ZITAPLUS
WEEKLY BULLETIN

13 — 17 OCT 2025
NO: 12

GOLD'S TURNING POINT

ZITA PLUS

ECONOMIC CALENDAR • TECHNICAL ANALYSIS
EQUITIES' CATCH-UP EFFECT • GOLD FALLS BELOW $4,000
FED OFFICIALS SPLIT • MARKET ROUNDUP • AND MORE...

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TIME	CUR.	EVENT	FORECAST	PREVIOUS
MONDAY, OCTOBER 13				
ALL DAY		Holiday - Thanksgiving Day		
ALL DAY		Holiday - National Sports Day		
TUESDAY, OCTOBER 14				
10:00		German CPI (MoM) (Sep)	0.2%	0.2%
19:30		Fed Chair Powell Speaks	-	-
WEDNESDAY, OCTOBER 15				
16:30		Core CPI (MoM) (Sep)	0.3%	0.3%
16:30		CPI (YoY) (Sep)	-	2.9%
16:30		CPI (MoM) (Sep)	0.3%	0.4%
THURSDAY, OCTOBER 16				
10:00		GDP (MoM) (Aug)	0.1%	0.0%
16:30		Core Retail Sales (MoM) (Sep)	0.3%	0.7%
16:30		Initial Jobless Claims	223K	218K
16:30		Philadelphia Fed Manufacturing Index (Oct)	9.1	23.2
16:30		PPI (MoM) (Sep)	0.3%	-0.1%
16:30		Retail Sales (MoM) (Sep)	0.4%	0.6%
FRIDAY, OCTOBER 17				
13:00		CPI (YoY) (Sep)	2.2%	2.2%
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%

GMT+4 DUBAI TIME

GOLD'S TURNING POINT AND EFFECTS IN MARKETS

Gold has regained prominence as investors seek stability amid shifting monetary policies and growing economic uncertainty. Over the past year, it has outperformed major asset classes and reaffirmed its role as a reliable store of value during times of inflation and geopolitical tension. With central banks reassessing their policy direction and inflationary pressures reemerging, gold's rise reflects a deeper erosion of confidence in fiat currencies rather than speculative demand.

CENTRAL BANKS DRIVE DEMAND

The rally in gold prices is largely supported by strong institutional and central bank demand. Emerging market central banks continue to purchase gold at record levels as they diversify away from the U.S. dollar. This trend marks a global shift toward reserve assets less influenced by political or currency risks.

Rising geopolitical conflicts and widening fiscal deficits have further encouraged investors to seek safety in gold, especially as real bond yields remain low. As a result, gold has strengthened its position as a long-term hedge against uncertainty.

INSTITUTIONAL FRAGILITY AND POLICY DOUBTS

Periods of institutional weakness often coincide with strong gold performance. Recent debates over the Federal Reserve's independence have added to investor caution, with concerns that political influence could affect monetary policy decisions.

LONG-TERM FUNDAMENTALS STAY SOLID

Although some analysts warn that gold's rally may appear stretched, its foundation remains strong. Consistent central bank buying and institutional investment have created sustainable demand that differentiates this rally from short-term speculative moves.

With real interest rates close to zero and global debt levels at record highs, the opportunity cost of holding gold is low. The metal continues to be seen as both an inflation hedge and a credible alternative to traditional monetary assets.

EURUSD

EURO STEADY AMID POLITICAL CALM IN FRANCE

The euro held firm as improved political clarity in France offered modest relief to markets following Prime Minister Lecornu's cabinet announcement. However, uncertainties surrounding upcoming budget negotiations continue to limit the currency's upward momentum.

Technical Outlook:

- **Immediate Resistance:** 1.1650
- **Next Resistance Zone:** 1.1690–1.1700
- **Support Range:** 1.1545–1.1460

The euro's bias remains neutral to positive while above support, though sustained gains may depend on fiscal progress in France.

XAUUSD

GOLD EXTENDS RECORD-BREAKING RALLY

Gold began the week on a strong note, climbing above $4,093 per ounce to reach a new all-time high. Renewed tensions between the United States and China, along with continued global uncertainty, have fueled demand for safe-haven assets. Although Trump's softer weekend comments briefly calmed markets, investors still anticipate two Federal Reserve rate cuts before year-end.

Technical Outlook:

- **Bias:** Bullish while above $3,910
- **Resistance:** $4,110, then $4,200–$4,250
- **Support:** $4,000–$3,945

As long as gold remains above the $3,910 pivot, momentum favors a continued move higher toward the $4,200 area.

BRENT OIL

BRENT OIL STABILIZES AFTER TRADE HOPES EMERGE

Brent crude prices inched higher after Trump signaled willingness to pursue a trade agreement with China, easing some of the pressure from Friday's 4% drop. Despite the rebound, technical signals remain weak, with Brent still trading within a defined range.

For the week ending October 7, hedge funds cut their net long positions by 30% to a five-month low, reflecting declining confidence in further price gains amid rising OPEC+ output.

Key Support Levels: $60, then $58

BTCUSD

BTC PAUSES AFTER TOPPING $125K

Bitcoin and major cryptocurrencies started the week with moderate gains after Friday's sharp selloff triggered by Trump's renewed tariff threat on China.

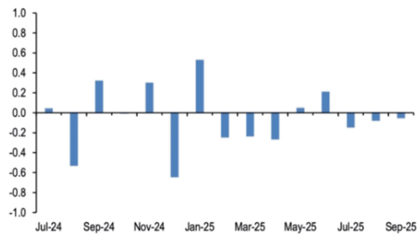
Bitcoin (BTC) rose 2.9% over the past 24 hours, trading near $115,000 on Monday morning, recovering slightly from last week's record high of $126,200 as traders cautiously returned following heavy liquidations.

Market sentiment remains fragile, with investors balancing safe-haven demand, Fed rate cut expectations, and ongoing US-China trade tensions.

TRADING SHORT, PLAYING CATCH-UP

Figure 2: Equity beta of monthly reporting Macro hedge funds

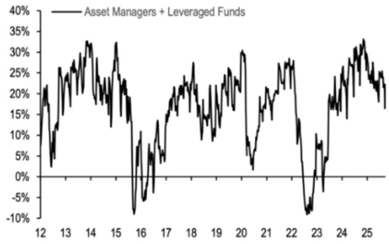
Proxied by the ratio of the monthly performance of Pivotal Path Macro hedge fund index divided by the monthly performance of MSCI AC World Index.



Source: Pivotal Path, Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Figure 3: Positions in US equity futures by Asset Managers and Leveraged Funds

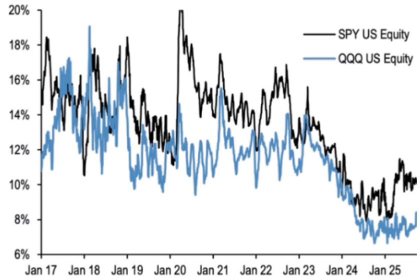
Net longs as a % of open interest.



Source: CFTC, Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

Figure 4: Short interest on the SPY and QQQ US ETF

Short Interest as a % share of shares outstanding. Last obs is for 3rd October 2025



Source: S3, J.P. Morgan Flows & Liquidity.

Equity markets have entered a phase where rallies seem to be fueled more by cautious investors scrambling to adjust positions than by genuine optimism. According to JPMorgan strategist Nikolaos Panigirtzoglou, many discretionary investors remain underexposed, reluctant to join the early stages of the upswing and later compelled to chase prices higher. This trend reflects a structural shift in modern markets, where algorithmic and volatility-driven strategies often act faster than traditional investment decision-making.

SYSTEMATIC FUNDS TAKE THE LEAD

Systematic investors, including commodity trading advisors (CTAs) and volatility-scaled funds, were among the first to increase equity exposure as volatility eased. These funds, guided by models that respond automatically to changes in momentum, began adding risk early in the rally.

By contrast, human-driven strategies lagged behind:

- **Retail inflows showed mild enthusiasm.**
- **Macro hedge funds stayed defensive, maintaining a negative beta to equities through September, according to JPMorgan data.**

This divergence highlights how machine-led strategies can set the tone for markets long before human investors react.

POSITIONING AND MARKET DYNAMICS

Despite strong headline performance, speculative positioning in U.S. equity futures remains near historical averages, suggesting room for further buying if sentiment strengthens. Short interest in major exchange-traded funds such as the S&P 500 (SPY) and Nasdaq 100 (QQQ) has declined but remains notable, showing that skepticism still lingers among professional traders.

THE “CATCH-UP” EFFECT

Panigirtzoglou describes the current pattern as “catch-up trading,” where investors who missed the initial rally begin buying to avoid falling behind benchmarks. This behavior can create a reinforcing cycle: as prices rise, more investors feel compelled to join, driving markets even higher.

As liquidity conditions improve and volatility stays muted, more participants may increase risk exposure. The current rally appears driven less by confidence in economic fundamentals and more by fear of missing out. In today’s markets, momentum and positioning may matter as much as conviction.

GOLD FALLS BELOW $4,000 AS SILVER PULLS BACK FROM 40-YEAR HIGH

Gold slipped below the closely watched $4,000 an ounce mark on Thursday, ending a week-long rally that had pushed the metal to record highs. The pullback came as investors locked in profits and as weakness in US equities triggered a broader wave of selling across assets.

The metal's sharp retreat followed a torrid four-day climb, with momentum indicators showing overbought conditions throughout much of the past month. The pullback was seen as a natural consolidation after an extended rally marked by stretched technicals and signs of investor fatigue. Spot gold fell 1.6% to $3,976, while platinum and palladium also edged lower.

SILVER'S FOUR-DECADE HIGH MEETS RESISTANCE

Silver, which has been the standout performer among precious metals this year, also pulled back after reaching $51.24 earlier in the day, its highest level since 1980. The metal's explosive run has lifted prices by more than 70% in 2025, far outpacing gold's gains.

By late trading, silver was up 0.8% at $49.29 an ounce, reflecting volatility typical of the metal's market. Analysts noted that while silver often moves in tandem with gold, its smaller market size and speculative demand amplify swings both ways.

EQUITY WEAKNESS ADDS TO PRESSURE

Gold's selloff coincided with a dip in US equity markets, highlighting a familiar dynamic: during broad market declines, investors sometimes liquidate gold positions to cover losses elsewhere. Despite its reputation as a safe-haven asset, gold can fall alongside stocks when liquidity concerns dominate trading behavior.

The latest slide came after growing fears of fiscal instability in the US, overheating equity valuations, and political tension surrounding the Federal Reserve's independence, factors that had previously fueled safe-haven demand.

FED OFFICIALS SPLIT ON PATH TO RATE CUTS

Source: U.S. Bureau of Economic Analysis

The minutes from the Federal Reserve's September meeting revealed a clear divide among officials over whether the economy is ready for interest rate cuts. While several members acknowledged that inflation has eased considerably from its 2022 peak, others warned that it remains too soon to declare victory.

The debate centers on uneven consumer behavior: wealthier households continue to spend and borrow freely, keeping demand high and inflation sticky. Policymakers fear that easing rates prematurely could reignite price pressures, especially as parts of the economy remain robust.

LABOR MARKET: COOLING, BUT NOT COLD

One of the meeting's focal points was the labor market. Officials noted that hiring and wage growth are slowing, but not to the extent that would justify an immediate policy pivot. Some participants flagged "downside risks" to future job gains, while others emphasized that employment remains strong by historical standards.

The Fed's challenge, they said, lies in supporting a gradual slowdown without triggering a sharp downturn to protect growth and maintain credibility in the fight against inflation.

LOOSE FINANCIAL CONDITIONS ADD COMPLEXITY

Another concern raised in the minutes was that financial conditions remain historically loose despite the Fed's aggressive tightening over the past two years. Credit markets are still flush with liquidity, and asset valuations remain elevated.

Several members argued that these conditions weaken the case for rate cuts, as easy access to capital continues to fuel speculative risk-taking. Others countered that holding rates too high for too long could stifle business investment and consumer spending, dampening momentum heading into 2026.

MARKET REACTION: MILDLY HAWKISH INTERPRETATION

Markets interpreted the minutes as leaning slightly hawkish. Traders scaled back expectations for early 2026 rate cuts, betting instead on a slower, more data-driven approach. The Fed’s overall tone suggests it wants stronger proof of cooling inflation and softer demand before committing to any major policy shifts.

Still, the statement leaves room for flexibility. Officials reaffirmed a “data-dependent” stance, signaling readiness to adjust if inflation falls faster than expected, or if growth shows clearer signs of strain.

Market Roundup

GOVERNMENT SHUTDOWN IMPACT

Treasury Secretary Scott Bessent announced that the release of the 2025 fiscal budget report will be delayed due to the ongoing federal government shutdown. Preliminary estimates from the Congressional Budget Office (CBO) suggest the deficit-to-GDP ratio may ease from 6.5% to 5.9%. However, the deficit remains close to $2 trillion, underscoring continued fiscal strain.

ECB MINUTES SIGNAL CAUTION

Minutes from the European Central Bank's September meeting revealed a cautious stance on further rate cuts. Policymakers cited ongoing uncertainties and external pressures, keeping policy rates unchanged since July. Inflation in the Eurozone edged up to 2.2%, sustaining pressure on the Bank as growth stays fragile amid high imports and a strong euro.

NEW SANCTIONS ON IRAN

The US Treasury and State Departments introduced extensive new sanctions targeting Iran's oil and liquefied petroleum gas (LPG) exports. Ninety entities, vessels, and companies were added to the blacklist in an effort to curb Tehran's energy revenues and restrict funding to militant groups.

RALLY FACES VALUATION RISKS

Goldman Sachs compared the current market rally to previous speculative episodes but noted that strong corporate fundamentals still underpin sentiment. Even so, analysts warn that high valuations and heavy concentration in a few sectors pose growing risks to market stability.

Market Roundup

ISRAEL-HAMAS CEASEFIRE APPROVED

Israel's government has formally approved a ceasefire agreement with Hamas, ending two years of hostilities. Fighting is expected to halt within 24 hours, with Israeli hostages to be released within 72 hours. The deal includes prisoner exchanges and a gradual troop withdrawal from Gaza. While some domestic opposition remains, the agreement marks a significant step toward regional stability.

RARE EARTH EXPORT CONTROLS TIGHTENED

China announced sweeping new restrictions on the export of rare earth elements and related technologies, effective December 1. Exporters will now require licenses from Beijing to ship raw materials or products derived from Chinese processes. The timing, ahead of a potential Trump-Xi meeting at the APEC summit, suggests a strategic move to reinforce leverage in global supply chains.

IMF WARNS ON DEBT LEVELS

IMF Managing Director Kristalina Georgieva said global economic uncertainty has become the "new normal," urging governments to maintain fiscal discipline and accelerate structural reforms. The Fund projects that worldwide public debt could exceed 100% of GDP by 2029 if fiscal consolidation efforts stall.

The Week Ahead

Markets will focus on the start of U.S. earnings season, with major banks including JPMorgan, Goldman Sachs, and Citigroup reporting. The prolonged U.S. government shutdown will likely delay key data such as CPI, while industrial production, housing indicators, and Fed surveys remain in focus. In China, trade, inflation, and banking data will be key. Europe will track industrial output, inflation, and sentiment data, while Japan's political outlook and the IMF's World Economic Outlook will draw attention.

AMERICAS

The U.S. earnings season begins with major banks and corporates like BlackRock and Johnson & Johnson reporting. The government shutdown continues to delay key releases, including CPI and retail sales. Traders will follow industrial production, Fed surveys, and Powell's remarks at the NABE Meeting. U.S. bond markets close for Columbus Day, while stocks remain open.

EUROPE

Eurozone industrial production is expected to contract again, confirming weakness in manufacturing. Germany's ZEW sentiment is seen rising modestly, while inflation data for the bloc will finalize October readings. In the UK, unemployment and earnings are expected to hold steady, with GDP seen growing 0.2% month-on-month. Additional releases include Eurozone trade balance and UK retail sales.

ASIA-PACIFIC

China's post-holiday data will test economic resilience, with exports and imports expected to rise while CPI and PPI remain soft. Japan faces a holiday-shortened week, focusing on machinery orders and political changes as the Komeito Party exits the coalition. India's inflation is projected to slow, while Australia's jobs report and RBA minutes will guide expectations. Singapore and Malaysia will release Q3 GDP and trade data.

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