



October 15, 2025

Morning Briefing

Gold Is The New Bitcoin

Check out the accompanying [chart collection](#).

Executive Summary: The surging gold price has already exceeded our year-end target of \$4,000 per ounce. Risk-off investors may be concluding that gold offers greater protection from geopolitical risks than bitcoin, which is more like a risk-on speculative vehicle and has been weak recently. Bitcoin has been described as “digital gold,” but we see gold as “physical bitcoin.” We now think the gold price could reach \$5,000 an ounce by year-end 2026 and possibly \$10,000 by the decade’s end if not before. ... Also: While the government shutdown has shut off many of the usual economic data spigots, we can tell from other sources that the economy remains resilient.

Weekly Webcast. If you missed Monday’s live webcast, you can view a replay [here](#).

Strategy: Mining for Gold. Investors are mining for gold and rare earth minerals. The SPDR Gold Shares ETF (GLD) and the VanEck Rare Earth & Strategic Metals ETF (REMX) are up 57.3% and 104.4% ytd ([Fig. 1](#)). The trading volumes of both have increased sharply in recent weeks ([Fig. 2](#) and [Fig. 3](#)). Both have been benefiting from rising geopolitical tensions between the US and both Russia and China.

On October 21, 2024, we wrote: “Gold is traditionally viewed as a hedge against inflation, yet it has rallied to new highs as inflation has moderated. Perhaps gold is now a hedge against US economic sanctions. After Russia invaded Ukraine in February 2022, Russia’s foreign exchange reserves held by the US and its allies were frozen. Since then, some officials and commentators have proposed seizing those assets, which amount to nearly \$300 billion, and using the proceeds to defend and rebuild Ukraine. Not surprisingly, China and other countries have been increasing their allocations of gold in their countries’ international reserves.”

The price of gold had risen to \$2,721 per ounce at the time we wrote that. Now it’s up over \$4,150 as of Tuesday. On January 30, 2025, we predicted that it would rise to \$3,000. On March 3, 2025, we first provided specific year-end targets for 2025 and 2026: “Meanwhile, the price appreciation of gold has been remarkably steady since late 2023. The recent

pullback has been very moderate so far. We are targeting (not promising) a gold price of \$4,000 per ounce by the end of this year and \$5,000 by the end of 2026” ([Fig. 4](#)).

We continue to believe that the price also has been driven up by President Donald Trump’s attempts to reorder the world’s geopolitical order using America’s relationships with its major trading partners as a lever. As unsettling as that is to financial markets generally, it might be bullish for one major asset, gold. Similarly, Trump’s attempt to order the Fed to lower interest rates would compromise its independence and likewise be bullish for gold. In addition, the bursting of China’s housing bubble has had a significant adverse wealth effect on Chinese savers, who’ve flocked to gold as an alternative safe asset. Furthermore, the rising standard of living in India has increased wealth, thereby boosting demand for gold, which is widely regarded as a valuable asset.

Additionally, the recent weakness in cryptocurrency prices, particularly for bitcoin, in response to another dose of Trump Tariff Turmoil, may have contributed to the price increase of gold ([Fig. 5](#)). Bitcoin was among the risk assets that sold off last Friday when President Trump escalated the US–China trade war by announcing an additional 100% tariff on US imports from China and new export controls on critical software.

The crypto derivatives ecosystem exacerbated bitcoin’s recent fall. During the abrupt drop, liquidity dried up, with over \$19 billion in liquidations across crypto futures and leveraged positions. Some platforms triggered auto-deleveraging to manage risk, forcing even winning or hedged positions into closure to protect broader exchange balance sheets. As prices fell rapidly, market-makers and large players withdrew or scaled back their activity, widening spreads and making it harder for buyers to absorb all the sell orders.

Bitcoin has been described as “digital gold,” but we would describe gold as “physical bitcoin.” Risk-off investors may increasingly be concluding that gold is a better protection for geopolitical risks than is bitcoin. The former has been around since the beginning of history and widely viewed as a hedge against risk, while the latter has a short history and has behaved mostly as a risk-on speculative vehicle.

The price of an ounce of gold is already above our \$4,000 target for the end of 2025. We are now aiming for \$5,000 in 2026. If it continues its current path, it could reach \$10,000 by the end of the decade or sooner.

Investors seeking protection from mounting geopolitical risks have been heading for the hills to mine for gold as well as for silver ([Fig. 6](#)).

US Economy: Slim Pickin's. It isn't easy being an economist when the government shutdown shuts off the flow of economic data. Nevertheless, the Fed is still open for business and issuing economic releases. So are several private-sector sources of economic indicators.

On balance, the data we do have suggest that the economy is continuing to grow, the labor market is lackluster, consumers are consuming, and inflation may be stuck around 3.0% y/y. That should give pause to the members of the Federal Open Market Committee when they meet again to decide whether to lower the federal funds rate again on October 29. The available data suggest that the economy remains resilient and continues to pass the latest stress tests, including the government shutdown, federal government layoffs, and the ongoing Trump Tariff Turmoil.

Let's glean what we can from the available slim pickings:

(1) *Inflation.* On the inflation front, despite the shutdown, the Bureau of Economic Analysis is working on September's Consumer Price Index (CPI), which will be released on Wednesday. The Bureau of Labor Statistics reportedly is doing the same for Thursday's release of the Producer Price Index for last month. According to the Cleveland Fed's Inflation [Nowcasting](#) tracking model, the headline and core CPI inflation rates remained stuck at 3.00% y/y last month, with the former at 2.99% and the latter at 2.96% ([Fig. 7](#)).

Inflation would have been down to 2.0% by now were it not for Trump's tariffs, which have boosted the CPI durable goods inflation rate from -4.2% y/y a year ago to 1.9% in August ([Fig. 8](#)). Meanwhile, the CPI services inflation rate has been stuck around 4.0% for the past several months, even though rent inflation has been declining.

The National Federation of Independent Business's (NFIB) release yesterday of September's survey of small business owners showed that the percentage of them planning to raise their average selling prices rose slightly to 31%, which remains relatively high compared to its average over time of 24% ([Fig. 9](#)).

The good news is that inflation is down to the third most important issue for small business owners (12%). The first and second issues are quality of labor (20%) and taxes (17%) ([Fig. 10](#)).

(2) *Economic activity.* We continue to monitor the weekly S&P 500 forward earnings per share as a coincident indicator of economic activity ([Fig. 11](#)). This series is highly correlated

with the Index of Coincident Economic Indicators, and it rose to a new record high during the October 9 week.

In the NFIB survey for September, the outlook for general business conditions dipped to 23.0% but remained well above its average over time of 3.0% ([Fig. 12](#)). The small business Optimism Index also dipped in September, to 98.8, but that was barely above the 97.9 average over time ([Fig. 13](#)). That might be because the survey's Uncertainty Index remained historically high at 93.0 last month ([Fig. 14](#)).

(3) *Consumer spending.* The weekly Redbook retail sales series rose 5.9% y/y through the October 10 week ([Fig. 15](#)). That's a solid reading for sure. The recent drop in the gasoline nearby futures price suggests that lower pump prices over the rest of the year should boost holiday retail sales ([Fig. 16](#)).

But what about consumer revolving credit, which was down 2.8% in August based on its 12-month moving average ([Fig. 17](#))? That might be a sign of trouble. It might also confirm that higher-income consumers are accounting for more consumer spending and that they pay off their credit card debt sooner than lower-income consumers.

(4) *Labor market.* The labor market remains in a funk. We think it is mostly attributable to a shortage of workers with the skills to match job openings. That's confirmed by the jump to 50% of small business owners saying so in the NFIB's September survey ([Fig. 18](#)). We expect that this shortage will stimulate the usage of technological innovations to augment the productivity of the labor force. Meanwhile, the NFIB series on job openings remains relatively high, with 32% of small business owners saying they need workers and an uptick to 16% saying they are planning to increase employment.

(5) *Earnings.* As noted above, S&P 500 forward earnings rose to a record high last week, auguring more economic growth. This series has been climbing in record-high territory since late 2023 ([Fig. 19](#)). The forward earnings of the S&P 400 MidCaps just rose to a record high over the past couple of weeks. The S&P 600's forward earnings has been flat since early 2023 and is only now showing some signs of life, but it remains below the record high back then. This improvement is confirmed by the NFIB survey showing that a net -16.0% of small business owners said that earnings have increased over the past three months through September ([Fig. 20](#)). That's actually a significant improvement from -37% during August 2024.

Calendars

US: Wed: Empire State Manufacturing Index -0.5; MBA Mortgage Applications; Fed Beige Book; IMF Meetings; Bostic; Waller; Miran. **Thurs:** Philadelphia Fed Manufacturing Index 9.1; NAHB Housing Market Index 33; IMF Meetings; Barr; Barkin; Waller; Bowman. (Source: FX Street)

Global: Wed: Eurozone Industrial Production -1.8%*m/m*; German Buba Monthly Report; France CPI -1.0%*m/m*, 1.2%*y/y*; Spain CPI -0.4%*m/m*, 2.9%*y/y*; Japan Industrial Production -1.2%; Japan Core Machinery Orders 0.5%*m/m*, 4.8%*y/y*; De Guindos; Buch; Ramsden; Breeden; Tamura. **Thurs:** German Buba Monthly Report; UK GDP 0.1%*m/m*; UK Headline & Manufacturing Industrial Production 0.2%, 0.2%; UK BOE Credit Conditions Survey; Italy CPI -0.2% *m/m*, 1.6%*y/y*; Lagarde; Lane; Mann; Kashkari. (Source: FX Street)

Strategy Indicators

S&P 500 Q3 Earnings Season Monitor ([link](#)): With 31 companies having reported Q3 results through mid-day Tuesday, the Q3-2025 earnings season is about to kick into high gear. Among the 31 companies, Q3 revenues are ahead of the consensus forecast by 1.7%, and earnings have exceeded estimates by 5.6%. The early indications suggest a weaker revenue and earnings surprise in Q3 than in Q2, but that's because company guidance has improved vastly *q/q* compared to Q2, when tariff-related uncertainty clouded the outlook. On a positive note, we expect aggregate *y/y* revenue and earnings growth will be ahead of Q2's positive rate. We also believe more companies will show rising *y/y* revenues and earnings as margins improve. While today's results from the major banks focused on subprime auto loan losses, Financials are knocking it out of the park so far, with double-digit percentage growth on both the top and bottom lines.

US Economic Indicators

NFIB Small Business Optimism Index ([link](#)): The *Small Business Optimism Index* (SBOI) fell for the first time in three months in September, though remains above its 52-year average of 98.0. The SBOI fell 2 points to 98.8 last month—the fifth successive month above its historical average—after climbing from 95.8 in April to a seven-month high of 100.8 by August. Meanwhile, the Uncertainty Index rose 7 points to 100—the fourth highest

reading in over 51 years—with an increase in owners uncertain about the expansion outlook contributing most to the increase in the index. During September, five of the 10 components of the SBOI fell: expect the economy to improve (-11ppts to 23%), current inventory too low (-7 to -7), sales expectations (-4 to 8), expected credit conditions (-3 to -7), now is a good time to expand (-3 to 11); only two posted gains: earnings trends (+3ppts to -16) and plans to increase employment (+1 to 16). Meanwhile, current job openings (32%), plans to make capital outlays (21), and plans to increase inventories (1) were unchanged from August readings. Taxes (18) and quality of labor (18) were the single most important problems for small business owners in September, with inflation (14), cost of labor (11), and poor sales (10) rounding out the top five; the bottom five ranged from 4% to 8%. The net percentage of owners raising selling prices climbed to 24% after easing the prior two months from 29% in June to 21% in September. It was at 32% in February—which was the highest percentage since May 2023—while a net 31% of owners plan price hikes in the next three months, up from 26% in August but below June's 32%. Turning to compensation, a net 31% reported raising compensation in September, up from 29% in August and 27% in July, while a net 19% plan to raise compensation in the next three months, down from 20% in August; it peaked at 28% last November.

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