# MAKING SENSE OF *THIS* WORLD

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*By Brunello Rosa*



## Elections in Israel and US: Seven Days, Two Verdicts

Israelis vote on 27 October, Americans on 3 November; the two ballots are coupled, since the Iran war launched on 28 February, the aftermath of Gaza and the transformation of the West Bank have been co-produced by a Netanyahu government and a Trump administration that treat each other as strategic extensions. Yet the stakes are asymmetric: in Israel the question is whether Netanyahu is replaced; in America, with the presidency not on the ballot, whether Trump is constrained. The former is government change in the parliamentary sense; the latter, mere friction.

**Israel: A Lead Without A Majority.** The change bloc — Gadi Eisenkot's Yashar, Naftali Bennett's alliance with Yair Lapid, Yair Golan's Democrats and Avigdor Liberman's Yisrael Beytenu — faces Likud, the far-right lists of Smotrich and Ben-Gvir and the ultra-Orthodox parties, while the Arab-led Joint List and Ra'am hold the balance. The final Maariv poll gives the opposition 54 seats to 48, and Eisenkot beats Netanyahu head-to-head by 49% to 41%. Yet neither bloc approaches 61: Eisenkot rules out Arab partners, courting the ultra-Orthodox would dilute his conscription pledge, and 60% of Israelis prefer a unity government to another election. Thus, the structural advantage remains the incumbent's; absent a coalition, Netanyahu stays on as caretaker, as he did through the deadlock of 2019–2022.

**Hebron: a shock with a short half-life**

After two soldiers were killed near Hebron on 23 October, Netanyahu ordered the city sealed and the West Bank closed; the army has since shut every land crossing for election day. Precedent favours him — the 1996 bombings erased Peres's lead — but three factors blunt the effect. Since 7 October, security no longer confers on Netanyahu a presumption of competence; Eisenkot, a former chief of staff, has refused the quarrel by commending the troops; and the crackdown may lift Arab turnout, which lowers Netanyahu's ceiling. Indeed, the final KAN poll, taken after the attack, still had the opposition two seats ahead. Therefore, the closure is likelier to consolidate the right than to enlarge it: enough, perhaps, to deny the opposition 61, not to hand Netanyahu a majority.

**America: The House Leans Blue, The Senate Is A Weighted Coin.** Democrats lead the generic ballot by nearly eight points, and Trump's approval sits near 37% — comparable to George W. Bush's in 2006. Decision Desk HQ gives Democrats an 80% chance of the House and 56% of the Senate; Kalshi traders, 91% and 63%. The Senate is the harder prize: Democrats need a net gain of four seats from a 53–47 deficit, and the decisive races — Alaska, Iowa, Maine, Ohio and Texas — all sit within the margin of error, exposed to a correlated polling miss.

Congress cannot run foreign policy; it can only make it expensive. A Democratic House could condition defence funding on authorisation of the Iran war, compel testimony, revive aid to Ukraine — the one area where a veto-proof majority is conceivable — and restrict the $3.8 billion in military aid to Israel that nearly half of House Democrats voted this summer to end. A Democratic Senate would add confirmations and forced votes. History, however, counsels restraint: in 2006 Democrats took Congress on opposition to the Iraq war, and Bush ordered the surge. The likelier result is friction rather than reversal — though a re-elected Netanyahu, allied to Ben-Gvir and Smotrich, would discover that bipartisan American support can no longer be assumed.

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- *The AI Investment Boom and the Risk of Crowding Out, by Nato Balavadze, 15 October 2026*

## *Looking Ahead*

### *The Week Ahead: QoQ GDP To Advance In US And Decelerate In EZ; Fed And ECB To Remain On Hold*

***In the US,*** in Q3, according to the advance estimate, the economy is expected to advance by 3.2% q-o-q (*p:* 2.2%). In September, core PCE price index is seen rising to 3.1% y-o-y (*p:* 3.0%). In October, Consumer Confidence is expected to decline to 80.5 (*p:* 81.9).

***In the EZ,*** in Q3, according to the flash estimates, GDP growth is seen decelerating to 0.2% q-o-q (*p:* 0.6%) and advancing by 1.1% y-o-y (*p:* 1.2%). In September, unemployment rate is expected to stay at 6.4%. In October, Consumer Confidence is likely to contract to -17.9 (*p:* -16.5). Among the largest EZ economies, in Q3, the economy is expected to: *i)* decelerate to 0.1% q-o-q (*p:* 0.3%) in Germany; *ii)* advance marginally by 0.1% q-o-q (*p:* 0.2%) in Italy.

***CBs to remain on hold.*** In the US, the Fed is expected to hold interest rates at 3.75-4.00%. The ECB is likely to decide to maintain its three key rates, i.e. its i) interest rate on the 'main refinancing operations' at 2.65%; ii) interest rate on the 'marginal lending facility' at 2.90%; and the key iii) 'deposit facility' at 2.50%.

### *The Quarter Ahead: France's Fiscal Crisis Drives Yields Higher; European Luxury Groups Lose €251bn*

***France's mounting fiscal and political challenges have pushed its 10-year bond yield above 5%*** and its spread over German debt beyond 170 bps, levels last seen during the eurozone debt crisis. High public debt, persistent deficits and weak growth have raised concerns about debt sustainability and potential spillovers across the eurozone. However, stronger banks and improved safeguards make a repeat of the early-2010s crisis less likely, despite risks of further market volatility.

***Europe's six largest luxury groups have lost €251 billion in market value this year*** as weak Chinese demand and stock market volatility weigh on sales. LVMH, Hermès and Kering reported disappointing results, while U.S. spending also softened. Ultra-premium handbags and jewelry remain resilient, but broader recovery prospects are weak.

## Last Week's Review

### *Real Economy: UK Inflation Rate Rose; Consumer and Economic Sentiment Contracted In US And EZ*

***In the US,*** in October, Michigan Consumer Sentiment edged down to 48.0 (*c:* 46.3; *p:* 48.1).

***In the EZ,*** in October, ZEW Economic Sentiment Index declined to 18.5 (*c:* 23.6; *p:* 25.8). Consumer Confidence shrank to -17.9 (*c:* -17; *p:* -16.8).

***In the UK,*** in August, unemployment rate edged down to 4.7% (*c:* 4.9%; *p:* 4.9%). In September, headline and core inflation rates rose to 3.5% y-o-y (*c:* 3.4%; *p:* 3.1%) and 2.8% y-o-y (*c:* 2.7%; *p*: 2.6%). In October, GfK consumer confidence contracted to -24 (*c:* -15; *p:* -13).

### *Financial Markets: Stock Prices And Yields Declined; USD Declined Marginally; Oil Prices Rose, While Gold Prices Fell*

***Market Drivers:*** Major US stock indexes ended the week mixed as concerns over AI-related spending and financing weighed on technology shares, while small-cap and value stocks outperformed. Treasury yields fell sharply as technology weakness and geopolitical uncertainty boosted demand for safe-haven assets. Oil prices rebounded amid renewed Middle East tensions, reversing earlier declines driven by optimism over US-Iran talks. Meanwhile, Europe's stocks declined, pressured by rising oil prices, inflation concerns, geopolitical tensions and domestic political unrest.

***Global Equities:*** decreased *w-o-w* (MSCI ACWI, -0.9%, to 1,118.97). The US S&P 500 index edged down (-0.5% w-o-w, to 7,623.68). In the EZ, share prices were down (Eurostoxx 50, -2.2% w-o-w, to 6,068.22). In EMs, equities declined (MSCI EMs, -2.6%, to 1,578.04). Volatility decreased to 19.35 (VIX S&P 500, 52w avg.: 19.98; 10y avg.: 19.9).

***Fixed Income:*** *w-o-*w, the 10-year US Treasury yields were down (-11 bps to 4.99%). The 2-year US Treasury yields declined (-6 bps to 4.68%). The German 10-year bund yields edged down (-8 bps to 3.34%).

***FX:*** *w-o-w,* the US Dollar Index declined marginally (DXY, -0.0%, to 101.84; EUR/USD, -0.3%, to 1.12). In EMs, currencies were virtually unchanged (MSCI EM Currency Index, +0.0% w-o-w, to 1,930.2).

***Commodities:*** *w-o-w,* oil prices increased (Brent, +6.6% to 116.9 USD/b). Gold prices declined w-o-w (-4.2% to 4,010.00 USD/Oz).

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***Nato Balavadze*** *contributed to this Viewsletter.*

*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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