

# RobustQuant Weekly Compass

Weekend Edition | November 2, 2025

 **COMPASS FOR EMOTIONAL DISCIPLINE—NOT TRADING ADVICE**

*Weekly boundaries to help reduce fear and greed in market decisions*

## 1 | At a Glance

Asset	Range	Width	Track Record
S&P 500 (SPX)	6,643 – 7,112	±3.4%	43/46 (93.5%)
Gold (GLD)	347 – 397*	±6.7%	16/17 (94.1%)
REITs (XLRE)	39 – 43*	±4.9%	6/7 (85.7%)

\*Newsletter-exclusive coverage




Target: ~95% of weekly closes fall within these ranges

Track record details → [robustquant.com/predictions](https://robustquant.com/predictions)

## 2 | This Week's Summary

**Fed cuts, trade truce—dual relief drives SPX to upper range territory.** All three assets closed within systematic boundaries as markets processed Fed's 25bp cut October 29 and Trump-Xi trade breakthrough October 30.

### Key Results:

- S&P 500: 6,840 (upper range territory) 
- Gold: 368 (lower-mid range) 
- REITs: 41.0 (lower boundary) 

SPX closed at **6,840**—in upper territory of 6,579-7,067 range, demonstrating market strength following dual support events whilst remaining within systematic parameters. GLD consolidates at 368 after prior week's whipsaw pattern. XLRE at lower boundary 41.0 shows rate-sensitive sector caution despite Fed accommodation.

Compass adapts ranges for coming week as post-event positioning establishes.

## 3 | What Moved Markets (Oct 27–Nov 2)

### Fed Delivers Split-Vote Cut Amid Shutdown:

Federal Reserve cut rates 25bp to 3.75-4.00% on October 29 in 10-2 decision. Stephen Miran (Trump appointee) dissented for 50bp, Jeffrey Schmid opposed any cut. Powell's press conference emphasized December meeting "isn't a foregone conclusion" and acknowledged "strongly differing views" amongst FOMC members. His "driving in fog" analogy captured data vacuum from government shutdown (day 33). SNAP benefits for 42 million Americans exhausted November 1, though federal judges ordered continuation.

### Trump-Xi Trade Breakthrough:


Summit October 30 in Busan delivered one-year framework: US tariffs reduced 57% → 47% (fentanyl-related 20% → 10%), China paused rare earth export controls, resumed US soybean purchases. Trump rated meeting "12 out of 10" whilst Xi emphasized "China and United States should be partners and friends." Analysts called it "tactical pause" rather than strategic resolution.


### Corporate Earnings Peak:

Over 2,000 companies reported Q3 results during week, with 299 on October 30 alone—heaviest single day. FactSet projected 8.5% S&P 500 earnings growth. Nvidia became first \$5 trillion company October 29.


→ For detailed regional breakdowns and economic data, see Appendix at end of newsletter

## 4 | S&P 500 (SPX) Boundaries (Nov 7)

 **Range: 6,643–7,112**

 **Hit Rate: 43/46 weeks (93.5%)**

### Last Week's Performance:

Last week: Range 6,579-7,067, closed **6,840** (upper range territory) 

Current range: 6,643-7,112

Close at 6,840 positioned in upper territory of prior range (6,579-7,067), demonstrating market strength following dual support from Fed cut (October 29) and Trump-Xi trade truce (October 30). Range shifts higher whilst widening—systematic response to upper positioning combined with elevated uncertainty around forward path.

Powell's "isn't a foregone conclusion" guidance for December plus trade truce's "tactical pause" framing creates backdrop requiring continued discipline. Upper range positioning shows confidence building, not guaranteed continuation signal.


### For Your Planning:

- Lower zone (6,643-6,825): Where fear often peaks
- Middle zone (6,825-6,975): Normal trading area
- Upper zone (6,975-7,112): Where excitement builds


Remember: These are weekly movement boundaries, not buy/sell signals.

## 5 | Gold (GLD) Coverage (Newsletter-Exclusive)

 **Range: 347–397**

 **Containment: 16/17 weeks (94.1%)**

### Last Week's Performance:

Last week: Range 357-409, closed **368** (lower-mid range) 

Current range: 347-397

GLD consolidates at 368 following prior week's whipsaw pattern (403 → 367 → 378). Lower-mid positioning suggests consolidation phase continuing after +51% YTD rally momentum spent. Fed


cut provides support floor whilst trade truce removes some safe-haven premium—dual forces creating range-bound behavior.

Range shifts lower whilst slightly widening (347-397 vs 357-409) as model adapts to completed consolidation behavior rather than anticipating breakout direction.


Track record improved to 94.1% (16/17), approaching design target as sample size grows.

## 6 | REITs (XLRE) Coverage (Newsletter-Exclusive)

 **Range: 39–43**

 **Containment: 6/7 weeks (85.7%)**

### Last Week's Performance:

Last week: Range 41-45, closed **41.0** (lower boundary) 

Current range: 39-43

REITs closed at 41—lower boundary—demonstrating systematic accuracy whilst signaling sector caution. Rate-sensitive real estate showed hesitation despite Fed's 25bp cut, as Powell's "isn't a foregone conclusion" guidance for December tempered accommodation expectations.

Range shifts lower whilst maintaining similar width (39-43 vs 41-45) as model adapts to completed behavior showing sector weakness relative to broader equity strength. Lower boundary positioning suggests professional positioning reassessing pace of Fed easing following divided vote and cautious forward guidance.

Early-stage track record (7 weeks) continues building baseline for rate-sensitive sector behavior through Fed policy transitions.

## 7 | Psychology & How to Read

### What They Show:

Weekly boundaries where markets typically move—designed to help you stay calm when emotions run high.

### What They Don't Show:

Buy/sell signals, price targets, or guaranteed outcomes.

### The Retail Trap:

Most individual investors buy high when markets break above ranges (excitement peaks) and sell low when they fall below (fear dominates). This emotional pattern is the primary destroyer of long-term returns. This compass is designed to help you avoid this trap.

### Professional Approach:

- Stay systematic within boundaries
- Lower ranges: Fear creates opportunities for planned strategies
- Upper ranges: Excitement may warrant risk review
- Outside ranges: Market behavior shifting beyond normal parameters

### **This Week's Context:**

SPX closed in upper range territory at 6,840 following dual support—Fed cut plus trade truce. This is where retail investors add exposure as excitement builds, buying precisely when professionals review risk. Upper range positioning shows systematic accuracy whilst signaling caution: strength demonstrated, not guaranteed continuation.

GLD at lower-mid 368 consolidates after whipsaw. XLRE at lower boundary 41.0 shows sector hesitation despite Fed accommodation. Divergence across assets (SPX strength, REITs caution, GLD consolidation) demonstrates market complexity requiring disciplined positioning rather than momentum chasing.

### **Key Point:**

Upper range positioning tests discipline. Your edge isn't adding exposure in excitement zones—it's recognizing when upper territory signals caution and maintaining rules decided before dual relief narratives create FOMO.

## **8 | Track Record**

### **Performance Since Launch:**

- S&P 500: 43 hits in 46 weeks (93.5%)
- Gold: 16 hits in 17 weeks (94.1%)
- REITs: 6 hits in 7 weeks (85.7%)

### **What This Means:**

SPX maintained 93.5% containment with upper range positioning at 6,840. Close in upper territory demonstrates systematic precision whilst signaling market strength following Fed cut and trade truce dual support. Containment within design parameters despite elevated positioning.

GLD improved to 94.1% (16/17) with lower-mid close at 368, approaching 95% design target as sample size grows. Consolidation positioning after prior whipsaw validates safe-haven modeling adapting to completed momentum transitions.

REITs at 85.7% (6/7) with lower boundary close at 41 demonstrates sector-specific behavior capturing rate-sensitive hesitation despite Fed accommodation. Early-stage track record (7 weeks) requires larger sample (20-30 weeks) for statistical reliability, though systematic framework continues capturing divergence from broader equity strength.

### **Transparency:**

All ranges published before each week starts. No retroactive changes. Complete history available on our website.

## **9 | Method and Limitations**

### **How Ranges Work:**

Combines current volatility patterns, trend direction, and momentum indicators. Targets ~95% weekly containment rate.

### **When Ranges Break:**

Breakouts signal markets transitioning beyond normal parameters. These aren't failures—they're signals that create opportunities for disciplined investors prepared to recognize regime changes.

### **Current Environment:**

SPX positioned in upper range territory at 6,840 following Fed cut and trade truce dual support. Powell's "driving in fog" analogy captures data vacuum whilst "isn't a foregone conclusion" guidance maintains uncertainty for December. Model adapts systematically to completed upper range positioning.

### **Questions About Your Situation:**

#### **Q: Should I add exposure after SPX reached upper range territory at 6,840?**

A: Compass shows upper range positioning—excitement building, not continuation signal. Adding exposure in upper territory (6,840) following dual relief (Fed cut + trade truce) violates disciplined positioning. Retail investors buy as excitement builds; professionals review risk exposure in upper zones. Your actions depend on your pre-established strategy for managing upper range positioning, not FOMO from positive headlines.

#### **Q: Is GLD's positioning at 368 after recent whipsaw a buying opportunity?**

A: GLD consolidating at lower-mid 368 after prior week's whipsaw pattern (403 → 367 → 378). Consolidation phases require patience—waiting for new trend establishment rather than catching falling knives or chasing bounces. Fed cut provides support floor whilst trade truce removes safe-haven premium. Your positioning depends on your strategy for managing consolidation phases, not timing exact turn.

**Next Week:** Ranges for November 14 close

**Updates:** Quick social media notes if exceptional volatility occurs

---

*This is a hobby project providing market context. Not investment advice. Past performance doesn't guarantee future results. Consult qualified professionals for personal financial decisions.*

**Systematic over emotional. Structure over speculation.**

---

# APPENDIX | Detailed Market Review (Oct 27–Nov 2)

*For readers who want comprehensive economic data and regional breakdowns*

## United States: Fed cuts rates as shutdown deepens and diplomatic breakthrough emerges

### Federal Reserve delivers divided 25 basis point reduction

The Federal Open Market Committee announced a 25 basis point rate cut on Wednesday, 29 October 2025 at 14:00 ET, lowering the federal funds rate target range to 3.75%-4.00%, marking the second rate reduction of 2025 and the lowest level since late 2022. The decision, however, revealed significant internal divisions with a 10-2 vote split. Stephen Miran, a Trump-appointed Fed Governor, dissented in favour of a larger 50 basis point cut, whilst Jeffrey Schmid, Kansas City Fed President, opposed any reduction and preferred rates unchanged. This marked the first non-unanimous FOMC decision in months and reflected the heightened uncertainty confronting monetary policymakers.

Chairman Jerome Powell's press conference at 14:30 ET delivered notably cautious forward guidance. Powell emphasised that another rate cut at the December 9-10 meeting "isn't a foregone conclusion" and acknowledged "strongly differing views on how to proceed in December" amongst FOMC members. His fog analogy proved particularly revealing: "What do you do if you're driving in the fog? You slow down." Powell highlighted the government shutdown's impact on data availability, stating the Fed would lack "the detailed feel of things" but believed "if there were a significant or material change in the economy one way or another, I think we would pick that up." Notably, Powell stated his "focus is on the labour market," signalling greater concern about employment conditions than inflation persistence.

The FOMC statement noted "job gains have slowed this year, and the unemployment rate has edged up but remained low through August; more recent indicators are consistent with these developments." The Committee acknowledged "inflation has moved up since earlier in the year and remains somewhat elevated" whilst emphasising "downside risks to employment rose in recent months." This language shift reflected the Fed's growing dual concerns about both labour market softening and persistent inflation running above target.

### Government shutdown enters fifth week with no resolution

The federal government shutdown, which began at midnight on 1 October 2025, reached day 33 by 2 November, making it the second-longest in US history and approaching the 35-day record set during December 2018-January 2019. The House of Representatives passed H.R. 5371, a "clean" continuing resolution on 19 September to fund government at current levels until 21 November, but the Senate has voted 13 times on the measure through 28 October, consistently failing to reach the 60-vote threshold needed to overcome a filibuster. The most recent vote on 28 October tallied 54-45, with only three Democrats—Senators Catherine Cortez Masto (Nevada), John Fetterman

(Pennsylvania), and Angus King (Maine, Independent)—voting in favour, whilst Senator Rand Paul (Kentucky) was the sole Republican opposing the measure.

Senate Majority Leader John Thune stated eliminating the filibuster should be avoided "at all costs," despite President Trump's repeated calls on 31 October and 1 November for Republican senators to "kill the Stupid and Democrat controlled Filibuster" and not "be WEAK AND STUPID." Senate Democrats, led by Minority Leader Chuck Schumer, insisted on extension of Affordable Care Act enhanced health insurance tax credits alongside the continuing resolution. The shutdown's economic impact proved severe: federal workers missed their first full paycheck on 25 October, approximately 500,000 workers faced furlough, and critical programmes approached exhaustion.

The Supplemental Nutrition Assistance Programme (SNAP), affecting 42 million Americans, was set to run out on 1 November. Agriculture Secretary Brooke Rollins estimated \$9.2 billion needed for November, stating "the well has run dry." However, federal judges in Rhode Island and Massachusetts issued orders on 31 October directing the administration to continue SNAP funding, with the Rhode Island judge ruling suspension of benefits "arbitrary and likely to cause irreparable harm." The Congressional Budget Office estimated the shutdown would reduce GDP by 1 percentage point during its duration, with sustained GDP losses of \$7 billion after four weeks, \$11 billion after six weeks, and \$14 billion after eight weeks.

## **Economic data releases severely disrupted by shutdown**

The government shutdown created unprecedented gaps in official economic data, forcing the Federal Reserve and markets to operate with incomplete information. The Bureau of Labour Statistics suspended employment reports and weekly jobless claims. The Bureau of Economic Analysis delayed September and October PCE inflation data, the Fed's preferred measure, beyond the scheduled 31 October release. The most recent official data showed August PCE inflation at 2.7% headline and 2.9% core year-over-year. Employment figures remained frozen at August levels, showing just 22,000 jobs added and a 4.3% unemployment rate—the highest since October 2021. Revisions had reduced May and June figures by a combined 258,000 jobs.

Private sector data filled some gaps but revealed concerning trends. ADP reported -32,000 private sector jobs lost in September 2025, following -3,000 in August. Goldman Sachs estimated national unemployment claims at approximately 224,000 using state-level data, compared to the last official reading of 218,000 for the week ending 20 September. The Conference Board Consumer Confidence Index, released Tuesday, 28 October at 10:00 ET, fell to 94.6 in October, down 1.0 point from September's revised 95.6, marking the third consecutive monthly decline and the lowest since April 2025. Most critically, the Expectations Index dropped to 71.5, remaining below the 80 threshold that historically signals recession—it had stayed below this level since February 2025. Consumers indicated plans to spend 3.9% less on gifts and 12% less on non-gifts during the 2025 holiday season.

The University of Michigan Consumer Sentiment final reading for October, released 24 October, fell to 53.6, down 1.5 points from September's 55.1, marking the third straight monthly decline and a five-month low. Year-ahead inflation expectations moderated to 4.6% from 4.7%, but long-run five-year expectations increased to 3.9% from 3.7%, suggesting persistent inflation concerns. The ISM Manufacturing PMI for September (released 1 October) showed contraction at 49.1, the sector's continued weakness with only five of 18 industries reporting growth. The ISM Services PMI (released 3 October) came in at exactly 50.0, marking the first time at the breakeven level

since January 2010, with business activity at 49.9 contracting for the first time since 2020 lockdowns.

## **Trump-Xi summit in Busan delivers trade war détente**

President Trump and President Xi Jinping met for approximately 1 hour and 40 minutes on Thursday, 30 October 2025 at 11:00 local time (22:00 ET 29 October) at Gimhae Air Base in Busan, South Korea, on the sidelines of the APEC summit. This first face-to-face meeting since 2019 produced immediate tariff reductions and a one-year framework addressing several contentious issues. The United States reduced fentanyl-related tariffs on China from 20% to 10%, bringing total tariff rates on most Chinese goods down from 57% to 47%, effective immediately. China agreed to resume purchases of US soybeans and committed to "very strong measures" to reduce flows of precursor chemicals used to make fentanyl.

Significantly, China agreed to pause export restrictions on certain rare earth minerals for one year. Trump described the rare earth dispute as "settled," a critical development given China processes approximately 90% of the world's rare-earth elements. Both leaders agreed to work together to end the war in Ukraine, though Trump explicitly stated Taiwan security was not discussed. Trump announced he would visit China in April 2026, with Xi invited to visit the United States later in 2026. Trump rated the meeting "on a scale from zero to 10, with 10 being the best, I would say the meeting was a 12," calling it "amazing" and stating "we agreed to almost everything."

Xi Jinping's remarks, conveyed through the Chinese Foreign Ministry readout, emphasised partnership: "China and the United States should be partners and friends. This is what history has taught us and what reality needs." He acknowledged frictions were "normal for the two leading economies of the world" but stressed "trade should remain the ballast and propeller of China-U.S. relations, not a stumbling block or source of conflict." Analysts characterised the agreement as a "tactical pause" rather than strategic realignment. Einar Tangen of the Taihe Institute noted "tariffs 30 percent or above mean that you effectively end trade," suggesting limited practical impact despite the reduction. The meeting built upon three phone calls and several letters exchanged since Trump's re-election, representing continued engagement within an established framework.

## **Corporate earnings season peaks amid mixed economic signals**

The week of 27 October - 2 November marked the peak period for third quarter 2025 earnings reports, with over 2,000 companies scheduled to report during the week and 299 companies reporting on Thursday, 30 October alone—the heaviest single day. FactSet consensus projected S&P 500 earnings growth of 8.5% year-over-year with revenue growth of 6.3%, potentially marking the ninth consecutive quarter of earnings expansion. Notably, this represented the first time since late 2021 that Wall Street analysts raised estimates heading into the reporting period, suggesting improved confidence despite economic headwinds.

The confirmation rate remained unusually low at just 48% of companies having confirmed earnings dates from 11,000+ global names, reflecting ongoing uncertainty. Major technology companies were scheduled for the following week, with financial sector earnings largely completed earlier in October showing strength in dealmaking and M&A activity. Nvidia became the first company valued at \$5 trillion on 29 October, underscoring the AI investment boom driving record stock market highs despite shutdown concerns. However, traditional sectors faced significant headwinds, with Challenger, Gray & Christmas reporting 950,000 layoffs announced through September 2025



—the highest since 2020—including new announcements from Amazon and UPS during this period.

## **China: Diplomatic breakthrough provides breathing room as manufacturing weakness persists**

### **Trump-Xi summit delivers one-year trade truce with limited scope**

The meeting between President Trump and President Xi at Gimhae Air Base in Busan on 30 October delivered immediate but limited relief to escalating trade tensions. Beyond the headline tariff reduction from 57% to 47% on most Chinese goods and the fentanyl-related tariff cut from 20% to 10%, the agreement included China's commitment to resume "massive" purchases of US soybeans immediately—a critical concession given China had stopped buying US soybeans in May 2025 amid tit-for-tat measures and had reduced reliance on US agricultural products, halving the proportion of soybeans sourced from America by turning to Brazil and Argentina.

China's agreement to pause implementation of its latest rare earth export controls announced in October 2025 for one year proved strategically significant, though restrictions on seven rare earth metals announced in April remained in place. This represented partial Chinese leverage retention whilst providing American technology companies temporary access to critical materials. Both sides agreed to suspend tit-for-tat port fees for one year, China would pause countermeasures related to the US Section 301 investigation for one year, and the United States agreed to suspend plans to extend technology-related export controls to Chinese subsidiaries.

Xi Jinping's statements emphasised long-term relationship stability: "China and the United States should be partners and friends. This is what history has taught us and what reality needs." He acknowledged "we do not always see eye-to-eye with each other, and it is normal for the two leading economies of the world to have frictions now and then," but insisted on "stay[ing] the right course and ensur[ing] the steady sailing forward of the giant ship of China-U.S. relations." Xi characterised trade as something that "should remain the ballast and propeller of China-U.S. relations, not a stumbling block or source of conflict."

Analysts expressed scepticism about the agreement's durability and practical impact. Einar Tangen of the Taihe Institute noted that "tariffs 30 percent or above mean that you effectively end trade," suggesting the reduction from 57% to 47% provided minimal practical benefit. Jayant Menon of the ISEAS-Yusof Ishak Institute observed "China showed it wasn't going to be bullied during trade talks... We've seen President Trump actually pause tariffs, bring in exemptions, change rates, without China doing very much except to respond in a very measured way." Deborah Elms of the Hinrich Foundation characterised the agreement as a "partial freeze" or "minor rollback" in the trade war rather than a comprehensive resolution.

### **PMI data reveals deepening manufacturing contraction**

The National Bureau of Statistics released official October 2025 PMI data on Friday, 31 October, revealing China's manufacturing sector contracted for the seventh consecutive month. The Manufacturing PMI fell to 49.0, down from 49.8 in September, missing expectations of 49.6 and marking a six-month low. This represented the longest contraction streak since the August 2015 - February 2016 period. Production fell to 49.7 from 51.9, marking the first contraction in six months

after a brief recovery. New orders declined to 48.8 from 49.7, whilst new export orders dropped sharply to 45.9 from 47.8, signalling deteriorating external demand conditions.

Employment continued weakening to 48.3 from 48.5, whilst the breakdown by enterprise size showed divergence: large enterprises recorded 49.9, down from 51.0, with production and new orders sub-indices at 50.9 and 50.1 respectively remaining in expansion. Medium enterprises slipped to 48.7 from 48.8, whilst small enterprises fell to 47.1 from 48.2, highlighting the disproportionate impact on smaller firms. High-tech sectors provided relative bright spots, with high-tech manufacturing at 50.5, equipment manufacturing at 50.2, and consumer goods at 50.1, all in expansion territory.

The Non-Manufacturing PMI edged up marginally to 50.1 from 50.0, meeting expectations with a 0.1 percentage point increase. The services sector rose to 50.2, up 0.1 points from September, supported by the week-long National Day and Mid-Autumn Festival holidays that boosted railway/air transportation, accommodation, and culture/sports/entertainment sectors to readings above 60. The postal industry's business activity index surged beyond 70 ahead of Singles' Day shopping festival. However, the construction sector weakened to 49.1 from 49.3. The Composite PMI fell to 50.0 from 50.6, down 0.6 percentage points and marking the lowest level since December 2022.

Huo Lihui, NBS Chief Statistician, attributed the slowdown to the week-long holiday that shuttered most factories and the "increasingly complex international environment." He Hui, CFLP Vice-President, noted the fall was "partly seasonal" due to holiday impact alongside external factors, but maintained "the trend of economic restructuring and improvement remains unchanged."

## **Fourth Plenum charts cautious path for 2026-2030**

The Fourth Plenum of the 20th Central Committee, held 20-23 October 2025 with the communiqué issued on 23 October and a press conference on 25 October, reviewed and adopted Recommendations for China's 15th Five-Year Plan (2026-2030) for National Economic and Social Development. The gathering of 168 full members and 147 alternate members, plus over 350 total attendees including provincial-level officials and state-owned enterprise executives, delivered a notably cautious assessment of external conditions.

The communiqué acknowledged China's economy possessed "solid foundation, numerous strengths, strong resilience and vast potential" but recognised "heightened uncertainties" in the external environment. The leadership noted China faces "high winds, rough waves and even raging storms" and emphasised the need to "dare to fight, and be good at fighting." This combative language appeared more frequently than five years prior, reflecting heightened geopolitical tensions. The 5,000-word document outlined major objectives including significant advancements in high-quality development, substantial improvements in scientific and technological self-reliance, fresh breakthroughs in deepening reform, and major strides in the Beautiful China Initiative.

Strategic priorities for the 15th Five-Year Plan emphasised building a modernised industrial system, achieving greater self-reliance in science and technology, developing "new quality productive forces," building a robust domestic market, developing a high-standard socialist market economy, promoting high-standard opening up, and accelerating agricultural and rural modernisation. Personnel changes included Zhang Shengmin's addition as vice chairman of the Central Military Commission and 11 alternate members elevated to fill empty Central Committee seats. Multiple

officials faced expulsion from the Party for grave violations, including He Weidong, Miao Hua, and Tang Renjian amongst others.

## **PBOC signals continued accommodation through bond purchases**

Governor Pan Gongsheng announced on Monday, 27 October at the Annual Conference of Financial Street Forum 2025 in Beijing that the People's Bank of China would resume treasury bond purchase operations in the open market. Bond trading had been paused earlier in 2025 due to "significant pressure" from supply-demand imbalances and escalating market risks. Pan stated resumption would occur because the bond market was "operating well," though he provided no specific timeframe for implementation. This represented an expansion of the PBOC's monetary policy toolkit and signalled continued accommodative stance despite ongoing concerns about financial stability.

The Loan Prime Rate remained unchanged at 3.0% for one-year lending and 3.5% for five-year lending when announced on 20 October, marking the fifth consecutive month with no change since the quarter-percentage-point cut in October 2024. Huang Yiping, a member of the PBOC Monetary Policy Committee, stated on 24 October that China needed a "bolder spending package" to mend finances of households and companies. He noted that despite booming exports in Q3, indicators showed sluggish confidence due to tariff uncertainties, with weak inflation, private investment, and unemployment all pointing to subdued confidence.

The PBOC issued a statement late Friday, 25 October communicating greater confidence about the yuan's international role. Policy commitments included promoting yuan internationalisation, expanding the currency's use in trade, deepening two-way opening of financial markets, further developing the offshore yuan market, and supporting yuan usage as a financing currency for foreign institutions. This represented a notable shift in messaging about China's currency ambitions.

## **Property sector challenges persist despite stimulus measures**

Industrial profits for large industrial firms surged 21.6% year-over-year in October, marking the largest increase in nearly two years and driven by easing declines in factory-gate prices as Beijing's campaign to rein in price wars and excess capacity gained traction. However, the property sector continued its multi-year contraction, with housing prices falling more than in August and property investment contracting 10.4% in January-November versus 10.3% in January-October. The ongoing property crisis remained a critical drag on economic growth and household wealth, offsetting industrial improvements.

Context from Q3 GDP data (released 20 October, prior to the research week) showed the economy grew 4.8% year-over-year on an inflation-adjusted basis, the slowest pace in a year and down from 5.2% in Q2. Nominal growth stood at just 3.7% without inflation adjustment, as economy-wide prices fell for the 10th straight quarter. September economic indicators had shown divergence: industrial output rose 6.5%, the best result since June, whilst retail sales expanded just 3.0%, the worst for a single month since November the previous year.

# **European Union: ECB maintains rates as growth stabilises and inflation moderates**

## **European Central Bank holds all three key rates steady in Florence**

The ECB Governing Council decided unanimously on Thursday, 30 October 2025 at 13:45 CET (12:45 UTC) to keep all three key interest rates unchanged: the deposit facility rate at 2.00%, the main refinancing operations rate at 2.15%, and the marginal lending facility rate at 2.40%. This marked the third consecutive meeting with rates held steady following pauses in September and July 2025. The decision was announced from Florence, Italy, where President Christine Lagarde held her press conference at 14:30 CET (13:30 UTC).

Lagarde struck a notably confident tone throughout her remarks, repeatedly stating "we are in a good place" and "I continue to say that we are in a good place." She emphasised that "inflation remains close to our two per cent medium-term target and our assessment of the inflation outlook is broadly unchanged." The ECB statement noted "the economy has continued to grow despite the challenging global environment," with Q3 2025 GDP growth of 0.2% quarter-over-quarter (released the same day by Eurostat) supporting this assessment. Services continued to drive growth, boosted by strong tourism and digital services including AI integration, whilst manufacturing remained constrained by higher tariffs, uncertainty, and the stronger euro.

Lagarde maintained the ECB's data-dependent stance, stating the Council "will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance" and "we are not pre-committing to a particular rate path." The forward guidance emphasised decisions would be based on inflation outlook assessment, underlying dynamics, incoming economic data, and monetary policy transmission strength. The Governing Council moved to the next stage of the digital euro project to ensure technical readiness for potential issuance once legislation is adopted.

## **Eurozone inflation eases slightly whilst core remains sticky**

Eurostat released flash inflation estimates for October 2025 on Friday, 31 October at 10:00 GMT, showing headline HICP inflation at 2.1% year-over-year, down from 2.2% in September and just above the ECB's 2% target. The monthly rate increased 0.2%, up from 0.1% in September. Core inflation (excluding energy and food) remained unchanged at 2.4% annually, slightly above market expectations of 2.3%, indicating persistent underlying price pressures that concerned policymakers.

Component analysis revealed services inflation at 3.4% year-over-year, up from 3.2% in September, representing the highest contributor to overall inflation and a key focus for ECB officials monitoring wage-price dynamics. Food, alcohol, and tobacco inflation moderated to 2.5% from 3.0%, whilst non-energy industrial goods inflation slowed to 0.6% from 0.8%. Energy prices fell 1.0% year-over-year, down from -0.4% in September, providing disinflationary relief. Country variations remained pronounced: Estonia (4.5%), Latvia (4.2%), Austria (4.0%), and Croatia (4.0%) recorded the highest rates, whilst Cyprus (0.3%), France (0.9%), Italy (1.3%), and Finland (1.5%) showed the lowest.

Germany's flash inflation estimate for October, released 30 October by Destatis, showed CPI at 2.3% year-over-year, down from 2.4% in September but slightly above the expected 2.2%. Core inflation remained elevated at 2.8%, unchanged from September. The harmonised index (HICP)

matched the national figure at 2.3%. Carsten Brzeski, chief economist at ING, characterised the decline as marking "the start of more disinflation to come," suggesting the downward trajectory would continue into 2026.

## **Economic activity shows unexpected resilience with PMI surge**

S&P Global and HCOB released flash October PMI data on Thursday, 24 October at 08:00 GMT, revealing a surprisingly strong acceleration in eurozone business activity. The Composite PMI jumped to 52.2, up sharply from 51.2 in September and well above the expected 51.0, reaching a 17-month high jointly matching May 2023. This marked the ninth consecutive month of expansion with new orders growing at the fastest pace in two and a half years, employment returning to growth territory, and backlogs showing their first rise since mid-2022.

The Services PMI climbed to 52.6 from 51.3, exceeding expectations of 51.1 and hitting a 14-month high—the strongest since August 2024. Most remarkably, the Manufacturing PMI reached 50.0, up from 49.8 in September and matching expectations, marking the first time in expansionary territory (above 50) since mid-2022. Manufacturing output expanded for the eighth consecutive month at 51.1. Dr Cyrus de la Rubia, Chief Economist at Hamburg Commercial Bank, noted "eurozone businesses reported faster output growth in October, taking the overall rate of expansion to a pace not exceeded since May 2023." He suggested the flash PMI indicated eurozone GDP growing at a quarterly rate of 0.3%, up from the 0.2% pace signalled over Q3.

Germany delivered particularly strong results, with its Composite PMI surging to 53.8 from 52.0, significantly beating expectations of 51.6 and reaching a 29-month high—the strongest since May 2023. The German Services PMI jumped to 54.5 from 51.5, far exceeding expectations of 51.0, whilst Manufacturing PMI edged up to 49.6 from 49.5, approaching stabilisation despite remaining in contraction. Dr de la Rubia commented "this is an unexpectedly good start to the final quarter" but cautioned "the outlook for the future is more cautious than in the previous month, both amongst service providers and in industry, shows that the economic situation remains fragile."

## **GDP and labour market data confirm modest but steady expansion**

Eurostat released flash Q3 2025 GDP estimates on Thursday, 30 October, showing the eurozone economy grew 0.2% quarter-over-quarter, up from 0.1% in Q2 and beating expectations of 0.1%. Year-over-year growth came in at 1.3%, down from 1.5% in Q2 but exceeding expectations of 1.2%. The broader EU grew 0.3% quarter-over-quarter, up from 0.2% in Q2, with year-over-year growth at 1.5% down from 1.6%.

Spain led major economies with 0.6% quarterly growth and 2.8% year-over-year expansion, whilst France exceeded expectations with 0.5% quarterly growth delivering 0.9% annually. Germany recorded zero growth at 0.0% both quarterly and 0.3% annually, representing stabilisation after Q2's decline. Italy also stagnated at 0.0% quarterly growth with 0.4% annual expansion. Amongst smaller economies, Sweden posted the strongest quarterly growth at 1.1%, followed by Portugal (0.8%) and Czechia (0.7%). Lithuania, Ireland, and Finland contracted marginally at -0.2%, -0.1%, and -0.1% respectively. The preliminary estimates covered 96% of euro area GDP and 94% of EU GDP, with next estimates scheduled for 14 November.

Unemployment data for September 2025, released 30 October, showed the eurozone rate stable at 6.3%, unchanged from August and from September 2024, remaining close to the record low of

6.2% reached in July 2025. Total unemployment stood at 11.003 million persons, up 65,000 from August and 187,000 year-over-year. The broader EU rate held at 6.0%, up marginally from 5.9% a year earlier, with 13.246 million unemployed. Youth unemployment (under 25) in the eurozone edged up to 14.4% from 14.3%, affecting 2.282 million young persons. Spain maintained the highest unemployment at 10.5%, followed by Finland (9.8%) and Sweden (8.7%), whilst Malta and Czechia shared the lowest at 3.0%, followed by Slovenia (3.1%) and Poland (3.2%). Germany's rate rose to 3.9% from 3.8%, France increased to 7.6% from 7.5%, and Italy climbed to 6.1% from 6.0%.

## **Energy security and Ukraine support dominate policy agenda**

The EU Energy Council reached a significant milestone on Monday, 20 October 2025, agreeing on a general approach to phase out Russian gas imports through the REPowerEU Regulation. Ministers established a legally binding ban on Russian pipeline gas and LNG with phased implementation: short-term contracts would be banned from 2026, with a full import ban effective 1 January 2028. The regulation tightened controls on gas origin verification, established prior authorisation procedures for compliance, and simplified procedures for gas from third countries meeting specific criteria. This marked a critical step towards ending Europe's energy dependence on Russia, with negotiations now proceeding with the European Parliament.

The European Council, meeting on 23 October 2025, adopted comprehensive conclusions reaffirming "continued and unwavering support for Ukraine's independence, sovereignty and territorial integrity." The Council called for mobilising "all efforts to urgently help address immediate needs following attacks and strengthen Ukraine's preparedness for winter." In 2025, the EU provided Ukraine's budget €20.5 billion, comprising €6.5 billion under the Ukraine Facility and €14 billion under the G7 ERA initiative funded through immobilised Russian assets. The Council condemned "Russia's intensified attacks on Ukraine's energy sector, in particular on gas production and putting at risk the safety and security of the Zaporizhzhia nuclear power plant."

The European Investment Bank announced its Ukraine Energy Rescue Plan in October, committing up to €600 million for critical energy projects supporting both public and private sectors. Specific operations included a €300 million loan to Naftogaz signed on 1 October to replenish long-term gas reserves ahead of winter, backed by the European Commission under the EU's Ukraine Investment Framework, with Naftogaz pledging to reinvest an equivalent amount into renewable energy and decarbonisation. An additional €86 million went to Ukrenergo, Ukraine's national electricity transmission system operator, for physical protection of critical energy infrastructure, backed by EU guarantees under the Ukraine Solidarity Urgent Response Package.

The European Council also addressed defence readiness, with members committing to "substantially increase expenditure on Europe's defence and security." The Council reviewed financing options for increased defence expenditure, encouraged the EIB to explore financing for defence industries further, and called for an annual defence readiness report to be prepared by the European Defence Agency. This defence spending increase represented a potential upside risk to growth but also a medium-term inflationary concern, as noted in ECB economic assessments.

# **Japan: BOJ holds rates as Takaichi government prioritises growth over consolidation**

## **Bank of Japan maintains policy rate at 0.5% despite persistent inflation**

The Bank of Japan's Monetary Policy Meeting on 29-30 October concluded with a 7-2 decision to maintain the policy interest rate at 0.5%, as announced at 12:15 JST on Thursday, 30 October. The vote split revealed continued internal debate about the pace of normalisation, with Hajime Takata and Naoki Tamura dissenting in favour of a rate hike to 0.75%. Takata argued "there had been a shift away from the deflationary norm and the price stability target had been more or less achieved," whilst Tamura stated "with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate."

Governor Kazuo Ueda's press conference following the decision struck a carefully balanced tone. He characterised Japan's economy as "recovering moderately albeit with some weakness" and noted "food inflation is moderating, whilst underlying inflation is rising moderately." On trade policy uncertainties, Ueda stated "there are various risks to the outlook. In particular, there remains high uncertainty on the impact of trade policies on overseas economic and price developments." He emphasised the BOJ would "like to spend a bit more time scrutinising wages and price moves" and wanted to "confirm whether wage and prices will gradually rise in tandem," particularly given the upcoming spring wage negotiations.

Ueda explicitly addressed timing concerns, stating "don't think there is risk of falling behind the curve. Have no preset ideas about timing of next rate hike." He wanted to "take a little longer to see how the US tariff impact would affect Japanese economy" whilst reiterating "easy monetary conditions will continue to support the economy." The forward guidance maintained the BOJ's commitment to "continue to raise policy rate if economy, prices move in line with forecast, in accordance with improvements in economy, prices," but avoided any specific timeline commitment. The Outlook Report was released at 12:15 on 30 October with full text on 31 October at 14:00, the Summary of Opinions scheduled for 10 November at 08:50, and Minutes for 24 December at 08:50.

## **Inflation data shows persistent price pressures above target**

National CPI data for September 2025, released Thursday, 24 October at 08:30 JST (23:30 GMT 23 October), showed headline inflation at 2.9% year-over-year, up from 2.7% in August, with a monthly decline of 0.1%. This marked the 41st consecutive month above the BOJ's 2% target since April 2022. Core CPI (excluding fresh food) matched the headline at 2.9%, up from 2.7% and in line with market expectations, representing the first acceleration in four months. Core-core CPI (excluding fresh food and energy), closely watched by the BOJ as a measure of underlying inflation, came in at 3.0% year-over-year, down from 3.3% in August but still indicating persistent underlying price pressures.

Food prices excluding fresh food contributed significantly to the increase, with rice prices continuing to rise at 49.2% year-over-year, moderating from August's extraordinary 69.7% but still substantially elevated. Energy prices declined year-over-year due to government subsidy comparison effects. Tokyo CPI for October, released Friday, 30 October as a leading indicator of nationwide trends, showed core CPI (excluding fresh food) at 2.8% year-over-year, up from 2.5% in September and beating market expectations of 2.6%. Core-core CPI for Tokyo matched this at

2.8%, up from 2.5%, suggesting continued inflationary pressures into the fourth quarter well above the 2% target.

### **PMI data signals near-stagnation in economic activity**

Jibun Bank and S&P Global released flash October 2025 PMI data on Thursday, 24 October at 00:30 UTC (09:30 JST), revealing weakness in Japan's private sector activity. The Composite PMI Output Index fell to 50.9 from 51.3 in September, marking the slowest growth in five months and indicating the economy was approaching stagnation. The Manufacturing PMI declined to 48.3 from 48.5, remaining below the 50 threshold at a 19-month low. The output index within manufacturing registered 48.1, down from 47.4, whilst new export orders continued to decline, though at the slowest pace since March.

The Services PMI Business Activity Index recorded 52.4, down from 53.3 in September, above the 50 threshold indicating expansion but at a notably slower pace than the prior month. S&P Global's commentary noted "Japanese business activity increases at slowest rate in five months amid renewed drop in sales." The report found "manufacturers were more upbeat about the year ahead than service providers, with many hoping that a recovery in global economic conditions, new product releases and stronger demand for electronics in particular will help to boost output." However, "prices data meanwhile continued to point to strong inflationary pressures across Japan. Both input costs and output charges increased at historically strong rates, with firms often linking this to higher employment, raw material and fuel costs, alongside a weak yen."

### **Industrial production rebounds whilst retail sales disappoint**

The Ministry of Economy, Trade and Industry released preliminary September 2025 industrial production data on Thursday, 30 October, showing a month-over-month increase of 2.2%, beating expectations of 1.5% and rebounding from August's -1.5% decline. This marked the first increase since June and the fastest pace since February 2025. Year-over-year growth reached 3.4%, up sharply from -1.6% in August. Key sectors contributing to the increase included transport equipment excluding motor vehicles, motor vehicles themselves, and electronic parts and devices. Sectors that had contributed to previous declines included electrical machinery, information/communication electronics equipment, fabricated metals, and inorganic and organic chemicals.

Retail sales for September, released by METI on Thursday, 31 October at 08:50 JST, showed a 0.5% year-over-year increase, rebounding from a revised -0.9% decline in August (initially reported as -1.1%) but below expectations of 0.7%. This indicated persistent weakness in consumer demand despite rising wages. The unemployment rate for September, released Friday, 31 October by the Ministry of Internal Affairs and Communications, held steady at 2.6%, unchanged from August on a seasonally adjusted basis. However, the number of unemployed increased by 20,000 to 1.81 million, reaching a 14-month high.

The job-to-applicant ratio remained at 1.20, indicating 120 job openings for every 100 job seekers, with the number of effective job seekers falling 0.8% and effective job openings declining 0.7%. Female employment reached a record high of 31.53 million, up 450,000 year-over-year. The labour market remained tight by historical standards but showed signs of cooling as companies became more cautious about hiring amid rising costs and tariff uncertainties.



## Prime Minister Takaichi unveils expansionary fiscal agenda

Sanae Takaichi, confirmed as Japan's first female Prime Minister on Tuesday, 21 October 2025, delivered her first policy speech to the Diet on Friday, 24 October, declaring combating inflation as her Cabinet's top priority whilst advocating a fundamentally different approach to economic policy than her predecessors. She used the phrase "strong economy" six times in her 20-page speech and articulated her core philosophy as "responsible and proactive fiscal policy," stating "I will turn people's anxieties about the present and future into hope." Takaichi emphasised "setting the idea of finances depending on the economy at the core of the government's economic and fiscal policy" and proposed establishment of a council to discuss strategies for economic growth with support for strategic industries including AI, semiconductors, and shipbuilding.

On Wednesday, 22 October, Takaichi's government announced an economic stimulus package exceeding 13.9 trillion yen (\$92.19 billion), surpassing the previous year's stimulus in her first major economic initiative. The package rested on three main pillars: countering inflation through measures helping households cope with soaring living costs, investment in growth industries supporting AI, semiconductors, and strategic sectors, and enhanced defence and economic security spending. Specific measures included a vow to enact legislation scrapping the provisional petrol tax surcharge by the end of the parliamentary session, proposals for a suprapartisan council to discuss integrated tax and social security reform, and discussion of a refundable tax credit programme.

Finance Minister Satsuki Katayama indicated the government may issue bonds to finance the supplementary budget, with the package expected to be unveiled in detail in November and parliamentary approval sought before year-end. Takaichi's target to raise defence spending to 2% of GDP by fiscal year 2025—two years ahead of the previous target—would require approximately 1 trillion yen additional funding through a supplementary budget beyond the current FY2025 defence budget of roughly 9.9 trillion yen.

Takaichi's stance on monetary policy proved carefully calibrated. At her 21 October press conference, she stated "it is the government that is ultimately responsible for both fiscal policy and monetary policy" and emphasised the need for close government-BOJ communication until a healthy wage-price cycle was achieved. She noted Japan's recent inflation was "largely because of soaring costs rather than a healthy cycle of increases in wages and demand." On 24 October, she clarified "monetary policy is part of a broader economic policy the government holds final responsibility for" whilst adding "specific means of monetary policy were up to the BOJ to decide." Markets interpreted Takaichi's stance as potentially dovish pressure on the BOJ, though her minority government status—leading a coalition with the Japan Innovation Party after Komeito left the LDP—limited her ability to directly pressure the central bank.

---

*This is a hobby project providing market context. Not investment advice. Past performance doesn't guarantee future results. Consult qualified professionals for personal financial decisions.*

**Systematic over emotional. Structure over speculation.**