MASHREQ GLOBAL DIGEST US

October 19 – October 25

This edition of Market Digest highlights key U.S. macro trends, along with financial and tech market updates and major trade deals — offering a concise snapshot of the nation's economic momentum.

Macroeconomic News

U.S. GDP Growth Hits 3.8%, White House Calls It 'Explosive'

The U.S. economy expanded at an annual rate of 3.8% in Q2, the fastest pace in nearly two years, prompting the White House to hail it as "explosive growth" and proof of an "economic resurgence." The revision from 3.3% reflected stronger consumer spending and lower imports, led by gains in transport, finance, and insurance. Yet, the picture remains mixed — ADP data show 32,000 private-sector job losses in September and unemployment near a four-year high at 4.3%. Economists warn that the recovery is driven by top earners, with the wealthiest 10% fueling nearly half of all consumer spending, leaving growth vulnerable if they pull back.

Reference: Yahoo Finance

U.S. Inflation Slows to 3%, Boosting Rate-Cut Hopes

The long-delayed CPI report showed U.S. inflation rising 0.3% in September, bringing the annual rate to 3% — slightly below forecasts and reinforcing expectations of a Federal Reserve rate cut next week. Core inflation, excluding food and energy, also eased to 3%, its lowest in years. Released during the government shutdown, the data offered relief to investors and fueled optimism for a quarter-point cut, though longer-term policy uncertainty remains amid tariffs and mixed economic signals.

Reference: CNBC

U.S. Deficit Falls to $1.78T as Tariffs Hit Record $202B

The U.S. budget deficit fell slightly to $1.78 trillion in 2025 — down 2.2% from last year — as record tariff collections helped offset soaring interest costs on the $38 trillion national debt. Tariff revenues surged 142% to $202 billion, boosted by President Trump's trade measures, while debt interest payments hit a record $1.2 trillion, surpassing defense spending. The deficit equaled 5.9% of GDP, its lowest since 2022. Treasury officials said the results mark progress toward reducing the debt burden, though high borrowing costs and trade pressures continue to weigh on the fiscal outlook.

Reference: CNBC

U.S. National Debt Tops $38T

The U.S. national debt has surpassed a record $38 trillion, equal to about $111,000 per person, according to the Treasury Department. The milestone reflects a rapidly widening gap between spending and revenues, with the debt rising by $1 trillion in just two months. Analysts warn the trajectory is unsustainable, as interest costs mount and lawmakers fail to enact fiscal reforms. The Peter G. Peterson Foundation called the situation "budgeting by crisis," while Moody's and other agencies have already downgraded U.S. credit ratings, citing persistent deficits and rising borrowing costs.

Reference: Aljazeera

U.S. Jobless Claims Edge Higher Amid Slower Hiring

New applications for unemployment benefits in the U.S. rose to about 232,000 last week, signaling a gradual cooling in the labor market as hiring slows. While layoffs remain low by historical standards, more people are collecting unemployment checks—now around 1.94 million—as job seekers struggle to find new positions. Economists attribute the softness to weaker hiring momentum and expect the Federal Reserve to cut interest rates again next week to support the job market.

Reference: Reuters

U.S. Existing-Home Sales Rise to 7-Month High

U.S. existing-home sales climbed 1.5% in September to an annual rate of 4.06 million, their highest level since February, as lower mortgage rates and better housing supply spurred activity. Yet, the gains were largely concentrated in higher-priced properties, with $1 million-plus home sales up 20% from a year earlier. The median price rose 2.1% to $415,200, while overall inventory surged 14%, giving buyers more options. Economists expect sales to remain steady through early 2026 before picking up as mortgage rates, now around 6.2%, decline further and the labor market stabilizes.

Reference: Reuters

U.S. Shutdown Drags Into Third Week With No Deal in Sight

The government shutdown has stretched into its third week, halting key services and leaving 1.4 million federal workers unpaid. The standoff stems from a budget clash — Democrats want extended health-care credits, while Republicans push a "clean" funding bill. Essential operations like border control and mail continue, but national parks, research programs, and food aid are frozen. Economists warn the impasse could cost $15 billion a week and add uncertainty to an already fragile economy.

Reference: CNBC, BBC

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Financial / Tech News

Moody's Flags Risks in Banks' Private Credit Boom

U.S. banks have ramped up lending to private credit providers, reaching $300 billion—about 10% of total loans and nearly triple the share a decade ago, Moody's reported. The rapid growth, faster than any other lending segment since 2016, could expose smaller banks to higher risks if loan standards weaken. Moody's also pointed to $285 billion in loans to private equity funds and $340 billion in unused commitments, highlighting how deeply banks are tied to private markets. While some regional banks have recently reported bad loans and fraud cases, analysts and bank executives say these issues appear isolated rather than systemic.

Reference: Reuters

Is the AI Boom Becoming a Bubble? Experts Split

As AI valuations soar past $1 trillion, analysts are debating whether the boom is turning into a bubble. Over 1,300 startups now exceed $100 million in value, with tech giants like Microsoft, Meta, and Nvidia pouring billions into data centers and chips. Some, like Jared Bernstein, warn of a "vast gap" between investment and profits—echoing the dot-com era. Others, including BlackRock's Larry Fink, argue that these are long-term infrastructure bets, not hype. While skeptics see speculative excess, optimists believe AI's revolution is real—just early and unevenly priced.

Reference: CNBC

Deals

Trump Strikes Trade, Minerals Deals in Southeast Asia

At the ASEAN summit in Kuala Lumpur, President Trump signed new trade and critical minerals agreements with Thailand, Malaysia, and Cambodia to strengthen U.S. supply chains and market access. The deals keep a 19% tariff on most imports but expand cooperation on rare earths, countering China's dominance. Malaysia will ease export rules, Thailand will remove tariffs on 99% of U.S. goods, and all three pledged stronger labor and environmental standards.

Reference: Reuters

U.S.-China Talks Near Breakthrough Ahead of Trump-Xi Meeting

U.S. President Donald Trump expressed optimism about reaching a new trade deal with China after both sides achieved a preliminary consensus during talks at the ASEAN Summit in Kuala Lumpur. The discussions, led by Treasury Secretary Scott Bessent and Chinese negotiator Li Chenggang, focused on extending the current trade truce, which expires November 10, and easing tensions over rare earth exports, fentanyl, and TikTok. Trump and President Xi Jinping are expected to meet on October 30 in South Korea to finalize an agreement that could delay new 100% U.S. tariffs and suspend China's export curbs. Meanwhile, an S&P Global report estimated that Trump's global tariffs will cost companies $1.2 trillion in 2025, with most of the burden falling on consumers through higher prices.

Reference: Reuters, CNBC

Markets

Market Dashboard

- U.S. stocks ended the week at record highs as softer inflation data and upbeat earnings lifted sentiment ahead of next week's Fed meeting. The S&P 500 gained 0.79% on Friday and 1.9% for the week — its best since August — while both the Dow and Nasdaq also closed at fresh records. A milder September CPI reading eased inflation worries and reinforced expectations for a 25-basis-point Fed rate cut. Earnings season further fueled optimism, with 87% of S&P 500 companies beating profit estimates so far. Alphabet jumped 2.7% after expanding its AI chip deal with Anthropic, and Ford surged 12.2% on strong results, helping sustain a rally investors hope will carry through year-end.
- Bitcoin extended its gains on Friday, rising to around $111K after softer U.S. inflation data boosted expectations for a Federal Reserve rate cut. The cryptocurrency traded above its 100-hour moving average in an ascending channel, signaling renewed bullish momentum. Despite a brief pullback to avoid overbought conditions, sentiment remained positive as macro uncertainty and the ongoing U.S. government shutdown fueled demand for alternative assets.
- Gold prices trimmed earlier declines after softer U.S. inflation data reinforced expectations for a Fed rate cut next week, but the metal still posted its first weekly loss in 10 weeks. Spot fell over 3% for the week, while silver dropped more than 6%. A milder September CPI reading supported rate-cut bets, easing some pressure on non-yielding assets. Gold had hit a record $4,381 earlier in the week before profit-taking and easing U.S.–China trade tensions weighed on demand. Analysts warned that a break below $4,000 could trigger further losses, though bullion remains up 55% year-to-date amid geopolitical and central-bank-driven demand.
- U.S. sanctions on Russia's Rosneft and Lukoil sent oil prices higher on fears of supply disruptions. But by Friday, doubts over Washington's enforcement pulled prices slightly lower. Brent closed at $65.94 a barrel and WTI at $61.50, both up more than 7% for the week — their strongest gain since mid-June. Reports of Chinese and Indian refiners cutting Russian imports added to early momentum, while OPEC said it was ready to step in if supply tightened.
- The U.S. dollar strengthened this week because inflation came in slightly lower than expected, confirming that the Federal Reserve will cut interest rates gradually rather than aggressively. This calmer outlook reassured investors and boosted demand for the dollar as a relatively safe asset amid global trade tensions. Additionally, weaker performance in other major currencies like the yen and pound helped the dollar maintain its edge.

Indicators	17-Oct-25	24-Oct-25	% Change
S&P 500	6,664.01	6,791.69	1.92%
Bitcoin	106,443.50	111,013.10	4.29%
Gold	4,249.98	4,112.10	-3.24%
Crude Oil	61.29	65.94	7.59%
EUR/USD	1.1700	1.1632	-0.58%

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