The Poon Report

News Summary

The big story over the weekend is that Russia to supply hundreds of thousands of tons of diesel fuel to the US. This is a major policy shift. Last month, Trump signed into law a bipartisan measure intended to squeeze the biggest importers of Russian oil and gas. Trump said Putin agreed that his country would supply over 300k tons of diesel fuel into the US and global markets, another 500k tons in Nov, and 1mio "immediately thereafter."

Following Zelensky's criticism, Trump thinks it's time for Ukraine to get a new president. He said Zelensky "wants to make problems for the world" by continuing to authorise attacks on Russian refineries.

Steve Witkoff and Jared Kushner raised the possibility that intelligence sharing could be cut off if Kyiv did not heed Washington's warning to halt the strikes.

Does this deal matter? Barron's Online wrote the import amounts Trump announced just aren't enough. It is unlikely to have much of an immediate effect on retail diesel prices, at least not yet. It's a drop in the bucket.

WSJ revealed that the new supplies from Russia, if they were all released simultaneously, would plug the gap for about three weeks. Ukraine's Zelensky warned that any easing of sanctions on Russia would play into Putin's hands.

Energy experts expressed doubts that a boost in diesel supply from Russia will have a significant impact on oil prices, whether in the US or globally. If US does get diesel from Russia, basically it means that their existing customers are not going to get it and they'll have to go somewhere else, and that will keep the price basically where it is now.

Katy Balls pointed out that Russia's initial offering, which equates to about 2.2mio barrels of diesel, is a drop in the ocean: the US consumes 3.6mio barrels of diesel every day.

Meanwhile, Rep. Fitzpatrick vowed to force a House vote to block Russian oil purchases, challenging Trump's diesel deal with Putin. He said he would introduce the "Ronald Reagan Peace Through Strength Act" and force a vote through a discharge petition.

Watch the oil futures when markets reopen. A third attack this week on Riyadh's international airport on Saturday left at least 12 people dead and more than 300 wounded, and the Iran-backed Houthis have claimed responsibility.

The wave of attacks now threatened to overshadow Saudi Arabia's flagship "Davos in the desert" event and a major energy conference in Riyadh.

Is AI killing jobs?

Anthropic's Dario Amodei contends AI will halve entry-level white-collar work by 2030. Bill Gates warned that in a decade without the right policies, there will be far fewer jobs than exist today. Economists are sceptical; they do not see a future without jobs, but they do see scope for rapid, disruptive change in the nature of work, with no guarantee that gains from the technology will be evenly shared. Rob Minkoff, co-director of The Lion King has said it will take vastly fewer workers to create his new AI-assisted film, fuelling fears that the technology will eliminate Hollywood jobs. Animation is considered particularly vulnerable because generative tools can perform tasks that previously required teams of artists.

There are various arguments relating to AI killing jobs across the global economy. International Quant Championship, took place in Singapore, offered a real-time insight into how the hedge fund industry is being upended by AI. Quant funds have been one of the biggest beneficiaries of the rise of AI in recent years, recording huge gains in recent weeks from gyrations in global government bonds.

In my opinion, AI should improve human workers, not replace them.

Last week, Sam Altman's AI lab shared a revenue figure with investors that was $20bn lower than what was widely reported to be the case in September. The confusion is a real problem, because when OpenAI sneezes, the entire market catches a cold.

Over in China, the groundbreaking land-renewal policies recently announced in Guangzhou and Shanghai represent a step forward in stabilising China's commercial property market and shoring up investors' confidence.

China has set ambitious new five-year targets to boost its global presence in innovative drugs, including at least five products with annual global sales surpassing US$1bn by 2030. And experts say that the goal is achievable.

Australia's inflation shock may be creating its own cure. How? As energy prices continue to rise, the economy adjusts in ways that reduce demand and ease inflationary pressure.

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The Poon Report

World News

Saudi flagship summits under pressure after deadly airport attacks

Taken from FT Saturday, 10 October 2026

A wave of Houthi attacks has threatened to overshadow Saudi Arabia's flagship "Davos in the desert" event and a major energy conference in Riyadh, after six people were killed in strikes on the country's airports this week.

Executives were racing to determine whether they could still travel to the events — which typically draw the CEOs of the world's largest companies and investment banks — after the UK issued a travel warning for the region and several carriers suspended flights to Riyadh.

The latest waves of Houthi missiles struck Riyadh's international airport on Thursday, killing three Saudi citizens, including a pilot, and hitting a plane belonging to flag carrier Saudia.

The attacks come just days before the World Petroleum Council's Energy Congress, and two weeks ahead of the Future Investment Initiative conference, nicknamed "Davos in the desert", Saudi Arabia's flagship summit.

The latest strikes pose a fresh obstacle to Saudi Arabia's Vision 2030 economic transformation plan, which aimed to attract an influx of foreign investment and tourists, but has been tested in recent years by a period of low oil prices and overspending on mega-projects.

Set in the palatial grounds of the King Abdulaziz International Conference Centre, this year's FII is scheduled to feature speakers including BlackRock chief executive Larry Fink, JPMorgan chief executive Jamie Dimon, and Bridgewater founder Ray Dalio, according to the organiser's agenda.

One consultant said they had to drive almost 12 hours from Riyadh to Dubai on Thursday evening after flights stopped. Another consultant said their firm had cancelled travel to Saudi Arabia as of Friday, and a third said only partners would have clearance to go next week.

The UK on Thursday advised against "all but essential travel" to parts of Saudi Arabia, including Riyadh, which could make it hard for some banks to get insurance for staff attending the conferences.

But several foreign energy executives said they were still planning to attend next week's WPC, saying they were mindful that "the Saudis remember who their friends were in bad times".

Some senior bankers in the Middle East said they were still intending to come to FII but would not bring their usual full cohort of staff. "I think company security teams will be getting very nervous," said an adviser to a payments company.

Another senior banker said they expected fewer foreigners to attend FII, which he said would be "great for us! Less competition for face time."

(Link to article - FT)

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12 killed, hundreds injured in Saudi airport attack

Taken from SCMP Sunday, 11 October 2026

The third attack this week on Riyadh's international airport on Saturday left at least 12 people dead and more than 300 wounded, Saudi authorities said, and the Iran-backed Houthis claimed responsibility for the strike, a major escalation of their campaign against the Saudis.

The dead included four Saudis, two people from Bangladesh and one person each from the US, Jordan, Palestine, Syria, Sudan and Egypt, the Saudi civil aviation authority said. At the latest count, they said 309 were wounded.

Hospitals were flooded with wounded brought by ambulance and helicopter, people briefed on the matter said. Some were in critical condition.

Saturday's attack occurred without warning, with no alert issued by Saudi Arabia's threat warning system. This week's two previous attacks on King Khalid International Airport left four people dead and caused heavy damage to a Saudi commercial plane parked on the tarmac.

This week's deadly strikes exposed vulnerabilities in the kingdom's self-defence capabilities as it wages an air campaign against the Houthis to support a ground war by the Yemeni government against the Iran-backed group.

All flights were diverted from Riyadh on Saturday, and operations at the airport that serves a city of roughly 8mio people were temporarily suspended, the Saudi civil aviation authority said.

The head of the Houthi media office said in a post on social media after the attack that the group had "shut down Riyadh international airport".

The Houthis have said airliners should avoid Saudi airspace, declaring it a zone of military operations after the Saudi-backed Yemeni government launched an offensive against the group on Monday.

(Link to article - SCMP)

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The Poon Report

The Diesel Row

Trump Strikes Deal With Putin for Russian Diesel

Taken from WSJ Saturday, 10 October 2026

President Trump said his administration reached an agreement for Russia to supply hundreds of thousands of tons of diesel fuel, marking a major policy shift that eases pressure on Moscow over its war with Ukraine in hopes of lowering domestic fuel prices ahead of the midterm elections.

The move, which included suspending sanctions on Russian diesel exports for about six months, comes as Trump and the Republican Party are struggling to address voter worries over surging diesel and gasoline prices.

In a post on Truth Social, Trump said Russian President Vladimir Putin agreed that his country would supply over 300k tons of diesel fuel into the U.S. and global markets, another 500k tons in November, and 1mio "immediately thereafter." He added that Russia would also later deliver an additional 3mio tons of diesel "within a short period of time," based on the condition of its refineries.

Just last month, Trump signed into law a bipartisan measure intended to squeeze the biggest importers of Russian oil and gas. But the White House is trying to reengage the Kremlin on peace in Ukraine and potentially lay the groundwork for greater business cooperation between the two countries, and Friday's move signifies what could be their most meaningful coordination during Trump's second term.

Russia measures diesel quantities in tons; the volumes that Trump said it would provide over time amount to roughly 36mio barrels overall. Some refineries are offline in the Middle East and Russia, and the world is short about 1.6mio barrels of diesel per day as a result, the International Energy Agency said last month. The new supplies from Russia, if they were all released simultaneously, would plug the gap for about three weeks.

"Lower prices for Americans, especially our Great Farmers, Ranchers, and Truckers, is my Greatest Priority," Trump said on Truth Social.

After Trump's announcement, Ukrainian President Volodymyr Zelensky warned that any easing of sanctions on Russia would play into Putin's hands. "Russia will 'repay' the diesel with further terror and perfidy," he wrote in a social-media post. "Allowing Russia to sell petroleum products is an investment in a war that must be ended, not prolonged. What is needed is real de-escalation with Russia on a reciprocal basis."

In a statement published on social media after Trump's post, the Treasury Department said the Office of Foreign Assets Control, at Trump's direction, issued a temporary license to allow Russian diesel on the global market. In a filing, the office said select U.S. sanctions tied to the sale of Russian diesel would be waived until April.

(Link to article - WSJ)

Analysis: Trump's shock Russia deal highlights mounting pressure to curb fuel prices

Taken from BBC News Saturday, 10 October 2026

Trump's decision to import Russian fuel to the US represents a remarkable about-face from the president.

Just three weeks ago, Trump signed legislation to authorise fresh American sanctions and tariffs on nations that import Russian oil and gas.

Now, Trump says, Russian President Vladimir Putin has agreed to supply hundreds of thousands of tons of diesel fuel to the US and world markets in the coming months.

The deal comes as Trump is still grappling with the political fallout of the Iran war and its impact on global energy prices, weeks before American voters head to the polls in the midterm elections.

As the cost of fuel has skyrocketed in America, his standing with the public – stung by the higher prices at the pump and knock-on effects that led to across-the board inflation – has soured.

The toll the war is taking has been acutely felt by US agricultural states, which rely heavily on diesel to operate farming machinery and to transport their products to market.

It is these states – places like Iowa, Kansas, Texas and Ohio – that have become unexpected political battlegrounds in the upcoming elections that will determine if Republicans maintain control of Congress.

His decision to strike a deal with Russia's Putin is only the latest, most dramatic effort.

It opens Trump to criticism from European allies and American politicians that his administration is now helping to fund the Russian war machine.

Ukrainian President Volodymyr Zelensky called the deal a "gift" to Putin that Russia would "repay" with "terror and perfidy".

It is also uncertain exactly how much Trump's move will help Republicans at the ballot box.

The promised European diesel release hasn't moved energy prices significantly, and there's no information on the speed with which Russian fuel could enter the market.

The US uses approximately 3.6mio barrels of diesel a day, so even if Russia delivers its promised 300k tons this month, that amounts to approximately half of the US daily consumption.

Americans may not notice much of an immediate difference.

With less than a month before November's midterm elections, early voting has already started in many states. The political cake, as the saying goes, is all but baked.

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Trump may be left hoping that his latest deal, setting aside its potentially uncomfortable diplomatic issues, will be enough to convince American voters that his promise of impending economic relief is more than just empty words.
(Link to article - BBC)

'A Drop in the Bucket': Why Trump's Diesel Deal With Putin Won't Move the Needle on Prices

Taken from Barron's Online Saturday, 10 October 2026

Soaring diesel prices have become such a problem that the Trump administration has moved to temporarily lift sanctions on Russian diesel imports to allow some to enter the U.S. market.
But President Donald Trump's announcement that he struck a deal with Russian President Vladimir Putin to shore up U.S. supplies is unlikely to have much of an immediate effect on retail diesel prices—at least not yet. Diesel futures, as measured by heating oil after the announcement to $4.66 a gallon. The price of retail diesel was $6.28 a gallon Friday, up more than 70% from a year ago, according to AAA.
The problem: The import amounts Trump announced just aren't enough. The initial 300k tons that Trump said Russia will supply immediately to the U.S. and global markets works out to about 2mio barrels. By comparison, the U.S. currently exports 1.5mio barrels a day of diesel, according to Energy Department data.
After that first shipment, Trump says Russia will release another 500k tons or around 3.7mio barrels, during the month of November. That works out to around 123k barrels a day, or less than 10% of U.S. daily exports.
"It's a drop in the bucket," said Denton Cinquegrana, chief oil analyst at Dow Jones Energy.
Trump went on to say that Russia will deliver 1mio tons "immediately after" and another 3mio tons "within a short period."
That isn't a specific timeline and leaves a lot of open questions.
The move also complicates relations with Ukraine, which the administration has supported in its conflict with Russia. Ukrainian President Volodymyr Zelensky criticized the deal, saying, "Any easing of sanctions against Russia without a clear and lasting de-escalation agreement with Russia is an obvious weakness. It plays into Russia's hands." Ukraine has been in a war with Russian since 2022 and has struck Russian oil refineries.
(Link to article - Barron's)

Australia says it won't buy Russian fuel despite Trump's diesel agreement

Taken from SCMP Saturday, 10 October 2026

Australia has no need to buy fuel from Russia and said that purchases from there would remain barred so that the country did not benefit from the invasion of Ukraine.
"We don't need or want Russian fuel in Australia," Chris Bowen, Australia's minister for climate change and energy, said on Saturday at a press conference in western Sydney. "We do not want Vladimir Putin to benefit from this war in the Middle East. What the United States does is a matter for them, but we won't be changing our approach."
Bowen also said that Australia had 43 days' worth of petrol, two days more than a week earlier, while diesel stocks sat at 31 days' worth, one day less.
(Link to article - SCMP)

'Time for Ukraine to get new president,' says Trump after Zelensky condemns diesel deal

Taken from BBC News Sunday, 11 October 2026

US President Donald Trump has said he thinks "it's time for Ukraine to get a new president" as he responded to Volodymyr Zelensky's criticism of the US diesel deal with Russia.
The Ukrainian president warned a new deal to release millions of tonnes of Russian diesel into the US would provide Moscow with money to continue its war against his nation, calling it a gift to Russian President Vladimir Putin.
Trump told reporters outside the White House on Saturday that Zelensky "wants to make problems for the world" by continuing to authorise attacks on Russian refineries.
"He'd better damn well stop," Trump said, before suggesting Ukraine should "get a new leader who can make a deal".
"We said, 'you can do whatever you want to Russia, don't hit the refineries', because that's a world problem that's caused," Trump continued.
"He could have made many deals and for some reason, he never does."
Putin's envoy Kirill Dmitriev described Trump's intervention as "iconic and historic", saying that Ukraine "needs leadership actually focused on peace".
The Ukrainian president spoke to several allies on Saturday to discuss the latest developments, calling for "real decisions to protect lives in Ukraine" and to protect European security.
A Downing Street spokesperson said UK Prime Minister Andy Burnham had spoken to Zelensky and offered his "complete solidarity".
(Link to article - BBC)

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US warns Kyiv that strikes on Russia jeopardise intelligence-sharing

Taken from FT Sunday, 11 October 2026

US officials stepped up pressure on Ukraine to stop striking Russian oil refineries and threatened to cut off vital intelligence sharing as Donald Trump suggested Volodymyr Zelenskyy should be replaced as the country's leader.

Zelenskyy's negotiating team met Trump's representatives for nearly eight hours on Friday in Miami, where they were meant to discuss ways to convince Russia to end its war.

But the meeting was derailed when the Ukrainian team was blindsided by Trump's announcement that he had cut a deal with Russia's Vladimir Putin to release diesel on to the world market, according to three people with direct knowledge of the talks.

During the meeting, Trump's envoys Steve Witkoff and Jared Kushner raised the possibility that intelligence sharing could be cut off if Kyiv did not heed Washington's warning to halt the strikes, according to people familiar with the matter.

"It was a firm request from POTUS," one of the Ukrainians involved in the talks told the FT, referring to Trump.

Ukraine uses US intelligence to carry out the attacks in a bid to choke off a vital source of revenue for Moscow's war economy.

A senior Ukrainian official said after Trump's announcement that Kyiv would continue. "We will burn [Russian] refineries," the official said. Hours later, Ukrainian forces struck the Yug Rusi oil terminal in Rostov-on-Don, according to Russian authorities.

That official added that the Ukrainian team was cutting its trip short instead of holding a second round of talks on Saturday.

(Link to article - FT)

Katy Balls: Trump's Russian oil deal could change everything but diesel prices

Taken from The Sunday Times 11 October 2026

There were celebratory scenes in the Oval Office last month as President Trump gathered with colleagues old and new to sign the Lindsey Graham Act. The sweeping Russian sanctions bill aimed at putting pressure on Moscow was the late South Carolina senator's last contribution to politics.

Only a few weeks later, and the concern among Republicans is that the document is worthless. Over the past 48 hours, the US president has announced a business deal with Putin and declared that if things continue as they are "it's time for Ukraine to get a new president".

It began on Friday night when the president announced a "highly successful discussion" with President Putin that means Russia will "immediately supply over 300,000 Tons of Diesel Fuel to the American and Global Marketplace". Had Graham been alive, he'd have probably seen it as an egregious violation of a moral embargo; a president funding Putin's war machine in an attempt to get himself out of a midterm hole.

Many of the reactions were quick and predictable. Zelensky condemned the deal as a gift to the Russians that shows "weakness".

Among Republicans, the response has been fairly muted. At a campaign stop in Michigan, Mike Rogers, the Republican candidate in the tight senate race, said he did not agree with "importing it from Russia". John Kennedy, a Louisiana senator who was campaigning alongside him, said: "I support the president's decision to import diesel. I don't support his decision to import it from Putin."

Democrats have been forthcoming. The senator Chris Murphy has accused Trump of funding Russian terrorism while others have sniped that there was an easy, much more palatable option than turning to Moscow: increasing diesel imports from Canada.

Much of Trump's decision-making should be unsurprising. It ultimately comes down to two things. One, Trump is in dire need of economic relief before the midterms. Two, he has never viewed Russia like his predecessors or many colleagues do.

First, the economy. While Republican candidates like Rogers say they don't want relief from Russia, all candidates seeking election believe that the price of diesel is one of their biggest problems after it hit a record high last month: $6.53 a gallon.

In 2024, Trump supporters campaigned on how the pump price was much lower when Trump was president than under President Biden. Ken Paxton, the Republican candidate in the tight senate race in Texas, was secretly recorded saying the quiet bit out loud on Republican midterm difficulties: "It's not tariffs … it's the war, its gas prices, it's diesel … When it's over $6 per gallon for diesel … people are feeling the pinch."

So, is Trump looking at any other way to do this? Two weeks ago, it meant squeezing the Europeans to release some of their reserves. Now, it is the Russian deal. There are just two technical problems before you even get to any ethical dilemmas.

The first is oil. Although supply is now rising, the reason diesel has become such a problem in the US is a shortage of refinery capacity. This is due to a mix of factors: refineries closing due to high operating costs and, in recent years (though not under Trump), a push towards renewables. US officials say one of the reasons Trump cut this deal was a frustration with Zelensky for failing to heed his calls to stop strikes on Russian oil refineries.

But will this be enough to be felt by US consumers? The irony is that, for all its political implications, the deal with Putin is barely likely to move the dial. Russia's initial offering, which equates to about 2.2mio barrels of diesel, is a drop in the ocean: the US consumes 3.6mio barrels of diesel every day.

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Early calculations suggest that the Russian deliveries would, at best, move diesel from $6.28 a gallon now to $6.18. Perhaps $6.08. But a far cry from the $3.68 per gallon it cost this time last year.

And if there is no additional global supply — if Putin merely redirects diesel from existing customers to the US — the market impact could be even smaller.

There are also questions about Russia's ability to deliver the promised fuel after Ukrainian drone strikes on its refineries and storage facilities.

What this deal could do is change the dynamics of the negotiations between the US, Russia and Ukraine. It's not just that the US is helping Russia to generate additional revenue. On Friday American Ukrainian and European officials met in Miami to discuss a proposal for ending the Russia-Ukraine war. Steve Witkoff, Trump's special envoy, said the "constructive discussions" had tackled "potential avenues to de-escalate and conclude the war with Russia ahead of winter and advance efforts toward a durable and lasting peace"

For a long time now, European leaders have been working, along with Zelensky, to try to win the US president's ear and show him that Putin cannot be trusted. Trump getting into bed with Putin at the US president's time of need is likely to push him closer to Russia and further from Europe. "I'm not sure we get much diesel or Putin gets much money but tactically it could bring Russia closer to America," one Republican says of the deal.

Trump likes to boast about how good a relationship he has with Putin. In Maggie Haberman and Jonathan Swann's book Regime Change they document how impressed Trump was (in part, at himself for making the appointment) when Witkoff headed to Moscow to meet Putin, resulting in a three-hour meeting: "Putin doesn't meet with anybody for three hours". He added jokingly: "I sent Steve to Moscow because he's the same height as Putin." Witkoff has publicly said that he doesn't "regard Putin as a bad guy".

What's more, in a presidency where foreign diplomacy is intertwined with cutting deals, Trump, Witkoff and Jared Kushner, another peace envoy, all take the view that Russia should be brought back in from the cold — and business is the way to do this. Just last month, Marco Rubio, who in 2015 called the Russian leader a "gangster and a thug", announced that Putin would be invited to the G20 summit in Miami in December. A Russian finance minister attended the finance G20 event in North Carolina in September.

Even if this deal does little immediately to help American people at the pump or to the Russian economy, it remains significant. Were Graham still here, he would probably be on the phone to the president trying to line up a round of golf to bend his ear. Without him, establishment Republicans and Europeans fear it's a warning of things to come.

(Link to article - Times)

House Republican, invoking Reagan, moves to block Trump's Russia oil deal

Taken from Axios Sunday, 11 October 2026

Rep. Brian Fitzpatrick (R-Pa.) vowed Saturday to force a House vote to block Russian oil purchases, challenging President Trump's diesel deal with President Vladimir Putin.

Trump has touted the deal as a way to lower fuel prices, but it could also provide revenue for Russia's war in Ukraine.

Fitzpatrick, co-chair of the Congressional Ukraine Caucus, said he would introduce the "Ronald Reagan Peace Through Strength Act" and force a vote through a discharge petition.

Fitzpatrick is the latest Republican lawmaker to break with Trump in a high-profile way, as the party fights to keep control of Congress amid mounting disapproval of the president.

Fitzpatrick is turning to a tactic lawmakers have increasingly used to bypass Speaker Mike Johnson (R-La.): a discharge petition, which requires 218 signatures to bring legislation up for a vote without House leadership's approval.

Another House Republican, speaking anonymously to offer their candid thoughts, tells Axios: "Being that Congress won't be in session for another four weeks, any prudent lawmaker would probably not make a commitment to this prematurely."

(Link to article - Axios)

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The Poon Report

News Europe

Manchester City scandal pushes BDO and UK audit regime into spotlight

Taken from FT Saturday, 10 October 2026

At a glitzy event in London last year, BDO staff were among auditors shown a training film about plucky accountants who uncovered a web of fraudulent transactions at a fictional football club.

The firm is now under intense scrutiny over its work for a real one.

The Premier League last week revealed an independent commission had found Manchester City artificially inflated its financial position by more than £900mio over nine years as it became the dominant force in English football. City rejects the findings and has launched an appeal.

As well as using "sham" commercial deals to overstate its income, an independent commission's report said the club had "filed misstated accounts and concealed the true state of its finances from its auditors and football regulators".

Those auditors were BDO, the UK's fifth-biggest accounting firm and self-described football "market leader" that says it works with more Premier League and Championship clubs on deals, audits and tax advice than any rival.

BDO will be facing "battlegrounds" on several fronts and will need to "prepare for the worst", according to a Big Four audit veteran who said the firm would need to contain "brand damage" and reassure other clients its audit work is reliable. "This is pretty juicy stuff… and when things get political it's all fair game," they added, referring to pressure the regulator may feel to take action.

Although the commission found City deliberately concealed its true finances from BDO, regulators will consider whether the firm did enough to examine the transactions it was shown and exercise the professional scepticism expected of it.

But the scandal has also exposed a broader question about the UK audit regime. Even football clubs of City's size and profile are not classified as "public interest entities", a designation that would subject their audits to the tougher oversight applied to listed companies, banks and insurers.

Two senior auditors at rival firms said the commission's finding that City hid the true state of its finances from BDO made a regulatory investigation into the firm's work for the club less likely.

The Financial Reporting Council has powers to investigate BDO as the firm that audited the accounts. It can also examine the accountants who prepared City's financial statements, as long as they are members of a recognised professional body — which several senior finance executives at City are.

Liam Byrne, chair of parliament's business and trade select committee, has called on the FRC to examine the affair, saying it raised "fundamental" questions for the audit profession and urged the watchdog to "hold those responsible to account".

(Link to article - FT)

Germany risks delaying Britain's fighter jets by two years

Taken from The Sunday Telegraph 11 October 2026

Britain's next-generation Tempest stealth jet faces years of delays if Germany is brought on board as a full partner, senior industry figures have warned.

In bilateral talks this week, Andy Burnham signalled that the UK was open to Berlin joining a trilateral defence programme with Italy and Japan, and that it was something they would "seek to progress".

But several sources warned that fully involving Germany would put the project's 2035 delivery target at risk, with one senior figure warning it could set back progress by "one to two years" at least.

The risk of delay would ultimately depend on whether Berlin sought a significant share of the design and manufacturing work or simply joined as a buyer, the sources stressed.

At an event in Turin to open a new facility for the fighter jet programme on Friday, Lorenzo Mariani, the boss of Italian defence giant Leonardo, separately warned that delivering Tempest on time needed to be "the priority".

Mr Mariani said: "We heard about possible other partners from an industrial point of view; we are very happy that new partners want to join."

Japan is understood to be particularly concerned that the programme delivers on time.

The new aircraft is scheduled to replace the country's F-2 jets, which are set to be retired from 2035, and Tokyo is also wary of an increasingly belligerent China on its doorstep.

British diplomatic sources argued that Mr Burnham's offer to Germany was consistent with previous statements and merely signalled an openness to discuss what was possible.

Bringing more countries in could help lower the overall cost of the programme, which is expected to run to tens of billions of pounds. Other countries said to be in exploratory talks include Australia and Saudi Arabia.

Berlin was reportedly also evaluating a possible fighter project with Spain and Sweden and views GCAP as less suitable for its "Continental" requirements, Politico reported.

Military and diplomatic sources said it was unclear what type of role Germany could seek in GCAP, although industrial clout in Europe has led many to assume that it would be unwilling to simply join as a buyer.

Canada recently joined GCAP as an "observer", with insiders saying this allowed Ottawa to be read in to sensitive information and decide whether it wanted to progress further.

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(Link to article - Telegraph)

Ireland accused of living in 'la la land' over EU defence cuts

Taken from The Sunday Telegraph 11 October 2026

Ireland has been accused of living in "la la land" after it proposed slashing EU security spending by 13%.

The Irish EU presidency proposed an overall 8% cut in the European Commission's budget plan for the period 2028 to 2034.

The proposal – known as a negotiating box or "negobox" – includes a 13% reduction in spending on competitiveness and security as well as a 3% cut for regional development, farming and fisheries.

Ireland's long-standing neutrality policy and its low defence spending have both come under scrutiny as it holds the rotating six-month presidency of the Council of the EU.

Neutrality is a cornerstone of Irish foreign policy, but defence commentators have questioned whether Dublin is doing enough to stand up for European defence.

Ireland's own defence spending is the lowest in the EU at only 0.2% of gross domestic product in 2025, compared with the EU-wide level of 2.1%.

Siegfried Muresan, budget negotiator for the centre-Right European People's Party grouping, said the budget "cuts defence as threats multiply, reduces investment in competitiveness as Europe loses ground globally, and leaves farmers and regions underfunded".

"The Irish Presidency has delivered little progress, no meaningful new solutions and a weaker budget," he added.

One EU diplomat condemned the proposals as a "disappointment and not even close to a landing zone".

(Link to article - Telegraph)

News Americas

Why OpenAI's revenue numbers really matter

Taken from FT Saturday, 10 October 2026

OpenAI claimed this week that it had solved hundreds of very hard maths problems. Meanwhile, it inadvertently created a new one. Sam Altman's AI lab shared a revenue figure with investors that was $20bn lower than what was widely reported to be the case in September. The confusion is a real problem, because when OpenAI sneezes, the entire market catches a cold.

Revenue has an imperfect relationship with reality at the best of times. It can be booked long before cash arrives, or long after. AI has added complexity: accountants must establish the exact timing of a sale in a world of token bundles, subscriptions, agentic tasks and licences. Over the course of a year, the impact of such quirks would be smoothed out. But tech's habit of "annualising" revenue can amplify the lumps.

Should companies then ditch these "run rate" digits? Not so fast. For those growing as quickly as OpenAI or Anthropic, backwards-looking sales figures — OpenAI made just $13bn in 2025, for example — are even less useful. But it's important to know how the sausage is made. For example, OpenAI's "net" figure does not include the portion of a customer's bill that goes to partners such as Microsoft. Anthropic's "gross" number, in contrast, does.

Investors who already own OpenAI or Anthropic shouldn't be led astray by any of this. They ought to be in a position to ask the company what a given figure means, and how it was concocted.

Confusion that arises around "whisper numbers" is only really a problem for outsiders, and Altman and his Anthropic counterpart Dario Amodei have no duty to set them straight.

But the ambiguity can still have unhelpful consequences. For one thing, vague numbers may lay the groundwork for inflated valuations when much-hyped companies finally go public. By the time the companies publish their audited statements, investors have a preconceived impression of what the company is worth. Elon Musk's SpaceX prepared the market for a valuation of at least $1.5trln months before the market got a look at its finances. Anthropic's backers are seeking a $2trln valuation, the FT has reported.

A more serious issue is that OpenAI and Anthropic's sales growth is now an input in the valuations of many other companies. Nvidia, Microsoft, Amazon and Oracle are among those whose future earnings depend in part on what happens to the AI labs — but everyone from banks and turbine makers to power companies is part of the ecosystem too. When expectations shift, they shift for everyone.

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The best thing for the market, then, is for OpenAI and Anthropic to get their skates on and go public as soon as possible. The world will then have access to detailed accounts; annualised numbers will lose their power to shock, and tech companies' securities can be priced more efficiently. If Altman and Amodei want to make the world better at maths, they know what to do next.
(Link to article - FT)

Gillian Tett: Five ways to tell if market trouble lies ahead

Taken from FT Saturday, 10 October 2026

Two decades ago, I discovered the signalling power of credit default swaps. When the price of derivatives rises, this shows that investors are worrying that borrowers will go bust.
Back then, one hint of the trouble to come was that CDS prices for mortgage bonds and banks rose — despite the cheer in equity markets. That was a proverbial canary in the coal mine.
Is the same thing happening again today? Quite possibly. This week US equity markets hit record highs amid fresh evidence of US economic strength. But even as AI hype drives an equity rally, CDS prices for AI-linked borrowers such as Meta, Google and Microsoft have quietly risen, with a particularly marked jump for Oracle. This week SpaceX CDS prices surged too, after reports of a $40bn funding call.
Some observers think this signal is distorted because the CDS market is thinly traded. Meanwhile bulls insist that soaring equity prices are justified because US corporate earnings are expected to have risen by 27% in the third quarter.
But, if nothing else, those CDS prices show it is not just French bonds that are signalling unease.
Far from it. Investors should be asking at least five questions now to assess whether trouble lies ahead.
First, can we believe tech company forecasts? Analysts currently expect "the sector's operating cash flow to double to roughly $2.4trln by 2028" thanks to surging AI product demand, says Torsten Sløk of Apollo.
But analysts also project muted future cash flows for non-tech companies. That, says Sløk, "raises the question of who exactly will be writing all those cheques to buy AI services". Maybe tech customers are too gloomy. But if it is tech projections that are over-optimistic, then we are in a bubble — which will eventually pop.
Second, who will fund the AI build-out? Initially, tech companies used internal resources. But now those have run out, and they are on a wild debt binge to fund projected capital expenditure. "The quantum of debt that is hitting the marketplace is historic," Greg Peters, a top official at PGIM, recently told the FT.
This is already sucking funding from other sectors. One top American financier recently suggested America needs "a Fannie Mae style entity to fund the AI build-out" — in other words, a way to repackage tech debt like mortgages. That seems unlikely to happen. But it shows what is at stake.
Third, how high will rates go? In my view, Scott Bessent, US Treasury Sec, deserved applause last year for keeping 10-year Treasury rates at about 4%. He did this by using tactics such as shorter issuance maturities. But such methods are no longer working: 10-year rates have jumped above 5%. Bessent himself insists, though, that AI-powered growth will soon cut the deficit, reducing the pressure.
Meanwhile the view among Wall Street financiers I have spoken to is that, if growth stays above 3%, a US debt crisis can be avoided. Nonetheless, Bessent's job is getting harder. Because banks are funding the AI boom, they are buying fewer Treasuries, and other countries are no longer recycling as many excess USD into US bonds. "East Asia now runs a massive surplus, but almost none of it appears to flow into the US bond market," says Brad Setser of the Council on Foreign Relations.
That means hedge funds now wield far more influence in setting prices — and they could flee if a storm hits, pushing rates higher still. That could lead to market accidents, particularly given how government and tech company leverage has surged. "Refinancing risk is real for the legacy data centers," says famed short seller Jim Chanos. Hence the move in CDS prices.
Fourth, will oil push rates even higher? Thus far the global economy has weathered the rise in energy prices due to the war in Iran. But oil stockpiles are now so "scarily thin" that more price rises could loom, a top Saudi official says.
And recent social media posts from Mohammad Bagher Ghalibaf, speaker of Iran's parliament, explicitly say Tehran wants to create financial stress by using blockades to raise oil prices and US rates. Investors should take note. "[Iran] can't beat the US military, so it's targeting the $40trln America owes," warns Jay Martin, a financial pundit.
Finally, if the AI boom falters, what happens to growth? Right now, this looks strong in the US. And new analysis from NYU Stern and DHL shows that "global goods trade grew faster in the first half of 2026 than in any half-year in the past 15 years" except post-Covid.
But 76% of that rise was driven by AI-linked trade, and tech investment also accounts for much of America's recent growth. If the AI frenzy slows — whether because of higher rates, safety concerns or moratoriums on data centre construction — that will hurt. Hence US President Donald Trump's scorn for those who criticise AI.
Don't get me wrong: I am not arguing that these questions portend an immediate equity slump.

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Exuberance can last a long time — as we learnt two decades ago. But the air in the markets is getting worse. Don't ignore the canaries.
(Link to article - FT)

Nvidia in talks to acquire US 'open' model start-up Reflection AI

Taken from FT Sunday, 11 October 2026

Nvidia is in talks to acquire or deepen its investment in US start-up Reflection AI, a developer of open-weight models that President Donald Trump's administration hopes will rival cheap Chinese alternatives, people with direct knowledge of the matter said.
Talks are at an early stage, and a deal could take a number of shapes, including a so-called 'acqui-hire' where Nvidia would hire staff and license technology without the drawn-out regulatory review that comes with a full acquisition, the people added.
Nvidia, already one of Reflection's largest shareholders, may also choose to deepen its ties with the start-up via a further equity investment or a deal to provide it with more chips and computing power.
Nvidia has already invested $800mio into Reflection, which is also backed by venture firms including Sequoia Capital, Disruptive and 1789 Capital, at which Trump's son Donald Trump Jr is a partner.
A deal between the two companies could be reached in the coming weeks according to multiple people with knowledge of the matter, although they cautioned discussions could fall apart. Deal terms under discussion could not be established but Reflection was last valued at $25bn in a March funding round.
(Link to article - FT)

Irwin Stelzer: Wreck, spend, divert - how Trump is wresting funds from Congress

Taken from The Sunday Times 11 October 2026

The bad news. The national debt stands at $40.6trln and rising. The cost of carrying that debt is $1trln — up from $240bn, and from 6% to 15% of the federal budget, since 2016 — and rising as maturing debt is replaced with notes and bonds bearing the highest interest rates in 24 years. The government deficit for this fiscal year is $2trln, the highest ever outside a war or recession.
The worse news. Donald Trump has so undermined constitutional, statutory and Supreme Court decisions that deny the president "the power of the purse" that one barrier to inflationary spending is no more.
Add a negligent legislative branch, our Congress, and Winston Churchill's 1940 description of the Mississippi River also describes our political masters' attitude towards debt and inflation: "I do not view the process with any misgivings. I could not stop it if I wished; no one can stop it … It just keeps rolling along. Let it roll … inexorable, irresistible."
We will reach the statutory ceiling on how much the government can borrow some time in 2027. Once "extraordinary measures" are exhausted, the government can no longer pay its bills, prompting a government shutdown. Then, a compromise to stay within the debt ceiling. Oh yes, and a vote to raise that ceiling. Repeat periodically.
There are four ways in which this cycle might be broken. The US economy grows at such a rapid rate that it generates tax revenues that bring down and eliminate deficits, perhaps with tax cuts creating incentives to invest. Call it the Republican way. Tax the wealthy and the rich to generate enough revenue to bring down the deficits. Call it the Democratic way. Neither is considered a reliable solution if used alone. Cutting spending is not on the list.
The third way is the road most often taken: allow inflation to depreciate the currency to ease the burden of carrying the debt. Thus, wrote the economist John Maynard Keynes, "governments can confiscate … the wealth of their citizens". Until the recent concern with affordability, inflation was known as a "silent thief". Now it is noisier. Neither party claims parentage.
The problem is that at some point the bond vigilantes saddle up in response to the evisceration of the dollar and demand interest rates on government ten-year notes and 30-year bonds at yields that stifle growth and might well produce a recession. Exact date to be determined.
There is an alternative to the Republican and Democratic ways, and inflation — one that has the endorsement of both the 18th century free-trade champion Adam Smith and, history suggests, is agreeable to President Trump.
Smith reported: "When national debts have once been accumulated to a certain degree, there is scarce, I believe, a single instance of they're having been fairly and completely paid … When it becomes necessary for a state to declare itself bankrupt … a fair, open and avowed bankruptcy is always the measure which is both the least dishonourable to the debtor, and least hurtful to the creditor." Polite critics call it "debt restructuring".
Argentina has chosen that least dishonourable path nine times, on each occasion regaining access to international capital markets after negotiations with, and painful concessions to, creditors. It is not a desirable model for America. But Argentina's president remains a welcome guest at the White House.
Back to the here and now, and America's red ink. The constitution clearly states: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by law". Legislation prevents a president from attempting to divert funds from their congressionally intended purpose for uses he finds

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more agreeable. Or rescinding approved funding for more than 45 days without the approval of Congress.
Which brings us to Donald Trump. His ballroom, initially a modest affair to be financed by $200mio in private donations — primarily from firms benefiting from government contracts — ballooned into a $600m to $1bn ballroom sitting astride a military complex. No need to request congressional approval for whatever private donations, estimated at $300mio, do not cover; divert taxpayer funds intended by Congress for various agencies.
Trump has also refused to spend about $1.4bn appropriated by Congress for the National Science Foundation.
The wreck-spend-divert process leaves the courts struggling to keep pace with reality on the ground: the wrecker's ball working, and money being spent while cases lost in lower courts are appealed and wend their way up to the Supreme Court. Historic guardrails become limitations to overcome. More important, the spending, which far exceeds available funds, becomes a flow of cash that constitutes "fiscal dominance" over monetary policy, making Fed Res Board interest rate decisions mere skirmishes in the larger war on inflation.
Meanwhile, candidates in the coming mid-term elections for the 435 seats in the House of Representatives and 35 contested Senate seats are engaged in battles that are free-for-alls in more ways than one. Savings accounts for kids and $5,000 cheques for all from Republicans, Medicare for All from Democrats.
Deficit spending and inflation roll on, inexorable, irresistible.
(Link to article - Times)

News Asia

Japan food tax cut gets cabinet approval with key questions unanswered

Taken from Nikkei Asia Saturday, 10 October 2026

A temporary consumption tax cut on food approved by Japan's cabinet Friday leaves many important details unresolved, including how to pay for it and who will qualify, setting the stage for a debate in parliament.
The legislation would lower the 8% tax rate on food and beverages to 1% for two years starting in April. The measure is intended as a bridge to a new income-linked benefit program the government aims to fully launch in fiscal 2029.
During fiscal 2027 and 2028, advance payments equivalent to the value of the reduced 1% food tax rate would be distributed to low- and middle-income earners. The government estimates these payments will total roughly 600bn yen a year.
But as the bond market weighs the fiscal implications of the plan, the legislation omits key specifics, including the amount each person would receive and income thresholds for eligibility. Those details will be filled in separately with cabinet ordinances.
The design of the two-year payments is expected to be finalized during year-end budget negotiations, while the structure of the subsequent permanent program, along with its long-term funding sources, remains under consideration.
On eligibility, the bill states policymakers should consider comparable programs overseas. Similar benefits in Europe and the U.S. generally cover about 30% of workers. Applied to Japan's income distribution, that would correspond to workers earning up to around 3mio yen a year.
Overseas practice is "only one factor to consider," said a senior Finance Ministry official.
The tax cut and advance payments together would require about 5trln yen per year, but funding has not been secured. The government says it will finance the measures through a review of expenditures and revenues without relying on deficit-financing bonds, with details expected to come during the year-end budget process.
Support measures for farmers, restaurants and other businesses affected by the tax cut also remain undecided.
The large number of unresolved issues leaves room for amendments sought by opposition parties.
"It is only natural that we work to gain the understanding of as many parties as possible," said Takayuki Kobayashi, policy chief for Prime Minister Sanae Takaichi's Liberal Democratic Party, at a news conference last week.
Assistance for the restaurant industry could become a key bargaining chip. Under the proposal, takeout meals would be included in the tax cut, while

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restaurant dining would remain subject to the 10% rate.

"It is important to carefully provide appropriate support to those who are actually affected," Takaichi told the upper house Friday.

Yuichiro Tamaki, head of opposition Democratic Party for the People, warned that the tax difference "could cause consumers to avoid eating out." His party is backed by a labor federation representing many restaurant workers and retailers.

Komeito, another opposition party, has not ruled out supporting the bill. Party leader Mitsunari Okamoto gave the government's proposal "30 points" out of 100 during a television appearance on Thursday.

"It may be better than having nothing at all," he said. "I want to debate it carefully, despite my reservations."

The tax proposal could become an issue in the upper house election set for summer 2028.

(Link to article - Nikkei)

China wants 5 innovative drugs with US$1bn returns by 2030. Which might they be?

Taken from SCMP Saturday, 10 October 2026

The increasing global appeal of Chinese firms' novel therapies has propelled the country's rise as a biomedical powerhouse, but China has yet to produce a drug to rival all-time best-selling Western blockbusters in sales.

Beijing has set ambitious new five-year targets to boost its global presence, including at least five products with annual global sales surpassing US$1bn by 2030.

The goal is achievable, according to some analysts. Jefferies' head of Asia healthcare research Cui Cui noted that Chinese biopharmaceutical companies contributed over 50% of the global deal value in the first half of 2026, adding that their "competitive efficiency and speed" would drive global commercialisation.

Meanwhile, Julia Pian, a senior associate at Atlas Venture, wrote in a blog post last week that the quantitative goals set out in China's five-year plan were "well within reach", based on the current trajectory.

Mark Kong, executive director of equity research at DBS Hong Kong, also expressed confidence that China would reach its targets, including having Chinese first-in-class innovative drugs accounting for at least 25% of the global total by 2030. This proportion was about 22% at present, up from 4% in 2016, according to Kong.

Here are five of the top contenders to meet Beijing's US$1bn sales target by 2030.

BeOne's zanubrutinib

The drug from BeOne Medicines, formerly BeiGene, is one of two Chinese pharmaceuticals that have already exceeded US$1bn in annual global revenue.

Zanubrutinib treats blood cancers, including mantle cell lymphoma and chronic lymphocytic leukaemia. It works by inhibiting Bruton's tyrosine kinase, an enzyme that helps certain blood cancer cells survive and grow.

Sold under the brand name Brukinsa, the drug was first approved by the US Food and Drug Administration in 2019. Last year, zanubrutinib reached US$3.9bn in global revenue, dethroning its main competitor, AbbVie and Johnson & Johnson's jointly owned ibrutinib, which brought in US$2.87bn in 2025.

Legend Biotech's ciltacabtagene autoleucel

Legend Biotech's cancer medicine ciltacabtagene autoleucel, jointly developed and commercialised with Johnson & Johnson and sold as Carvykti, has also met Beijing's target, bringing in US$1.9bn in global sales in 2025.

Targeting multiple myeloma, or cancer of the bone marrow, Carvykti is a type of chimeric antigen receptor (CAR) T-cell therapy, which modifies a patient's immune cells to identify and eliminate cancer cells.

Intense competitive pressure, however, may stymie Carvykti's future growth, according to a July UBS report. Similar treatments, including Johnson & Johnson's own product Tecvayli and Gilead's anito-cel, were expected to gain traction and crowd the market, UBS said.

Akeso's ivonescimab

Chinese biotechnology firm Akeso's flagship cancer drug ivonescimab was a strong candidate for hitting the US$1bn sales milestone by 2030, according to Jefferies' Cui.

Ivonescimab famously beat Merck's Keytruda in lung cancer trials in 2024, a milestone that earned Akeso praise for creating Chinese biotech's "DeepSeek moment" last year.

British drug maker AstraZeneca announced last week a US$2bn equity investment in US firm Summit Therapeutics, which holds the exclusive rights to develop and commercialise ivonescimab outside China. Ivonescimab's global sales could reach US$8.5bn by 2032, according to a June report by Evaluate, a pharmaceutical industry data platform.

BeOne's tislelizumab

Tislelizumab, sold under the name Tevimbra, is BeOne Medicines' second highest-grossing drug. A so-called PD-1 inhibitor, the drug works by blocking a cancer cell's PD-L1 protein from binding to the T cell's PD-1 receptor, enabling the immune system to recognise and attack cancer cells. It is used to treat gastric and esophageal cancers, among others.

Tevimbra reached US$737mio in global sales in 2025, increasing 18.8% from 2024. Its main competitors include Merck's Keytruda, the company said in its 2025 annual report.

Kelun-Biotech's sacituzumab tirumotecan (sac-TMT)

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Sichuan Kelun-Biotech Biopharmaceutical's antibody-drug conjugate (ADC) sac-TMT, which the company licensed to Merck for commercialisation outside China, was also a promising candidate for reaching US$1bn in global sales by the end of this decade, Cui said.

ADCs deliver cancer-killing drugs directly to tumour cells in a targeted manner, and Kelun's sac-TMT treats tumours including breast cancer and lung cancer. While Kelun has not disclosed the drug's 2025 sales figures, the company reported 2.05bn yuan in total revenue for the year and identified sac-TMT as its core product.

(Link to article - SCMP)

India's capital locked down as youth protest targets election chief

Taken from SCMP Saturday, 10 October 2026

Central Delhi was sealed on Saturday, with thousands of police and paramilitaries on patrol, metro stations shut, mobile internet suspended and markets closed to guard against a youth protest demanding India's chief election officer quit.

The protest, called by the "cockroach" youth movement, hopes to draw thousands of demonstrators who want Chief Election Commissioner Gyanesh Kumar to quit over a revision of voter lists that critics say favours Prime Minister Narendra Modi's Bharatiya Janata Party.

Touted by the organisers as a protest to "Save Democracy", it aims to be the biggest of the demonstrations that were launched last week after the Indian Express newspaper reported that Kumar's deputies had questioned and disagreed with him over the revision process that saw some 130 million voter names removed.

Opposition parties have long alleged that the government is trying to fix voter lists to its advantage and were quick to resurrect the allegations following the report.

The BJP says Modi's popularity and India's economic growth are some key reasons for its electoral dominance and that opposition parties are misleading the country as they are unable to win elections.

Nonetheless, the near-daily protests by opposition groups pose a new political challenge to Modi, just months after similar demonstrations forced his education minister to quit over exam paper leaks.

It also comes months before a series of key state elections starting in early 2027, including in the BJP-ruled most populous state of Uttar Pradesh.

Delhi Police said on Friday that they had not given permission for the protest as the request did not come on time, CJP had violated undertakings given during previous protests and that authorities had to enforce the law and maintain peace.

Police also said protesters would face the force of the law if they violated the ban.

(Link to article - SCMP)

Why Australia's inflation shock may be creating its own cure

Taken from AFR Sunday, 11 October 2026

The market's inflation fears are understandable, but the more important question is how the economy responds.

The debate has shifted quickly. Earlier this year investors were focused on the timing of future interest rate cuts. Today they are debating whether higher energy prices warrant a more restrictive monetary policy, and if so by how much.

The inflationary consequences were immediate. Oil rose from around $72.50 per barrel following US attacks on Iran in late February to more than $160 within two weeks. The conflict extended disruption into the Red Sea, leaving oil around $100 per barrel.

As markets shifted from viewing the shock as temporary to potentially persistent, expectations for US Fed Res policy swung from 75bps of cuts to 110bps of tightening, while US 10-year Treasury yields climbed roughly 120bps.

Australian bond yields have risen 80bps to near 5.4%, with expected cash rates moving above 5%.

The Reserve Bank of Australia has highlighted higher energy costs as a key driver of recent inflation pressures. Yet, there is a risk that investors are focusing on the immediate inflation shock while overlooking the adaptive response it is creating.

That response is increasingly disinflationary and may be occurring faster than traditional frameworks assume.

Inflation is ultimately a rate of change – a rise in oil prices from $70 to $100 a barrel is inflationary, but oil remaining at $100 is not. It is simply expensive so once that increase enters the comparison period, its contribution to headline inflation begins to fade.

The more important question is whether energy prices continue to rise, or whether the economy adjusts in ways that reduce demand and ease inflationary pressure.

Two responses matter. Additional oil supply from Brazil and other non-Gulf producers may help ease supply constraints. So too can changes in consumer behaviour that reduce demand.

Australia provides one of the clearest examples. Higher petrol prices have coincided with a remarkable acceleration in electric vehicle adoption. Monthly EV sales from major manufacturers rose from 11,110 vehicles in January to 31,908 by June.

More EVs were sold in the first six months of 2026 than during the whole of 2025 – Tesla Model Y sales increased 95% compared with the first half of last year, while BYD Sealion 7 sales rose 233%.

The speed of adoption reflects a fundamental shift in cost. The entry-level Tesla Model Y launched near

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$70,000 in 2023 but is now closer to $58,000. More significantly, entry-level EVs have halved in price to near $20,000, opening the market to a much larger group of consumers.

For years EVs remained a premium alternative. Today, higher petrol prices are arriving alongside lower EV prices. Consumers are no longer substituting one expensive technology for another.

Increasingly, they are replacing expensive transport with cheaper transport.

Australian GDP recently surprised to the upside, reinforcing concerns that stronger demand could keep rates higher for longer.

Yet part of that strength reflected increased vehicle sales occurring alongside falling vehicle prices. New vehicle prices have already made negative contributions to recent monthly inflation outcomes as competition intensified and EV prices declined.

Shift away from source of inflation shock

For bond investors, the significance extends beyond vehicle sales. Higher petrol prices are encouraging a shift away from the source of the inflation shock itself.

What makes this cycle different is that many of the substitute technologies already exist at scale. Consumers do not need to wait for new inventions. A global technology race is driving rapid improvements in performance, efficiency and accessibility, accelerating the pace of adoption.

Nor is the phenomenon confined to Australia. Chinese consumers are increasingly choosing domestic EVs over imported European vehicles, while Chinese manufacturers export growing quantities of EVs into Europe. The result has been a remarkable reversal in trade flows, with Germany's long-standing surplus with China turning into a sizeable deficit.

Lower-cost Chinese EVs are intensifying competition, deepening declines in vehicle prices and making substitution away from petrol-powered transport easier across developed economies.

Countries are adapting as well. Spain provides perhaps the clearest example. Following years of energy insecurity, Spain sharply increased investment in alternative power generation. Solar capacity has more than doubled within five years and renewables now account for roughly 60% of electricity production.

Spain has reduced its exposure to imported fossil fuels and electricity prices are now lower than before either the latest Middle East conflict or Russia's invasion of Ukraine, while Spain has become Europe's fastest-growing major economy.

Technological transitions accelerate when economic incentives and consumer preferences point in the same direction.

Lower exposure to volatile energy prices

Faced with higher and less predictable energy costs, households, businesses and governments seek the cheapest way to reduce their exposure. In transport, that increasingly means electric vehicles. In electricity generation, it may mean solar, wind or other alternatives. The specific technology matters less than the outcome: lower exposure to volatile energy prices.

Central banks have adapted too. The oil shocks of the 1970s occurred before modern inflation-targeting frameworks became standard, and lessons from the price-wage spiral were learnt. Today's central banks operate with explicit inflation targets and respond to both inflationary and disinflationary forces.

The irony is that persistent energy shocks increasingly create the conditions for their own eventual moderation.

High prices encourage additional supply, but they also accelerate investment in alternatives, from electric vehicles to renewable power. The more expensive and uncertain fossil fuel energy becomes, the greater the incentive to find ways around it.

Investors may be right to worry about the inflationary effects of today's energy shock. The more important question is how quickly consumers, businesses and governments adapt to it. If recent experience is any guide, the inflation shock may already be helping to create its own cure.

(Link to article - AFR)

As clock ticks on China's commercial land leases, renewal plans allay investors' concerns

Taken from SCMP Sunday, 11 October 2026

Groundbreaking land-renewal policies recently announced in Guangzhou and Shanghai represent a step forward in stabilising China's commercial property market and shoring up investors' confidence amid Beijing's efforts to revive the real estate industry, according to officials and industry analysts.

The new rules governing the leasing of land for commercial and industrial use will also facilitate the issuance of exchange-traded real estate investment trusts (Reits), a financing tool that developers can use to replenish their coffers.

"The policies effectively address the regulatory loopholes regarding the renewal of expired non-residential land-use rights," said Yan Yuejin, deputy director of the E-House China Real Estate Research Institute.

"They mark a significant milestone for the authorities and market players to revitalise existing property assets, drive urban renewal and stabilise market expectations."

The Guangzhou and Shanghai governments have proposed that non-residential property owners pay land-use fees equivalent to no less than 70% of the fair market price to extend leases after expiration.

In mainland China, land is owned by the government. Developers and owners pay fees to secure land-use rights under lease agreements with the authorities.

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Some commercial property leases are due to expire in the coming years, sparking fears about their value and the effects on their users' legal rights and interests.

Guangzhou promulgated detailed land-renewal policies in April, with Shanghai following suit at the end of July.

Since then, Xiamen and Hangzhou have also released similar frameworks for regulating coming lease extensions.

More than 1trln yuan of non-residential properties have leases that will expire within 20 years, according to property services firm Cushman & Wakefield.

(Link to article - SCMP)

South Korea completes Arctic-Europe commercial voyage, eyes regular service despite risks

Taken from Internazionale Sunday, 11 October 2026

A South Korean container ship completed the country's first commercial round trip to Europe via the Arctic on Sunday, as authorities bank on the route helping turn the port of Busan into a global maritime hub.

The PanStar Acro docked in the southeastern port 50 days after setting sail on August 22. Authorities say the Arctic route could cut typical voyage times by around a third.

President Lee Jae Myung has made Arctic shipping a priority, and officials hope to launch regular services by 2030.

But the project risks friction with Western allies hoping to keep Russia isolated during its war in Ukraine. The route runs along Russia's Arctic coast, and Seoul consulted with Moscow about the journey, including whether the ship needed help to tackle any problems, such as getting stuck in ice.

On its outbound voyage, the vessel passed through Arctic waters and reached its first European port, Felixstowe in Britain, before calling at Rotterdam and Gdansk and returning home via the Arctic.

The trial voyage also highlighted the challenges ahead. Before the departure, PanStar told Reuters it was seeking about 1,300 twenty-foot equivalent units of cargo, but the ship left with 737 TEU of cargo plus empty containers.

Industry experts have said the route's value will depend on reliable schedules, the costs of slowing to avoid ice, special insurance premiums and extra fuel use.

(Link to article - Internazionale)

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