The Bottom Line



The Bottom Line wraps up the week, highlighting key events and data releases for the upcoming one.

A week of trade talks, elections and energy markets

2 October 2026

Investors will be focussing on EU-China trade talks, Brazil's closely contested presidential election, Poland's rate decision and OPEC+ policy. Trade frictions, political uncertainty, and Middle East tensions are still key risks, while central banks are likely to remain cautious.

TOP STORIES OF THE UPCOMING WEEK

1 **EU-China trade consultations: imbalances raise the stakes**

EU-China trade talks are heading for a key test. On 8-9 October, EU Trade Commissioner Maros Sefcovic and Chinese Commerce Minister Wang Wentao meet in Beijing for the next round of Trade and Investment Consultations, following intensive technical talks since June. Brussels wants tangible progress on three fronts: action on trade imbalances and Chinese overcapacity; better access for European companies to the Chinese market and faster, more predictable export licensing for rare earths, permanent magnets and other critical inputs. The pressure is mounting: the EU's goods trade deficit reached about EUR 370bn in 2025 and already exceeded EUR 200bn in the first half of 2026. Beijing, meanwhile, is pushing back against tougher EU trade-defence measures. The October trade talks are therefore less about a grand bargain than about showing progress. Even modest results would probably keep the dialogue on track, while a vague communiqué would intensify pressure for tougher EU action and Chinese countermeasures.

2 **Narrow margin between Lula and Bolsonaro ahead of presidential election**

On Sunday, voters in Brazil will head to polls for the first round of the presidential elections, with the second round taking place on 25 October. Brazilians will also vote to elect state governors and members of the National Congress. The two favourites are the incumbent president Luiz Inácio Lula da Silva of the Workers' Party and Flávio Bolsonaro of the Liberal Party and son of the 38th President Jair Bolsonaro (2018-22). Polls indicate that Lula's lead over Bolsonaro has been shrinking over the last few months, and most polls place the two candidates within the margin of error in a potential second round. Fiscal metrics have deteriorated in Brazil over the last few years, with the country underperforming peers in terms of economic growth. The upcoming elections will have implications not only for domestic politics but also for Brazil's positioning on the global chessboard, amid a growing US-China rivalry in Latin America. For further insights on this topic, see our *Long View* – Brazil elections amid US-China rivalry in the Western Hemisphere.

3 **NBP rates on hold**

Next week, we expect the NBP to keep its policy rate unchanged at 3.75%. Since the summer, the NBP has stepped away from its dovish bias, citing fiscal risks and higher energy prices. Nevertheless, rate hikes are unlikely unless inflation remains above 4% for a prolonged period. Inflation rose to 4% in September and should stay close to that level until spring before easing towards 2.5% by end-2027, mainly due to favourable energy base effects. Core inflation is expected to remain near 3%, while food prices may add pressure. Provided energy prices moderate next year, the current inflation pickup should prove temporary. Together with an expected slowdown in growth in 2027, this should allow the NBP to keep rates unchanged throughout next year. Higher energy prices for longer would increase the likelihood of rate hikes.

4 **OPEC+ to hold steady as Iran conflict continues**

OPEC+ is expected to leave production quotas unchanged in November, while persistent supply disruptions and capacity constraints among some members suggest that future headline quota increases may not fully translate into physical barrels. The group has largely completed the formal unwinding of its 2023 production cuts, but actual output remains below targeted levels in several countries. Recent data indicate that Gulf crude exports recovered in September, partly reflecting higher Saudi loadings from Gulf terminals and increased flows through the Strait of Hormuz, although broader regional energy flows remain disrupted. Meanwhile, renewed mediation efforts have yet to break the US-Iran stalemate, with the two sides still divided over sanctions relief, the nuclear issue and conditions for restoring passage through the strait. With no significant de-escalation in the Iran conflict currently in sight, geopolitical risk is likely to continue to support oil prices in the near term.



QUOTE OF THE WEEK*

"Central banks cannot wait for these effects to materialise."

Isabel Schnabel, Member of the ECB's Executive Board

*Not an endorsement.

WHAT WE ARE READING AND LISTENING TO

Financial strain adds to Brazil's economic slowdown ›

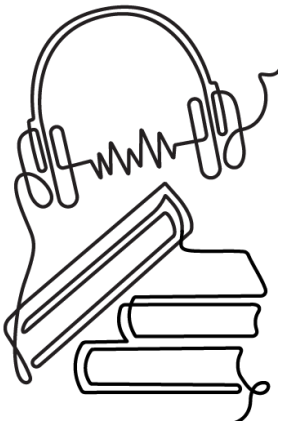
This Valor International article discusses how high interest rates, domestic fiscal pressures and rising global yields are keeping financial conditions tight in Brazil, contributing to a slowdown in economic activity.

IEA Oil Market Report – September 2026 ›

This report highlights a sharply tightening oil market: global inventories are falling; Gulf supply disruptions are constraining production and crude prices have surged. The IEA warns that shrinking market buffers could keep energy prices elevated and sustain inflation risks into 2027.

Trump-Xi Summit Wraps ›

In this Bloomberg podcast, **Jennifer Welch**, Chief Geoeconomics Analyst at Bloomberg Economics, highlights the contrast between the positive tone of the meeting and the lack of concrete policy outcomes. The discussion also broadens the focus to oil markets and wider global geopolitical tensions.



DATA AND EVENTS CALENDAR

Date	Country	Data	Period	UniCredit	Consensus	Previous
4 Oct	BR	Presidential, legislative, and state elections (first round)	-	-	-	-
4 Oct	-	OPEC+ meeting	-	-	-	-
7 Oct	PD	NBP announces key rate (%)	-	3.75	-	3.75
8-9 Oct	-	EU-China trade consultations	-	-	-	-

Source: Bloomberg, The Investment Institute by UniCredit
Note: A detailed calendar is available here: Calendar.



FORECAST TABLES

- Economics
- FI
- FX
- Risky Assets

IN CASE YOU MISSED IT THIS WEEK

Date	Title	Author
02 Oct	Coffee Break › US labour market: not too hot, not too cold	Marco Valli
01 Oct	Coffee Break › Brazil elections kick off a busy political autumn	Francesco Maria Di Bella
30 Sep	Coffee Break › Credit spread volatility to remain contained	Dr. Stefan Kolek
29 Sep	Coffee Break › Eurozone banks: portfolio diversification continues	Francesco Maria Di Bella
28 Sep	Coffee Break › Software stocks regain momentum	Tobias Keller
28 Sep	Primary Market Focus › Weekly Supply Preview – Italy offers new BTP Feb32, the Netherlands new DSL Jan48	Francesco Maria Di Bella

Authors
Francesco Maria Di Bella, FI Strategist (UniCredit, Milan) francescomaria.dibella@unicredit.eu
Mauro Giorgio Marrano, Senior CEE Economist (UniCredit, Vienna), mauro.giorgiomarrano@unicredit.eu
Tobias Keller, Investment Strategist (UniCredit, Munich), tobias.keller@unicredit.de
Dr. Andreas Rees, Chief German Economist (UniCredit, Frankfurt), andreas.rees@unicredit.de

Editors
Chiara Silvestre, Economist (UniCredit, Milan), chiara.silvestre@unicredit.eu
Christian Stocker, Lead Equity Strategist (UniCredit, Munich), christian.stocker@unicredit.de

UniCredit S.p.A.; The Investment Institute by UniCredit, Piazza Gae Aulenti, 4, I-20154 Milan
www.the-investment-institute.unicredit.eu

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