A CARTEL SETS SAIL

Small-time thieves for decades have filched gasoline, diesel and crude oil from Pemex. Over time, as the trade grew in scale and profitability, it attracted the involvement of Mexico's cartels. But the Jalisco New Generation Cartel has taken the scheme to a new level and is the unquestioned leader in fuel and crude oil smuggling, according to Mexican and U.S. security sources.

The cartel, whose home territory is the central-western state of Jalisco, has expanded across Mexico. Authorities say it has built a formidable smuggling operation in the northern state of Tamaulipas just across the Texas border. From there, they say, it sends stolen Mexican crude oil to the United States and brings U.S. refined products to Mexico by truck, rail and tanker. They said CJNG, as it's known by its Spanish initials, is the only cartel currently employing tankers.

Authorities first detected smuggling by tanker around 2020, according to a 2021 Mexican government document viewed by Reuters outlining initial investigations into the scheme, which at the time did not attribute this development to a specific cartel.

The jump to tankers from trucks and trains reflects a degree of business savvy and investment power that's in a different league than what has come before, said Marisol Ochoa, an expert on organized crime at Mexico's Ibero-American University.

"You have to have a high level of sophistication and extensive networks and connections in operational logistics," she said.

Since September 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) has issued two rounds of sanctions against a dozen Mexican nationals and nearly 30 Mexican companies allegedly linked to CJNG and its fuel theft and smuggling operations.

Greg Gatjanis, a former top OFAC official, said he was "stunned at the array of companies" connected to the alleged scheme. The enterprises include gas stations, transport firms, a 3D printing company and a baguette bakery, according to OFAC.

The Trump administration in February designated several Mexican cartels, including CJNG, as foreign terrorist organizations. That mobilized more personnel and resources for the anti-cartel fight and made it easier for U.S. prosecutors to go after individuals and companies doing business with these groups.

In May, a father and son from Utah James Lael Jensen and Maxwell Sterling Jensen were charged with conspiracy to commit money laundering and provide material support to a designated foreign terrorist organization. Authorities allege the Jensens worked with CJNG to smuggle crude oil into the U.S.

Lawyers for James Jensen did not respond to a request for comment. Robert Guerra, a lawyer representing Maxwell Jensen, declined to comment.

You have to have a high level of sophistication and extensive networks and connections in operational logistics.

Marisol Ochoa, organized crime expert at Mexico's Ibero-American University, on fuel smuggling by tanker

U.S. officials also met with refiners in the Houston area this year to explain the involvement of Mexican organized crime in the fuel business and to stress the importance of knowing their suppliers and customers, three industry sources and a U.S. official said. That official told Reuters that violators of U.S. sanctions up and down the supply chain could face civil and criminal penalties.

That presents "an enormous business risk" for U.S. players given the success of cartels in using front companies and intermediaries to do their dirty work, said Gatjanis, the former OFAC official.

In Mexico, the scale and increasing sophistication of fuel smuggling have spawned allegations that senior politicians are involved.

In last year's presidential campaign, opposition candidate Xóchitl Gálvez accused the ruling Morena party of receiving funds from Sergio Carmona, a Tamaulipas businessman referred to by the Mexican press as the "The King of Illegal Fuel." Carmona was a major trafficker linked to the Gulf Cartel and the Northeast Cartel, according to Mexican media reports. He was shot dead in a barbershop in northern Mexico by unknown assailants in 2021. No one has been arrested in his killing.

Carmona allegedly helped fund Morena election campaigns, including that of former President Andrés Manuel López Obrador who won Mexico's highest office in 2018, according to the second undated document from government security forces reviewed by Reuters.

Neither López Obrador nor Morena responded to requests for comment.

Mexican President Claudia Sheinbaum, of the Morena party, has made combating fuel smuggling and crude oil theft a security priority for her administration.

"We will not protect anyone," Sheinbaum said in a July 8 press conference when asked about the alleged involvement of politicians in the illicit trade. Her office did not respond to a detailed list of questions for this story.

Since Sheinbaum took office in October 2024, authorities say they've seized around 500,000 barrels of allegedly illegal fuel and crude oil more than the previous government nabbed over its whole six-year term. That's barely a trickle in the torrent of bootleg fuel entering the country. Still, the fight is proving dangerous.

On August 4, Ernesto Vázquez, federal prosecutor for the state of Tamaulipas, was killed after his armored SUV was hit by an incendiary grenade on a busy street in the city of Reynosa. Footage broadcast on national television showed Vázquez escaped the burning vehicle, only to be shot from a nearby car.

In a statement the following day, the Attorney General's office said the killing likely was the work of organized crime after the government in late July seized more than 1.8 million liters (about 11,300 barrels) of illegal fuel, trucks, pumps and other equipment in Reynosa, just across the border from McAllen, Texas.

A PAPER TRAIL OF TAX EVASION

Trading crude oil and fuel often entails a complex chain of custody. Transactions can involve multiple buyers, sellers and middlemen. Import-export paperwork is often incomplete or outright faked by bad actors, trade experts and law enforcement officials told Reuters.

Torm Agnes began loading from the Vancouver Wharves marine terminal in Canada on March 2, according to marine data provider Kpler. The tanker took on about 120,000 barrels of cargo, Kpler calculated, based on data transmitted by the tanker showing how low it sat in the water. Seven sources familiar with the deal confirmed it loaded diesel.

That diesel came from Imperial Oil, a Canadian oil company that's majority-owned by ExxonMobil, according to four of the people.

Imperial Oil did not respond to a request for comment. ExxonMobil declined to comment.

Shipping documents viewed by Reuters told a different story about what was on the vessel. A February 28 invoice, bearing Ikon Midstream's logo and Houston address, claimed the cargo was lubricants, not diesel, and that it had been sold to Intanza. The stated value was $1.3 million, or about one-tenth of the value of 120,000 barrels of diesel at the time. A cargo manifest viewed by Reuters likewise showed the cargo was lubricants loaded in Vancouver on Torm Agnes for delivery to Mexico, with Ikon Midstream as the shipper and Intanza as the recipient.

Mexico in recent years has seen erratic spikes in declared imports of lubricants, a development the government has linked to smuggling. The nation's tax authority in a 2022 document said these products are "used as a means of tax evasion" because they're not subject to IEPS.

Demand in Mexico for so-called base oil lubricants is a modest 1 million tons per year, according to Michael Connolly, head of refining and base oils analytics at commodities information provider ICIS. Yet official U.S. trade data shows the country exported as much as 3.5 million tons to Mexico last year, a figure Connolly says doesn't add up.

"There's just a significantly higher level of imports going in there than what we would expect," he said.

Ikon Midstream alone declared that it shipped lubricants from the U.S. to Mexico 149 times between October 11, 2019, and May 4, 2025, with 67 of those loads coming via tanker, according to trade data compiled for Reuters by trade technology company Altana.

Intanza, the Mexican customer for Torm Agnes' cargo, has a slew of business objectives, ranging from alcoholic beverage production to scientific research, according to Mexico's companies registry.

Its Monterrey address, according to the shipping invoice, is a unit in a two-story residential apartment complex next to a daycare center. When a Reuters reporter visited the address, they saw no signage for Intanza.

Rocha, Intanza's listed representative, lives in a working-class neighborhood about 40 kilometers (25 miles) outside the city, according to his address on file in the registry.

The gray-haired Rocha became a minor online celebrity in recent years by posting videos of himself falling asleep in random places. Fans nicknamed the short, stocky Rocha "Don Pug." His popularity surged anew in February when on social media he denied press reports that he had died of a heart attack during a lap dance at a Monterrey strip club.

Rocha told Reuters he works as a security guard, has nothing to do with Intanza, and that data listed for him in the registry, including his address and three forms of identification, might have been stolen.

A SMOOTH OPERATION, THEN A SCRAMBLE

On the afternoon of March 8, Torm Agnes entered the Port of Ensenada. Within hours, the queue of fuel-hauling trucks stretched the length of the dock and well outside the terminal, said the eyewitness to the operation.

Some of these vehicles bore the logo of a trucking company named Mefra Fletes, according to the eyewitness and a photograph of the scene viewed by Reuters.

Ikon Midstream and Mefra Fletes have worked together on tanker-to-truck fuel transfers in at least three different Mexican ports in recent years, two sources familiar with the operations said. The employee at Ikon Midstream's Houston headquarters in August who identified himself as Daniel told a Reuters reporter that he used to work with Mefra Fletes in Mexico.

Mefra Fletes was incorporated in 2015 in Guadalajara, the capital of Jalisco state, and is focused on transporting petroleum products, according to Mexico's companies registry. There was no address or contact information in the registry for the company or for Roberto Blanco, who is listed as the majority owner. Reuters could find no website or social media presence for Mefra Fletes.

Reuters received no reply to a letter sent by courier with detailed questions for Blanco to a Jalisco address for Mefra Fletes printed on one of its trucks. Reporters were unable to locate the company's legal representative, Mario Castro.

Torm Agnes unloaded much of its cargo, but not all of it, in Ensenada. From there, the tanker headed to the Port of Guaymas in the Gulf of California and again discharged straight into fuel trucks starting on March 20, according to photographs and videos of the operation viewed by Reuters. Some of those vehicles bore the Mefra Fletes insignia, the images showed.

But Torm Agnes managed to unload only about half of the cargo it had planned to discharge there, according to internal port emails seen by Reuters. Instead, it left Guaymas abruptly the following day, according to tanker-tracking data and three people familiar with the situation. Workers helping to offload the diesel quickly packed up their equipment, and fuel trucks sped from the port, the people said.

The exodus caused a stir locally. Photos and videos shared on social media showed a dozen fuel tanks detached from the trucks that brought them and abandoned in nearby parking lots and along the roadside.

Security sources told Reuters they suspect Torm Agnes took off after word spread at the Port of Guaymas that Mexican authorities were seizing another tanker, Challenge Procyon, that same day, March 21, in the Port of Tampico.

Torm did not comment on the reason for Torm Agnes' hasty departure. The Port of Guaymas did not respond to a request for comment.

On March 28, Mexican authorities in a press release announced they had seized some 50,000 barrels of petroleum products stored haphazardly in about 100 containers in a dusty lot in the town of El Sauzal, around 10 kilometers north of the Port of Ensenada. Security forces also seized equipment and fuel trucks. Video footage from the raid broadcast by Mexican media showed Mefra Fletes trucks.

The seized petroleum products likely came from the Port of Ensenada and arrived by tanker, according to an undated summary of the case by Mexican security forces viewed by Reuters. The document did not mention Torm Agnes, but two Mexican security sources confirmed that the tanker's activity in Ensenada is under investigation.

Anuar González, a former legal representative for Mefra Fletes, was apprehended in August. An arrest warrant has been issued for Blanco, the company's majority owner. Both are suspected of involvement in the illegal fuel trade, according to one of the Mexican security sources and press reports.

The Washington Post

Pemex pipeline spill contaminates Mexican river after torrential rains

XALAPA, Mexico Mexico's state-run oil company said Tuesday that the torrential rains that left dozens dead and missing in east-central Mexico also damaged a pipeline, leading to a 5-mile (8-kilometer) spill along the Pantepec River.

Petroleos Mexicanos, known as Pemex, said in a statement that its crews had reacted "immediately" to stop and contain the spill around the town of Alamo, one of the communities hit hardest by the recent flooding.

The company did not say when the spill occurred or exactly what spilled.

But Alamo resident Arturo de Luna said locals became aware of it over the weekend. "Sincerely, we're very worried," he said.

At least 76 people died in heavy rains from Oct. 6 to 11 across several states in central and eastern Mexico. Some three dozen remain missing and more than 100 communities remain inaccessible by road.

Alamo, along with Poza Rica, were the most affected communities in northern Veracruz state. Residents in part of Poza Rica found their homes' walls streaked with oil after waters from the Cazones River receded, though no spill was confirmed there.

The Pantepec River crosses northern Veracruz and supplies water for a number of communities, including the city of Tuxpan near where the river dumps into the Gulf of Mexico.

Tuxpan Mayor Jesús Fomperoza said on Facebook on Tuesday that Pemex, the navy, security forces and energy and environmental agency personnel were working with local and state officials to keep the spill from reaching municipal water systems.

He said private businesses, fishermen and others had helped to install containment barriers.

But the spill was affecting lives along the river.

De Luna, the Alamo resident, said boat services that locals use to move across and up and down the river were suspended, cutting off some river communities.

Alejandra Jiménez, an activist with Foundation Chalchi, a nongovernmental organization focused on protecting water resources, said it was too early to determine the spill's environmental impact but that recovery of the ecosystem could take years.

"The prevention phase didn't happen, so now they have to keep it from spreading," she said.

EL PAÍS

El nuevo logo del PAN no llegará a la boleta electoral

Elena San José

La oposición mexicana necesita un soplo de aire fresco que los impulse hacia delante y ha sido el conservador PAN el primero en lanzarse a ensayar un cambio. El relanzamiento que anunció el sábado su presidente nacional, Jorge Romero, se apoyó en tres ejes que incluían la redefinición de las causas y la reforma de los estatutos. Es el tercero, sin embargo, el que ha acaparado las miradas y en muchos casos las burlas. Acción Nacional ha actualizado su "identidad visual" con un logo nuevo que refleja "modernidad, cercanía y orgullo por la historia" del partido, a decir de la formación. No obstante, y a pesar del gran anuncio con el que fue presentado, ese cambio no llegará hasta la boleta electoral, donde la organización mantendrá su anterior logo, según fuentes del partido. No habrá una transformación en la identidad electoral, solo en las campañas publicitarias. Continuidad con cambio, dirían en Morena.

Más allá de la intención inicial, la imagen ha sido comparada con las marcas de detergente, en los casos más benévolos, o con una ratonera, en los menos compasivos. "El solo hecho de tener un logotipo distinto al anterior, quizá más juvenil, más modernizado, me parece que comunica eso, modernización. Quizá cuando ves el nuevo logo, tienes el beneficio de la duda y preguntas: ahora, ¿qué novedad traen estos panistas?", apunta el consultor político Roberto Trad, que participó en la campaña presidencial del hoy senador Ricardo Anaya. El analista cree, sin embargo, que el nuevo logo "no le hace justicia al mensaje de apertura a la ciudadanía de Jorge Romero", que "dolió a los que estaban enfrente", pero "entusiasmó al resto de la militancia".

Para él, el verdadero acierto de comunicación estuvo en que las imágenes de promoción no incluyeran las caras de los dirigentes panistas, sino los de la propia ciudadanía, aunque estuvieran realizadas con inteligencia artificial: "La decisión estratégica de situar al elector en el centro me parece interesante". En el fondo, lo que se produce, aunque sea a nivel estético, es un movimiento inevitable: renovarse o morir. Una opinión que comparte Braulio González, consultor en comunicación política y director de la agencia Azpol. "La crisis transforma, es el vehículo más rápido para la transformación", completa.

Para González, el logo "se conserva dentro de la tradición del PAN" con algunas "innovaciones", como la combinación con el plateado, "un color mucho más contemporáneo". "Hay una denotación de movimiento por la inclinación de las letras. Quizás gráficamente esa sea la parte un poco más destacable, porque el cuadro previo encerraba el concepto", desarrolla, aunque matiza que "la discusión política no se resuelve con logotipos".

Con sus nuevos mensajes, el PAN ha buscado dirigirse, ante todo, hacia el electorado joven. Parte de su estrategia de comunicación ha incluido el sorteo de un iPhone mensual entre aquellos que decidan sumarse a sus filas. "Es una lectura pobre", en palabras de la analista Lorena Becerra, "de lo que la gente está buscando en un partido político". La encuestadora y analista es escéptica. "Ellos están buscando volverse una nueva alternativa. Si lo logran es cuestionable. No sé de qué diagnóstico partieron para llegar a la conclusión de que un logo [nuevo], con un discurso que suena a derechoso, con los mismos dirigentes y las mismas caras, y con contradicciones de los panistas locales [sería una renovación]. No sé qué tanto realmente esto fue algo más cosmético que sustantivo".

La búsqueda de una imagen moderna y juvenil contrasta con un discurso que resuena entre la extrema derecha y que ancla al partido en sus valores más tradiciones: familia, patria y libertad, agrupados bajo el genérico lema de "Defendamos México". "Está todavía muy difuso qué es lo que quieren transmitir con esos lemas", señala Jorge Buendía, especialista en estudios electorales y de opinión pública. "No creo que la ciudadanía sienta que la familia o la patria estén amenazadas. O cambia la coyuntura o le tendrán que dar más sentido para que esas frases tengan resonancia entre el electorado", argumenta.

Para Trad, el principal reto es resignificar el concepto de familia. "Ellos insisten en que no se refieren a la familia tradicional, sino a muchos tipos de familia, pero la palabra familia en color azul y en la voz del PAN tiene una carga simbólica que yo no sé si comunica lo que pretenden comunicar", analiza. Mientras esta idea y la de la patria parecen apelar a un electorado de corte muy conservador, la libertad los sitúa un espectro más amplio. "Una cosa es que el electorado mexicano sea conservador y otra cosa es que sea muy de derecha", dice Buendía, que ve en la reivindicación de esta tercera idea un posible intento de blindaje ante los discursos que se abren camino desde el mundo empresarial. "Estamos viendo que quien ha enarbolado este tipo de tema de la libertad es Ricardo Salinas Pliego", observa. Esto sería una forma de "defender ese territorio" de cara a una posible división electoral.

El cambio real, coinciden todos, si realmente se produce, tendrá que ver con la selección de candidatos: entonces se verá si el discurso de Romero el pasado sábado tenía algo más que cambios cosméticos o hunde en cuestiones más profundas, que le permitan rearmar su identidad. "[Estrategias como las del iPhone] son contrarias a lo que llevó al PAN a volverse lo que fue históricamente", apuntala Becerra. "El primer logo del PAN era: 'agarra lo que te dan, pero vota por el PAN', haciendo alusión a las tácticas clientelistas del PRI. Porque no se trata de regalos o dádivas, sino de buenos Gobiernos", resume. Si quieren que la gente vuelva a confiar en ellos, dice la analista, más vale que traten de crear una agenda creíble, con unas caras frescas.

EL PAÍS
El PAN: la refundación de su iglesia
Vanessa Romero

Es sabido que Pedro el apóstol fue antes Simón.

Tras ser elegido fundador de la iglesia de Jesús tú eres Pedro, y sobre esta piedra edificaré mi Iglesia, el hombre fue rebautizado en un acto de transmutación que lo convirtió en roca. El Verbo tuvo poder creador. Las palabras importan.

Dos milenios después, Acción Nacional partido heredero de la democracia cristiana conducido por un moderno pecador intenta repetir el antiguo gesto: reinventarse tras tres ciclos electorales de desastrosa derrota.

Su refundación promete defender la Patria, la Libertad y a las Familias mexicanas. El plagiado eslogan intenta esconder en mayúsculas sus gigantescas fallas.

En la elección de las palabras, el PAN nuevamente ha errado.

Primero, porque su lema apesta a las derechas más duras de la región Bolsonaro, Milei donde Dios, Patria, Familia y Libertad se agitan como banderas de una rancia cruzada. Con todo, Jorge Romero el penitente del que les hablaba jura que el partido no se radicalizará. El renovado creyente renace mintiendo.

Segundo, porque el Partido Acción Nacional se perdió en los antiguos pecados soberbia, avaricia, pereza y, en su extravío, permitió que Morena tomara las vocales y consonantes que formaban su antiguo credo: las del humanismo. Aprovechando la metáfora religiosa, conviene evocar el viejo proverbio de quien parte a La Villa y se queda parado.

El movimiento de regeneración nacional que comparte nombre con la Virgen morena se ha apropiado, en léxico y sentido, del vocabulario de Acción Nacional. Hoy es Morena quien dice defender la Patria, reconocer a la Familia y promover la Libertad.

¿Cómo puede el PAN hablar de Patria luego de haber entregado al mejor postor parte del patrimonio nacional? ¿Con que voz puede reivindicar la Nación tras años de obediencia al capital foráneo y privatización de recursos públicos?

Ha sido su antagonista el partido guinda quien ha hecho de la soberanía, del dominio sobre los recursos y del orgullo identitario, su bandera. Fue Andrés Manuel López Obrador quien, después de años en que otros rindieron culto a lo extranjero, devolvió al centro del relato a Juárez, a Madero, la Revolución, la Reforma, los pueblos indígenas. De los entreguistas fue Obrador la antítesis hegeliana.

La palabra Familia también ha dejado de pertenecerle al partido conservador. El dirigente de la organización, que durante años utilizó el clan tradicional como estandarte y frontera, hoy promete que el amparo familiar será universal las homoparentales, las homosexuales, incluso las que integran animales. El tipo de familia que Morena defiende en la vida pública.

Para el partido de emblema renovado como para las demás derechas latinoamericanas la familia es valor moral. Morena, en cambio, se refiere a ella como acto fundador: el nivel celular desde el cual se construye la patria

¿Cómo afirmará el Partido Acción Nacional que defendió la Libertad, si por décadas la confundió con ausencia de límites en favor de unos pocos? En nombre de esa abstracción, sus gobiernos soltaron las riendas y dejaron a millones careciendo de medios para decidir su propio destino. Vaya libertad. Cuánta autonomía.

Son las libertades sociales que promete la autodenominada Cuarta Transformación las que han permitido que 13,5 millones de personas salgan de la pobreza. Un acto de genuina liberación. La restitución en masa de la capacidad de agencia y de la dignidad humana.

Lo que para el PAN fueron valores morales vacíos, para Morena se volvieron principios tangibles que es posible tocar.

Si el PAN desea reclamar la defensa de la Patria, la Familia y la Libertad, tendrá que empezar por mirar al diccionario.

En el glosario nacional sus vocablos han sido transfigurados: Patria es soberanía; Familia, comunidad; Libertad, dignidad material.

Buena suerte intentando recuperar las sílabas que, por soberbia, ahuecaron.

Bloomberg

Waller, a Top Fed Chair Contender, Backs Rate Cuts Without Bowing to Trump

Amara Omeokwe

When Federal Reserve officials met last month, investors were convinced the first interest-rate cut of 2025 was coming. But what, many wondered, would Governor Christopher Waller do?

To outsiders, Waller was in a difficult spot. A close ally of President Donald Trump had just joined the central bank and was all but certain to vote for the kind of drastic rate cut the president wants. Waller who's on the administration's shortlist to take over as Fed chair might have felt pressure to boost his prospects by doing the same.

He didn't go for it. While Trump's new appointee, Governor Stephen Miran, dissented in favor of a half-percentage-point reduction, Waller voted with the majority for a quarter-point move.

Waller had for months been advocating for the Fed to resume rate cuts and some of his colleagues were skeptical. He'd also telegraphed that a quarter point would be sufficient. In comments last week, he also acknowledged that policy decisions are made by consensus, not any one person.

"We all understand we have to compromise somewhat in our positions to have a clear, consistent policy setting for markets and the American people," Waller said at an event in New York.

Waller's choice encapsulates his approach to policy and the image he's built for himself in the minds of investors. The former economics professor has long been a champion of central bank independence. He's also known for making prescient, sometimes out-of-consensus calls based on a flexible analysis of data. That's not a reputation he's willing to sacrifice on the altar of personal ambition or political gain, friends and associates say.

High Stakes Moment

The spotlight is falling on Waller at a high-stakes moment. Trump isn't just weighing candidates to be the next chair. He's pursuing a wider campaign to exert more control over the Fed, which aims to keep politics out of its interest-rate decisions. If that independence were compromised, analysts say, it could have profound negative consequences for the US economy and global markets.

As well as demanding cheaper borrowing costs, Trump and his allies want the Fed to take a critical look at itself and possibly make big reforms. Because Waller has emerged as a top contender to replace Jerome Powell when his term as chair ends in May, his approach to these issues is under intense scrutiny from all sides.

People who know Waller say they expect him to defend the institution and oppose moves that would undermine its autonomy, especially on monetary policy. But he isn't viewed as someone bent on preserving the status quo either. Since joining the board, he's questioned the Fed's role on issues like climate change and pushed for cost-cutting across the system, something friends say he could do more of as chair.

"Chris is very much a mission-based leader," said Kathy Mazzarella, who was chair of the board of directors at the St. Louis Fed from 2016 to 2019 while Waller was the bank's director of research.

"He understands and respects the fact that the Fed needs to stay focused on their mission, their dual mandate," said Mazzarella, chief executive officer at Graybar. "But he also knows that the world evolves and you have to look at ways to remain relevant and functional and productive."

Bloomberg

Fed Floats Plan With Much Smaller Capital Hikes for Big Banks

By Katanga Johnson

October 22, 2025 at 6:02 AM CST

The Federal Reserve has shown other US regulators the outlines of a revised plan that would dramatically relax a Biden-era bank capital proposal for Wall Street's largest lenders, according to people familiar with the matter.

Some officials have calculated that the terms of the Fed's plan would lead to an increase of between about 3% and 7% in aggregate for most big banks, said the people, who asked not to be identified discussing the plans. Although there's no specific projection in the outline, those estimates are lower than the 19% increase in the 2023 proposal and the 9% bump floated in a compromise version last year.

Lenders that have bigger trading portfolios could see less of an increase — or even a decrease — tied to the new requirement, said some of the people.

Although the plans are preliminary, the move would likely be cheered by Wall Street banks that fiercely campaigned against the initial US version of the proposal dubbed Basel III Endgame. Critics argued that a significant capital hike could raise the costs of lending and put US banks on a weaker footing against international rivals, while supporters said it was important for financial stability.

The Fed is aiming to unveil a new plan, which is not yet final, as soon as the first quarter of 2026, Bloomberg has reported.

Fed Vice Chair for Supervision Michelle Bowman, who was tapped by President Donald Trump for the role earlier this year, is now taking the lead in crafting the new measure.

As part of the revised outline, regulators are also considering a potential opt-out for midsize banks if they agree to other capital strictures, the people said.

US officials haven't yet reached a deal, but regulators are largely in agreement on the direction of the measure, the people said. Bowman has had discussions with the heads of the Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency, who must sign off on the plan, according to people familiar with the matter.

A spokesperson for the OCC didn't respond to a request for comment. Representatives for the FDIC and the Fed declined to comment.

Large banks have already shown more confidence in handing profit back to shareholders as regulators move to relax the enhanced supplementary leverage ratio and ease some aspects of the annual stress tests. The six biggest US banks boosted their stock buybacks by about 75% in the third quarter to more than $27 billion.

Market Risk

Treasury Secretary Scott Bessent has previously suggested not using aspects of the 2023 proposal that would have had some banks comply with the higher of two different methods of measuring their risk capital requirements. The outline of the plan under consideration avoids that Biden-era approach.

Regulators are weighing changes to how the proposal assesses the level of risk tied to trading, wealth management and investment-banking activities — collectively known as market risk, according to the people familiar with the matter.

This part of the new plan might have a significant effect on banks with large trading businesses. In letters to regulators, industry groups previously said the original Biden-era proposal would lead to outsized increases in market-risk capital and would discourage diversified trading-business models.

The Fed document may serve as a guide for regulators around how to allow for a reduction in the capital that banks must allocate against fee-based business lines such as wealth-management services and certain credit-card operations.

ECB to pause rates at least until 2027 on steady inflation and growth outlook

By Indradip Ghosh

October 22, 20254:51 AM CSTUpdated 5 hours ago

BENGALURU, Oct 22 - The European Central Bank 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.

While inflation picked up slightly to 2.2% last month from 2.0% in August, accounts of the ECB's September 10-11 meeting stated its policy was "sufficiently robust" to manage any inflation shocks.

The central bank kept rates on hold last month and offered a modestly upbeat assessment of the bloc's economy.

NO CHANGE EXPECTED ON OCTOBER 30

The ECB, which cut the deposit rate by 200 basis points between June 2024 and June 2025, will keep it unchanged at 2.00% on October 30 for a third straight meeting, all 88 economists in the October 15-22 Reuters poll said.

Nearly 72%, 63 of 88, said the ECB would hold its deposit rate this year, while 57% - 45 of 79 - saw no change by the end of next year.

Last month, slightly less than half expected rates to be unchanged at end-2026. Rate futures are narrowly pricing a 25 basis point cut by end-2026.

"A lack of softening in recent (economic) activity and inflation data closes the window for an additional ECB 'insurance cut'. We are dropping what would have been the last cut from our forecast and now foresee the policy rate staying at 2.00% until the end of 2026," said Shaan Raithatha, senior economist at Vanguard.

That contrasts with expectations for two more rate cuts from the U.S. Federal Reserve this year, where a weakening labour market is taking precedence over rising inflation risks, partly stoked by tariffs, a separate Reuters survey showed.

The euro zone is handling U.S. trade barriers better than previously expected, leaving inflation risks "quite contained", ECB President Christine Lagarde said on September 30.

Inflation will average around 2% each year through 2027, poll medians showed, largely unchanged from last month.

STABLE GROWTH OUTLOOK

The growth outlook also remained stable amid hopes of fiscal spending, particularly from Germany - the bloc's biggest economy. The euro zone economy will expand 1.2%, 1.1% and 1.4% this year, next year and in 2027, respectively, the poll predicted.

But that stable outlook has downside risks. A majority of economists - 24 of 30 - who responded to a separate question said the euro zone economy was more likely to grow slower than they expect over the coming year than faster.

Heineken warned on Wednesday that its beer sales for this year would fall, as global economic challenges worsen.

"Euro zone resilience is what is driving the steady outlook ... But the risk is still clearly to the downside both in terms of growth and inflation," said Carsten Brzeski, global head of macro at ING.

"Political instability is very likely to bring down French growth. In Germany, we're now seeing growth optimism is being hit and it could very well be it takes longer than expected before the stimulus story shows up."

Germany's economy is forecast to grow a mere 0.2% this year and 1.1% in 2026, largely unchanged from July's forecasts, despite optimism around infrastructure spending plans. Growth in France will be 0.6% this year and 0.9% in 2026, the poll predicted.

Bloomberg

ECB’s Lagarde Says EU Trading-Venue Fragmentation Needs Tackling

By Mark Schroers and Alexander Weber

October 22, 2025 at 7:31 AM CST

European Central Bank President Christine Lagarde said the European Union must do more to integrate financial trading that’s currently splintered across hundreds of exchanges.

Lagarde stated that fragmentation drains liquidity, makes European market less attractive for listings and pushes firms to seek capital abroad.

She supported German Chancellor Friedrich Merz's call for the creation of a pan-European stock exchange, saying a single rule, a single supervisor and consolidation of exchanges are needed.

European Central Bank President Christine Lagarde said the European Union must do more to integrate financial trading that’s currently splintered across hundreds of exchanges.

The fact that the bloc hosted 295 trading venues, 14 central counterparties and 32 central securities depositories in 2023 is something that policymakers must “address and consolidate,” she told the Frankfurt Finance & Future Summit on Wednesday — signaling support for a similar recent push from German Chancellor Friedrich Merz.

“This fragmentation drains liquidity, makes European market less attractive for listings and pushes our firms to seek capital abroad,” according to Lagarde. “This fragmentation comes at a very moment when finance is more vital than ever to Europe’s ambitions,” she added, citing investment needs in renewable energies and security.

Merz last week called for the creation of a pan-European stock exchange as part of a broader push to help companies deal with competition from the US and Asia. Finance minister Lars Klingbeil and Bundesbank President Joachim Nagel supported the idea, while both stressed that it would be a decision by the relevant companies.

Lagarde already applauded Merz’s push in Washington last week, saying the chancellor’s call for more unified capital markets “means a lot.” On Wednesday, she reiterated that she “very much welcomed” Merz’s statements.

“If we are serious about moving forward, we must complete the banking union and we must apply the same logic and faster to capital markets, a single rulebook, a single supervisor and consolidation of exchanges,” she said.

Speaking at the same event, the prime minister of the state of Hesse, Boris Rhein, also said he supported the idea of Merz — a fellow member of the conservative CDU — to create a common European exchange.

“Compared to the US, for example, the capital market is too fragmented,” he said. “And I would like to add that the location must, of course, be here in the leading financial center.”

ECB's Lagarde backs Germany's call for European stock exchange

By Reuters

October 22, 20256:58 AM CSTUpdated 1 hour ago

FRANKFURT, Oct 22 (Reuters) - European Central Bank President Christine Lagarde on Wednesday backed German Chancellor Friederich Merz's call for a single European stock exchange to support European listings and economic growth.

"If we are serious about moving forward, we must complete the banking union and we must apply the same logic - and faster - to capital markets: a single rule-book, a single supervisor, and a consolidation of exchanges," she told a conference.

"So I very much welcome the statements and the comments by Chancellor Merz in support of this direction."

Bloomberg

ECB’s Guindos Says Current Interest-Rate Levels Are Adequate

By Macarena Munoz Montijano

October 22, 2025 at 5:33 AM CST

European Central Bank Vice President Luis de Guindos said he is satisfied with present settings for borrowing costs.

“The current ECB interest-rate level is adequate,” he said in Barcelona on Wednesday, the final day that officials are allowed to comment on monetary policy before the one-week quiet period ahead of the Oct. 30 rate decision.

That meeting is widely expected to see policymakers keep the deposit rate at 2% — where it has been since June. With inflation now comfortably at the ECB’s 2% target, markets and economists don’t expect another move at their final gathering of the year in December either.

Guindos reiterated the ECB’s standard line that decisions are made meeting by meeting, based on available data. He added that “the path forward for inflation looks positive” and risks to the outlook for consumer-price growth are balanced.

Bloomberg

ECB Should Ensure Banks Stay Competitive, Deutsche Bank CEO Says

By Arno Schuetze

October 22, 2025 at 7:52 AM CST

Europe’s top banking regulator should be given a mandate to ensure the continent’s banks aren’t just safe but can also stay competitive, according to Deutsche Bank AG Chief Executive Officer Christian Sewing.

The European Central Bank should move beyond its focus on financial stability and include considerations of competitiveness when regulating banks, Christian Sewing said at a conference in Frankfurt. In doing so, the watchdog should follow the example of the US Federal Reserve and the Bank of England, which already pursue such a goal, he said.

“We need to make sure that there is a level playing field,” Sewing said. “And that’s why, in my view, there should be a second criterion in regulation.”

The comments come against the background of a broader global regulatory rollback, with authorities across the globe increasingly emphasizing growth and addressing what some see as excessive constraints imposed after the great financial crisis.

Bloomberg

French Debt Still a Buy With ECB Seen as Backstop, Amova Says

By Jacob Reid and Naomi Tajitsu

October 22, 2025 at 2:09 AM CST

Amova Asset Management has been snapping up French government bonds, betting the country is “too big to fail” even as ratings companies slash its credit score.

“When push comes to shove, France will be supported,” Steve Williams, who manages around $7 billion as head of EMEA global fixed income at Amova, said in an interview.

The Japanese asset manager previously known as Nikko added to its overweight position on long-dated French debt last month, when yields surged to their highest in more than a decade. The bonds are still attractive, Williams said, despite recent downgrades that stripped the country of its double-A score at Fitch Ratings and S&P Global Ratings.

Williams believes that if the spread between 10-year French and German government bonds — a key gauge of risk — widens beyond 100 basis points, the European Central Bank would step in to curb yields. The spread is currently around 80 basis points.

“The EU cannot afford to have France blow up,” he said.

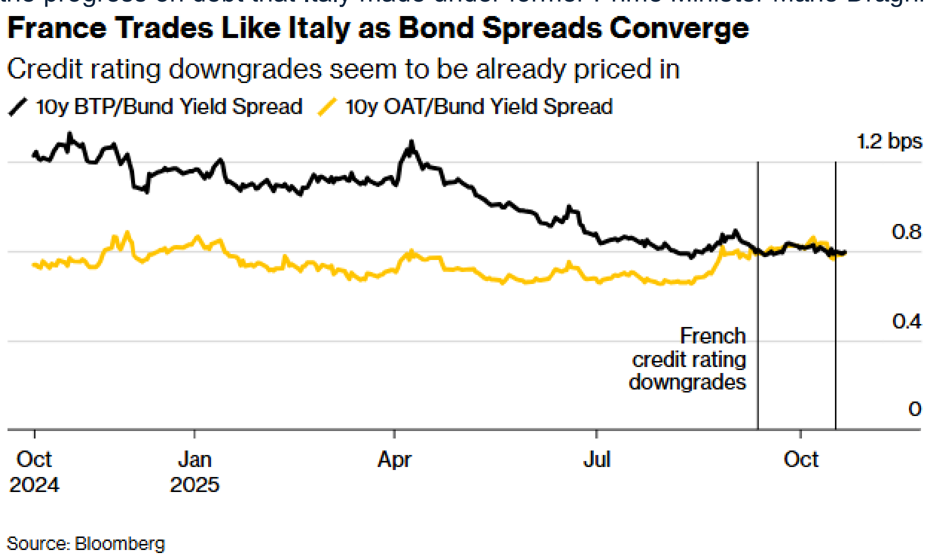
France is nowhere near a Greek-style debt crisis, but its deficit is the widest in the euro area and the government is struggling to get a grip on spending. Bank of France Governor Francois Villeroy de Galhau recently warned the nation must overcome its political impasse to tackle a debt burden that risks suffocating the European Union’s second-largest economy.

Still, other investors are also sticking with French bonds. Funds at State Street Corp. and BlackRock Inc. are avoiding forced sales of French debt holdings by changing their investment rules, for example.

Williams expects the political turmoil to persist until the next presidential election in 2027, and he believes those risks are largely priced in. French and Italian bonds trade with similar spreads to German bonds, having converged in recent months even though Italian debt is rated lower by Fitch and S&P, at triple-B+.

While the suspension of President Emmanuel Macron’s pension reform may delay fiscal consolidation, Williams said continued political paralysis could have a silver lining.

“When governments can’t take action they basically default to a technocratic process, and that historically tends to do well,” he said, citing the progress on debt that Italy made under former Prime Minister Mario Draghi as an example.



REUTERS

UK inflation holds at 3.8% in surprise boost for Reeves and BoE

By William Schomberg and Suban Abdulla

October 22, 20252:31 AM CSTUpdated 6 hours ago

LONDON, Oct 22 (Reuters) - British inflation unexpectedly held steady in September, raising the prospect of a Bank of England interest rate cut this year and offering some relief to finance minister Rachel Reeves ahead of her budget in November.

Annual consumer price inflation remained at 3.8% for the third month running, its joint highest since the start of 2024, the Office for National Statistics said on Wednesday.

Price growth in Britain remains the fastest among the world's rich advanced economies but the Bank of England and most economists polled by Reuters had expected a further rise to 4.0%.

Inflation in the services sector - closely watched by the BoE as a gauge of underlying price pressures in the economy - stayed at 4.7%, also below the Reuters poll forecast of a rise to 4.9%.

'THIS IS THE PEAK', ECONOMIST SAYS

Sterling slid by more than half a cent against the U.S. dollar and investors moved to price a 75% chance of the BoE cutting rates at its December meeting, up sharply from a 46% probability before the inflation data was published.

"On balance the UK's inflation problem looks slightly less bad now than it did a few weeks ago," Luke Bartholomew, deputy chief economist at investment firm Aberdeen said.

Ellie Henderson, an economist at bank Investec, said the year-long climb in British inflation appeared to be over.

"A 3.8% headline inflation rate is still uncomfortable for the Bank of England – it is nearly double its 2% inflation target. However we are of the view that this is the peak," Henderson said.

As well as complicating the BoE's attempts to support a weakening economy with lower borrowing costs, Britain's high inflation has added to the government's huge debt costs at a time when other demands on public spending are rising.

BUDGET COULD TACKLE COST OF LIVING

Reeves is likely to increase taxes in her budget on November 26 in order to show jittery investors that she remains on course to meet her fiscal targets, and analysts have warned that some options could push up inflation next year.

Shortly after Wednesday's data was published, Reeves said she was not satisfied and suggested she was preparing measures in her budget to help bring down the cost of living.

"For too long, our economy has felt stuck, with people feeling like they are putting in more and getting less out," Reeves said in a statement.

"That needs to change. All of us in government are responsible for supporting the Bank of England in bringing inflation down. I am determined to ensure we support people struggling with higher bills and the cost of living challenges."

The International Monetary Fund said last week that Britain's inflation rate would be the highest among the Group of Seven economies in 2025 and 2026.

The BoE has previously said it expects British consumer price inflation to gradually weaken from now on but only hit its 2% target in the April-to-June period of 2027.

Wednesday's data showed transport pushed up the headline inflation rate while recreation and culture and food and non-alcoholic beverages made the largest downward contributions.

Britain's labour market is losing steam but BoE policymakers have been split on how much inflation heat remains in the economy, with inflation expectations among the public rising in recent months.

The BoE says those expectations are sensitive to rises in food prices. The ONS data showed that in the 12 months to September food prices increased by 4.3%, slower than August's 4.8% climb.

Separate figures from the ONS showed factory gate prices rose by 3.4% in the 12 months to September, speeding up from 3.1% in August.

UK investors add to BoE rate cut bets as inflation unexpectedly holds at 3.8%

By Reuters

October 22, 20251:30 AM CSTUpdated 7 hours ago

LONDON, Oct 22 (Reuters) - Investors added to their bets on Bank of England interest rate cuts at the end of this year after data on Wednesday showed Britain's consumer price inflation and a key underlying measure of price growth unexpectedly held steady in September.

Interest rate futures were pricing a roughly 75% chance that the BoE's Monetary Policy Committee will cut Bank Rate to 3.75% from 4% at its December meeting, up from about 46% before the inflation data. They were fully pricing in a 25 basis-point cut in February 2026, a month earlier than before the figures were published.

Two-year gilt yields were down by 8 basis points at 3.769% in early trade, the lowest since May 2. The 10-year gilt yield hit its lowest since April 7, also down about 8 bps at 4.393%.

"Widespread downside surprises across the CPI components makes this a significant release for the MPC and raises the chance of a December interest rate cut," Rob Wood, chief UK economist at Pantheon Macroeconomics, said.

"We still think the MPC will skip November - the growth data and stabilising jobs suggest they can afford to wait still - and the November 26 budget also seems worth waiting for, as well as another round of inflation data."

Markets are now pricing in about 66 basis points of BoE rate cuts by December 2026, or nearly three quarter-point reductions, compared with about 57 basis points before the inflation data.

Bloomberg

BOE Is Scrutinizing Leveraged Finance After US Firms' Collapse

By Kat Hidalgo and Abhinav Ramnarayan

October 22, 2025 at 7:45 AM CST

The Bank of England is "closely monitoring" standards in leveraged finance markets and watching out for signs of forced selling by investors after the high-profile collapse of two US companies, according to an executive at the bank.

Officials want to see what the fallout from Tricolor Holdings and First Brands Group says about "underwriting standards in practice, where the risk has been distributed within the financial system, the ability of those who ultimately hold the risk to be able to withstand this shock and behaviorally what might they do in response," Martin Arrowsmith, co-head of the central bank's Market Based Finance Division, said at a conference Wednesday.

The collapse of two large constituents in credit markets has set firms looking at their books for distress, and the likes of JPMorgan Chase & Co.'s Jamie Dimon suggesting there are "cockroaches" triggering losses in corporate lending.

Bank of England Governor Andrew Bailey stoked the debate on the systemic threat posed by private credit, stressing in comments Tuesday to a Parliament committee the critical role ratings companies will play in thwarting a sequel to the great financial crisis.

While Arrowsmith said he wasn't concerned about any individual credit outside of the UK, he is interested in how banks and investors such as managers of collateralized loan obligations behaved in response to problems.

"For instance, the actions of some of the CLOs to sell out of the exposure, while sensible individually, if it was a more widespread issue and there's lots of quasi forced selling, what does that mean for the functioning of some of these markets in stress," he said at the Association for Financial Markets in Europe's High Yield and Private Credit Conference.

He said that the Bank of England, along with other policymakers, has been watching and calling out some of the "looseness" in markets for a while, and has been talking about issues in the so-called broadly syndicated lending space for at least a decade.

BOJ poised to hike interest rates in Q4, majority of economists say: Reuters poll

By Satoshi Sugiyama
October 21, 202510:13 PM CSTUpdated 10 hours ago

TOKYO, Oct 22 (Reuters) - The Bank of Japan will raise its key interest rate in either October or December, a majority of economists said in a Reuters poll, while nearly 96% of them expect borrowing costs to increase at least 25 basis points by end-March.

Although Sanae Takaichi, a fiscal dove who insisted the government reassert its sway over the central bank, became prime minister, two-thirds of respondents, 20 of 30, said that would not delay the BOJ's push for slightly tighter monetary conditions.

In the October 14-20 poll, 60% of economists, or 45 of 75, expected the Japanese central bank to raise short-term interest rates to 0.75% from 0.50% this quarter.

By end-March, about 96%, or 64 of 67, forecast borrowing costs to reach at least 0.75%.

Of 35 economists who specified a month for when the BOJ will next hike rates, January next year was top choice with 46%, 31% for December and 14% choosing October.

"The balance within the BOJ's policy board is clearly shifting towards interest rate hikes," said Kento Minami, senior economist at Daiwa Securities.

While uncertainties on domestic politics and the global economy will likely delay the timing of a rate hike, upside risks to inflation stemming from the yen's depreciation have increased, Minami said.

"The case for an earlier rate hike remains unchanged," he said.

Financial markets are pricing in about a 40% chance of a rate hike by year-end.

Takaichi, who became prime minister on Tuesday, pledged to boost government spending in essential sectors like energy and economic security under her "responsible, proactive fiscal policies."

In the poll, 67% of respondents, or 18 of 27, who answered an extra question couldn't say whether they approved or disapproved of Takaichi's economic policies.

Separately, nearly two-thirds, 17 of 26, said they were concerned about her policies' impact on fiscal health.

"With the ruling party losing its majority in both houses of parliament, it has no choice but to pursue expansionary fiscal policies to secure opposition cooperation," said Junki Iwahashi, senior economist at Sumitomo Mitsui Trust Bank.

Still, Iwahashi added market pressures - like a rise in long-term yields - would act as a restraint on fiscal expansion.

REUTERS

US trade chief says he does not see imported beef flooding US market

By Reuters

October 22, 20256:41 AM CSTUpdated 2 hours ago

WASHINGTON, Oct 22 (Reuters) - U.S. Trade Representative Jamieson Greer on Monday said he did not see tons of foreign beef coming into the United States, days after President Donald Trump suggested that he might import more from Argentina amid rising prices and angered U.S. farmers.

"I do not see a world where there's some huge, you know, millions and millions of metric tons flooding into this market," Greer told CNBC in an interview. "That's just not part of the program."

Bloomberg

US, Korea Focusing on Structure of $350 Billion Deal, Not Swap

By Heesu Lee, Shery Ahn, and Soo-Hyang Choi
October 22, 2025 at 8:00 AM CST
Updated on October 22, 2025 at 8:36 AM CST

South Korea and the US are focusing on the structure of a $350 billion investment pledge by Seoul, rather than a currency swap, according to Finance Minister Koo Yun Cheol.

Koo said Seoul is prioritizing the negotiation of a balanced composition for the investment package, likely involving a mix of direct investments, loans, and guarantees.

The comments come ahead of US President Donald Trump's visit to South Korea next week for the Asia-Pacific Economic Cooperation summit in Gyeongju, where he is expected to meet with President Lee Jae Myung and Chinese President Xi Jinping for separate bilateral talks.

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Officials in Washington including Treasury Secretary Scott Bessent now see the potential for a shock to Seoul's foreign-exchange market from an "upfront" deployment of funds, Koo told Bloomberg TV in an interview on Wednesday that also touched on weakness in the Korean won stemming from the unfinished deal, car tariffs and AI technology.

"Secretary Bessent fully understands the difficulties in Korea's FX market and is having internal discussions on how to respond to the situation," Koo said.

The won jumped as much as 0.3% to 1,428.11 per dollar, near a session high on the news. Though the currency gave back most of the advance, it was still among the best performers among emerging-market peers on Wednesday.

The comments come ahead of US President Donald Trump's visit to South Korea next week for the Asia-Pacific Economic Cooperation summit in Gyeongju. Trump is expected to meet with President Lee Jae Myung and Chinese President Xi Jinping for separate bilateral talks that may shape trade relations for years to come.

Seoul is prioritizing the negotiation of a balanced composition for the investment package, likely involving a mix of direct investments, loans, and guarantees. With talks still underway, he declined to elaborate on the breakdown, adding that Korea's need for any financial safeguards will ultimately depend on how the deal is built.

"Whether a currency swap is needed — and to what extent — will depend entirely on how the deal is structured. It may not be necessary at all, or it could be arranged on a smaller scale," he added.

South Korean Prime Minister Kim Min-seok told Bloomberg last month that the investment pledge would shock the Korean economy without a swap agreement. The Bank of Korea said earlier this week that $20 billion a year is probably the maximum the government can provide without affecting the currency market.

Koo's indication that the swap itself is not the sticking point, suggests that Seoul's raising of the issue may have gained it some bargaining leverage in the negotiations.

Presidential policy chief Kim Yong-beom flew back to Washington on Wednesday alongside Industry Minister Kim Jung-kwan, just days after returning home. Koo said the government is aiming to finalize the deal during next week's APEC summit and will make every effort to meet that goal.

The renewed push follows a separate $550 billion investment pledge between the US and Japan, formalized through a memorandum of understanding. That deal raised eyebrows for some of its conditions. The memorandum stipulated that if Tokyo didn't provide funds for projects suggested by Trump within 45 days, the US could consider raising tariffs. Details of the structure of the Japanese investment pledge also remain opaque.

The prolonged negotiations between Washington and Seoul, which have dragged on for more than two months since the initial deal was announced in late July, suggest a finalized Korean deal may be more detailed than Japan's.

With the details still unresolved, US tariffs on Korean cars remain at 25%. That leaves Korean automakers at a disadvantage compared with Japanese rivals, who now face levies of just 15%.

South Korea, which has long enjoyed a zero tariff on auto exports to the US under a free trade agreement, is now at risk of losing that edge. Japan previously faced a 2.5% tariff, meaning Korea benefited from a relative advantage, one that would disappear if both countries are subjected to the same 15% rate under the new framework.

Koo said Seoul has repeatedly flagged this disadvantage to Trump and other US officials. But he said Washington hasn't been particularly receptive on that point. Korean negotiators will continue to press their case, he added.

The concerns over the currency impact of the investment pledge come at a time of weakness in the won. The currency hit its weakest against the dollar since 2009 in April and after a short-lived rally has started to weaken again. The won was around 1432.55 against the dollar on Wednesday evening in Seoul.

"We believe much of the recent depreciation reflects market concern that the deal hasn't been finalized," he said. "Once the tariff issue is resolved, that uncertainty will likely fade."

Despite earlier speculation that the US might object to the currency's decline as a bid to gain a competitive advantage, Koo said Treasury officials have expressed no concern on that front and fully understand Korea's situation.

Koo said the government is accelerating plans to launch 24-hour trading of the won that would further enhance market access and reduce the so-called Korea discount on equities. That's also a key prerequisite for MSCI Developed Market inclusion. Technical preparations are already underway, and the goal is to implement the new system as quickly as possible, Koo added.

Beyond trade and currency, Koo stressed that Korea's broader economic strategy hinges on building an innovation-driven economy. The government is channeling resources into artificial intelligence, digital transformation, and deep-tech sectors to address structural challenges such as population aging, a declining birthrate, and rising debt-to-GDP levels.

He said the government's 58% debt projection represents a worst-case scenario assuming most of its targeted investments fail. But even partial success — say, 10% of its innovation projects — could yield high-bandwidth memory-level breakthroughs that boost productivity, expand economic growth, and improve fiscal stability.

"We're not simply expanding the budget — we're concentrating spending on transformative technologies," Koo said. "Even limited success could reduce our debt ratio."

Bloomberg

Trump, Lula Seek Meeting in Malaysia as Brazil Eyes Tariff Cut

By Augusta Saraiva, Daniel Carvalho, and Hadriana Lowenkron
October 22, 2025 at 8:14 AM CST

Donald Trump is interested in meeting Brazil's Luiz Inacio Lula da Silva and officials are discussing a possible meeting while the pair are in Malaysia for the Association of Southeast Asian Nations.

Brazil is hoping the resumption of dialogue between the two countries will convince the US to lower the punitive levies facing key Brazilian goods, including coffee and meat.

Conversations between Brazil and the US resumed after Trump and Lula briefly crossed paths at the United Nations General Assembly in New York last month — though the talks are yet to be translated into policy decisions.

Donald Trump is interested in meeting Brazil’s Luiz Inacio Lula da Silva and officials are discussing a possible meeting while the pair are in Malaysia for the Association of Southeast Asian Nations, according to a White House official.

Brazil is hoping the resumption of dialogue between the two countries will convince the US to lower the punitive levies facing key Brazilian goods, including coffee and meat. The meeting could happen as soon as Oct. 26, three Brazilian officials familiar with the planning said.

In a phone call with Trump earlier this month, Lula asked the US to bring the 50% tariff rate imposed on his country down to 10% and to remove sanctions and visa restrictions on Brazilian judges, government officials and their relatives.

After that call — which both sides described as friendly — Trump said he would look to schedule meetings with Lula in both Brazil and the US. But the summit offers an earlier opportunity for the leaders to meet and resolve a spat that began in July, after Trump sought to stop the trial of his ally Jair Bolsonaro, which has led to months of frosty relations between the two countries.

Conversations between Brazil and the US resumed after Trump and Lula briefly crossed paths at the United Nations General Assembly in New York last month — though the talks are yet to be translated into policy decisions.

In addition to tariffs and sanctions, the two nations have also been discussing trade practices that have been the target of an investigation by the US Trade Representative’s office.

In a meeting last week, Secretary of State Marco Rubio and his Brazilian counterpart Mauro Vieira discussed topics including the regulation of US social media companies operating in the country and Brazil’s ethanol business, according to two Brazilian officials who asked not to be identified discussing a private engagement.

Ahead of the long-awaited meeting, the Brazilian government has been working to prepare background materials on an array of themes that could be relevant to the talks, including critical minerals, data centers and social media regulation.

Still, Lula’s strategy is to wait for the Trump administration to outline its demands before putting his own options on the table, two officials familiar with the discussions said.

CNBC

AI is already taking white-collar jobs. Economists warn there's 'much more in the tank'

Published Wed, Oct 22 20257:30 AM EDTUpdated 3 Hours Ago

Samantha Subin

JPMorgan Chase and Goldman Sachs are harnessing it to employ fewer people. Ford CEO Jim Farley warned that it will "replace literally half of all white-collar workers." Salesforce's Marc Benioff claimed it's already doing up to 50% of the company's workload. Walmart

CEO Doug McMillon told The Wall Street Journal that it "is going to change literally every job."

The "it" that's on corporate America's lips is artificial intelligence.

Less than three years into the generative AI boom, executives across every major industry are loudly telling employees and shareholders that, due to the technological revolution underway, the size and shape of their workforce is about to dramatically change, if it hasn't already.

What started with the launch of OpenAI's ChatGPT and a novel new way for consumers to use chatbots has rapidly made its way into the enterprise, with companies employing customized AI agents to automate functions in customer support, marketing, coding, content creation and elsewhere.

Recent estimates from Goldman Sachs suggest that 6% to 7% of U.S. workers could lose their jobs because of AI adoption. The Stanford Digital Economy Lab, using ADP employment data, found that entry-level hiring in "AI exposed jobs" has dropped 13% since large language models started proliferating. The report said software development, customer service and clerical work are the types of jobs most vulnerable to AI today.

"We are at the beginning of a multi-decade progress development that will have a major impact on the labor market," said Gad Levanon, chief economist at the Burning Glass Institute, a research firm that focuses on changes in the economy and workforce.

Automation, of course, is nothing new. Every era has its printing press, ATM machine, self-checkout machine or online booking agency that's replaced human labor with some form of technology. In the process, new jobs emerge and economies adapt and evolve.

A report from the World Economic Forum earlier this year estimated that the onslaught of AI, robotics and automation could displace 92 million jobs by 2030, while adding 170 million new roles. AI development, research, safety and implementation are all areas of growth, along with robotics.

Erik Brynjolfsson, director of the Stanford research group, said that, in addition to new types of roles, physical jobs such as health aids and construction workers are so far shielded from AI disruption.

"There's going to be more turbulence in both directions in the coming months and years," Brynjolfsson said in an interview. "We need to prepare our workforce."

The high-level data isn't yet showing massive changes.

The U.S. government is three weeks into a shutdown, so the Bureau of Labor Statistics has gone dark. But alternative reports from organizations like the Chicago Fed have shown an economy that's plodding along. Employment growth is meek, but the labor market is holding steady.

The unemployment rate held flat at 4.3% in September, according to the Chicago Fed, as did the rate for layoffs and other separations at 2.1%.

A recent study published by the Budget Lab at Yale found no "discernible disruption" caused by ChatGPT. Martha Gimbel, co-founder of the lab, called the upheaval from AI "minimal" and "incredibly concentrated," although that could shift as technological changes work through the broader economy.

"The rest of the economy often moves more slowly than Silicon Valley," she said.

The New York Fed found in a survey last month that only 1% of services firms reported laying off workers because of AI in the last six months. The Society for Human Resource Management said its data shows that 6% of U.S. jobs have been automated by 50% or more, a number that rises to 32% for computer and math-related professions.

'Scrappier teams'

It doesn't take much prying to get corporate executives to talk about what's coming.

Amazon CEO Andy Jassy said in June that his company's corporate workforce will shrink from AI over the next few years, and encouraged employees to learn how to use AI tools to eventually "get more done with scrappier teams."

The New York Times published an investigative piece on Tuesday, showing that Amazon's automation team expects that it can avoid hiring more than 160,000 people in the U.S. by 2027, equaling savings of about 30 cents on every item that Amazon packs and delivers. The report was based on interviews and internal strategy documents, the Times said.

Palantir

CEO Alex Karp told CNBC in August that his data analytics company, which has seen its market cap soar more than elevenfold in the past two years, aims to grow revenue by 10 times and reduce its head count by about 12%. He didn't provide a timeframe for reaching that goal.

The message is making its way across the tech industry.

Benioff, Salesforce's CEO, said last month that his software company has cut the number of customer support roles from 9,000 to 5,000 "because I need less heads." Swedish fintech firm Klarna said it has downsized its workforce by 40% as it adopts AI. Shopify CEO Tobi Lutke told employees in April that they'll be expected to prove why they "cannot get what they want done using AI" before asking for more head count and resources.

Coding assistants have been some of the early winners of the generative AI rush, becoming the first real application type to attract a hefty number of paying users. The Information reported last week that Anysphere, the parent of Cursor, is in talks to raise funds at a $27 billion valuation, as it takes on Microsoft's GitHub and other startups, including Replit, in an increasingly crowded market.

Software development is just the beginning.

In banking, JPMorgan's managers have been told to avoid hiring people as the firm deploys AI across its businesses, CFO Jeremy Barnum told analysts last week. Goldman Sachs CEO David Solomon said that as his bank incorporates AI, it will be "taking a front-to-back view of how we organize our people, make decisions, and think about productivity and efficiency."

Then there's the auto sector.

When Ford CEO Farley told Walter Isaacson in an interview in July that "AI will leave a lot of white-collar people behind," he was reflecting a sentiment that's growing across his industry. According to a survey of 500 U.S. car dealers conducted by marketing solutions firm Phyron, half of respondents said they expect AI to sell vehicles autonomously by 2027.

"That means AI creating the marketing assets, handling listings, answering buyer questions, negotiating deals, arranging finance, and completing the sale — all without human input," Phyron said in the report on its survey results last month.

The topic will likely get a lot of attention in the next couple weeks as the world's biggest tech companies issue quarterly results and update investors on their AI deployments. Tesla kicks off tech earnings season on Wednesday, followed next week by Alphabet, Meta, Microsoft, Apple and Amazon.

Bloomberg

Peak Inflation in G-7's Worst Performer Isn't So Bad

By Irina Anghel
October 22, 2025 at 5:00 AM CST

London Sighing

Last week, the IMF's forecasts made for grim reading in the UK. Officials in Washington predicted faster inflation there than in the rest of the Group of Seven, both this year and next. Stronger even than in the US, despite the impact of tariffs.

Fast forward to today, and the release of Britain's latest consumer-price data for September is likely to have prompted some brief sighs of relief across London, from the Bank of England to the Treasury.

The UK central bank previously predicted the report to show acceleration to a peak of 4%. Some forecasters anticipated an even higher outcome, and all but one economist out of 36 surveyed by Bloomberg foresaw some sort of pickup.

Instead, it stayed at 3.8%, thanks to the first drop in food bills since 2024. That's still almost double the BOE's 2% target, but price pressures are largely expected to retreat in the coming months, so it's an early sign that things could be less worrying than thought.

For Governor Andrew Bailey and colleagues on the Monetary Policy Committee, such readings could augur a green light to resuming interest-rate cuts later this year.

While a BOE reduction at the next meeting in November is largely off the table — officials are likely to stay on hold as they await the Labour government's latest budget — a pre-Christmas move is now in play.

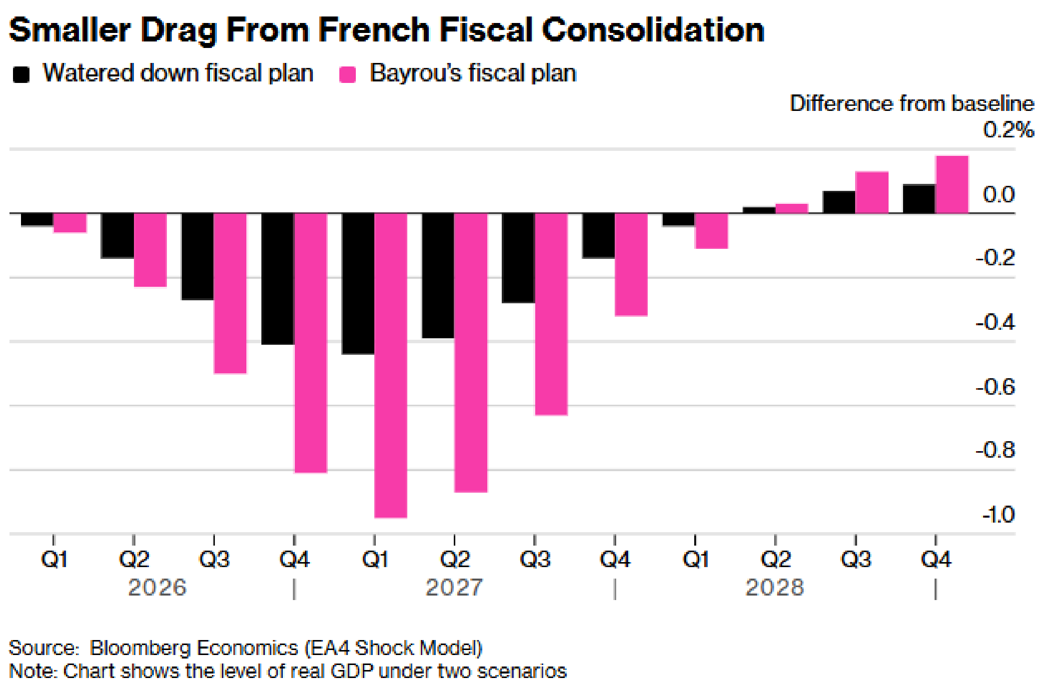
Traders are now betting on a 70% chance of a cut in December. That's up from a probability of just one-in-three before the inflation release.

Chancellor Rachel Reeves said she's "not satisfied" with today's data, but she too can find some solace in the numbers as she scours for savings to fill a large hole in the public finances.

The September consumer-price reading happens to be pivotal for her too. It determines the increase applied to next year's working-age benefit payments, which cost £123 billion ($164 billion) in 2024-25, roughly 10% of all government spending. Today's release suggests that bill will rise less than previously anticipated.

Reeves still faces a tough task for her Nov. 26 budget, which is likely to feature a downgrade to the UK's growth outlook against a backdrop of higher borrowing costs.

The chancellor can only hope that any relief from weakening food inflation — a key pain point for voters — will make whatever tax hikes and spending cuts she unveils easier to stomach.



REUTERS

UK house prices rise 3.0% year-on-year in August

By Reuters

October 22, 20252:55 AM CSTUpdated 5 hours ago

LONDON, Oct 22 (Reuters) - Average house prices in the United Kingdom in August were 3.0% higher than a year earlier, down from an upwardly revised annual increase of 3.2% in July, the Office for National Statistics said on Wednesday.

Growth in property prices slowed sharply in recent months after hitting a two-year high in March when homebuyers rushed to complete sales before an expiry of a tax break on many house purchases.

Private-sector rents were 5.5% higher than a year earlier in September, down from 5.7% in August and the smallest annual increase since November 2022.

Bloomberg

Reeves Could Save £4.5 Billion in Budget if Yields Stay This Low

By Philip Aldrick

October 22, 2025 at 5:16 AM CST

The sharp fall in UK government borrowing costs has potentially saved Chancellor Rachel Reeves billions of pounds.

The Office for Budget Responsibility is preparing five-year economic and fiscal forecasts for the budget on Nov. 26, and the information gathered will form the basis of these forecasts.

Reeves needs to raise about £35 billion from tax and spending cuts to restore her spending plans, which have been affected by higher borrowing costs and an anticipated growth downgrade.

The sharp fall in UK government borrowing costs over the past week has potentially saved Chancellor of the Exchequer Rachel Reeves billions of pounds as her fiscal watchdog has yet to decide when to close its debt-interest forecast ahead of the budget in November.

Bloomberg Economics economist Ana Andrade estimates the saving could be as much as £4.5 billion ($6 billion) if the Office for Budget Responsibility today opened its 10 working-day window for collecting financial market data, and current market pricing did not change. If the window closed today, the saving would be £2 billion.

The information gathered will form the basis of the five-year economic and fiscal forecasts that the OBR is preparing for what's expected to be a difficult budget on Nov. 26.

Reeves needs every penny she can get because higher borrowing costs, policy U-turns over welfare cuts and an anticipated growth downgrade by the OBR have punched a hole in her spending plans.

She will need to raise about £35 billion from tax and spending cuts to restore the £9.9 billion headroom she left against her main fiscal rule at the March spring statement, according to Bloomberg Economics. The estimate assumes a £6 billion increase in debt interest due to higher market rates based on pricing from early September. A lower debt bill would mean Reeves has a smaller fiscal hole to fill.

The OBR told Bloomberg it would not be able to confirm the dates used for the borrowing forecast "for at least a few weeks" and stressed that it will "remain flexible in case we are required to think again."

At the last two fiscal events, the watchdog closed the debt-interest window about 30 working days beforehand. That would suggest the 10-day period ended between Oct. 9 and Oct. 15, missing most of the recent improvement.

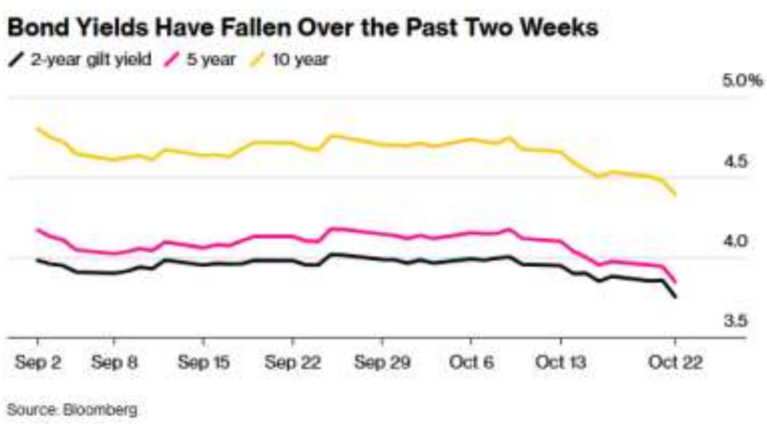
However, the OBR has been willing to change the window in the past, most recently during the spike in gas prices after Russia's invasion of Ukraine triggered wild swings in markets. The watchdog may be able to use recent geopolitical turmoil to justify using a later window.

With the UK national debt at £2.75 trillion, even small moves in financial markets can have a big effect on borrowing costs that are currently costing the taxpayer more than £100 billion a year — nearly twice as much as the defense budget.

A 1 percentage point fall in gilt yields would save Reeves £12 billion, according to the OBR's ready reckoner. The benchmark 10-year yield has fallen more than 30 basis points over the past fortnight to its lowest level since December last year.

The chancellor was also spared more fiscal pain by the latest consumer prices index of inflation, which came in below expectations at 3.8% for September - roughly in line with the OBR's forecast for 3.7% for the third quarter.

The government uses September inflation to uprate welfare and the pensions of former public-sector workers. Had inflation been 4%, as forecast by economists and the Bank of England, the additional cost would have been around £300 million. Working-age benefits cost roughly £120 billion a year and servicing public-sector pensions in retirement another £55 billion.



Millions of families in receipt of Universal Credit will see their standard allowance increase by 6.2% from April next year, the Resolution Foundation think tank said. The benefit increases by 2.3% after applying inflation.

A single adult aged 25 and over receiving Universal Credit will see their standard allowance rise by £6 a week to £98. Couples will get a £9 a week uplift to £154.

theguardian

Real living wage to rise by almost 7% in boost for low-paid UK workers

Heather Stewart Economics editor

Wed 22 Oct 2025 06.00 BST

Almost half a million workers are to receive a pay boost after it was announced that the real living wage paid voluntarily by 16,000 UK companies will rise to £13.45 an hour.

Distinct from the national living wage, which is a statutory minimum, the real living wage is calculated each year based on the cost of essentials, and is paid by more than half of the companies in the FTSE 100.

Born from a long-running campaign about the difficulties of making ends meet on poverty pay, employers can agree to pay the more generous rate. The Japanese clothing store Uniqlo, the University of Salford and Truro city council are among the latest to sign up.

The real living wage will rise to £13.45 an hour nationwide – an increase of 85p an hour, or 6.7%. In London, it will go up 95p, or 6.9%, to £14.80 an hour. Living wage employers have until 1 May to bring in the rise, but are encouraged to do so as soon as possible.

Recent research by the Living Wage Foundation, which calculates the rates each year, found that 42% of the UK's low-paid workers had resorted to using food banks over the last 12 months.

Katherine Chapman, the foundation's executive director, said: "The new rates announced today will make a massive difference to workers and their families, helping them to better cope with the costs of rent, bills, food and other essentials, and to live with stability and security."

The national living wage – as the minimum wage was rebranded by George Osborne – has also risen significantly in recent years. It is expected to be set at around £12.71 from April but the independent Low Pay Commission has not yet made its final recommendation to the chancellor, Rachel Reeves, on the issue.

The government's minimum wage also only applies in full to over-21s, whereas real living wage employers promise to pay it to everyone over 18.

Some firms go further and agree to become a "living hours" employer, promising at least 16 hours work a week, a month's notice of shift patterns and a contract that reflects hours worked – all concerns that emerged from research among low-paid workers.

Chapman added: "Despite the challenges businesses face, our movement continues to grow, with over 16,000 employers now accredited. These leading employers are showing that paying the real living wage has a far-reaching impact on staff, businesses and society."

Matt Sparkes, sustainability director at the law firm Linklaters LLP, said: "We've paid the real living wage for over a decade, and we still hear from our people of the pride that it brings and the difference that it makes. Now, more than ever, it demonstrates a tangible commitment to fairness, respect and doing what is right."

theguardian

Chancellor hoping shift in tone on Brexit will ring true for key groups of voters

Harriet Sherwood
Wed 22 Oct 2025 15.50 BST

Rachel Reeves' decision to pin the blame for the UK's ailing economy on Brexit a month before a difficult and potentially unpopular budget might be considered high-risk given the lingering divisions and bitterness over the UK's decision to leave the EU.

But, according to political analysts, she is aiming to appeal to voters who opted to leave but have changed their minds on this issue, young people who have joined the electorate in the nine years since the referendum, and remainers who are asking: what took you so long?

In a speech on Tuesday, the chancellor said Brexit had caused more damage to the UK economy than official forecasters had previously outlined. Costs, she said, had been "needlessly added to businesses" since the UK formally exited in 2021.

Supporters of Brexit swiftly accused Reeves of attempting to "shift the blame for the dire state of Britain's economy" ahead of November's anticipated tax-raising budget. Some said she was "hunting for scapegoats".

The chancellor's comments were a marked departure from the government's previous reluctance to talk about Brexit. And, despite the noise from rightwing commentators, the move may play well among key groups of voters.

Polls have shown a shift in opinion over Brexit since 2016. In June, YouGov found that 56% of those polled said Britain was wrong to leave the EU, compared with 31% who said it was right.

In another YouGov poll last month, 62% said Brexit was more of a failure than a success for the UK, with only 11% believing it had been a success. The top reason for those who felt it was a failure was damage caused to the UK economy.

In January, Ipsos found that 54% said Brexit was the wrong decision, compared with 32% who thought it was right. In another poll, by Redfield and Wilton, 57% said they would now vote to rejoin the EU while 43% said they backed staying out.

"Brexit has never been more unpopular among voters than it is now," said Robert Ford, professor of political science at Manchester university. "So there was never a stronger case for criticising Brexit than now.

"That's specifically true in terms of the economic impact. Even a substantial chunk of leave voters now think that the economic impact of Brexit has been negative.

"Both Brexit in general and the specific economically disruptive form of Brexit we ended up with is strongly associated in the minds of the voters with the previous Conservative government. So if you are a beleaguered chancellor looking to explain to voters why you're having to deliver medicine they don't like, the attraction of putting some of the blame on Brexit is fairly obvious."

In terms of Labour's vote at the 2024 election, "the very small number that [backed] leave and voted Labour last year is now even smaller because many have switched to Reform or the Conservatives, and say they will never vote Labour again," said Ford.

The "lowest hanging fruit" is voters who have switched, or are considering switching, from Labour to the Liberal Democrats or the Greens since last year's election. "Criticism of Brexit makes a lot of sense" in trying to retain these voters, said Ford.

In addition, since the 2016 referendum, an estimated 6.5 million to 7 million people have turned 18, making them eligible to vote in elections. Demographic analysis has shown that young people are more likely to be pro-EU than older voters.

"The trend on every Brexit indicator is downward. And as time goes by, more and more people are joining the electorate who are against Brexit or see it as a negative," said Ford.

But, said Arnand Menon, director of The UK in a Changing Europe, and professor of European politics and foreign affairs at King's College London, "I'm not sure most people care much about it at the moment, to be honest.

"If you look at the polling on the salience of Brexit, about 3% of people think Brexit is the most important issue facing the UK. If you go back to 2019, that figure was 74%."

Labour's new strategy holds two dangers for the party, he said. "They don't want to alienate leave voters in seats where they're vulnerable to Reform by intimating that they were stupid to vote for Brexit.

"But the other group they could alienate are the pro-Europeans who might say that now Labour has admitted that Brexit has been a bad thing, they've got to reverse it. And of course, they've got no intention of reversing it."

Labour's calculation was "if the next election is a contest between [Keir] Starmer and [Nigel] Farage, all those people who are criticising [the party] for not being bold on Brexit, all those people threatening to vote Green, they'll all vote Labour, even if they have to do it through clenched teeth. Because the danger is that Farage will become prime minister if they don't."

According to Ford, the "blame Brexit" strategy was a result of Labour having exhausted all other options. "If they had a whole bunch of positive things to talk about, they wouldn't be talking about Brexit at all."

German economy ministry spokesperson: concerned about chip supply chain difficulties

By Reuters
October 22, 20255:47 AM CSTUpdated 3 hours ago

BERLIN, Oct 22 (Reuters) - A spokesperson for the German economy ministry said on Wednesday that the government was concerned about possible supply chain difficulties due to a dispute over chipmaker Nexperia.

"We are in contact with all relevant parties and trying to find solutions," the spokesperson said at a regular government press conference.

"Chips are indispensable for our industry, so this could have a major impact."

German carmakers' association VDA warned on Tuesday that the China-Netherlands dispute over Nexperia could significantly disrupt automotive production in the near future.

Despite talks between the Dutch and Chinese economy ministers on Tuesday, no solution to the Nexperia impasse was reached.

EL PAÍS

'Baratoflación': los alimentos más económicos lideran las subidas de precios

Laura Delle Femmine

Se dice que la inflación es un impuesto invisible, ya que reduce el poder adquisitivo de la población, pero sin dejar rastro en las nóminas, ni en la declaración de la renta o en la factura de los productos que se adquieren. Tampoco afecta a todos los bienes y servicios con la misma intensidad. Ejemplo de ello es la cesta de la compra: los alimentos más baratos y básicos son los que más se han encarecido a raíz de la llamarada inflacionaria pospandemia, un 37% entre 2021 y 2024, frente al repunte del 23% experimentado por los de gama alta, según destaca el informe del Instituto de Investigación Urbana de Barcelona (IDRA) ¿Por qué sube la cesta de la compra?, publicado este miércoles. La otra cara de este fenómeno, conocido como cheapflation que podría traducirse en castellano como baratoflación, es su regresividad: afecta más a quienes más consumen artículos básicos, que coinciden con los hogares de menores ingresos.

Productos tan básicos como carne, la leche o la mantequilla se han encarecido entre un 30% y un 40% con respecto a los registros previos a la crisis sanitaria, y otros artículos igual de básicos como el aceite de oliva lo han hecho por encima del 80%. "Este fenómeno impacta especialmente en los hogares con menos ingresos", señala el documento, que también resalta los coletazos que todo ello tiene en la salud. "A menudo [estas familias] sustituyen marcas comerciales por blancas, reduciendo los formatos o eligiendo productos de inferior calidad. Estas alternativas, lejos de estar exentas de la inflación, han experimentado subidas de precio a menudo más intensas que los productos de gama media o alta".

Que suban más, proporcionalmente, los precios de los productos básicos no es algo nuevo y suele ir de la mano de grandes crisis económicas y energéticas, debido al aumento en los costes de producción y logística. El primer gran episodio de cheapflation moderno se vivió con la crisis del petróleo de los años setenta. En lo que va de siglo, situaciones similares se dieron con la Gran Recesión, que disparó el precio de materias primas agrícolas y combustibles, y tras la pandemia.

Los precios se prendieron en 2021 por el desajuste entre demanda y oferta al salir de los confinamientos, y la crisis se agravó al año siguiente con la invasión rusa en Ucrania, que complicó el suministro energético y de artículos básicos como cereales y fertilizantes. Aunque ahora los precios se han moderado, el incremento acumulado desde 2019 para los alimentos ha sido del 30% en la zona euro, según el Banco Central Europeo (BCE). En España, los comestibles y bebidas no alcohólicas se han encarecido más de un 30% desde julio de 2021, de acuerdo con el Instituto Nacional de Estadística (INE) frente al 19% del índice general.

El informe de IDRA sugiere que estos incrementos no solo responden a las tendencias macroeconómicas y las tensiones internacionales, sino a dinámicas internas del sector. A partir de la Gran Recesión, las materias primas agrícolas experimentaron una progresiva "financiarización", que empujó hacia arriba los precios hasta el punto de que la FAO advirtió de una "burbuja especulativa" con efectos devastadores en los países más pobres. "Este comportamiento se ha vinculado a la entrada masiva de inversores financieros en los mercados de futuros de productos agrícolas", describe el análisis.

Al mismo tiempo, el informe apunta a la progresiva concentración de las empresas del sector, vía fusiones y adquisiciones e integraciones verticales de la cadena de valor, y pone como ejemplo a las cinco grandes multinacionales Archer Daniels Midland (ADM), Bunge, Cargill, China Oil and Foodstuffs Corporation (COFCO) y Louis Dreyfus Company (LDC) que controlan entre el 70% y el 90% del comercio mundial de cereales comerciales. "Su capacidad para intervenir tanto en los mercados físicos como en los financieros les otorga una doble influencia sobre la formación de precios", abunda. Entre 2021 y 2022, estos grupos registraron beneficios récord.

Distorsiones

IDRA, un centro de análisis que funciona en forma de cooperativa y tiene entre sus principios "promover la justicia social y ecológica", recuerda que la capacidad para condicionar precios y dinámicas de producción y suministro aumentan cuando pocas empresas controlan una gran porción del mercado. Y sugiere que estos comportamientos se exacerban en escenarios de turbulencias, mediante la coordinación implícita en la respuesta a los choques de costes. "A pesar de la moderación de los costes globales desde mediados de 2023 (especialmente en energía y transporte), los precios finales al consumidor no han retrocedido, y los márgenes empresariales se mantienen elevados", indica el estudio.

El documento incide en que, también en España, el mercado agroalimentario está copado por pocos grandes actores y cita firmas como Vall Companys, Coca-Cola Europacific Iberia, Ebro Foods, bonÀrea, Nestlé y el Grupo Fuertes. Añade que tanto las compañías de alimentación como las de distribución empezaron a obtener ganancias récord en los años álgidos de la inflación. Los márgenes empresariales del sector agroalimentario son los que más han crecido desde 2020, con un incremento del 38,1%, según el Observatorio de Márgenes Empresariales. Además, menciona que los salarios en el sector son más bajos que la media nacional y hay segmentos con situaciones laborales precarias, como la industria de la fruta en Lleida y Andalucía.

El tirón de orejas también va para el legislador: el documento lamenta que las políticas públicas no solo no han sabido corregir los desequilibrios del mercado, sino han perpetrado la concentración empresarial y la volatilidad en los precios. Por ello, recomienda introducir regulaciones e intervenir el mercado para, entre otros aspectos, revertir la concentración corporativa y evitar que los precios se disparen en caso de shocks, con la fijación de precios máximos temporales. "El objetivo no es solo contener o bajar los precios, sino desmercantilizar progresivamente la alimentación esencial", concluye.

Russia was smug about Trump-Putin talks. Now they're on hold, Moscow's anxious

Published Wed, Oct 22 20257:02 AM EDT

Holly Ellyatt

Russia scrambled on Wednesday to salvage the prospect of in-person talks between U.S. President Donald Trump and Russia's Vladimir Putin after they were unceremoniously put on hold.

Trump said on Tuesday that he didn't want "to have a wasted meeting" with Putin, which was set to take place in Hungary in the next few weeks, as it became clear that Russia opposes the idea of an immediate ceasefire with Ukraine.

"I don't want to have a waste of time — so we'll see what happens," Trump said following a call on Monday between U.S. Secretary of State Marco Rubio and Russian Foreign Minister Sergey Lavrov.

After the call, Russia's top diplomat told reporters in Moscow that he had told Rubio that "Russia has not changed its position" since Trump and Putin met in Alaska in August, and that while Moscow wanted a "lasting and sustainable peace," it was not interested in an "immediate ceasefire that will lead to nothing."

After those comments, and with Trump seemingly pouring cold water on the idea of meeting Putin again, the Kremlin appeared to go into damage limitation mode, insisting on Wednesday that the dates for the summit in Budapest "weren't set" but that preparations were still underway.

"This is yet to be done. Careful preparation is needed before then. Time is needed for that," Dmitry Peskov, Putin's press secretary, told reporters, in comments translated by NBC News.

"There's no news yet; it's clear that all of this is surrounded by a lot of gossip, rumors, and so on. For the most part, they are completely untrue. There's no news yet," he added.

Another U-turn?

The suspension of talks with Russia appears to be yet another U-turn from the U.S. administration, which has seesawed this year over its position on Russia, the Ukraine war and its causes, and its potential resolution.

There was more than a whiff of smugness and schadenfreude in Moscow, and Russian state media, last week when Ukrainian President Volodymyr Zelenskyy's own in-person talks with Trump last Friday appeared to go badly.

Particularly after Russia had effectively undermined the talks by getting in there first, gaining Trump's ear with a "very productive" phone call — as Trump described it — that was held with Putin. It was during that call when the leaders agreed to meet in person within a couple of weeks.

Trump and his team appeared to vacillate on their support for Ukraine after that call, with Zelenskyy leaving the White House the next day empty handed, with no long-range Tomahawk missiles, as requested, and concerns that it could be pressured to give up occupied territory in eastern Ukraine.

Those fears grew when Trump last weekend called for the partially Russian-occupied region of Donbas, the epicenter of ongoing fighting in the three-and-a half year war, to be "cut the way it is."

"It's cut up right now, I think 78% of the land is already taken by Russia," the president said on Air Force One on Sunday. "They should stop right now at the battle lines. ... Go home, stop killing people and be done."

Ukraine and a group of European allies pushed back against Trump's position, warning in a joint statement Tuesday that Russia was using "stalling tactics" to prolong the war. Wary of alienating Trump, however, they were careful to praise his efforts to bring both sides to the negotiating table.

"We strongly support President Trump's position that the fighting should stop immediately, and that the current line of contact should be the starting point of negotiations. We remain committed to the principle that international borders must not be changed by force," European leaders noted.

Russia blames 'fake news'

Now the tables have turned again, Moscow appears to be feeling anxious, with the Kremlin insisting it is serious about ending the war.

"No one wants to waste time. Neither President Trump nor President Putin. These are two presidents who are accustomed to working effectively and efficiently, but effectiveness always requires preparation," Peskov stated Wednesday.

Various Russian officials in Putin's inner-circle accused media outlets of spreading "fake news" about the "cancellation" of the Hungary summit in a bid to undermine it.

"Media is twisting comment about the 'immediate future' to undercut the upcoming Summit. Preparations continue," Kirill Dmitriev, Putin's investment envoy and CEO of the Russian Direct Investment Fund, commented on the X social network.

Russian foreign ministry spokesperson Maria Zakharova also presented a similar argument, telling Radio Sputnik on Wednesday that an "information circus" surrounded the Trump-Putin summit.

"This whole information circus which, by the way, they haven't finished yet, it's still going on: Fake leaks, self-corrections, confirmations, denials, exist to once again provide informational support to Zelenskyy," she said, in comments translated by NBC News.

Bloomberg

Turkey Said to Weigh Scrapping Inflation Accounting Practice

By Firat Kozok

October 22, 2025 at 6:01 AM CST

Turkey is reconsidering whether to end an accounting rule that requires companies to adjust their books for high inflation, according to people familiar with the discussions.

The government had planned to include a clause in an omnibus bill submitted to parliament last week that would postpone the practice for the 2025–2027 accounting periods but later decided against it, the people said, asking not to be identified as the talks are private.

Discussions on delaying the so-called inflation accounting rule are continuing, and a final decision will be made after further evaluations, they said.

The Treasury and Finance Ministry declined to comment.

Turkey introduced inflation accounting for non-financial companies in 2024 after three-year cumulative domestic producer-price growth exceeded 100%. The practice adjusts companies' financial statements to reflect changes in purchasing power and profitability, and influences how non-monetary assets are taxed.

Local newspaper Ekonomi first reported the plans earlier Wednesday.

The measure could still be added during the bill's committee or general assembly stages, or submitted later as a separate proposal, the people said.

Vice President Cevdet Yilmaz told Bloomberg last year the government would assess the rule's impact on investment and decide how it would apply in 2025.

Bloomberg

China's Exports to US Looked Dented Not Defeated by Trump Tariffs

By Brendan Murray
October 22, 2025 at 5:00 AM CST

China is proving a difficult rival for the US to dethrone as the world's manufacturing powerhouse.

Despite double-digit percentage drops in the value of overall bilateral trade during the past half a year, some products have recently seen an increase from 2024, as we report in-depth today from Beijing. According to a Bloomberg analysis of China's customs data:

- Almost all the top 10 exports to the US slumped last quarter from a year earlier
- Shipments of e-cigarettes rose
- E-bikes are also seeing strong US demand, with Chinese firms exporting more than $500 million worth in the three months through September, slightly up from a year earlier
- Exports of refined copper cathodes have soared to $270 million in the past three month from almost nothing
- Electrical cables jumped 87% to $405 million

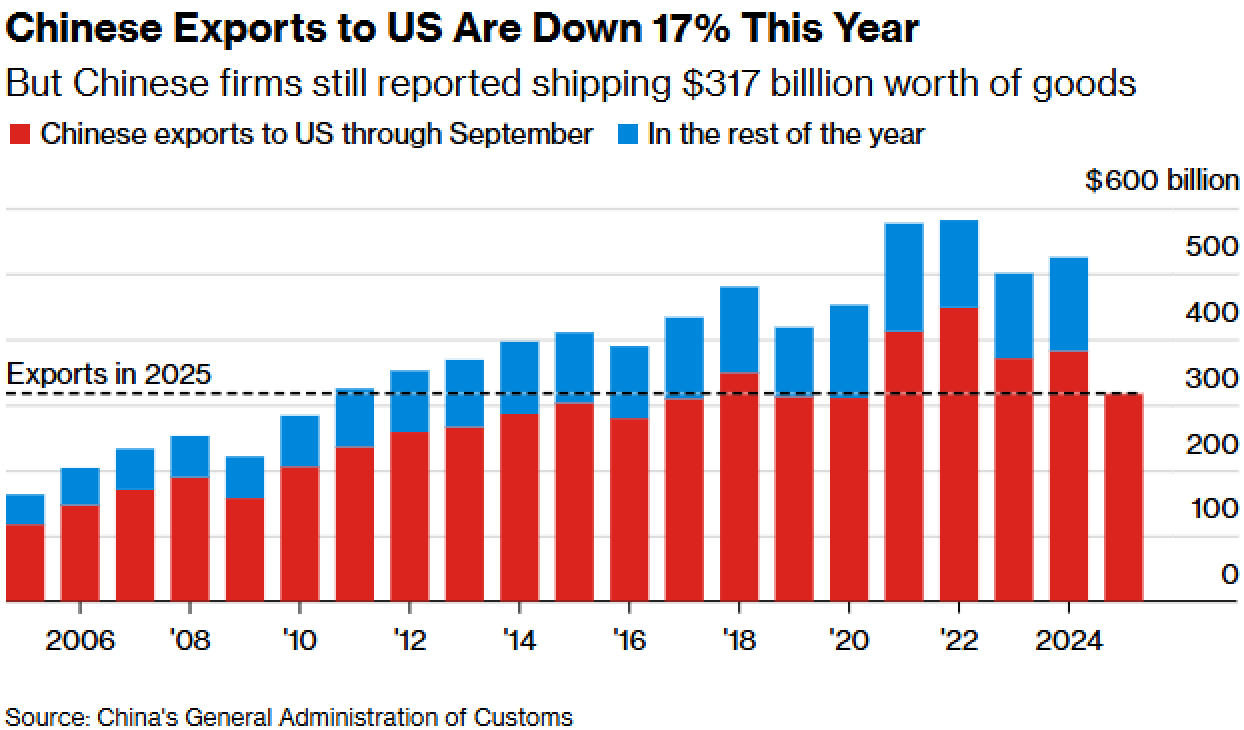
It's only been about six months of President Donald Trump's latest trade war offensive using tariffs and export controls against Beijing, but reality is starting to set in: "Realigning production will take time," according to Chang Shu and David Qu of Bloomberg Economics.

"Both sides may reduce dependence on each other but it cannot be reduced to zero," said Zhaopeng Xing, senior China strategist at Australia & New Zealand Banking Group.

Cracks in Trump's tariff wall are probably making some of the trade possible by keeping costs down.

ANZ's Xing said American importers are able to pay a lower levy by declaring the customs value of goods based on their first sale in a third country, and then raising the price when the items reach a US port. Trans-shipping through Mexico or Vietnam means some firms are likely not paying the full tax.

"There are a lot of loopholes," Xing added. US Customs and Border Protection, the agency that enforces the rules of cross-border commerce, "just don't have enough manpower to address them."



China overtakes US as Germany's top trading partner

By Rene Wagner and Maria Martinez

October 22, 20251:28 AM CSTUpdated 5 hours ago

BERLIN, Oct 22 (Reuters) - China overtook the U.S. as Germany's largest trading partner in the first eight months of 2025, regaining the top spot as higher tariffs weighed on German exports to the United States, preliminary data from the German statistics office showed.

German imports and exports with China totalled 163.4 billion euros ($190.7 billion) from January to August, while trade with the U.S. amounted to 162.8 billion euros, according to Reuters calculations.

The U.S. was Germany's top trading partner in 2024, ending an eight-year streak for China. The shift came as Germany sought to reduce its reliance on China, with Berlin citing political differences and accusing Beijing of unfair practices.

Trade dynamics shifted again this year, however, with Donald Trump's return to the White House and renewed tariffs.

US TARIFFS TAKE THEIR TOLL ON GERMAN EXPORTS

Tariffs have pushed down German exports to the United States, which fell 7.4% in the first eight months of the year compared with 2024 to 99.6 billion euros. In August, exports to the U.S. fell 23.5% year-on-year, showing that the trend is accelerating.

"There is no question that U.S. tariff and trade policy is an important reason for the decline in sales," said Dirk Jandura, president of the BGA foreign trade association.

Jandura said that U.S. demand for classic German export goods, such as cars, machinery and chemicals, had fallen.

With the ongoing tariff threat and the stronger euro, German exports to the U.S. are unlikely to rebound any time soon, said Carsten Brzeski, global head of macro at ING.

CHINESE IMPORTS TO GERMANY SURGE

Exports to China fell even more sharply than those to the United States, dropping 13.5% year-on-year to 54.7 billion euros in the first eight months of 2025.

By contrast, imports from China rose 8.3% to 108.8 billion euros.

"The renewed import boom from China is worrying," said Brzeski. "Particularly as data shows that these imports come at dumping prices."

He warned that this not only increased German dependence on China but could add to stress in key industries where China has become a major rival.

"In the absence of economic dynamism at home, some in Germany may now be troubled by any shifts on world markets," said Berenberg economist Salomon Fiedler.

Japan's new PM is preparing large economic stimulus to tackle inflation, sources say

Japan's new Prime Minister Sanae Takaichi is preparing an economic stimulus package that is likely to exceed last year's $92 billion to help households tackle inflation, government sources familiar with the plan said on Wednesday.

The package of more than 13.9 trillion yen ($92.19 billion) is Takaichi's first major economic initiative since the advocate of big fiscal spending took office on Tuesday, reflecting a commitment to what she calls "responsible proactive fiscal policy"

It will be built around three main pillars: measures to counter inflation, investment in growth industries, and national security, the sources said, declining to be identified because the matter is still private.

Japan's benchmark Nikkei (.N225), opens new tab erased losses and turned higher, opens new tab on Wednesday after the Reuters report, while the yen pared morning gains and was little changed.

Investors are closely watching Takaichi's spending plans as Japan is one of the world's most indebted economies.

As part of its core inflation relief measures, the Takaichi administration plans to swiftly abolish the provisional gasoline tax rate.

It also aims to expand local government grants, with a focus on supporting small and medium-sized companies that are unable to benefit from existing tax incentives for wage hikes.

The package will also include investments in growth sectors such as artificial intelligence and semiconductors as the government focuses on strategic economic development.

The exact scale of the package is still being finalised, the sources said. It could be announced as early as next month.

It was too early to talk about the size of the upcoming extra budget, Japan's new finance minister, Satsuki Katayama, said at a news conference on Wednesday, but it should be of sufficient scale to cover all measures needed.

To fund the measures, the government is moving ahead with drafting a supplementary budget for the current financial year through March, with an eye toward passing it during the upcoming extraordinary parliament session.

If additional spending exceeds initial expectations, the government may need to issue deficit-covering bonds, raising questions about how to balance economic growth with fiscal discipline.

The plan "is consistent with Takaichi's policy list during the campaign (in the ruling party's leadership race)," said Shigeto Nagai, head of Japan economics at Oxford Economics.

It's not so different from previous administrations, which have used all the additional tax revenue from higher inflation for large supplementary budgets to support vulnerable households, rather than working toward its goal of achieving a primary fiscal surplus, Nagai added.

Takaichi was elected Japan's first female prime minister on Tuesday. The parliament vote drove down the yen and bond yields on expectations Takaichi's presence could delay further interest rate hikes by the Bank of Japan.

A long-time advocate of late Prime Minister Shinzo Abe's "Abenomics" stimulus policies, Takaichi has called for higher spending and tax cuts and pledged to reassert government sway over the central bank, which is weighing more interest rate hikes and will hold its next policy meeting on October 29-30.

Monetary policy is part of a broader economic policy the government holds final responsibility for, she told a news conference on Tuesday, adding that specific means of monetary policy were up to the BOJ to decide.

CNBC

India to cut Russian oil purchases, U.S. to slash tariffs as they near trade deal: Indian media report

Published Wed, Oct 22 202512:58 AM EDTUpdated Wed, Oct 22 20252:12 AM EDT
Anniek Bao
The U.S. could substantially slash tariffs on Indian exports as the two countries near a trade deal that could see New Delhi cutting oil purchases from Russia, Indian media outlet Mint reported Wednesday.

As part of the trade deal, Washington could slash tariffs on Indian exports to 15%-16% from the current 50%, Mint reported citing three unnamed sources aware of the matter.

India is also considering raising its import quota for non-genetically modified corn from the U.S. — currently 0.5 million tonnes annually — even with a import duty of 15%, while pushing for a mechanism under which both sides can revisit tariffs and market access over time, the report said.

On Tuesday, U.S. President Donald Trump said he had received assurance from Indian Prime Minister Narendra Modi in a phone call that New Delhi would scale back purchases of Russian oil

"He's not going to buy much oil from Russia. He wants to see that war end as much as I do. He wants to see the war end with Russia, Ukraine, and as you know, they're not going to be buying too much oil," Trump told reporters abroad Air Force One, while threatening that New Delhi would keep paying "massive" tariffs if it did not do so.

In a post on X on Wednesday morning local time, Modi confirmed the phone call with Trump, adding that he hoped the two countries continue to "stand united against terrorism in all its forms," without mentioning India's stance on Russian oil.

Trump last week also said that Modi in a call had agreed to cut Russian oil purchases. India's foreign ministry spokesperson said the following day that he was not aware of any call between Trump and Modi.

On the question of cutting oil imports from Russia, the spokesperson said Thursday, "India is a significant importer of oil and gas. It has been our consistent priority to safeguard the interests of the Indian consumer in a volatile energy scenario. Our import policies are guided entirely by this objective."

Strategic flashpoint

Russian oil has been one of the contentious issues in the prolonged bilateral trade talks between the U.S. and India. Trump in August levied an additional 25% tariff on exports from India as a "penalty" for its Russian oil purchases, taking overall duties to 50% and upending relations between the two countries.

Indian officials have argued that it if the country were to stop buying Russian oil, a plan must be put in place to stabilize energy markets, along with a contingency to fill the shortfall in supply if Russian barrels are taken off the market.

Both sides had agreed to boost bilateral trade to $500 billion by 2030 in a meeting in February before talks collapsed with India reportedly not agreeing to widen access to its vast agricultural and dairy sectors.

The U.S.-India relations further soured when Modi met with Russian President Vladimir Putin and Chinese President Xi Jinping in Beijing last month, in a move seen as a signal to Trump of India's willingness to boost rather than cut ties with Moscow.

India has become the world's second largest buyer of Russian crude, trailing China, since the start of the war in Ukraine in 2022, importing 1.6 million barrels per day in the first half of this year, up from 50,000 bpd in 2020, according to the U.S. Energy Information Administration.

In recent weeks, Trump has softened his rhetoric, expressing optimism about the ongoing negotiations and reiterating on Tuesday that Modi was a "great friend."

The finalization of the trade agreement will likely be communicated to Trump and Modi at the ASEAN summit later this month, though neither Trump nor Modi has officially confirmed their attendance for the event, Mint reported.

"The broad contours of the agreement are in place, but sensitive areas such as agriculture and energy need political clearance before the deal can be announced," the report said.

India's Ministry of Commerce and Industry, the U.S. Department of Commerce and the U.S. Trade Representative did not immediately respond to CNBC's requests for comments.

Data from government-backed India Brand Equity Foundation shows, bilateral trade between New Delhi and Washington reached a record $132.2 billion in fiscal year ending March 2025, up by more than 10% from the previous year.

India's exports to the U.S. jumped 11.6% to $86.51 billion, while imports from the country rose 8% to $45.69 billion.

Fitch says US support helped Argentina ward off ratings downgrade

By Reuters

October 22, 20259:41 AM CSTUpdated 34 mins ago

NEW YORK, Oct 22 (Reuters) - U.S. support for Argentina's markets has prevented a downgrade of the South American country's credit rating, but the country needs a broader plan to rebuild foreign exchange reserves in order to earn an upgrade, Fitch Ratings said on Wednesday.

"The U.S. backstop is something that has helped Argentina ward off a ratings downgrade, the risks of which would have risen if the central bank had kept bleeding international reserves to defend the FX regime," Todd Martinez, co-head of the Americas for Fitch Ratings' sovereigns group, said in an email.

Argentina's central bank said this week it signed a $20 billion exchange-rate stabilization agreement with the U.S. Treasury Department, part of a U.S. plan to support President Javier Milei's reform policies ahead of key midterm elections this weekend.

Bloomberg

The Fed Might Be More Dovish Than Powell Thinks

October 22, 2025 at 4:30 AM CST

By Bill Dudley

If the US Federal Reserve cuts interest rates next week, it'll be acting in part on a crucial assumption: that monetary policy is currently restrictive, holding the economy back.

This belief could prove to be dangerous.

Chair Jerome Powell has argued that the Fed should be aiming toward a neutral monetary policy, on the grounds that recessionary risks in the labor market — highlighted by recent anemic job growth — offset the inflationary risks of higher import tariffs. Hence, I expect the central bank to cut the federal funds rate by a quarter percentage point at next week's policymaking meeting, because officials including Powell think the current rate of just above 4.0% exceeds the neutral level that would neither stimulate nor impede growth.

But does it? The economy's persistent momentum contradicts the notion. The Atlanta Fed's GDP Now model forecasts real growth of 3.8% for the third quarter, up from a 3.0% estimate in early September. Median growth forecasts for 2025, 2026 and 2027 also increased in the September economic projections of the Federal Open Market Committee. As Powell has often remarked, we know the neutral level — also known as r* — "by its works." Those "works" suggest that the FOMC's median estimate of 3.0% for r* is too low.

Granted, the Fed's monetary policy doesn't directly determine economic growth. It operates by influencing broader financial conditions, which have eased a lot in the past year. Stock prices have risen, bond yields have declined and the dollar has weakened. A Goldman Sachs index suggests conditions are at their most accommodative since April 2022, while a Fed-developed index indicates that, as of August, they would boost the coming year's real GDP growth by nearly one full percentage point.

To my mind, financial conditions have eased too far — beyond what's consistent with the Fed's objectives, and beyond what expectations of further rate cuts alone should merit. The AI investment boom, for example, has lifted the "magnificent seven" tech stocks to the point that they now account for about one-third of the market's capitalization, up from about one-fifth at the end of 2022. Tariff wars and shifts in some countries' holdings of dollar assets, not changes in expected interest rate differentials, have pushed down the exchange rate of the US currency.

These developments add to already significant inflationary risks. Powell has suggested that the impact of higher tariffs on prices can be ignored because it's a one-time event, not an ongoing increase. Yet this is true only if long-term inflation expectations stay well anchored, which in turn depends on confidence in the central bank's resolve to reach its 2% target. Given that inflation will almost certainly overshoot the Fed's target for the fifth consecutive year (even the FOMC doesn't see it falling to 2% until 2028), one can't dismiss the possibility that expectations will rise — as long-term measures have already done in both the New York Fed and University of Michigan consumer sentiment surveys.

The Fed should signal that it isn't likely to cut rates as far or as fast as financial markets expect. This would put it in a much better position to achieve its inflation and employment goals.

THE WALL STREET JOURNAL.

Trump's Monetary Policy Desires Aren't Crazy

By John H. Cochrane

Oct. 21, 2025 4:24 pm ET

The policy world is aghast, but President Trump's desires for monetary affairs aren't as crazy as conventional wisdom portrays.

I see three broad desires: Interest rates should be lower, in part to lower interest costs on the debt. The Federal Reserve should be less independent, subject to more democratic accountability. And "exorbitant privilege" or "reserve currency status"—that the world wants to hold our money and buy our debt, sending us goods in return—damages the U.S.

The standard response: Lower interest rates will quickly lead to more inflation. But how soon, and how much? The best empirical estimates find that lower interest rates lead to no or slightly lower inflation for a year or so, then slightly higher inflation after two or three years. Even that response is barely significant statistically. And since the unexpected interest rate hikes these estimates study typically fade within a year or so, they say little about persistently lower interest rates.

Mainstream, or "new Keynesian," economic theory predicts that a permanently lower interest rate will eventually lower inflation, other things (especially fiscal policy) held constant, even though inflation may temporarily rise. This is an unsettling implication that the theory's largely center-left practitioners have trouble applying to reality, but there it is. Sure, maybe decades of consensus theory is all wrong. Economists have pursued wrong theories before. But if it's in the equations of your own models, the proposition at least bears consideration.

The historical record is also mixed. That inflation went nowhere over a decade of near-zero interest rates, and three decades in Japan, seems to confirm this theoretical view that inflation is stable with a fixed interest rate—and that inflation will eventually follow higher or lower interest rates. Yes, low interest rates that financed large deficits contributed to inflation in many countries. But if a government doesn't expand fiscal policy, the record is less clear. Yes, low interest rates in response to "supply" shocks, such as in the 1970s and 2020s, coincided with inflation. But the exact effect of low rates, and of other fiscal and nonfiscal responses, is also murky.

We economists don't know with certainty just if, how, under what circumstances or how quickly low interest rates lead to inflation. I suspect they do, despite the equations of my models, but that's far from science.

The Fed has vastly expanded its scope of operations, propping up asset prices, monetizing debt, channeling credit, directing banks how to invest, straying into climate and inequality, and denying whole business models such as narrow banks and segregated accounts. These actions are political and cross over into fiscal policy and credit allocation. It has had no reckoning with its great institutional failures, including 10% inflation and repeated bailouts.

Independence isn't an absolute virtue. Our constitutional order doesn't include completely independent officials who can print money and regulate banks as they wish. It is reasonable to discuss reform. Either the Fed must be more "democratically accountable," which is the same thing as "politically influenced" when the other party is in power, or it must be reformed to a narrow, enforced and accountable mandate so it can remain independent. As a small-government advocate, I favor the latter. But limited-government reforms are out of fashion and perhaps unrealistic. In any case, simply pulling up the drawbridge, hoisting the "independence" flag, and pouring boiling scorn on the barbarians at the gate isn't a viable response.

In the consensus view, if the world wants our money and debt so much that we can just print it, send it abroad, and get consumer goods in return, the proper answer is a nice thank-you note. But one must admit this strategy has had downsides. Spain and Portugal minted the world's money when they found gold and silver in the Americas and used it to buy consumer goods. Their industries languished and then ended up poor. Money is a form of the "resource curse" that befalls many producers of oil and other vital commodities. Switzerland refuses the world's offer and remains productive.

Even neomercantilists have a little point buried in a heap of fallacies. Countries that run perpetual trade deficits to finance consumption, borrowing abroad to do so, eventually must pay back the debt. Saving and investing rather than borrowing and consuming is good for an economy as it is for a family.

The central problem in our case—and in much of history—is the bounty was consumed rather than invested. That choice flows from government deficits to finance consumption, and legal, tax and regulatory barriers that make private investment less profitable. Thus tariffs, capital controls, securities taxes and industrial policy will all make matters worse. Get out of the way instead. But in all three cases, there is some merit to the basic point, worthy of examination and not immediate disdain.

THE WALL STREET JOURNAL.

About Trump’s Foreign Investment Funds

By The Editorial Board

Oct. 21, 2025 5:49 pm ET

President Trump moves so fast and announces so much that it’s hard to sort the real from the hype. Cases in point are the invest-in-America promises that foreign governments have made as part of Mr. Trump's trade deals. They’re so large they’re unlikely to happen, and they raise serious questions about American governance and the power of the purse.

Mr. Trump heads to South Korea later this month for the annual APEC meetings, and Treasury Secretary Scott Bessent says the Administration is “about to finish up” negotiations over Seoul’s promise to invest some $350 billion in the U.S. In return Mr. Trump cut his tariff on South Korea to 15% from 25%. Japan has also agreed to cut the U.S. a $550 billion check in return for a tariff reduction.

This sounds like a success until you examine the details of the memorandum of understanding with Japan. (South Korea’s MOU is still being negotiated.) The Japan MOU says the money will be invested in “sectors deemed to advance economic and national security interests,” such as metals, energy, artificial intelligence and quantum computing.

But these aren’t investments by private companies, like TSMC’s decision to build a semiconductor plant in Arizona. These are government-to-government investments that will be entirely at the discretion of the U.S. government—meaning the President and his deputies. These are de facto sovereign-wealth funds administered without an appropriation or legislation from Congress.

Andy Laperriere of Piper Sandler detailed the extraordinary terms of the Japan deal in an eye-opening research note last week. The Administration will set up a special-purpose vehicle for each investment to be chosen by and controlled by the President or his preferred manager. Japan will have 45 days to pony up the cash. If Japan refuses, it could be hit with higher tariffs.

Tokyo would be a limited partner in this government-equity deal. Japan and the U.S. government will split the profits, if there are any, until an unspecified “deemed allocation amount” is achieved. After that, the U.S. will receive 90% of the profits.

One problem is the sheer magnitude of these promises. Mr. Laperriere says that the $350 billion would amount to 6.5% of South Korea’s GDP spread over the three years left in the second Trump term. Japan would have to spend $183 billion a year through 2028 under its MOU, or 4.4% of GDP for each the next three years.

Japan’s Bank for International Cooperation has only $35 billion in assets. Commerce Secretary Howard Lutnick said last month that Japan will have to “blow up their balance sheet” and borrow heavily to fund its MOU commitments. Nice of him to offer.

Wouldn’t Japan and South Korea be better off spending more on defense as Mr. Trump has been urging? Japan spends 1.8% of GDP annually on defense, and South Korea 2.3%. They have pledged two to three times as much to Mr. Trump’s funds. Where are they going to come up with the money?

Japanese and South Korean officials answer to voters and legislators. It’s hard to believe that Japan’s new Prime Minister, running a minority government, will write these checks to a foreign government on these terms.

All the more so given the opportunities for misallocated investment and corruption that so much money represents. The political pressure will be enormous on Messrs. Lutnick and Bessent to invest in ventures run by political friends of the President and GOP.

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There is no American precedent we can recall for giving hundreds of billions of dollars to the President to invest however he sees fit—and all with money raised by using arbitrary tariffs to coerce allies to ante up, or else. Recall how Republicans derided the Biden Environmental Protection Agency’s green-energy money as a “slush fund.” At least that money was appropriated by Congress.

Japan and South Korea may be betting that the Supreme Court will strike down Mr. Trump’s unilateral tariffs, in which case the pressure to pay hundreds of billions of dollars might ease. But Mr. Trump could still use other tariff authorities to extort them.

If a Democratic President were doing this, Republicans would be crying foul and holding hearings, and rightly so. Sooner or later the Trump investment funds will get the same scrutiny, which they deserve.

Bloomberg

Tariffs Are Coming for Mattel's Barbie This Christmas

October 22, 2025 at 5:06 AM CST
By Andrea Felsted

Tariffs are getting real when they come for Barbie.

Mattel Inc., one of the world's biggest toymakers, on Tuesday laid bare the impact of trade levies on its business. Toys, which light up children's holiday, are one of the goods most exposed to higher import costs, as the majority of supply comes from China. Retailers have delayed holiday orders because of the uncertainty created by US President Donald Trump's tariffs, Mattel said. Whereas stores would typically stock up in the second and third quarters, they're waiting until the final three months of the year.

Consequently, Mattel's sales fell 6% in the three months to Sept. 30, to $1.74 billion, led by infant and toddler products including the Fisher Price range and Barbie dolls. Gross billings — the amount invoiced to customers — in North America declined 10% in the third quarter. Mattel shares slipped more than 5% in pre-market trading on Wednesday.

Tariffs are affecting Mattel's business in another way too: Retailers would usually take ownership of toys where they're made and handle the import and storage themselves, saving costs by using their own logistics networks. Instead, store chains have moved to so-called "domestic shipping," whereby Mattel handles shipping and warehousing, passing on ownership once the toys are in the US. This is more of a "just-in-time" approach, and results in more frequent ordering; but it gives retailers more time and flexibility amid the tariff uncertainty.

Mattel said its scale means there is little difference in the profitability of each approach, but it does move more orders into the final quarter. Mattel didn't raise the possibility of toy shortages, as was feared earlier in the year. Yet a rush of shipments closer to the holidays makes the industry more vulnerable to any supply chain shocks.

Despite the delays, Mattel is upbeat about sales in the so-called "Golden Quarter." Its toys were being stocked in more US stores, typically a harbinger of better sales, and it said orders were "accelerating significantly." Consequently, Mattel expects a strong holiday season, and reaffirmed its full-year guidance for sales growth excluding currency movements of 1% to 3%.

But this looks ambitious. Lindsay Dutch, an analyst at Bloomberg Intelligence, says the target appears "unattainable." Not only is Mattel facing the headwinds from tariffs — levies before any mitigating actions will trim full-year profit by as much as $200 million — but US consumers are staying choosy, and toys are getting more expensive. There's some good news for parents, though: While Mattel raised prices earlier in the year, it won't implement more hikes in 2025.

Mattel expects to make less than 15% of its US-bound toys in China by next year, putting it in a better position than other sellers of holiday products likely to be hit by the levies, from fake Christmas trees to decorations and baubles. Moreover, in times of economic uncertainty, families tend to cut back on gifts for adults but protect spending on children. They might trim stocking stuffers and peripheral gifts, but few will want to see children go without their desired game or toy. It helps that Mattel has been working to ensure it has a wide range of products, from entry level to more extravagant purchases. Even more expensive items, such as Barbie playsets, come with many parts and accessories so there is more play per dollar.

Retailers and manufacturers elsewhere can't count on the same sticky demand. It's much easier to cut back on a novelty sweater or make do with last year's tree trims, than to see a little girl go without her Barbie.

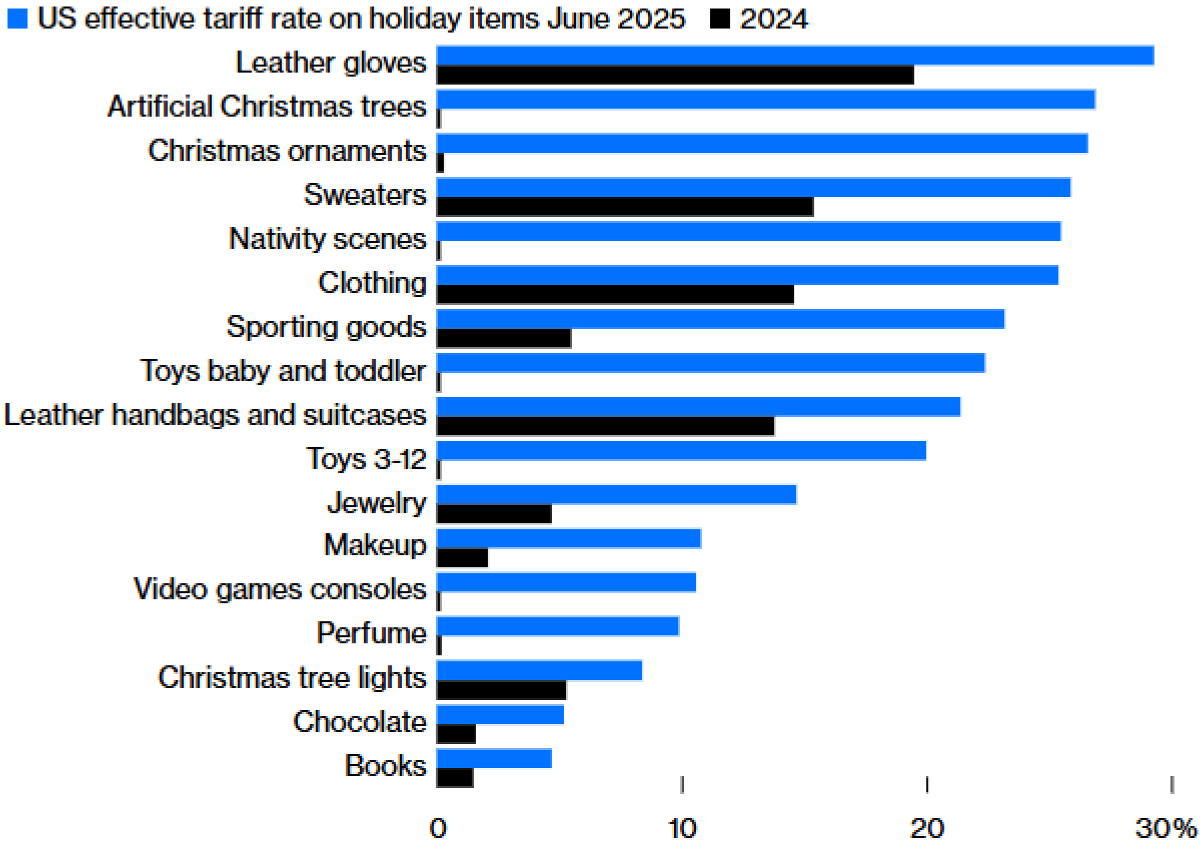
Tariffs and Toys Have Sent Mattel's Shares on a Rollercoaster Ride

The stock declined in premarket trading Wednesday after strengthening recently

Source: Bloomberg

Toys Are AmongTariff Hit Holiday Categories

Yet toys are protected by the fact that they are hard to do without



Source: Mastercard Economics Institute, US Census Bureau

Bloomberg

France’s Crisis Isn’t Just Macron’s Problem — It’s Europe’s

October 21, 2025 at 10:00 PM CST
By The Editorial Board

France’s Fifth Republic once promised decisive government. Today it is mostly known for paralysis and political theater. The country’s fourth government in a little over a year barely survived no-confidence votes last week — and only by abandoning crucial pension reforms meant to get the country’s fiscal house in order.

This year’s French Nobel laureate in economics, Philippe Aghion, has decried the political instability as a “tragedy for France.” It’s also a lesson for all of Europe.

France’s fiscal troubles, and partisan gridlock, are less cause than the consequence of a deeper dysfunction: a state that spends freely and yet fails to perform. The government taxes and redistributes more of its national income than almost any of its OECD peers. Nearly 6 out of 10 French citizens take more from the state than they pay in.

That’s led to a ballooning budget deficit estimated at 5.4% of gross domestic product this year, well above the European Union limit of 3%. With growth expected to come in under 1% this year and a swelling debt load, such spending is unsustainable. Last week’s credit downgrade by S&P Global Ratings highlights how politics are making structural problems harder to fix.

At the same time, while high taxes and government largesse have reduced inequality compared to France’s peers, they haven’t done much to generate growth or opportunity. Social mobility is stagnant. So is physical mobility. Although the state spent €43 billion ($50 billion) on housing aid in 2023 — around 1.5% of GDP and roughly twice the OECD average — benefits tied to location and a lack of available supply have trapped families in regions with few jobs. Meanwhile, more than 2.7 million people are on waiting lists for subsidized housing. Little wonder that many have gravitated to the political extremes.

President Emmanuel Macron came to power pledging to make France more flexible and competitive. He succeeded at first by partially reforming labor markets, cutting the corporate tax rate and ending a wealth tax, all of which drew investment back to Paris. His 2023 plan to raise the pension age from 62 to 64 years old and lengthen the contribution period would’ve had a measurable impact on the deficit.

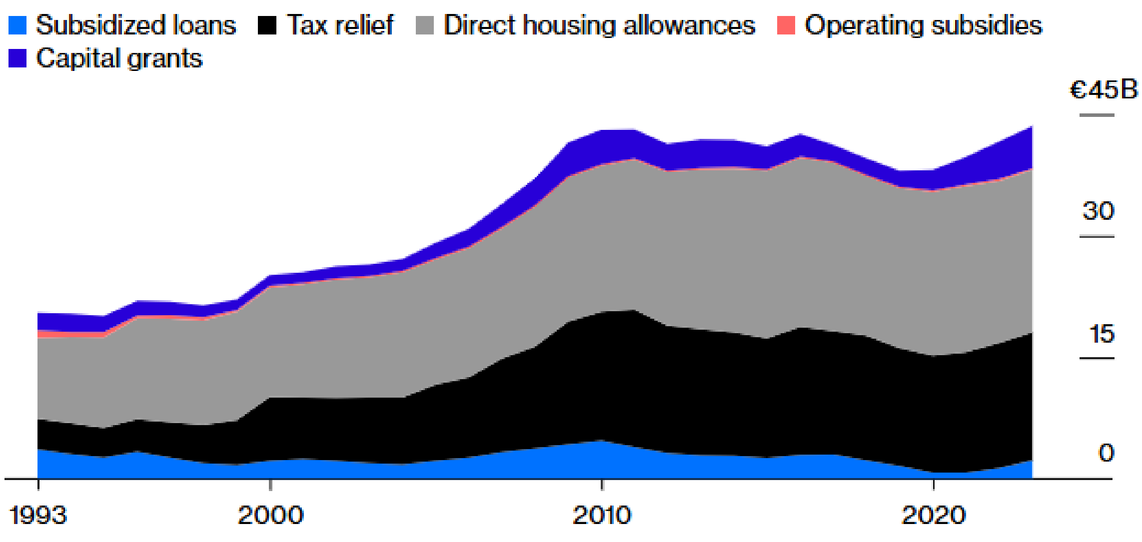
But Macron shied away from the spending cuts required to help balance the budget and failed to convince the public of the need for drastic reforms. A 2018 fuel tax hike and his plans to raise the retirement age left many voters feeling they were on the sharp end of his policies. Pension reform has now been suspended until after the 2027 presidential elections — and will be difficult to revive even then.

The consequences of Macron’s failures reach beyond Paris. Instability in the euro zone’s second-largest economy unnerves investors; it underscores, as if further evidence was needed, how even mature democracies are struggling to govern as the political center shrinks.

The lesson for mainstream parties is twofold. First, unless leaders quickly build a consensus around the need for credible reforms, political gridlock sets in. Second, lavish social spending alone won’t win over voters unless they also see an opportunity to improve their prospects.

France still has enviable strengths: a skilled workforce, world-class infrastructure and a deep industrial base. But without political leaders willing to spend smarter and tell their citizens hard truths, it risks becoming a major drag on Europe.

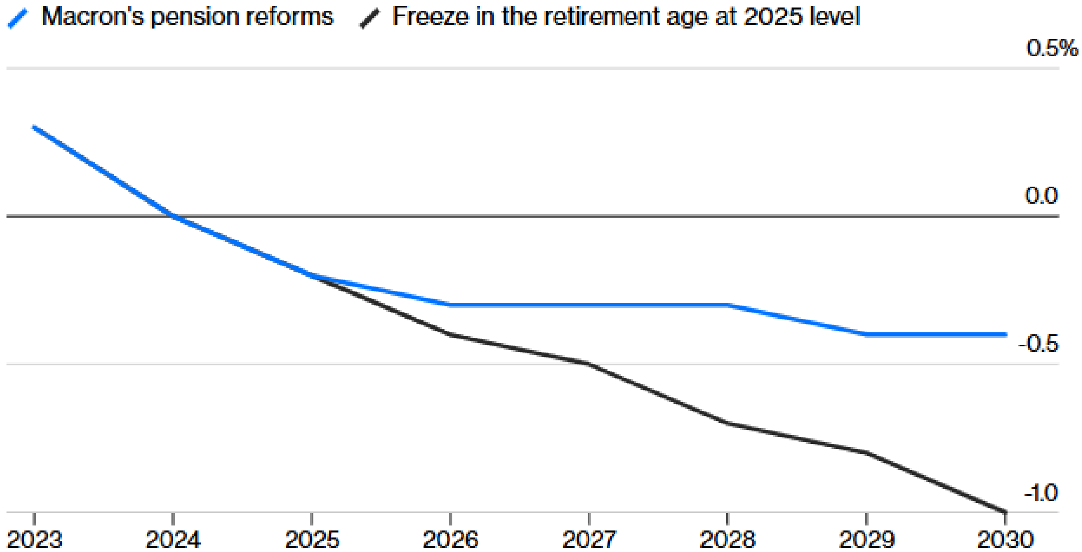
The High Cost of France's Housing Subsidies



Source: French Ministry of Ecological Transition, Housing Account, 2023

The Cost of Frozen Pension Reform

Suspending the 2023 pension changes is likely to send France's social security system deeper into deficit as a share of GDP



Source: French Pensions Advisory Council (COR), Bloomberg Economics

Bloomberg

Gold-Dinger — Debasement With a Midas Touch

October 21, 2025 at 10:02 PM CST
By John Authers

Gold Gets Heavy

Gold is a heavy metal and it must be handled carefully. Visitors to the New York Fed's vaults who want to hold a gold bar must wear specially reinforced shoes. Otherwise, if they drop the bar, they might no longer have a foot.

A Bad Day in a Great Year

This is relevant as the gold price has just dropped more than 5% in a day for the first time in 12 years. In dollar terms, the fall of $230 is the greatest ever. The chances are that somebody out there has just crushed their foot.

Any move this sudden and drastic must be taken seriously. But it also needs context. This is how gold and its cousin silver — prone to even more violent speculative swings — have fared so far this month:

This is not (yet) a crash, or even a correction. Precious metals' phenomenal year continues. Even after this selloff, and taking dividends into account, gold has easily beaten the S&P 500 and even Bitcoin:

Golden Year

The precious metal is still far ahead of risk assets for the year to date

So, what has driven gold this year? In one word, it would appear to be "debasement." The fear that inflation and lax money will lead to the intrinsic devaluation of the dollar and other fiat currencies has been turned of late into a "debasement trade." It's often said that narratives lead markets, and the dwindling dollar has become a powerful narrative. This is Bloomberg News Trends' count of all the stories from all sources appearing on the terminal that include the word:

The strength of the narrative, then, is unquestionable. "The Debasement Trade" could be a great thriller, with a trailer voiced by Don LaFontaine. But why now? It's been reasonable to worry about the dollar's debasement, and to hedge against it with gold, since at least the moment in 1971 when President Richard Nixon ended the formal convertibility of the dollar into gold at a fixed price. Since the Global Financial Crisis, which the US survived without a full-blown Great Depression by printing lots of money, the risk of debasement has been blatantly obvious for all to see. Since the weekend in September 2008 when Lehman Brothers declared bankruptcy, the dollar has gained 25% against other fiat currencies, represented in the DXY dollar index, but lost about 80% in gold terms. So why the sudden fascination?

A further point concerns fiscal policy. When governments spend beyond their means, inflation and debasement are obvious risks. The US, with its One Big Beautiful Bill, seems happy to steer that course. If there are such worries, they should show up in higher yields on longer-dated government bonds to compensate investors for the risk of debasement. And indeed, yields have edged up across the developed world this year, despite the perception that governments now have inflation under control and can afford to borrow more. But there is a big exception: America. The 10-year Treasury yield, arguably an even more important metric for global finance than the gold price, is down more than 50 basis points for 2025. It's below 4%, at its lowest in more than a year. This as US inflation is rising again, in an epic debasement scare:

The underlying narrative makes sense to some extent. All of us should be concerned about the risk of debasement. Sudden overweaning terror at this juncture, however, seems misplaced.

Past Bulls

It's useful to compare with the last two great bull markets, which peaked in January 1980 at the depths of fears over eternal stagflation, and in September 2011 after Standard & Poor's had downgraded US Treasuries' credit rating. This bull market looks very much like 2011 and nothing like 1980:

In January 1980, the Soviet Union had just invaded Afghanistan, there were US hostages in Tehran, the Federal Reserve was hiking rates, US stocks were deep in a bear market, and all hope had been lost. This gold rally has coincided with what many describe as a stock market bubble.

Looking more closely at 2011, and at the very different behavior of stocks, reveals more differences. Back then, S&P triggered an extreme "debasement trade." Within weeks, the world was still turning, it was apparent that the QE bond purchases of the era hadn't sparked inflation, and a fresh equity bull market was underway.

This time, gold has outperformed a booming stock market, and there was no clear triggering event like the downgrade to get people talking about debasement:

One other point from past bull markets: They grow more erratic in their final extreme phrase. The Nasdaq in 1999-2000 and the Shanghai stock exchange in 2007 both saw numerous sharp corrections as they went parabolic. As this unscientific comparison suggests, Tuesday's selloff looks more like the start of a final phase than the top:

So Who's Been Buying?

So why has the narrative taken hold now? Probably because the professionals can see that there are big new purchases of gold, and debasement has been retro-fitted as a narrative to explain it. Writing last week, Deutsche Bank's Steven Zeng warned that custody holdings of US Treasuries for foreign central banks had declined in 11 of the past 14 weeks, and hit their lowest level in more than 13 years.

The outflows started in April and accelerated in August after Powell's dovish pivot at Jackson Hole. Importantly, the latest shift comes amid the gold surge, suggesting a possible connection such as one or more foreign central banks reallocating out of Treasuries and into gold.

This plausibly explains why the narrative took hold right at this point. The Tuesday snapback isn't because of any reversal of this trend; there's no evidence that foreign banks have started selling gold again. Rather this looks like an overreaction to genuine news (not unlike gold's response to the Standard & Poor's downgrade in 2011):

Another empirical reason to bet on debasement now comes from evidence that Chinese investors are buying. Jim Bianco of Bianco Research points to the data on Chinese gold warrants — certificates that indicate the holder has physical gold in a warehouse recognized by the Shanghai Futures Exchange:

Bianco comments: "If anyone asks the question, 'Who is buying gold?,' show them the updated chart and say, 'China.'"

It's this extra buying that got the gold price moving, and prompted new interest in the decades-long phenomenon of debasement. The latest selloff might be the top of the biggest gold bull market since 2011 — but for now it's best viewed as a violent correction to over-excitement in a plausible narrative.

Two Havens, One Loser

These days, gold isn't the only way to trade debasement. Bitcoin was founded to counter fiat currencies, and its investors are used to price swings. But its relationship to political instability, particularly concerning China, a supplier of the raw materials for the crypto ecosystem, is almost the polar opposite of gold.

Bitcoin's selloff this month, triggered by US-China trade tensions, was brutal. In just over a week, it tumbled nearly 15% after surging past $125,000 earlier in the month, wiping more than $600 billion off the total value of the crypto market at one point.

Retail investors lost an estimated $17 billion on Bitcoin exposure through digital asset treasury firms such as Metaplanet and Michael Saylor's Strategy, Bloomberg News reported. The losses came from an overpricing of share premiums that allowed these companies to sell stock for far above the value of their actual crypto holdings.

The wipeout coincided with the gold rally, and Bitcoin's reprieve came after Trump dialed back his aggressive tone on China. That sparked a rebound of about 6% since Friday. Such whiplash doesn't bolster the case for crypto as a safe-haven asset. This is Bitcoin's performance relative to gold since the start of the year:

Bitcoin does have some haven-like qualities. But gold's universal appeal and liquidity are far more attractive during bouts of political uncertainty. This chart from ByteTree Group details a growing inverse relationship between flows into the two asset classes:

Crypto's dreadful week was fueled by stress in regional banks, which appears to have cooled. Still, the selloff raises the question of how vulnerable Bitcoin remains to sudden shocks, especially with US-China trade relations still frosty? Could a renewed flare-up trigger another wipeout of similar magnitude?

Charlie Morris of ByteTree argues that the scale of the decline reflected excessive leverage across the system, with Trump's response to Beijing's rare-earth export curbs serving as the spark:

Bitcoin is used to this. Bitcoin doesn't have legacy problems, like there's no big private credit buildup or something like that. It's just everyone's been flushed out in a short period of time. And so all the leverage money has been taken out of the system very quickly. And so Bitcoin is less risky now than it was two weeks ago.

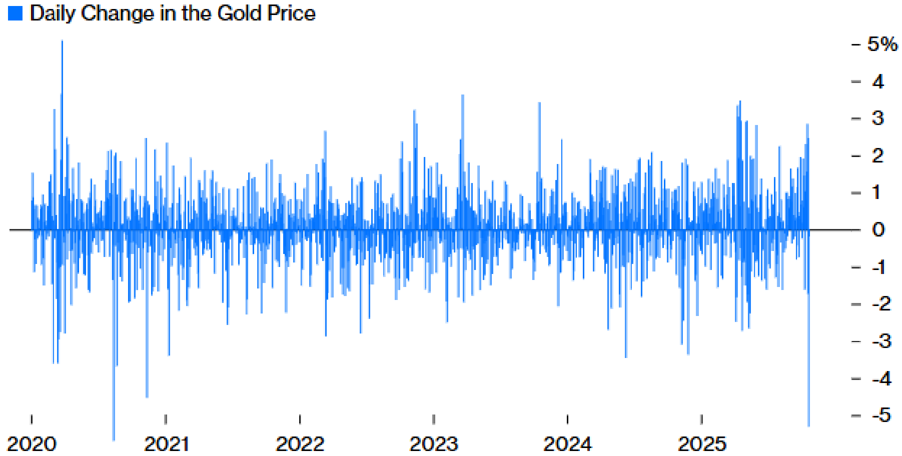
Jeff Dorman of Arca Investments adds that what followed the deleveraging wasn't merely despair but a market reset: "While the road ahead remains rocky, the cracks in the infrastructure and sentiment are starting to heal." More than 150 crypto-related ETFs are filed and working their way toward clearance from the Securities and Exchange Commission. Bloomberg Intelligence's James Seyffart says nine should be approved by year-end under the agency's new generic listing standards:

The nine assets that we believe have a 99% chance of SEC approval before the end of December meet the requirement of having regulated futures contracts for at least six months.

Meanwhile, a regulatory change this summer allows large investors to hand their Bitcoin to an ETF in exchange for shares. Such in-kind transactions, approved in July, are generally tax-neutral, with no cash changing hands and no sale recorded. That turns a volatile digital asset into a line item on a brokerage statement, easier to borrow against, pledge as collateral, or pass onto heirs. Crypto can still find plenty more buyers.

A Falling Golden Knife

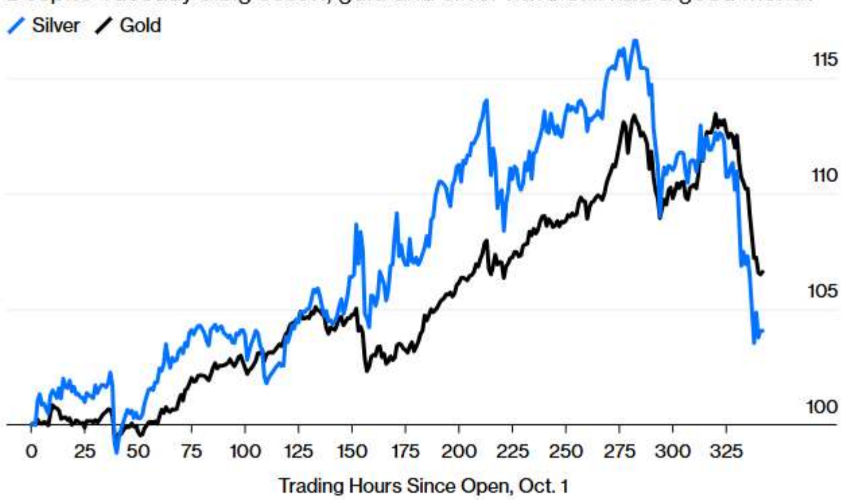
Gold suffered its worst day since the height of the pandemic



Source: Bloomberg

A Precious October

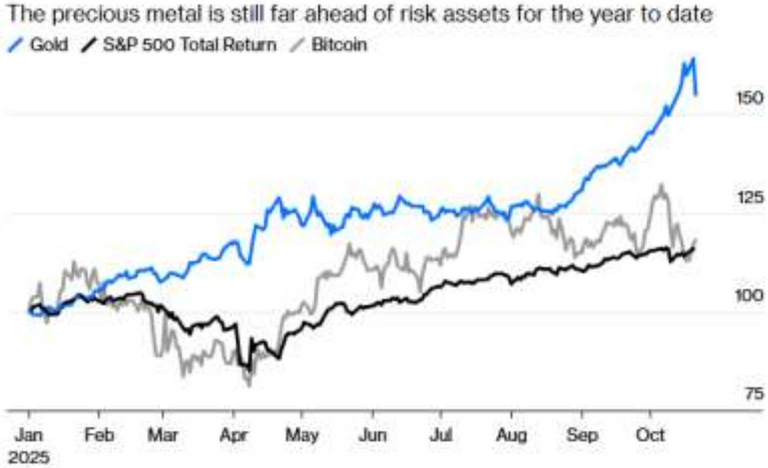
Despite Tuesday's big selloff, gold and silver have still had a good month



Source: Bloomberg
Note: Normalized: Open, 10/01/2025 = 100

Golden Year

The precious metal is still far ahead of risk assets for the year to date



Source: Bloomberg
Data is normalized with factor 100 as of January 2, 2025.

FT FINANCIAL TIMES

History of silver shows why it has hit recent highs

William Silber

ilver is back in the market spotlight. The metal breached $50 an ounce last week, reaching level last seen 45 years agoin 1980.

Both gold and silver have jumped in value this year, although the rally in precious metals went abruptly into reverse yesterday.

The white metal has risen 70 per cent compared with about 55 per cent for the yellow. But gold more than doubled its 1980 peak almost 15 years ago, in 2011, and stood at $4,381 per ounce on Mon day before tumblingt $4,136. What took silver so long to break itsold record? The answer lies with the history of precious metals as protection against catastrophic risks. The record of the past century is instructive.

There have been two great bull markets in gold and silver: 1979-80 and 2007-11, each corresponding to major political and economic upheaval.

In 1979, record inflation, the Iranian hostage crisis and the Soviet invasion of Afghanistan more than tripled the price of gold. Silver jumped sevenfold.

After that, both metals declined until series of financial crises began with the collapse of housing in 2007, followed by the bankruptcy of Lehman Brothers in 2008 and culminating in the European debt crisis of 2010-12. Gold doubled in value over that period and silver almost quadrupled.

The historical record shows that silver is about twice as volatile as gold, primarily because it is much smaller market and million- order makes bigger splash. And that's the main reason the white metal rose sevenfold in 1980 and the yellow merely tripled.

Some blame the Hunt brothers' attempt to corner the silver market for the jump in prices in 1980. Back then, the sons of oil magnate HL Hunt, Bunker and Herbert, had bought some 200mn ounces of silver more than the combined annual output of the four largest silver producing countries.

But the Hunts weren't playing between 2007 and 2011 when the price of the white metal shot up again. Silver is simply more volatile asset thangold.

There is another reason that the white metal took so long to crack the old record. Silver is both a precious metal and an industrial one, like switch hit ter in baseball. Both uses affect its price.

Silver has been used in electronics, medicine and, most of all, photographic film. The advent and growth of cell phone cameras in the new millennium reduced the commercial use of silver, dragging prices.

But now that silver has finally breached its previous peak and moved into uncharted territory, where do wego from here?

Unlike the political and economic upheavals driving the bull markets of 1979-80 and 2007-11, nothing catastrophic has happened during the past year to explain the rally in precious metals.

Part of the explanation comes from ordinary investors worried that President Donald Trump's moves to control the US Federa Reser will lead to lower interest rates and higher inflation a recipe for precious metals to shine. And part comes from central banks buying gold to diversify away from the dollar.

Gold now makes up 20 per cent of international reserves held by central banks, surpassing the euro at 16 per cent. Gold gained momentum because the dollar has become suspect.

America and other nations froze Russian dollar holdings when President Vladimir Putin ordered the full-scale invasion of Ukraine.

No matter how displeased you are with Russian aggression, this weaponi sation of the dollar undermines its role as the international reserve currency and enhances the appeal of gold. Gold demand then spills over into silver as investors monitor the price relationship between the two precious metals.

do not know whether the bull market in gold and silver will continue and neither does anyone else. But if it does continue, then history shows that silver's larger volatility will make it outperformgold.

I worry when gold and silver make headlines. That kind of attention attracts speculative money as opposed to fundamental accumulation.

But if we do face more turbulence in the world, then both precious metals have shown their worth as insurance in investor portfolios.

With the risk of fiscal dominance in the US where the government gets the central bank to lower interest rates to cut the debt burden undermining the Fed's pursuit of price stability, gold and silver will begin to really earn their keep.