

HALE STRATEGIC
3 on 3
MONTHLY ECONOMIC BRIEFING

Three things to know. Three questions to ask.

Lyric Hughes Hale | October 2026

The Trump–Putin diesel arrangement, attacks on critical infrastructure in Saudi Arabia, changing conditions for financing AI and renewed EU–China trade negotiations illustrate how rapidly economic assumptions can change. This month’s **3 on 3** examines where the economic consequences may diverge from political expectations.

1. Security concerns overshadow energy markets

On October 9, President Trump announced that Russia would supply more than 300,000 metric tons of diesel to US and world markets, followed by proposed additional volumes. Simultaneously the US Treasury issued a temporary sanctions license covering Russian diesel through April 7, 2027. The administration is trying to alleviate high fuel prices after disruptions associated with the Iran war. Yet energy analysts cited by the Associated Press doubt that the added supply will meaningfully reduce prices: reallocating existing barrels does not necessarily increase global refining output.

Russian reporting provides another perspective. Deputy Prime Minister Alexander Novak said Moscow would lift diesel export restrictions ahead of schedule and could increase shipments as refineries go back online after repairs. Russian officials characterized the arrangement as a step toward renewed energy trade, while Kommersant reported a 3.87% rise in the MOEX index after the announcement. These reactions indicate the importance Moscow attaches to the shift, although promised deliveries and actual export capacity remain different things.

Ukraine and European partners object to sanctions relief that could increase Russian revenues during the war. *The Financial Times* reported that US envoys warned Ukrainian officials continued refinery attacks could jeopardize intelligence cooperation; a US official disputed that such a threat was made. Kyiv argues its strikes weaken Moscow’s war effort and has offered reciprocal restraint if Russia stops targeting Ukrainian energy infrastructure. On October 10, Trump confirmed the request to Ukraine, and publicly called for Ukraine to replace President Zelenskyy, deepening an already serious dispute over US support and the conduct of the war.

The same weekend demonstrated another dimension of regional economic security. An attack on King Khalid International Airport in Riyadh killed at least 12 people and injured 309, according to Saudi authorities. The strike disrupted flights and highlighted the vulnerability of aviation, logistics and investor-facing infrastructure as fighting in Yemen intensifies. The risks extend beyond petroleum production to transportation links, business travel and confidence in infrastructure resilience.

In a recent episode of *The Hale Report*, [Data Is the New Oil](#), I discussed with Rachel Bronson the Gulf states’ ambitions to become major centers for digital infrastructure and AI. The Riyadh attack underscores a fundamental vulnerability in that strategy: data centers may represent the region’s economic future, but they depend on the same physical security, reliable power and political stability as traditional infrastructure.

Economic implications: The diesel agreement illustrates the limits of addressing a global fuel shortage through bilateral political arrangements. Additional Russian shipments may provide limited price relief, but cannot by themselves resolve constraints on refining, shipping and regional security. The Riyadh airport attack underscores how a widening conflict can increase transport, insurance and business costs even without interrupting oil

production. The result may be an asymmetry: modest and uncertain relief in diesel markets alongside larger risks to infrastructure, investment confidence and international cooperation.

2. AI investment hits a wall in China

The AI infrastructure race has gone beyond chips and electricity. The *Financial Times* reported on October 10 that AI-related debt issuance fell to \$23 billion in September, less than half its August level. Morgan Stanley attributed much of the slowdown to exceptionally heavy borrowing earlier in the year, while investor scrutiny of leverage, project economics and future revenues is intensifying. The decline in financing is not proof that AI demand is disappearing.

In the US, the race is about capacity constraints and restrictions on AI data centers. In China by contrast, demand has not kept up with the AI infrastructure buildout. A September report in *China City News*, hosted on the *People's Daily* website, cited an industry estimate of roughly 30% average utilization at Chinese AI computing centers. This underscores the difference between installed capacity and productive deployment. Ample electricity and an ambitious construction program do not, by themselves, ensure sustainable economic returns.

Economic implications: Building AI infrastructure and operating profitably are different economic activities. Financing terms, grid access, chip efficiency, committed customers and actual utilization will shape eventual returns. The regions and companies benefiting from construction may not be those that gain most at the operational phase.

3. China risk includes the information used to assess it

On October 9, the EU and China announced an interim trade understanding addressing vehicles and other trade and supply-chain concerns. Its terms still require further agreement and implementation. Strategic dependence has not disappeared, but governments are making sector-specific accommodations while trying to reduce exposure.

Foreign economists and businesses face a parallel challenge: data visibility. In June, six Chinese agencies issued guidance classifying financial information and service data into business, user and enterprise categories, with 67 more detailed subdivisions and four levels of protection. The guidance does not imply that all economic data is designated sensitive, but in practical terms, economic data requests from non-Chinese IP addresses are blocked. Taken together, these conditions raise practical questions about what outside analysts can obtain, verify and transfer. And this lack of transparency is a factor in falling foreign investment.

China's economic difficulties also reflect structural and institutional constraints. The IMF has argued for a transition from debt-financed investment toward household consumption and productivity growth, but structural issues have prevented much progress. At a September CSIS discussion of *Broken China*, analyst Logan Wright examined the financial foundations of the slowdown and the policy options available to Beijing. A centralized political system and entrenched interests in the existing investment model can make major reform difficult. Those limitations amplify the costs of incomplete or inaccessible information.

Economic implications: China remains an indispensable manufacturer but a challenging market to evaluate. Weak domestic demand can coexist with competitive exports. Trade concessions may ease specific frictions without resolving structural weaknesses, uncertain rules or the need to trace supply-chain dependencies beyond the country of final assembly.

Three questions decisionmakers should be asking

- 1. Energy:** Where are our most important vulnerabilities to refined fuel shortages, disruptions to transport infrastructure, higher freight costs and sudden sanctions changes and how quickly could operations adapt?
- 2. AI:** How much of infrastructure expansion depends on favorable financing, community support, timely grid connections and sustained customer demand? What changes if these assumptions fail?
- 3. China:** How do structural weakness, trade negotiations and restrictions on information affect our assessment of market opportunities, supply-chain dependencies and long-term assumptions?

Questions?

Hale Strategic provides independent economic research, executive and board briefings, and strategic risk assessments. We combine economic analysis with a global expert network to examine developments affecting business strategy, investment environments and long-term planning. To discuss a tailored briefing or research engagement, contact Lyric Hughes Hale at lyrichale@halestrategic.com

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