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Markets in a Minute

Key highlights

- **U.S. inflation rose to 3%:** the modest pickup was lower than expected and reinforced the view that inflation is still under control despite U.S. trade tariffs.
- **President Trump to meet President Xi Jinping:** the first in-person meeting between U.S. President Donald Trump and Chinese President Xi Jinping since 2019 fuels hopes of trade tension de-escalation.
- **Oil price rally:** Brent crude oil prices jumped after new U.S. sanctions on Russia's largest oil producers, including Rosneft and Lukoil.



Watch the latest Markets in a Minute video with Guy Foster, Chief Strategist.

Markets are leaning on optimism

Global markets ended the week on a firmer note, with sentiment noticeably more constructive than last week.

A catalyst was the latest U.S. inflation data for September, which came in slightly below expectations, rising from 2.9% to 3% year-on-year. The modest pickup was lower than expected and reinforced the view that inflation is still under control despite U.S. trade tariffs. This paves the way for an interest rate cut next week, a move already fully priced in by markets.

Optimism also rose after the White House confirmed that President Donald Trump and Chinese President Xi Jinping will meet next Thursday in South Korea, on the sidelines of the Asia-Pacific Economic Cooperation summit. It will be their first face-to-face meeting since President Trump's return to office, coming just days before the current trade truce is set to expire on 10 November.

Markets are leaning on a more optimistic outcome from the upcoming talks, even if a major breakthrough remains uncertain. Discussions are expected to cover a broad range of issues, from technology exports and agricultural purchases to restrictions on rare-earth minerals. The tone from Washington has softened recently, which investors are viewing as an indication that both sides want to extend the tariff pause while leaving room for longer-term negotiations.

Meanwhile, the U.S. signed a rare-earth partnership with Australia, agreeing to co-invest in mining and processing capacities to secure access to critical minerals used in clean energy and semiconductor production.

The deal improves America's leverage ahead of the summit, though China remains overwhelmingly dominant in this strategic area. For instance, the International Energy Agency (IEA) estimates that China accounts for about 61% of rare-earth production and 92% of rare-earth processing. That concentration highlights Beijing's enduring influence over global supply chains and its leverage in any trade discussions.

Ahead of the talks, China held its fifth plenum this week, which sets its long-term strategic plans and policy goals. Its 15th five-year plan focuses on artificial intelligence (AI), energy transition and stronger domestic consumption. This underscores China's long-term ambition for innovation-led and self-reliant growth. The five-year plan ensures that the strategic rivalry between the U.S. and China won't go away, but both countries will need to learn to co-exist and not decouple for the stabilisation of the global economy.

Continued overleaf

Figure of the week

3%

U.S. inflation picked up from 2.9% to a lower-than-expected 3% in September.

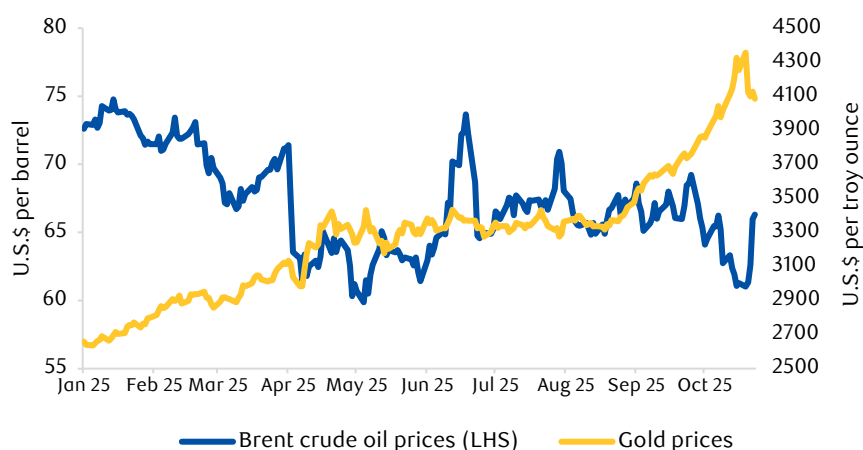
Gold cools after a blistering rally, while oil prices jump

After months of relentless gains, gold prices finally took a breather from record highs of above US\$4,300 per ounce. The pullback was largely technical, with investors taking profits after an extended rally, and the momentum indicator that measures the magnitude of recent price changes suggested that gold was overbought.

Nevertheless, the case for gold remains intact, supported by central bank purchases, widening fiscal deficits and lingering geopolitical uncertainty.

Meanwhile, Brent crude oil prices jumped about 8% this week after new U.S. sanctions on Russia's largest oil producers, including Rosneft and Lukoil. This move is intended to increase pressure on Russia to end the war in Ukraine.

Oil prices jumped while gold prices slumped



Source: Bloomberg

The measures caused short-term oil supply disruption mainly for Asian buyers, with some Indian refiners scaling back Russian imports and Chinese buyers cancelling spot cargoes.

Even so, the IEA expects global supply to exceed demand by nearly four million barrels per day next year, suggesting the market remains comfortably balanced overall.

Japan's 'Sanaenomics' energises markets

In Japan, Sanae Takaichi made history by being confirmed as the country's first female prime minister, a milestone that injected optimism into markets and sparked enthusiasm for what commentators are calling 'Sanaenomics'. She has pledged to boost public investment, expand defence capabilities, and deepen ties with the U.S. to help renegotiate a better trade deal.

So far, markets are receptive to her agenda. Her leadership has drawn comparisons to former Prime Minister Shinzo Abe's reform-driven era, with hopes that 'Sanaenomics' can reignite domestic demand and attract renewed global interest in Japanese assets.

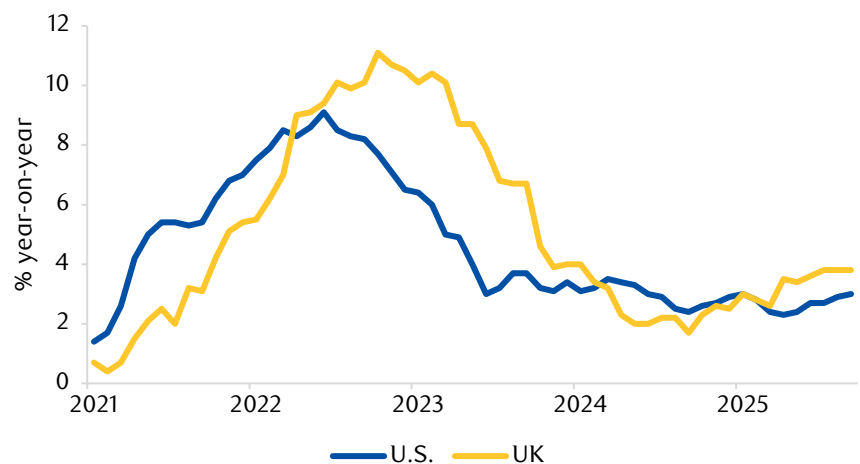
Japanese equities rallied, the yen weakened, and government bond yields climbed as investors anticipated higher borrowing to finance fiscal expansion.

UK data highlight resilience ahead of Autumn Budget

In the UK, economic data painted a picture of resilient consumers ahead of the Autumn Budget. Retail sales rose 0.5% month-on-month in September, beating forecasts, while the GfK Consumer Confidence Index improved modestly in October (although it was still in deeply negative territory).

“Markets are leaning on a more optimistic outcome from the upcoming U.S.-China trade talks, even if a major breakthrough remains uncertain.”

U.S. vs UK headline CPI (Consumer Price Index)



Source: Bloomberg

The UK composite Purchasing Manager's Index also strengthened in October, signalling resilient private sector services activity.

Meanwhile, UK inflation held steady at 3.8%. Although this was lower than expected, it's still far from comfortable. The good news is this could mark the high point of inflation, with slowing energy and utility prices likely to bring inflation lower in the coming months. For the Bank of England (BoE), it's still a high hurdle to justify cutting interest rates this year. Services inflation remains stuck at 4.7%, a big reason to stay cautious.

The BoE's Monetary Policy Committee remains split. Hawks are focused on sticky inflation, while doves worry about economic weakness. The BoE is walking a tightrope between stubborn inflation and slowing growth.

Markets are now pricing in a higher chance of a December rate cut. While BoE Governor Andrew Bailey is leaning on rate cuts from his recent speech, these may not come as soon as markets hope and will probably be more of a 2026 story. It's hard to justify a rate cut in the near term unless there are more signs that inflation is truly under control or the economic data deteriorates significantly.

Coming up

- **Trump-Xi meeting:** all eyes now turn to the Trump-Xi meeting in South Korea, where investors will be watching for signals that both sides can extend the tariff truce and prevent renewed trade tensions.
- **Federal Reserve decision:** markets have fully priced in another rate cut next week, with Federal Reserve Chair Jay Powell's outlook guidance in focus.
- **Big tech earnings:** tech giants including Alphabet, Microsoft and Meta will release their earnings reports next week, as investors look for evidence of any boost of earnings from AI.



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