



STRATEGY UPDATE • OCTOBER 2025

AI Leadership, Strong Gold, and Shifting Market Dynamics

KEY TAKEAWAYS

- The global fixed income backdrop remains fragile, with political interference in US monetary policy and fiscal dominance risks suggesting volatility at the long end, while the 3–5 year segment looks best positioned.
- The dollar's weakening trend is structural, offering opportunities to diversify into non-USD bonds, selective EM hard-currency debt, and currencies such as EUR, CHF, AUD, and SGD.
- Equities remain the growth engine, driven by AI, re-industrialisation and market structure shifts that continue to favour large US platforms, while Japan and select European industrials provide diversification.
- Gold has become a strategic asset, supported by central bank demand, geopolitical risk, and the de-dollarisation theme. Miners and silver provide additional ways to capture this story.
- Portfolios should stay equity-focused but balanced with prudent hedges, including gold, CHF bonds, liquid alternatives and selective EM credit to navigate fiscal and geopolitical uncertainties.

MARKET REVIEW

September proved rewarding for investors, with equities moving steadily higher through most of the month before slightly consolidating toward the end and after an uncertain start, when new tariff announcements and political tensions weighed on sentiment. The US market advanced on the back of resilient earnings in technology and industrials, while Europe lagged somewhat as softer growth signals and political noise weighed on sentiment. Emerging markets outperformed, supported by a weaker dollar and capital inflows into Asia and Latin America. Japan also contributed positively, underpinned by corporate reforms and improving

investor confidence. Toward the end of the month, markets took a pause after their strong run as attention turned to fresh tariff measures in the US, rising tensions in the Middle East, and renewed debate in Washington over fiscal sustainability. Monetary policy was another swing factor, as markets initially interpreted the September FOMC as dovish but later reacted to Chair Powell's reminders that inflation risks remain alive. **The overall outcome remained clearly positive, but the more cautious tone late in the month highlights the importance of balance:** equity exposure complemented by diversifiers such as gold, Swiss franc bonds, and liquid alternatives.

EQUITY POSITIONING

Equities remain at the core of portfolio strategy. **The US retains its structural dominance**, not only through earnings resilience but also through the concentration of global capital markets around its largest technology platforms. Artificial intelligence continues to demand extraordinary investment in infrastructure, semiconductors and data capacity. Earlier this year, headlines around DeepSeek briefly raised questions about potential challengers, but they had little impact on the broader trend. The barriers to entry remain high, and US incumbents are still best placed to capture the benefits of this capex cycle. Political noise around tariffs may affect sentiment in the short term, but the structural story remains intact. Beyond the US, **opportunities exist in Europe** where industrials tied to defense, energy transition and infrastructure benefit from renewed fiscal programs and rising geopolitical demand for security spending. Japan is still attractive as governance reforms and rising shareholder returns continue to strengthen the investment case. To balance these exposures, **liquid alternatives such as equity market neutral or absolute return funds can act as stabilizers**, offering bond-like diversification benefits without the same duration risk.

FIXED INCOME

Fixed income positioning remains defensive. Political pressure on the Fed and persistent fiscal deficits increase the risk of fiscal dominance, **leaving the long end of the curve vulnerable**. Chair Powell's latest comments after the September FOMC, where he acknowledged that the next policy move is likely to be a rate cut, underline that **monetary easing is back on the agenda**. More recently, however, he tempered expectations by warning that **inflation pressures could re-emerge**, softening the dovish interpretation. The 3–5 year maturity range in USD and EUR offers the best balance of carry and risk. Credit spreads are tight, leaving little cushion if conditions deteriorate, which argues for a bias toward quality. We prefer single-A issuers over BBBs, and hybrids remain attractive where post-2022 issues carry higher reset spreads and limited extension risk. Inflation-linked bonds continue to serve as a useful hedge against any resurgence in price pressures, especially with energy markets sensitive to geopolitical disruptions. CHF bonds retain their appeal as one of the few true safe havens, combining currency strength with central bank flexibility. **Emerging market hard-currency bonds** provide rare yield opportunities with improving fundamentals and benefit further from a weaker dollar, particularly as large EM economies remain relatively resilient despite global tensions.

CURRENCY DIVERSIFICATION

Currencies are an increasingly important axis of diversification. The weakening USD is more than a tactical move; it reflects a structural adjustment driven by fiscal imbalances and narrowing rate differentials. This environment favors diversification into EUR and CHF, which remain natural safe havens, as well as commodity and trade-linked currencies such as AUD and SGD. Rising geopolitical frictions – from trade disputes to sanctions policy – reinforce the argument for spreading currency risk more broadly. The message is to **turn dollar weakness into portfolio strength by shifting allocations toward assets that benefit directly from this trend, including non-USD bonds and precious metals**.

COMMODITIES

Commodities reinforce the diversification theme. **Gold is no longer just a hedge but a strategic holding**, underpinned by persistent central bank demand, its role in a de-dollarizing world, and its proven ability to act as a geopolitical insurance policy. Current tensions in the Middle East and broader global instability further highlight its relevance. Beyond bullion, **silver and gold miners provide ways to capture additional upside**, combining cyclical leverage with the structural gold story. Oil, meanwhile, is likely to remain range-bound, with supply discipline from producers offset by softer demand, though geopolitical flare-ups can inject short-term volatility. Industrial metals should stabilize as China maintains incremental support, even as frictions with the US over trade and technology remain a headwind. We continue to prefer equities over raw materials to express cyclical recovery.

Gold futures v S&P 500 index



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