The Bottom Line



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

Votes, rates and volatility

23 October 2026

Next week will be dominated by central-bank meetings and key political events. While the Fed, the ECB, the BoC and the BoJ are all expected to remain on hold, investors will focus on guidance for December as inflation risks persist and growth proves resilient on both sides of the Atlantic. Attention will also turn to Israel's parliamentary election and Brazil's presidential runoff, two closely contested elections with potentially significant implications for domestic policy, geopolitical dynamics and financial markets. Meanwhile, the EU-Canada summit could deliver progress on digital trade and strategic cooperation.

TOP STORIES OF THE UPCOMING WEEK

1 **Israel election: a referendum on Netanyahu?**

On 27 October, 7.3mn Israelis will elect a new parliament. 38 parties are competing for 120 seats in the Knesset albeit only around 11 are expected to enter it. To enter parliament, a party needs 3.25% of the votes, which gives smaller parties leverage in the coalition bargaining process. The two main competing blocs are the incumbent alliance of Prime Minister Benjamin Netanyahu – his right-wing Likud party, two ultra-orthodox parties (Shas and United Torah Judaism) as well as the religious nationalist parties Otzma Yehudit (led by Itamar Ben-Gvir) and the Religious Zionist Party (led by Bezalel Smotrich) – and the "change bloc", led by former IDF chief of staff Gadi Eisenkot and his recently founded Yashar party, as well as former PM Naftali Bennett's centre-right B'Yachad, Avigdor Liberman's secular nationalist right-wing Yisrael Beiteinu and Yair Golan's centre-left The Democrats. The election outcome is highly uncertain: latest polls by Channel 11 point to 51 seats for the Netanyahu block vs 52 for the Eisenkot bloc, while a Channel 14 poll suggests 61 seats for Netanyahu vs 46 seats for the Eisenkot bloc. While the vote may be a referendum on Netanyahu, the ramifications are likely to extend beyond domestic politics. A victory for Netanyahu's bloc would most likely imply continuity in security policy and expansion of the West Bank settlements.

A victory for the Eisenkot bloc could imply an inquiry into the 7 October 2023 massacre and improving relations with the US. However, the politics of either bloc would not entail fundamental changes in Israel's security doctrine nor acceptance of Palestinian statehood.

2 **Fed on hold, waiting for December**

We expect the Fed to keep interest rates unchanged on Wednesday. The probability of a rate hike is low. Recent comments by Fed Vice Chair Philip Jefferson and New York Fed President John Williams indicate that the Fed can remain patient in its tightening as pressure at the long end of the UST curve builds. A weak NFP report for September strengthens the case for no action at this meeting. Although the FOMC statement and Fed Chair Kevin Warsh will likely refrain from providing forward guidance, we expect the tone of the press conference to validate our and market forecasts that the next rate move will occur in December. Next week's data will probably confirm that higher policy rates are warranted. We forecast solid GDP growth of about 3% annualised for 3Q26, while core PCE prices for September are likely to have increased by 0.3% mom and 3.0% yoy.

3 **October pause for the ECB**

The ECB will almost certainly stand pat at its meeting next Thursday, remaining on track for a further increase in interest rates at its December meeting, as inflation risks continue to point to the upside. The decision is likely to be unanimous. Rising long-term rates have tightened financial conditions, buying the ECB time to better assess incoming data. The reference macro picture is one of intensifying energy pressure on headline inflation, broadly stable core inflation, ongoing moderate economic growth and no evidence of second-round effects through wages. Sovereign tensions have increased, but have not escalated, remaining far from levels that would push the ECB to seriously consider action. At the press conference, ECB President Christine Lagarde is likely to show confidence in the central bank's toolbox to cope with risks to the transmission mechanism of monetary policy.

4 **Euro-area growth expected to have held up in 3Q26**

Setting aside the volatility of Irish GDP data, we expect euro-area activity to have expanded by 0.2% qoq in the third quarter, supported mainly by fixed investment, particularly capital goods and construction. Risks to our forecast appear broadly balanced amid relatively weak hard data and more resilient survey indicators. At the country level, a divergence between hard and soft data is particularly evident in Italy. Leading indicators based on the monthly data available so far suggest a broad stabilisation in activity following two quarters of moderate growth (around 0.2% qoq). However, industrial value added and services activity may turn out stronger than currently anticipated, implying upside risks to our forecast. In Germany and France, GDP likely expanded by 0.1% qoq in the third quarter, while Spain is expected to have continued to outperform its main euro-area peers, posting growth of 0.6% qoq.

5 **RBNZ to continue tightening, Boc and BoJ will likely remain on hold**

Three other central banks are scheduled to meet in the coming days. The RBNZ is set to continue on its tightening path due to persisting inflation pressure in New Zealand, probably lifting the official cash rate (OCR) by another 25bp to 3.00%. By contrast, the BoC and the BoJ are likely to remain on hold, at 2.25% and 1.25%, respectively. The BoC prefers to wait for further developments regarding prices and geopolitical risks. With Governor Kazuo Ueda warning that underlying inflation is approaching the 2% target, the BoJ is set to call for another rate hike by December.

6 **Brazil: a narrow margin ahead of Sunday's runoff; BRL to react sharply, regardless of the outcome**

The second round of Brazil's presidential election will be held on 25 October. The latest polls show a very tight margin between the two candidates, with right-wing candidate Flavio Bolsonaro at 50.5% and incumbent President Inácio Lula da Silva, who has gained ground by proposing more (costly) labour market reforms, at 49.5%. USD/BRL has rebounded to 5.0650 from the low of 4.9452 reached after the first round of voting. The outcome is binary: a victory for Bolsonaro would diminish the political risk premium associated with loose fiscal policy, drag USD-BRL below the 4.8858 low seen on 11 May and support Brazilian stocks and bonds. By contrast, a victory for Lula would push USD/BRL to its pre-election range of 5.20-5.30, potentially reopening the path toward a technical target of 5.50, and Brazilian assets would come under pressure. As discussed in our *Long View*, the election in Brazil will also have an impact on the US-China rivalry in the Western Hemisphere.

7

EU-Canada summit: a digital trade deal within reach?

At their 29-30 October summit in Montreal, the EU and Canada aim to deepen their economic ties and reduce strategic dependencies on the US and China. One potential deliverable is a digital trade agreement (DTA), complementing the Comprehensive Economic and Trade Agreement (CETA), with rules on cross-border data flows, data localisation and software protection. Negotiators have been seeking to resolve outstanding differences before the summit. Other priorities include securing European access to Canadian critical minerals, particularly nickel, graphite and rare earths, and closer defence industrial cooperation. The summit will also explore European Commission President Ursula von der Leyen's proposal to make Canada the EU's first-ever associate member – an entirely new form of partnership whose legal framework and economic implications are to be defined. For Prime Minister Mark Carney, the broader objective is to diversify Canadian trade away from the US. The key question is whether the summit will produce binding commitments rather than broad political declarations.



QUOTE OF THE WEEK*

"These elections are fateful for our future: it's either right – or Palestine."

Benjamin Netanyahu, Israeli Prime Minister

*Not an endorsement.

WHAT WE ARE READING AND LISTENING TO

The Architecture of Money – A European Strategy for Tokenized Finance ›

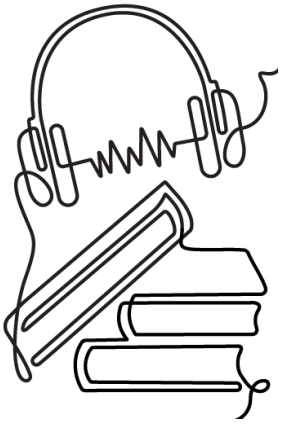
In this French Institute of International Relations (Ifri) report, Bastien Buchwalter argues that tokenization could transform European financial sovereignty by enabling new forms of financial integration while also creating risks of dependence on non-European infrastructures and dollar-based stablecoins. He states that Europe needs robust settlement systems, competitive digital euros and effective oversight to maintain sovereignty as finance fragments into distinct tokenized ecosystems.

Money and the architecture of trust ›

According to this *BIS Papers* analysis, money is a social institution built on interconnected promises and trust. It operates through a hierarchy of money and credit, anchored by central banks, with elastic credit constrained by funding and public backstops. The author argues that money is neither a commodity nor technology, and contrasts this framework with gold, bitcoin and stablecoins.

Israel Election Special, Bibi at the abyss or another victory? ›

This podcast discusses whether Benjamin Netanyahu ("Bibi") is facing a genuine risk of losing power or can secure another mandate despite political fragmentation and ongoing security challenges. This episode examines electoral arithmetic, coalition-building prospects, the balance between ideological and pragmatic alliances, and the implications for Israeli governance after the vote.



DATA AND EVENTS CALENDAR

Date	Country	Data	Period	UniCredit	Consensus	Previous
25 Oct	BR	Lula-Bolsonaro presidential runoff	-	-	-	-
27 Oct	IL	Israel elections	-	-	-	-
28 Oct	NZ	RBNZ announces key rate (%)	-	3.00	-	2.75
28 Oct	CA	BoC announces key rate (%)	-	2.25	-	2.25
28 Oct	US	Federal funds target rate (upper bound, %)	-	4.00	-	4.00
29 Oct	EU-CA	EU-Canada summit starts in Montreal (ends 30 October)	-	-	-	-
29 Oct	US	Real GDP (% qoq annualised)	3Q	3.0	-	2.2
29 Oct	US	PCE core inflation (% yoy)	Sep	3.0	-	3.0
29 Oct	US	PCE core inflation (% mom)	Sep	0.3	-	0.2
29 Oct	EZ	ECB depo rate (%)	-	2.50	-	2.50
29 Oct	EZ	ECB refi rate (%)	-	2.65	-	2.65
30 Oct	JP	BoJ announces key rate (%)	-	1.25	-	1.25
30 Oct	FR	Real GDP (% qoq)	3Q	0.1	-	0.0
30 Oct	SP	Real GDP (% qoq)	3Q	0.6	-	0.7
30 Oct	GE	Real GDP (% qoq)	3Q	0.1	-	0.3
30 Oct	IT	Real GDP (% qoq)	3Q	0.0	-	0.2
30 Oct	EZ	Real GDP (% qoq)	3Q	0.2	-	0.6

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



FORECAST TABLES

- Economics
- FI
- FX
- Risky Assets

IN CASE YOU MISSED IT THIS WEEK

Date	Title	Author
22 Oct	Coffee Break › What are the ECB's options if sovereign tensions intensify?	Marco Valli
21 Oct	Coffee Break › France's foreign investor challenge	Dr. Luca Cazzulani
20 Oct	Coffee Break › Views from Bangkok	Marco Valli

Date	Title	Author
19 Oct	Long View › Energy transition: battery storage to unlock the next phase of renewables growth	Jonathan Schroer
19 Oct	Primary Market Focus › Weekly Supply Preview – Focus on Italian retail deal	Francesco Maria Di Bella
19 Oct	Coffee Break › Upcoming BTPs Valore to test Italian household demand for domestic govies	Francesco Maria Di Bella
17 Oct	Letter from the Editor › Trump's emergency presidency	Edoardo Campanella

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