The Poon Report

News Summary

Will Fed Res raise interest rates in Oct? Well, officials appear inclined to keep rates unchanged at the policy meeting. However, don't be fooled by a pause: More rate increases are likely coming, possibly as soon as Dec, to tame escalating inflation.

Barron's Online said inflation is expected to climb again over the next year, with households and policymakers bearing the brunt. Although food inflation, as measured by the consumer price index, has been relatively stable in recent months, slower pace of rising food prices is set to end. Higher energy prices, particularly diesel costs, are feeding into transportation expenses even as elevated tariff rates have raised costs for many of the components in food packaging.

Blackstone's Rick Reider said for more than a decade, investors have stuck with the mantra that stocks in a world of paltry bond yields were the best option. Those days are over. The popular theme known as TINA—short for "there is no alternative" to stocks—is coming to an end. Now we have TIABA — 'there is a big alternative".

With US mid-term elections in near two weeks, recent polls show that around two-thirds of respondents disapprove of Trump's handling of economic issues. To explain his poll numbers, Trump and his surrogates blame the media. But a better explanation is the performance of inflation-adjusted wages. FT pointed out that voters are not engaged in macroeconomic analysis, but in assessing their current and future economic outcomes. Secondly, voters make connections between policy choices and inflation. They elect presidents to fix problems, not to diagnose their causes. Finally, presidents should pursue policies that promote low and stable price inflation. After the midterms, attention will turn to the race to succeed Trump.

US economy continues to grow, probably at an annual rate of more than 3%, and the jobs market is strong. Yet an average of all polls shows that 63.2% of Americans disapprove of President Trump's economic performance. Gallup pollsters report that the figure Americans who say they are extremely" or "very" proud of being an American is at the lowest level since tracking began in 2001. This is more than grumpiness.

In an executive order issued late on Friday night, Trump invoked a waiver in the law that gives him broad authority not to impose new economic penalties on Moscow over its war in Ukraine if he believes it to be in the national interest.

US Sec of State Rubio said that the president will use up to 60 days to assess the economic impact of Russia-related sanctions and tariffs that he waived. The order did not specify how long the waiver would last, but Rubio said Trump opted for a 60-day review.

It seemed that US has floated taking oversight of hundreds of billions of Russian central bank assets blocked in the EU. There was already debate in Europe about what to do with this money — which is mostly stuck in Euroclear.

Latvian PM Andris Kulbergs has called for EU countries to stop issuing tourist visas to Russians as a means to prevent future "hybrid" threats. He vowed to revive economic growth and strengthen security in the Baltic state — which shares a border with both Russia and Belarus.

You probably have read about India's cockroach movement. Gen Z-led Cockroach Janta Party accuses India's Election Commission of manipulating voter lists to favour PM Modi's ruling BJP. The FT revealed that near 130mio voter names were removed from the country's voter register.

India's digital payments interface, which was launched in 2016, showed that 80% purchases in Mumbai are cashless. But cash is making a comeback. From next month, a small charge is set to apply to all transactions over Rs2,000 ($20) on the Unified Payments Interface. Polling agency Local Circles found 83% of merchants were not willing to bear the extra costs.

Recognized gold imports to Japan totaled 10 metric tons in 2025, but exports reached 228 tons. Japan is not a big producer; gold smuggled into the country appears to be processed before being exported in many cases. To curb this, MoF plans to strengthen the power of customs authorities, to deny export permits if the necessary information is not provided.

China has proposed new export controls on technologies used in areas including AI models and agents and chip design. Announced on Friday, it highlights Beijing's growing focus on maintaining the security of rapidly developing domestic AI technologies amid intensifying rivalry with the US.

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The Poon Report

World News

Oil hits five-month high of $110 on new escalation in Middle East

Taken from FT Saturday, 17 October 2026

The price of oil hit a five-month high following reports by Saudi Arabian-led military forces that they had destroyed ballistic missiles fired at some of the kingdom's main energy hubs.

Brent crude, the international benchmark, settled 3.7 per cent higher on Friday at $109.86 a barrel after earlier hitting $110 for the first time since May, while US marker West Texas Intermediate topped $100 a barrel for the first time in a month, settling up 3.5% at $101.41 a barrel on Friday.

The latest price surge comes after months of anxiety around the world about high fuel costs triggered by Donald Trump's Iran war, launched in February — and just weeks before US midterm elections.

Analysts warned that a deepening Middle East crisis was now looming over oil markets. Iranian attacks against ships in the Strait of Hormuz, a chokepoint out of the Gulf, have increased over the past week, while Yemen's Iran-backed Houthi rebels have stepped up attacks against Saudi Arabia, including a missile strike on the headquarters of state oil company Saudi Aramco.

Trump has moved to contain the political fallout of soaring diesel and petrol prices just weeks ahead of November's elections by seeking to import fuel from Russia and potentially easing sanctions on "dark fleet" vessels.

American voters are anxious about the new burst of inflation sparked by his war, according to polls. Growing street demonstrations have also taken place in Europe, Asia and Latin America in protest at high fuel costs.

(Link to article - FT)

Iran Is Giving Houthis Targeting and Intelligence for Attacks on Saudi Arabia

Taken from WSJ Saturday, 17 October 2026

Iranian support has helped the Houthis mount the most potent and sophisticated attacks yet on Saudi Arabia and its Yemeni allies, including help targeting drone and missile attacks, as well as training, intelligence and tactical guidance, people briefed on intelligence from Saudi Arabia and Yemen's anti-Houthi alliance said.

The assistance has contributed to a Houthi offensive that has produced rapid territorial gains in Yemen. The militant group now controls the coastline on its side of the Bab al-Mandeb Strait, a chokepoint for Saudi oil exports, while it has launched attacks on Saudi oil tankers, energy facilities and airports, including a strike that killed at least 13 people last weekend in Riyadh.

Iran's contributions highlight its ability to use its integration with Middle East militias like the Houthis to ratchet up pressure in the region—a challenge as President Trump and America's Gulf allies try to wind down the war with Iran on favorable terms.

"The connection is very, very strong on the operational level," said Danny Citrinowicz, a former head of the Iran branch for Israeli defense intelligence. "Iran has a major interest in the Houthis' success. It harms Saudi Arabia; it raises the oil prices. Therefore, there is a shared strategic interest that isn't based on a client-patron relationship, but rather on strategic cooperation."

(Link to article - WSJ)

Houthis encircle new target in conflict with Saudi-backed forces

Taken from FT Saturday, 17 October 2026

Houthi rebels are closing in on another strategic prize in Yemen as the war between the Iran-backed group and a Saudi Arabia-led coalition escalates.

The rebels, who launched a lightning offensive down the Red Sea coast from their northern Yemeni stronghold last month, have in recent days encircled the south-western city of Taiz, which connects the coast with the rest of southern Yemen and could open a pathway to advance on Aden, the seat of the internationally recognised government.

All major entrances to Taiz, Yemen's third-largest city, have become front lines after the Houthis made major advances along the main roads. Only a few cars and cargo trucks are able to enter by navigating fierce battle zones to the south of the city, according to residents.

The fighting arrived so quickly that residents had no chance to escape to safer areas, they said, adding that they were running short of food, medicine and fuel as prices soared.

(Link to article - FT)

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The Poon Report

News Russia/Ukraine

Donald Trump exempts Russia from further sanctions mandated by new law

Taken from FT Saturday, 17 October 2026

Donald Trump has decided not to impose new sanctions on Russia that were mandated by a sweeping law passed by Congress last month.

In an executive order issued late on Friday night, Trump invoked a waiver in the law that gives him broad authority not to impose new economic penalties on Moscow over its war in Ukraine if he believes it to be in the national interest.

“I am hereby waiving the application of such sanctions, restrictions, and duties provided for in the Graham Act,” it stated.

The executive order did not explain why Trump opted not to enact the legislation he signed. The decision comes as the administration has lifted sanctions on Russian diesel in a bid to tame energy prices ahead of the midterm elections next month and comes amid deteriorating relations with Ukraine.

The Lindsey O Graham Sanctioning Russia and Iran Act, which was signed into law by Trump last month, mandates sanctions on Russia’s defence and energy sectors as well as its shadow fleet of ageing oil tankers, which have been used to evade existing restrictions.

“By waiving these sanctions, Trump is thumbing his nose at Congress’s direction that he ratchet up pressure on the Kremlin and enabling Vladimir Putin to continue his war of aggression,” said Elizabeth Warren, the top Democrat on the Senate banking committee.

The decision not to impose sanctions on Russia comes as the relationship between Washington and Kyiv is once again in turmoil.

Trump has leaned heavily on Zelenskyy to stop striking Russian oil refineries, while Russia has continued to bombard civilian and energy infrastructure in Ukraine, killing more than 100 civilians over the past week.

Kyiv has been left blindsided by unexplained lapses in intelligence from its foreign partners about incoming missile strikes, along with restrictions on Elon Musk’s Starlink satellite internet systems used by Ukraine’s drone units.

Trump has denied that the US has stopped sharing intelligence with Ukraine.

(Link to article - FT)

Trump waives several Russia sanctions as row with Zelensky intensifies

Taken from BBC Mews Saturday, 17 October 2026

Donald Trump has blocked numerous sanctions on Russia two days before they were due to take effect, as a row with his Ukrainian counterpart Volodymyr Zelensky deepens.

Trump and Zelensky have since exchanged sharp words about one another. Ukraine's president declared it was nice to be among "real leaders" while addressing an EU summit, after Trump said Zelensky was "more difficult to deal with" than Russian President Vladimir Putin.

The new US sanctions law took aim at Russia's economy, giving Trump broad powers to levy tariffs of up to 100% on imports from the top five purchasers of Russian oil and gas – most significantly China and India.

It also included sanctions against senior Russian figures, including Putin, as well as Russian financial institutions and Moscow's so-called "shadow fleet" of vessels used to circumvent existing embargoes.

Many of these provisions have now been waived by Trump.

Concerns that Trump is siding with Russia have been heightened by disruption to a US-provided satellite system used by Ukraine.

Last week Starlink suddenly and unexpectedly restricted the speed at which drones could fly while still maintaining internet connection. This disrupted some battlefield missions, Ukraine said, and hampered Kyiv's ability to protect itself from incoming Russian attacks.

(Link to article - BBC)

Zelenskyy says Starlink speed limits in Ukraine are a ‘planned operation’

Taken from FT Saturday, 17 October 2026

Volodymyr Zelenskyy said that speed limits on Ukraine’s military Starlink systems were part of a “planned operation” aimed at undermining the country’s defences.

The Ukrainian leader’s latest comments come amid the sharpest deterioration in relations with US President Donald Trump since their explosive Oval Office meeting in February 2025 — and as Moscow escalates its air war against Kyiv ahead of winter.

On Friday night, Trump refrained from imposing additional sanctions on Russia that were mandated by a sweeping law passed by Congress.

In a message to reporters over WhatsApp on Saturday, Zelenskyy said Starlink terminals used by Ukrainian drone units worked at high speeds in the EU — up to 180kph — but cut out inside Ukraine when they flew faster than 160kph.

The maximum speed for Ukrainian drones equipped with Starlink systems was 161kph, he said, adding that “exceeding this limit causes the Starlink

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connection to cut out completely, resulting in the loss of the drone".

He said Ukraine had conducted the tests to determine whether SpaceX was facing technical issues, as Kyiv had been told by Washington, or if the restrictions were a "planned operation… to restrict us, cut us off and prevent us from defending ourselves and protecting our people, both at the front and among the civilian population".

"The conclusion is clear: the restrictions are in effect within Ukraine but do not apply within the European Union. In other words, this is a planned operation."

Kyiv was blindsided by unexplained lapses in intelligence from its foreign partners about Russian ballistic missile strikes over the weekend. This was followed by surprise restrictions on Elon Musk's Starlink satellite internet systems used by Ukraine's military, particularly its drone units.

(Link to article - FT)

Ukraine faces grim question of whether it can take on Russia without US backing

Taken from The Hill Sunday, 18 October 2026

The disruptions this week in U.S. support for Ukraine have forced Kyiv to face a grim question: Can it stay in the fight against Russia without any of President Trump's already diminished support?

Ukrainian President Volodymyr Zelensky has escalated a diplomatic assault, earlier this week accusing the Trump administration of throttling its access to Elon Musk's Starlink satellite services and failing to offer standard intelligence on incoming Russian strikes. So far, U.S. weapons seem to still be flowing to Europe despite Trump's turns in the war.

Uncertainty continues to swirl around who chose to limit SpaceX's Starshield function, which has since been restored, but Reuters reported Thursday that the order to limit the satellite system came from inside the White House. Leaders at the Defense Department reportedly were told that the service needed to be slowed.

Then on Friday, Trump said that neither he nor Musk caused the Starlink outage, telling reporters: "I didn't do that. No, we didn't do that at all."

The episode highlights a growing rift between the U.S. and Ukraine, a dispute that puts Kyiv in danger and all but makes sure its war with Russia will stretch on for the foreseeable future, according to Branislav Slantchev, a political science professor at the University of California, San Diego.

"This hurts Ukraine in more ways than just limiting its ability to operate on the frontlines," Slantchev said.

He placed the blame squarely on the Pentagon for disrupting Ukraine's Starlink and Starshield satellite services, with the former used for defensive purposes on the battlefield and the latter used for offensive operations. Starshield is controlled by the U.S. government and was slowed on Tuesday.

He said the episode encourages Moscow to keep pushing with its demands including major territory concessions from Ukraine, as Russian President Vladimir Putin "estimates that the U.S. under Trump is on his side."

"Essentially, this guarantees that the war will continue," Slantchev told The Hill. "Ukraine is not going to lose the war because of limited Starshield connectivity, but it makes Ukraine's task of incapacitating Russia's ability to hurt it much, much harder."

Relations between Washington and Kyiv, already strained since Trump began his second term last year, were pushed to a new low last week after he announced he was lifting sanctions on Russian oil sales. The agreement allows diesel to enter the U.S. and global marketplace, giving Moscow a lifeline as it struggles to make gains on the battlefield.

Trump's decision to allow the sales appeared influenced by the high cost of diesel in the United States, which has become an issue in congressional races, particularly in the Midwest. Yet there are doubts among experts of whether the step will reduce diesel's costs given the connection between the high prices and turbulence in the Strait of Hormuz.

Zelensky has spoken out against the deal, saying he feels betrayed, criticism that Trump met with threats to cut off U.S. intelligence sharing.

Zelensky then said Wednesday that the slowdown of Starlink was a "big mistake" and warned that Ukrainians could die if speeds were not restored.

The Ukrainian leader also said that the U.S. is not "on the right side of history.

(Link to article - Yahoo)

Rubio says Trump to take up to 60 days to weigh Russia sanctions

Taken from Internazionale Sunday, 18 October 2026

The day after waiving sanctions and tariffs related to Russian exports, US President Donald Trump said on Saturday he has yet to announce a final decision on the matter as Secretary of State Marco Rubio said officials want more time to evaluate the situation.

Rubio said on Saturday that the president will use up to 60 days to assess the economic impact of Russia-related sanctions and tariffs that he waived a day earlier.

"A lot of you don't know what my decision is yet, but we'll figure it out, and you'll figure it out," Trump told reporters at his Mar-a-Lago club in Palm Beach, Florida.

The waiver comes just weeks before November's midterm elections, with Trump under pressure over high energy prices as war with Iran disrupts global oil supplies.

Trump signed an executive order on Friday waiving key sanctions and tariffs under the law known as the Graham Act, which he signed last month at the

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urging of lawmakers who want to pressure Moscow over its war in Ukraine.

The measures, including tariffs on Russian goods and penalties on countries buying Russian oil and gas, were due to take effect next week. Friday's order did not specify how long the waiver would last, but Rubio said Trump opted for a 60-day review.

"I think the president wants to take the 60-day period of time to sort of analyse what imposing both sanctions and tariffs will mean to the global economy and even to the US economy," Rubio told reporters before boarding a plane for a trip to Uzbekistan.

Complicating matters is the Graham Act's call not only for sanctions on Russia but also for tariffs on goods from countries that import Russian energy supplies. Rubio pointed to India, an important US partner that has diversified its energy supplies but remains heavily dependent on Russian oil.

Rubio also defended a separate US agreement with Russia to increase diesel supplies to global markets, aimed at easing fuel prices that have climbed amid the war with Iran and disruptions to energy supplies.

(Link to article - Internazionale)

News Europe

What is behind the surprising resilience of the UK economy?

Taken from FT Saturday, 17 October 2026

The UK has not had much to boast about on the world stage in recent years. After Brexit, it suffered one of the slowest post-pandemic recoveries, one of the worst inflation shocks and a period of feeble productivity growth.

Now, it is suddenly starting to look like an outperformer.

As the IMF set out its latest forecasts in Bangkok this week, Britain won accolades for fiscal discipline — with its budget deficit set to be the lowest in the G7 by 2031 — and one of the biggest upgrades to its growth outlook of any major economy.

IMF managing director Kristalina Georgieva implored France to "get your house in order" with respect to high deficits but singled out the UK as one country that had "decisively" taken action to reduce debt and deficits.

Official data on Thursday confirmed this picture of unexpected strength. In the face of the global energy shock, annual growth in GDP accelerated to 1.8% in the three months to August — the fastest pace of expansion since 2022, when the economy was rebounding from Covid-era lockdowns.

This "moves beyond simple resilience; it points to something bigger — an AI-fuelled expansion", said Simon French, chief economist at investment bank Panmure Liberum, pointing to a broad-based pick-up across services, manufacturing, trade and investment.

The clearest upswing is in areas benefiting from the global rollout of AI. Computer programming grew by double digits, alone accounting for a sixth of the past year's expansion. Professional services, the biggest contributor to the increase in GDP, was up 6.6% year-on-year in the three months to August.

AI is not the only growth driver, with sectors such as law, accountancy and advertising also thriving, as well as scientific research and development.

But the UK's big advisory firms and a host of smaller consultancies — now a driving force behind UK exports — are well placed to profit from the AI boom as businesses around the world rush to adopt the technology.

The second factor in the UK's outperformance is that even outside tech-related hotspots, many businesses have coped better than expected with the pressures created by the Iran war.

Thomas Pugh, chief UK economist at the audit firm RSM UK, said that for manufacturers he had met since the conflict began, hardened by successive crises, "it was never a top three risk — it was rarely in the top five".

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Many businesses had already cut debt and built buffers against new shocks, for example by signing longer-term energy contracts.
The trouble for Chancellor John Healey, as he prepares to deliver a tough Budget, is that people are likely to feel worse off in the short term.
The fastest-growing sectors are not hiring, payroll employment has fallen over the past year in both the tech sector and professional services. Inflation is forecast to rise above 4%, and economists expect the Bank of England to raise interest rates next month.
The crucial question is whether the corporate spending splurge on AI will lead to wider gains in productivity and prosperity across the economy.
(Link to article - FT)

European delegates walk out on Russian finance minister at IMF summit

Taken from SCMP Saturday, 17 October 2026

Many delegates to the IMF's steering committee walked out of a meeting on Saturday when Russian Finance Minister Anton Siluanov addressed the group in Russian, three sources familiar with the matter said.
Russia's invasion of Ukraine in February 2022 has roiled the International Monetary and Financial Committee, preventing it from reaching consensus statements in the years since. There were deep divisions again at this week's annual meetings of the IMF and World Bank in Bangkok, as new tensions flared between the US and Ukraine.
"Many delegations walked out, including members of the European Union," one of the sources said.
A second official in the room said nearly a dozen delegates left the room when the Russian official began speaking. Delegates from Denmark, Sweden, Finland, Norway, Lithuania, Latvia and Estonia were among those who left, the official said.
"The Ukraine war is existential for us in Europe," one European diplomat said. "We cannot normalise relations with Russia."
US Treasury Undersecretary Erin Browne said the same day that Washington, the current leader of the G20 nations, supported Russia's presence despite European concerns.
"We think it's really important if you're going to solve a crisis, you need to have open dialogue and open conversation," she said. "And you can't have … dialogue, and you can't have resolution to conflict if no one's talking to one another."
Ukrainian President Volodymyr Zelensky, speaking at a European Union summit on Friday, blasted US President Donald Trump's diesel deal with Russia and welcomed the prospect of European allies stepping up their role in peace talks.
EU leaders rallied around Zelensky after Trump again criticised Ukraine, calling its strikes on Russian refineries a "disgrace".
(Link to article - SCMP)

Latvia calls for visa ban on Russians

Taken from FT Sunday, 18 October 2026

The Latvian prime minister has called for EU countries to stop issuing tourist visas to Russians as a means to prevent future "hybrid" threats, as Moscow escalates pressure on the bloc through non-conventional warfare.
"Don't freaking let Russians travel to Europe," Andris Kulbergs told the FT in an interview.
The former businessman, who was made caretaker prime minister in May following the collapse of the previous government, was elected prime minister this month with 35% of the vote on a pro-European platform.
He vowed to revive economic growth and strengthen security in the Baltic state — which shares a border with both Russia and Belarus — but is still pulling together a coalition after falling short of an outright majority.
"How the hell can we still have visas available to Russians, who are the aggressors, who are the orchestrators, [when] the theatre of hybrid threats is coming definitely from there and we're still passing on visas, just because that makes some countries money? Come on," Kulbergs added.
A discussion on visas is under way among EU countries. This week, France said it would restrict access to former Russian soldiers; one senior diplomat said Paris would "substantially restrict" visa issuance to Russians. Rome is open to dialogue, diplomats said.
German Chancellor Friedrich Merz said on Friday that leaders discussed reducing visas issued by EU countries to Russian citizens during an EU leaders' meeting in Brussels on Friday.
"A very large number of visas are still being issued to Russian citizens entering the European Union. There is certainly still room for us to take further action — specifically to restrict both personal visits and business travel to the European Union," he said. "Russia needs to know that we won't leave something like this unanswered."
Baltic countries are also pushing for the European Commission to block Russian grain exports through their countries, as they are unable to do so at a national level without facing risk of legal sanctions. However, the requirement to maintain a free flow of food for international humanitarian purposes is likely to scupper such a motion.
(Link to article - FT)

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Europe must liberate Belgium from its huge Russian assets risk

Taken from FT Sunday, 18 October 2026

We have returned to the point in the geopolitical cycle where US President Donald Trump is ready to betray Ukraine in order to cosy up to Russia's dictator Vladimir Putin. Bilateral talks with Russia, demands sprung on Ukrainians, the apparent throttling of satellite services, alleged threats to weapon supplies — there are so many echoes of previous low points.

An issue of special concern to Europe is also back in the mix: the US has floated taking oversight of hundreds of billions of Russian central bank assets blocked in the EU.

There was already debate in Europe about what to do with this money — which is mostly stuck in Euroclear, the Belgian central securities depository — as thoughts turn to the next stage of Ukrainian financing. There also remains the desire to make Russia pay. The last attempt to use the assets was successfully resisted by Belgium, which feared shouldering all the risks of doing so alone.

Germany's chancellor has rebuffed US designs on the assets: "This is our matter, and we decide on it." That is the right response: the asset block is a key source of EU strategic influence. But it is not well placed to resist a determined US push. If Trump really wants the money, expect a barrage of political extortion, legal manoeuvring and propaganda designed to divide Europeans and weaken their resolve.

The EU must prioritise the essentials. How to mobilise assets for Ukraine's benefit can wait another day; what is urgent is cementing the ability to make that decision as well as reducing related risks. Most importantly, there is a weak point to address: the fate of a too-big-to-fail market infrastructure provider (Euroclear) and the public finances of a small Eurozone country are tied up with the fate of the assets. It shouldn't need saying that a multitrillion-euro operation that is crucial to the working of financial markets ought not to be exposed to legal, reputational and political risks beyond its control.

On purely prudential grounds, the EU needs to fix this. Quite separately from Ukraine's war of survival, it is a matter of sensible regulatory supervision and risk management.

What is required is conceptually straightforward: the Russia-related assets and liabilities must be shifted out of Euroclear into a standalone entity in a country more able to bear any residual risk.

That may sound mundane. But mundane can be what the EU does best.

(Link to article - FT)

News Americas

Trump has failed to listen to voters on inflation

Taken from FT Saturday, 17 October 2026

Recent polls show that around two-thirds of respondents disapprove of the president's handling of economic issues. In a sense, it is easy to understand why these numbers irk the president. The economy is solid. The unemployment rate has been at or below 4.5% for 60 consecutive months — the longest such stretch in the postwar era. The rate of employment among people aged 25 to 54 is higher than it was prior to the onset of both the Covid-19 pandemic and the 2008 global financial crisis.

To explain his poll numbers, Trump and his surrogates blame the media. But a better explanation is the performance of inflation-adjusted wages. Since Trump took office for the second time in January 2025, wages have grown by 5.5%, and prices have grown by 5.4%. The inflation-adjusted average wage peaked in November 2025, and last month was down 1.2% from its peak.

High inflation puts upward pressure on interest rates, which are also dragging down the president's popularity. The average interest rate on a 30-year mortgage has risen by around 50bps since Trump returned to the Oval Office and by 1.4 percentage points since February. There are four important lessons future governments should take away from this.

First, voters are not engaged in macroeconomic analysis, but in assessing their current and future economic outcomes. Trump, like Biden before him, has tried to turn attention away from rapid inflation and towards low unemployment. As a matter of economic analysis, this is sensible. But it does not work with voters. Even during the worst of the 2008 global financial crisis and Great

Recession, nine out of every 10 workers were employed. But over the past five years, 10 out of 10 workers have watched prices climb higher and higher.

Second, voters make connections between policy choices and inflation. According to my calculations, Biden's 2021 stimulus law added around three percentage points to the underlying rate of inflation that year. And polls from around that time show that a large share of voters blamed his policies for making inflation worse. Similarly, regardless of what they think of the Iran war, the American people seem to understand that it is responsible for high petrol prices. And by large margins, they believe Trump's trade war has raised prices as well — so much so that some GOP politicians are publicly breaking with the president on tariffs.

Third, voters elect presidents to fix problems, not to diagnose their causes. To a large extent, Trump is

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right to be vexed. A large part of voters' current frustration is due to massive price increases that occurred during Biden's presidency. During those years, the overall level of prices increased by 21.4%, compared to 7.8% over Trump's first term. Moreover, it is the Fed Res' responsibility to keep inflation low and stable — a responsibility it has failed to meet for over five years.

Still, Trump is not making a serious effort to address voters' legitimate affordability concerns, despite his campaign promise to "end inflation" on "day one". Instead, he has belittled such anxieties, referring to worries about high prices as a Democratic Party "con job" and "hoax", arguing that families should deal with higher prices by buying their children fewer "dolls" and "pencils".

Finally, presidents should pursue policies that promote low and stable price inflation. This sounds obvious, but over the past two presidencies Washington has seen the most reckless fiscal policy in decades — Biden's stimulus law — and a destructive trade war, both of which made it harder for working Americans to make ends meet.

After the midterms, attention will turn to the race to succeed Trump. The next president should prioritise fiscal responsibility and trade liberalisation — and, of course, Fed independence — which will put downward pressure on inflation and interest rates. Policies that raise productivity growth, including avoiding unnecessary AI regulation, would also help nominal wage gains to outpace price inflation.

Ultimately, over the long term, political success must rest on a foundation of policy success. Voters regard rapid inflation as a policy failure. Neither US political party has adequately learnt this lesson. The race is on to recognise reality.

(Link to article - FT)

Brace Your Budget: Grocery Inflation Is Set to Accelerate

Taken from Barron's Online Saturday, 17 October 2026

The cost of groceries has been surprisingly stable in recent months, but don't expect that calm to last. Inflation is expected to climb again over the next year, with households and policymakers bearing the brunt.

Overall food inflation, as measured by the consumer price index, has been relatively stable in recent months, with flat monthly growth in September after a 0.1% advance in both July and August. Over the past 12 months, food inflation has only risen 2.5%, below the overall pace of 3.7% year over year headline inflation in September.

But that slower pace of rising food prices is set to end. Higher energy prices, particularly diesel costs, are feeding into transportation expenses even as elevated tariff rates have raised costs for many of the components in food packaging. Moreover, El Niño threatens to upend agricultural production in the Western U.S., Mexico, and South America in the coming months, which could limit supply and raise prices.

"There is a little slice of relief for food currently, and folks should enjoy it while it lasts because these higher energy costs and some other factors are going to filter in by the end of the year," says Ricky Volpe, a prominent professor of agribusiness at California Polytechnic State University in San Luis Obispo.

(Link to article - Barron's)

The Fed Will Have to Raise Interest Rates More, Even If It Pauses in October

Taken from Barron's Online Saturday, 17 October 2026

Fed Res officials appear inclined to keep interest rates unchanged at their Oct. 27-28 policy meeting. But don't be fooled by a pause: More rate increases are likely coming, possibly as soon as December, to tame escalating inflation.

The Fed raised its benchmark interest rate by a quarter of a percentage point in September, to a target range of 3.75%-4.00%, its first increase since 2023. Officials have since indicated that they want more time to assess the economy before making another move.

There is plenty to assess, and some of it isn't encouraging.

The consumer price index rose 3.7% in September from a year earlier. That was a stronger-than-expected increase and a sizable jump up from August's 3.4% annual growth rate. Prices climbed 0.6% month to month in September, with a 9.1% jump in gasoline accounting for more than half the increase. Core inflation, which excludes volatile food and energy prices, accelerated to 2.6% annually from 2.4% in August.

(Link to article - Barron's)

Gillian Tett: The secret fight around financial flows

Taken from FT Saturday, 17 October 2026

What on earth — or at sea — is happening with global supply chains? It's a burning question ahead of America's forthcoming corporate earnings season.

It also haunted this week's meetings of the IMF, as its economists scrambled to explain why the global economy has remained surprisingly "resilient" this year, amid (more) war and surging interest rates, oil prices, inflation and debt.

But if you want another insight on the economy, beyond the macro data, it pays to peer at the people directly handling the granularity of 21st-century globalisation, such as corporate treasurers.

Normally, this tribe tends to be ignored. Treasurers are publicity shy by nature and there is limited public data about their activities. But, as any rookie journalist knows, "follow the money" is always a good mantra.

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And right now, it seems that companies have not only restructured their physical supply chains but are quietly starting to reform their payment chains too. That could impact the future of finance — even the dollar.

The issues are set out in a fascinating recent study by Citigroup that draws on its internal client payments data, alongside a survey. This shows that trade has indeed stayed buoyant, echoing the IMF report and recent analysis from DHL and NYU Stern. Despite US tariffs and the Iran conflict, Citi's payment network data showed 40% year-on-year growth for commercial trade flows across all sectors in H1 2026, it says. Wow.

This growth partly reflects the fact that trade has been rerouted to avoid tariffs. China, for example, is now sourcing more agricultural products from Latin America than American farmers, and the US share of Chinese automotive exports has fallen from 33% in 2022 to 13%, while emerging market sales soared.

Another factor is that trade linked to AI investments — say, around chips — has exploded. Thus tech-export payments have grown 50% year on year, Citi says, with a 90% surge between Taiwan and Singapore. No wonder many company bosses sound upbeat even as the IMF warns that global growth is dangerously reliant on that AI boom.

What is much less clear, though, is the detail of what is happening in financing supply chains.

Unsurprisingly, treasurers fret about surging inflation and interest rates. But 72% say their top priority now is extracting trapped liquidity from supply chains they have restructured, much higher than before.

"Treasury functions are being asked to surface cash that has been embedded in supplier relationships [and] inventory positions," Citi says.

In response, some treasurers are forcing their suppliers to hold more inventory (and thus bear liquidity risks). But the tech is helping: 45% are using AI for supply chain management, up from 16% two years ago, and 72% are using new digital technologies like blockchain, up from 57% in 2024. That is remarkable, particularly given that non-financiers often assume that the only people using distributed ledgers are punters holding bitcoin or crooks.

In some ways, all this is good news. JPMorgan (which, like Citi, also has many treasurers as clients) reckons that S&P 1500 companies have over $700bn of trapped liquidity inside supply chains because of financing system inefficiencies. Hackett consulting group puts that even higher, at $1.7trln.

Either way, what is clear is that treasurers face pressure to overhaul custody, liquidity and payments. For while markets are moving faster — and tokenisation will accelerate this speed, as the IMF noted last week — treasury departments used to be cumbersome and slow. The velocity and efficiency of financial flows are changing — just as cell phones have revolutionised how we communicate.

But there are three broader implications of this shift that investors should note. First: greater use of digitisation and AI will make future supply chains even more vulnerable to cyberattacks.

Second: the unexpectedly high levels of blockchain usage will also make it much easier for companies to move away from a dollar-centred payment system in the future — if they wish — since it is easier to use a variety of currencies for cross-border trades.

That has not happened yet: the dollar remains dominant in global trade invoicing, research shows. But watch out if geopolitical splits worsen.

Third: the hunt for spare liquidity suggests that many C-suites feel more uneasy about the future than ebullient corporate reports might imply. For aside from tech reform, companies are almost certainly motivated by the need to contend with rising investment pressures, higher interest rates and uncertainty.

It is, if you like, the corporate equivalent of hunting for spare pennies down the back of the proverbial sofa — a way to get more resources.

Hence why economists and investors should not only watch shifts in physical supply chains (ie trade) but the less visible financial chains too. Money talks — and right now we are moving from a world of abundant liquidity and quasi-free cash to a place of rising competition for capital. That matters — as even tech companies are starting to learn.

(Link to article - FT)

Anthropic offers Blackstone double-digit yield in latest chip financing

Taken from FT Saturday, 17 October 2026

Anthropic is offering Blackstone a high yield of more than 10% to finance its latest chip deal, highlighting the start-up's willingness to stomach steep borrowing costs to finance expensive AI infrastructure.

The $60bn debt package, dubbed "Project North Star", would help fund Anthropic's procurement of about 1.5 gigawatts of custom semiconductors developed by Google, known as tensor processing units.

It is expected to be the largest chip financing to date and a crucial test of investor appetite in AI debt at a time when lenders are increasingly nervous about tech companies' heavy capital spending and borrowing.

Blackstone funds would invest $9bn in the debt backed by Anthropic's five-year lease payments on the chips, accounting for about half of the $18bn junior loans, according to people familiar with the matter.

The private capital giant was offered a coupon of 10% and an even higher total return after accounting for new-issue discounts and other fees, the people said. A borrower with a similar credit profile typically

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pays a yield of about 7% in the public bond market, according to the ICE BofA BB US High Yield Index. The rest of the $9bn would be sold to a broader group of investors in the coming months, potentially with a lower yield, the people added.

The rise in borrowing costs underscores investors' demand for higher risk premiums to finance the AI build-out, as they grapple with tech companies' huge funding needs over a short period of time.

Tech groups are also paying up to secure capital in mega-sized financings in order to attract anchor investors and early commitments.

It also highlights the challenges facing the five-year-old AI lab as it aims to obtain an investment-grade rating. Blackstone told its investment partners that the latest chip deal would be a rare opportunity to earn high yield on Anthropic-linked debt, as it is expected to receive an investment- grade rating and vastly lower its borrowing costs once going public, the people added.

(Link to article - FT)

Anthropic assigned highest junk credit rating in June

Taken from FT Saturday, 17 October 2026

Anthropic was assigned a credit rating one notch below investment grade by Kroll Bond Rating Agency this year, marking a strong grade for the AI start-up despite its limited financial disclosures.

The Claude maker received an issuer rating of double B plus from KBRA in June, the highest speculative-grade score, in the run-up to securing a $35bn chip financing led by Apollo, according to documents seen by the FT.

The rating action, which has not previously been reported, shows Anthropic is close to achieving the investment-grade status that would allow the start-up to lower its borrowing costs and tap a wider pool of institutional investors including life insurance companies and pension funds.

Bankers for Anthropic and rival OpenAI have lobbied the largest rating agencies to grant the AI labs investment-grade ratings once they go public. Investors expect the initial public offering this year to hit a valuation of more than $2trln.

Anthropic expects to spend more than $500bn on computing resources and infrastructure over the next decade. That effort — which is crucial to the continuation of an investment boom that has powered the growth of US equity markets — will hinge in large part on its credit rating once public.

KBRA is a smaller rating agency compared with Moody's, S&P and Fitch, which will ultimately determine Anthropic's post-IPO credit status.

However, Anthropic's disclosure to KBRA excluded several important financial metrics, including free cash flow and earnings before interest, taxes, depreciation and amortisation. Credit rating analysts had to come up with their own estimates based on assumptions, the documents show.

Anthropic's credit rating has a significant impact on its upcoming financing efforts, with Wall Street banks beginning to assemble a $60bn deal to help the company acquire more custom AI chips co-developed by Google and Broadcom. The new debt package would include $18bn of junior debt backed by Anthropic's rent payments on chips.

(Link to article - FT)

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3 Areas Where BlackRock's Bond Guru Is Finding Income

Taken from Barron's Online Saturday, 17 October 2026

For more than a decade, investors have stuck with the mantra that stocks in a world of paltry bond yields were the best option. Those days are over, according to BlackRock bond guru Rick Rieder.

He says the long popular theme known as TINA—short for "there is no alternative" to stocks—is coming to an end. Instead, there are historic opportunities for investors who want more yield without taking on too much risk.

"Now we have TIABA — 'there is a big alternative,'" Rieder, BlackRock's chief investment officer of global fixed income, tells Barron's.

Of course, equities might still do fine. But Rieder says pensions, endowments, foundations, and others looking for income can find hefty yields without having to hold the longer-term debt of the U.S., United Kingdom, and Japan, which are all grappling with widening deficits.

Instead, investors can consider shorter-term bonds, debt of hyperscalers looking to finance the buildout for artificial intelligence, and emerging market bonds.

The shift toward bonds comes as interest rates are rising on the back of inflationary pressures driven partly by the war in Iran—and as rising deficits push investors to demand a higher yield to provide the U.S. financing. As a result, Rieder says investors can currently buy shorter-term bonds and generate notable income.

"It has been pretty wild that even with interest rates going up and negative returns across part of fixed income, the money in fixed income is growing in terms of people putting money in," he says. "It's a reflection that people are saying, 'Gosh, there's an alternative!'"

Case in point: The $17bn iShares Flexible Income Active exchange-traded fund that Rieder manages is yielding more than 7%, with an average duration of under three years and an A-minus credit rating. The ETF owns an array of bonds, including high-yield and emerging markets debt, investment-grade corporate bonds, as well as agency mortgage-backed securities.

"This is a very unique point in time," he says. "Usually, when you can buy yielding assets at these levels, particularly high yield, there is an organic

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problem with those companies or sectors. Today, you don't have that. You have an economy growing. Our forecast is well over 6% [for U.S. nominal GDP growth]."

Rieder has also increased his exposure to emerging markets. These economies have become considerably less volatile than developed markets, in part as they have improved their fiscal health, he says. With the U.S. running growing deficits, it is hard to see the U.S. dollar appreciating significantly, he adds. That makes emerging markets—whose economies do better when the dollar weakens in part because it eases borrowing costs—much more attractive.

Plus, many of these markets are benefiting from a commodities boom driven by increased spending on energy diversification and the AI buildout.

"Emerging markets have become more than a diversifier," Rieder says, noting that they can generate alpha, or additional returns outpacing other benchmarks, and considerable income.

Another attractive area for Rieder is the bonds of some AI hyperscalers, which tend to have low levels of net debt and strong cash generation. As the Fed Res has raised interest rates, there is growing consternation around the impact of higher rates on the financing needed for the artificial-intelligence buildout. But Rieder doesn't see the overnight federal-funds rate having much impact on capital expenditures, noting that the internal rate of return on AI is high for now. In fact, Rieder says some of the hyperscaler bonds are attractive after a rise in yields.

"Ultimately, productivity will kick in and that will bring inflation down and that will bring interest rates down. There are a lot of problems that will be solved through higher levels of productivity," Rieder says.

The one tricky part, however, is that the jobs picture could become more challenging. That's one reason Rieder says he thinks the Fed will raise rates in December but ultimately not hike much more—and could actually start easing interest rates in the second half of 2027.

As for the concerns about France's deficit issues and recent bond rout, Rieder says he doesn't necessarily see a crisis brewing in Europe. He says France's troubles are consistent with what is playing out elsewhere in the world, including parts of the U.S. as higher interest rates put parts of the population under pressure.

"Going forward, I think it's in the back of every investor's mind: We have got to keep an eye on these fiscal situations and on political rhetoric toward budgets," he says.

Fiscal debt situations around the world are on Rieder's risk radar. So, too, are geopolitics: "Interest rates would be 30bps lower if it weren't for the Iran war," he adds.

If the war is drawn out but oil prices stay where they are, Rieder thinks the market will be OK—it's unexpected moves in oil prices that will be disruptive. (Link to article - Barron's)

Irwin Stelzer: The US economy is on a roll. So why isn't Trump benefiting?

Taken from The Sunday Times 18 October 2026

The American economy continues to grow, probably at an annual rate of more than 3%, and the jobs market is strong. Yet an average of all polls shows that 63.2% of Americans disapprove of President Trump's economic performance.

That gap between the economy's good performance and Trump's dismal approval ratings is due to more than hot inflation — 3.7% as measured by the CPI, up from 3.4% in August — that is having its usual corrosive effect.

Some 61.7% say their country is on the wrong track, with only 32.2% believing it is on the right track. Gallup pollsters report that the figure Americans who say they are extremely" or "very" proud of being an American is at the lowest level since tracking began in 2001. This is more than grumpiness. Americans see a president unable to either win or extricate himself from a war he initiated without first rallying public support.

They see a president whose plan seems to be to force Iran to the negotiating table to sign an agreement he says he knows they will not keep. They hear of over-extended duty tours, ammo shortages and other things ill-becoming the world's greatest superpower.

They see a president who repeatedly takes to television to ask them to believe him rather than their lying eyes, as Chico Marx might have put it. Trump recently claimed that his Republican convention in Dallas "beat the NFL", outdrawing the football game being broadcast that night, when the game drew seven times the number of viewers. He repeatedly tells Maga rallies that except for oil, prices have come down since he returned to office, while official data show they haven't.

We also watch an America that once was a reliable ally reduced to what George Gershwin in another connection called "a sometime thing." Trump has lifted sanctions on Russia's diesel fuel and even plans to have America buy some, providing Vladimir Putin with badly needed finances with which to continue his revanchist effort to reset the post-Second World War global order. All to add less than two days of diesel to global supplies. Surely, it profits a man nothing to give his soul for the whole world, but for a few quid off the price of diesel?

Trump announced that he had negotiated a truce in which Ukraine and Russia agreed to end the bombing of energy infrastructure. Ukraine agreed, Russia didn't, and proceeded with drone attacks on power plants in Kyiv and Kharkiv, with more, much

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more to follow, as the US reportedly withdrew crucial technical support because President Zelenskyy refused a unilateral cease-fire.

"Heav'n has no Rage… Nor Hell a Fury…" like Trump "scorn'd", to borrow from an old playwright who isn't Shakespeare.

Americans also worry about the use of government agencies to ignore law and custom and, at the president's instruction, make life difficult for his enemies. It is beyond unusual for the government to launch any investigation during the traditional "blackout period" shortly before an election. Yet judicially authorised subpoenas were executed during such a period at the DC home of Somali-born Ilhan Omar, a Democrat representing a district in Minnesota, in the hope of finding evidence to support her deportation — a long-time Trump goal.

There is more. A nation that took pride in being declared measles-free finds itself in the early stages of a measles outbreak while the man the president has put in charge of its health alleges that doctors prescribing immunisations are responding to "perverse incentives".

Health secretary RFK Jr believes vaccinations lead to autism and chronic diseases, a view contradicted by scientific studies. His Centers for Disease Control and Prevention have declined to issue up-to-date guidelines for flu shots.

Perhaps most of all, Americans find themselves apologising for their president as he, his family and rich supporters amass huge fortunes from government policies, ranging from foreign contacts to cryptocurrency ventures. Various polls show a widespread belief that these gains were illegally or unethically gained, and that the president prioritises personal over national interests.

All the while using taxpayer money to defy court orders while building monumental projects that bear his name because otherwise "no one remembers you" and entertains lavishly at Mar-a-Versailles while Americans struggle to afford cake.

These things have economic consequences. The loss of trust in the government makes many suspicious of good economic news, and more inclined to credit the ever-present not-so-good news in even cheery reports. They encourage cynical reactions when Trump says he wants more money for the military while denying we are short of ammunition. They are asked by Trump to believe his reports of successful phone calls with Putin, who is stepping up efforts to win the war by making Ukraine unliveable.

The Democrats are widely believed to be surfing a blue wave to control of both houses of congress. The new congress will be sworn in on January 3, 2027. Until then, we make do with the existing bunch.

(Link to article - Times)

News Asia

China unveils draft export controls on AI technologies and chips

Taken from FT Saturday, 17 October 2026

China has proposed new export controls on technologies used in areas including AI models and agents and chip design.

The draft controls issued on Friday highlight Beijing's growing focus on maintaining the security of rapidly developing domestic AI technologies amid intensifying rivalry with the US.

The export of leading AI models trained on sensitive Chinese data, as well as advanced AI agents used in areas such as critical digital infrastructure, defence and government services, would be restricted under the draft rules released jointly by the ministries of commerce and information technology.

The proposed expansion of China's lists of technologies that are prohibited or restricted from export, which the FT reported in July, would give Beijing greater oversight of transfers of advanced AI technologies overseas.

The draft controls issued on Friday also cover technologies used to design advanced processing and memory chips, packaging and networking equipment.

The proposed restrictions on the export of such technologies do not necessarily mean that products built using them will also be controlled. They would mainly prevent Chinese companies from transferring the underlying technology overseas, for example via acquisitions by foreign entities.

The draft rules also include several exemptions. Open-weight AI models — which can be run and customised by users — would be exempt if they were made publicly available and had not been trained on sensitive data.

However, the rules would allow restriction on the transfer of technology used in such open-weight models — potentially blocking the transfer offshore of ownership or key employees — if they surpassed 2trln parameters or were ranked top among global peers by performance.

Chinese AI start-up Moonshot's latest K3 model, which caused a global stir this year as its performance approached top-tier offerings from Anthropic, has 2.8trln parameters.

Simpler approval procedures would also apply to Chinese companies building and operating AI data centres overseas, manufacturing their own chip designs abroad, conducting research with foreign partners or helping set international standards. Chinese tech groups ByteDance, Alibaba and Tencent are expanding their overseas data centre capacity as restrictions imposed by the US and its allies limit their access to advanced chips in China.

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The latest proposed controls also cover some biomedical and solar technologies.
(Link to article - FT)

SoftBank in talks to buy US security group Allied Universal

Taken from FT Saturday, 17 October 2026

SoftBank is in talks to buy Allied Universal, the world's largest private security group and owner of the UK's G4S, as Masayoshi Son looks to accelerate his already sprawling bet on robotics and AI.
The potential deal for Allied could value the security company at close to $30bn, including debt, according to multiple people familiar with the matter. However, talks are still at an early stage and there was no guarantee that an agreement would be reached, they added.
A successful acquisition would allow Son to build up his growing bet on robotics. That includes the $5.4bn agreement to buy ABB Robotics — which is pending regulatory approval in China — as well as the planned listing of physical AI company Roze in the US.
Son has become increasingly interested in humanoid robots as part of his belief in the future of AI.
He has long discussed with his advisers the idea of using autonomous robots to provide security services. Allied also provides security for data centres, another growing part of the SoftBank empire.
(Link to article - FT)

China warns EU not to 'fantasise' on trade approach as Brussels confirms new 'kill switch'

Taken from SCMP Saturday, 17 October 2026

Beijing warned Brussels not to "fantasise" that taking a hard line will force it into concessions, as the bloc confirmed plans for a gung-ho new kill switch that will allow Brussels to "immediately" kick China out of the single market.
Exactly a week after the two sides struck a surprise deal to restrict the volume of hybrid cars China ships to Europe, the flare-up suggests the threat of a trade war between two of the world's three biggest economies has far from subsided.
"The EU should not fantasise about gaining benefits through pressure, nor should it underestimate China's determination and ability to safeguard its own interests," read a Ministry of Commerce statement on Friday.
The statement was in response to reports from the South China Morning Post and other media that Brussels believed that tough talk from Europe had forced Beijing to make a deal.
This came after the two biggest EU members – France and Germany – jointly proposed a new weapon aimed at hitting back at Chinese coercion and economic distortions. In the run-up to this week's European Council summit, it was often said that the "two-track" approach to China – dialogue and the threat of action – had worked.
"The claim that 'pressure from the EU side proved effective' is entirely groundless," the ministry said, in a stern rebuke.
European Commission President Ursula von der Leyen confirmed plans to develop the new weapon on Friday during a press conference after the European Council summit in the Belgian capital. This will come alongside intensified dialogue with Beijing.
Among the strongest critics of China's policies at a lunchtime debate was German Chancellor Friedrich Merz, a remarkable turnaround for a leader who, barely half a year ago, called for a free-trade agreement with Beijing.
Now, EU officials say Berlin wants to be "driving the train" on the EU's China policy. German officials on the margins of the summit confirmed there would be no going back now, speaking with an air of ebullience that all other member states had rallied round the so-called "kill switch" idea.
Von der Leyen confirmed that more trade safeguards are coming, allowing quotas and tariffs to be implemented on broad groups of products.
(Link to article - SCMP)

China cuts US Treasury holdings to 18-year low in August as American debt fears mount

Taken from SCMP Saturday, 17 October 2026

China has further reduced its holdings of US Treasuries to an 18-year low in August, as it continued to diversify its foreign exchange reserves amid rising geopolitical tensions and concerns over Washington's fiscal outlook.
China's holdings fell to US$590.7bn in August, down US$27.3bn from US$618bn in July, data released by the US Treasury Department showed on Friday. That marked the lowest total recorded since August 2008, when its holdings tumbled to US$573.7bn, according to Chinese financial data provider Wind.
China joined Japan, the largest foreign holder of US debt, in offloading the bonds that month. Japan cut its holdings to US$1.07trln in August by selling US$35.6bn from US$1.1trln in July.
China slipped to third place among foreign holders of US Treasuries in March last year – behind Japan and the UK – continuing a gradual but uneven retreat that began during US President Donald Trump's first term amid rising tensions and concerns over the weaponisation of the US dollar.
In contrast to its broader sell-off of US debt, China has steadily added to its gold reserves, widely viewed as a hedge against geopolitical and financial risks.
Official data showed the People's Bank of China increased its bullion holdings for the 23rd

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consecutive month in September, bringing the total to 77.47 million troy ounces (2,400 tonnes).
(Link to article - SCMP)

Inside India's electoral overhaul that removed 130mio voters

Taken from FT Saturday, 17 October 2026

"Ayesha, Mohammed, Moinnuddin, Jasmeen, Saida, Sameena, Yaseen and the list goes on," said 60-year-old Mohammed Baba Sharfuddin, as he listed 17 family members and 13 neighbours who he said were deleted from draft voter rolls this month. Sharfuddin's family has lived in the same property in a Muslim area of Hyderabad in southern
India since before independence from Britain in 1947. But their names were removed from the country's voter register, with polling agents saying they had "permanently shifted" from their residence — part of a mass revision that has resulted in about 130mio people being struck from the rolls.
"We were shocked," Sharfuddin said. "They removed an entire family from the voter list without reason. This is the world's largest democracy. When someone removes voters, what rights do we have left?"
The "special intensive revision" (SIR), launched last year, is aimed at "purifying" India's voter rolls of duplicates, deceased voters and those who have relocated, according to the election commission.
The exercise is in its third and final phase in Telangana, where Hyderabad is the capital.
But critics say the revision has wrongly removed eligible voters, many of them Muslim such as Sharfuddin, and may have benefited Prime Minister Narendra Modi's Bharatiya Janata Party in a series of state polls.
Near-daily demonstrations have erupted in New Delhi following a local media report alleging divisions within the independent electoral commission over the deletions, with protesters denouncing the exercise as "vote chori", or theft, and demanding the resignation of chief commissioner Gyanesh Kumar.
"It is disenfranchisement on a scale not known in human history," said Yogendra Yadav, an opposition activist who has brought cases to the Supreme Court challenging vote deletions. "It is not a simple revision of the voter list. It is the rewriting of the rules of who can become an elector in India."
(Link to article - FT)

Japan to prohibit untraced gold exports, clamping down on tax evasion

Taken from Nikkei Asia Sunday, 18 October 2026

The Finance Ministry plans to strengthen the power of customs authorities to curb gold smuggling, seeking to prevent the export of untraced gold that can be used to evade taxes.
Recognized gold imports to Japan totaled 10 metric tons in 2025, according to trade statistics, while exports reached 228 tons. Considering Japan is not a big producer, gold smuggled into the country appears to be processed before being exported in many cases.
The ministry will consider revisions to the customs law and related government ordinances with an eye toward adopting a framework as soon as fiscal 2027.
A proposal will be presented to a ministry panel of experts next month ahead of compiling the necessary changes by the end of the year.
The legal reforms would be designed to curb the export of gold with unknown distribution channels and crack down on organized smuggling. The revisions will clarify that customs officials have the authority to compel exporters to provide names and addresses of suppliers and the history of the supply chain. There will be a provision to deny export permits if the necessary information is not provided.
A criminal organization is suspected of being involved in a series of illegal activities, from smuggling to domestic processing, distribution and export. They evade the consumption tax that should be paid upon import and then fraudulently receive a refund of the consumption tax upon export.
(Link to article - Nikkei)

I'm not waiting for the 'RBA pivot' to dive back into the ASX

Taken from AFR Sunday, 18 October 2026

Every interest rate cycle produces its own consensus, and this one is no different. The cash rate is at its highest since 2011 and some of the major banks expect it to go higher, while households are gloomier than at any time since the early 1990s, including the global financial crisis and pandemic.
The Firmus initial public offering spectacularly crashed and burned despite artificial intelligence powering ahead, and yet even with all the pessimism, the sell side is resolute that it's too early to buy the "RBA pivot".
I'm not so sure that the Reserve Bank of Australia will tell us when it is time. It never has, and it won't now, which means that investors who are waiting for the permission to turn will likely find the opportunity has passed by.
The share market's playbook around rate cycles is where most get it wrong because there is no consistent playbook for an RBA pivot. There is an average, and averages hide a great deal of variation.

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According to Macquarie, across the seven easing cycles since the early 1990s in Australia, the S&P/ASX 300 Index has done everything from falling 13% to gaining 31% in the first year after the first rate cut. It climbed in fewer than half of those 12-month periods.

Consumer stocks have been no more predictable. Cyclical retail stocks have generally outperformed, but by margins ranging from deeply negative to better than 25%.

That is not noise around a rule, it is because every cycle has its own unique characteristics. This one has an energy shock, an AI capex boom, heavily asset-rich households and a global rate hike cycle that comes against robust economic growth.

Anyone who tells you how consumer stocks will behave by pointing to the median of past cycles is describing history, not necessarily this cycle, which means the playbook is a guide, not something to follow blindly.

The second problem is timing. The RBA will be the last to call the turn, and while that is not by design, it will make sure it doesn't declare victory until the data proves it can.

The language will soften only once the evidence is overwhelming. By then, the market will have done the work.

In 2024, the RBA held the cash rate at 4.35%, refused to rule out another increase, and it did not cut until February 2025. Yet investors who waited for that signal watched equities and house prices move well before it.

The data shows that early-cycle sectors such as retail tend to bottom near the end of a hiking cycle, not after the first rate cut.

The third issue, and I say this with some sympathy for the forecasters, is that expectations around the RBA have been wrong more often than right over the past 12 to 18 months.

In September 2024, the case for a rate pivot was being made with conviction; the first cut came five months later. By mid-2025 the market had the cash rate falling towards 3.1%, and six months later it was pricing in rate increases.

As recently as August, almost every economist expected the central bank to hold in September and leave the cash rate at 4.35%. A month later, 33 of 34 were calling for a rate rise.

Forecasting is difficult, but that means less reliance should be placed on making the right call on the RBA and more on whether stocks are pricing in a worst-case outcome on either rates and/or earnings.

So, where does that put us?

There is no expectation that we are on the cusp of a turn in housing or consumer activity but without a macro catalyst, scaling into cyclical and rate-sensitive exposure is how we believe the cycle will play out. Especially when the return differential between consumer cyclicals and consumer staples is more than 30% over the past 12 months or when real estate has underperformed the broader S&P/ASX 200 Index by more than 25% over the same period.

What's in the price?

The earnings downgrade cycle has further to run, but investor tilts are either built slowly, as the balance of risk and reward shifts, or in a hurry, after a catalyst forces everyone's hand. While the second approach is "safer", in my experience it is usually more expensive because you are buying certainty and the market charges a premium for it.

That may mean accepting some mark-to-market pain for being early, but this is in exchange for owning the asymmetry before the crowd wants it.

Which brings me to the key question: what's in the price?

Harvey Norman trades on about 12 times forward earnings, while JB Hi-Fi is below 15 times. Earnings estimates have been cut across the board, and short interest remains elevated. The de-rating has already been aggressive, but is there more bad news to come? Almost certainly.

But that isn't the question. The question is whether what comes is worse than what is already priced? For a growing number of businesses, the answer is no. Specifically, we are gradually starting positions in some domestic consumer names where earnings have been resilient.

Wesfarmers, which derated from 34 times to 26 times, will grow sales through category additions, while margins expand through direct procurement.

Universal Store Holdings also has internal levers that will help weather the storm and the use of private label gives them greater control over cost and price due to less reliance on larger brands. They are also undertaking an aggressive store rollout that will drive sales growth.

Property is another area. We are avoiding pure duration trades, but with rates nearing a peak, the disconnect between market pricing and earnings fundamentals in quality property stocks such as Charter Hall is compelling.

Despite growing funds under management and delivering double-digit earnings growth, Charter Hall is trading on a 15-times. Having derated about 40% from its late-2025 high multiple, it creates an attractive entry point with significant valuation support.

There is always a risk of being too early, but experience has taught me that peak pessimism is when you start moving against the crowd. The RBA won't give permission, and by the time it does, the price will have moved.

(Link to article - AFR)

'Cash is making a comeback' as India raises fees on digital payments

Taken from FT Sunday, 18 October 2026

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About eight in 10 purchases at Care Chemist pharmacy in Mumbai are digital, using a fast, cheap, state-backed payments system that is one of the great successes of Prime Minister Narendra Modi's government. But manager Mushtaq Ahmed expects to be handling far more cash soon.

From next month, a small charge is set to apply to all transactions over Rs2,000 ($20) on the Unified Payments Interface, pushing prices higher than customers are willing to pay, he said.

"We can't sell the medicines at more than the printed rates," said Ahmed. "[We] will take anything, cash, card or even cheques," he added, or even break charges into smaller amounts to avoid the 0.4% surcharge.

Ahmed is far from alone: a recent survey of 32,000 businesses across India by polling agency Local Circles found 83% of merchants were not willing to bear the extra costs.

The fee could deliver a blow to UPI, which has become the world's most widely adopted digital payments interface since it was launched in 2016, in one of Modi's landmark achievements.

That same year, Modi withdrew large denomination bills, taking about 90% of India's physical currency by value out of circulation in a radical move to stamp out corruption and tax evasion.

In the decade since, however, use of notes and coins has continued to flourish alongside the QR code. About 2.3 times as much cash is in circulation now, compared with before the demonetisation drive, rising to a record Rs42.7tn ($448bn) at the end of September 2026, according to the Reserve Bank of India.

India's cash-to-GDP ratio, meanwhile, is back at about 12%, the same level as a decade ago and one of the highest rates of any major economy.

Much of India's cash demand is driven by the shadow economy, said Madan Sabnavis, chief economist at Bank of Baroda, a state-owned lender.

After Modi's 2016 demonetisation, "it was felt that cash in circulation would come down and the overall quantum of black money would come down", Sabnavis said. But cash has continued to find favour as it offers anonymity for bribes, illicit political spending, real estate transactions and goods and services tax avoidance, he added.

A report this year by the State Bank of India found that after tax officers started examining thousands of UPI transactions by small businesses and traders, many switched to only accepting cash.

(Link to article - FT)

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