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TITLE: Gold Caps, Asia Cools, and the Subtle Signals in the Bond Market

### TRANSCRIPT:

**Host:**

Eric, another eventful week. Gold tried to break through \$4,000 before retreating, there's a glimmer of progress in Gaza, and markets seem to be taking a breather. What's the big picture as we head into the weekend?

**Eric:**

Yes — this week was all about relief, reflection, and recalibration. The tentative good news out of Gaza — with Israel approving the first stage of an agreement with Hamas — has been enough to cool some of the fear trades. You can see it in gold. It briefly surged past \$4,000 an ounce, but once headlines suggested a possible truce, the rally lost some steam. Gold is still holding strong, just off its highs, but the key takeaway is how quickly markets shift from fear to cautious optimism. And it's not just geopolitics driving this. Investors are starting to reassess the global growth story — especially in Asia.

**Host:**

Right — Asia's data this week looked a bit softer. What's the message coming out of that?

**Eric:**

Asia's trade numbers tell a story of momentum slowing — not collapsing, but moderating. After an impressive run of capital expenditure growth this year, we're seeing the first hints that companies may have front-loaded spending.

Take Taiwan — September exports fell 2.8% month-on-month, the first decline since January, with tech shipments down sharply, particularly to the U.S. That 26% plunge in U.S.-bound exports is a big tell. Some of it reflects genuine cooling demand, but some is also the after-effect of earlier stockpiling ahead of tariff uncertainty.

The good news? Non-tech exports are holding up, and capital goods imports remain resilient — so we're not in contraction territory. But it does highlight a new phase: the AI-driven investment boom is shifting from acceleration to digestion.

**Host:**

So the Asia growth engine is cooling, but Brazil gave us a bit of a positive surprise, didn't it?

**Eric:**

Absolutely. Brazil has quietly become one of the few bright spots in emerging markets this month. Inflation came in softer than expected — headline CPI rose just 0.48% in September, below forecasts, and core inflation fell again to around 4.3% on a three-month annualised basis. That's the fourth straight month below the central bank's upper target.

It means the BCB now has real room to ease policy further — and investors love that. Local markets have rallied through the summer, helped by lower inflation, improving confidence, and a decent currency backdrop. Brazil's blend of macro discipline and structural reform is paying off.

**Host:**

Let's turn back to the global picture. Bond markets were a bit puzzling this week — the yield curve didn't flatten as much as one might expect given the softer tone in growth data. What do you make of that?

**Eric:**

That's one of the most interesting subplots right now. Normally, when investors worry about growth

slowing, you'd see the yield curve flatten — short rates up, long rates down. But that's not happening. Instead, long-end yields are actually rising.

It tells us two things:

First, bond investors don't fully buy into the "slow growth equals disinflation" narrative. They're demanding a higher term premium — basically, more compensation for holding long-duration bonds.

Second, it suggests that inflation expectations remain sticky. Even as growth cools, no one's convinced that inflation is done.

This is a very tricky mix — a softening economy with higher long yields. It means passive bond exposure might struggle, but active curve positioning — playing the slope, trading the twists — becomes incredibly valuable.

**Host:**

Japan, meanwhile, continues to be a fascinating story — politically and economically. The yen's been weak again, and the government's started to hint that it's not happy about it.

**Eric:**

Exactly. The yen's slide has drawn fresh attention from the Finance Ministry. When Tokyo officials start calling currency moves "unwelcome," that's usually a warning shot for possible intervention. The irony is that markets had been cheering Japan's new leadership — Sanae Takaichi's rise as the first female Prime Minister is symbolic and substantial. She represents continuity in pro-growth policy and reform momentum. But that optimism also means markets are testing the yen, betting that fiscal expansion will come before fiscal restraint.

The Bank of Japan's balancing act — keeping yields under control while maintaining policy credibility — remains delicate. And while Japanese equities have been strong, the currency risk is becoming harder to ignore.

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