BANCO DE MÉXICO

Síntesis de Prensa Extranjera

Octubre 30, 2025

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Bloomberg

Mexico Economy Posts Quarterly Contraction on US Trade Policies

By Alex Vasquez
October 30, 2025 at 6:20 AM CST
Updated on October 30, 2025 at 7:09 AM CST

Mexico's economy contracted slightly in the third quarter, a sign that President Claudia Sheinbaum's plans to stimulate growth despite simmering trade tensions with the US are falling short, reigniting concern of a recession this year.

Gross domestic product fell 0.3% in the quarter from the prior three months, just above the -0.4% median estimate of economists surveyed by Bloomberg, down from 0.6% growth in the previous quarter. From a year ago, GDP fell 0.2%, barely above the -0.3% median estimate, according to preliminary data from the national statistics institute.

The main drag on the economy was a 2.9% annual decline in the industrial sector, including mining, construction, and manufacturing, at a time when Mexico is struggling to attract new investment, both domestic and foreign, due the trade uncertainty. Agriculture, livestock and fishing industries rose 3.6% in the quarter.

"Virtually everything is contracting, consumption is weak, investment is very weak due to uncertainty, and public spending has also fallen considerably," said Gabriela Siller, director of economic analysis at Mexican bank Banco Base. "We do not rule out the possibility of a recession in Mexico this year, and if there is no recession, then economic stagnation that will continue until the fourth quarter of the year."

Analysts in the latest Citi survey estimate the economy will slow for a fourth year in 2025, expanding just 0.5%.

Tariffs, Trade

Banxico, as Mexico's central bank is known, lowered borrowing costs in September by a quarter point to 7.50% while it kept the door open for future rate cuts. Policymakers have expressed concern about the prologued economic slowdown, underlining that trade uncertainty represents a downside risk.

"There was a slowdown in aggregate demand because we have seen a loss of momentum in consumption, investment, and also in government spending," Janneth Quiroz Zamora, director of economic analysis at Monex Casa de Bolsa, said before the publication of the figures.

In January, Sheinbaum presented her "Plan Mexico," a mostly state-driven project to create dozens of local development hubs with tax incentives to attract local and foreign investment and stimulate growth.

But the plan has failed to attract the expected foreign investment due in part to trade uncertainty as a result of the on-again, off-again tariffs on Mexican goods announced by US President Donald Trump. However, Mexican exports grew nearly 14% in September compared to the same month last year, providing some relief to the economy.

Mexico sells around 80% of its exports to US buyers.

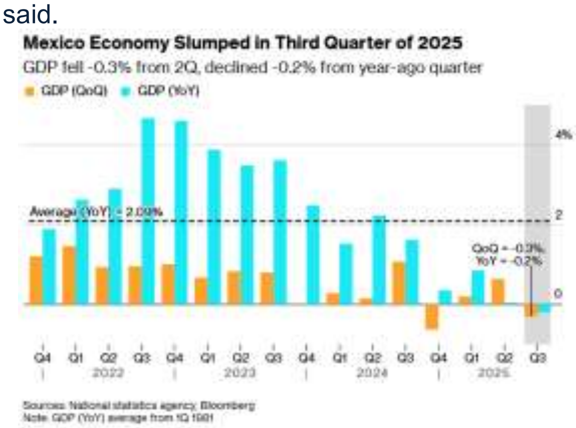
Although US importers of Mexican goods face tariffs on steel, automobiles, and products not covered under the USMCA regional trade accord, Sheinbaum has managed to avoid more punitive tariffs from Trump. The vast majority of US-Mexico trade is covered by the accord.

Earlier this week, Trump again extended a reprieve on additional levies against Mexican products stoking hopes of striking a broader deal with Sheinbaum.

Trump described the tariff truce extension with Mexico as a positive step because many Mexican imports to the US are already charged significant tariffs that he says benefit the US.

"Going forward, real activity is likely to face headwinds from domestic and external policy uncertainty, a negative fiscal impulse, and soft business confidence," Alberto Ramos, chief Latin America economist at Goldman Sachs Group Inc., said in a note to clients.

"On the positive side, household spending is likely to continue to benefit from still resilient credit flows and solid though moderating real wage growth," he said.



Bloomberg

Mexico Banks Push New Illicit Finance Rules in Wake of US Orders

By Michael O'Boyle

October 29, 2025 at 6:40 PM CST

Mexico's banking lobby is recommending its members go beyond current regulations to fight illicit financing after the US cracked down on some banks in the country for allegedly aiding drug traffickers.

Mexican lenders should commit to an 11-point plan aimed at "closing the gap" between US and Mexican regulations while also implementing stricter controls on international transfers, remittances and big cash withdrawals, Emilio Romano, the head of the Asociacion de Bancos de Mexico, or ABM, said at a press conference on Wednesday.

The initiative also sets a deadline for the end of 2025 to enroll an initial group of banks in a real-time information exchange platform to prevent money laundering and illicit financial activities that would be operational by the end of July next year.

"This puts us at the forefront, not only in Mexico, but internationally," Romano said.

Mexican banks went on high alert after the US Treasury's Financial Crimes Enforcement Network said in June that it would cut off three local firms from the US financial system for allegedly helping fentanyl traffickers launder funds. The unprecedented orders, based on a new power granted under last year's Fend Off Fentanyl Act, crippled the designated firms before even taking effect this month. The move has led other Mexican lenders to purge clients and increase controls in an effort to avoid becoming the next US target.

BBVA sees higher lending income in its main markets in Mexico and Spain

MADRID, Oct 30 (Reuters) - Spain's BBVA (BBVA.MC), opens new tab on Thursday said it expected its lending income to keep growing in 2025 in Mexico and Spain after solid underlying results in the third quarter were somewhat overshadowed by a lower contribution from its Mexican unit.

The second-biggest lender in the euro zone after surpassing on Wednesday 100 billion euros ($117 billion) in market value reported a 4% year-on-year decline in net profit to 2.53 billion euros in the July to September period, compared with the 2.57 billion euros expected by analysts polled by Reuters.

BBVA and rival Santander (SAN.MC), opens new tab have relied on Latin American markets to offset pressure from lower interest rates in the euro zone but currency depreciations in emerging markets have sometimes impacted results.

Net interest income - the difference between earnings on loans minus deposit costs - rose 13% year-on-year in the quarter to 6.64 billion euros, above forecasts of 6.43 billion euros thanks to solid underlying loan growth dynamics.

At 10.52 GMT, shares in BBVA were down 2.7% after having risen 83% so far this year. Barclays highlighted that a solid NII was not enough to offset higher costs and provisions.

Depreciation in the Mexican peso drove net profit in its main market down 2.8% though in constant euros it was up 1%. Lending income rose. BBVA maintained its outlook for high-single digit growth in NII in Mexico in 2025.

Net profit in Argentina fell 63% following the decline in the peso, which remains, opens new tab one of the biggest risk factors.

Though net profit in Spain fell 7% on lower trading gains, net interest income rose 4%. BBVA raised its NII outlook for this country to a low-single digit growth from a previously slightly positive outlook backed by loan growth.

Following the collapse of its bid for Sabadell (SABE.MC), opens new tab , BBVA is focusing on its four-year plan, which also envisages shareholder distribution of 36 billion euros.

BBVA said it would resume pending shareholder remuneration of 993 million euros from October 31 and would launch a "significant" additional share buyback later.

The US cuts China tariffs after a meeting President Trump said was amazing.

Net profit in Turkey rose almost three-fold backed by higher lending income and the bank stuck to its previous guidance of reaching net profit below 1 billion euros in 2025.

BBVA's fully-loaded core-tier 1 capital ratio, the strictest measure of solvency, rose to 13.42% as of end-September from 13.34% as of end-June.

EL PAÍS

Trump apaga el potencial del AIFA, el proyecto aéreo emblema de López Obrador

Karina Suárez

En plena embestida proteccionista de Estados Unidos contra el mundo, el gobierno de Donald Trump ha arremetido contra el Aeropuerto Internacional Felipe Ángeles (AIFA), el proyecto estrella del gobierno de Andrés Manuel López Obrador y prioridad de la Administración de Claudia Sheinbaum cuando aún no termina de despegar. Washington informó este martes que cancelará 13 rutas actuales o planificadas de aerolíneas mexicanas hacia su país por el supuesto incumplimiento de México sobre el acuerdo aéreo binacional, signado en 2015. La orden de Trump, además, cancela todos los servicios combinados de carga y pasajeros entre EE UU y el AIFA. Asimismo, se prohíbe la expansión de vuelos entre Estados Unidos y el Aeropuerto Internacional de Ciudad de México (AICM). El veto a destinos como Nueva York, Los Ángeles y Miami afectará a las aerolíneas Aeroméxico, Volaris y VivaAerobus, pero también al AIFA, una terminal aérea en vías de crecimiento y que busca consolidarse como una opción viable frente al AICM, el congestionado aeropuerto capitalino que recibe más de 45 millones de viajeros al año.

Las recientes órdenes de Trump ponen contra las cuerdas los planes del aeródromo localizado en Zumpango, en el Estado de México, cuyas cifras de movilización al cierre de 2024 fueron de 6,3 millones de pasajeros. El gobierno de Trump justifica el veto aéreo contra su vecino del sur por el supuesto incumplimiento de México al acuerdo binacional aéreo desde 2022. Ese año, el entonces gobierno de Andrés Manuel López Obrador ordenó por motivos de seguridad la reducción de slots (franjas horarias de aterrizaje y despegue) en el AICM y obligó a las aerolíneas de carga estadounidenses a reubicar sus operaciones al entonces recién inaugurado AIFA. "México alegó que sus medidas eran temporales para permitir la construcción de infraestructura que aliviara la congestión en el Aeropuerto Internacional Benito Juárez, la cual, tres años después, aún no se ha concretado. México ha incumplido su promesa, ha perturbado el mercado y ha generado costos adicionales millonarios para las empresas estadounidenses", refirió en su comunicado el Departamento de Transporte.

Trump conoce el peso de la afrenta para México: el mercado estadounidense absorbe alrededor del 70% de los turistas internacionales que viajan hacia o desde México. En particular, Viva Aerobus será la aerolínea más afectada por la decisión de Trump. La compañía planeaba arrancar en los próximos meses un puñado de rutas desde el AIFA a las ciudades de Los Ángeles, Chicago, Orlando, Austin, Dallas, Denver, Houston, Miami y Nueva York. "La decisión unilateral anunciada por el gobierno de EE UU y la poca antelación con la que emiten esta orden tendrá un impacto en miles de pasajeros norteamericanos y mexicanos en plena temporada vacacional", reconoció la empresa este miércoles por escrito.

La cancelación de rutas supone un nuevo capítulo en una serie de desencuentros entre México y su vecino del norte. En septiembre pasado, el Gobierno de Trump ordenó el fin de la alianza entre Aeroméxico y Delta después de considerar que su convenio comercial no promovía la competencia y perjudicaba a las aerolíneas de su país. El caso se encuentra en tribunales debido a que las firmas implicadas impugnaron la decisión. Con este telón de fondo, la Asociación Sindical de Pilotos Aviadores de México (ASPA) reprochó que las decisiones adoptadas en el país han derivado en un escenario de incertidumbre laboral y económica. "ASPA exhorta al gobierno federal a actuar con responsabilidad, urgencia y visión para restablecer las condiciones de equidad previstas en el Acuerdo Bilateral de Transporte Aéreo de 2015", zanja.

En la escalada de este conflicto, el Departamento de Transporte de EE UU cuestiona a México por la persistente incertidumbre y falta de información sobre la asignación de slots, lo que juega en perjuicio de las aerolíneas estadounidenses y genera "una situación competitiva inestable". Washington abre la puerta a revertir el veto de vuelos si México cumple con lo estipulado en el acuerdo binacional de 2015. Sin embargo, el panorama de negociaciones no luce muy prometedor. Desde Palacio Nacional, la presidenta Claudia Sheinbaum defendió este miércoles la política aeronáutica nacional y aseguró que las quejas del Departamento de Transporte no tienen fundamento: "No estamos de acuerdo con esta decisión. México no es piñata de nadie, a México se le respeta", declaró Sheinbaum.

En vísperas de la temporada decembrina y a menos de un año del próximo mundial de fútbol, las medidas de Estados Unidos supondrán una turbulencia más en el horizonte del AIFA. La magna obra, valorada en 75.000 millones de pesos, fue inaugurada en marzo de 2022 como uno de los proyectos estrella de la Administración de López Obrador. En ese entonces, el mandatario aseguró que, en su primera fase, este aeródromo recibiría 20 millones de pasajeros. No obstante, a tres años de distancia, el despegue de la terminal aérea a su máxima capacidad sigue siendo una promesa. El AIFA movilizó en 2024 poco más de seis millones de pasajeros, mientras su vecino aeródromo, el AICM, aún concentra el tráfico aéreo con 40 millones de viajeros nacionales e internacionales al año. Una brecha que peligra en agudizarse más si se concretan las medidas restrictivas de EE UU.

THE WALL STREET JOURNAL.

See the Secret Networks Smuggling Drugs to the U.S. From Latin America

By Daniel Kiss, Juan Forero and Santiago Pérez

Oct. 30, 2025 7:00 am ET

Demand in America for illegal drugs such as fentanyl and cocaine fuels sophisticated systems for smuggling them in. Traffickers deploy everything from fast-moving fiberglass boats to stealthy “narco-subs” to cargo ships to get their products to users without losing shipments to seizures or couriers to arrest. With decades of experience, according to U.S. counternarcotics officials, the traffickers are usually a step ahead of America and its allies in Latin American and Caribbean waters.

The flow of fentanyl

Arguably the most dangerous illegal drug consumed by Americans, fentanyl is usually smuggled through ports of entry by U.S. citizens hired as “mules,” moving small amounts of the synthetic opioid for criminal groups such as the Sinaloa cartel, according to U.S. and Mexican officials. Nogales, Ariz., is one of the busiest fentanyl corridors in the U.S., with the drug transported in passenger cars, trucks and other methods.

Cartels purchase fentanyl precursors from China and countries in Southeast Asia. The chemicals are shipped to Mexican seaports in the Pacific, primarily container and bulk terminals in Manzanillo and Lázaro Cárdenas, and then trucked north. The main destination is Sinaloa state, home to the fentanyl industry, where the opioid is manufactured at rudimentary labs and pressed into pills for delivery to the U.S. border.

About 80% of all fentanyl seizures occurred on the U.S.’s southwest border, according to a report by the U.S. Government Accountability Office published in September. U.S. Customs and Border Protection seized nearly 12,000 pounds of the opioid at the southwest land border during the fiscal year that ended Sept. 30.

The cocaine trail

The cocaine consumed in the U.S. is mostly produced in Colombia, where several powerful armed groups battle each other to control the lucrative trade in several regions. It starts with the coca leaf, which is mulched into a paste and mixed with chemicals. The drug is then packaged tightly and shipped north through a web of routes and several different means of transportation, with traffickers reacting quickly to interdiction efforts by the U.S. and allied countries.

While fentanyl seizures have been dropping for a few years, cocaine busts are on their way up. There is more cocaine, more drug labs and, consequently, more strikes against these targets.

Bumper crops of coca leaf grown in lowland jungles and on the Andean slopes of Colombia, Peru and Bolivia have flooded the world with record supplies of cocaine that is more potent than in the past. The U.N. last fall estimated Colombia’s annual cocaine yield at 3,000 tons, about eight times what it was in 2012, when crop destruction and interdiction efforts were at their peak.

Semisubmersible vessels carrying cocaine from Ecuador and Colombia are now known to have reached Australia. And the same kinds of narco-subs have taken cocaine east from South America and even the Amazon River in Brazil to Portugal and Spain.

What carries drugs to America

Since the start of September, the Trump administration has blasted go-fast boats and one semisubmersible vessel, launching airstrikes captured on video that the U.S. has made public. So far, 15 vessels have been destroyed, according to U.S. officials, with 61 crew members killed. Until now, the go-fast boats have been particularly effective in moving cocaine, using three or four powerful outboard motors that allow them to travel 60 to 70 miles an hour while carrying 2 or 3 tons of cocaine. That is as much as $65 million in sales on the streets of Miami.

Some vessels can carry a lot more. The semisubmersibles—President Trump refers to them as submarines—actually can’t dive but rather glide just under the waterline. The cocaine payload can easily top 5 tons. Though often used for extra-long distances—they can travel from South America to Australia or the northeast shoulder of South America to Europe—the vessels also smuggle cocaine to Central American countries and Mexico.

Colombia’s naval research arm reports other methods that include container vessels—in which the cocaine is increasingly difficult to detect—to fishing boats. Other common methods of smuggling drugs include small planes across Central America into Mexico. The drugs are also moved into the U.S. hidden in luggage, in freight trucks hauling other goods and through border tunnels.

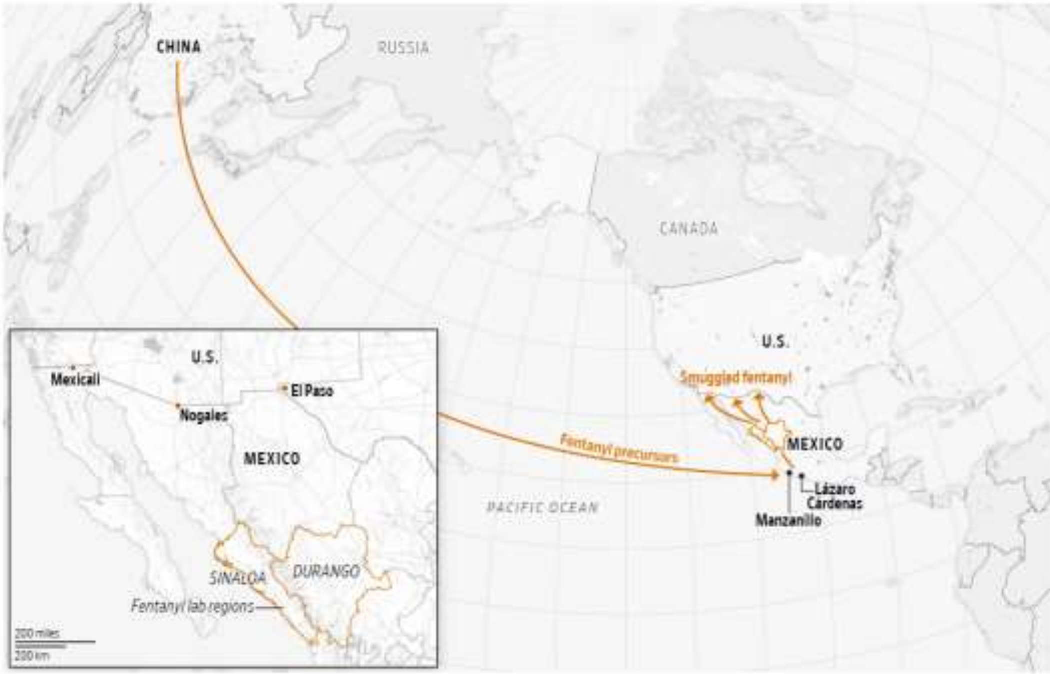
The new war on drugs

In the region’s biggest military buildup since the 1980s, the U.S. has deployed some of its most battle-tested weaponry to the Caribbean under the professed goal of providing muscle in the war on drugs.

The firepower includes the B-52H Stratofortress, a bomber that has been accompanied by a premier jet fighter, the F-35. An amphibious-assault ship carrying thousands of Marines has arrived in the region, and soon the USS Gerald R. Ford, an advanced aircraft carrier, will be in the Caribbean. There are also several support ships and drones in a deployment Trump and other U.S. officials have hinted might have another motive—removing Nicolás Maduro, the Venezuelan strongman, from power.

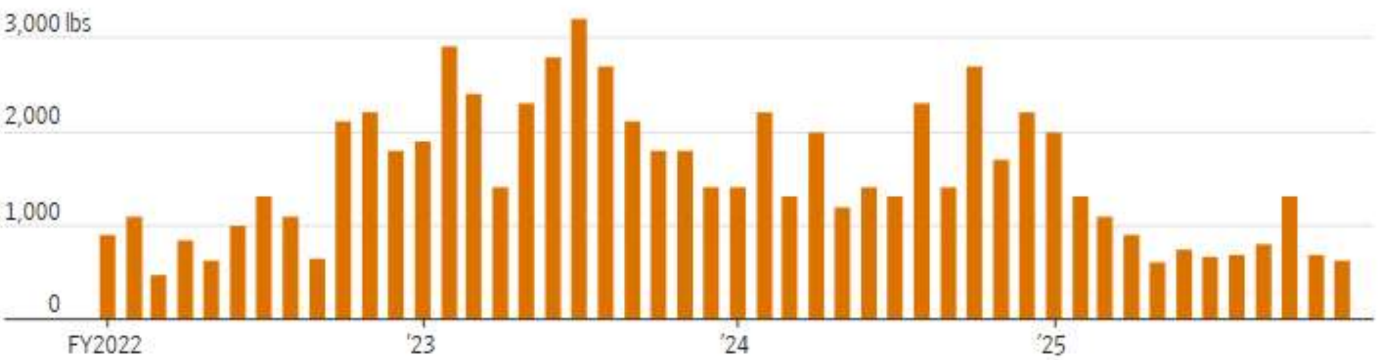
So far, the brunt of the force has been involved in training exercises and a show of force, even as precise strikes from unknown platforms have been used against drug boats. Some Washington lawmakers call the attacks illegal extrajudicial killings. The Trump administration says it is fighting a war against “narcoterrorists.”

Fentanyl routes to the U.S.



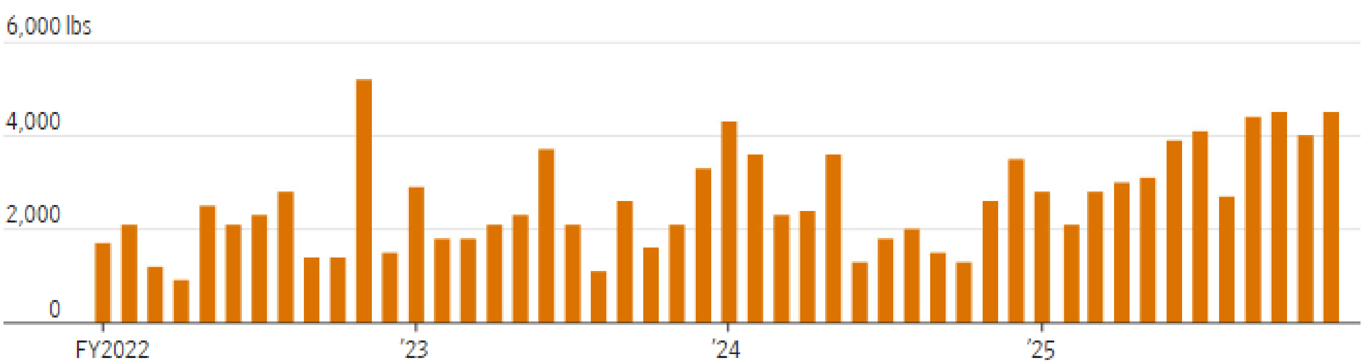
Source: WSJ research

Fentanyl seizures at the southwest border



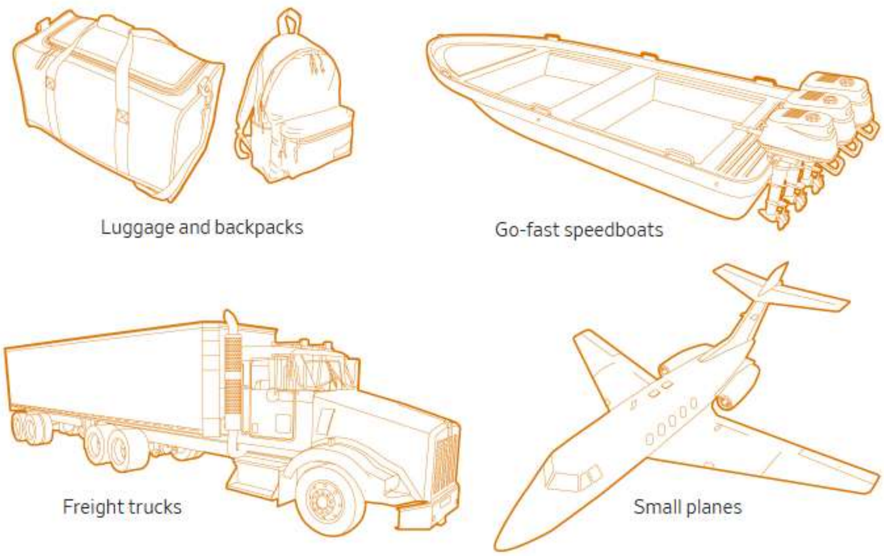
Source: U.S. Customs and Border Protection

Cocaine seizures at the southwest border



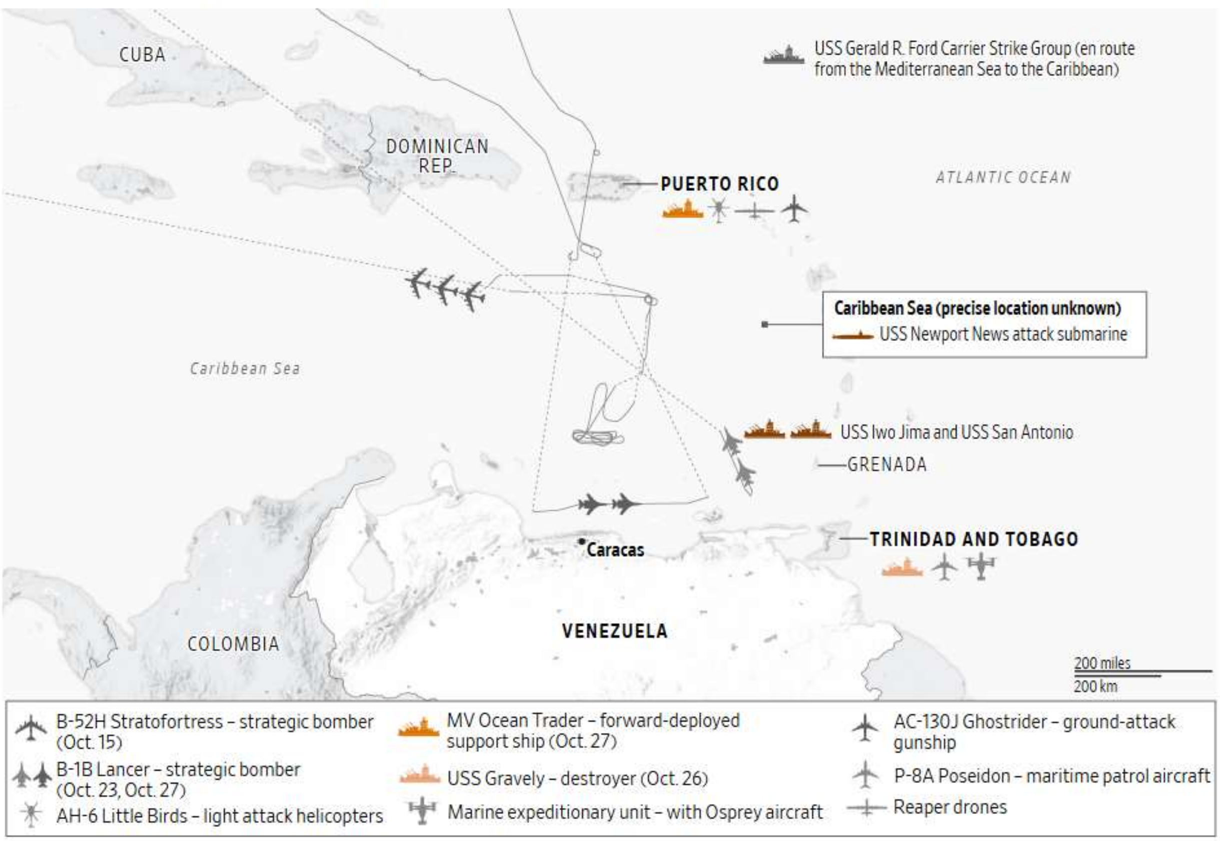
Source: U.S. Customs and Border Protection

Modes of transportation of narcotics



Roque Ruiz/WSJ

U.S. military assets near Venezuela, Oct. 15-28



Sources: Defense Department (assets and ship positions); Flightradar24 (bombers); MT Anderson, Michael Bonet (ship positions)

EL PAÍS

Lo que realmente quiere Trump de México

Viri Ríos

"México no es la piñata de nadie. A México se le respeta", declaró el miércoles Claudia Sheinbaum, con un visible dejo de irritación, tras su más reciente choque con Donald Trump. La contundencia de sus palabras contrastó con su habitual "cabeza fría" y pareció desproporcionada frente a la causa del conflicto: la cancelación de 13 rutas aéreas por parte del gobierno estadounidense.

Por ello, para entender el verdadero peso de su declaración, es necesario mirar más allá del desacuerdo aeronáutico y observar cómo, en los últimos meses, Trump ha ejercido una presión constante y, en más de un sentido, humillante sobre México, a través de un listado de exigencias.

Tuve acceso a él y según pude revisar, se extiende por varias páginas.

Mi conclusión, tras revisar el documento, es que Trump no busca simplemente renegociar un acuerdo comercial con México, sino aprovechar esa mesa de diálogo como un escenario idóneo para forzar a nuestro país a tomar decisiones contrarias a nuestros intereses.

Trump no quiere que México sea su socio comercial. Quiere que México sea un productor barato, sumiso y colonizado por empresas estadounidenses que gocen de ventajas regulatorias y estructurales. Tampoco quiere un México capaz de implementar políticas industriales que beneficien a empresas mexicanas.

En el listado de peticiones de Estados Unidos a México, solo unas cuantas aluden a asuntos verdaderamente bilaterales o de beneficio mutuo. La mayoría son exigencias destinadas a que México modifique su marco regulatorio en favor de las empresas estadounidenses o les allane el camino para dominar nuestro mercado y debilitar la competitividad nacional.

La exigencia central es la alineación total de México con los intereses económicos de Estados Unidos. Por ejemplo, Trump plantea obtener la facultad de bloquear inversiones, imponer condiciones o exigir modificaciones a los proyectos que lleguen a México, siempre que su gobierno considere que representan un riesgo. Esto se lograría mediante la sustitución de facto de la Comisión Nacional de Inversiones Extranjeras, un órgano inter secretarial mexicano, por las directrices emanadas del Comité de Inversión Extranjera de Estados Unidos (CFIUS).

Nuestro vecino del norte también exige que homologuemos nuestras políticas de exportación con las de ellos a fin de prohibir el uso de ciertas tecnologías como Logink (una plataforma china de gestión logística) y Huawei (un proveedor chino de infraestructura en telecomunicaciones). Paralelamente, se busca que México entregue información detallada sobre el origen del acero que importa, a fin de que podamos ser sancionados si adquirimos materiales de países no amistosos con Estados Unidos.

El Gobierno estadounidense también pide que México resuelva temas específicos en favor de sus empresas. Por ejemplo, quieren que las autoridades mexicanas le den la razón a Vulcan Materials, una empresa que desea una compensación millonaria bajo el argumento de que México lo expropió para crear una zona natural protegida. También buscan que se extienda la cesión parcial de derechos que le fue retirada a IGY Marinas en Cabo San Lucas. A lo anterior se agregan peticiones de todo tipo, incluso para que las visas de algunos funcionarios americanos sean procesadas con mayor rapidez.

Por si lo anterior fuera poco, las peticiones de Estados Unidos vienen acompañadas de una batería de requerimientos explícitos para que la Comisión Nacional de Mejora Regulatoria (Conamer) y la Comisión Federal para la Protección contra Riesgos Sanitarios (Cofepris) faciliten la entrada de productos americanos a México. Se piden registros sanitarios, patentes e incluso, se requiere que se eliminen ciertas condicionales de inversión que había impuesto el Gobierno mexicano.

Otras peticiones están enfocadas, no en facilitar la entrada de empresas americanas, sino en debilitar a las mexicanas. Por ejemplo, se solicita la limitación de algunas denominaciones de origen y la permisividad a la entrada de maíz biotecnológico que podría destruir variedades domésticas.

Trump exige también que se impongan medidas severas para regular la manufactura, proteger a la fauna marina en zonas pesqueras y la flora en zonas de producción aguacatera. Las medidas parecen interesadas en la protección al medio ambiente, pero queda la duda si no son una forma de simplemente reducir la competitividad de la industria mexicana al imponer estándares más elevados que los que siguen nuestros competidores.

México está de acuerdo con hacer una buena parte de las cosas que Estados Unidos le propone, ya sea por miedo o por falta de visión. Algunos funcionarios ven las peticiones como positivas para el libre comercio o incluso, justas para con los empresarios internacionales. Parecen no caer en cuenta en que al aceptarlas, México se está cerrando la posibilidad a realizar una política de inversiones que verdaderamente nos beneficie y eventualmente estamos limitando nuestro propio crecimiento.

El problema yace en que, con frecuencia, entre los funcionarios mexicanos encargados de la negociación hay un mayor interés por terminar las negociaciones sin fricción que por proteger los intereses nacionales.

Si México sigue cediendo al listado de Trump, habrá dos víctimas. En el corto plazo, la primera será el empresariado mexicano, el cual no encontrará sombra ni apoyo para competir con las empresas estadounidenses que llegarán a comerse el mercado completo. La segunda víctima será el Gobierno de Sheinbaum, el cual perderá capacidad para hacer crecer la economía en favor de los mexicanos.

El intervencionismo trumpista ya logró imponer en Argentina un Gobierno ideológicamente afín y no puede descartarse que, de seguir por este camino, eventualmente lo logre también en México. El presidente de Estados Unidos apretó en Argentina el botón correcto: jugó con el enorme miedo que tiene el pueblo argentino de tener una nueva crisis cambiaria y ganó.

En México, Trump también está apretando el botón correcto: debilitando gradualmente la economía mexicana mediante ajustes regulatorios que impiden su crecimiento. Una vez hecho eso, Estados Unidos podrá lanzar algunas acusaciones de corrupción en contra de altas figuras políticas mexicanas, como lo ha hecho en Colombia, y lograr un cambio de Gobierno relativamente rápido.

México debe estar atento. Por supuesto que confrontar a Trump es un riesgo, pero en el largo plazo, no hacerlo puede ser aún más riesgoso. Si la satisfacción del presidente de Estados Unidos depende de que México le conceda todo, nuestro país no está protegiendo la relación bilateral, está asegurando la tumba política de su gobierno de izquierda.

The Economist

The end of the rip-off economy

Oct 27th 2025

IF YOU KNOW how to use artificial intelligence, it can save you a lot of time and money. Leasing a new car? Be sure to upload a photograph of the contract to ChatGPT first. Need help with a leaky tap? AI often understands the issue—and at a lower cost than a handyman. Parents with a fussy baby can now use chatbots to answer questions in seconds, rather than waiting for a doctor's appointment. Giving Claude a PDF of a wine list is a great way to find the best-value bottles.

These examples add up to something bigger. As AI goes mainstream, it will remove one of the most enduring distortions in modern capitalism: the information advantages that sellers, service providers and intermediaries enjoy over consumers. When everyone has a genius in their pocket, they will be less vulnerable to mis-selling—benefiting them and improving overall economic efficiency. The "rip-off economy", in which firms profit from opacity, confusion or inertia, is meeting its match.

Information advantages have existed for as long as markets themselves. In medieval England grocers used fake scales to dupe customers; pub landlords put salt in beer to make patrons thirstier. Such squalid practices are not just annoying. In a paper published in 1970, George Akerlof, a Nobel-prizewinning economist, discussed the market for used cars. It is hard for a buyer to know if such a car works properly or is a "lemon" with hidden problems. Buyers thus assume the worst. As a result, honest brokers, worried about being suspected of exploitative behaviour, stay away. The quality of service declines. Fewer consumers fulfil their needs.

The internet has made it harder to screw over customers. With Carfax and other providers of vehicle data, customers can check the history of a vehicle, overcoming some of the problems identified by Mr Akerlof. Taxi drivers now struggle to take people on circuitous but profitable routes, since apps such as Lyft and Uber tell them exactly where to go. Tripadvisor, a reviews website, sends tourists to restaurants that will provide a decent meal. In the early 2000s there were more than 20 branches of Angus and Aberdeen Steak Houses, a notorious tourist trap, in London. Today there are four, and the ones that remain are better than before.

Such developments led pundits to proclaim the end of rip-off markets. "Information perfection is on the rise," pronounced Jeff Bezos, the founder of Amazon, in 2007. "A lot of economic theories about asymmetric information, while logically correct, have been rendered empirically obsolete," argued Tyler Cowen and Alex Tabarrok, both of George Mason University, in 2015. We estimate that 25% or so of American consumer spending goes on goods and services with severe informational asymmetries, from health care to home renovations, down from 30% at the turn of the millennium (see chart 1).

But that means plenty of rip-off industries remain. The building trade is a classic example. Homeowners rarely know the first thing about, say, HVAC or paint, which puts them at the mercy of bad actors. Estate agents lease properties with defects that become apparent only once the tenant has moved in. Lawyers provide bad advice, but clients do not find out until too late. Doctors offer the more expensive treatment option. Bureaucrats make all sorts of decisions—from tax penalties to rejecting a planning application—that are difficult to comprehend if you are not an expert.

Economists have tended to focus on the costs of informational asymmetries on a case-by-case basis. In 2012 Susan Woodward of Sand Hill Econometrics, a consultancy, and Robert Hall of Stanford University found that mortgage borrowers typically missed out on at least $1,000 by not shopping around enough brokers. Others lost thousands by failing to refinance their mortgage promptly when interest rates declined. A paper published in 2019 by the Journal of the American Medical Association found that the country's health-care system wasted up to $100bn a year on "overtreatment and low-value care".

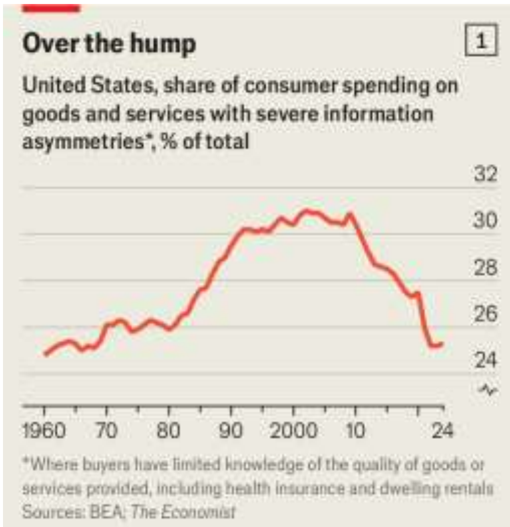
Add up such estimates, and in America it is likely that rip-off markets impose an effective consumer tax of hundreds of billions of dollars a year. A government-commissioned study in Britain in 2024 estimated that citizens lost the equivalent of 2.5% of GDP a year as a result of buying goods and services that were of unacceptably poor quality or had other defects. This encompassed everything from needing to rebuy a different version of the same product to the time wasted on complaints. Despite the improvements since Mr Akerlof was writing on lemons, the market for second-hand cars is still a tough one (see chart 2).

Startups may provide a glimpse of the future. CarEdge uses an AI negotiator to haggle with dealerships on vehicle prices and terms; Pruvo monitors your refundable hotel booking, rebooking when the rate drops. And generalist LLMs are already helpful. A survey by Clio, a software firm, finds that over half of consumers have used or would use AI to answer a legal question. "The new stereotype is that Gen Z won't buy a car without running the contract through ChatGPT first," notes Financial Dystopia, a popular account on X.

When things go wrong, consumers use chatbots to get compensation. A recent paper by Weixin Liang of Stanford University, and others, found that by late 2024 roughly 18% of financial consumer complaints involved LLM-assisted writing. AI "will help people who didn't have the privilege of great advice to get…pretty great advice," argues Bret Taylor, the chairman of OpenAI, creator of ChatGPT.

Evidence on the impact of AI-empowered consumers is limited but suggestive. One paper, by Ryan Shea and his colleagues at Columbia University, reports on an experiment involving used cars and apartment rentals. They find that

users who interact with an AI model "improved their negotiation performance significantly". New research by Minkyu Shin of City University of Hong Kong, and colleagues, analysed over 1m complaints to America's Consumer Financial Protection Bureau, finding that 49% of AI-assisted complaints received relief compared with 40% of human-written ones.
The extent to which AI truly eliminates rip-off markets depends on two things. First, consumers need to know how to use AI properly. Mindlessly repeating advice from ChatGPT is less effective than using the bot as a learning tool that allows a consumer to negotiate more credibly. In this regard, the results of a trial by Jan Biermann, then of the University of Hamburg, John Horton of the Massachusetts Institute of Technology and Johannes Walter of the ZEW-Leibniz Centre for European Economic Research, are encouraging. It involved people estimating how many dots were on an image, with different sorts of AI assistance on offer. The researchers found that people could "assess algorithmic evidence thoughtfully, adjusting their adherence depending on the quality of algorithmic recommendations".
Second, providers and retailers are likely to fight back with their own AI tools. Amazon listings are already swamped with AI-generated product descriptions. Use ChatGPT with your plumber today, and you may be able to convince him to cut his price. Use ChatGPT with him in a year, and he may have his own model telling him to charge you even more. Companies are working on "generative engine optimisation", which could result in chatbots putting out information favourable to their product or service. In time, many markets may require AI arbitrators, where both parties agree to abide by the ruling of an impartial third-party bot. What seems clear is that the days of the know-nothing consumer are well and truly over.



The Economist

The new globalisation paradox

Oct 30th 2025

Brazil’s presidential palace was designed to project calm power. Oscar Niemeyer, the country’s great modernist architect, gave it marble columns that curve like Brazil’s rivers and seem to float on a still reflecting pool—a poised emblem of national sovereignty. But the calm can be deceptive. In 2023 a mob inspired by Jair Bolsonaro, a hard-right former president, stormed its gates. Pressure can come from abroad, too: in July President Donald Trump imposed tariffs of 50% on Brazilian goods out of pique at the prosecution of Mr Bolsonaro. Although Mr Trump and Brazil’s president, Luiz Inácio Lula da Silva (known as Lula), had warm words for each other after a meeting in Malaysia this week, the episode shows how easily the superpower can reach into Brazil’s politics. It also provides a lesson about how to conduct trade policy in Mr Trump’s world.

Outwardly, at least, Brazilian officials have remained serene. They had sent American policymakers evidence of judicial independence, trusting that facts—and Brazil’s stature—would shield them. Yet behind the poise lies a shift in strategy. The multilateral bodies Brazil once counted on have lost clout. So the country has sought protection in the only way it can: by binding itself more tightly to others. As global guardrails weaken, countries are learning that autonomy now comes from integration.

Economists have long treated globalisation as a trade-off between openness and national autonomy. In 1933 John Maynard Keynes, disillusioned by the failures of economic internationalism, argued in a lecture entitled “National Self-Sufficiency” that openness had gone too far. Every country wished “to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world”. That tension still shapes the global order. In the early 2000s Dani Rodrik of Harvard University recast it as the “political trilemma of the global economy”. Countries could not simultaneously have economic integration, democratic politics and full national autonomy. The deeper global rules became, the less freedom governments had to set their own policies. Integration and sovereignty pulled in opposite directions.

Yet openness can also protect. Albert Hirschman, a liberal economist who fled from Nazi Germany, saw that rules could shield as well as constrain. Having watched the Third Reich use trade to subdue its neighbours in eastern Europe, he warned that the power to interrupt trade relations becomes a powerful instrument of political pressure. His answer was not to turn inward but to spread risk. True independence, he argued, came from diversification—broad commerce with many partners, so that no single one could choke off a vital flow. In a world where a hegemon is willing to coerce, integration is what preserves sovereignty.

That idea is being tested again. Mr Trump has flouted the trading system’s most basic rule—non-discrimination—using tariffs as political weapons. India has been punished for buying Russian oil; Canada for its digital-tax plans and enlisting Ronald Reagan for a critical TV ad; the European Union for its food-safety standards; and Brazil for prosecuting Mr Bolsonaro. For Mr Trump’s targets, isolation now looks more dangerous than entanglement.

Brazil shows how this plays out. When Mr Trump announced his 50% tariff, officials reached instinctively for the rulebook. The South American giant is one of the World Trade Organisation’s most litigious members—filing the fourth-most complaints, after America, the EU and Canada. But with the WTO enfeebled, Brazil is looking to deepen ties with others. Celso Amorim, Lula’s chief adviser, calls it “a vaccine against arbitrary moves from any one power”. In a world ruled by bullies, the best defence against infection by one country is exposure to many.

Lula, once sceptical of free trade, has become an unlikely evangelist for openness. In his first presidency, in the 2000s, he raised tariffs on industrial machinery and textiles, enforced local-content rules in oil and gas, and lavished subsidised credit on national champions such as Embraer, an aircraft-maker. Now he is racing to tie Brazil more tightly to the global economy. Brazil has concluded a free-trade deal with the European Free Trade Association, is finalising one with the United Arab Emirates and is in talks with Canada, India, Japan and Mexico. Most consequentially, after 25 years of delay, Mercosur, a South American bloc led by Brazil, is close to ratifying a pact with the EU.

These deals do more than open markets. They lock in domestic reform, promising greater transparency and steadier regulation. The EU-Mercosur pact, for instance, will open Brazil’s public contracts to foreign bidders, phase out export taxes on key goods and bring its environmental and labour rules closer to EU standards. Binding yourself to predictable rules and broad partnerships may feel like a constraint. It is also insurance. The more rules you share, the harder it is for any one country to bend you.

Unintended consequences

Such moves may prove the most durable legacy of Mr Trump’s tariffs. Trade pacts have a habit of enforcing institutional liberalisation. When Spain joined the EU’s forebear in 1986, it was forced to scrap protection of its industries and adopt European competition law, anchoring its young democracy to a rules-based order. For post-communist Poland, accession meant rewriting thousands of laws; its murky state-contracting system was turned into one of the bloc’s most transparent.

Around the world, governments are reaching the same conclusion. Middle powers like India, Indonesia and Mexico are pursuing autonomy through openness. Mr Trump’s tariffs are pushing others to tie themselves more securely to trade rules. Economic integration was once considered a threat to sovereignty. Today it has become its shield.

EL PAÍS

El oficialismo se perpetúa en el Tribunal Electoral

Beatriz Guillén

El oficialismo se ensancha en el Tribunal Electoral. El anuncio de la magistrada Janine Otálora de abandonar su cargo el 31 de octubre deja una Sala Superior con cinco integrantes cercanos al Gobierno de Morena y un solo independiente, Reyes Rodríguez. Además, la renuncia de la jueza electoral abre un nuevo dilema en el recién estrenado poder judicial federal: cómo se van a sustituir a los integrantes que estaban en funciones y no fueron elegidos en las urnas. El propio tribunal ha señalado que debe ser el Senado mexicano quien resuelva el debate.

La Sala Superior del Tribunal Electoral fue la única que se salvó de la demolición al poder judicial. Los puestos de los cinco integrantes que estaban en funciones no salieron a la boleta del 1 de junio, aunque en el proyecto original de reforma que envió Andrés Manuel López Obrador sí aparecía la renovación de toda la sala. En el camino se cruzó la votación sobre la supermayoría de Morena y sus aliados. El 29 de agosto de 2024, los magistrados electorales ratificaron que el bloque oficialista tuviera el 73% en la Cámara de Diputados, frente a las demandas de ilegalidad de la oposición. Solo Janine Otálora estuvo en desacuerdo: "La sobrerrepresentación erosiona los controles institucionales y compromete la estructura constitucional", dijo en su exposición. Se quedó sola. Esa confirmación del Tribunal Electoral era clave para que Morena sacara adelante su proyecto estrella: la reforma judicial.

En el primer dictamen de la reforma ya lo que apareció es que saldrían a las urnas todos los puestos de las salas regionales, pero solo los dos puestos que estaban vacantes en la Sala Superior (que llevaban vacías desde octubre de 2023, ya que el Senado mexicano durante todo ese tiempo no eligió reemplazos). Así se aprobó un artículo transitorio que permitía a los cinco jueces electorales quedarse en el cargo hasta 2027. Eso implica que, por ejemplo, Felipe Fuente y Reyes Rodríguez, que fueron elegidos en 2016 para un período de ocho años, se van a terminar quedando 11. En ese escenario llega ahora la salida de Otálora.

La magistrada fue elegida también en 2016, pero para nueve años (cuando se pretendía que hubiera una integración escalonada dentro del tribunal), es decir, su encargo original termina este 31 de octubre. Otálora ya había dicho que se iría en esa fecha, pero su anuncio todavía ha movido algunas placas dentro del tribunal. Sobre todo, porque revela una brecha: ¿cómo van a sustituirla?

El vacío en la Constitución

El artículo 98 de la Constitución prevé que cuando haya una renuncia (por cualquier motivo) de los ministros, magistrados o jueces de distrito ocupará la vacante la persona del mismo género que haya obtenido el segundo lugar en número de votos en la elección para ese cargo. Sin embargo, esto está previsto para los cargos que salieron a la elección. "Hay un vacío en la Constitución. Su artículo 98 y luego el artículo 231 de la Ley Orgánica del Poder Judicial funcionan para después 2027. No previeron nada para las personas que podrían renunciar entre 2025 y 2027, apunta Laurence Pantin, coordinadora del Observatorio de Justicia del Tecnológico de Monterrey.

Al no estar escrito en la ley, se abren varias alternativas. La primera y menos probable es que la sustituta de Otálora sea elegida cómo lo fue ella, es decir, que la Suprema Corte mande una terna al Senado y la Cámara seleccione. La segunda es que se trate de adaptar el artículo 98 de la Constitución. "La regla para este caso no existe como tal, entonces lo más cercano como regla es esa opción", señala Pantin. La segunda mujer más votada en la elección de 1 de junio fue Rocío Balderas, actualmente secretaria de estudio y cuenta de la ponencia de Felipe de la Mata. Esa posibilidad preocupa dentro del tribunal: "Si esta abogada ocupa el cargo se abre la posibilidad de que sea como si Felipe de la Mata ocupara dos sillas en un mismo pleno", apunta una fuente interna del órgano electoral.

Pero esta vía también tiene sus complejidades: ¿por cuánto tiempo ocuparía Balderas su cargo? Pantin señala que si se asume el artículo 98 de la Constitución tiene que ser de forma completa y este indica que la persona sustituta se desempeñará "por el período que reste al encargo". Es decir, en este caso sería hasta la elección judicial de 2027. La experta también menciona otra duda: ¿podría esta sustituta reelegirse para ese cargo? Porque, según la ley, los cargos electos en la reforma no pueden hacerlo.

La tercera ruta es que el puesto de Otálora se quede vacante. Esta opción ha sido validada por magistrados electorales como Felipe Fuentes: "Hemos tenido la experiencia de trabajar sin un pleno completo y hemos funcionado adecuadamente. Creo que podemos responder al reto completamente. Es responsabilidad del Senado [decidir]. Como ya lo dijo su coordinador de la Junta de Coordinación Política se piensa que el nombramiento será hasta el 2027. El magistrado recién electo Gilberto Bátiz ahondó en que serían seis por lo que la colegialidad permite su funcionamiento, aunque sí señaló que fue "uno de los detalles que pasó por alto la reforma": "No solamente se trata de cómo accedemos al poder, sino cómo se da la conclusión de los propios cargos".

Esta última opción es la que se ve más probable dentro del Tribunal. "Ya tienen los cinco votos que favorecen al oficialismo, no necesitan un voto adicional", resume una fuente interna.

Un tribunal alineado

Este 1 de septiembre, el Tribunal Electoral se integró por completo después de casi dos años con solo cinco de sus siete integrantes. Claudia Valle y Gilberto de Guzmán Bátiz llegaron a la Sala Superior tras haber sido los más votados en la elección de junio. Ambos estaban en los acordeones que repartió Morena para guiar el voto (y que después fueron validados por el Tribunal al considerar que no tuvieron un "carácter determinante en los resultados").

Los dos magistrados electos se han alineado rápido con los votos del llamado triunvirato, formado por la presidenta Mónica Soto y los magistrados Felipe Fuentes y Felipe de la Mata, los más cercanos al Gobierno. "No hay ninguna sorpresa, con la llegada de Claudia y Gilberto, si uno sigue las sesiones de la Sala Superior, puede comprobar cómo sus argumentos durante las sesiones están alineados al bloque mayoritario", apunta una fuente de dentro del Tribunal Electoral. Como ejemplo: la última votación sobre los consejeros del INE, que aupó Claudia Zavala contra el Órgano Interno de Control. La consejera acusó que los estaban persiguiendo administrativamente por haber votado en contra de realizar una consulta que quería López Obrador en 2021, y buscó la opinión del Tribunal. Este, con los votos de los magistrados electos y de los dos Felipes, la ha desechado por considerar que el tribunal es incompetente.

Los bloques ya se preveían de antes. Valle, por ejemplo, que era magistrada de la sala regional de Monterrey antes de la elección, ya invitó a la presentación de su informe final solo a este grupo de tres magistrados y no a Rodríguez y Otálora. Ahora el 1 de noviembre, Gilberto de Guzmán será el nuevo presidente del Tribunal y tendrá el valioso voto de calidad, con el que se pueden desempatar las discusiones. "Ahí veremos cómo se comporta ya asumiendo su papel de presidente", apunta una persona que integra el Tribunal Electoral: "Pero hasta el momento, no hay sorpresas".

EL PAÍS

Callad, carroñeros, respeten al gobernante

Salvador Camarena

Las tragedias no se deben revisar. Morena pretende un modelo de administración donde la rendición de cuentas no solo se hace más difícil al desmontar organismos de contrapeso. También es obligado, dicen ahora, preguntar cuándo es oportuno cuestionar al gobierno.

Veracruz concentra casi la mitad de las víctimas mortales del temporal que a principios de mes azotó a cinco entidades de la República. Del conteo oficial de las 80 muertes por lluvias, deslaves y crecidas de ríos, 35 corresponden a víctimas veracruzanas.

No por nada, Poza Rica y sus alrededores se convirtieron en símbolo de esa desgracia. El Gobierno de la presidenta Claudia Sheinbaum se ha movilizado como nunca en su primer año para atender a damnificados que no verán pronto eso llamado normalidad.

Este tipo de contingencias ponen a prueba a las instituciones, a quienes están a cargo de las mismas en todos los niveles y, desde luego, a las comunidades, que se llevan la peor parte. Estas tienen derecho al auxilio y también a conocer la verdad de lo ocurrido.

A diferencia de lo que cree Rocío Nahle, elegida gobernadora de Veracruz en 2024, la sociedad en México es capaz de hacer varias cosas a la vez. Por ejemplo, movilizarse para ayudar y exigir deslinde de responsabilidades. Un rosario de tragedias acreditan tal capacidad.

Nahle preferiría una realidad donde ni caiga agua en demasía ni preguntas de la prensa que recogen expresiones ciudadanas. Para la exsecretaria de Energía, el poder se ejerce sin escuchar; y si alguien habla, merece desprecio e improperios disfrazados de solemnidad.

"A Veracruz se le respeta", dijo la gobernadora el lunes mientras le preguntaban en una rueda de prensa por cuestionamientos sobre sus colaboradores de Protección Civil. "Este pueblo merece respeto y su gobernante también, y Veracruz no es carne para la carroña. Así se los pongo. Cómo es posible que en plena emergencia, que en plena contingencia, aflora lo peor de un sectorcito. Por eso hay un sistema democrático y por eso vamos a las urnas y no estoy para darle contentillo a carroñeros. Y con esto concluyo".

La única duda con las frases emitidas por Nahle es si va a proponer que sean elevadas a estatuto partidista o de Gobierno. O ambas, para qué andarse con pichicateces. Se puede llamar la enmienda Nahle: "Morena gobierna así: 'callad, carroñeros, respeten al (la) gobernante".

Si no hubiera decenas de familias en duelo y miles de damnificados que perdieron techo y sustento, Nahle sería digna de un sketch sobre cómo la izquierda perdió el rumbo de la dignidad en el cargo y la brújula de quién responde a quién en un sistema democrático.

Permiso para cuestionar, gobernadora que exige respeto a la gobernante que minimizó el día uno la crecida del río. Los cables cruzados de la rendición de cuentas: quien gana en las urnas goza de inmunidad ante cuestionamientos verbales, ni qué decir los jurídicos.

Porque estas palabras de la gobernadora Nahle llegaron luego de otro cuestionamiento, de una pregunta sobre una iniciativa ciudadana que anuncia la búsqueda de firmas para ver si somete a la gobernadora a revocación de mandato, eso que tanto promovía Morena.

"Está bien, ahí que se entretengan", dice prontamente Nahle ante esa pregunta. Acto seguido, personas en la sala de prensa ríen. ¿Risas de nervios ante la exhibición de poder desbordado?, ¿es que se asumen bufones de la soberana y festejan gracejadas?, ¿es porque le temen?

Hay que agradecerle a Rocío Nahle la franqueza. Es diáfana y sincera cuando manda a pasear la noción de que comparece ante la prensa para responder las inquietudes y demandas ciudadanas. Todo lo contrario.

EL PAÍS

El revelador libro de Claudia Sheinbaum

Zorge Zepeda

Para Andrés Manuel López Obrador fue una larga gira de despedida, para Claudia Sheinbaum, en su calidad de presidenta electa, una forma de presentación en sociedad. Del 14 de junio al 27 de septiembre del año pasado, los últimos 16 fines de semana del sexenio, mandatario entrante y saliente compartieron más de 500 horas juntos. Una experiencia inédita en la historia del país en materia de transiciones. Solo por esta razón habría valido la pena el libro que Sheinbaum ha presentado estos días: Diario de una Transición Histórica (Planeta). Sin embargo, la lectura de sus 220 páginas y la imagen de 38 fotografías arrojan mucho más que eso.

Vayamos a lo más obvio, aunque no poco significativo. La gira en conjunto fue una especie de tutorial para ser presidenta, como lo señalé en un artículo en su momento. Claudia Sheinbaum había tenido 15 años de experiencia como servidora pública del más alto nivel en la capital, pero había experimentado poca exposición a la trama política y social de tantos y tan variados rincones de una compleja geografía como la nuestra. Lo opuesto a López Obrador. No hay ciudad grande, mediana o pequeña en la que no haya pernoctado o camino secundario que no conozca. Un mapa de riesgo del campo minado que siempre ha sido México. Los recorridos se convirtieron, al mejor estilo aristotélico, en el método peripatético para la transmisión de estos conocimientos.

En ese sentido, el lector se beneficia de las muchas anotaciones personales que la presidenta ahora publica de su paso por estas regiones, al estar acompañada de un tutor tan avezado. Se trata no solo de descripciones de situaciones políticas locales, también de una serie de viñetas de la naturaleza o de los habitantes con una mirada y un lenguaje que dicen mucho sobre los lugares, y también sobre quien los describe.

Pero la naturaleza pedagógica que adquirieron estas giras no debe confundirse con instrucciones. Lo que existe entre ellos puede advertirse una y otra vez en estas páginas: respeto y admiración mutua. Habría que insistir que se trata de dos personas que responden a cosmogonías diferentes. López Obrador creció políticamente en un PRI al que en su juventud él intentó imbuir de mayor contenido social y en un contexto vinculado al México profundo y tradicional; ella, en el nicho de una clase media ilustrada y cosmopolita, nieta de cuatro europeos y de padres científicos, y creció políticamente en oposición al PRI y lo que este representaba.

Y a pesar de orígenes y trayectorias tan diferentes, hay algo que los vincula con mayor intensidad. Desde luego una coincidencia en lo que respecta a los ideales, lo cual resulta evidente en una página tras otra. Pero va más allá de eso, porque después de todo son banderas que también comparten otros cuadros y figuras del movimiento. La sustancia de la que está hecha la admiración mutua reside en que ambos comparten una manera que, por desgracia, no cultivan otras miembros de la 4T: la austeridad, la ausencia de ambición material, la congruencia entre los ideales y la vida cotidiana.

Quizá haya otros componentes adicionales, por supuesto. Claudia lo condensa categóricamente en una frase del libro: "Él es el origen. Nosotros, la continuidad". La admiración y el cariño por el papel del fundador que hizo posible el movimiento que ahora ella preside, va más allá de un respeto formal.

Por lo que respecta a López Obrador, se advierte en esas páginas que emprende las giras con un sentimiento en el que se mezclan una sombra de nostalgia, pero también de alivio y tranquilidad de saber que un relevo como el de Claudia es necesario. Además de sus convicciones republicanas contrarias a la idea de un Maximato, el presidente va desgranando frases a lo largo del libro que revelan su convicción de que el país necesitaba una nueva generación y un enfoque más moderno y organizado para lo que sigue.

La expresión "ella es mejor", soltada en varias ocasiones, es más que una frase cortés; es el reconocimiento de las dotes profesionales que atribuye a Sheinbaum. López Obrador entiende que solo una persona reúne esos atributos con una praxis de vida congruente con los valores que él verdaderamente respeta.

Viri Ríos ya había dado cuenta del mensaje principal que arroja este libro: pensar la relación entre ambos personajes en términos de una subordinación u obediencia son absurdas, porque resulta evidente que tienen una profunda coincidencia ideológica. Pero tan importante como lo anterior es el otro rasgo que respira a lo largo de este libro: el cariño y la admiración que ambos comparten, cada cual por sus propias razones. Ella menciona las suyas: "tenemos orígenes muy distintos, pero compartimos algo esencial: el desinterés, incluso el rechazo, por los lujos y la parafernalia" (p. 63).

Más allá de lo político, el libro ofrece un atisbo a un lado menos conocido de Claudia Sheinbaum, normalmente ausente en la imagen pública que se ha construido en los medios en torno a su persona. Una sensibilidad y una profundidad emotiva que siempre acecha detrás de la lógica racional y científica que la caracteriza. En media docena de ocasiones menciona la nostalgia que le provoca recordar los momentos de cercanía e intimidad con diversos personajes, sobre todo López Obrador, normalmente en situaciones de apremio y desafíos o vinculados a los valores que la conmueven. Sin sensiblerías ni adjetivos estridentes: al evocarlos señala que "aún me provoca lágrimas escribir estas líneas". En otro pasaje confiesa que experimenta una mezcla de bochorno y gratitud frente a los halagos, "en el fondo soy bastante tímida". Le gusta mucho viajar por carretera, siempre se acompaña de su cafetera para despertar y disfruta hablar por teléfono en las noches con su marido durante esas giras de fin de semana.

"Los días se vuelven más melancólicos", afirma poco antes de concluir la gira, "una parte de mí desearía que no terminara nunca". Al final, "regresamos a la Ciudad de México. La despedida fue muy emotiva. Lo abracé, le di las gracias. Me abrazó. Son muchos años de caminar... recorrí el camino a mi casa con muchas lágrimas en los ojos. Un libro imprescindible para saber de qué está hecha Claudia Sheinbaum.

THE WALL STREET JOURNAL.

Fed Divisions Reveal New Caution Over Continued Cuts

By Nick Timiraos

Oct. 29, 2025 9:32 pm ET

Federal Reserve Chair Jerome Powell delivered a blunt message for investors who have assumed the central bank would be on cruise control toward a third rate cut in December: Not so fast.

Rather than hide behind cryptic and vague language that central bankers often deploy, Powell went out of his way Wednesday to play up divisions on the rate-setting committee and play down the idea that a rate cut in six weeks is a foregone conclusion.

"In fact, far from it," he said at one point.

Powell's plain speaking reflected deepening divisions at the Fed over how to interpret an economy where consumer spending remains robust but hiring has slowed sharply.

What the Fed will do next depends on which of two competing economic narratives proves more accurate. In one, the AI investment boom and stock-market rally will continue powering business and consumer spending, limiting the need for significantly lower rates and risking inflation that settles closer to 3% than the Fed's 2% goal if the Fed cuts too much.

In the other, the effects of higher interest rates combined with changes in trade and immigration policies finally catch up to the labor market, pushing unemployment higher if the Fed stops cutting. Payroll growth has slowed this summer, and Powell said Wednesday that by some measures, job creation is close to zero.

"They're in a weird situation because the spending data doesn't seem to align very well with the labor-market data," said William English, a former senior Fed adviser. "The spending data seems OK, but on the other hand, the labor market shows this really sharp slowdown."

After cutting rates by a full percentage point last year, the Fed has added another half-point of cuts this year, leaving rates closer to the range many consider neutral, neither stimulating nor restraining the economy.

Wednesday's decision to cut rates featured split dissents for the first time since 2019: one from Kansas City Fed President Jeffrey Schmid, favoring no cut, and another from Fed governor Stephen Miran, who wanted a larger cut.

But Powell's repeated references to "strongly differing views" highlighted growing reluctance on the committee to continue cutting, making clear a December cut is a much closer call.

"There's a growing chorus now of feeling like maybe this is where we should at least wait a cycle, something like that," said Powell. "For some part of the committee, it's time to maybe take a step back and see whether there really are downside risks to the labor market, or see whether, in fact, the stronger growth that we're seeing is real."

On one side of the debate are officials including Fed governor Michelle Bowman, who warned in a recent speech that her colleagues were "at serious risk of already being behind the curve in addressing deteriorating labor-market conditions" and might need to "adjust policy at a faster pace and to a larger degree going forward." Bowman voted in favor of the quarter-point cut Wednesday.

On the other side are officials such as Schmid, who said in a speech this summer that tariff-related effects on prices had been limited in part because the Fed didn't try to offset the cost shock with more accommodative interest rates. Unlike Bowman and Powell, who on Wednesday cited an inflation calculation that excluded estimated tariff-driven effects, Schmid promised this summer to never attempt such an exercise, calling it "neither a meaningful nor a measurable concept."

One example of how the ground might be shifting: Fed governor Christopher Waller, who had been among the leading advocates for cuts this summer, recently signaled more caution. If growth holds up, "the pace toward a neutral setting for the policy rate should be slower than I expected," he said in a speech this month.

The uncertainty is compounded by a government shutdown that has delayed key employment reports, depriving policymakers of data that could help resolve disagreements between meetings.

In addition, officials are divided over whether weak hiring mostly reflects reduced labor supply, from lower levels of immigration and fewer people looking for work, or genuinely softening demand.

"Most of the time, the Fed will lean toward labor-market data as opposed to growth data," said James Bullard, a former president of the St. Louis Fed. "But here because of the immigration policy, you're not quite sure how to interpret everything."

Bullard thinks the data will ultimately reconcile in favor of stronger consumer spending, meaning the Fed can take a more relaxed approach toward lowering rates to neutral over the next year.

REUTERS

US Treasury's Bessent says Fed's language shows they are 'stuck in the past'

October 30, 20256:51 AM CSTUpdated 2 hours ago

WASHINGTON, Oct 30 (Reuters) - U.S. Treasury Secretary Scott Bessent on Thursday applauded the Federal Reserve's decision to cut interest rates by a quarter percentage point, but said comments casting doubt on another rate cut this year showed the institution needed a major revamp.

Bessent told Fox Business Channel's "Mornings with Maria" that he would carry out a second round of interviews of candidates to replace Fed Chair Jerome Powell in early December, allowing President Donald Trump to choose a replacement by Christmas.

The goal, he said, was to find a new leader for the U.S. central bank who would overhaul the entire institution.

"The decision by the Federal Reserve yesterday - the decision to cut rates by 25 basis points, I applaud, but the language that went with it, tells me that this Fed is stuck in the past. Their inflation estimates have been terrible so far this year," he said. "Their models are broken."

Bessent said he could not understand why the Fed was signaling that it didn't want to cut rates at its December meeting, saying their estimates of gross domestic product and inflation had been "consistently wrong."

"We're going to find a leader who is going to revamp the entire institution in terms of process and inner workings," he said.

Powell told reporters on Wednesday that a policy divide within the U.S. central bank and a lack of federal government data may put another interest rate cut out of reach this year.

The Fed on Wednesday cut interest rates by a quarter of a percentage point, as expected, as a way to temper any further weakening of the job market. But the central bank's new policy statement included several references to the lack of official data during a federal government shutdown. Powell said policymakers are likely to become more cautious if it deprives them of further job and inflation reports.

Trump, who has been critical of Powell's leadership of the Fed since before starting his second term, on Tuesday blasted the central banker as "incompetent" during a meeting with business leaders in Tokyo.

On Monday, Bessent told reporters there were five finalists to replace Powell when his term as Fed chair ends in May: White House economic adviser Kevin Hassett, former Fed Governor Kevin Warsh, current Fed Governor Christopher Waller, Fed Vice Chair for Supervision Michelle Bowman and BlackRock executive Rick Rieder.

REUTERS

Nomura expects no more Fed rate cuts in 2025 after October easing

By Reuters

October 29, 202510:32 PM CSTUpdated 10 hours ago

Oct 30 (Reuters) - Nomura said it now expects the U.S. Federal Reserve to keep interest rates unchanged at its December policy meeting, following the central bank's decision to cut rates on Wednesday.

The Japanese brokerage had previously expected a 25-basis point (bp) interest rate cut in December.

The U.S. central bank trimmed interest rates by a quarter of a percentage point, as expected, as a way to temper any further weakening of the job market.

"Data are likely to be modestly dovish in the months ahead, but we doubt the weakness will be sufficient to rekindle FOMC concerns of a deteriorating labor market", Nomura said in a note late Wednesday.

Fed Chair Jerome Powell said that internal policy disagreements and insufficient federal data could hinder further rate cuts this year, noting both the risks to the labor market and the dangers of acting without a clearer view of the economy.

Nomura expects three 25-bp cuts in March, June, and September in 2026.

Bloomberg

Growing Fed ‘Chorus’ of Hawks Highlights Challenge for Trump

By Chris Anstey

October 30, 2025 at 5:00 AM CST

Fed’s Growing ‘Chorus’

To the extent Trump was monitoring the Fed’s latest policy meeting during his eventful trip to Asia, developments on Wednesday won’t have been encouraging.

While the US central bank at least cut its benchmark rate by 25 basis points — a small step in the direction Trump and his allies want — Chair Jerome Powell highlighted in his press briefing that “there’s a growing chorus now” of policymakers who think “maybe this is where we should at least wait” for a time before another move. “For some part of the committee, you know, it’s time to maybe take a step back.”

In his opening statement, he said “a further reduction in the policy rate at the December meeting is not a foregone conclusion — far from it,” in unusually direct remarks for Powell.

“The hawks have more weight than we thought,” Evercore ISI economists led by Krishna Guha wrote in a note. Minutes of the meeting, due to be published in three weeks, may indicate that fully half of the group of Fed governors and reserve bank presidents now form a “hawkish bloc,” they wrote.

JPMorgan Chase’s chief US economist, Michael Feroli, noted that four of the Fed’s 12 reserve banks didn’t request a cut in the discount rate, which was lowered by 25 basis points in tandem with the policy benchmark. That’s “perhaps indicating that there were already some misgivings about cutting rates when core inflation is close to 3%.”

One takeaway from Wednesday’s briefing was that Stephen Miran, whom Trump installed on the Fed board last month, was even more isolated this time as he again dissented in favor of a 50-basis-point cut.

Powell made clear which side of the jobs-versus-inflation debate he is on, downplaying concerns about price pressures and saying the Fed has a role to play in responding to the slowdown in hiring — even if it’s partly on account of Trump’s immigration crackdown.

But, in the Evercore team’s view, “he is straining to manage the committee.”

If Powell, with all the gravitas and respect he has developed serving on the Fed board for over 13 years now, is indeed finding it a challenge to keep hawks in line, that suggests Trump’s eventual pick as his successor will find it no easy task to deliver on the president’s easier-policy desire.

Fed adds wrinkle for markets with December cut now in doubt

By Lewis Krauskopf and Davide Barbuscia
October 30, 20254:03 AM CSTUpdated 3 hours ago

NEW YORK, Oct 30 (Reuters) - Investors were pinning hopes on more monetary policy easing ahead, even as Wednesday's Federal Reserve meeting revealed a less-certain path toward more interest rate cuts in the face of a data drought, sticky inflation and divided opinions among the central bank's members.

Fed Chair Jerome Powell surprised markets by casting doubt on the prospects of an interest rate cut at the central bank's next meeting in December, saying such a move was "not a foregone conclusion" even though markets had priced it as an almost-done deal. Wall Street erased gains and bonds were sold off after he spoke.

His remarks came at a press conference after the Fed announced its decision to lower rates by a quarter percentage point and halt its balance sheet drawdown - market-friendly measures that were nonetheless already expected and baked into asset prices.

LACK OF DATA CLOUDING DECISION-MAKING

The U.S. government shutdown means that labor market and other economic data the Fed has traditionally relied upon to make decisions are not available, clouding policymakers' decision-making and breeding more uncertainty for investors.

The lack of data "is going to make it very hard to forecast where we think the Fed is going to be in six weeks' time," said John Velis, Americas macro strategist at BNY.

Between now and the December 9-10 meeting, there could be some "not immaterial swings in the probabilities in the expectation of a cut or not a cut in December," he said. "And I think that could create a bit of volatility."

A weakening jobs picture had prompted the Fed to cut rates in September for the first time in 2025, while the latest data suggests inflation remains above the Fed's 2% target.

Wednesday's decision drew dissents from Fed Governor Stephen Miran, who again called for a deeper reduction in borrowing costs, and from Kansas City Fed President Jeffrey Schmid, who favored no cut at all given ongoing inflation.

With the Fed's lowering of the policy rate to a range of 3.75% to 4%, rates are 150 basis points below their peak last year.

INVESTORS HOLDING OUT HOPES FOR DECEMBER CUT

The chair's injection of uncertainty around a December cut could cast more doubt on next year, said Jim Caron, chief investment officer of the portfolio solutions group at Morgan Stanley Investment Management.

"The markets hear that, and they go, well, wait a minute … if we're debating whether they go one more time right now, well then how sure can you be that we're going to go to 3% in 2026?" Caron said.

He added, however, that a slowdown in the labor market will likely justify a December cut. "I don't think it changes the big picture trajectory of what's going on," he said.

Investors appeared to be holding on to hopes the central bank would ease at its next policy meeting. U.S. rate futures pricing on Wednesday showed a 67.9% chance of another 25 basis points cut in December, according to LSEG calculations, down from an 85% probability prior to Powell's comments.

Traders still saw rates eventually ending at around 3% at the end of next year, unchanged from prior to the meeting.

Michael Arone, chief investment strategist at State Street Investment Management, said he still expected the Fed to ease in December.

"You will eventually get some data and what I expect is that it will show a continued weakening in the labor market," Arone said.

But some saw cause for greater skepticism.

"We see this meeting as far more hawkish than market pricing," Bespoke Investment Group said in a note, adding the repeated emphasis Powell put on a heated debate at the Fed "justifies an even bigger re-rating of December cut odds."

STOCKS HAD RALLIED AHEAD OF FED DECISION

Stocks swung following Powell's comments, with the S&P 500 index (.SPX), opens new tab ending flat on the day, giving up the modest gain it held during Wednesday's trading prior to the Fed's decision. Treasury yields moved higher, with the benchmark 10-year yield last around 4.06%, while the dollar strengthened against a basket of major currencies.

Expectations for more easing have been helping stocks rally and the S&P 500 had gained for four straight days heading into Wednesday. "Stocks look richer now than they did yesterday based on what just happened," said Matt Rowe, senior portfolio manager at Man Group.

Meanwhile, some market participants downplayed the impact on risk assets coming from the end of the central bank's balance sheet drawdown, which the Fed said on Wednesday will stop in December.

After swelling its balance sheet during the COVID-19 pandemic, buying Treasury bonds and mortgage-backed securities to keep the economy afloat, the Fed has spent the past three years putting its portfolio on a diet. From a peak of near $9 trillion in 2022, the Fed's holdings have slimmed to about $6.6 trillion.

The runoff, known as quantitative tightening (QT), has come mostly from letting securities mature and roll off its books, with the heavy lifting made through reductions in government bond holdings.

Amar Reganti, fixed-income strategist at Hartford Funds, said the end of QT would be only marginally positive for broader markets, partly because the balance sheet runoff was happening very gradually.

Had the Fed been more dovish with its rate outlook, combined with the QT messaging, that "could have certainly permeated a much stronger risk-on sentiment," Reganti said.

"But that wasn't the case."

After the Fed cut interest rates, adjustable-rate mortgages may be ‘an underappreciated opportunity,’ top advisor says

Published Thu, Oct 30 20259:37 AM EDTUpdated 2 Hours Ago
Jessica Dickler

Wednesday’s Federal Reserve decision, along with expectations that the Fed could cut interest rates again before the end of the year, may put more downward pressure on mortgage rates — finally providing a little relief for would-be homebuyers.

A 30-year, fixed-rate mortgage fell to 6.3% for the week ended Oct. 24, according to the Mortgage Bankers Association.

Although mortgage rates are now at their lowest level since September 2024, the average rate for a 30-year, fixed-rate mortgage is still significantly higher compared to the under-3% levels near the start of the pandemic.

Those relatively high mortgage rates, along with high home prices and uncertainty about the economy, have kept many would-be buyers on the sidelines.

But adjustable-rate mortgages, or ARMs, offer even lower initial rates than fixed-rate loans. With these mortgages, the initial interest rate is fixed for a set amount of time — often five, seven or 10 years — before adjusting based on interest rate changes.

The ARM rate is currently almost a percentage point lower than the 30-year fixed rate, according to the MBA’s data from earlier this month.

For a 5/1 ARM, the average interest rate is 5.66%, according to the MBA.

At this point, ARMs may be “an underappreciated opportunity,” according to Brad Houle, principal and head of fixed income at Ferguson Wellman Capital Management in Portland, Oregon, which ranked No. 12 on CNBC’s Financial Advisor 100 for 2025.

Because these home loans are less expensive in the short term, adjustable-rate mortgages are making a comeback, experts say. ARMs accounted for about 10% of all mortgage applications in September, according to the MBA, the highest share in almost two years.

“That has been a trend that has been pretty consistent, and a lot of that is because the arm rate is significantly lower than the fixed rate,” said Joel Kan, MBA’s vice president and deputy chief economist.

“If you assume a $400,000 loan, that’s about a $200-per-month lower payment. That’s a big reason for why ARMs in general have been more popular,” Kan said.

A 'For Sale' sign is posted beside property for sale in Alhambra, California, on August 28, 2025. Home sales across the country have slowed as interest rates remain a critical barrier to buyers with less than 30% of US homes now affordable for the typical US household, according to a Realtor.com report. (Photo by Frederic J. BROWN / AFP) (Photo by FREDERIC J. BROWN/AFP via Getty Images)

A ‘For Sale’ sign is posted beside property for sale in Alhambra, California, on August 28, 2025.

Frederic J. Brown | AFP | Getty Images

Yet, ARMs still aren’t nearly as trendy as they were during the subprime mortgage crisis in the mid-2000s — when the ARM share peaked at 35%, but looser credit standards then caused problems for many borrowers.

“ARMs do have a bad reputation from the financial crisis,” said Houle.

However, a lot has changed since then. These days, “the tendency is for ARM borrowers to be higher credit quality because they are pretty stringently underwritten,” said MBA’s Kan.

That means ARMs may also be harder to qualify for and are often reserved for larger loan sizes.

Some risks of ARMs remain

“For potential homebuyers on the sidelines, that is a good way to finance a purchase,” Houle said, particularly if long-term interest rates continue to fall. Although adjustable-rate mortgages are pegged to the prime rate, the 10-year Treasury influences the longer-term outlook.

Some risks remain. After a certain period, the rate on the ARM will adjust to reflect current market conditions. If rates have moved higher, borrowers could end up with an interest rate that is substantially higher than a fixed-rate loan — and a bigger monthly mortgage payment.

Problems will arise “if there is a payment adjustment and the borrower is not equipped to handle that change in payment,” said Kan.

For that reason, an ARM may make sense for buyers who anticipate moving or refinancing into a fixed-rate loan before the initial rate period expires.

Whether this is the right option often depends on your time horizon, Kan said.

How the Fed's decision to lower interest rates could widen the generational wealth gap

Published Wed, Oct 29 202512:30 PM EDTUpdated 3 Hours Ago

Carlos Waters

The Federal Reserve cut interest rates on Wednesday and wealthy U.S. households may benefit most.

The federal funds rate is the interest rate at which banks borrow and lend to one another overnight. A quarter-point reduction would bring the benchmark rate to a range between 3.75%-4.00%. It could fall to 3.1% by the end of 2027, according to a September forecast from the Federal Open Market Committee.

"That really sets the floor for all other interest rates," said Michael Wagner, co-founder of Omnia Family Wealth in Aventura, Florida. "We ultimately start earning less money on cash, which makes it less attractive versus other investments."

Reductions in the fed funds rate typically set off a chain reaction throughout the economy.

For example, cash held in high-yield savings accounts typically earns less money soon after a reduction in the federal funds rate. The change in short-term interest rates can also potentially lead to cheaper terms on longer-term loans, such as mortgages.

Fed cuts may 'widen the generational wealth gap'

Lower interest rates can speed up economic growth and lead to an increase in hiring, experts say. But they are also associated with rising levels of wealth inequality.

"The Fed's easing cycle could unintentionally widen the generational wealth gap, lifting the net worth of retirees, baby boomers," said Kathryn Rooney Vera, a chief market strategist at StoneX Group.

That's because asset price booms tend to follow Fed rate cuts, and older, wealthier consumers — who own more stocks — disproportionately benefit from those market gains. Meanwhile, younger and less advantaged households with more of their assets in cash may see their returns diminish.

The top 0.1% wealthiest households own over $23 trillion in financial assets as of the second quarter of 2025, according to Federal Reserve data. That's a 91.2% increase from the $12.32 trillion recorded in the first quarter of 2020.

By contrast, the bottom half of the U.S. population holds about $10 trillion in assets. That's a 46.6% increase from the start of 2020, when this segment held just $6.93 trillion in assets.

THE WALL STREET JOURNAL.

The ECB and Fed Are Going in Different Directions. Can It Last?

By Chelsey Dulaney
Updated Oct. 30, 2025 11:03 am ET

The European Central Bank held interest rates steady on Thursday, as investors question whether the institution's most aggressive easing campaign since the financial crisis is really done.

The ECB held its key interest rate at 2%, where it has been since June. The central bank cut rates by 2 percentage points in a year before hitting pause over the summer.

The decision came a day after the Federal Reserve cut rates for the second time this year. The diverging policy paths threaten to complicate the ECB's job by driving up the value of the euro, adding further pressure onto the bloc's exports and inflation.

The key point

The ECB's hold, the third in a row, was widely expected by investors and markets were little changed after the decision. President Christine Lagarde said in a press conference that the ECB is in a "good place," repeating a phrase she has used often in recent months. Inflation is around the bank's 2% target, and global trade tensions have eased as the Trump administration has struck tariff deals with trading partners.

"Some of the downside risks that we had with us for quite a while…abated," Lagarde said. But she warned: "We are in a period of still great uncertainty."

U.S. tariffs have hurt the bloc's export-dependent economies, and the euro's 12% gain against the dollar this year is making European exports even less competitive. But recent business surveys suggest the economy is gaining steam, while Germany's spending on infrastructure and its military is expected to boost activity starting next year.

The eurozone economy grew at an annualized rate of 0.9% in the third quarter, data released Thursday showed.

"I would not complain too much about growth at this point in time," said Lagarde.

The context

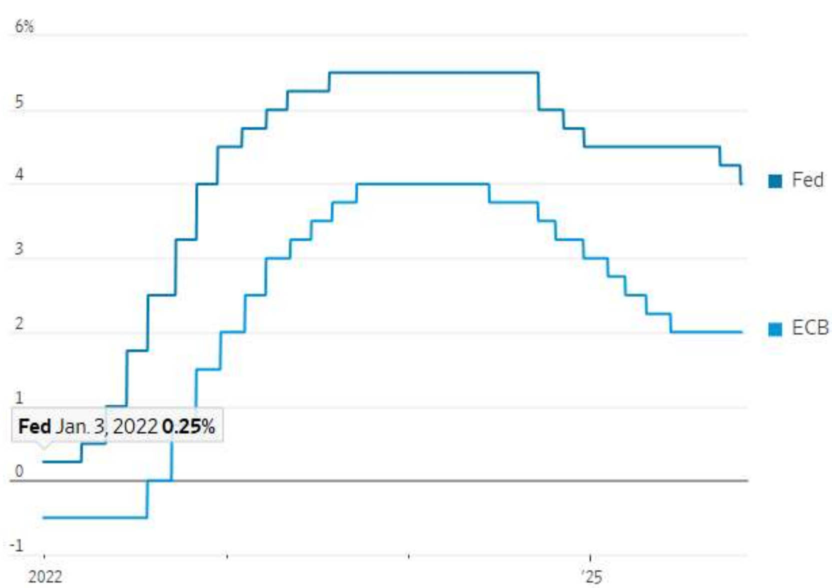
Investors have been betting that the ECB is at or near the end of its cycle after eight rate reductions since mid-2024. Markets are pricing in less than 40% odds that it cuts rates once more by the end of 2026, according to LSEG data.

But some analysts think the central bank will need to do more to support growth and offset the impact of a strong euro. The currency's rise has revived concerns about too-low inflation in the eurozone, because it makes imports cheaper.

If the Fed keeps cutting rates, as widely expected by investors, it could amplify the pressure, by boosting the relative appeal of the euro.

"Even if the ECB still tries to make us believe that it's done cutting rates, I am convinced that the Fed's rate cuts, a strengthening euro, and the delayed impact from U.S. tariffs could still force the ECB to cut rates in December or early next year," said Carsten Brzeski, global head of macro at ING in Frankfurt.

Central bank interest rates



Note: Fed rate shows the top end of its target range. ECB rate is for the deposit facility.
Source: FactSet

ECB keeps rates unchanged as economy hums along despite trade strife

By Reuters

October 30, 20257:20 AM CSTUpdated 1 hour ago

FLORENCE, Italy, Oct 30 (Reuters) - The European Central Bank kept interest rates unchanged at 2% in a well-telegraphed decision on Thursday, offering no clues about its next move, even as investors keep betting that one final cut may be on the agenda in the coming months.

The ECB has kept rates steady since June after halving them over the course of a year, and has said it is in a "good place" with inflation at target and economic growth near its potential - a rare success for a central bank that has missed its objective for most of the past decade.

The bank also repeated its long-standing pledge that incoming data will guide policy moves and that it will not pre-commit, keeping all options on the table.

"Inflation remains close to the 2% medium-term target and the Governing Council’s assessment of the inflation outlook is broadly unchanged," the ECB said in a statement. "The economy has continued to grow despite the challenging global environment."

Economic data has been by and large consistent with the bank's last projections, making Thursday's decision a foregone conclusion.

Business activity has picked up, sentiment in Germany, the euro zone's biggest economy, is improving, and firms are becoming more optimistic, partly because the fog over tariffs is starting to lift.

On the other hand, industry continues to suffer, exports to the United States are down sharply and there is growing evidence that China is dumping goods it cannot sell in the U.S. on European markets.

"The robust labour market, solid private sector balance sheets and the Governing Council’s past interest rate cuts remain important sources of resilience," the ECB added. "However, the outlook is still uncertain, owing particularly to ongoing global trade disputes and geopolitical tensions."

Some policymakers nevertheless see a greater risk of lower growth and inflation, a case for easing policy further. Financial investors also share these misgivings and are pricing in a 40% to 50% chance of another rate cut by next summer.

But policy hawks argue that greater spending by Germany on defence and infrastructure changes the outlook fundamentally, and will push up growth and prices even without further ECB action.

Bloomberg

Don’t Let EU Rules Hold Europe Hostage, Warns Lagarde

By Suzanne Lynch

October 30, 2025 at 8:00 AM CST

The European Central Bank has left interest rates unchanged this afternoon, bedding in a 2% deposit rate for the third consecutive meeting.

The decision, taken in the Italian city of Florence as part of the ECB’s regular away days, was broadly expected by analysts. It followed a bumper morning of economic data from across the euro area.

In a surprise move, France emerged as the star performer, despite the political turmoil that has engulfed the country as it cycles through prime ministers and struggles to pass a budget.

French GDP grew by 0.5% — the fastest pace since 2023, on the back of strong exports and domestic demand, though consumer spending remained low. Finance Minister Roland Lescure described the strong figures as “remarkable.”

It was a gloomier picture for Germany, the EU’s economic engine. The euro zone’s largest economy stagnated in the third quarter, narrowly avoiding recession. It’s the latest sign of Germany’s economic malaise as output continues to shrink. Italy fared not much better, with its economy also stagnating.

More details of the central bank’s intentions are expected from ECB President Christine Lagarde’s press conference this afternoon, but she did have some words of warning for Europe last night.

The EU is in danger of being held back by individual countries, she said at a dinner in Florence on the eve of the rate announcement, with the bloc’s governance becoming “too slow, too complex and too much of a hostage to individual member states wielding vetoes.”

While Lagarde didn’t name names, it’s clear that Hungary has been a thorn in the side of EU policy-makers, wielding its veto in policy areas where unanimity is required, including on sanctions policy.

This is becoming an even more serious issue as the EU – and the ECB – mull over a plan to use immobilized Russian assets for reparation loans for Ukraine. A key plank of the plan would ideally involve the renewal of EU sanctions against Russia for longer than every six months or without the need for unanimity – both are decisions that Hungary must endorse.

Lagarde argues that the solution to the veto problem “does not require revolutionary change,” noting that there are possibilities within the EU treaties to make more decisions by qualified majority.

But Hungary is not the only problem. Though Lagarde argues that more decisions should be made by qualified majority when “collective action is in our shared interest,” who defines the common interest in the EU is the key question.

EU rules on decision-making were designed to ensure that the interests of small countries would not be be bulldozed by the union’s bigger nations. European policy-makers may believe that the interests of Ukraine are existential, but opening the floodgates to more decisions by qualified majority could have unintended consequences in the future.

Bloomberg

Digital Euro Pilot Phase Could Start as Soon as 2027, ECB Says

By Mark Schroers, Jana Randow, and Alexander Weber

October 30, 2025 at 4:00 AM CST

The European Central Bank may launch a pilot phase for the digital euro in 2027, provided national governments and the European Parliament agree on a legal framework next year.

That timetable was revealed in a statement on Thursday following a Governing Council decision to move to the next stage of the project after the current two-year preparation phase ends this month. Potential issuance could start in 2029, as earlier reported by Bloomberg.

Under the assumption that European co-legislators adopt a regulation in the course of 2026 “a pilot exercise and initial transactions could take place as of mid-2027,” the ECB said.

“This is not just a technical project but a collective effort to future-proof Europe’s monetary system,” Executive Board member Piero Cipollone was quoted as saying. A digital euro would also “protect Europe’s monetary sovereignty and economic security,” the statement said.

The ECB has been pushing for an electronic counterpart to banknotes and coins for years in an attempt to reduce the region’s reliance on firms like Visa, Mastercard and PayPal for retail payments. The rapid rise of dollar-backed stablecoins, championed by Donald Trump, has added impetus to the discussion.

National governments and the European Parliament haven’t yet agreed on a legal framework, with some leading lawmakers favoring a private-sector solution to overcome the fragmentation of the European payment landscape. Banks, not least in Germany, worry about large deposit outflows.

Than Trump to Make the ‘Euro Moment’ Last

In the next phase, the ECB and the 20 national central banks will focus on three main areas: developing technical foundations, collaborating with market participants and supporting the legislative process.

The ECB “will implement its preparations flexibly, in line with calls from euro-area leaders for the Eurosystem to be ready for a potential digital euro issuance as soon as possible, while also recognizing that the legislative process has not yet been completed,” the statement said.

As a result of the work done in the preparation phase, total development costs for the digital euro are estimated at around €1.3 billion ($1.5 billion) until the first issuance, the ECB said. Subsequent annual operating costs are projected to be approximately €320 million per year from 2029.

“The Eurosystem would bear these costs, as it does for producing and issuing euro banknotes – which, like the digital euro, are a public good,” the statement said.

EL PAÍS

El BCE abraza el inmovilismo en su escapada a Italia

Álvaro Sánchez

El Banco Central Europeo hará este jueves en Florencia lo mismo que en julio y septiembre: nada. En el caso de la política monetaria, sin embargo, la inacción es también una declaración de intenciones: la tercera pausa consecutiva en los tipos de interés, actualmente en el 2%, demuestra que el Consejo de Gobierno está cómodo con el nivel de inflación de la zona euro, del 2,2%. Más aún teniendo en cuenta que la previsión que maneja es la de una desaceleración no muy pronunciada de los precios en meses venideros y una mejoría tampoco exagerada en el crecimiento.

El encuentro en la capital de la Toscana, hospedados por el Banco de Italia cada año el BCE realiza una reunión itinerante en uno de los países del euro, se presenta por tanto descafeinado, a la espera de un cierre de año algo más incierto: algunas casas de análisis auguran que en diciembre la discusión sobre un nuevo recorte podría regresar.

Antes, la presidenta de la entidad, Christine Lagarde, se ha dejado ver ya por Florencia en actitud relajada. Medios locales relatan que pasó por el mercado de Sant'Ambrogio, donde se tomó un capuccino, compró granadas, y dijo que su marido le encargó un panettone (que se desconoce si finalmente adquirió). A su paso entre puestos de verduras, frutas y quesos, observó detenidamente los precios de los alimentos. Y lo que vio le gustó a medias. "Han subido, pero mucho menos que hace dos años, aunque siguen estando por encima de la tasa de inflación media. Debemos asegurarnos de que sigan bajando, porque la alimentación es fundamental", dijo la francesa, que no eludió confidencias más personales. "Mi hijo eligió Florencia para pedirle matrimonio a su prometida", reveló.

Lagarde es consciente de que han quedado atrás tiempos complicados la inflación en la zona euro llegó a tocar el 10,6% en octubre de 2022. Y disfruta de una tregua de la que no pueden presumir al otro lado del Atlántico, donde la Reserva Federal y su presidente, Jerome Powell, están bajo presión de la Casa Blanca para seguir bajando los tipos de interés con fuerza

En Europa, en cambio, los problemas más acuciantes han tendido a apaciguarse, desde la crisis política francesa a la escalada del euro frente al dólar, que amenazaba con aumentar la presión para bajar los tipos de nuevo. El consenso puntual que se respira en el Consejo de Gobierno del BCE entre halcones y palomas no es compartido por algunos analistas, entre ellos Romain Aumond, estratega en Natixis IM. "Creemos que aún sería necesario un recorte de 25 puntos básicos para apoyar la recuperación de la zona euro, que está luchando por salir de las múltiples crisis observadas desde 2022, apunta.

Aumond estima que Lagarde adoptará un tono más favorable a las rebajas en su intervención en rueda de prensa, pero no moverá ficha. Y defiende que existe una conjunción de factores que justificarían reducir el precio del dinero. "La fortaleza del euro, el desvío de los productos chinos que originalmente se enviaban a Estados Unidos, el deterioro de la confianza de los agentes económicos (medida por el comportamiento del ahorro de los hogares) y la fuerte desaceleración de la inversión empresarial están lastrando la inflación y la actividad económica", sostiene.

Michael Krautzberger, de Allianz Global Investors, ve factible que las previsiones de inflación del BCE se revisen aún más a la baja en diciembre actualmente son del 1,7% para 2026, y del 1,9% para 2027, lo cual las alejaría del objetivo del 2%, poniendo a prueba el nivel de aguante de Fráncfort. "Si el BCE tolera durante demasiado tiempo desviaciones pequeñas pero persistentes por debajo del objetivo, corre el riesgo de verse obligado a recortar los tipos de manera más agresiva más adelante o mantenerlos bajos durante más tiempo", advierte.

En cambio, David Kohl, economista jefe del banco suizo Julius Baer, considera que con una inflación cercana al 2% y un crecimiento muy moderado el BCE prevé un avance del PIB del 1,2% este año, el nivel de tipos actual parece adecuado, y no ve en el Eurobanco apetito por otra cosa que no sea parar. "Si bien nuevas bajadas de tipos contribuirían a impulsar un mayor crecimiento sin poner en peligro la estabilidad de precios, el BCE se muestra reacio a estimular el crecimiento con una política monetaria más expansiva", resume. No descarta, sin embargo, la posibilidad de otra bajada de tipos por parte del BCE en las próximas reuniones "si unas perspectivas de crecimiento desfavorables empiezan a presionar a la baja la inflación".

El calendario tampoco ayuda a tomar decisiones. Cifras clave como la estadística de inflación, las estimaciones del PIB del tercer trimestre de la zona euro, y los datos de confianza de la Comisión Europea se conocerán el mismo día de la decisión del BCE, sin margen para que influyan en el Consejo de Gobierno, que sí las tendrá en cuenta en diciembre.

Bloomberg

German Inflation Slows, Backing Case for ECB to Maintain Rates

By Mark Schroers
October 30, 2025 at 7:04 AM CST

German inflation slowed closer to 2% in October, reinforcing the European Central Bank's view that price growth is in check.

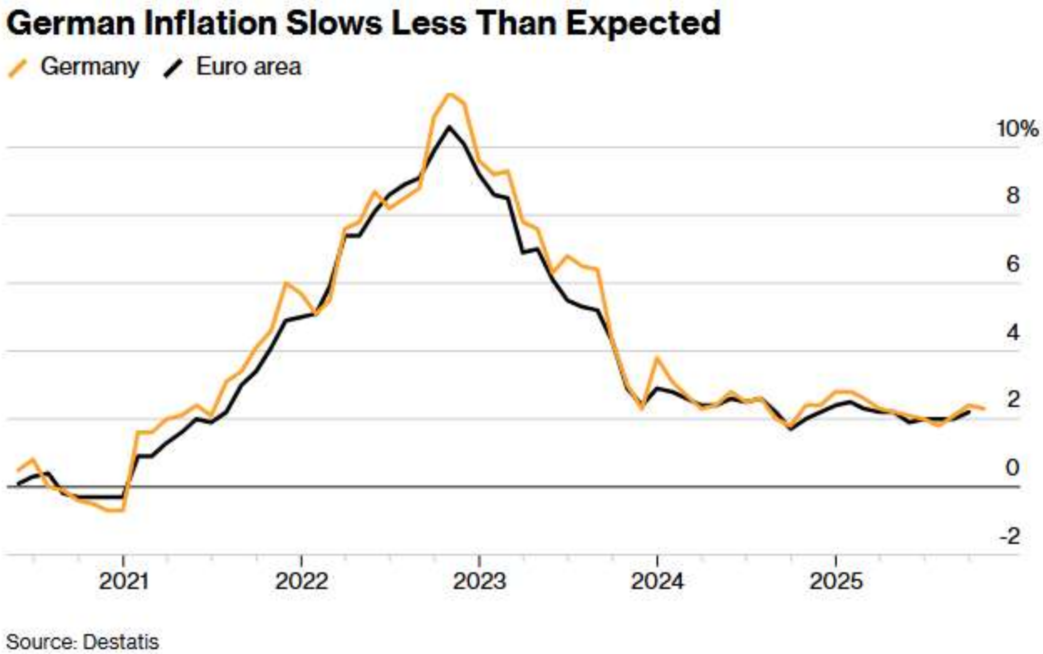
Consumer prices rose 2.3% from a year ago — down from 2.4% in September on food, energy and goods costs, the statistics agency said Thursday. That's above the 2.2% median forecast in a Bloomberg poll of economists.

A report Friday for the 20-nation euro zone is set to show a slight decrease to 2.1% — just above the ECB's target. Analysts also anticipate underlying price pressures will moderate further.

ECB officials are happy with inflation hovering around their goal and the economy displaying resilience to higher US tariffs. Earlier Thursday, Eurostat reported third-quarter gross domestic product rose 0.2% – exceeding the expectations of analysts and the ECB.

Policymakers are widely expected to keep interest rates steady for a third straight meeting at 2:15 p.m. today. They've lowered borrowing costs eight times this cycle, bringing the deposit rate to 2%.

In contrast to Germany's reading, data earlier in the day showed price gains in Spain unexpectedly quickened to 3.2%.



BOJ Governor Ueda's comments at news conference

By Reuters

October 30, 20251:37 AM CSTUpdated 7 hours ago

Oct 30 (Reuters) - The Bank of Japan kept interest rates steady on Thursday but repeated its pledge to continue increasing borrowing costs if the economy moves in line with its projections, shifting investor focus to the prospect of a hike as soon as December.

While the central bank roughly maintained its long-term forecasts, it elaborated on overseas risks that may hurt Japan's recovery in a sign of its focus on growth concerns.

Following are excerpts from BOJ Governor Kazuo Ueda's comments at his post-meeting news conference, which was conducted in Japanese, as translated by Reuters: IMPACT OF TRADE POLICIES

"There are various risks to the outlook. In particular, there remains high uncertainty on the impact of trade policies on overseas economic and price developments."

PROJECTIONS

"Our projections so far have not changed much from the previous report in July. The likelihood of our baseline projection materialising is heightening somewhat."

WAGE AND PRICES

"We would like to spend a bit more time scrutinising wages and price moves. We will have more data on how companies, hit by 15% tariffs, would respond and set wages including for next year.

"We would like to confirm whether wage and prices will gradually rise in tandem."

INFLATION

"Food inflation is moderating, while underlying inflation is rising moderately. The economy is moving in line with our baseline scenario, so we don't see ourselves as being behind the curve.

"We will continue to scrutinise developments in underlying inflation, and whether food price rises, if they persist, could cause upside or downside risks to the price outlook."

RATE HIKE

"As for the timing and viability of rate hikes, we don't have any preset idea."

TAKAICHI ADMINISTRATION

"We will continue to communicate closely with the government."

U.S. ECONOMY

"AI demand is stronger than expected. The impact of tariffs seems to be delayed significantly. But it could hurt consumption and the economy quite a bit... Even if the tariffs were to affect U.S. consumption, it would come gradually. As such, the risk surrounding the U.S. economy could be smaller than what we expected in April. Still, the government shutdown could affect the economy more than expected, so we'll keep a close eye out on developments."

The US cuts China tariffs after a meeting President Trump said was amazing.

BESSENT'S COMMENTS CALLING ON BOJ RATE HIKES

"I won't comment directly. We will craft our economic and price outlook, and adjust the degree of monetary support as the likelihood of our projections heighten."

DOMESTIC CONSUMPTION

"Wages are rising moderately but high prices mainly for food are weighing on non-durable goods, services and eat-outs. But consumer sentiment is turning up, so we expect consumption to remain resilient. As for the outlook, it will depend on the outcome of next year's wage negotiations."

NEUTRAL RATE

"Unfortunately, we haven't been able to narrow down the estimated range of Japan's neutral rate given various uncertainties around it."

BOJ DECISION TO KEEP RATES STEADY TODAY

"Uncertainty surrounding trade policy, and their impact on overseas and U.S. economies may have diminished somewhat. But it's still there. For the time being, we would like to scrutinise a bit more data to gauge how next year's wage negotiations could unfold."

YEN MOVES

"I can't comment on short-term moves in exchange rates. It's desirable for currency rates to move stably reflecting fundamentals. As for the impact of currency volatility on the economy and prices, we will always scrutinise the impact including the drivers behind exchange-rate moves."

WHETHER THE BOJ COULD GATHER ENOUGH DATA ON NEXT YEAR'S WAGE OUTLOOK BY ITS NEXT POLICY MEETING IN DECEMBER

"I'm not saying that we need to wait until the final outcome of next year's wage talks becomes available. We want to gather a bit more data on the initial momentum of the talks."

WHETHER JAPAN'S BUDGET DRAFTING IN DECEMBER COULD PREVENT THE BOJ FROM HIKING RATES IN DECEMBER

"Even if the government is in the process of drafting the budget, we can incorporate what we know into our estimates. As such, it's possible for us to change policy (even when the budget drafting is in process)."

FEASIBILITY OF KEEPING POLICY RATE STEADY WHEN INFLATION EXPECTATIONS CONTINUE TO HEIGHTEN

"We have been placing importance on uncertainty over the impact of U.S. tariffs. But we are always closely watching the impact of falling real interest rates on the economy, and will make an appropriate decision at the next meeting."

WHETHER THE BOJ COULD RAISE RATES EVEN WHEN PREMIER TAKAICHI OPPOSES HIGHER BORROWING COSTS

"The reason why we kept rates on hold this time is because overseas economic uncertainties remain high, and because we wanted to await a bit more data on whether companies' positive wage-setting behaviour will be sustained. If we are convinced enough, we will raise interest rates.

"Our main focus is on scrutinising the initial momentum of next year's wage talks. But during the course of scrutinising data on that front, we also want to check the U.S. economy does not worsen more than we expect."

WHETHER DOWNSIDE RISKS TO JAPAN'S ECONOMY HAVE DECLINED

"That's a bit hard to say. The impact of tariffs is being delayed, and could inflict big damage around the final quarter of this year through next year. That's being reflected in our forecasts for fiscal 2026... What we're focusing on in terms of risks to Japan's economy is the initial momentum of next year's wage talks, and whether food inflation will stabilise as we project.

Bloomberg

Argentina Looks to Ease Bank Reserve Rules to Boost Liquidity

By Ignacio Olivera Doll

October 30, 2025 at 10:01 AM CST

Argentina is planning to marginally loosen the share of reserve requirements that commercial banks must report daily, in a bid to gradually provide more liquidity and revive lending, according to a person familiar with the matter.

The central bank's committee, which is meeting on Thursday, is looking to ease the rule requiring full daily compliance with reserve maintenance, the person said, asking not to be named because the information isn't public. Banks will be allowed to meet 95% of the daily requirement, down from a current 100%. The underlying reserve ratios vary by deposit and instrument.

A central bank spokesman declined to comment.

The adjustment would aim to give banks more flexibility in managing their liquidity, since calculating exact daily balances is difficult and the current rule prompts them to hold excess reserves to avoid steep penalties.

The change follows months of lobbying by banks through industry groups, seeking relief to cut funding costs and protect profitability. Central bank officials had told bank executives they would ease the rules once Sunday's legislative elections were over.

Investors already anticipated some policy shift on the horizon.

"Over the medium term, policymakers are expected to gradually unwind the emergency reserve requirement hikes on sight deposits," Walter Stoeppelwerth, chief investment officer at Grit Capital Group, an Argentine brokerage, said in a note to clients Thursday. "The evidence is stark: the liquidity is dangerously tight."

Still, unwinding the liquidity controls looks to be going at a slower pace than how policy makers quickly ratcheted up requirements in recent months. It's a noticeably smaller concession than banks had requested. Lenders, which faced a liquidity squeeze as the government sought to curb a run on the peso as markets convulsed ahead of midterm elections, had been asking officials to shift from daily back to monthly reserve compliance.

Interest rates on peso assets briefly reached triple-digit levels in both money and capital markets before the election. Profits tightened, and shares of major lenders slumped. Core banking activity also softened as the economy slowed and delinquency rose to the highest since the pandemic. Virtually all banks suspended mortgage lending.

The central bank seems to be taking to a more cautious approach, given the easing of requirements injects more pesos into the economy and could destabilize the currency. On Wednesday, the Treasury said it rolled over less than 60% of local debt coming due in an auction, meaning a fresh batch of pesos is about to hit the market.

Bloomberg

Mortgage Rates in the US Drop to 6.17%, Falling for Fourth Week

By Prashant Gopal
October 30, 2025 at 10:00 AM CST

Mortgage rates in the US fell for a fourth week, inching closer to 6% even as economic uncertainty is keeping buyers pinned to the sidelines.

The average for 30-year, fixed loans was 6.17%, down from 6.19% last week and still the lowest level since early October 2024, data from Freddie Mac show.

Rates fell following the Federal Reserve's widely-anticipated quarter-point reduction Wednesday. Chairman Jerome Powell also cautioned investors not to expect more cuts this year.

The drop in borrowing costs, along with a surging stock market, would typically predict a surge in demand, and economists had expected to see a slight increase in pending sales of existing homes last month.

That didn't happen: Sales were flat, despite growing inventories, the market blunted by anxieties about tariffs, job security and the ongoing government shutdown.

Rates aren't likely to move much lower "absent surprisingly slower economic activity," Realtor.com Chief Economist Danielle Hale said, noting that the market has already priced in the most recent cut.

Economic concerns "could also mean rising rates through the end of the year," said Bright MLS economist Lisa Sturtevant. "For prospective buyers who are financially ready, right now could be a sweet spot for lower rates and more inventory."

Shutdown cost government contractors $12 billion so far, Chamber of Commerce report says

Published Thu, Oct 30 20259:54 AM EDTUpdated 2 Hours Ago

Emily Wilkins

Businesses that contract with the federal government lost $12 billion in the first four weeks of the government shutdown, according to a report from the U.S. Chamber of Commerce released Thursday.

The report, which the Chamber is sending to members of Congress, shows that 65,500 small businesses across the United States are losing around $3 billion per week from the shutdown.

Companies affected by the shutdown include providers of high-tech machinery, office supplies, and landscaping services, according to the report, which was shared with CNBC before its public release.

Maryland and Virginia have the most government contractors at risk from the shutdown, according to the report.

But other states, including Alabama, California, Florida, and Texas, also have significant numbers of companies that have seen contracting revenue dry up since the shutdown began Oct.1

“For many of these small businesses, federal contracts represent a sizable portion of their overall revenue,” Neil Bradley, executive vice president and chief policy officer at the Chamber of Commerce, said in a letter attached to the report.

Bradley noted that although federal employees are entitled to back pay under the law when they return to work after a shutdown, contractors have no such legal protections.

“When the government reopens, rarely are contractors made whole,” he added. “The purchase of many goods may only be delayed by a government shutdown, though some are permanently forgone.”

Bradley called on Congress to pass a short-term spending bill to reopen the government.

“We also urge Congress to consider ways to help make federal contractors, especially small business contractors, whole,” he wrote.

A Republican-sponsored House stopgap funding bill has been voted on 13 times in the Senate. But each time, the bill has fallen short of the 60 votes needed to pass, as Democrats hold out for an agreement to extend enhanced Affordable Care Act premium tax credits that are set to end this year.

Some of the lost funding to contractors is expected to be made up once the government reopens, according to a Congressional Budget Office report.

But the same report calculated that the shutdown so far will result in the loss of at least $7 billion in gross domestic product due to furloughed federal employees working fewer weeks.

CBO Director Phillip Swagel told House Budget Committee Chairman Jodey Arrington, R-Texas, in a letter that a six-week-long shutdown would cost the economy $11 billion, and an eight-week-long shutdown would cost $14 billion.

REUTERS

Trump says China to begin process of purchasing 'American energy'

By Reuters

October 30, 20252:54 AM CSTUpdated 6 hours ago

Oct 30 (Reuters) - U.S. President Donald Trump said on Thursday that China has agreed to begin the process of purchasing U.S. energy.

"In fact, a very large scale transaction may take place concerning the purchase of Oil and Gas from the Great State of Alaska. Chris Wright, Doug Burgum, and our respective Energy teams will be meeting to see if such an Energy Deal can be worked out," Trump said in a Truth Social post.

China has stayed away from importing U.S. crude oil and has been reselling U.S. liquefied natural gas since early this year as Beijing's high tariffs made the purchases unviable.

The U.S. accounted for about 5% of China's LNG imports and 2% of China's crude oil imports last year, Chinese customs data showed.

CNBC

Trump cuts fentanyl tariffs on China to 10% as Beijing delays latest rare earth curbs by a year

Published Thu, Oct 30 202512:53 AM EDTUpdated 10 Min Ago

Kevin Breuninger, Anniek Bao, Evelyn Cheng

President Donald Trump and Chinese President Xi Jinping emerged from a high-stakes meeting touting agreements on tariffs and export controls that amount to a tangible de-escalation of the contentious trade war between the two superpowers.

But many details about what was achieved remain unclear, while other key sticking points in the U.S.-China trade relationship appear not to have come up at all. The overall U.S. tariff rate on Chinese imports, meanwhile, will stay at a historically high level.

The agreements struck during the meeting in Busan, South Korea, do not amount to a comprehensive trade deal — though Trump claimed after the meeting that one would be ready to sign "pretty soon."

He nevertheless hailed the summit with Xi as "amazing," and rated it a 12 out of 10.

It was the two leaders' first face-to-face meeting in six years. They spoke for one hour and 40 minutes.

Tariffs, fentanyl, rare earths and soybeans

The top-line outcomes include an agreement by the U.S. to immediately cut fentanyl-related tariffs on China in half, to 10% from 20%.

Trump told reporters on Air Force One after the meeting that he believes Xi is "going to work very hard to stop the flow" of the addictive opioid fentanyl and its precursor chemicals into the U.S. China has repeatedly promised to reduce fentanyl trafficking to the U.S., but has been accused by experts of not following through.

Trump did not provide additional details. A Chinese Commerce Ministry spokesperson said in a translated statement that "both sides reached consensus on issues such as cooperation in fentanyl control," without elaborating.

Trump said that the overall tariff rate on Chinese goods will fall to 47% from 57%.

The tariff cut addresses "a key Chinese grievance," said Han Shen Lin, China director at advisory firm The Asia Group, showing that "Beijing's efforts to curb exports of fentanyl precursors, long unrecognized by Washington, are finally being acknowledged."

Trump and Beijing also confirmed that China agreed to pause recently announced export controls on its valuable rare earth minerals for one year.

Those controls were announced on Oct. 9, prompting a furious reply from Trump, who threatened to hike tariffs on China by 100% starting Saturday.

The U.S. is dropping that tariff threat, Trump confirmed on Air Force One. He added that he believes the one-year postponement of the Chinese export controls will be "routinely extended."

But the Chinese Commerce Ministry's statement says only that Beijing will suspend the measures for a year, and then "study and refine specific plans."

China also made no mention of other export control measures it had imposed earlier in the year, which remain in place.

Chinese companies control the majority of the global supply chain for rare earths, which are critical for producing a range of products from semiconductors to missiles. Beijing has ramped up restrictions on exports of critical minerals over the last two years, with a particular focus on limiting their use for military purposes by other countries.

"China's leverage in rare earths and critical minerals processing will continue to surface episodically, effectively capping any escalation in bilateral tensions," Louise Loo, head of Asia economics at Oxford Economics, said in a note Thursday.

Trump also said "tremendous amounts" of U.S. soybeans and other farm products will be purchased by China "starting immediately."

China has been the top buyer of U.S. soybeans. Earlier this year it halted all purchases of the staple crop for months amid the tit-for-tat tariff war, costing American farmers billions of dollars in lost revenue.

Ahead of the Trump-Xi summit, China-owned COFCO bought three U.S. soybean cargoes for December and January shipment, equating to about 180,000 metric tons of product — though experts note that is a fraction of prior years' purchases during the autumn harvest. By comparison, in October 2024 China bought nearly 6 million tons of U.S. soybeans, according to USDA data. For all of 2024, China bought nearly 27 million tons.

Soybeans are not specifically mentioned in the Chinese Commerce Ministry's statement, though it says both sides reached consensus on "expanding agricultural trade."

U.S. tariff investigations on China's maritime and shipbuilding industries, and Beijing's countermeasures, will also be delayed for one year, the Chinese government said after the meeting.

Trump said he will be going to China in April, followed by Xi's trip to the U.S., without specifying a timeline for his Chinese counterpart.

Left unclear: Nvidia chips, TikTok, Russian oil, Taiwan

Multiple key issues went unaddressed in the meeting, Trump said.

On the sale of Nvidia's chips to China, Trump said the two sides had discussed "a lot of chips," but not the most advanced Blackwell chips. "They are going to be talking to Nvidia and others about taking chips," he said.

Taiwan was not part of the discussion, Trump said.

The two leaders also avoided the subject of Chinese purchasing of Russian oil, a financial lifeline to the Kremlin as it continues to wage war in Ukraine.

“Ukraine came up very strongly,” Trump said, but “we didn’t really discuss the oil.”′

Trump also gave no hint that he and Xi had struck a deal to keep the popular social media app TikTok from going dark in the U.S.

China’s government said it would “work with the U.S. to properly resolve issues related to TikTok.”

Global stocks were lower and gold prices rose 1.2% as investors assessed the ramifications of the trade truce, which comes after several months of economic confrontation.

While the trade truce is “welcome news,” any indication of addressing underlying structural matters of concern is missing — such as China’s industrial excess capacity and non-market economy practices — said Wendy Cutler, senior vice president at Asia Society Policy Institute.

That means that the truce is “fragile and tensions are certain to heat up again,” Cutler added.

‘Partners and friends’

Before the meeting, the two leaders struck a conciliatory tone, with Trump calling Xi “an old friend” with whom he has a “very good relationship,” and Xi stressing that China’s economic growth ambitions would not undermine Trump’s vision to “Make America Great Again.”

Tensions between the world’s two economic superpowers have been on a boil this year. The latest escalation came this month, with Beijing export controls and Washington threatening to ban software-powered exports to China.

The U.S. had in recent days shared details about deals they hoped to achieve with China – from restricting the flow of fentanyl to the U.S. to TikTok’s divestiture from its Beijing-based parent ByteDance. Tariffs, tech curbs and rare earths were also on the table for discussion.

Heading into the meeting, Xi shook hands with Trump at the photo-op at Gimhae Air Base in Busan, urging that Washington and Beijing be “friends and partners” in his opening remarks.

Sitting across the table from Trump, the Chinese leader said it was a “great pleasure” to meet the U.S. president for the sixth time, adding that it was only “normal” for the two economic superpowers to have “frictions now and then.”

“China’s development goes hand in hand with your vision to Make America Great Again,” Xi said, according to a readout by the Chinese foreign ministry.

That conciliatory tone marked a notable shift from Xi’s meeting with the former U.S. President Joe Biden late last year, during which the speech highlighted more “inevitable competition” between the two countries, said Yue Su, principal economist at the Economist Intelligence Unit.

While the agreement still lacks a “strong structural foundation” and could easily be reversed, both sides are likely to stick with it in the near term to signal goodwill, Su added.

Canada's Carney to meet China's Xi in South Korea

By Reuters

October 30, 20257:42 AM CSTUpdated 1 hour ago

OTTAWA, Oct 30 (Reuters) - Canadian Prime Minister Mark Carney will meet with Chinese President Xi Jinping on Friday at 4 p.m. local time/0700 GMT in South Korea, the prime minister's office said on Thursday.

Carney arrived in Asia earlier this week in an effort to deepen trade and security ties in the region, at a time when Canada is struggling to lessen its overwhelming dependence on the U.S. and seek new markets. China is Canada's second-biggest trading partner, after the U.S.

The prime minister has previously stressed the need to restart broad engagement with China after years of poor relations.

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

China announced preliminary anti-dumping duties on Canadian canola imports in August, a year after Canada said it would levy a 100% tariff on imports of Chinese electric vehicles.

Senior Canadian and Chinese officials discussed the canola and electric vehicles dispute earlier this month, Ottawa said, but gave no indication of any immediate breakthrough.

During a visit of Canada's foreign minister Anita Anand to Beijing several weeks ago, her counterpart Wang Yi said China hoped to enhance communication, eliminate interference and rebuild mutual trust with Canada.

REUTERS

Euro zone growth beats forecasts as France outperforms

FRANKFURT, Oct 30 (Reuters) - The euro zone economy grew a touch more quickly than expected in the third quarter, lifted by buoyant growth in France and Spain that more than offset faltering exports and persistent struggles in Germany's oversized industrial sector.

The economy of the 20 nations sharing the euro expanded by 0.2% in July to September, Eurostat data showed, beating expectations for 0.1% increase in a Reuters poll and confirming the bloc's resilience despite stagnation in Germany and Italy.

On an annualised basis, the economy grew by 1.3%, Thursday's data showed - ahead of expectations for 1.2% and a level economists consider to be around its natural rate of growth without stimulus.

FRANCE AND SPAIN CARRY THE BLOC

"The mood about the economy seems decently optimistic at the moment, despite ample downside risks clearly weighing on the outlook," ING economist Bert Colijn said. "We do expect a gradual acceleration of growth over the coming year but remain cautious about marking this as the start of a growth spurt."

Spain remained the best performer among the bloc's largest economies, growing 0.6% on the quarter, in line with forecasts, while France expanded by 0.5%, beating expectations for 0.2%. Germany and Italy both stagnated.

Thursday's figures ease pressure on the ECB to cut interest rates any further in the near term as they confirm the central bank's longstanding view that the economy is proving resilient to this year's unusual spike in uncertainty.

Backing the resilience narrative, unemployment held at a near-record low 6.3% in September, separate Eurostat data showed.

GERMANY IS STILL THE PROBLEM CHILD

Germany, which has broadly stagnated for the past three years as its industry lost competitiveness, remains the bloc's problem child but a massive increase in government spending is likely to prop up growth.

It may however take a few more months or even quarters before that spending starts to make its way into the economy, raising the risk of further growth weakness in the near term.

"Leading indicators like the Ifo business climate survey and PMI indices are pointing to a beginning economic recovery in the fourth quarter, but its momentum will remain weak initially given ongoing geopolitical and trade-related uncertainty and negative media perceptions of the initial work of the new German government," Timo Klein at S&P Global Market Intelligence said.

While trade tensions, lingering uncertainty and Chinese dumping of surplus goods could still weigh on growth in the months ahead, economists remain relatively upbeat about the outlook and ECB projections suggest the third quarter may have been the worst for some time.

Growth could pick up as past interest rate cuts work their way through the economy, households sit on ample savings, Germany boosts spending, uncertainty over tariffs eases and inventories continue to run low.

theguardian

Halloween candy prices rising, spooked by Trump's tariffs and climate change

Lauren Aratani in New York
Thu 30 Oct 2025 11.00 GMT

Ghosts and goblins might not be the only scary things popping up this Halloween. Prices for the holiday's most popular candy treats are rising, spooked by Donald Trump's tariffs and climate change.

Candy prices are estimated to increase by 10.8% this year, according to new analysis from progressive groups the Century Foundation and the Groundwork Collaborative, with some popular chocolate-based treats seeing price upticks of at least 20%. The price increases could mean popular candy like Tootsie Rolls and Hershey's chocolate and variety packs are a few dollars more expensive than just a year ago.

Chocolate candies are especially at risk of higher prices because of a years-long cocoa shortage that has caused the price of cocoa to triple over the last few years. Climate-related rain and damage to cocoa crops in west Africa – the biggest exporter of cocoa beans – have caused cocoa to peak at more than $12,000 per ton in 2024. Though prices have since gone down to about $6,000 per ton, they are still much higher than prices seen in 2020, when cocoa was $2,300 per ton.

"Our food system is really global," said Alex Villacis, a food economist at the Ohio State University. "Something that is happening in west Africa will ultimately have an impact on your front porch this Halloween season."

The rising price of cocoa is only one part of the story on candy prices. Donald Trump has placed tariffs on the biggest exporters of chocolate to the US. Imports from the Ivory Coast, the largest producer of cocoa, are taxed with a 21% tariff. Ecuador, the second-largest producer, faces a 15% tariff.

Hershey's, the largest chocolate manufacturer in the US, said in the spring that tariffs could cost the company more than $100m and that it would have to raise prices amid soaring cocoa costs.

While the company clarified that the "change is not related to tariffs or trade policies", it has been asking the Trump administration to make a tariff exemption for cocoa. Other business groups have recently asked the Trump administration for tariff exemptions on cocoa, along with other agricultural products that are hard to source in the US.

Because the cocoa plant can only be grown in tropical climates, the only two US places that can produce cocoa – and do so in extremely small quantities – are Hawaii and Puerto Rico. Even if chocolate is manufactured in the US, as Hershey's is, the base cocoa ingredient has to be sourced from abroad.

How companies price their products can include an extremely opaque mix of factors, including consumer demand and expectations. A recent survey from the National Retail Federation (NRF) found that 79% of shoppers are expecting Halloween prices to be higher this year compared with last.

Research from Villacis and other economists show that demand for candy, especially chocolate, remains high even when prices go up. Such strong demand can give producers more power in passing on price increases to consumers, even in subtle ways.

"Chocolate producers have two options: they can either just pass this additional cost to the final consumer or they can absorb this higher cost as a loss," Villacis said. "Something in between that we have been observing is a subtle form of what we call 'shrinkflation'. In this case, what we have seen is not that they are making their products smaller, but they are reformulating the products in the sense that they are putting less cocoa and trying to replace cocoa with other things like almonds or more milk."

Shrinkflation became something of an internet trend over the last few years as companies tried to subtly adjust the sizes of their products, causing consumers to notice slightly smaller sizes while prices stayed the same. For candy, it could look like more products made of white chocolate, which contains no cocoa.

"It's not really clear how companies are approaching this right now, but we've all had this moment to get used to some of the tactics that they're using to pass along price increases to consumers," said Angela Hanks, chief of policy programs at the Century Foundation, adding that "companies take advantage of a moment where people expect prices to increase and pre-emptively increase them".

For example, Walmart in May said that price increases started showing up for certain products starting in late April as the company was preparing for tariffs, even before the levies went into effect.

"We're wired to keep prices low, but there's a limit to what we can bear, or any retailer for that matter," Walmart's CFO, John David Rainey, told the Associated Press at the time.

Despite the higher prices, consumers are expected to continue shelling out for their fix of sweets. The NRF estimated that total Halloween sales, from candy to decorations and costumes, will reach $13.1bn, a new record after reaching a peak of $12.2bn in 2023. Data from the National Confectioners Association showed that Halloween candy sales made up 18% of all confectionery retail sales in 2024.

"Chocolate products are really embedded into American holiday culture," Villacis said. "As economists, we cannot help noticing how each candy bar tells a story of global trade. It's a constant reminder that economics touches everything in our lives."

French growth beats forecasts in Q3 despite political turmoil

By Leigh Thomas

October 30, 20254:28 AM CSTUpdated 4 hours ago

PARIS, Oct 30 (Reuters) - France's economy grew faster than expected in the third quarter as exports surged, due mainly to shipments from the aerospace industry, and as corporate investment perked up despite a political crisis, official data published on Thursday showed.

The euro zone's second-biggest economy expanded by 0.5% after posting 0.3% growth in the second quarter, outshining both Germany and Italy, whose economies stagnated in the period.

France's third-quarter growth easily beat economists' average forecast of 0.2% with none of the 26 economists polled by Reuters expecting a result higher than 0.3%.

The national statistics office INSEE said in a preliminary GDP report for the period that exports jumped 2.2% in the third quarter from the previous quarter while imports fell 0.4%, which meant foreign trade boosted growth by 0.9 percentage points.

The surge in exports more than offset a drop in business inventories, which put a 0.6 percentage point drag on growth. Firms drew down stocks of goods in the quarter as they rushed to ship products ahead of the Trump administration's new 15% tariffs on EU imports.

CORPORATE INVESTMENT OFFSETS WEAK CONSUMER SPENDING

Meanwhile, corporate investment grew 0.9% in the quarter, helping to offset weak growth of just 0.1% for consumer spending - France's traditional motor for growth.

France sank deeper into political crisis during the third quarter as opposition parties ousted President Emmanuel Macron's previous prime minister just as the government was preparing to send its 2026 budget to parliament, triggering downgrades from three ratings agencies.

A new minority government led by Macron loyalist Sebastien Lecornu is racing to pass the budget in France's fractured parliament, where lawmakers have added amendments that could raise taxes on companies by billions of euros if they survive in the Senate.

"Despite political upheavals and international uncertainties, our companies are investing, exporting, and driving the country forward," Finance Minister Roland Lescure said in response to the GDP data, which he described as "remarkable".

The US cuts China tariffs after a meeting President Trump said was amazing.

"The swift adoption of a budget that preserves the confidence of businesses and households will be crucial to maintaining this momentum," he added.

Economists said the strong third-quarter performance raised hopes that the French economy could remain relatively insulated from the current political instability.

"Political and budgetary uncertainty is likely to weigh on growth momentum. Still, improving business sentiment and consumer confidence in October suggest the impact could be smaller or delayed," ING senior economist Charlotte de Montpellier said in a research note.

German auto industry plans temporary chip information platform to ease supply risks

By Reuters

October 30, 20256:21 AM CSTUpdated 2 hours ago

BERLIN, Oct 30 (Reuters) - Germany's automotive industry association VDA plans to set up a temporary information platform via a neutral third party to help manufacturers and suppliers avoid the negative consequences of a possible chip shortage, it said on Thursday.

The platform will enable companies to anonymously offer available Nexperia semiconductor capacities, with negotiations handled outside the exchange, and has received clearance from the German antitrust authority, VDA said.

Turkey's monthly inflation seen at 2.83% in October, year-end seen 32%

By Reuters

October 30, 20258:35 AM CSTUpdated 28 mins ago

ISTANBUL, Oct 30 (Reuters) - Turkey's monthly inflation rate is expected to be 2.83% in October, driven by hikes in clothing and food prices, while the year-end annual inflation forecast rose to 32%, a Reuters poll showed on Thursday.

The median estimate of ten economists showed monthly inflation, although remaining elevated, easing to 2.83% from 3.23% in September. Forecasts ranged from 2.7% to 2.9%. Year-on-year inflation median was almost flat when compared to 33.29% in September, forecasts ranged between 33% and 33.35%.

The Reuters Gulf Currents newsletter brings you the latest on geopolitics, energy and finance in the region. Sign up here.

In September, monthly inflation was 3.23% driven by food, housing and education prices, exceeding expectations, as annual inflation rate jumped to 33.29%, marking the first rise in the annual rate since a peak touched May last year.

Economists said price hikes for clothing and unprocessed food due to a seasonal impact, as well as increases in automotive, energy and services inflation will impact October inflation.

Inflation is seen dropping to 32% by year end, opens new tab, according to the poll median, higher than the central bank target of 24% and its forecast range of 25-29%. In the poll conducted a month ago, the median of the year-end forecasts stood at 30%.

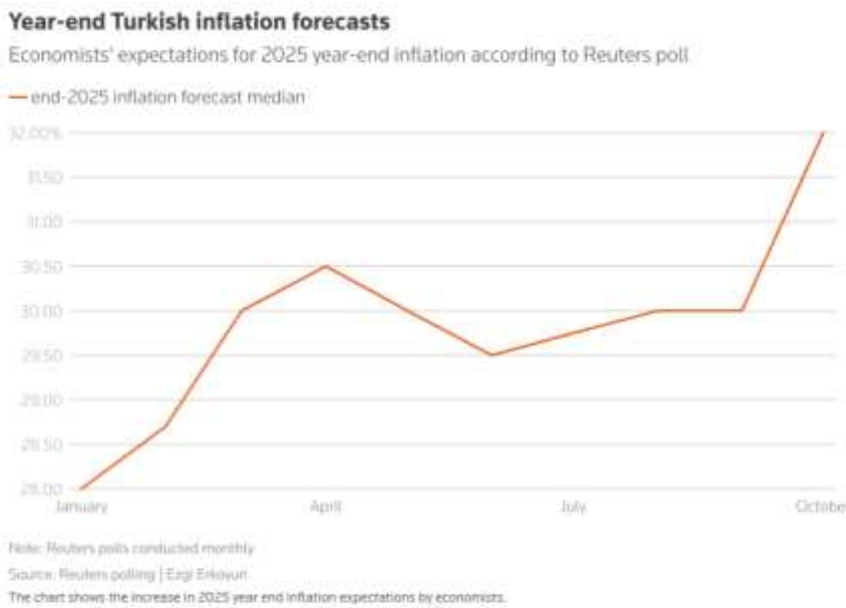
Earlier this month, Turkey's central bank slowed its easing cycle with a 100-basis-point rate cut bringing the policy rate to 39.5%, citing a slowdown in the disinflation process.

In March, Turkish assets came under pressure, with the lira hitting a record low against the U.S. dollar after Istanbul Mayor Ekrem Imamoglu — President Tayyip Erdogan's main political rival — was jailed pending trial on graft charges that he denies.

Market reactions to political uncertainty, agricultural frost and drought caused a slowdown in the disinflation path set out by the government and the central bank.

The central bank said that risks posed by recent price developments in food to the disinflation process have become more pronounced and vowed to maintain tight monetary policy stance.

The Turkish Statistical Institute will release October inflation data at 0700 GMT on November 3.



THE WALL STREET JOURNAL.

The Federal Reserve Is 'Driving in a Fog'

By The Editorial Board
Oct. 29, 2025 5:43 pm ET

What the Federal Open Market Committee giveth, it also taketh away. No sooner had Federal Reserve Chairman Jerome Powell handed Wall Street a quarter-point interest-rate cut Wednesday, than Mr. Powell spoiled the party by warning that another cut may not arrive in December. Confused by these mixed signals? So is the Fed.

The reduction in the fed funds rate, to 3.75%-4%, comes despite an economy that's starting to feel stagflationary. Signs of labor-market softness are spreading, especially as the uncertainty surrounding President Trump's tariffs persists.

Yet inflation remains above the Fed's official 2% target even excluding tariffs. When the Fed chief says inflation would be 2.3%-2.4% without tariffs rather than 2.8% (according to the Fed's core personal-consumption-expenditure measure), Mr. Powell is admitting that he isn't hitting his target even without tariffs.

The cross-cutting data on the Fed's two mandates—price stability and full employment—argues for caution from policy makers. Mr. Powell claims that's what he's delivering by warning investors off any hopes for another rate cut in December. "What do you do if you're driving in a fog?" he asked during his press conference. "You slow down."

This FOMC meeting marks the first time in this easing cycle that any meeting participant has voted against rate cutting, as Kansas Fed President Jeffrey R. Schmid preferred holding rates steady. Previous disagreements centered on the pace of reductions.

But Mr. Schmid was a lone vote for caution. Whatever Mr. Powell says about slowing down, his actions and financial markets say otherwise. Equity valuations remain near record highs and credit spreads are unusually tight. Despite 50 points of short-term rate cuts since September, long rates have barely moved and they rose Wednesday. Financial conditions aren't restrictive.

Oh, and Mr. Powell says the Fed will end quantitative tightening on Dec. 1. The plan is to freeze the central bank's balance sheet at about 21% of GDP, which is down from its 35% peak in early 2022 but still above its 18% level before the pandemic—and much higher than it had ever been before 2008.

The Fed will continue to shrink its portfolio of mortgage-backed securities by shifting into Treasury debt instead—a good step away from credit allocation for housing. But otherwise Mr. Powell is trying to sneak through a huge change in U.S. economic governance on a technicality. He describes the permanently larger balance sheet as a technocratic necessity to accommodate commercial banks' demand for reserve deposits at the Fed—the so-called ample reserves regime introduced after 2008.

But that demand is largely a function of Fed regulatory decisions. The Fed said quantitative easing would stoke inflation when doing so was the Fed's goal, but now claims its decision to maintain a large balance sheet is irrelevant to inflation. Talk about "fog."

Mr. Powell is admittedly in a tough position. Faced with contradictory data about two prongs of a mandate in conflict, he must pick one to focus on—with a President sniping at him to ease money at every opportunity. But inflation in our view remains the bigger threat until it's vanquished.

The Fed's confusion means it's time for Mr. Trump to put the Fed out of its misery by announcing an early decision on Mr. Powell's successor when his term as chairman ends in May. And to choose someone with the credibility, both in the financial markets and at the Fed, to whip the place into shape.

This would send a clearer signal to markets on the way forward, and give voters some more clarity and accountability—in time for next year's midterms.

The New York Times

The Fed Resisted Trump. Good

Steven Rattner
Oct. 29, 2025

Another Federal Reserve meeting, another loss for President Trump. And we should all be grateful for that.

A few hours ago, the Federal Open Market Committee voted 10 to 2 to reduce interest rates by just 0.25 percent, disregarding Mr. Trump's regular exhortations that rates should be as much as two full percentage points lower. That follows a similarly modest reduction at the Fed's September meeting.

Stephen Miran again dissented, arguing for a 0.5 percent cut. That's to be expected given that Mr. Trump hastily appointed Mr. Miran, one of his former economic advisers, to the Fed just in time for last month's vote. There was a surprise, however: Jeffrey Schmid, president of the Kansas City Fed, also dissented, but for the opposite reason: He wanted the Fed to hold interest rates steady.

Mr. Schmid's unexpected vote may be a sign of growing concern about inflation. The central bank's latest forecast projects prices will rise by 3 percent this year, significantly above its target rate of 2 percent.

The Trump-controlled Office of Management and Budget expects a more modest rise in prices: just 2.4 percent. But that strikes me as unlikely. The Consumer Price Index has risen by 3 percent over the past year and has been trending up, not down. And the full weight of tariffs could well drive prices even higher.

Mr. Trump's view about interest rates appears rooted in his basic misunderstanding about how economies work. He regularly points to Europe, where the benchmark interest rate is 2.15 percent, compared to 3.75 to 4 percent here. But inflation in Europe is substantially lower and so is growth, giving the European Central Bank more leeway to reduce rates.

Additionally, the president doesn't seem to grasp that the Fed only controls short-term interest rates. Longer-term rates on loans like fixed-rate mortgages and government bonds, which Mr. Trump cites as his biggest concern, are more influenced by what the market expects to happen to inflation.

The central bank also announced Wednesday that as of Dec. 1, it will at least temporarily stop shrinking its massive balance sheet. That will make more capital available to the banking sector and could help moderate rates slightly.

The Fed clearly disagrees with Mr. Trump's rosy view of the economy. At its September meeting, the central bank issued a new set of projections that forecast tepid economic growth below 2 percent for at least the next three years, compared to 2.5 percent in 2024 under former President Joe Biden. For his part, Mr. Trump has argued that sluggish growth will be transitory as his economic magic takes hold.

Mr. Trump may have gotten a bit lucky. The current boom in spending on building data centers to accommodate the exploding use of artificial intelligence has added materially to the economy, by some estimates, around a third of current growth.

That, ironically, makes his call for lower interest rates still further from the mark. Should growth speed up, as he predicts, lower rates could significantly worsen inflation. The Fed is right to be disciplined.

The Fed adopted its 2 percent inflation target back in 2012, and Mr. Powell has never deviated from it. The Fed needs to maintain its credibility on this metric, particularly given that it projects that the 2 percent target will not be reached until 2028. As a New York Times reporter in the late 1970s, I saw how unanchored expectations — driven by a widespread belief among workers and businesses that price increases would escalate — helped inflation explode, with terrible consequences.

At the same time, I recognize that the job market is weak. While the government shutdown has stymied the collection of most economic data, government surveys through September and private sector data since then suggest that the economy has ceased creating jobs — and may even be shedding some.

That makes this small rate reduction — as well as the next one expected in December — understandable in the context of the Fed's dual mandate to promote maximum employment and price stability.

A huge interest rate reduction along the lines of what Mr. Trump has been calling for would undermine the trend toward lower inflation and ultimately also undermine economic growth and jobs.

Mr. Trump's effort to reshape the Fed has faced hurdles. So far, he has lost every court decision in his fight to remove Lisa Cook, a Fed governor appointed by Mr. Biden. The case is now before the Supreme Court, Mr. Trump's last resort. His case in the court of public opinion has not been helped by the fact that his Treasury secretary, Scott Bessent, has reportedly called two different homes his "principal residence" at the same time — a charge similar to the one conservatives have leveled at Ms. Cook in the effort to oust her from her position on the Board of Governors.

Mr. Trump will soon get his opportunity to replace Mr. Powell with a different chair when Mr. Powell's term expires next year. Mr. Powell could stay on the board, although no chairman has done so in many decades.

Mr. Powell's tenure has not been perfect; he raised interest rates prematurely in 2018 (and then had to lower them) and failed to raise them soon enough when inflation began to soar during Covid. But on balance, he has been a clear-thinking, nondogmatic chairman and is certainly not deserving of the browbeating he has gotten from Mr. Trump, who refuses to recognize the critical historical value of Fed independence.

Whether Mr. Trump (who appointed Mr. Powell in 2017) chooses a nominee in that mold or picks a loyalist to do his bidding will be among the most consequential decisions that the president will make.

Of late, financial markets have been sanguine — perhaps overly so — in the face of global unrest, Mr. Trump's erratic decision-making and economic uncertainty. A bad decision by Mr. Trump at the end of the "Apprentice"-style process he is running could easily topple the prices of both stocks and bonds.

Bloomberg

The Fed Must Pair the End of QT With a Pause in Rate Cuts

October 29, 2025 at 1:42 PM CST

By Jonathan Levin

Imagine you recently set a goal to lose 10 pounds. At the moment, you've lost about 9 and you look and feel great, but your doctor warns you about an emerging nutrient deficiency that could lead to serious health complications if you don't stop dieting. What should you do? This isn't a trick question: You should take the win and not gamble on unintended negative consequences.

This is how the Federal Reserve should feel, too, after announcing Wednesday the imminent end of quantitative tightening, the process of letting maturing securities roll off its formerly bloated — but now relatively right-sized — $6.6 trillion asset portfolio. The development should address a series of yellow flags in money markets in recent weeks that seemed to heighten the risk of a financial accident, and it should stem any lingering concerns about liquidity in Treasury markets. To mitigate any minor inflationary consequences, policymakers should hold off on a further interest rate cut in December.

It's important to remember that QT, at least in the current context, was never really a proactive policy. Rather, it's the undoing of a policy — quantitative easing — that the Fed used to support markets and the economy during the Covid-19 pandemic. By that definition, success means getting back roughly to where we started and avoiding any catastrophic mistakes along the way. Even if we're only around 90% to 95% of the way there, the costs of going too far are much greater than not going quite far enough.

There are also ways to mitigate the costs of stopping a bit early. While QT was never seen as the primary instrument for fighting inflation, some analysts have argued that the Fed's balance-sheet runoff was the equivalent of one or two rate hikes. In practice, the Fed will now be reinvesting the proceeds from maturing securities into more Treasuries, leaving a slightly larger footprint in the fixed-income market.

Still, with the consumer price index up 3% from a year earlier, policymakers will have to be careful not to let financial conditions ease too far, especially after they cut the main policy rate 25 basis points on Wednesday to 3.75%-4%. I've advocated since the last inflation report for a pause in the rate-cutting cycle, and Wednesday's decisions add further weight to that argument.

Next, the Fed can limit its footprint through changes to the construction its portfolio, as it looks poised to do after it ends QT on Dec. 1. While I don't share all of her beliefs about the balance sheet, I appreciated Fed Vice Chair for Supervision Michelle Bowman's suggestion in a September speech that the Fed move toward a System Open Market Account portfolio that "mirrors the broader Treasury market" and is, thus, neutral in its impact across the curve, rather than potentially favoring longer-run securities.

The committee appears to broadly agree. "We will continue to allow agency securities to run off our balance sheet and will reinvest the proceeds from those securities in Treasury bills, furthering progress toward a portfolio consisting primarily of Treasury securities," Chair Jerome Powell said Wednesday. "This reinvestment strategy will also help move the weighted-average maturity of our portfolio closer to that of the outstanding stock of Treasury securities, thus furthering the normalization of the composition of our balance sheet."

For some perennial critics of the Fed's balance sheet, the end of QT is bound to spur a new round of handwringing. They blame the balance sheet for all the ills in markets and the economy, and they openly fantasize about a world in which the balance sheet returns not to pre-2020 levels but to those seen prior to the financial crisis. Specifically, they draw specious links between the balance sheet and inflation, asset bubbles and inequality. But they overlook the fact that the era of large balance sheets has — with the exception of the pandemic experience — been a successful period for central banking and the US economy. Since the advent of quantitative easing, the combination of inflation and unemployment (as measured by the "misery index") has generally gotten better over time, not worse. The Fed is far from the failure that tin-foil-hat commentators would have you believe.

Clearly, there are valid risks from carrying a too-large balance sheet. First, it can sometimes cause the Fed to go through periods of large unrealized losses, as it has recently, when interest payments it made to the private sector exceeded those it received on its longer-dated asset portfolio. But those losses should balance out over the course of an economic cycle. Second and more importantly, a failure to shrink the balance sheet at all would leave the Fed with less fire power to conduct QE later when the next emergency comes along. Fortunately, that's not a problem today.

Even those who would shrink the balance sheet much further have to face a practical reality: They may not be able to do so without causing a crisis, and even a small hiccup will cost the Fed its precious credibility. A couple of leading picks for Fed chair, Kevin Warsh and Bowman, are among those openly musing about a meaningfully smaller balance sheet. My bet is that they'd change their tune if they got the job and their reputations were on the line. Treasury Secretary Scott Bessent has also griped about the balance sheet in a pair of essays published last month, but I doubt he would put market and economic stability at risk to test his theories.

As former Fed Chair Janet Yellen famously described it, QT was supposed to be a non-event — "like watching paint dry." Unfortunately for her, it ended up getting a little too exciting for comfort in 2019, the last time the Fed was trying to shrink the balance sheet after a period of quantitative easing. She had to wrap up QT in a hurry after some high-profile disruptions in repo markets where financial institutions help fund themselves.

By contrast, her successor, Chair Jerome Powell, appears to have pulled off the elusive nothing-to-see-here balance sheet runoff. That won't end the incessant conspiracy theories about the Fed's large portfolio, but you can't please everyone and there's no point in trying. Better to play it safe and conclude what, for the time being, looks like a successful operation.

MarketWatch

Growth is slowing, and inflation is easing. More Fed rate cuts are the right response.

By Felix Vezina-Poirier

Published: Oct. 30, 2025 at 8:54 a.m. ET

Prior to the U.S. government shutdown, the divergence between resilient growth and a slowing labor market became striking. Now, as the shutdown halts the publication of key government statistics, investors are flying partially blind.

But even without fresh official numbers, the latest evidence suggests that U.S. growth estimates are too strong. The divide between reported GDP and weak employment will likely be reconciled by slower growth.

That divergence matters. Whether growth catches down with employment or employment rebounds will determine the path of monetary policy. For the Federal Reserve, a weakening economy argues for further caution.

Macroeconomists face their own version of the chicken-and-egg problem: Is spending driving employment, or is employment driving spending? Normally, it doesn't matter much; the two move together. Spending fuels hiring and income, and income sustains spending in a circular loop.

This year, however, the link has broken. Even before the shutdown, the data showed a split between solid GDP estimates and a stalled labor market. That gap is unlikely to persist. Growth will almost certainly be revised lower, for two reasons. First, growth estimates are often subject to substantial revision. Second, leading indicators already point to softer momentum ahead.

Assessing growth

Think of the economy as a machine. Every machine has a capacity, and how hard it runs relative to that capacity determines its temperature. When the economy runs above capacity, it overheats; wages and prices rise. When it runs too cold, growth, wages and inflation fall, as they often do in recessions.

The Atlanta Fed's GDPNow model currently estimates third-quarter growth at 3.9%, about twice the pace the U.S. economy can sustain without overheating. If growth were truly that strong, we would expect employment to accelerate, not stall. The slowdown in job creation since January suggests the economy is not running as hot as growth estimates imply.

The government shutdown complicates this picture by disrupting the release of "hard data" (direct measures of activity such as employment, spending, production, construction, etc.) typically published by federal agencies. But "soft data," such as business and consumer surveys, remain available. Combined, they give a reasonable view of where the economy stands.

BCA's U.S. growth diffusion index, which aggregates 89 hard and soft indicators and has historically led turning points in GDP, shows growth decelerating below potential. Specifically, the index's hard-data component peaked in April and has slowed ever since. The signal remains the same even when labor variables are excluded.

Meanwhile, the soft data remain subdued. Business surveys consistently cite uncertainty, especially around tariffs, as a key drag on confidence. Although trade deals have been announced, their frequent revisions and the unpredictability of tariff policy continue to weigh on manufacturers and service providers alike.

Inflation and the Fed

The Fed cut its policy rate by another 25 basis points on Wednesday but signaled that a cut at the December meeting is not a foregone conclusion. A key input for whether the central bank cuts again or not hinges on how the growth — employment divide will resolve.

Inflation remains on investors' radar, but for the Fed it has become a secondary concern. Tariffs, not domestic demand, are the main source of upward price pressure.

You might notice that inflation has not been mentioned. That's deliberate. Inflation remains on investors' radar, but for the Fed it has become a secondary concern. Tariffs, not domestic demand, are the main source of price pressures. Monetary policy cannot address that, and tariff-driven inflation is not broadening thus far.

Central bankers view inflation through three lenses: demand, supply and expectations. The demand side has weakened as the labor market stalled. The supply side remains pressured by tariffs but not in a self-reinforcing way as fiscal and monetary conditions are not stimulating demand as they did in 2020 and 2021, when the last supply shock hit the economy.

Market-based inflation expectations remain well-anchored near the Fed's 2% target. CPI swaps, which reflect investors' inflation outlook, show a temporary "tariff bump" over the next year, with one-year swaps near 2.9%. But one-year, one-year forward swaps, which measure expectations for a year starting from now, are at the Fed's inflation target. The same pattern holds in longer-term gauges such as the five-year, five-year forward CPI swap.

Together, these factors paint a picture of softening growth and fading inflationary pressures outside of tariffs, a mix that supports additional easing as the labor market sits uncomfortably close to a tipping point.

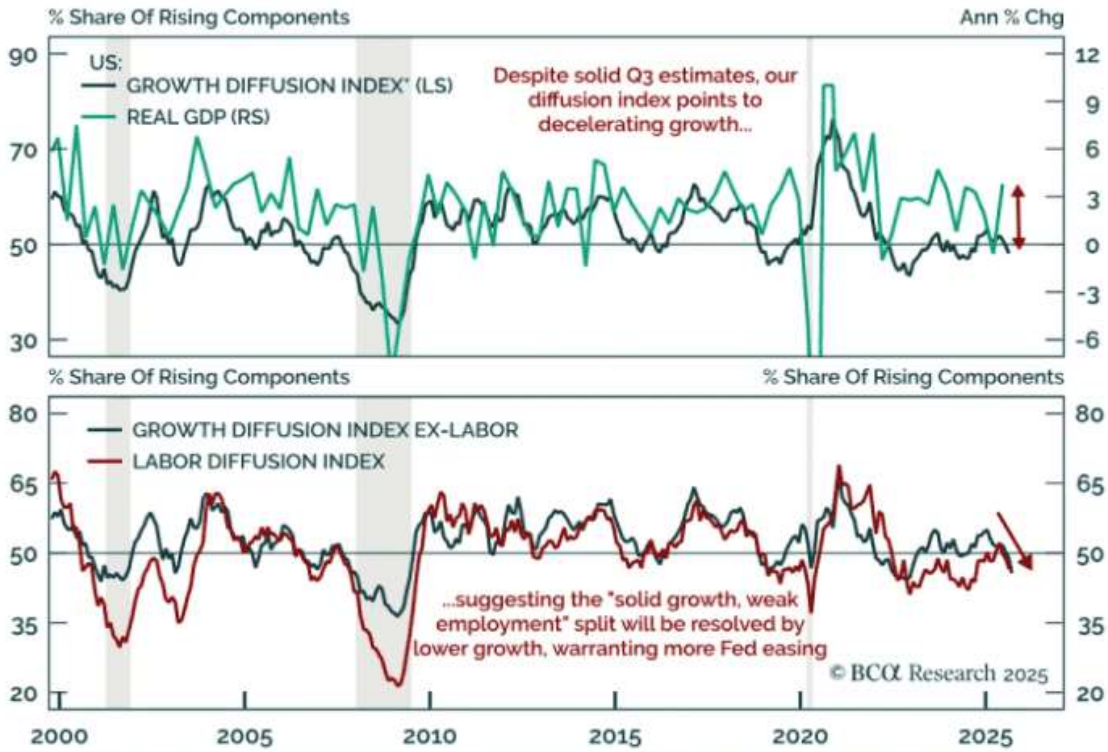
Investment implications

Our stance remains neutral on equities, overweight on government bonds and underweight on cash as well as both investment-grade and high-yield credit.

This macro backdrop leaves markets in an uneasy equilibrium. Growth is slowing; inflation is contained; and the Fed is easing, but not urgently. Our stance remains neutral on equities, overweight on government bonds and underweight on cash, as well as both investment-grade and high-yield credit.

At such tight spreads, credit offers a poor reward-to-risk ratio regardless of whether the economy slows or reaccelerates. Equities, by contrast, still have pockets of structural upside thanks to AI and productivity themes that are not directly tied to the business cycle.

For investors, the key is flexibility. If economic growth and momentum deteriorate markedly, underweight stocks. If inflation reaccelerates, underweight both stocks and bonds and shift toward cash and inflation hedges such as commodities. But if the economy slows just enough for monetary policy to save the expansion, current positioning should hold.



* AGGREGATE OF 89 SOFT AND HARD ECONOMIC DATA INDICATORS COVERING CONSUMPTION, PRODUCTION, AND LABOR. SHOWN SMOOTHED. OCTOBER 2025 DATA EXCLUDED DUE TO LOW SAMPLE.
SOURCES: BLS, BEA, CENSUS BUREAU, INSTITUTE FOR SUPPLY MANAGEMENT (ISM), S&P GLOBAL, THE CONFERENCE BOARD, UNIVERSITY OF MICHIGAN, NFIB, REGIONAL FEDERAL RESERVE BANKS, NATIONAL ASSOCIATION OF REALTORS, FANNIE MAE, BCA RESEARCH VIA MACROBOND.
NOTE: SHADED AREAS REPRESENT NBER-DESIGNATED RECESSIONS. GDP TRUNCATED FOR PRESENTATION PURPOSES.

The Washington Post

Trump and Xi flexed. Who won?

David Ignatius
October 30, 2025 at 9:58 a.m. EDT

Oh, what a lovely trade war. The United States and China got to test their heavy tariff and embargo artillery without inflicting significant damage on each other. And then, at their summit meeting in South Korea on Thursday, both countries' leaders took a step back from the brink of the economic "decoupling" that many analysts have forecast for nearly a decade.

"Both sides saw what real decoupling would mean. They looked over the precipice and decided, 'I don't think so,'" explains Christopher Johnson, the CIA's former top China analyst who now runs China Strategies Group, a consulting firm. This "temporary patch-up" will give each government breathing room, he told me in an interview.

Donald Trump's critics will argue that this was a Chinese "TACO" — "Trump always chickens out" — as the president agreed to halt the imposition of 100 percent tariffs on Beijing that even he had admitted were "not sustainable" and set a lower rate. Trump backed away after China agreed to a year-long pause in its potentially crippling embargo on rare-earth minerals on which it holds a near monopoly. China showed it could deny Trump "escalation dominance" with its export controls, Johnson contends.

But to me the summit looks more like a win-win, as the Chinese tediously like to say, than a defeat for Trump. The two sides flexed their muscles, scared the financial markets just enough to be credible and then found a temporary compromise that opens the way for what Johnson predicts will be a year of summitry with reciprocal visits to China and America.

As the French saying goes: "Seule le provisoire dure." Only the temporary lasts. That appears to apply to the world's two leading superpowers, which are better served by preservation of the status quo than some "grand bargain" that could be dangerous for both.

Trump described the meeting with his characteristic hyperbole. "I would say on a scale from 1 to 10, with 10 being the best, I would say the meeting was a 12," he told reporters on Air Force One as he left South Korea. What strikes me watching Trump and Xi maneuver in this moment is that they share a taste for autocratic, one-man rule, but bring to it radically different personalities, values and experiences.

The two share an obsession with their place in history and are fanatical self-promoters. Like Trump, Xi is a nonstop propagandist. The five volumes of his collected speeches and writings are known as "Xi Jinping Thought."

"Xi clearly sees himself as a man of destiny, the latest caretaker of Chinese civilization whose mission is to guide his country on the path to national rejuvenation," argues Joseph Torigian, a professor at American University and author of "The Party's Interests Come First," a brilliant biography of Xi's father. Trump similarly sees himself as an instrument of national renewal who will, as millions of his red-hatted followers proclaim, "Make America Great Again."

Yet, the differences between them are stark: one president seems to revel in corruption, the other views it as a poison that could destroy his party's control; one took a gilded path to power as the son of a real estate tycoon; the other suffered terribly during the purge years of the 1970s; one plays a short game with wildly oscillating policies; the other a long game built on meticulous plans and clearly articulated goals.

Where Trump is a disrupter who uses his erratic and impulsive decisions as bargaining weapons, Xi is a disciplined and ruthless enforcer. But Lingling Wei, a top China reporter for the Wall Street Journal, argued recently that Xi has learned from his interactions with the bombastic Trump and adopted a code that amounts to, as the headline on her story put it, "punch hard, concede little."

The most unlikely fact shared by the two men is that they are at war with the governing class beneath them. Trump's strange position as a populist billionaire fighting a war against what he views as the "deep state" elite is well known. Less so is Xi's campaign to purge what he saw as the corruption and weakness that enfeebled the party, military and intelligence elites.

Xi pledged in 2012 as he rose to power that he would fight "tigers and flies at the same time, resolutely investigating law-breaking cases of leading officials." A former U.S. intelligence official told me that in an early meeting with fellow party leaders, Xi placed a blue folder in front of each of them documenting their relatives' corruption. Since 2012, Xi's party inspectors have disciplined more than 6.2 million people, according to the Wall Street Journal. The number of people investigated for infractions has risen from around 180,000 in 2013 to 889,000 last year.

The purge has been especially fierce in the Chinese military. Xi realized that senior officers in the People's Liberation Army were getting their posts by bribing superiors, and then extracting similar payments from their underlings. In 2023, Xi removed two top commanders on the PLA Rocket Force; the next year, he purged two former defense ministers. This month, just before a big party plenum meeting, he sacked nine more top commanders, including the general who headed the Eastern Theater Command, which oversees Taiwan operations.

A symbol of Xi's war against military corruption is his choice of Gen. Zhang Shengmin, the military's top anti-graft inspector, as vice chairman of the Central Commission, which is headed by Xi himself. He said back in 2014, when he began to purge the military, that when he read reports of PLA corruption, "I feel deep disgust and often can't help but slam the table. … If the army is corrupt, it can't fight."

What's ahead now? Johnson says Trump seems to be aiming for a relationship with Xi that mirrors the one that President Ronald Reagan had with Russian leader Mikhail Gorbachev. To get there, he had to de-escalate. His instructions to Treasury Secretary Scott Bessent were, "'Let's make a deal,'" Johnson says.

Trump seems to view major-power foreign policy as a tough-guys club, and he obviously regards Xi as a fellow member. But Trump may underestimate just how ruthless and disciplined Xi is. Certainly, he proved a much tougher adversary in the now-paused trade war than Trump imagined.

The idea of a world governed by these two autocrats is loathsome. But if that's what we're stuck with for now, it's certainly better to have them talking than fighting.

Donald Trump’s trade power is vast, but self-defeating

Oct 28th 2025

CANADA HAS a heroic record of standing up to President Donald Trump, in political advertisements written by Canadians, that is. In the real world, Trumpian bullying is racking up the wins.

By chance, your correspondent found himself in Canada at a gathering of business leaders and politicians on October 24th, the day after Mr Trump denounced as “fake” a Canadian-made television advertisement that borrowed Ronald Reagan’s own words to explain the dangers of protectionism. Rewriting history, Mr Trump claimed that Reagan “loved tariffs”. To punish what he called an “egregious” abuse of Reagan’s legacy, he terminated trade negotiations with Canada, then raised tariffs by 10% for luck.

If life were a 60-second campaign spot, the assembled industrialists and financiers would have met Mr Trump’s threats with roars of: “Elbows up!” That battle cry from ice hockey was used by Mark Carney to signal defiance of America, including in election ads during his successful bid to become prime minister this year. Their actual views are sober and pragmatic, and revealing about globalisation as seen from Canada.

The television spot that provoked Mr Trump was commissioned by Doug Ford, the pugilistic premier of Ontario, a border province and carmaking hub. A self-styled “big Ronald Reagan fan”, Mr Ford’s stated ambition was to remind “every Republican district” in America that their party’s 20th-century hero was a free-trader. Behind closed doors in Canada, Mr Ford’s claims cut no ice. Republicans know that Mr Trump is traducing Reagan’s legacy, scoffs a chief executive: “You don’t need to remind them.” He describes a recent visit with other Canadian bosses to Washington, DC, to lobby for the preservation of the USMCA free-trade pact between America, Canada and Mexico. That deal was negotiated by Mr Trump in his first term to replace an earlier agreement, NAFTA. Its future is in doubt, undercut in public by American tariffs imposed in the name of national security—notably on Canadian aluminium, cars and energy—and in private by Trump aides warning that America may seek separate trade deals with Canada and Mexico, reviewed each year. “Congressmen from both sides of the aisle told us, we’re sorry, we love Canada and USMCA is a good deal,” reports the boss. The same members of Congress then muttered that Canada should woo Mr Trump, who takes all big decisions. “They are not willing to stand up to him,” he sighs.

Washington politicians are not alone in putting self-preservation before valour. Behind closed doors, Canadian corporate and political leaders report signs that Mr Trump’s aggression is being rewarded. The USMCA still covers most Canadian exports, so that Canada currently enjoys some of America’s lowest average tariff levels in the world. For all that, companies are hedging. An executive guesses that 30% of Canadian firms, especially those with factories on both sides of the border, have begun shifting production and investments to America, or may do so soon.

A manufacturer of outdoor goods confirms that he is planning to move more production to America, where most of his customers live. He is also considering buying an American rival. Though his exports to America remain tariff-free for now, the uncertainty is too much to bear. The American market is irreplaceable, he says. Canada can ill afford to provoke Mr Trump.

A divide can be detected between businesses. One camp, composed of traditional industries and producers of such commodities as aluminium or timber, depends hugely on America, which absorbs three-quarters of Canadian merchandise exports. Often, sales rest on cost advantages, such as the cheap hydro-electricity that powers aluminium smelters in Quebec. Many in this camp treat America as a second home market, as if Canada really is a “51st state”, to adapt an insult with which Mr Trump loved to torment Mr Carney’s predecessor, Justin Trudeau.

In the telling of a Canadian politician, that defiant Reagan-quoting advertisement of Mr Ford’s reflects fear, deep down. Mr Trump says that he wants Canadian car factories to move to America, and some foreign carmakers have announced that some new models will be made south of the border. “Ontario is going to have to reinvent itself,” says the politician.

Mr Trump’s willingness to impose and endure pain to advance his agenda is startling, the politician says. America produces 16% of the aluminium that it uses, making it dependent on imports, mostly from Quebec, for years to come. A 50% tariff on Canadian aluminium is thus an act of self-harm, as well as a serious blow to Canada. “We didn’t vote for it, but Canada is living through North America’s own version of Brexit,” sorrows the politician.

America teaches partners not to trust it

A second camp involves advanced industries of the future, with global supply chains and customers. This camp has more options. Too many Canadian businesses have been “lazy”, relying on the vast, familiar American market for decades, says the boss of one such firm. Global Canadian-owned companies concede that Trumpian trade policies are hurting them, pointing to a detectable slump in investment in Canada, as corporate boards postpone big decisions. But they are not waiting for salvation via a deal with Mr Trump. It is not possible to rely on any future trade pact involving annual reviews, says a boss: America’s greater clout means that each revision will make the terms worse. As for shifting production wholesale to America, Mr Trump’s homeland “does not have the people it needs” to staff advanced factories, grumbles another chief executive. Finding new markets in Europe or Asia would be a “ten-year project” but also an unavoidable one.

Mr Trump’s hold over industries of today is vast. As a result, governments fear him—in Canada and beyond. That same aggression, though, makes America’s grasp on the future less sure.

America and China have only holstered their trade weapons

Oct 30th 2025

TWELVE OUT of ten was Donald Trump's own scoring of his summit with Xi Jinping in Busan, South Korea, on October 30th. America's president was sounding characteristically bullish. And the world should indeed be relieved that its two largest economies seem to have no desire to decouple from each other—let alone to haggle over the status of Taiwan. Either outcome would have imposed a heavy cost on Asia and the world. However, their agreement appears to be sketchy and temporary, and that means the planet's most important relationship will continue to be built on sand.

As we write, the details of what was agreed on in Busan remain hazy—itself a metaphor for the ever-shifting nature of the underlying diplomacy. The deal was mostly a holstering of weapons, in which China agreed to postpone restrictions on exports of crucial rare earths for a year, while America will stay its tariff of 100% on Chinese goods and its threat of export controls on subsidiaries of blacklisted Chinese firms. The two sides also backed away from a confrontation over shipping. The talks made progress, too. China will once again start buying American soyabeans. America will reward extra Chinese efforts to restrict chemical ingredients for fentanyl by halving a 20% punitive tariff on all goods. Mr Trump appears open to the export of some semiconductor chips, though not the most advanced.

Given the hostility towards China of some in Washington, the deal could very easily have been worse. They urgently want America to decouple from its biggest geopolitical rival but, with this summit, the first since 2019, Mr Trump has shown that he values the commercial relationship too highly to throw it away. At the same time, the president did not sacrifice Taiwan for a heap of soyabeans.

Unfortunately, the summit also shows how much is wrong. For one thing, the agreement leaves an American tariff of 47% on Chinese goods. In the pre-Trump world that would have been an extraordinary level of protection. The terms of the agreement are also temporary—explicitly so, in the sense that many of the terms of this deal will be reviewed in a year's time; but also implicitly, because Mr Trump sees it within his power to lash out with a tariff here or a non-tariff barrier there at any time over almost any issue.

Another source of potential conflict is the fact that, in contrast to every other country, China is more than a match for America. The Busan summit came after Mr Trump's royal procession through much of Asia in which one leader after another showered him with praise and gifts, including a golden golf ball and a replica crown. Japan, Malaysia and South Korea all made concessions, including over market access and with pledges to invest hundreds of billions of dollars in America, in exchange for a modest reprieve on tariffs. Reliance on America for security and markets made retreat the only option.

China is different. It can withstand American pressure. It is also retaliating in areas where America is vulnerable—rare earths and soyabeans are good examples. As it embraces the combative nature of the new trading system, Mr Xi's project to make China more resilient has been vindicated.

All that makes the Busan summit a pause rather than a conclusion. As China and America, consumed by mutual distrust, continue to tussle with each other, a row will surely break out sooner or later. The good news is that, for the time being at any rate, both sides still believe they have more to gain from tolerance than confrontation.

Donald Trump and Xi Jinping agree to a trade truce

Oct 30th 2025

IT WAS MORE grand bazaar than grand bargain. After months of haggling, bluffing and fist-shaking, America and China appear to have a trade deal. Meeting in a pokey room at a South Korean airbase on October 30th, President Donald Trump and his counterpart, Xi Jinping, finalised the essentials of an agreement. Their apparent truce reduces the risk of another flare-up, for now. It also allows for the two leaders to visit each other's countries next year. Yet the timing of a final deal remains unclear, as does its durability—Mr Trump suggested it could be renegotiated annually. Whether it resolves more fundamental problems in the two powers' relationship is another matter entirely.

In their first meeting in six years, the two leaders agreed to roll back many of the moves that each side had made or threatened in recent weeks. Both sides confirmed that China would delay new restrictions on the export of rare earths for a year. This suggests America will not slap an extra 100% tariff on Chinese goods from November 1st, as Mr Trump once threatened. China's commerce ministry said America would also put off, for a year, reciprocal tariffs due to come into force on November 10th, as well as new export controls on subsidiaries that are at least 50%-owned by blacklisted companies. That would have affected many Chinese firms.

Both sides also confirmed that America would halve a 20% tariff imposed earlier over China's alleged failure to curb exports of chemicals used to make fentanyl, which has claimed many American lives: Mr Trump said China would do more to help stifle that trade. He also said China had resumed purchases of American soyabeans which it stopped in May in a bid to increase pressure on the White House from American farmers. China said both sides had agreed to expand their farm trade.

"There wasn't too much left out there," Mr Trump told reporters aboard Air Force One as he left Busan. "We have a deal." He added that he and Mr Xi had discussed Ukraine at length, agreeing to work together on bringing peace there.

It was not immediately clear what a final deal would actually entail. Mr Trump said he did not discuss Taiwan and did not agree to the sale of Nvidia's state-of-the-art Blackwell AI chips to China. But he said he discussed access to some of the company's other chips, something he said should be negotiated between China and Nvidia with his government as "referee". In his remarks to reporters, Mr Trump did not mention a deal to transfer the American operations of TikTok, a short-video platform whose parent company is Chinese, to American ownership. China's commerce ministry said it would work with America to resolve the TikTok issue for good.

Both Mr Trump and Mr Xi struck a positive tone from the meeting's start. Mr Trump called Mr Xi a "great leader of a great country" and said: "I think we're going to have a fantastic relationship for a long period of time." Mr Xi acknowledged that: "We do not always see eye to eye with each other". But such friction, he added, was normal between the world's two leading economies and they should be "friends and partners". Mr Xi also acknowledged Mr Trump's peace-making efforts in Gaza and in South-East Asia.

The prospect of an agreement has cheered global markets, and in the hours after the Trump-Xi meeting they were calm. It also came as a relief for many companies and foreign governments ensnared in the trade war. Taiwan, the self-governed island that China claims, will be heartened that Mr Trump said it was not discussed. He had said earlier in October that he would discuss the island with Mr Xi; that raised concerns in Taiwan that he might water down America's commitment to help the island defend itself.

For all the relief, the tentative deal stops well short of ending the trade war. As Mr Trump confirmed, it leaves in place an American tariff rate of 47% on Chinese goods. China's commitment to delay its rare-earth export controls will not allay anxieties in America and elsewhere about how they will be implemented. And though Mr Trump said a final deal could be signed "pretty soon", his suggestion that it could be renegotiated each year raises the prospect of perpetual instability.

The risk for now is that the current framework deal collapses. Trade talks between the two sides have been through a rollercoaster of temporary truces and dramatic escalations over five rounds of negotiations since May. Those talks have been led by Scott Bessent, America's treasury secretary, and a Chinese vice-premier, He Lifeng. They negotiated the outlines of the agreement in a two-day pow-wow in Malaysia that ended on October 26th. Yet Messrs Bessent and He have often struggled to agree on what was concluded in earlier rounds of talks; each has appeared surprised by subsequent steps taken by the other. Given the short time frame and the lead negotiators' relative lack of experience, considerable scope exists for loopholes or differences in interpretation.

If the current agreement does hold, a second question arises. That is whether it will address the deeper structural problems in the relationship. In the trade deal signed in 2020, China committed to buy at least $200bn-worth of additional American goods and services over the following two years. Yet China never met the purchase targets (blaming the start of the pandemic); American officials recently accused it of violating the agreement.

Critics of the new framework deal argue that it focuses too much on near-term issues, such as soyabeans and TikTok, and too little on fundamental problems, China's industrial policy above all. The two sides may try to build on the deal over the coming months. Yet at an October conclave of the Communist Party leadership, China once again made clear its determination to dominate advanced manufacturing, as well as achieve technological self-reliance. Meanwhile, both sides continue to manoeuvre in a broader geopolitical contest. Before arriving in South Korea, Mr Trump signed a series of deals with Asian countries to boost trade ties and co-operate on supply chains for critical minerals.

A third risk is that an unanticipated crisis in another arena upends the deal. Mutual suspicion colours relations between the two powers. Relations have been rocked before by incidents such as a Chinese spy balloon's flight over America in 2023. Military tension remains high in the South China Sea and around Taiwan. Just before meeting Mr Xi, Mr Trump said he had ordered a start to testing nuclear weapons on an "equal basis" with Russia and China. A trade deal is a step in the right direction. But stable ground is still far away.

THE WALL STREET JOURNAL.

America Needs a Bipartisan China Strategy

By Jeanne Shaheen

Oct. 29, 2025 1:34 pm ET

As President Trump meets Xi Jinping in South Korea, I believe America's China strategy needs a course correction—but not a knee-jerk reversion to a pre-Trump status quo. If we want to win the competition with China, we need to think well beyond the next election and even the next decade. We need to rebuild a durable bipartisan consensus over how to approach the world's most consequential relationship. That will require a plan that avoids the big swings we've seen in our China strategy the past two decades.

For nine months Mr. Trump has waged a damaging and unsustainable trade war with China that is raising costs for American families. The war hasn't rebalanced trade, reduced the export of Chinese precursors for the fentanyl arriving in our cities, or held Beijing accountable for its aggressive gray-zone activities across the Indo-Pacific. At the same time, Mr. Trump has eroded many of the critical sources of strength we most need to compete with China—the collective economic leverage of our alliances, strategic foreign-aid programs, counter-disinformation tools, and the diplomatic infrastructure that advances American interests and influence globally.

Meanwhile, China has benefited from the consistency and patient strategy that its autocratic system and entrenched leadership allow. Mr. Xi and his lieutenants plan for outcomes in decades, not election cycles. He has set a goal of 2049 for China to become a "modern socialist country" and, more ominously, of 2027 for readiness to invade Taiwan.

America's messy, imperfect democracy is among its greatest strengths. But as traditions of bipartisanship have eroded, especially in foreign policy, our global position has weakened. Adversaries have taken note. Huge foreign-policy swings in recent years have confused and weakened allies, damaged complex trading relationships, and created opportunities for enemies to seize advantage in the resulting chaos.

That's why the U.S. needs a long view that begins with a rebuilt bipartisan consensus around our approach to China and recognizes that neither a go-it-alone strategy nor a policy of accommodation has proved effective.

First, we must acknowledge that our alliances are vital, but they're not charity. We benefit enormously in the Indo-Pacific from the partnerships we've built over decades with Japan, South Korea, Australia, Thailand and the Philippines. They are a potent military force multiplier in deterring conflict. Mr. Trump was right to reaffirm the Aukus initiative earlier this month and to press regional partners like Japan to spend more on defense. Our military alliances with Japan and South Korea are also undergoing an overdue modernization, including upgrading U.S. Forces Japan for the shared threats we face and rebalancing strategic responsibilities in South Korea.

But the nature of the threat China poses requires more than military alliances. Beijing seeks to dominate the world's strategic sectors, including emerging technologies, critical minerals, infrastructure and information. We need a network of allies and partners—especially in Europe and the Pacific—that jointly coordinates critical minerals and investment strategies, technology controls, sanctions and industrial research. I applaud the administration's initiative to sign a critical-minerals accord with Australia. We should expand that template to Group of Seven Plus partners in an approach mirroring bipartisan legislation I authored with Sen. John Curtis of Utah.

The U.S. must also hold China accountable for being the world's largest supporter of Russia's murderous war in Ukraine—a war that has contributed to global instability, economic headwinds and higher food prices. U.S. sanctions against Russian oil firms last week were a good start and should be followed with sanctions against Chinese companies that have given Russia the vast majority of the dual-use technology it's needed to continue attacking Ukraine.

Next, we need to rebalance our economic strategy at home and abroad to bolster economic resilience, reduce costs, and make targeted, smart investments in our industrial and defense base—like the Chips and Science Act, another largely bipartisan bill. Instead of alienating close partners like Canada, we should deepen economic ties with like-minded countries and take advantage of the benefits of free trade while reducing our dependence on China.

We also need to retool the diplomatic infrastructure that advances American interests and power globally. Before the second Trump administration, there was longstanding bipartisan support on the Senate Foreign Relations Committee for foreign-aid programs and counter-disinformation platforms such as Voice of America. These investments saved millions of lives, countered propaganda from countries like China and Russia, and stopped diseases from reaching our shores. I think we will soon feel the loss of influence caused by the administration's reckless cuts—and that will create an important window we must seize to rebuild a reformed, reimagined and nonpartisan diplomatic infrastructure laser-focused on our national priorities.

I don't pretend that finding common ground on anything in Washington these days is easy. But I do know that both sides of the aisle and the president acknowledge the generational threat China poses. Getting this relationship right matters, and it will define America's place in the world for the rest of the century. We can't let our policy swing wildly back and forth or succumb to partisan politics. If we do, the consequences will be felt far from the halls of power in Washington.

Trump-Xi confab delays full reckoning on trade

Hudson Lockett

October 30, 20253:32 AM CSTUpdated 5 hours ago

HONG KONG, Oct 30 (Reuters Breakingviews) - The latest stopgap Sino-American pact underscores how intractable issues central to the broader bilateral relationship have become. U.S. President Donald Trump and his Chinese counterpart Xi Jinping struck a positive tone on Thursday as both leaders rowed back on export controls and more. That should help keep further escalation in check. Yet this strategic can-kicking does little to resolve trade hostilities between the world’s largest economies.

After more than a month of tit-for-tat escalation on U.S. sanctions, shipping fees, rare earths and more, expectations were already low heading into the meeting in South Korea. Per early readouts on the agreement, Washington halved fentanyl-related tariffs to 10%—bringing tariffs imposed on Chinese imports to 47%, from 57%, according to Trump—and suspended expanding its sanctions framework by one year. In return, Beijing pledged to hold off from restricting rare earths exports, also by one year, and buy more American soybeans. Both sides pushed back reciprocal tariffs again, this time for a year. And Chinese stocks barely reacted.

It's hardly a grand bargain and falls far short of the truce achieved with the so-called Phase One agreement signed during Trump's first term. Still, this breather benefits the negotiators more than either country or markets. For Xi’s team the meeting provided a symbolic chance to stabilise relations and demonstrate the country's rare earths leverage in negotiating for better trade terms. Trump meanwhile gets to score political points at home with farmers and help limit supply chain disruptions for American multinationals.

Outstanding issues that have yet to be addressed include tariffs in both directions that cover virtually all of $580 billion in bilateral trade; export controls on sales of Nvidia’s (NVDA.O), opens new tab advanced Blackwell AI chips and other advanced tech to China; Beijing's ongoing probes into U.S. firms' Chinese operations; Trump’s long-held conviction that low-cost Chinese exports hobble his country’s manufacturers; and the status of Taiwan, to name a few.

The views expressed on this podcast are those of the participants, not of Reuters News.

At least both sides have agreed to another meeting in April, when Trump will visit China. Even so, not all of these issues could be overcome even if the two leaders were willing, and there's no reason that next year's summit will be any more successful. And openly strategic moves—like the recent rare earth procurement pacts between the U.S. and Australia—suggest that each side will use the interim to minimize the other's leverage.

So this interim "deal" does stave off escalation in the basic sense, but won’t stop it. Both sides may seek greater stability in relations, yet they cannot afford to assume anything but the worst of each other, either.

FT FINANCIAL TIMES

Europe can't escape the curse of geography

Janan Ganesh

S the European wine harvest ends, we might reflect on that controversial word "terroir". It hard todefine but tends to refer to the non-human factors of production: the geographic givens of a vineyard.

Weather, soil composition, angle sunlight, surrounding plant life and so on.

Some believe that no amount of technical skill in the hands of New Zealand pinot noir maker can compensate for the magic of Burgundian terroir.

Mumbo jumbo? An Old World excuse for high prices? Well, we Europeans must to whatever natural assets we have. Look around.

According to the US Geological Survey, China's known reserves of rare earths are more than twice that of the next luckiest country, which is Brazil.

No nation in democratic Europe makes the top 10. (Greenland, a distant and autonomous territory of Denmark, is eighth.)

As rare earths go into aircraft engines and all manner of consumer electronics, China can squeeze other countries, to extent of restricting the end use of particular shipment. Even Donald Trump, who had hoped to tariff China into submission by now, has to reckon with its indispensability in supply chains. Look at his solicitousness towards Japan and resource-rich Australia but not towards Europe, where beyond rare.

The situation is not much better in matters of energy. At the end of 2020, Europe had 1.7 per cent of the world's proved natural gas reserves. China had 4.5 per cent, the US bit more, Russia 20 per cent and the Middle East 40.

Uncoincidentally, Europe has high energy costs Britain's in particular could thwart its AI ambitions and Russia has been able to withstand western sanctions since it attacked Ukraine.

World events hinge on the location of fossilised plankton remains from millions of years There was a time, in the half-century or so between the Opec crises and the Ukraine war, when it was possible to forget about geography. One place could be much like another, if it had enough knowhow. Singapore and Dubai were models of how to prosper without natural advantages. (The latter is not, and somehow this still needs saying, a petroeconomy.) Just as modern painting had evolved towards ever greater "flatness", as the critic and Jackson Pollock devotee Clement Greenberg suggested, so did the world, in case of life mimickingar Of course, even at the time, the postgeographic hype ignored some awkward facts. Having a coastline and therefore a potential port is a natural advantage. Which truly ill favoured locations on Earth, such as landlocked and desertified Chad, were doing well?

Few. But it took the war in Ukraine to smash the illusion of a flat world altogether. In decade that has put the "geo" back into geopolitics, Europe stands out as place short-changed by nature, not just compared to the superpowers but to the likes of Canada. Even aside from the continent's scarce resources, there is its proximity to such trouble spots as the Sahel and the Middle East. And don't forget the European Plain itself. The lack of geographic barriers to invasion has fed nationalist paranoias from Prussia Russia.

At this point, it is customary to laugh at those liberals and their naive hopes of a seamless planet. As I remember, though, the geography- crowd were often conservatives, at least in Britain. There has never been a bigger statement of belief in flat world than quitting your own regional bloc to go "global", on the hunch that technology has abolished distance.

Well, as Brexit continues to please no more than a third of voters, and the Labour government creeps nearer the EU, something should be dawning on people. Britain is, for better or worse, European. It not just that its per capita income is much nearer that of the EU than that of the US. Or that British expectations of the welfare state are more Germanic than American, as every government that tries tocut it findsout.

Above all, Britain is geographically challenged and so is most of Europe.

Even oil blessed Norway has a Russian land border to reckon with. British headaches irregular migration from Africa and the Middle East are French headaches, not Anglosphere ones, for reasons that are obvious to anyone with a map. When the decennial of the referendum comes around next summer, it will have to be explained to people who were children at the time that grown men and women thought we could escape the basic Europeanness of our situation through trade deals with Australia and saying"buccaneering": lot.

When Trump has his anticipated meeting with Xi Jinping this week, Europe will resemble child looking up at two parents squabbling over its head.

Successive generations of European leaders deserve all the criticism in the world for letting the continent become the cringing vassal that it is today. The military neglect, the preference for a "social market" over growth at all costs: these were errors, smugly made.

Just one thingcan be said in mitigation.

Geographic facts were and are against Europe. The unequal distribution of certain resources around the world was going to tell in time. Better decisions would have softened the problem (Britain and Germany should have copied the French embrace of nuclear power, for example) but only up to point. In the end, even if the human element had been first-class, the terroir was bleak.

theguardian

The UK bond markets have become a political trap that strangles public spending. But there's a way out

Sahil Dutta

Wed 29 Oct 2025 15.49 GMT

More than three decades ago, James Carville, political adviser to Bill Clinton, made what became a famous quip about the power of bond markets to "intimidate everybody". Clinton had entered office promising to transform the US's infrastructure, only to be told that big public spending would spook investors, drive up borrowing costs, and sink his presidency.

Today, if there is one thing that Britain has in common with Clinton's US, it's that the bond markets loom large again in political discussion. Clinton shelved large-scale investment plans and slashed welfare in the belief that doing so would prove his economic credibility with investors. Likewise, in Britain, ever since Liz Truss's botched mini-budget, politicians have continually pointed to the risk of bond market revolt as the reason why public investment can't be afforded.

The bond markets are inarguably important. Governments and central banks support public spending by selling bonds to investors on financial markets. When those investors lose confidence, demand for bonds falls, and governments feel compelled to pay higher rates to keep investors on side. When the cost of borrowing shot up globally after the pandemic, it hit Britain particularly hard. Having borrowed significantly to bail out the banking sector in 2008 and again during Covid, the country's national debt now stands at 101% of its GDP. This imposes real constraints on public spending. But the idea of a funding crisis is overblown.

For one thing, investor demand for government debt remains resilient, and the yields – the rates government pays to borrow money when issuing bonds – are less than they were through most of the New Labour era. If the government wanted to improve living standards, it could increase taxes and borrow to invest in local government, public housing and public transport. To try to limit the impact of an adverse bond market reaction, a supportive Bank of England could use its own balance sheet to buy up government debt itself. By increasing the demand for government bonds, yields overall could be contained.

This is all to say that governments have choices about how they respond to the bond markets, and these choices are guided by politics, rather than cold economic necessity. If the Bank still had to raise interest rates and hit leveraged investors and mortgaged homeowners with higher costs, other interventions – such as adjusting price caps on utilities and introducing rent controls – could mitigate the broader impact. Whatever path the government and the Bank take, there are winners and losers. The point is that who benefits is a political choice – not market diktat.

At the moment, Labour and the Bank seem to have made their choice: contain public investment, keep growth of disposable income in check, and hope to lower interest rates. Ironically, this approach may be intensifying bond market pressure. Take Labour's fiscal rule. While Labour believes this is a means of reassuring investors, it actually creates uncertainty for them. Twice a year, the government has to show it is on track to keep its promise that current spending will be matched by tax revenues, and debt will be falling as a proportion of GDP, which leaves the government having to make kneejerk changes to tax and spending when forecasts change.

It's a similar story with tax. The stronger a country's tax base, the more secure and desirable its bonds are to investors. Since publishing its manifesto, Labour hid behind the fanciful idea that growth would naturally increase tax revenues, so that redistributive taxes wouldn't be needed. The government is now facing up to a reality where GDP has grown just 0.7% over the last year. This is an opportunity to substantially overhaul the tax system, reducing the government's need to borrow on the bond market and providing the basis to repay when it does.

Another underlying problem is that we've come to see central banks as institutions that are insulated from democracy or people's everyday needs. Instead, we think of them as institutions that exist primarily to keep financial markets happy. This is inherent to the design of the Bank. Shortly after the Bank was given formal independence to set interest rates in 1997, an independent Debt Management Office started to handle the issuing of national debt. This was justified, again, in the name of the bond markets. It embedded the idea that governments had the power to tax, but not the power to shape the terms on which public spending is financed.

It's worth remembering that this wasn't always the case. From the 1930s into the 1950s, the Bank worked with the government to restructure the national debt and lower the interest payments the government faced on its war debts. The national debt was far higher than it is now, but a so-called cheap-money policy engineered by the Bank and the Treasury supported the war, and helped Labour rebuild the country once it was over. This approach continued well into the 1970s. More recently, the Bank bought up vast holdings of government debt to support Covid bailouts, again demonstrating how closely debt management is tied to government policy.

Acknowledging that public spending is a political choice taken by governments, rather than one dictated by remote financial investors, is especially important now. The poorer 40% of households in the UK are set to see their living standards fall substantially through this parliament. Public investment is one urgent part of reversing that trend, but it will be far harder to do without fixing the foundations of public finance.

There's nothing to stop the government and the Bank from working together in the service of national renewal, and there are plenty of places where this could start. At present, the Bank is costing the government around £20bn a year in its handling of public debt, partly because of the interest it pays to private banks on the reserves created during quantitative easing, and partly because it is now selling those government bonds back into the market at a loss (these sales also risk pushing up yields).

The government could change the rule that leaves it liable for losses the Bank makes on interest payments and bond sales, or it could claw back some of these costs with a tax on banks' windfalls. The Bank, meanwhile, could pause bond sales when they are loss-making. Carville had another notorious line: "It's the economy, stupid!" A truly healthy economy will come from a government taking responsibility for delivering meaningful change, not evoking the bond markets to avoid it.

FT FINANCIAL TIMES

Deregulation will pour more fuel on the private credit bonfire

Brooke Masters

When walked into the ABS East conference in Miami last week, the noise was so deafening that almost walked right back out again.

Armies of finance bros from the biggest banks and private capital groups jammed ballrooms, cabanas and hallways to talk about asset backed securities. Days of frenetic haggling in hundreds of temporary cubicles alternated with nights of celebratory cocktails.

The conference, now run by the FT, has been dealmaking hub for years: it bills itself as the "most productive 72 hours in your structured finance year".

But participants agreed that the 2025 gathering, which drew a record 7,200 people, turned the dial up notch, or even three. It felt like scenes from The Big Short, which depicted the lunacy of the mortgage-backed securities market right before the These days, rising investor demand for private fixed income products has stoked competition among lenders to offer attractive loans and package them up into various forms of securities. That in turn allows companies and consumers of all stripes to borrow on generous terms, and is helping to spark a return of buyout fervour.

I am not the only getting that bubbly feel. Bank of England governor Andrew Bailey said last week that "alarm bells" are going off around the rapid growth of structured products, and JPMorgan chief Jamie Dimon has proclaimed that the recent collapses of subprime auto lender Tricolor and carparts maker First Brands are evidence of 'cockroaches" in the credit market.

The failures have uncovered complex webs of borrowing and allegations of fraud, leading Apollo chief Marc Rowan to warn that eroding lending standards are leadingt accidents".

The question is what will happen next. Global financial watchdogs want to expand the regulatory perimeter and tighten up the rules. This month, the IMF warned that US and European banks could be destabilised by their $4.5tn of exposure to non-bank financial groups. It called for heightened regulation of the private credit, private equity and hedge funds that are driving much of the lending boom.

But here ground zero of the private credit bonanza, US President Donald Trump no stranger to the ups and downs of the credit cycle has an entirely different agenda. His administration is focused on deregulating banks rather than piling more strictures on their bank competitors.

Last week, the Federal Reserve announced plans to overhaul its annual banking stress tests to make them less onerous. US banking watchdogs are widely expected to follow up with other changes to capital and leverage rules that could unlock $2.6tn in additional lending capacity, according to consultAlvarez Marsal.

To backers, there is a logic to the Trump administration's moves. Shackling banks with high capital requirements has not eliminated risky lending.

Instead it has led to regulatory arbitrage that makes the danger harder to supervise, they say.

As the IMF pointed out, banks now lend to private capital, which uses the funds leverage investor money while making loans and buying securitised debt. In theory, the investors absorb the first losses, keeping bank deposits safe.

In reality, layers borrowing by companies like First Brands make it hard to tell who the hook and may lead tocomplacency. If banks directly, they say, they would do more due diligence and pick their borrowers more carefully.

But that comforting thought fails to reckon with another Trump administration initiative to allow ordinary investors put their money in alternative assets, which have long been restricted to institutions and the super wealthy.

Those changes are expected to channel floods of retail and retirement money to private capital groups, giving them bigger pots with which to make loans and buy asset backed securities. These retail funds will be under particular pressure to deploy capital quickly because of the way they are structured.

Some financiers are already warning of trouble ahead. "If demand exceeds supply, what is going to be the ultimate experience?" Sixth Street's Joshua Easterly asked recently. And Blackstone president Jonathan Gray has predicted the outsized returns that drew many investors to private credit will not last.

Thanks to the Trump administration's changes, both banks and private capital will be looking to do more lending at a time when the industry is already worried that underwriting standards and returns aregoing to fall. If ABS East felt frantic this year, just imagine 2026.

FT FINANCIAL TIMES

The public spending myths holding Britain back

Chris Giles

alk along the Grand Union Canal from Uxbridge in west London and you will soon stumble across one of the world's most stunning modern art installations. Constructed in pristine concrete on site, the structure arcs gently towards the north over historic waterways before divingunderground The Colne Valley Viaduct might become the UK's longest railway bridge sometime in the late 2030s if the High Speed 2 rail line starts taking farepaying passengers by then. But for the best part of the next decade-and- half at least, the magnificent structure will stand as the perfect example that boosting public investment does not raise economicgrowth.

In recent years, HS2 has gobbled up £7bn year of public money, about 0.25 per cent of GDP, and half of the additional public investment allocated in last year's Budget. In this year's spendreview, HS2 will cost taxpayers twoand half times the amount of all other rail investment put together in the 2026 to 2029 period.

They will get precious little back contrary to all the promises that public investment will boost growth. The site is deserted and its construction crowded out other private investment by increasing the UK's budget deficit. The returns in the longer term also look meagre, with Birmingham officials now hoping the city might become similar to London Zone 5 rail station. There are almost 70 existing stations in that category.

Meta studies of academic research consistently find that infrastructure projects do little for growth in the short term, but generate results in the long term, especially when the existing capital stock is poor. Economists often highlight the growth-enhancing nature of public investment, but there is an important caveat. Investment has to be productive and that is far from certain with HS2. Expensive white elephants do not boost growth.

If a bridge on the edge of London bursts one myth about public spending most commonly held on the left of politics, the wider UK experience over the past 15 years bursts another generally believed by those on the right. We regularly hear that cutting public spending is an easy way to generate durable improvements in public finances with costs.

Again, this generality does not always apply. Regardless of whether the UK's austerity of the 2010s was an economic success or not, it ended up being unsustainable with Britain facing high deficits again in the 2020s after health and public debt expenditure, but not welfare, rose sharply as a share of national income.

Anyone thinks large public ing cuts are easy should read an honest paper from Policy Exchange, the right of centre think-tank, which outlined path toreduce the share UK spending in GDP by 3 percentage points, bringing it backdown The paper proposed freezing the state pension for three years, then abolishing the triple lock and raising retirement age to 70 for everyone under 55. Pensioner benefits such as winter fuel, free prescriptions and free bus passes would be withdrawn for all but the poorest.

For the working age population, it suggested a £20 charge for all medical appointments, a removal of childcare subsidies, cuts to disability benefits, a freeze in all welfare payments for three years and the removal of universal free school meals for young children. The current Labour government failed to get parliamentary support for just one of these measures, so cannot see any UK government this path.

Let's not fall for these myths about public spending. Investment is a long game that does not transform the immediate growth outlook and spendcuts are difficult. Anyone suggesting the opposite is not serious about improving the public finances.

The Economist

France’s finance minister on how to pass a budget

Oct 30th 2025

In 2023, despite strikes that ran for months and left rotting rubbish piled in the streets, Emmanuel Macron held firm and pushed through a pension reform that raised the legal minimum retirement age from 62 years to 64. For the centrist French president re-elected the previous year, it was a landmark achievement, though modest by European standards: an attempt to get the French to work longer, raise the employment rate, and show that the country was serious about fixing its shortcomings. Today, as a new government struggles to put together a budget for 2026, and to the dismay of many centrists, the pension reform has been suspended. In an interview with The Economist on October 28th, Roland Lescure, the new finance minister, argues that “It’s the price of compromise and it’s the price of political stability.”

If France were more like Germany, says the minister, “we would have gone away for a week, locked ourselves in a room, and probably come out with 200 pages of a coalition government platform that would then have been easy to pass in parliament.” But France has no tradition of cross-party parliamentary compromise. So those differences are now being fought out in the fragmented lower house in order to try to pass a budget by the end of December. “We’re learning the hard way,” he says.

Because the new minority government, under Sébastien Lecornu, needs the votes of the 69 Socialists in the 577-seat lower house, the left has real negotiating clout. The Socialists want a tax on the ultra-rich too. This week deputies voted to increase taxes on multinationals and on American big tech. It all looks like a lurch to the left for the Macronist centrists, who made a business-friendly approach their hallmark.

“This will not be a socialist budget,” insists Mr Lescure. The plan includes budget savings worth around €30bn ($35bn)—less than his predecessor had pledged—including a freezing of pensions and benefits in 2026, and cuts to overseas aid, sport, forestry and other departments. Given the fragmented parliament, which has brought down two previous centrist governments over the budget, an attempt at compromise may be the only option, though there is no guarantee of success. No parties of the broad centre, the Socialists included, want a snap election: they would probably all lose seats, while Marine Le Pen’s hard-right National Rally would gain. France is on its fourth government in under a year. This instability has unnerved markets and allies, and made investors wary.

A former financier who spent nearly a decade working in Canada, before standing for election in France in 2017 as part of Mr Macron’s original centrist project, Mr Lescure knows full well what outsiders make of the messy politics. The best way to reassure investors, he argues, “is to lift those uncertainties and…show the world that we’re not just a bunch of Gauls in a village fighting tooth and nail.”

Mr Lescure insists that France will respect its pledge to the European Union to curb the budget deficit to 3% of GDP by 2029. He has pencilled in a deficit in 2026 of 4.7%, after 5.4% this year, although most economists think it will slip closer to 5%. France needs “a sound budget that doesn’t just tax and spend”, two activities at which its politicians tend to excel.

Holding this line, though, will be extremely difficult. The government’s attempt to woo the left may lose it support on the right. Not all of the left’s demands will be met. Mr Lescure is firmly against the Zucman tax, for instance, a Socialist proposal for a minimum 2% levy on individuals’ assets worth over €100m. Bernard Arnault, head of LVMH, a luxury-goods conglomerate, has said such a tax would “destroy” growth.

The trouble is that while French parliamentarians squabble about how to share out wealth, they are not debating the real economic challenge: how to generate more of it. Mr Lescure insists that the budget wrangles are not incompatible with keeping France attractive. It boasts low-carbon, nuclear-powered electricity and a startup ecosystem that has bred a home-grown AI star, Mistral. GDP growth in 2025 is expected to be 0.7%, a little better than in Germany (0.3%) and Italy (0.6%). Growth in the third quarter of 2025 outperformed expectations, at 0.5%. But instability has taken its toll. In September the Bank of France lowered its growth forecast for 2026, partly because of the impact of political uncertainty. Two rating agencies recently downgraded France’s sovereign credit rating.

Since the new government took office, the spread on French ten-year bonds over German bunds, a measure of the risk premium, has eased a bit. France, argues Mr Lescure, is “hundreds of thousands of miles” away from any “doomsday” scenario in which it needs outside institutional support. It has no trouble finding lenders, even if it is now, unusually for a sovereign borrower in a wealthy country, obliged to pay more to borrow than some of its big companies do. Markets, though, can turn fast. If they do, or parliament topples this government too, snap elections could bring the populist right to power.

FT FINANCIAL TIMES

Germany's fading economic opportunity

Editorial

This year began with renewed optimism that Germany might finally emerge from its longest period of economic stagnation since the second world war.

In February, Friedrich Merz, leader of the centre-right Christian Democratic Union, won federal elections after campaigning on a pledge to revitalise Europe's largest economy. His coalition with the centre-left Social Democratic party promised a more functional government than the fractious one it replaced. In March, Germany's parliament approved plans to ease the constitutionally enshrined "debt brake", allowing the government to establish a €500bn fund to rebuild infrastructure and increase defence spending. But several months on, the early hope of rapid economic renewal is beginning to fade.

Germany's economy remains sluggish. After shrinking in the past two years, the IMF expects the country to eke out 0.2 per cent growth this year the slowest rate among major advanced economies. Unemployment has inched since January to nearly 3mn, its highest level in 14 years. Industrial production dropped sharply in August. Business leaders are growing impatient and increasingly doubt Merz's ability to deliver growth reforms.

To be fair, the chancellor only took office in May and the 2025budget setting out the government's spending plans was approved just last month.

It takes time to identify worthwhile infrastructure investments and begin construction.

Still, there are valid concerns about Merz's start. For one, scrutiny of the government's budget suggests that part of the funding earmarked for infrastructure is being diverted to cover day-today spending. There is scepticism about the state's capacity to deploy money swiftly or to direct it towards productivity-enhancing projects. Higher defence spending beyond research and development may also do little for susgrowth.

The chancellor's promised "autumn of reforms" has disappointed. So far, the focus has been on the welfare system.

Done well, reforms can cut employer costs, move more people off benefits and into work, and slash government outlays. But Merz's efforts have been criticised for tinkering at the edges, in part because his ambitions have been reined in by his SPD coalition partners.

Businesses now fear that coalition wrangling will weaken the broader agenda for structural reform.

The larger problem, however, is that the government's efforts have not been ambitious enough in countering the immediate obstacles facing Germany's private sector. US President Donald Trump's tariffs and China's state-sponsored overproduction have eroded Germany's edge in manufacturing, which still accounts for one-fifth of the country' gross value added. Measures to further reduce energy costs, cut red tape, encourage investment in new technoloand attract skilled international talent would all help. Pushing for a more effective EU internal market would also expand German businesses' access to finance and opportunities scale.

To turn hope into genuine recovery, Merz must use Germany's newfound fiscal firepower wisely and resist piecemeal reforms. Above all, his agenda ought to focus more on strengthening German industry's agility and innovation, amid rising external pressures.

Much is ridingo his success. The chancellor himself concedes that his government is the centre's last chance to halt the rise of the far-right Alternative for Germany. And as France grapples with instability, Europe needs its largest economy to lead. A sharper economic response is essential if the optimism of Merz's early days as chancellor is not to provea false dawn.

The Economist

China's secret stockpiles have been a great success—so far

Oct 26th 2025

Seen from the skies, China's Dongjiakou oil storage looks like a tray of god-sized cake tins. As fuel fills up the tanks, their floating roofs rise, turning the containers into panettone-shaped domes. And lately the bakers have been busy. Some 10m barrels of crude have been added since early December, taking the total to 24m. The state-owned facility—the largest of its kind on the Chinese coast—is barely two years old. It is already 56% full.

China's craze for crude is part of a grander plan. Since early 2024, when it became clear that Donald Trump might return to the White House, officials have stockpiled fuel, food and metals to limit exposure to sanctions and tariffs. Those measures accelerated and broadened after Mr Trump slapped high duties on Chinese goods in the spring. By strengthening China's hand, they may have helped secure more favourable terms in the trade-war truce announced by Mr Trump on October 30th.

Some see China's scramble as a symptom of paranoia; perhaps even preparation for an invasion of Taiwan. Whatever the motive, the campaign is making China harder to bully. Yet there are drawbacks, too. As the world's largest importer of commodities transforms global markets, it is wasting money, creating dependencies and exposing itself to new risks.

Hard power

China has good reason to fret about its energy supply. Despite booming electric-vehicle sales, it will need 16m or so oil barrels a day (b/d) for years—three-quarters of which it must import. Its purchases of natural gas have tripled over the past ten years as urban heating and fertiliser plants demand more. And it imports 500m tonnes a year of coal, which fuels 60% of its power.

Although China is one of the world's mineral-refining centres, it imports 88% of the iron it bakes into steel; it is short of bauxite, the underlying ore for aluminium; and its smelters ship in 88% of their raw copper. It needs cobalt, nickel and lithium to make batteries. And as incomes have risen and diets have changed, its food imports have soared, too. It buys four-fifths of the 120m-140m tonnes of soyabeans it feeds to its 430m pigs and 70% of the edible oil it blends into processed food. No other country imports so many cows.

Chinese officials are discreetly pulling three levers to reduce these vulnerabilities: to boost domestic production, build stockpiles and diversify imports. The domestic-production campaign began in 2019 when Xi Jinping, China's supreme leader, launched a seven-year scheme to develop domestic oil and gas resources. This scrapped taxes and spurred investment. Defying predictions of decline, China's oil output has risen from 3.8m b/d in 2019 to 4.4m b/d. Its gas production is up by half.

This year, with oil prices low, Chinese energy firms have trimmed spending abroad. But not at home, where they are doubling down on ambitious projects. Gas production is expected to rise by 3-6% this year and next. Oil output will remain near record highs. Even filthy coal is back in fashion. In May China's energy-planning body called for a batch of new mines. And in September eight government bodies released a two-year plan calling for exploration to find new supplies of ten metals, including cobalt, copper and lithium.

New projects can take years to complete. In parallel, therefore, China is building bigger reserves—its second lever. This is clearest in oil. Since early February China's observable stocks grew by 110m barrels, to a record 1.2bn, reckons Kayrros, a data firm—triple the size of America's reserves. A law passed in January requires all energy firms to hold strategic stocks. China has been a keen buyer from Iran, Russia and Venezuela, all subject to American sanctions; exports from the trio to Qingdao, Shandong's largest port, hit 590,000 b/d in September, a record. Although on October 23rd Mr Trump threatened sanctions on countries buying crude from Russia's biggest oil firms, the impact remains uncertain: many Chinese refiners do not rely on the dollar system.

There is scope to keep buying. China's storage capacity of 2bn barrels is only 58% full, and more will be built next year. Should the country stockpile at today's rate, as traders expect, it could have 1.5bn barrels by next year, enough to cover 140-150 days of imports. China also wants to stash more gas. It has just 30bn-40bn cubic metres (bcm) in reserve—less than 10% of its annual demand—partly because of limited space. In July its largest storage facility, buried kilometres underground, added a 700m-cubic-metre reservoir. At the same time, it is building super-sized tanks to house liquefied natural gas (LNG).

Within China, talking about the country's metal reserves can land you in jail. But analysts detect change there, too. Tom Price of Panmure Liberum, a bank, notes that imports have soared even though China's metal-hungry industries have slumped. He estimates that stocks built in the past 20 months are sufficient to cover 20%, 50% and 108% of its annual demand for copper, zinc and nickel, respectively.

Yet some resources are too scarce, perishable or voluminous to be stored at scale. Hence China's efforts to diversify supply—its third lever. Since 2022 Russia has been trying to get China to buy more gas. And on October 23rd China received its 11th shipment from Russia's Arctic LNG 2 project, once frozen by sanctions. It will take a record 38bcm of gas in 2025 via a pipeline from Russia; it could receive another 50bcm if and when Power of Siberia 2, a mega-pipeline Russia says China agreed to in September, is completed. China is also buying more from Malaysia and Qatar.

Meanwhile, China is increasing investment in foreign mines and infrastructure. In May it began building a railway to move more coal from Mongolia. Its copper firms have gobbled up nine foreign rivals since 2024; the three deals this year are bigger than the previous six combined, according to CRU, a consultancy. A Chinese company is in talks to buy much of the grid in Chile, which holds the world's largest reserves of copper and lithium. China's nickel miners are expanding in Indonesia even though the metal's price is at rock bottom.

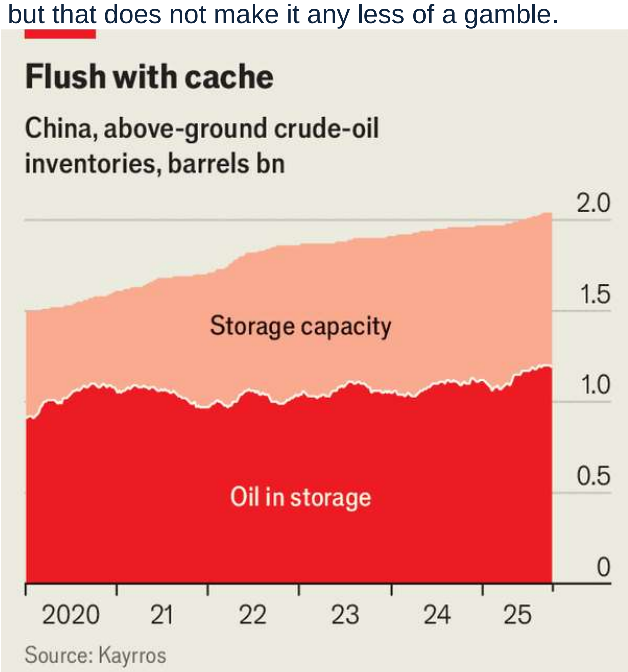
Most striking is the effort to ditch American soyabeans. They accounted for a quarter of China's imports last year but have been subject to a 20% tariff since April. Before the trade truce China had purchased only one cargo from America's recent harvest. Instead, it is buying record amounts from Brazil and lots from Argentina. On October 30th Mr Trump said China had agreed to import "tremendous" amounts of American soyabeans. China has not provided details.

Reap what you sow

Regardless of the latest trade-war developments, China's commodity campaign is transforming not just Chinese markets but global ones. It is becoming the world's swing supplier of gas, reselling LNG cargoes when prices are high and reducing the clout of big exporters. Its vast, opaque stocks make prices even less predictable. And its covert purchases of Russian oil and now gas allow a clandestine shipping and financing industry to thrive.

These changes are largely to China's benefit. But its scramble for supply has drawbacks. For one, it is expensive. China is loading up on oil ahead of an expected glut. Since many analysts expect a barrel of crude to be $10-20 cheaper next year, China may be wasting billions of yuan a month. Its refiners are also securing copper at an enormous loss. The "treatment" fee they usually charge miners to process ores has turned deeply negative—a feat enabled, traders suspect, by cheap state loans. Brazil has been selling soyabeans to China at a hefty premium.

And in concentrated markets China is swapping one dependency for another. According to a NATO expert, its pool of food suppliers is less diverse today than a decade ago. It is vulnerable to poor weather, political storms or economic turmoil in Brazil, now its chief source of meat, oilseeds and sugar. The stockpiling strategy may have been successful so far, but that does not make it any less of a gamble.



Javier Milei has won a fresh mandate to remake Argentina

Oct 27th 2025

IN THE END it was a landslide. The party of President Javier Milei, Liberty Advances (LLA), won Argentina's midterm elections with almost 41% of the vote. The Peronist opposition, including the main party and its regional allies, trailed by nine percentage points. LLA even won in Buenos Aires province, where they were trounced in a provincial vote in September. The resounding win far surpassed the expectations of pollsters and markets, which clustered around a draw or perhaps a modest victory for Mr Milei. "Today we pass the turning-point," the president told cheering crowds on election night. "Today begins the construction of a great Argentina."

The result gives a jolt of energy to Mr Milei's radical reform programme, which has been faltering this year. He now has an opportunity to reshape Argentina's economy with sound macroeconomic management and free markets. Crucially, he has the numbers in Congress to defend his presidential vetoes, thereby preventing the left-wing opposition from forcing through big spending on their own priorities. That renews the credibility of his impressive fiscal discipline.

Yet the triumph comes with caveats. Turnout of 68% in a country with compulsory voting is the lowest since 1983. That suggests many voters remain unenthusiastic about Mr Milei. The peso rose sharply after results were announced but has quickly given up most of its gains. Above all, Mr Milei is still short of the number of seats that he needs to pass laws that tackle big economic problems such as those relating to tax and pensions. He is in a stronger position, but must negotiate skilfully.

Since he took office in late 2023 Mr Milei, a political outsider and irascible libertarian, has pulled inflation precipitously down, in part by making huge cuts to spending. Poverty has fallen sharply, too. Yet his chances of a big victory looked to have waned as he battled corruption scandals, the economic recovery stuttered and the peso, which he had tried to keep artificially strong, came under heavy pressure. In the weeks before the election the Trump administration stepped in to support the currency, which was threatening to crash out of the exchange-rate band in which it had been allowed to float. The United States stumped up an extraordinary $20bn swap line and made direct purchases of pesos worth perhaps $2bn.

This victory moves Mr Milei's government past a period of deep uncertainty. LLA ran up big scores in the interior of the country, where it was expected to do well. In Buenos Aires province, where LLA enjoyed a 15-point swing from September, the message that this was a choice between Peronism and Mr Milei seems to have resonated. Even those lukewarm on the president seem to have concluded that, above all, they fear the spendthrift opposition.

Markets celebrated wildly. Dollar bonds due in 2035 leapt by 13 cents to around 70 cents on the dollar (see chart). A local stock market index shot up by over 20%. Investors are now much perkier about Mr Milei's chances of re-election in 2027.

By comparison, despite an initial surge, the peso rose by only 4% after the first day of post-election trading, and then weakened further. The government needs urgently to accumulate foreign reserves to pay back at least $20bn of its debt that is due in 2026—and the very act of buying dollars would usually weaken the peso. Moreover, many economists think the peso looks overvalued relative to the fundamentals of the economy.

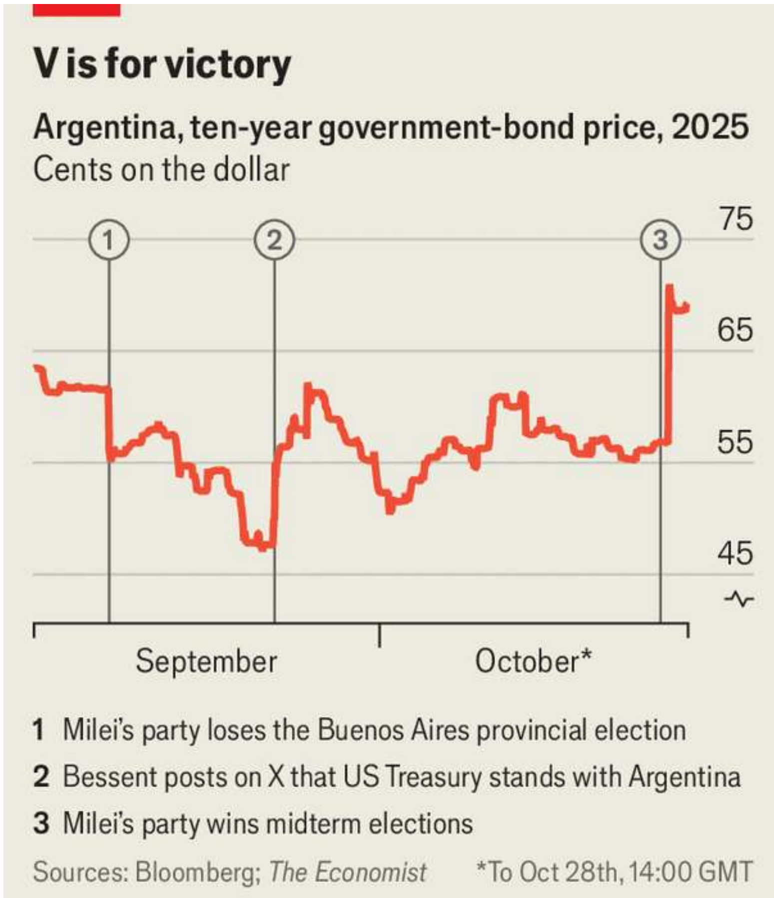
Given Mr Milei's unexpectedly strong position, now seems the perfect time to fully float the peso and target inflation using normal monetary policy. That would reduce the chances of future trouble with the currency and make it easier to accumulate reserves, all without much risk of an immediate inflationary lurch. But prior to the election the government insisted it would not change the exchange-rate regime. The band within which the peso floats is widening marginally each month, though inflation is running higher which, in effect, negates the widening. Markets suspect the system may have to change.

Scott Bessent, America's treasury secretary, will surely feel vindicated. The $20bn swap line will probably stay in place. After the result Mr Bessent hinted that support from the United States would now be more limited. With debt payments looming, the market would certainly prefer otherwise. Investors also wonder whether he may push for changes in Mr Milei's approach, particularly on the exchange rate and monetary policy, or perhaps seek a payback in some other form for the extraordinary support that surely contributed to Mr Milei's resounding victory.

Beyond accumulating reserves to pay back debt, Mr Milei's other big challenge is structural reform. His priorities include cleaning up the byzantine tax system, liberalising the labour market and perhaps overhauling pensions. All of these require a majority in both the lower chamber and the Senate. With only half the lower chamber and a third of the upper one renewed in this election, Mr Milei still does not have the numbers, so he must build coalitions. This has not previously been his strong suit, but the big win will help. Plenty of legislators who might have opposed him will now consider it wise to make deals with the strengthened government.

Mr Milei, who frequently and graphically insults Argentine politicians, may also be changing his tune. He has softened his abrasiveness in recent months. His victory speech suggested that he understands his need for partners. He said he was willing to work with any party with which he has "points of agreement". As The Economist went to press, he was about to meet the provincial governors, a powerful lot.

Election years in Argentina often bring financial and political mayhem. Mr Milei himself will be up for re-election in 2027. Ominously, since 2009 the party that wins the midterms has lost the subsequent presidential elections. Reforms that boost growth and create jobs are his best chance to buck that trend. The earlier he can propose such reforms to Congress the better. There is no time to lose.



Bloomberg

Forget Gold. Aluminum Is the Real Metal of the Moment.

October 29, 2025 at 10:30 PM CST

By Javier Blas

It lacks the effervescence of copper and the geopolitical allure of rare earths – yet aluminum is the metal of the moment. Key to modern life and everywhere in the global economy, it's entering a make-or-break phase: Either the world is sleepwalking into a supply crisis or further into the hands of China. Or, more worryingly, both.

The background is unsettling: Aluminum is trading at a three-year high, near $2,900 per metric ton. Although still far from the record, the current price is historically elevated, in the 5% top end of the 1990 to 2025 price range1. Look at annual averages, and this year is heading to the fourth-highest ever.

With political leaders' attention firmly on copper and the likes of germanium and rare earths, aluminum hardly attracts headlines. Still, it's truly crucial for the global economy. Planes and iPhones, window frames and soda cans, electric cars and appliances all depend on it. One can hardly imagine any further electrification without the greyish metal. With an annual consumption value of nearly $300 billion, it's the largest of all non-ferrous metals. Only steel, a ferrous metal, is more widely used.

Compared to other commodities, aluminum compounds such as bauxite are copious in the Earth's crust. But producing the metal in its pure form used to be such so complex and expensive process that until a century ago it was considered a precious metal. Napoleon reserved aluminum cutlery for his most important guests. When the Washington Monument was completed in 1884 in the US capital, it was capped with a 100-ounce aluminum pyramid; at that time, the metal was more expensive than silver. Only two years later, a new refining system was invented, and aluminum become commonplace.

Still, there's a catch. Producing aluminum is a massively energy intensive process, so much that the metal is often known as "solid electricity." To produce a ton of aluminum, smelters require the same amount of electricity that five German homes would consume in a year.

China Dominates Aluminum

Beijing accounted last year for nearly 60% of the world's aluminum output after a blistering 25-year expansion of its domestic smelting industry

The setting has all the elements for a squeeze. First, demand remains robust, rising every year by about 2-3 million tons. Second, production – notably in Europe – is struggling due to expensive electricity. Despite high aluminum prices, smelters are shutting down in many countries as long-term cheap electricity contracts end. Third, global inventories are historically low. And fourth, with copper prices at an all-time high, there's a clear incentive to substitute the red metal with aluminum wherever possible.

Unless incremental supply comes from somewhere or an economic crisis cuts consumption, something will have to give. The market is bitterly divided. The bulls see aluminum sleepwalking into structural shortage, with prices climbing toward a record high of $4,000 in a couple of years; the bears anticipate that Chinese companies would manage to produce more, and aluminum would ultimately trade lower.

The key is Indonesia, where top Chinese companies are now erecting the smelters they can't build at home due to the cap. With plentiful coal, cheap labor, copious aluminum feedstock and little regard for climate policies, Indonesia is now a construction site for the likes of Tsingshan Holding Group Co., China Hongqiao Group Ltd. and Shandong Nanshan Aluminum Co. It echoes a similar Chinese move in the nickel market a decade ago and that transformed Indonesia into a top producer.

If all the new smelters come into production, Indonesian output may rise fivefold by 2030, transforming the country into the world's fourth-largest producer, behind only China, India and Russia, and keeping the global market well supplied. On top, Chinese companies are also building aluminum smelters in Angola, using hydropower as their electricity source. But past performance in nickel does not guarantee future results in aluminum.

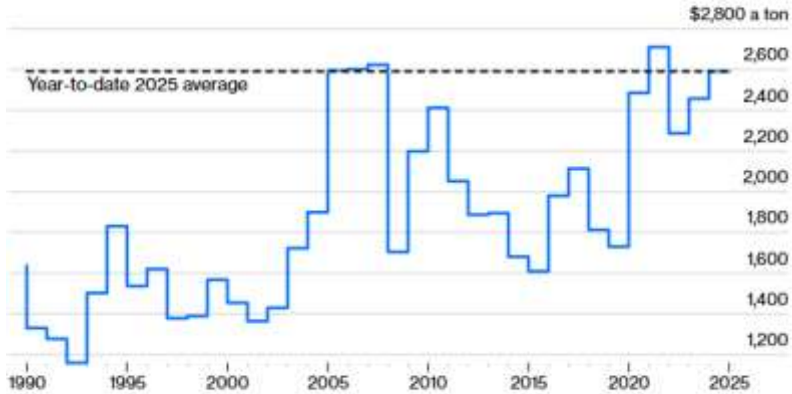
For one, the cost of building an aluminum smelter in Indonesia appears to be higher than in China, slowing down the expansion. And the Chinese companies aren't bringing into Indonesia a technological advance that would change the metallurgy of aluminum in the same way they did for nickel. Indonesia clearly would become an important supplier – but it's far from certain that alone it can replace the role that China has played since 2000 balancing the market.

For the bulls, the bigger risk is that Beijing caves and lifts the cap – or creates enough loopholes. For example, China could exclude smelters running on green electricity, including those using hydropower, from the ceiling. Or it can allow existing plants to run harder, pushing up electricity flows without physically expanding the production lines.

The world faces a binary outcome: Either higher aluminum prices, spilling over the global economy, or a higher reliance on Chinese companies. Perhaps there's a third outcome – and one that I think is most likely: We get higher aluminum prices but perhaps not as exuberant as the bulls are betting on, while Chinese output, via Indonesia, also increases, but not as much as the bears hope.

A Quiet Price Boom

Although aluminum spot prices remain well off the all-time high, its year-to-date average is elevated, heading toward the fourth highest since 1990



Source: LME

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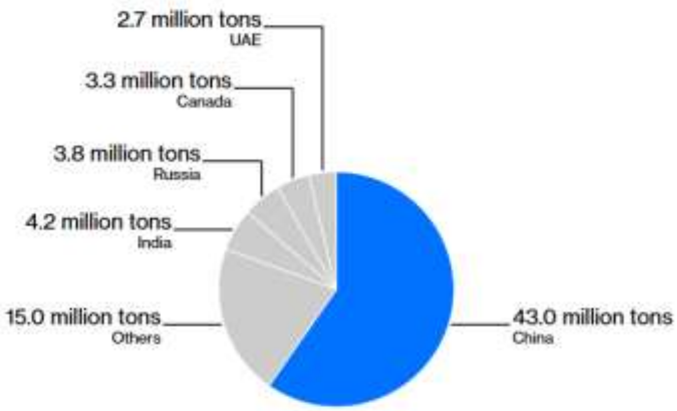
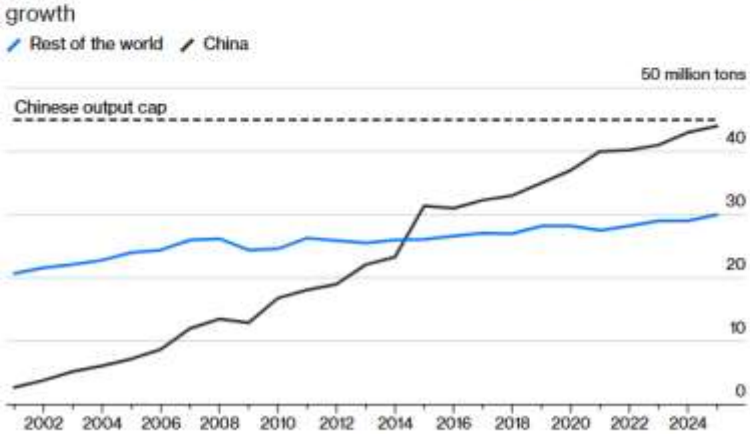


Source: US Geological Survey
Note: Production measured as primary aluminum, excluding scrap

China Reaches Its Limit

Chinese primary aluminium production is bouncing against its self-imposed limit of 45 million tons, leaving the world short of its main supply growth



Sources: US Geological Survey and Bloomberg Opinion