MAKING SENSE OF *THIS* WORLD

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With Trump in Power, US Alliances Are Priced by the Gallon

On Friday, Donald Trump announced that Vladimir Putin had agreed to supply more than 300,000 tonnes of diesel immediately, 500,000 more in November and one million "immediately thereafter"; within hours, the Treasury authorised the sale and import of Russian diesel through 7 April 2027. The motive is hardly mysterious. The national average stood at $6.23 a gallon, just below September's record of $6.52, and diesel prices have risen by 70% since the conflict with Iran began, with the midterms barely three weeks away. Whether Moscow can actually deliver is another matter; former US officials doubt Putin even has the volumes Trump cited.

Kyiv's response was bitter. Zelensky called the deal a gift to Putin and warned that Russia would repay the diesel with further terror, describing it as "a weak decision of strong partners." Europe's reply came through policy rather than rhetoric: UK and EU sanctions remain fully in force. In effect, Washington has broken ranks with the coalition it once led, repeating the March oil waiver that Merz flatly called "wrong."

Rather than absorb the criticism, Trump has spent weeks turning it back on Zelensky. He claimed that the diesel spike was caused by Ukrainian strikes on Russian refineries, not by his war with Iran, and in a leaked call he reportedly pressed "diesel, diesel… diesel" on his Ukrainian counterpart. This revives the familiar insinuation that Kyiv needs a more pliable leader. The causality, however, is inverted. The original shock is the war of choice that began with the joint US-Israeli strikes on Iran; Ukrainian strikes amplify it, and the President blames the amplifier.

Meanwhile, the Middle Eastern front is mutating. The Houthis struck Riyadh's King Khalid airport three times in one week, as well as Abha, killing three people, and they warned that all Saudi oil facilities are now targets. They also claimed strikes on Aramco facilities at Yanbu, the very Red Sea terminal Riyadh relies upon to bypass Hormuz. Thus, Trump's boast of "TOTAL CONTROL of the Strait of Hormuz" looks rather hollow.

On the same Friday, Oslo honoured Navi Pillay, a former ICC appeals judge. Trump said the committee had "demeaned" the prize, and Rubio sanctioned the court as an institution, cutting it off from US-based financial services and technology companies. This put Washington on a diplomatic collision course with European allies, who are now weighing the EU blocking statute to shield court staff.

The pattern is unmistakable: on energy, on Ukraine and on international law, Washington and Europe now stand on opposite sides. If pump prices fall before 3 November, Trump will claim vindication; if they do not, he will have traded allied trust for nothing. In either case, Europe has learnt that, under this White House, alliances are priced by the gallon.

Our Recent Publications

- *Turkey and Hezbollah's Pragmatic Engagement in a Changing Levant*, by Giorgio Cafiero, 9 October 2026
- *The Global Fallout of US Political Volatility: How International Allies Are Hedging Ahead of the US Midterm Elections*, by Lāsma Kokina, 8 October 2026
- *Monetising the Chokepoint: The Geopolitical and Economic Consequences of Iran and Oman's Strait of Hormuz Toll Regime*, by Lāsma Kokina, 7 October 2026
- *21 Banks Consortium and the Race to Build a Bank-Backed Stablecoin Network*, by Ridipt Singh, 6 October 2026

Looking Ahead

The Week Ahead: Inflation To Increase In US, EZ And France; IP To Shrink In UK

In the US, in September, headline and core inflation rates are expected to increase to 3.6% y-o-y (*p:* 3.4%) and 2.5% y-o-y (*p:* 2.4%). In September, retail sales are seen advancing by 0.3% m-o-m (*p:* 1.2%). In September, IP is likely to increase by 0.3% m-o-m (*p:* 0.0%).

In the EZ, in September, headline and core inflation rates are seen increasing by 3.8% y-o-y (*p:* 3.2%) and 2.5% y-o-y (*p:* 2.4%). In August, IP is likely to increase by 0.1% m-o-m (*p:* -0.1%). In September, among the largest EZ economies, headline inflation rate is expected to: *i)* rise by 3.0% y-o-y (*p:* 2.4%) in France;

In the UK, in August, IP is likely to shrink by 0.1% m-o-m (*p*: 0.2%).

The Quarter Ahead: Trump's Russian Diesel Deal; Hundreds Detained At India's Electoral Reform Protest; Fed Survey

Trump's Russian diesel agreement drew bipartisan criticism for undermining US sanctions on Moscow. Aimed at lowering record-high diesel prices ahead of November's midterm elections, the deal allows Russia to supply more than 800,000 tons of diesel initially, with further shipments planned. The SUS Treasury authorized Russian diesel transactions for six months, prompting concerns that the move could weaken pressure on Moscow and help finance its war in Ukraine.

Hundreds of protesters, including leaders of India's Gen-Z-led Cockroach Janta Party, were reportedly detained in Delhi during demonstrations demanding electoral reforms ahead of key state elections. The group accused the Election Commission of manipulating voter rolls to favour Prime Minister Modi's BJP, allegations both have denied. Authorities deployed extensive security measures and blocked access to the protest site.

US household incomes and wealth increased between 2022 and 2025, but financial pressures and inequality persisted, according to a Federal Reserve survey. Wealth gains slowed compared with the previous three years and were concentrated among the richest 10%, while lower-income households saw rising incomes but declining net worth. Median wealth among Black families fell 25%.

Last Week's Review

Real Economy: PMIs Increased In US And EZ And Fell In UK; US Consumer Sentiment Edged Down

In the US, in September, S&P Global Services and Composite increased to 58.8 (*c:* 58.4; *p:* 56.5) and 58.4 (*c:* 58.4; *p:* 55.4). In October, Michigan Consumer Sentiment edged down to 46.3 (*c:* 47.6; *p:* 48.1).

In the EZ, in September, S&P Global Services and Composite rose to 53 (*c:* 53.0; *p:* 51.6) and 53.1 (*c:* 53.1; *p:* 52.0). In August, retail sales rose by 0.8% y-o-y (*c:* 1.0%: *p:* 0.4%).

In the UK, in September, S&P Global Services and Composite declined to 51.1 (*c:* 51.7; *p:* 52.5) and 52.0 (*c:* 51.7; *p:* 52.5).

Financial Markets: Stock Prices Mostly Increased; Yields Were Mixed; USD Increased; Oil And Gold Prices Rose

Market Drivers: US equities ended the week higher despite volatility in AI stocks, Middle East tensions, and swings in oil prices and Treasury yields. US Treasury yields retreated from multi-decade highs, supported by strong auction demand and easing geopolitical concerns, despite persistent inflation and Fed tightening expectations. European equities remained broadly flat amid geopolitical tensions, a hawkish ECB outlook, mixed eurozone industrial data, and weaker UK activity.

Global Equities: decreased *w-o-w* (MSCI ACWI, +0.6%, to 1,147.3). The US S&P 500 index edged up (+1.2% w-o-w, to 7,811.54). In the EZ, share prices were down (Eurostoxx 50, -1.1% w-o-w, to 6,176.15). In EMs, equities were marginally unchanged (MSCI EMs, -0.0%, to 1,708.77). Volatility decreased to 17.06 (VIX S&P 500, 52w avg.: 19.98; 10y avg.: 19.9).

Fixed Income: *w-o-*w, the 10-year US Treasury yields were up (-4bps to 5.24%). The 2-year US Treasury yields declined (-4 bps to 4.79%). The German 10-year bund yields edged up (+4 bps to 3.49%).

FX: *w-o-w,* the US Dollar Index increased (DXY, +0.3%, to 102.21; EUR/USD, -0.5%, to 1.12). In EMs, currencies increased (MSCI EM Currency Index, +0.3% w-o-w, to 1,930.4).

Commodities: *w-o-w,* oil prices increased (Brent, +1.7% to 104.42 USD/b). Gold prices increased w-o-w (+1.2% to 4,220.30 USD/Oz).

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The picture in the first page was taken from this website.

Abbreviations, Acronyms and Definitions

a	*Actual*
AKP	*Justice and Development Party, Turkey*
ann.	*annualized*
ARS	*Argentinian Peso*
avg.	*Average*
bn	*Billion*
BoC	*Bank of Canada*
BoE	*Bank of England*
BoJ	*Bank of Japan*
bpd	*Barrels per day*
bps	*Basis points*
BS	*Balance sheet*
c	*Consensus*
C/A	*Current account*
CB	*Central bank*
CBB	*Central Bank of Bahrain*
CBK	*Central Bank of Kuwait*
CBT	*Central Bank of Turkey*
CDU	*Christian Democratic Union, Germany*
CNY	*Chinese Yuan*
CPI	*Consumer Price Index*
DJIA	*Dow Jones Industrial Average Index*
DJEM	*Dow Jones Emerging Markets Index*
d-o-d	*Day-on-day*
DXY	*US Dollar Index*
EC	*European Commission*
ECB	*European Central Bank*
ECJ	*European Court of Justice*
EIA	*US Energy Information Agency*
EM	*Emerging Markets*
EP	*European Parliament*
EPS	*Earnings per share*
EU	*European Union*
EUR	*Euro*
EZ	*Eurozone*
Fed	*US Federal Reserve*
FOMC	*US Federal Open Market Committee*
FRB	*US Federal Reserve Board*
FX	*Foreign exchange*
FY	*Fiscal Year*
GCC	*Gulf Cooperation Council*
GBP	*British pound*
GDP	*Gross domestic product*
IMF	*International Monetary Fund*
INR	*Indian Rupee*
IPO	*Initial public offering*
IRR	*Iranian Rial*
JPY	*Japanese yen*
k	*thousand*
KSA	*Kingdom of Saudi Arabia*
LN	*Northern League, Italy*
M5S	*Five Star Movement, Italy*
m-o-m	*Month-on-month*
mb	*Million barrels*
mb/d	*Million barrels per day*
MENA	*Middle East and North Africa*
MHP	*Nationalist Movement Party, Turkey*
mn	*Million*
MPC	*Monetary Policy Committee*
NAFTA	*North-American Free Trade Agreement*
NATO	*North Atlantic Treaty Organization*
OECD	*Organization for Economic Cooperation and Development*
Opec	*Organization of Petroleum Exporting Countries*
p	*Previous*
P2P	*Peer-to-peer*
PBoC	*People's Bank of China*
PCE	*Personal Consumption Expenditures*
PE	*Price to earnings ratio*
PM	*Prime minister*
PMI	*Purchasing managers' index*
pps	*Percentage points*
pw	*Previous week*
QCB	*Qatar Central Bank*
QAR	*Qatari Riyal*
QE	*Quantitative easing*
q-o-q	*Quarter-on-quarter*
RE	*Real estate*
RBA	*Reserve Bank of Australia*
RRR	*Reserve Requirement Ratio*
RUB	*Russian Rouble*
SWF	*Sovereign Wealth Fund*
tn	*Trillion*
TRY	*Turkish Lira*
UAE	*United Arab Emirates*
UK	*United Kingdom*
US	*United States*
USD	*United States Dollar*
USD/b	*USD per barrel*
UST	*US Treasury bills/bonds*
VAT	*Value added tax*
VIX	*Chicago Board Options Exchange Volatility Index*
WTI	*West Texas Intermediate*
WTO	*World Trade Organisation*
w	*Week*
w-o-w	*Week-on-week*
y	*Year*
y-o-y	*Year-on-year*
y-t-d	*Year-to-date*
ZAR	*South African Rand*
2y; 10y	*2-year; 10-year*

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