

ZITAPLUS

WEEKLY BULLETIN

06 — 10 OCT 2025
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ARE WE WATCHING A BUBBLE FORMING?



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TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, OCTOBER 6				
ALL DAY		Holiday - National Day		
ALL DAY		Holiday - National Day		
TUESDAY, OCTOBER 7				
ALL DAY		Holiday - National Day		
ALL DAY		Holiday - National Day		
WEDNESDAY, OCTOBER 8				
ALL DAY		Holiday - Mid Autumn Festival		
ALL DAY		Holiday - Mid Autumn Festival		
18:30		Crude Oil Inventories	-	1.792M
21:00		10-Year Note Auction	-	4.033%
23:00		FOMC Meeting Minutes	-	-
THURSDAY, OCTOBER 9				
16:30		Fed Chair Powell Speaks	-	-
16:30		Initial Jobless Claims	223K	218K
21:00		30-Year Bond Auction	-	4.651%
FRIDAY, OCTOBER 10				
16:30		Average Hourly Earnings (MoM) (Sep)	0.3%	0.3%
16:30		Nonfarm Payrolls (Sep)	52K	22K
16:30		Unemployment Rate (Sep)	4.3%	4.3%

ARE WE WATCHING A BUBBLE FORMING?



Financial markets are once again in the spotlight as investors weigh whether the latest surge in valuations signals genuine growth or a dangerous drift into bubble territory. History suggests bubbles are only certain in hindsight, but the data now flashing across Wall Street screens is hard to ignore.

S&P 500 VALUATIONS STRETCH HIGHER

Goldman Sachs data shows the S&P 500 forward price-to-earnings (P/E) ratio climbing to 23x on an aggregate basis, its highest in decades. By comparison, the equal-weighted index trades closer to 17x, underlining how much of the current rally has been concentrated in mega-cap names, particularly in technology and AI-driven stocks.

These stretched valuations echo patterns from past cycles. The dot-com bubble in the late 1990s, the housing boom of the mid-2000s, and the crypto rallies of the last decade all began with optimism before speculation took over.

YIELD GAP AND RISK PREMIUM SHRINK

The picture looks even starker when comparing equities to bonds. The S&P 500's earnings yield gap, the difference between forward earnings yield and the real 10-year U.S. Treasury yield, has narrowed to levels rarely seen since the early 2000s.

At the same time, Goldman Sachs' dividend discount model implies the equity risk premium is approaching multi-decade lows. In simpler terms, the compensation investors receive for holding equities instead of safe government bonds is thinning rapidly, raising questions about whether current prices leave enough room for error.

LESSONS FROM HISTORY

Every bubble looks different. The dot-com boom was fueled by internet mania, the housing crisis by cheap credit, and crypto surges by digital gold fever. The common thread? Prices ran far ahead of earnings and productivity gains.

What makes today's environment unique is the speed of narrative transmission. Social media, algorithmic trading, and a wave of retail participation intensify momentum, creating feedback loops where investors buy simply because others are doing the same.

Whether today's valuations signal a bubble or a lasting shift in earnings potential is uncertain, but history offers clear guidance: focus on fundamentals, assess risks realistically, and remember that corrections are inevitable, even if their timing is unpredictable. Markets can stay irrational longer than expected, but eventually, gravity always reasserts itself.



EURUSD

EURO FALLS ON FRENCH POLITICAL TURMOIL

The euro fell more than 0.5%, slipping below \$1.1670 to its lowest level since late September following the resignation of French Prime Minister Sébastien Lecornu less than a month after taking office. The political turmoil, coupled with President Macron's decision to retain most of his cabinet, heightened uncertainty in France.

Investors remain cautious ahead of the forthcoming budget plan, expected to include spending cuts and tax increases aimed at narrowing the eurozone's largest deficit.

Technically, EUR/USD finds support at 1.1650, with resistance around 1.1730; a sustained move below 1.1650 could open the way toward 1.1600.



XAUUSD

GOLD HOLDS ABOVE \$3,800, EYES \$4,000 BREAK

Gold maintains strong bullish momentum after its steepest yearly rally since the 1970s, consolidating above \$3,800; now a key short-term support and pivot level.

Momentum indicators indicate that buyers are firmly in control, supported by persistent concerns about inflation and safe-haven demand amid ongoing trade tensions. A sustained move above \$3,850–\$3,870 could pave the way toward the \$4,000 psychological level, where profit-taking may emerge.

However, a break below \$3,780 would signal potential exhaustion and open room for a correction toward \$3,720. Overall, the bias remains bullish as long as gold trades comfortably above \$3,800.



BRENT OIL

BRENT RISES ON LIMITED OPEC+ OUTPUT INCREASE

Brent crude climbed nearly 2% to \$65.6 after OPEC+ announced a modest 137,000 bpd production increase for November, easing oversupply concerns. The alliance also indicated it may pause or reverse hikes if demand weakens.

However, gains were capped by worries that the ongoing US government shutdown could slow economic activity and curb fuel consumption.

Key Levels:

- **Support:** \$64.00–\$64.50
- **Resistance:** \$66.50–\$67.80



BTCUSD

BTC PAUSES AFTER TOPPING \$125K

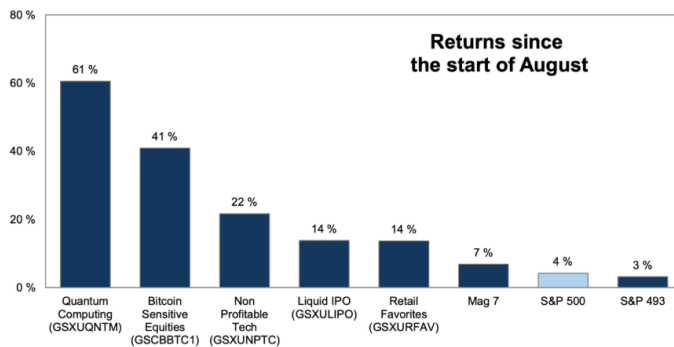
Bitcoin briefly topped \$125,000 over the weekend before easing to around \$120,000, supported by strong ETF inflows, a weaker dollar, and renewed risk-on sentiment.

Despite mild profit-taking, momentum remains bullish. Charts show support near \$118,000, while a sustained move above \$122,500–\$125,000 could push toward \$130,000. The broader uptrend stays intact amid steady demand and market optimism.



EQUITY MARKETS SHOW POCKETS OF SPECULATIVE EXCESS

Exhibit 2: Performance across select slices of the US equity market



Source: Goldman Sachs FICC and Equities, Goldman Sachs Global Investment Research

Exhibit 3: Average first-day returns of IPOs this year ranks in the 87th percentile since 1995 US IPOs greater than \$25 million



Source: FactSet, Goldman Sachs Global Investment Research

Investors are once again debating whether equity markets in 2025 are beginning to display signs of excess. From the rapid rise of mega-cap tech names to bursts of enthusiasm in niche sectors, the conversation about bubbles is resurfacing. While overall valuations remain below the extremes of past cycles, certain indicators suggest risk-taking has accelerated in recent months.

THEMATIC STOCKS OUTPERFORM

Goldman Sachs data shows that specific thematic baskets have delivered outsized returns compared with broader benchmarks:

- **Quantum computing stocks**
- **Bitcoin-sensitive companies**
- **Unprofitable tech firms**

Retail favorites and newly listed IPOs have also surged, with many delivering double-digit gains within weeks of launch. Analysts note that such fast climbs often reflect speculative trading rather than long-term fundamentals.

UNEVEN MARKET FROTH

Despite these hot spots, broader measures of positioning remain restrained. The speculative energy appears concentrated in certain corners of equities, echoing dynamics seen during the late 1990s and early 2020s. This uneven distribution makes it difficult to argue that markets are in a full-scale bubble, but it raises concerns about the sustainability of current momentum.

IPO BOOM SIGNALS RISKS

IPO performance stands out as a flashing warning sign. The average U.S. IPO in 2025 has jumped nearly 30% on its first day of trading, a pace of gains that has been matched only a handful of times in history, including 1999, 2000, 2013, and 2020. Historical precedent suggests that such exuberance rarely ends without correction.

OUTLOOK

While the evidence does not confirm a systemic bubble, the signs of speculative excess are increasingly difficult to dismiss. For investors, the takeaway may be clear: enthusiasm should be tempered with discipline. Maintaining focus on fundamentals, risk management, and the lessons of past cycles could prove vital if today's pockets of froth give way to volatility.



US PRIVATE JOB LOSSES DEEPEN IN SEPTEMBER



Private businesses in the United States unexpectedly cut 32,000 jobs in September 2025, marking the sharpest monthly decline since March 2023. The data, released by ADP, surprised markets that had forecast a gain of 50,000 and followed a revised loss of 3,000 jobs in August. This is the first back-to-back monthly decline in private sector jobs since 2020, underscoring a clear slowdown in hiring momentum.

METHODOLOGY ADJUSTMENTS AMPLIFY WEAKNESS

A recalibration in ADP's methodology lowered the September job count by 43,000 compared with earlier pre-benchmark estimates. Yet analysts note that even without the adjustment, the trend remains unmistakable: businesses are struggling with softer demand, tighter financing conditions, and persistent cost pressures.

SECTOR BREAKDOWN

The bulk of September's decline came from the service-producing sector, which shed 28,000 jobs overall.

- **Leisure and hospitality:** -19,000
- **Professional and business services:** -13,000
- **Financial activities:** -9,000
- **Trade, transportation, and utilities:** -7,000
- **Education and health services:** +33,000 (the only significant gain)

The goods-producing sector also slipped by 3,000 jobs. Construction lost 5,000 positions, reflecting weaker housing activity, while manufacturing declined by 2,000, consistent with slowing exports and softer domestic orders.

WAGE TRENDS

Wage growth showed signs of cooling. Annual pay for job-stayers held steady at 4.5%, while job-changers saw a sharper deceleration to 6.6%, down from 7.1% in August.

IMPLICATIONS FOR POLICY

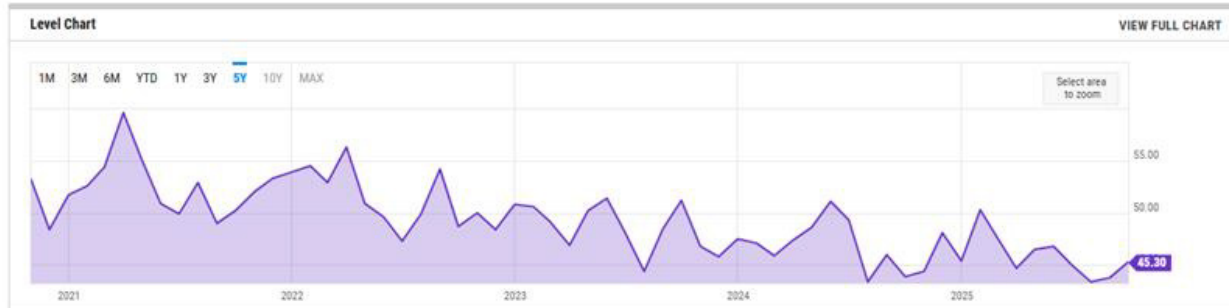
The combination of sustained job losses and easing wage growth points to reduced labor market pressures. For the Federal Reserve, the weaker data may strengthen the case for continuing its path of monetary easing later this year, as policymakers balance inflation concerns with signs of slowing economic momentum.

TARIFFS DEEPEN US FACTORY RECESSION

US ISM Manufacturing Employment Index (I:ISMMEI)

45.30 for Sep 2025

Overview Interactive Chart



US manufacturing remained in contraction in September, with output pressured by trade tensions and higher tariffs. Rising costs have weakened competitiveness at home and abroad, and the downturn shows little sign of improvement, raising concerns about broader growth.

TARIFFS ADD TO COST PRESSURES

Originally meant to protect domestic producers, tariffs have mostly raised input costs. More expensive parts, raw materials, and equipment have reduced margins, leaving US manufacturers struggling in global markets. Analysts caution that higher costs and weak demand could trap the sector in a deeper recession.

FINANCIAL STRAINS AMPLIFY SLOWDOWN

Tighter financial conditions have compounded the slowdown. Elevated borrowing costs hinder investment, expansion, and hiring. Employment has already softened, undercutting earlier claims that tariffs would revive factory jobs.

POLITICAL PROMISES VS. REALITY

The political narrative around manufacturing has been central to both the Biden and Trump administrations. Each has pledged to support the sector through protective trade policies and subsidies. However, the reality has fallen short:

- **Tariffs have increased costs for U.S. producers.**
- **Demand remains sluggish across several key industries.**
- **Job growth in manufacturing has stalled.**

Despite rhetoric about "bringing back jobs," the latest data suggests that tariffs have had the opposite effect, pushing factories further into contraction.

STAGNATION WITHOUT POLICY SHIFT

Without tariff relief or new industrial support, the sector risks prolonged weakness. Global competition is intensifying, and domestic costs remain high, leaving US factories caught between external headwinds and policies that add more strain than relief.

Market Roundup

GOLD RALLY

Goldman Sachs reiterated its bullish stance on gold, calling it the bank's strongest long trade. Prices climbed to \$3,865/oz, up 14% since late August and 47% year-to-date. Analysts cite three main drivers: surging ETF inflows, renewed central bank buying, and modest speculative demand. The bank keeps its forecast at \$4,000/oz by mid-2026 and \$4,300/oz by end-2026, noting risks remain tilted upward.



US AUTO SALES

US auto sales jumped 6% in Q3 to 4.14M units, overcoming tariff concerns and policy uncertainty. Major manufacturers posted strong gains: GM (+7.7%), Ford (+8.2%), Toyota (+15.9%), Hyundai (+13.3%), and Kia (+11.1%). Demand was fueled by the expiration of the \$7,500 EV tax credit and recent Fed rate cuts. Still, the average new car price rose to \$45,795, underlining persistent cost pressures.



IMF OUTLOOK

The IMF cautioned about slowing global growth and described inflation as a "mixed picture," noting strong price pressures in the UK, Australia, and India, while Asia remains relatively subdued.



GOLDMAN SACHS ON GOLD

Goldman Sachs identified gold as the "strongest long position," setting targets of \$4,000 per ounce by mid-2026 and \$4,300 by year-end 2026.



Market Roundup

EUROZONE INFLATION

Eurozone inflation ticked up to 2.2% YoY in September, just above the ECB's target. Core inflation held steady at 2.3%, the lowest since January 2022. Services (+3.2%) and food, alcohol, and tobacco (+3.0%) were the main drivers, while energy (-0.4%) remained the only drag on prices.



EUROPEAN SECURITY

At the EU defense summit in Copenhagen, President Macron warned that repeated Russian airspace violations could trigger retaliation. He called for deeper EU defense cooperation, joint borrowing to fund Ukraine, and greater investment in anti-drone systems, ballistic defense, and early-warning technology. Macron highlighted Russia's reliance on "ghost fleets" for 40% of its war budget and urged for stricter sanctions.



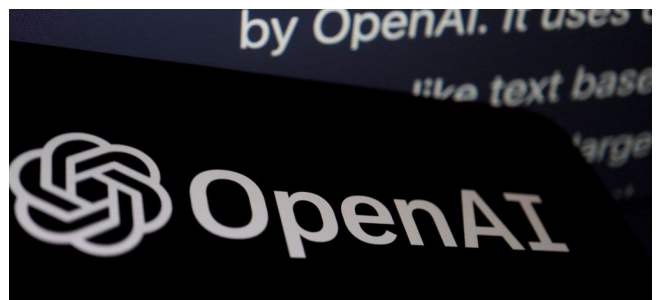
US-CHINA TRADE TALKS

US Treasury Secretary Bessent stated that upcoming trade discussions with China will require a "major breakthrough" as the current truce is set to expire on November 10.



OPENAI VALUATION

OpenAI reached a \$500B valuation after a \$6.6B secondary share sale to investors including Thrive Capital, SoftBank, and Abu Dhabi's MGX.



The Week Ahead

The U.S. government shutdown remains in focus as lawmakers struggle to reach a funding deal, delaying key data such as trade, jobless claims, and the budget statement. The FOMC minutes and Michigan Consumer Sentiment report are due, while the ECB will publish its meeting account and the RBNZ sets policy. Major data releases include Eurozone retail sales, Germany and Italy's industrial output, and inflation figures from Brazil, Mexico, Russia, and ASEAN economies.

AMERICAS

Markets will monitor the shutdown's impact on data flow and economic sentiment. The U.S. will release consumer confidence, FOMC minutes, and Fed speeches. Canada reports jobs, PMI, and trade data, while Brazil and Mexico publish inflation and confidence readings.

EUROPE

The ECB's meeting minutes will be closely watched after it paused rate changes. Germany's industrial output may fall, while Eurozone retail sales show a modest recovery. Other key reports include France's trade data, Italy's output, and Switzerland's jobless rate.

ASIA-PACIFIC

China's markets reopen midweek after holidays. Japan reports household spending, current account, wages, and producer prices. The LDP leadership vote will shape Japan's political outlook. India releases final PMIs, while Australia reports consumer and business confidence. The RBNZ is expected to cut rates by 25 bps, and several ASEAN countries will release inflation and trade data.





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