DATE: September 12, 2025
TITLE: Inflation Surprises, Labour Wobbles, and the Gold Rush

TRANSCRIPT:
Q1: Eric, let's start with the big story this week. U.S. inflation came in hotter than expected. How did markets take it?
Eric:
That's right. Inflation was the headline event this week, and the numbers were uncomfortable. Headline CPI rose 0.4% month-on-month, pushing the annual rate up to 2.9%—the fastest pace in eight months. Core inflation held at 3.1%. The sticky parts—shelter and food—are still doing the heavy lifting. Rents climbed 0.4%, groceries got more expensive, and even with energy fairly subdued, the overall picture isn't exactly disinflationary.
But here's the twist: markets shrugged it off. Equities rallied, bonds rallied. Investors basically said: "we don't care about the nuance; we care that the Fed is still cutting rates." That's the "bad news is good news" dynamic we're living in right now.

Q2: So the labour market weakness is the counterweight here?
Eric:
Exactly. Jobless claims spiked to 263,000, the highest in nearly four years. On top of that, the Bureau of Labor Statistics quietly admitted they may have overstated job gains by more than 900,000 over the past year. That's a big revision.
Now, a lot of this jump in claims was technical—a surge in fraudulent filings out of Texas. But for markets, perception is reality. If the labour market looks soft, it gives the Fed cover to ease policy. That's why traders are so confident about at least a 25-basis-point cut next week. Some are even whispering about 50.

Q3: Meanwhile in Europe, the ECB played it cool. What's the read-through there?
Eric:
Yes, the ECB held rates steady at 2%. Christine Lagarde struck a cautious tone, flagging risks from tariffs and geopolitics. Contrast that with the Fed, which is tilting dovish, and you've got policy divergence showing up in FX. The euro has stabilised against the dollar. Sovereign spreads in Italy and France remain contained, but the political undercurrents are bubbling. My sense is the ECB waits until December before making its next move.

Q4: Asia seems to be on a different track altogether. What stood out?
Eric:
Two things. First, the AI boom continues to lift Asian equities. Oracle's big surge in the U.S. spilled over into Japan, Korea, Taiwan—anyone tied into cloud and semiconductors. The narrative is still very strong there.
Second, the oil story. The IEA warned supply will outpace demand through 2026, thanks to higher output from OPEC+ and the U.S. That means unless geopolitics flare up, oil prices could stay capped. Ironically, geopolitics did flare up—Russian drones over Poland, Israeli strikes in Qatar—and that's helped Brent bounce despite weak fundamentals.

Q5: And gold—investors can't get enough of it. What's behind the surge?
Eric:
Gold has become the ultimate hedge. It's not just about inflation anymore; it's about policy confusion. The Fed is easing into sticky inflation, deficits are rising, and geopolitics are messy. Add

in a weaker dollar this week, and gold is flirting with record highs around $3,600. Investors are saying: “If the rules of the game are shifting, gold is my insurance.

Q6: So to wrap it up, what’s the big takeaway for investors heading into next week’s Fed meeting?
Eric:
The big picture is this: markets want to believe the Fed will look through near-term inflation and focus on the softening labour market. That’s why risk appetite is holding up. But the balancing act is fragile. If inflation keeps creeping higher while job data remains noisy, the Fed could find itself boxed in.
For now, though, the path of least resistance is still easing. Equities are buoyant, bonds are supported, gold is rallying, and the dollar is softening. The narrative may not be durable, but it’s driving flows.

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