



GOLD HITS \$4,000: SAFE-HAVEN RALLY EXPLAINED

Snapshot:

Gold futures have continued their remarkable rise and shattered records, reaching \$4,000 per troy ounce on Tuesday, October 7, 2025, capping a 50% rally since the beginning of 2025 (CNBC, 2025). The price surge emphasizes increased investor anxiety amid political instability, inflation pressures, and monetary easing concerns.

The 2025 Rally in Numbers:

Adding onto gold futures' impressive 50% rally this year, investors have added more than \$20 billion to gold-backed exchange-traded funds (ETFs) while central banks worldwide have combined purchased around 1,200 metric tons (MarketWatch, 2025). The US Dollar Index (DXY) has fallen around 7% this year, important because when the dollar typically weakens, gold strengthens, and vice versa.

Core Drivers behind the Rally:

- 1. Monetary Policy:** Gold's rally can be closely tied to the expectation that the Federal Reserve will begin a rate cut trend beginning in early 2026 (CNBC, 2025). Historically, every 100 basis point drop corresponds to a roughly 15-20% rise in gold prices.
- 2. Sticky Inflation:** Core CPI has remained persistently above the Federal Reserve's 2% target, at around 3.1% driven by a constrained labor market with low wage growth and high housing prices amidst low supply (Yahoo Finance, 2025). Gold has become an inflation hedge, with ETF inflows exceeding \$20 billion this year, the strongest since the COVID-19 pandemic in 2020 (MarketWatch, 2025). Investors and central banks alike are seeing gold as both a crisis hedge and a store of purchasing power amidst inflationary pressures.

MARKET SUMMARY

GOLD PRICES REACH NEW HIGHS

Gold prices have continued their surge amid market jitters and US economic concerns.

HOUSING MARKET STAGNATION

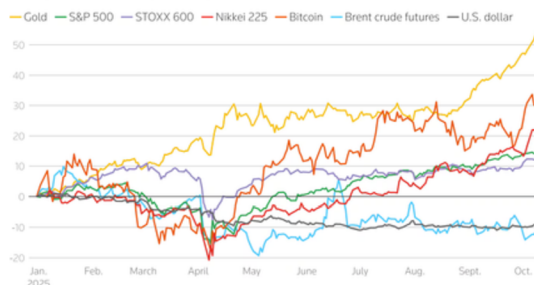
Consumer uncertainty in the housing market reflects overall uncertainty in long-term financial stability

LABOR DATA GOES DARK

The US government's current shutdown halts the release of key economic and labor data.

Gold's glittering rally this year

Gold broke above \$4,000 an ounce for the first time as investors piled into the safe haven, making it one of the best-performing assets of 2025.



Source: LSEG | Rae Wee

Reuters, 2025

HOUSING MARKET STAGNATION INDICATES RECESSION

What is the root cause of the housing market slowdown?

Since the middle of 2023, the U.S. Housing market has been experiencing a prolonged period of stagnation with increasing prices and low sales. The slowdown started with the Federal Reserve's decision to reduce 30-year fixed-rate mortgage interest rates to a low of 3.10% during the COVID-19 recession (JP Morgan, 2025). Now, pandemic-era buyers are locked into mortgages with low interest rates and are unwilling to purchase in an inflated market. In September, the Federal Reserve cut its interest rates to between 4 and 4.25% to stimulate the labor market after job opportunities decreased nationally (U.S. Bank, 2025). However, persisting economic uncertainty and high prices because of supply shortages have hindered an increase in housing sales.

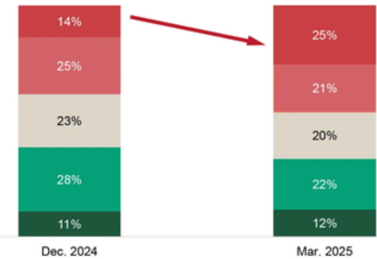
Consumer sentiments indicate a possible recession.

The housing market is a leading indicator of the U.S. economy and reflects market-wide consumer confidence about economic conditions. The decrease in sales indicates a low consumer willingness to purchase goods in the current economy. Consumers are holding off on making major purchases because of uncertainty in long-term financial stability. Investors have also reduced their shares in real estate because of low returns on investment (Morgan Stanley, 2025). The decrease in confidence in the market and the increase in overall inflation signal a potential market-wide recession (Business Insider, 2025).

How do you feel about the trajectory of the US economy over the next 12 months?

Share of US homeowners and renters

■ Very pessimistic
■ Somewhat pessimistic
■ Neither pessimistic nor optimistic
■ Somewhat optimistic
■ Very optimistic



Source: New Home Trends Institute by John Burns Research & Consulting, LLC March 2025 survey of 1,271 US homeowners and renters

John Burns Research and Consulting,
2025

GOVERNMENT SHUTDOWN REDUCES TRANSPARENCY IN LABOR STATISTICS

Shutdown Impact on Key Labor and Jobs Data:

The current US government shutdown that began on October 1, 2025, has halted operations at the Bureau of Labor Statistics (BLS). This has prevented the release of key official reports, including the September Employment Situation Summary and the Consumer Price Index (CPI). The Federal Reserve, other policymaking bodies, and the private sector rely on this data to guide fiscal and monetary policy, along with market forecasts. However, they are now left in the dark until government funding resumes (JP Morgan, 2025).

The absence of BLS data has led to private companies stepping in.

With the absence of BLS data, a variety of firms have stepped in and announced their own data calculations. The private equity firm, The Carlyle Group, is reporting job gains of around 17,000 in September; meanwhile payment management firm, ADP, has estimated a loss of around 32,000 over the same period (INC, 2025). These conflicting reports underscore the need for a federal benchmark analysis, as inconsistent metrics may force policymakers to rely on proxy indicators like credit card spending and travel bookings (INC, 2025).

Potential Effects if the Shutdown Continues:

Depending on how long the government remains closed, the absence of official data will complicate the next Federal Open Market Committee (FOMC) meeting on interest rates. A long shutdown might lower quarterly GDP by 0.1-0.3 per week (JP Morgan, 2025).

Monthly job creation in the U.S.

Jan. 2022–July 2025

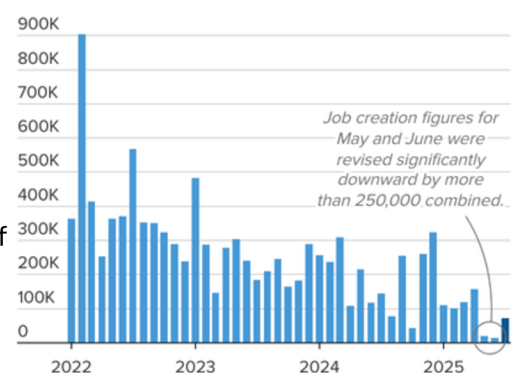


Chart: Gabriel Cortes / CNBC

Source: U.S. Bureau of Labor Statistics via FRED
Data as of Aug. 1, 2025



CNBC, 2025