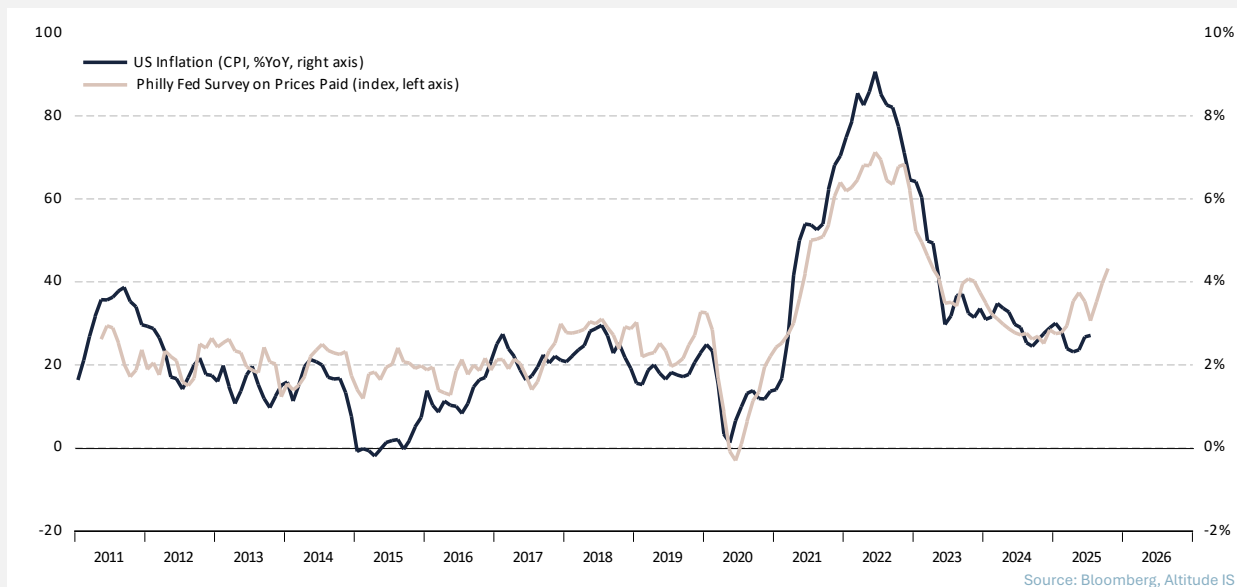


The flexiweekly that reaches new heights - published on 8 september 2025

"IT'S THE ECONOMY, STUPID!"

- The labour market and inflation are worrying investors
- The first issue is more concerning than the latter
- The Fed's response will support the performance of bonds and gold
- However, after its recent welcome respite, the greenback will depreciate again

CHART OF THE WEEK: "Inflation expectations jump again"



FINANCIAL MARKETS ANALYSIS

The bond market, the dollar, the price of gold, everything is interconnected... and everything depends on employment and inflation in the United States. The labour market is showing clear signs of slowing down. The latest figures published reinforce our previous analyses (see [WIF of 11 August 2025](#)). In August, job creation slowed to 22,000 positions. This is significantly less than the 200,000 that are generated each month when everything is going well (see Fig. 2). All the signs indicate that US companies have slowed down their hiring due to tariffs, political uncertainty, the deployment of AI, labour shortages and the high cost of credit. Job vacancies have continued to decline, falling back to



their 2018 levels (see Fig. 3). From there, it is therefore reasonable to conclude that the recession has already begun.

Fig. 2 – Job creation

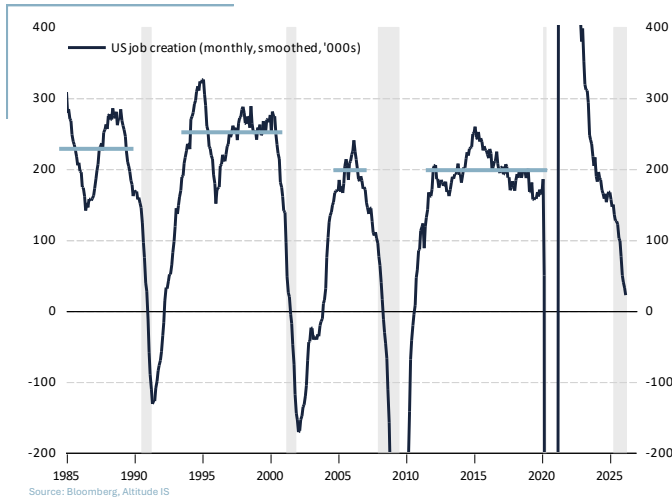
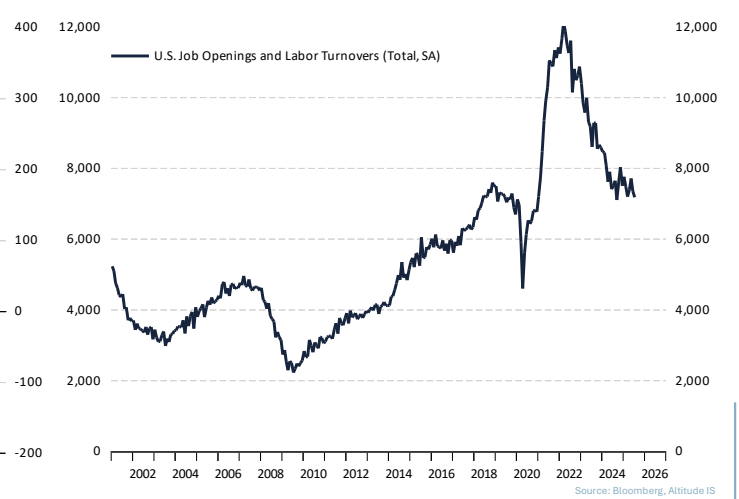


Fig. 3 – Job vacancies



Until employment becomes more dynamic, gross domestic product (GDP) growth will not be able to rebound. **As for inflation, it is set to resurface, but mainly due to higher customs duties.** If the Philadelphia Fed's indicator retains its predictive power, the next surge in prices is likely to worry investors (see Chart of the Week). Comparisons with the 1970s will resurface, as the sequence seems so similar (see Fig. 4).

Fig. 4 – Comparison of inflation cycles

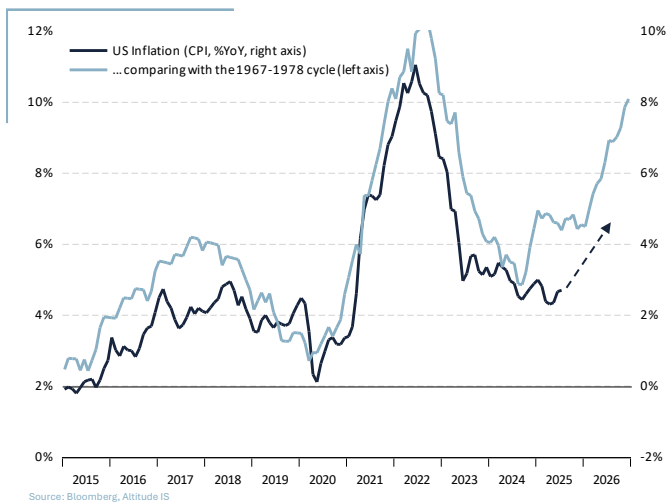
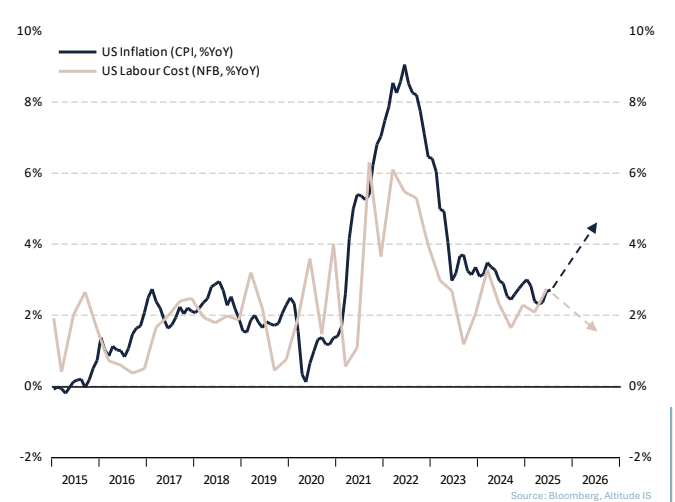


Fig. 5 – Price and wage growth



However, the current situation is very different. At that time, the double oil shock had such a significant impact on prices because it marked the end of the Thirty glorious years. The labour market was so dynamic that wage pressures ended up creating a devastating price-wage spiral. Today, as we have seen, the job market is not very buoyant and, as a result, wages are rising only slightly (see Fig. 5). Companies point out that while raw material costs have risen due to tariffs, wages are under control. Inflation is



therefore likely to soar, but only temporarily, due to a lack of momentum. The Fed should therefore have the leeway to cut its key interest rates to 3% or even 2% according to our models, compared with 4.50% at present.

Growth is slowing dangerously, inflation is only temporary, and the Fed is cutting its key rates. **In this context, why are bond yields struggling to fall and generate better returns for Treasury bond holders?** Comparing 10-year sovereign rates and expectations of a 2-year Fed rate cut makes everything clear (see Fig. 6). Since Liberation Day on 2 April and Donald Trump's announcement of a trade war with the United States' partners, investors have been demanding an additional risk premium. To hold Treasury bonds, they now want to be paid 44 basis points more than in March (see Fig. 7).

Fig. 6 – 10-year rates and Fed rate expectations

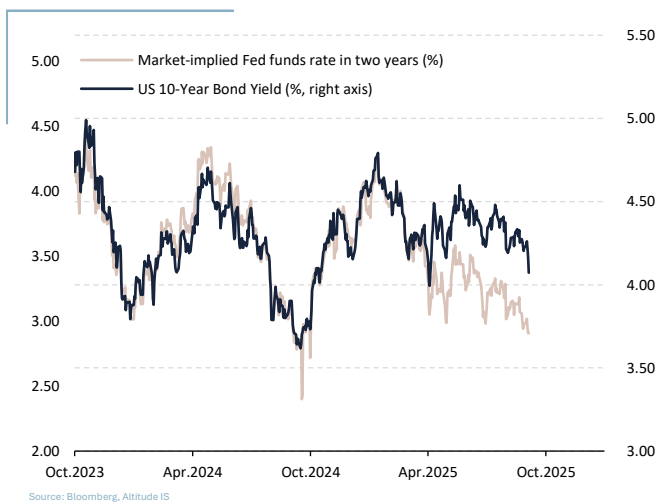
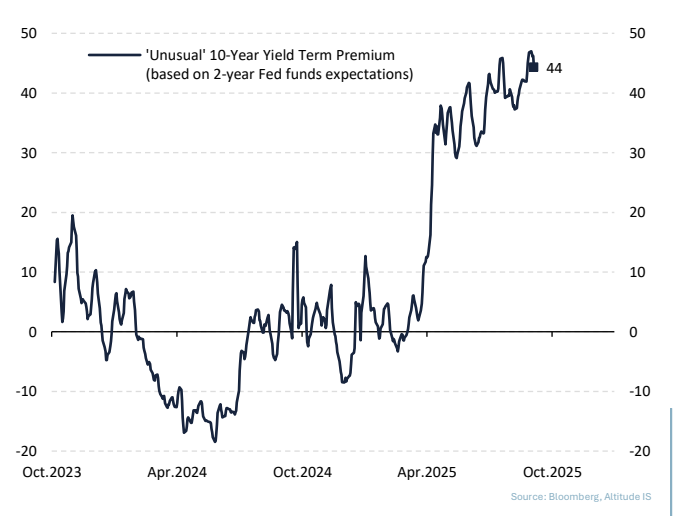


Fig. 7 – "Unusual" term premium on 10-year bonds



Thus, in a very rare occurrence, when short-term rates fell, long-term rates did not decline. Bull and bear steepening of the yield curve appear to be occurring simultaneously. One of two things is happening:

- Either this is a misjudgement on the part of bond investors and is only temporary. Long-term rates will quickly catch up, offering very attractive returns to investors who have maintained a long duration in their portfolios.
- Or the term premium has increased for legitimate reasons. Among these, the introduction of customs duties and the Trump administration's interference with the Fed pose a risk of future inflation. Similarly, the deterioration in public finances and the difficulty in issuing long-term debt increase the likelihood of a credit event. In these circumstances, the term premium is not expected to decrease. However, there is no indication that it will increase either.

In both cases, long bonds should no longer suffer from this anomaly. They therefore remain an attractive option in asset allocation. In both cases, too, steepening strategies will be a source of gains and diversification.

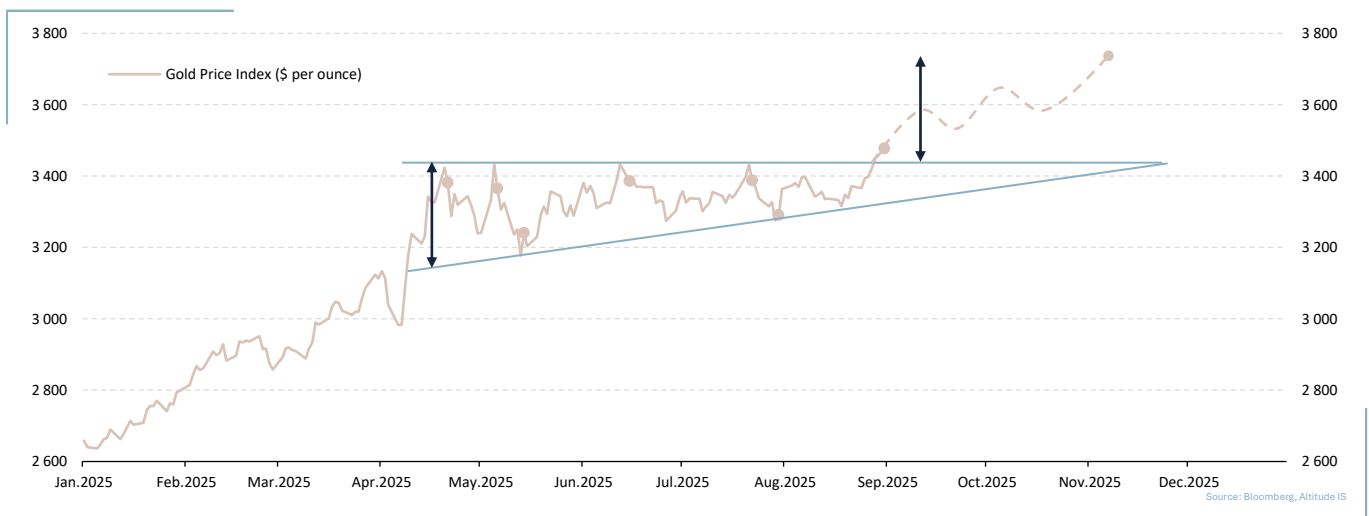
The decline in bond yields will put further pressure on the dollar. As we analysed, a pause was necessary given how rapidly it depreciated between January and June 2025 (see [WIF of 7 July 2025](#)). It should therefore resume its downward trajectory between now and the end of the year. Mechanically, most



alternative currencies will take advantage of this decline to appreciate, particularly European currencies: the pound sterling, the euro and the Swiss franc.

Half currency, half commodity, gold is also affected. **Since October 2022, the price of gold has already soared by +115%.** However, it is held by very few investors. For 98% of investment advisers, the weighting of gold in portfolios is less than 5% and, for 71% of them, it is even less than 1%. As for private investors, they have yet to embrace this theme. Proof of this, if any were needed, is that the volumes of gold held by ETFs remain well below their previous peak reached in October 2020.

Fig. 8 – Formation and breakout of the ascending triangle in gold



Technically, gold appears to be attempting to break out of the ascending triangle that began forming in April. After hitting resistance at \$3,450 four times, the ounce is attempting to break through this ceiling (see Fig. 8). For the record, an ascending triangle is a breakout pattern that forms when the price of an asset crosses a horizontal upper trend line. It is a bullish formation. The upper trend line must be formed by several almost identical peaks, which form a resistance level. The lower trend line must rise diagonally, with successive troughs getting higher and higher, a sign that buyers are gradually increasing their bids. Once the resistance price is broken, numerous purchases are triggered, and the uptrend accelerates. The upper trend line, which was previously a resistance level, now becomes a support level. **The next target is calculated by taking the height of the triangle at its thickest point and adding it to the breakout point. In the current case, this would mean a gold price of \$3,735.**

Fundamentally, there are many factors behind the powerful bullish wave in gold:

- **Geopolitical tensions have increased.** The war in Ukraine, which has been ongoing since 2022, is weighing on European economic growth and political stability. Since Donald Trump's election and the reduction in military aid to Kyiv, Western support has been lacking. Further south, the conflict between Israel and the Palestinian Hamas, the Lebanese Hezbollah and Iran is putting the entire region under strain. Further east, tensions between China and Taiwan, with frequent military manoeuvres and increasingly harsh political rhetoric, are raising fears of a wider conflict involving the United States. As is often the case when tensions rise, investors are turning to gold to ensure their financial security.



- **Central banks in emerging countries have accumulated large stocks of gold.** Since the embargo on Russia's foreign exchange reserves, emerging countries such as China, India and Turkey, as well as Eastern European countries such as Poland, the Czech Republic and Hungary, have been looking for ways to ensure their financial stability. They are preparing for the possibility that they will no longer have access to the dollar and the SWIFT system for their international financial transactions. Between 2022 and 2025, central bank purchases more than tripled, exceeding 1,000 tonnes of gold per year, a historic record. The volumes are such that they have given a decisive boost to the upward trend in the price of an ounce of gold. There is no indication that their desire to reduce their dependence on the US dollar will fade anytime soon.
- **In the short term, the price of gold will depend mainly on what happens within the Federal Reserve.** If the US central bank begins a new cycle of interest rate cuts, downward pressure on the dollar is likely to increase. As gold is denominated in dollars, all other things being equal, a fall in the greenback automatically leads to an appreciation in the yellow metal. On the one hand, job creation is weak enough to prompt the Fed to take action. On the other hand, the Trump administration is stepping up political pressure on Jerome Powell and the Fed governors to take swift action.
- **In the very long term, other types of uncertainty,** such as climate change and the monetisation of public debt, will drive up the price of gold.

Conclusion:

Weak job creation is driving down interest rates, depreciating the dollar and sending gold prices soaring. Investors have not yet fully priced in all these factors.



RETURN ON FINANCIAL ASSETS

Markets Performances (local currencies)	Last Price	Momentum Indicator (RSI)	1-Week (%)	1-Month (%)	2025 Year-to-Date (%)	2024 (%)	2023 (%)
Equities							
World (MSCI)	955.7	60.92	0.5%	3.3%	15.2%	18.0%	22.8%
USA (S&P 500)	6 482	58.29	0.3%	3.0%	11.2%	25.0%	26.3%
USA (Dow Jones)	45 401	57.67	-0.3%	3.2%	8.0%	15.0%	16.2%
USA (Nasdaq)	21 700	59.71	1.2%	3.8%	12.9%	29.6%	44.7%
Euro Area (DJ EuroStoxx)	564.5	43.53	-0.6%	0.8%	15.0%	10.2%	19.5%
UK (FTSE 100)	9 208	55.14	0.2%	1.4%	15.8%	9.6%	7.7%
Switzerland (SMI)	12 371	65.47	1.5%	4.3%	9.9%	7.5%	7.1%
Japan (Nikkei)	43 682	59.61	0.7%	5.2%	9.1%	21.3%	31.0%
Emerging (MSCI)	1 276	58.48	1.4%	2.6%	21.3%	8.0%	10.2%
Brasil (IBOVESPA)	142 640	67.64	0.3%	7.1%	18.6%	-10.4%	22.3%
Mexico (IPC)	60 480	68.52	3.1%	6.2%	25.4%	-11.0%	22.4%
India (SENSEX)	80 790	47.40	1.1%	0.1%	4.5%	9.6%	20.3%
China (CSI)	4 461	63.34	-0.8%	8.9%	15.9%	18.2%	-9.1%
Com. Services (MSCI World)	157.3	74.93	3.3%	7.9%	27.0%	31.9%	38.1%
Cons. Discretionary (MSCI World)	449.9	64.72	1.7%	7.5%	7.6%	20.7%	29.5%
Cons. Staples (MSCI World)	296.0	54.16	0.7%	2.4%	10.6%	4.7%	3.2%
Energy (MSCI World)	253.5	46.44	-2.5%	1.9%	8.7%	2.9%	6.0%
Financials (MSCI World)	212.6	50.76	-0.9%	2.7%	20.8%	25.1%	16.4%
Health Care (MSCI World)	360.8	64.55	1.0%	4.7%	4.8%	1.5%	4.1%
Industrials (MSCI World)	448.4	51.38	-0.1%	0.9%	20.6%	12.8%	22.5%
Info. Tech. (MSCI World)	875.4	53.33	0.3%	1.6%	14.4%	31.9%	51.4%
Materials (MSCI World)	361.1	66.97	1.0%	5.3%	20.3%	-7.7%	12.6%
Real Estate (MSCI World)	1 016	54.83	-0.1%	1.1%	6.8%	-0.4%	5.3%
Utilities (MSCI World)	183.3	39.52	-0.6%	1.9%	17.1%	13.0%	1.6%
Bonds (Bloomberg)							
World (Aggregate)	3.43%	64.06	0.5%	0.9%	7.8%	-1.7%	5.7%
USA (Sovereign)	3.86%	70.55	0.3%	0.9%	5.3%	0.6%	4.1%
Euro Area (Sovereign)	2.82%	54.26	0.3%	0.5%	0.2%	1.9%	7.1%
Germany (Sovereign)	2.39%	54.75	0.3%	0.3%	-1.0%	0.6%	5.6%
UK (Sovereign)	4.59%	56.05	0.5%	0.7%	3.4%	-3.0%	5.6%
Switzerland (Sovereign)	0.41%	61.14	0.3%	0.3%	1.1%	5.4%	7.9%
Japan (Sovereign)	1.35%	53.16	0.3%	0.6%	-2.0%	-2.1%	0.9%
Emerging (Sovereign)	6.32%	70.10	0.7%	1.3%	8.6%	7.0%	11.0%
USA (IG Corp.)	4.78%	71.48	1.2%	1.6%	6.5%	2.1%	8.5%
Euro Area (IG Corp.)	3.07%	58.03	0.3%	0.2%	2.6%	4.7%	8.2%
Emerging (IG Corp.)	6.03%	84.46	0.5%	1.3%	6.9%	7.0%	6.7%
USA (HY Corp.)	6.66%	78.26	0.3%	1.3%	6.7%	8.2%	13.4%
Euro Area (HY Corp.)	5.40%	58.64	0.0%	0.1%	4.1%	8.2%	12.1%
Emerging (HY Corp.)	7.71%	72.21	0.5%	1.4%	9.0%	14.9%	13.1%
World (Convertibles)	513.3	69.32	0.5%	2.9%	16.6%	9.4%	12.3%
USA (Convertibles)	674.3	67.39	0.3%	2.8%	12.7%	10.1%	14.6%
Euro Area (Convertibles)	285.3	39.94	-0.5%	1.4%	22.6%	14.7%	7.3%
Switzerland (Convertibles)	275.9	47.51	0.2%	2.8%	14.6%	-10.5%	5.8%
Japan (Convertibles)	246.3	67.48	0.3%	4.0%	8.7%	6.4%	7.6%
Hedge Funds (Bloomberg)							
Hedge Funds Industry	1 697	84.57	n.a.	1.2%	5.4%	11.1%	7.8%
Macro	1 350	67.70	n.a.	0.1%	0.6%	7.4%	1.6%
Equity Long Only	2 361	76.20	n.a.	1.1%	6.8%	12.0%	15.9%
Equity Long/Short	1 819	83.99	n.a.	1.9%	8.5%	14.0%	7.7%
Event Driven	1 801	81.12	n.a.	1.7%	4.4%	8.7%	7.3%
Fundamental Equity Mkt Neutral	1 757	94.54	n.a.	1.4%	6.4%	12.4%	6.6%
Quantitative Equity Mkt Neutral	1 740	84.47	n.a.	1.0%	4.6%	9.8%	7.8%
Credit	1 665	97.56	n.a.	0.7%	4.3%	8.5%	8.1%
Credit Long/Short	1 689	100.00	n.a.	0.3%	3.8%	10.0%	11.2%
Commodity	1 898	90.83	n.a.	0.5%	6.1%	14.7%	7.3%
Commodity Trading Advisors	1 280	48.40	n.a.	0.2%	-4.6%	7.9%	-3.6%
Volatility							
VIX	15.18	47.05	-1.2%	-15.0%	-12.5%	39.4%	-42.5%
VSTOXX	17.68	50.56	0.6%	-6.1%	4.0%	25.3%	-35.0%
Commodities							
Commodities (CRB)	551.5	n.a.	-0.6%	1.7%	2.8%	5.1%	-8.0%
Gold (Troy Ounce)	3 583	n.a.	3.1%	5.4%	36.5%	27.2%	13.1%
Silver (Troy Ounce)	40.69	n.a.	0.0%	5.1%	40.8%	21.5%	-0.7%
Oil (WTI, Barrel)	61.87	n.a.	-3.3%	5.0%	-13.7%	0.1%	-10.7%
Oil (Brent, Barrel)	65.10	n.a.	-3.7%	6.2%	-12.2%	-4.6%	-4.5%
Currencies (vs USD)							
USD (Dollar Index)	97.81	46.01	0.0%	0.4%	-9.8%	7.1%	-2.1%
EUR	1.1718	55.78	0.1%	0.7%	13.2%	-6.2%	3.1%
JPY	148.10	46.75	-0.6%	0.2%	6.1%	-10.3%	-7.0%
GBP	1.3499	52.37	-0.3%	0.3%	7.9%	-1.7%	5.4%
AUD	0.6564	58.10	0.2%	0.6%	6.1%	-9.2%	0.0%
CAD	1.3830	44.37	-0.6%	0.5%	4.0%	-7.9%	2.3%
CHF	0.7971	59.29	0.3%	1.4%	13.8%	-7.3%	9.9%
CNY	7.1347	66.31	0.0%	0.6%	2.3%	-2.7%	-2.8%
MXN	18.725	48.68	-0.4%	0.8%	11.2%	-18.5%	14.9%
EM (Emerging Index)	1 836.7	51.24	0.1%	0.2%	6.3%	-0.7%	4.8%
XBT	110 942	n.a.	-1.2%	-5.1%	18.4%	120.5%	157.0%

Source: Bloomberg, Altitude Investment Solutions

Total Return by asset class (Negative \ Positive Performance)



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