

DATE: January 2, 2026

TITLE: 2025 in Review: The End of Assumptions

### TRANSCRIPT:

Host:

Eric, happy New Year. This feels like a natural moment to step back. Instead of a weekly update, you wanted to review the year just passed. Why does 2025 deserve that pause?

Eric:

Happy New Year — and yes, it does.

2025 will be remembered not as a crisis year, but as the year markets stopped taking policy at face value.

Growth didn't collapse. Inflation didn't re-accelerate. But something more important changed: trust. Investors stopped assuming that policy announcements — particularly from the US — would be coherent, stable, or durable.

That shift shaped every asset class.

Host:

Let's start at the beginning. The year opened with optimism — inflation easing, growth holding up. What went wrong?

Eric:

The calm was misleading.

In the US, growth looked resilient but increasingly distorted — held together by consumption and fiscal noise rather than confidence. Political brinkmanship started to matter more than data.

Europe quietly surprised on stability. Japan was undergoing a genuine regime shift — wages rising, inflation sticking, policy normalising. And emerging markets entered the year with something rare: policy credibility.

The divergences were already there — markets just hadn't priced them yet.

Host:

Then came the turning point — US trade policy.

Eric:

Exactly. April changed everything.

The tariff announcements weren't tactical. They were broad, blunt, and destabilising. Markets sold off hard — but the most important signal wasn't in equities.

It was in the dollar.

The dollar fell — sharply. That told you this wasn't about growth expectations. It was about confidence. Capital was leaving because policy had become unpredictable.

Gold understood this instantly — and prices surged.

Host:

Markets then recovered fairly quickly. What did investors learn from that episode?

Eric:

They learned a new rule.

When parts of the tariff package were paused, markets realised that policy pain thresholds were low. From that point on, investors stopped pricing announcements and started pricing reversals.

Volatility became episodic. Tradable. But trust had been replaced by scepticism — and that's a very different market regime.

Host:

The middle of the year looked stronger again — growth stabilised, risk assets rallied. Was that genuine?

Eric:

Not really.

A lot of that growth was borrowed. Imports were front-loaded. Inventories flattered GDP. Inflation eased temporarily as energy prices fell.

Markets rallied — US equities, Europe, Asia, even crypto. But underneath, fragility was building.

Host:

You've highlighted Japan as one of the most underappreciated stories of the year.

Eric:

Absolutely.

Japan completed a structural transition in 2025. Inflation stuck. Wages rose. Corporate behaviour improved. And monetary policy normalised.

Japan stopped being a passive funding source and became an active driver of global volatility — in bonds, currencies, and equity leadership.

That shift caught many investors off guard.

Host:

What about the second half of the year — what defined it?

Eric:

Contradiction.

Trade barriers increased while monetary policy eased. The Fed cut rates not because inflation was solved, but because political pressure met a softer labour market.

That mix distorted capital flows. The dollar weakened further. Emerging markets attracted inflows. Gold surged relentlessly.

Traditional models struggled — because this wasn't about economics alone anymore.

Host:

And October marked the peak?

Eric:

Yes. Excess finally met its limit.

Crypto peaked decisively. Leverage rebuilt, then unwound violently. Narratives collapsed under basic market mechanics.

Gold, by contrast, kept rising — not as an inflation hedge, but as a trust hedge.

That divergence says a lot about 2025.

Host:

So stepping back — what did investors really learn?

Eric:

Four things.

First, policy credibility matters more than policy intent.

Second, global leadership is fragmenting — capital is more selective and less forgiving.

Third, real hedges matter again — gold worked because trust eroded.

And fourth, the future of growth increasingly lies in the East, where policy pragmatism and valuations are more attractive.

Host:

Final thought as we head into 2026?

Eric:

2025 wasn't a crisis — it was a transition.

Markets didn't break. But assumptions did. Investors stopped relying on old frameworks and started navigating a world where policy is fluid, credibility is earned, and trust is no longer automatic.

That shift will shape portfolios long after the headlines fade.

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