MAKING SENSE OF *THIS* WORLD

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Midterms, Iran, Israel: An Eventful Week Ahead

On Tuesday, Americans deliver their verdict on Donald Trump's second term, and on the House the models speak with one voice: the average of 31 forecasts gives Democrats some 239 seats, with probabilities ranging from 80% to near-certainty. The Senate is genuinely contested; the consensus points to 52 Democratic seats and roughly a two-in-three chance of control, but with a spread from 49 to 56 and knife-edge races in Alaska, Kansas and Texas. Thus a Democratic House is the base case; a clean sweep is probable, but not assured.

How would Trump react to defeat? The domestic playbook has already been previewed. The Justice Department has sued pre-emptively to block certification of Alaska's Senate race should the Republican incumbent lose narrowly — reportedly the first federal attempt to halt certification since the Civil Rights era — while Trump conditions his acceptance of the results on their being "honest". His allies are openly preparing county-by-county certification fights. Yet certification is a state prerogative, and the courts have already pushed back; as in 2020, litigation is more likely to delay and delegitimise than to overturn. The damage, in other words, would be institutional erosion rather than reversal.

The external channel is more dangerous. According to Axios, a US official warns that an "embarrassed or disenfranchised" Trump would do something bold — namely, a large-scale campaign against Iran's energy, infrastructure and nuclear targets; Gulf allies have reportedly been told to brace for a short, intense round as early as 4 November. A caveat is warranted: the White House denies any link, and the strike plans pre-date the vote. In fact, the election may determine the timing and intensity of the offensive rather than whether it happens — with Rubio and Hegseth pressing for it, and Vance, Witkoff and Kushner for talks.

Hence the frantic diplomacy. Qatar, alongside Pakistan, has tabled a seven-day draft built on daily reciprocal confidence-building steps and multiple guarantors; its mediators spent more than twelve hours in Tehran on Friday, in constant contact with the White House. The obstacle is sequencing: Washington wants nuclear concessions, starting with the enriched-uranium stockpile, at the outset; Tehran wants the naval blockade lifted and sanctions eased first. Since June's interim agreement quickly unravelled, scepticism is warranted; a deal lands before Wednesday or, quite possibly, not at all.

Meanwhile, Israel's 27 October election has produced deadlock: Netanyahu's bloc holds 53 seats, Eisenkot's 48, and the Arab parties a record 19. Arithmetically, Eisenkot's only path to 61 runs through both Ra'am and the Joint List — a 67-seat majority, as Ra'am's eight alone fall short. Yet three of the four parties in his bloc pledged never to govern with Arab parties, and Liberman's refusal either to sit with them or to rely on their support may by itself sink the numbers. The 2021 Bennett–Lapid experiment proves the formula possible, and fragile. President Herzog, for his part, favours a unity government, which Eisenkot rejects if Netanyahu remains Prime Minister.

Therefore the likeliest outcome is a prolonged caretaker Netanyahu — precisely as Washington decides whether to resume the war. A wounded American president and an unseated, yet still governing, Israeli prime minister may find in Iran a common distraction; the mediators have days, not weeks, to deny them that option.

Our Recent Publications

- *Preview: BoE To Start a Short and Preemptive Tightening Cycle, by Brunello Rosa and Nato Balavadze, 30 October 2026*
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- *Review: The FOMC Pauses Its Tightening Cycle, In Spite of Strong Growth and Elevated Inflation, by Brunello Rosa and Nato Balavadze, 28 October 2026*
- *Preview: ECB To Pause in October, On the Brink Of Restrictive Policy Stance, by Nouriel Roubini, Brunello Rosa and Nato Balavadze, 27 October 2026*
- *Preview: Fed In a Hawkish Pause in Its Mini Tightening Cycle Ahead of Mid-Term Elections, Despite Persistent Inflation, by Nouriel Roubini, Brunello Rosa and Nato Balavadze, 26 October 2026*
- *Saudi Arabia Under Pressure, by Giorgio Cafiero, 22 October 2026*

Looking Ahead

The Week Ahead: EZ Headline Inflation Rate To Increase; US NFPs to Accelerate; BoE To Hike

In the US, in October, unemployment rate is likely to remain at 4.2%. NFPs are seen increasing by 65K (*p:* 29K). In October, S&P Global Manufacturing PMI is expected to increase to 56.0 (*p:* 55.9), while Services PMI is likely to fall to 57.9 (*p*: 58.8). Composite PMI is seen declining to 57.6 (*p:* 58.4).

In the EZ, in October, headline inflation rate is seen increasing to 3.9% y-o-y (*p:* 3.8%). In October, S&P Global Manufacturing and Services PMIs are expected to edge down to 52.4 (*p:* 52.9) and 51.7 (*p:* 53.0). Composite PMI is seen declining to 51.9 (*p:* 53.1).

In the UK, in October, S&P Global Manufacturing and Services PMIs are expected to edge up to 52.8 (*p:* 51.9) and 53.1 (*p:* 52.1).. In the UK, the BoE is expected to raise its Bank Rate by 25 bps to 4.00%.

The Quarter Ahead: Binance To Cover $6.3B Hack Losses; Israel Faces Coalition Deadlock

Binance pledged to cover all losses from a record $6.3 billion hack, attributed by analysts to North Korean hackers, as it sought to restore investor confidence. The exchange has identified around $3 billion in affected assets and plans to resume withdrawals within days. The breach triggered declines in cryptocurrencies and crypto-related stocks, raising fresh concerns over security risks.

Israel faces weeks of coalition negotiations after neither Netanyahu's bloc nor Gadi Eisenkot's opposition secured a parliamentary majority, winning 53 and 48 seats, respectively. Netanyahu's Likud party has made unsubstantiated claims of electoral interference, while political uncertainty has weighed on Israeli stocks, bonds and the shekel.

Last Week's Review

Real Economy: QoQ GDP Advanced In US And Decelerated In EZ; Fed And ECB Remained On Hold

In the US, in Q3, according to the advance estimate, the economy advanced by 3.4% q-o-q (*c*: 3.2%; *p:* 2.2%). In September, PCE and core PCE price index rose by 3.6% y-o-y (c: 3.6%; p: 3.4%) and 3.1% y-o-y (*c:* 3.1%; *p:* 3.0%). In October, CB Consumer Confidence rose to 91.7 (*c:* 81.0; *p:* 84.2).

In the EZ, in Q3, according to the flash estimates, GDP growth decelerated to 0.4% q-o-q (*c:* 0.2%; *p:* 0.6%) and advancing by 1.13 y-o-y (*c:* 1.1%; *p:* 1.2%). In September, unemployment rate remained unchanged at 6.5% (*c:* 6.4%). In October, Consumer Confidence contracted to -17.9 (*c:* -17.9; p: -16.8). 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)* stalled q-o-q (*c:* 0.1%; *p:* 0.2%) and rose by 0.8% y-o-y (*c:* 0.9%; *p:* 1.0%) in Italy; iii) shrank by 0.1% q-o-q (*c:* 0.1%; *p:* 0.0%) and 0.1% y-o-y (*c:* 0.3%; *p:* 0.5%).

CBs remained on hold. In the US, the Fed hold interest rates at 3.75-4.00%. The ECB maintained 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%.

Financial Markets: Stock Prices Mostly Declined; USD Virtually Unchanged; Yields, Oil And Gold Prices Edged Down

Market Drivers: US equities ended the week mixed as AI-related stocks reversed early gains amid concerns over returns on heavy capital spending. Treasuries advanced as yields fell following the Fed's decision and a tech selloff. Meanwhile, in Europe, the stocks were up amid corporate earnings, Middle East developments, and the ECB's decision to hold rates steady.

Global Equities: decreased *w-o-w* (MSCI ACWI, -0.3%, to 1,115.55). The US S&P 500 index edged down (-0.6% w-o-w, to 7,580.07). In the EZ, share prices were up (Eurostoxx 50, +1.0% w-o-w, to 6,130.86). In EMs, equities declined (MSCI EMs, -0.7%, to 1,566.63). Volatility rose to 20.15 (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 (-6 bps to 4.93%). The 2-year US Treasury yields declined (-1- bps to 4.58%). The German 10-year bund yields edged down (-2 bps to 3.32%).

FX: *w-o-w,* the US Dollar Index was virtually unchanged (DXY, +0.0%, to 101.88; EUR/USD, -0.4%, to 1.12). In EMs, currencies fell (MSCI EM Currency Index, -0.4% w-o-w, to 1,923.04).

Commodities: *w-o-w,* oil prices decreased (Brent, -3.3% to 113.1 USD/b). Gold prices declined w-o-w (-3.1% to 3,884.90 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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