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Chart of the Month
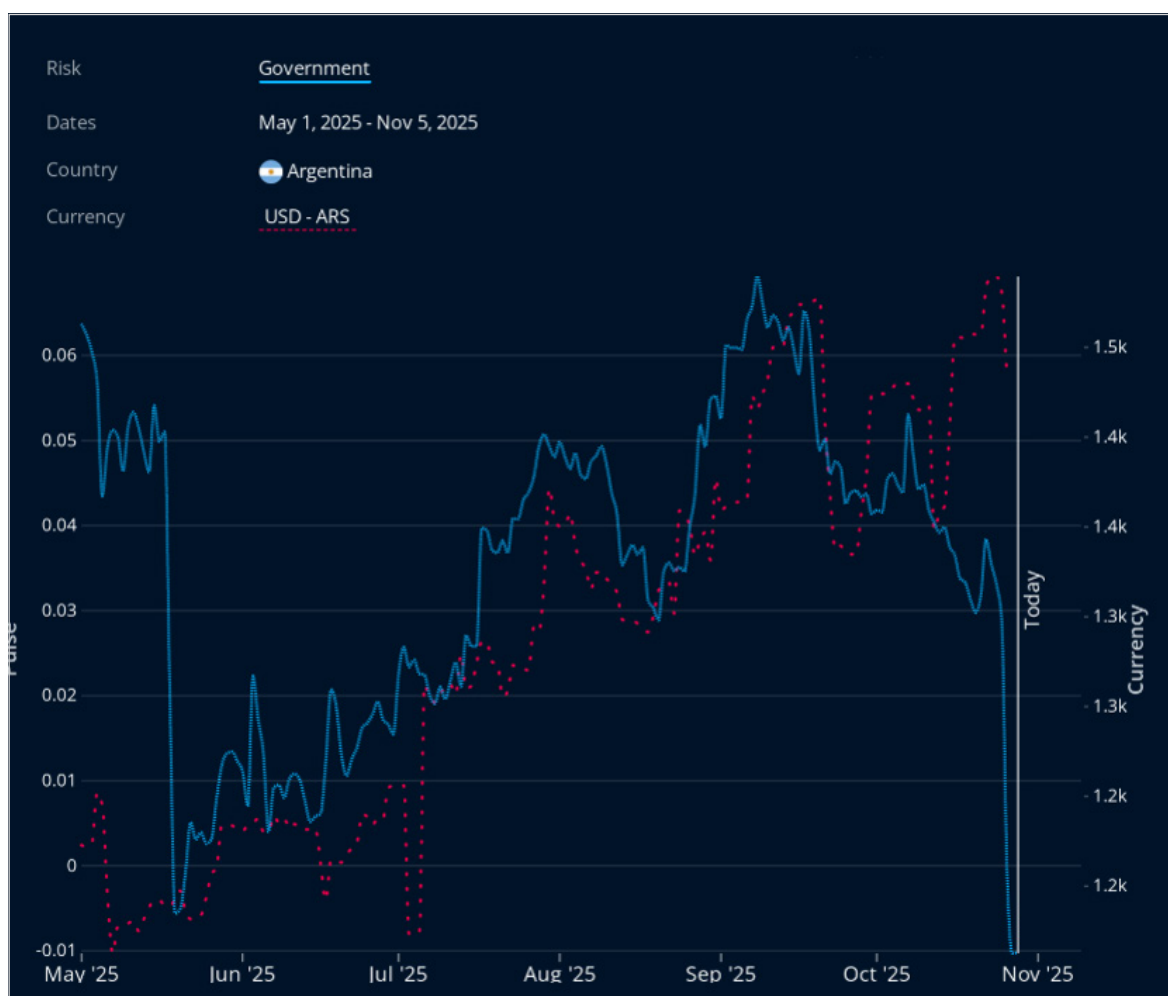
October 2025

October 28

Argentina: Milei outperforms expectations in midterms, likely furthering his agenda

- Government Risk declined as President Milei's LLA party outperformed in midterm legislative elections, helping the peso. A market clearing rate for the currency will determine the broader success of his free market agenda.
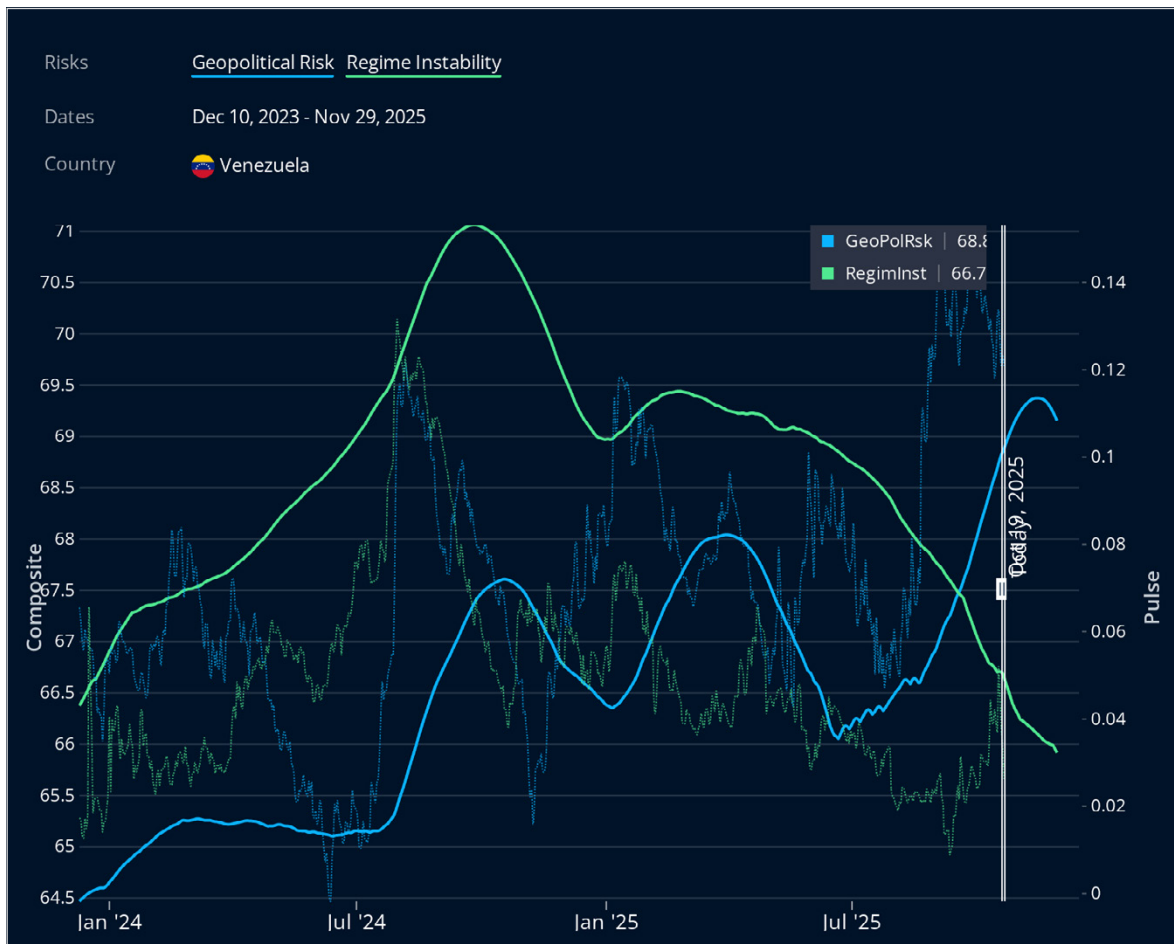

Source: GeoQuant

Government Pulse Risk – correlated at 0.64 – fell in the wake of President's Javier Milei's La Libertad Avanza (LLA) party's **strong showing in midterm legislative elections**. Our election model forecast legislative change, indicating the Chamber of Deputies (CD) would shift from leaning left to right, and was directionally correct as the results align the chamber nearer Milei. Polls suggested a close race with the Peronist Fuerza Patria (FP) alliance, and the LLA performed near the top of its October poll estimates while FP ended near the bottom. Since half of the chamber is elected each cycle, the LLA's 64 seats will be added to its remaining seats, leaving it with at least 99 seats out of 257. If the LLA's legislative allies remain, it will have a narrow working majority to continue to push Milei's austerity agenda.

Moreover, holding over one-third of the seats will mean the LLA can block any effort to overturn a Milei veto, as **his vet of university and healthcare spending** was recently overridden. Market implications of the election are contingent on how Milei uses these results. U.S. **support** from President Donald Trump in the forms of a USD 20 bn currency credit swap line and a further USD 20 bn in private and sovereign funds to help cover looming debt payments through end 2026 provide some fiscal breathing room. If Milei uses his political capital to let the peso fall to a market clearing level, the economy could become the investment destination that steady growth requires. But if he uses his political capital to position ahead of presidential elections in October 2027 rather than let value of the peso fall, the economy may steady but never settle firmly enough to form a solid base for investment and sustainable, non-inflationary growth.

October 21

Venezuela: Ramped up Geopolitical Risk unlikely to displace regime

- The U.S. is ramping up Geopolitical Risk via a military campaign off Venezuela's coast in an effort to oust Maduro, but regime change remains very unlikely.

Source: GeoQuant

Venezuela's Geopolitical Risk continues to increase amid an **accelerating U.S. military campaign** off its coast. The U.S. carried out seven strikes over eight weeks that killed at least 32 people without publicly identifying targets or presenting evidence, while officially framing the operation as counter–narco-terrorism and implicitly signaling pressure to topple the Chavista regime of President Nicolás Maduro. The Trump administration has deployed extensive assets – including warships, aircraft, drones, CIA operations, and Marines – to the region, and the sudden departure of U.S. Naval Commander Adm. Alvin Holsey, reportedly over legal concerns, may portend an escalation. Nonetheless, declining Venezuelan Regime Instability Risk echoes **recent analysis** that the growing pressure on Maduro is unlikely to result in regime change.

France: Fiscal consolidation will be gradual, constrained by political compromises ahead of 2027 presidential vote

- Macroeconomic Policy Pulse Risk is spiking as passage of the 2026 budget is contingent on delaying and diluting fiscal consolidation; success is far from guaranteed.

Source: GeoQuant

Institutional Support and Macroeconomic Pulse Risks reached highs in August but have since declined sharply, evidenced by PM Sébastien Lecornu's government **surviving two no-confidence votes** on 16 October. Institutional Support Risk is down thanks to maneuvers that included suspending a contentious pension reform until after the 2027 presidential election. However, Lecornu's government now faces another existential challenge – passage of the 2026 budget amid EU pressure, market scrutiny, and a recent sovereign downgrade by S&P. Yet, Lecornu is attempting to impose fiscal discipline on France's low-growth, high-debt economy without the advantage of a stable parliamentary majority, while contending with mounting public resistance to austerity.

Consequently, Lecornu's **2026 budget proposal** has modest aims but considerable risk. His budget proposal seeks to offset the pension-reform delay by curbing benefit indexation, cutting operating expenditures, raising taxes on higher incomes, extending the exceptional corporate tax surcharge, and freezing income-tax brackets. Lecornu has urged parliament not to use the budget vote to unseat his government, betting that a temporary delay in fiscal consolidation would prove more palatable than a governmental collapse or budgetary paralysis. He needs the mainstream Parti socialiste (PS), centrist groups, and the center-right Les Républicains (LR) to accept a suboptimal (for them) budget as preferable to plunging France into early elections that could bring the far right to power.

About GeoQuant

GeoQuant is an innovative AI-driven data and technology company, acquired by Fitch and now part of BMI, that is transforming the way the world's leading organizations are quantifying, integrating, and navigating political risk.

By fusing PhD-level political and computer science, GeoQuant generates high-frequency, quantitative measures of risk that are systematic, back-testable, and predictive.

The result is real-time updates for over 40 political risk indicators in more than 140 countries, and analytics that enable you to foresee risk trends and make proactive moves.

GeoQuant data, modelling and advisory services have been used to successfully inform the asset, risk and sovereign ESG strategies of leading institutional partners.

About BMI

In an uncertain macroeconomic environment, BMI's systematic, independent and data-driven market insights, analysis and forecasts enable you to recognize and assess risks and opportunities across 200+ markets and 20+ industries. For more than 40 years, we have provided impartial and transparent analytics, data and research

across themes, countries and sectors, with deep insight into emerging markets. Our detailed intelligence is frequent, consistent and systematic, enabling you to easily make comparisons and interrogate data to support your strategic plans and investment decisions.

Learn more at **fitchsolutions.com/bmi/geoquant**

Client Services

A dedicated team of client services professionals based in New York, London, Hong Kong, Singapore and Tokyo provide client support. You can contact this team by the following email **fscustomersupport@fitchsolutions.com** or the phone numbers below:

LONDON
+44 20 3530 2400

NEW YORK
+1 212 908 0800

HONG KONG
+852 2263 9999

SINGAPORE
+65 6796 7231

TOKYO
+81 3 6897 8986