



The Week Ahead

October 13– October 17 2025

Government Shutdown Exposes America's Deepening Debt Risks

On October 1, 2025, the federal government's funding lapsed and a partial shutdown began, reflecting an impasse in Congress over spending priorities. Hundreds of thousands of federal employees have been furloughed or are working without pay, and numerous non-essential programs and agencies have reduced operations or closed altogether. The Treasury Department, among others, has sounded early warning bells: allocations are being redirected toward critical obligations (military, debt interest), while non-priority disbursements are delayed or suspended.

The macroeconomic drag is mounting. Weekly GDP losses have been estimated in the order of \$7 billion to \$15 billion per week if the shutdown persists, depending on assumptions about consumer confidence, federal pay shocks, and spillovers into private sector contracts. State and local governments are feeling the pinch too: reduced federal flows mean some programs operate in uncertainty, and in some cases states may not be fully reimbursed for aid provided during the shutdown.

Beyond the immediate shock, the shutdown deepens long-standing structural vulnerabilities. The standoff distracts from fundamental fiscal challenges: U.S. national debt is growing faster than underlying economic capacity, putting pressure on future service costs of entitlement programs (Social Security, Medicare) and crowding out investment. Credit rating agencies have taken notice: Europe's Scope warned that continued gridlock and political polarisation erode U.S. credit standing.

Credibility is another casualty. Repeated shutdowns lessen confidence in the U.S. government's capacity to manage its own finances, which could translate into higher yields for Treasury borrowing, upward pressure on interest rates, and more volatile financial markets. The risk of escalation is not trivial: if the shutdown or political brinkmanship around it were to collide with debt ceiling or default dynamics, the economic fallout could cascade far beyond government operations. In other words: the shutdown is a symptom and an amplifier of deeper fiscal insecurity.

Tariff Tensions Weigh on China and Eurozone as Growth Momentum Falters

China and the Eurozone enter the week under the weight of intensifying tariff pressures that threaten to erode trade volumes, business confidence, and industrial output. In China, export growth has begun to stall as higher U.S. tariffs, particularly on electric vehicles, semiconductors, and green technology bite into manufacturing orders and profit margins. While domestic stimulus has helped cushion the blow, the latest trade and production figures are expected to show that the rebound remains uneven. Analysts warn that China's policy toolkit already strained by property market weakness and local government debt may struggle to offset external headwinds. Beijing's balancing act now hinges on sustaining consumer demand without triggering further financial instability, even as retaliatory tariffs loom over key U.S. imports.

The Eurozone faces a similar challenge, though its exposure is split between U.S. trade tensions and the slowdown in Asian demand. German factories, long the industrial engine of Europe, are reporting weaker new orders, while French and Italian producers remain squeezed by energy costs and falling export competitiveness. The European Central Bank's recent decision to hold rates steady reflects a fragile equilibrium—monetary easing could stoke inflation, yet tight policy risks deepening industrial contraction. Economists expect upcoming data to confirm tepid growth across the bloc, reinforcing calls for targeted fiscal support and coordinated trade diplomacy. Both China and Europe are learning, in real time, that tariff brinkmanship is less a zero-sum contest than a slow-burn drag on global demand and industrial vitality.

Economic Calendar

Monday

- IN: CPI (YoY) (Sep)
- AU: NAB Business Confidence (Sep)
- US: OPEC Monthly Report

Tuesday

- DE: German CPI (MoM) (Sep)
- IN: WPI Inflation (YoY) (Sep)
- UK: Average Earnings Index + Bonus

Wednesday

- BR: Retail Sales (YoY) (Aug)
- CA: Wholesale Sales (MoM) (Aug)

Thursday

- UK: GDP (MoM) (Aug)
- US: Philadelphia Fed manufacturing Index
- IT: Italian Trade Balance (Aug)
- KR: Export/ Import Price Index (Aug)

Friday

- EU: CPI (YoY) (Sep)
- US: Nonfarm Payrolls (Sep)
- DE: German Buba President Nagel Speaks

Importance Level: Low ● Medium ● High ●





The Week Prior

October 06 – October 10, 2025

A Resurgence of the U.S.–China Trade War

The trade relationship between the United States and China has been one of the defining features of global economic politics this year. While previous truces suggested possible stabilisation, the trade war reignited last week after a period of relative calm. This latest escalation centred around U.S. tariffs and Chinese export controls, reflects not only economic rivalry but also a deepening strategic competition for technological and geopolitical dominance. President Donald Trump threatened to impose 100% tariffs on all Chinese imports, reigniting fears of another round of economic confrontation. Beijing denounced Washington's move as "a typical example of US double standards", accusing the US of abusing national security justifications and blacklisting Chinese firms to contain its technological rise. China's irreplaceable nature as the manufacturing hub of the planet is part of the reason why it has built such a economy without western interference. The American defence industry relies on global trade and specifically rare earth metals; a majority of these U.S. imports are coming from China.

Strategic and Economic Motives

The renewed trade war is not purely economic, they reflect strategic rivalry over control of advanced technologies and critical supply chains. The US justifies tariffs as a way to restore manufacturing and reduce dependence on China, particularly in semiconductors and critical minerals. China, however, seeks to leverage its dominance in rare earths to gain bargaining power, using export restrictions to remind Washington of its vulnerabilities. Rare earths minerals are essential for electronics, electric vehicles, and military hardware are an area of near-monopoly for China, which processes over 90% of the world's supply. Beijing's move was widely interpreted as a strategic response to U.S. restrictions on semiconductor exports, part of Washington's efforts to curb China's technological advancement. In retaliation, Trump announced 100% tariffs on China.

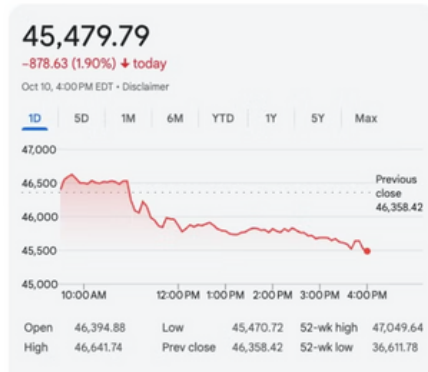
Despite escalating tensions, China's trade performance has remained surprisingly resilient. Data from September 2025 show exports rising by 8.3% year-on-year and imports by 7.4%, exceeding expectations and highlighting China's ability to adapt amid global uncertainty. These figures have bolstered Beijing's confidence in negotiations, even as exports to the U.S. plummeted by 27%, reflecting the costs of decoupling. China's expanding trade with the European Union and Southeast Asia has partially offset these losses, signalling a gradual reorientation of Chinese trade toward the Global South. In this form of conflict, the U.S. is more likely to be the bearer of lack of rare earth minerals due to the build of their economy as well as lack of capital to recreate the factories competitive enough to produce at the same rate as China. It took China 40 years to establish this form of operation. Financial markets, however, have been more volatile. Trump's tariff threats triggered sharp declines in U.S. stock indices, though markets rebounded after he softened his tone, assuring that "it will all be fine" and reaffirming his desire to "help China, not hurt it". This pattern led analysts to dub the phenomenon the "TACO trade" ("Trump Always Chickens Out"), reflecting investors' belief that Trump's aggressive posturing often gives way to negotiation.

Beyond immediate economic effects, the 2015 trade tensions reflect a structural power struggle between two competing systems. As Edward Luce argues in the Financial Times, the U.S. repeatedly misreads China's trajectory and assuming that economic liberalisation would lead to political openness and underestimating its capacity for innovation. In reality, China has emerged as a global leader in renewable energy, drone technology, and advanced manufacturing. This technological ascent has eroded U.S. leverage, making tariff-based coercion less effective. Trump's economic brinkmanship paradoxically feeds China's strategic ambitions, strengthening its resolve for self-reliance while deepening the U.S. dependency on Chinese supply chains in critical sectors such as rare earths. China Shows that they want stability and the U.S. enacts instability through increased belligerent behaviour. These tariffs never fell through, because it would truly brick international trade for all nations.

OpenAI's Multibillion-Dollar Broadcom Chip Deal

Last week, OpenAI announced a multibillion-dollar agreement with U.S. semiconductor company Broadcom to purchase 10 gigawatts (GW) worth of custom computer chips, marking the company's first venture into co-designing its own AI hardware. The deal is part of OpenAI's ongoing massive chip spending spree, which includes prior purchases of 10GW of chips from Nvidia and 6GW from AMD, alongside a \$300 billion data center partnership with Oracle. Altogether, OpenAI's semiconductor and infrastructure commitments now exceed \$1 trillion, with the Broadcom deal alone estimated at \$350–500 billion. OpenAI's partnerships with Broadcom and AMD are aimed at reducing dependence on Nvidia, which currently dominates the AI chip market, and at lowering overall costs through competition. Once all deals are implemented, OpenAI will command over 26GW of computing capacity; equivalent to the output of 26 nuclear reactors and cementing OpenAI's position as the largest AI infrastructure builders in the world.

Dow Jones Industrial Average
INDEX.DJX:DJ I





Most anticipated earnings release

For the week beginning

October 13– October 17, 2025

Monday

FASTENAL



Tuesday



Johnson & Johnson



Wednesday



Thursday



Infosys[®]
Navigate your next

Friday



FIFTH THIRD



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