WEEKLY BULLETIN October 2025: Issue #3

Quote of the Week.

"The supreme art of war is to subdue the enemy without fighting – Sun Tzu, The Art of War"

Market Recap — Trump's Trade Crescendo Turns to Truce

After a week of fiery rhetoric threatening 155% tariffs on Chinese imports, President Trump has pivoted sharply — from firebrand to dealmaker. His tone has softened into one of negotiation and rapprochement as he prepares for the upcoming Trump–Xi meeting in Korea.

In the lead-up to this pivotal summit, Trump has embarked on a diplomatic blitz across Asia, offering tariff exemptions and rollbacks to nations such as Thailand, Cambodia, Vietnam, and Malaysia. The message is clear: re-anchor trade ties across Asia and dilute Beijing's regional leverage.

Interestingly, Trump also struck a conciliatory tone toward Brazil, signaling optimism for a new bilateral trade pact with President Luiz Inácio Lula da Silva. The emerging pattern is clear — reward the "friends of China" who align with U.S. interests, while isolating Beijing through a network of trade-friendly alternatives.

Market Implications – Relief Rally in the Making

Markets, fatigued by months of tariff threats and policy whiplash, are poised to welcome this shift.
A "trade truce" narrative could spark a short-term relief rally in risk assets — particularly across Asian equities, EM currencies, and export-driven sectors such as semiconductors, logistics, and industrials.

With U.S. Treasury yields easing on expectations of softer trade-driven inflation, rotation into cyclical and dividend-yielding equities may strengthen. Over the next few weeks, investors are likely to position for a friendlier trade backdrop heading into year-end, underpinned by potential central bank easing signals.

Broader Context – A Geopolitical Chess Game

Trump's "tariff diplomacy" has evolved into a selective engagement strategy — penalizing adversaries, enticing fence-sitters, and courting allies. This is economic nationalism reimagined: transactional, strategic, and centered on leverage.

The underlying ambition is to forge an "Economic NATO" of like-minded nations as a counterweight to China's Belt and Road initiative.

Yet in the midst of chaos lies opportunity.
Markets could enjoy a temporary calm before the next policy storm in early 2026 — as U.S. election momentum builds and global bargaining intensifies. For now, Wall Street remains optimistic that the Fed will deliver rate cuts to cushion the economy.

Last Week 's Notable Events.

US Economy/Politics

- 23rd Oct – US debt hits $38 trillion for the first time in history, $500 billion added in a month.
- 24th Oct – US CPI rises less than expected, keeping Fed on track to cut.
- 26th Oct – Trump confident of trade deal after 'successful' US-China talks in Malaysia.
- 27th Oct – Food benefits set to expire for 41 million people as US shutdown continues.

Europe Economy/Politics

- 22nd Oct – China overtakes US as Germany's largest trading partner.
- 27th Oct – Premier Li says China willing to work with EU to keep bilateral relations on right track.

Asia Pacific Economy/Equity

- 22nd Oct – Hong Kong looks to level up with introduction of re-domiciliation regime.
- 24th Oct – Japan PM Takaichi stresses aggressive fiscal policy, higher defence costs.
- 26th Oct – Canada set to side with China on EVs.
- 26th Oct – US inks trade deals with ASEAN states, Trump pledges 100% commitment to Southeast Asia.
- 27th Oct – China Industrial profits up 21.6% in September, biggest jump in nearly 2 years.

Weekly Data Monitor

Weekly chart:

- Global equities and regional indices extended gains for the week, led by S&P 500.
- MSCI Asia Pacific (+1.87%), as investors priced in easing trade tensions and potential Fed rate cuts.
- Gold and USD index retreated

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

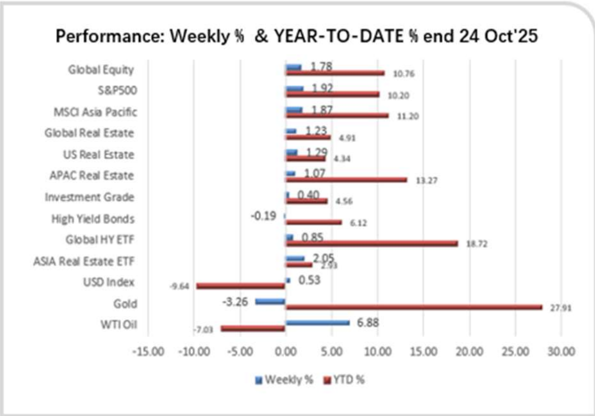
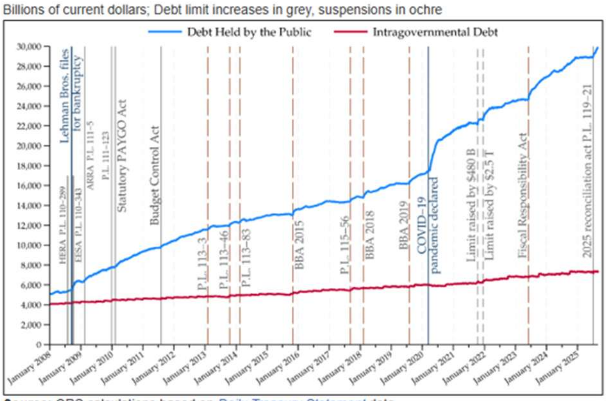


Chart of the Week

US Federal Debt – The alarming acceleration

Billions of current dollars; Debt limit increases in grey, suspensions in ochre



Source: CRS calculations based on Daily Treasury Statement data.

The chart on the right tells a sobering story. Since the Lehman collapse in 2008, U.S. federal debt has ballooned from just over $10 trillion to $38 trillion as of last week. What's even more worrying is the pace — the U.S. government added $500 billion in a single month, roughly equivalent to the GDP of Singapore. This means the **U.S. is borrowing $16 billion every day**, or **$11 million every minute**.

Why It Matters

While the U.S. remains the world's reserve currency issuer, the debt expansion now outpaces economic growth, widening the fiscal deficit at a speed unseen outside wartime.
The danger isn't just the size of the debt — it's the interest cost. With average Treasury yields around 4.5–5%, interest expense alone could exceed $1.5 trillion annually — approaching what Washington spends on defence.

Persistent overspending during a non-crisis environment means any budget negotiations or shutdowns could take longer to resolve, adding policy uncertainty just as the U.S. enters an election year.

Action: Maintain a barbell stance—high-quality income equities and short-duration Treasuries for yield, paired with gold or defensive real assets as protection against fiscal instability and potential dollar volatility.