Economic Update Report 10.10.2025

The Future of the US Treasury Yield Curve is Uncertain
Gold Hits All Time Highs Amid Stock Market Success

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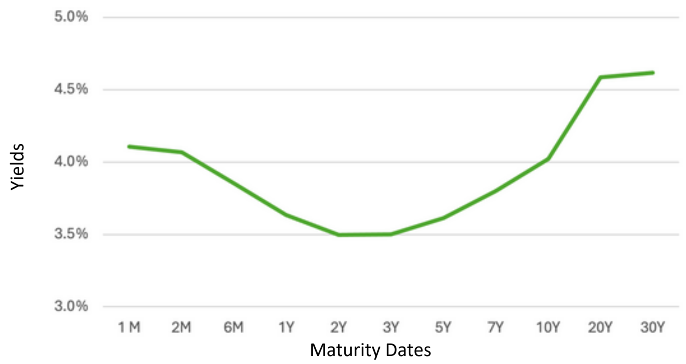
US Yield Curve

The yield curve shows the return investors require when buying bonds of different maturities. Typically, a healthy curve has short-term bonds with lower rates, while long-term bonds have higher yields. This is because if an investor has money tied up in a bond for 10 years, naturally, a larger reward for lending his money for so long is expected, and vice versa with short-term bonds.

US Treasuries Yield Curve



Data from London Stock Exchange Group/Refinitiv a/o 10/15/2025

The current yield curve is not in this ideal shape; however, investors pricing in more Fed rate cuts later this year have driven the yields on the shorter-term bonds down, while fears over the devaluation of the dollar, and the erratic swings of the Trump administration have spooked investors. Earlier this year, in the fallout of Trump's threat to fire Fed chair Jerome Powell, the value of the dollar plunged, this was even as rates went up. So, despite investors being able to receive more money for buying U.S debt, investors were pulling out of the U.S. A test to the value investors place on the Fed maintaining independence, as well as the U.S's credit score being downgraded from AAA to AA. So while the yield curve seems to be recovering, concerns still remain, with inflation, new tariff policy, and the ever-stretching valuation of the stock market.

S&P 500 YTD Performance

Data from Yahoo Finance a/o 10/10/2025

Gold Bull Market

Recent market uncertainty: In the past month alone, gold has surpassed several new all-time highs. Currently trading around $4250 an ounce, the precious metal has gained nearly 14% in just one month. Investors often allocate their funds to commodities like gold or silver to hedge against inflation and market volatility. When inflation erodes the purchasing power of the dollar, gold can offer a haven, its price tied to its scarcity (unlike the dollar, which, as the Fed can print more money). Additionally, gold has other practical uses, like in electronics and aerospace applications. This "real use factor" gives gold a solid benchmark to back its value. The recent surge in gold prices suggests that investors are bracing for turmoil and seeking alternatives in a time when inflation is eroding the dollar's value.

Gold Price

Data From Trading Economics a/o 10/16/2025

Despite the recent market success though, gold is thriving. As mentioned, this asset class is a hedge against various market risks, but the market is seeing the best returns it has ever seen with the bull market still going after three strong years. This raises a lot of red flags, because this could insinuate that investors are preparing for volatility and stress in the markets. The recent tariff threat drove the S&P down 3%, and gold is sitting at it's peak.

US Stock Index Performances

Key Indices	YTD %	MTD %	Weekly %
S&P 500	13.01%	0.71%	(1.03%)
Nasdaq	16.83%	1.22%	(1.74%)
Dow Jones	8.42%	1.28%	(0.31%)

Data from Yahoo Finance a/o 10/10/2025

What's New?

U.S.-China Trade Tensions Escalate

Tension between the U.S. and China rose sharply after China imposed export restrictions of rare earth minerals, known to be a critical input for technology and defense industries. As a response, President Trump threatened to impose 100% tariffs on all Chinese imports starting in November. The issue further escalated since both countries also imposed new port fees on each other's shipping vessels, exacerbating a full-scale trade war.

A trade war has taken place previously, specifically during the 2018-2019 U.S.-China trade conflict, when both nations enacted several rounds of tariffs on goods worth hundreds of billions of dollars. In the past, this tension between both the countries has slowed global trade, impacted the manufacturing industry and also sparked volatility worldwide, suggesting risks if the current tensions continue. Furthermore, economists suggest that prolonged disruptions to trade could prevent the Federal Reserve's control of growth and inflation. Jerome Powell himself has already been hesitant to cut rates in the second half of this year. This new tariff threat poses an issue in markets about how the future of the Fed funds rate will turn out. We are seeing red on weekly stock performances for the first time in a while. Will the "TACO" trade trend continue, or will we have to deal with another round of tariff stress?

U.S. Stocks Fall Sharply New Tariff Threats

After President Trump announced a potential 100% tariff on all Chinese imports, U.S. stocks fell significantly, suggesting a future global trade war. The S&P 500 dropped almost 3% in a single day, its worst performance in months, making investors shift to safe assets and commodities such as Treasury bonds and gold. Any extensive form of trade tensions could weaken corporate earnings and slow economic momentum as we head into the fourth quarter. While the market has shown resilience, volatility has spiked since it is led by geopolitical risks. If this continues, the risks could overshadow the upcoming earnings reports and Federal Reserve policy expectations

CO2 Levels Jump by Record Amount, Raising Climate Concerns

A new United Nations report revealed that global CO2 concentration increased by 3.5 parts per million (ppm) in 2024, the largest annual increase on record surpassing the rise of 1957, suggesting that the amount of carbon dioxide in the atmosphere has grown faster than ever.

Scientists are attributing this spike in fossil fuels use to a weaker absorption by natural carbon sinks such as oceans and forests. This specific finding has alarmed climate experts because an accelerated greenhouse gas accumulation could increase global temperatures faster than ever before. However, this report underscores the urgency of the situation. We need ambitious and structural decarbonization policies and investments in renewable energy and carbon capture technologies.

Disclosures Page

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