

The Financial Letter

Review, opinions and markets' perspectives

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Global vision

Regime analysis

Economic agents and financial markets demonstrated resilience despite the fractured global - geopolitical - landscape. The post-Covid regime has given rise to stickier inflation and more volatile growth, exacerbated by highly accommodative reflationary policies. The relentless rise in real interest rates acknowledges, at best, the end to two decades of disinflation; at worst, it signals a confrontation between anxious savers and debt-hungry borrowers.

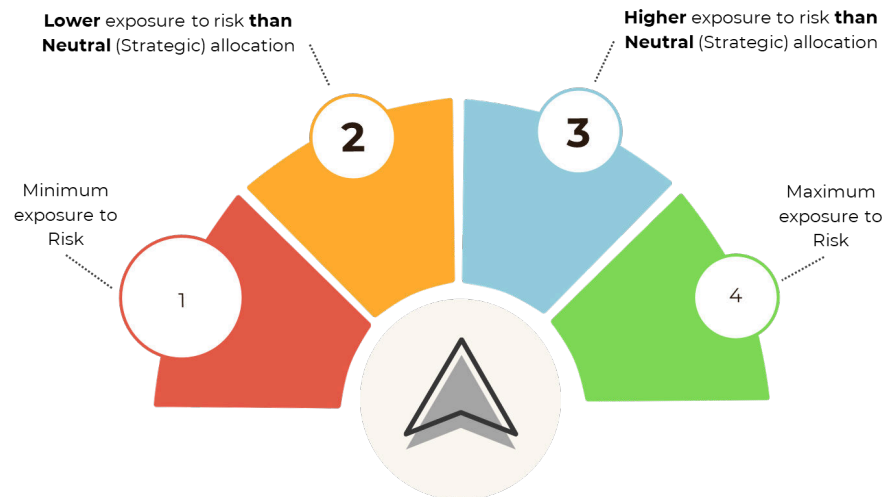
Regime change and disruptions will ultimately break markets.

Not necessarily straight away. But sooner than later.

Investment framework

The persistence of major conflicts and their collateral effects may ultimately result in a more stagflationary landscape from 2027. The unbridled rise in long-term rates (above 5% in the US) and credit spreads in the EU is potentially disruptive. Acceleration of financial engineering in the US confirms that policymakers are entering the twilight zone. A new round of financial repression, with less implication from central banks (than in QE), has just started.

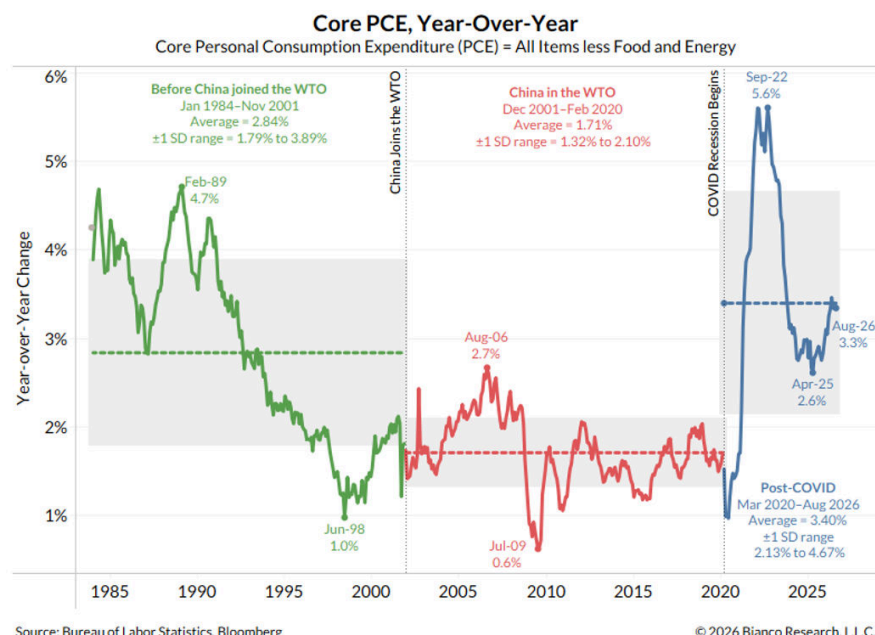
Risk budget
3m investment horizon



- Stay invested according to your strategic allocation, but pay growing attention to asset quality.
- Maintain a significant proportion of uncorrelated /defensive assets, whether real assets or cash.
- Energy exposure in portfolios has and will continue to provide viable hedge

Long-term drivers

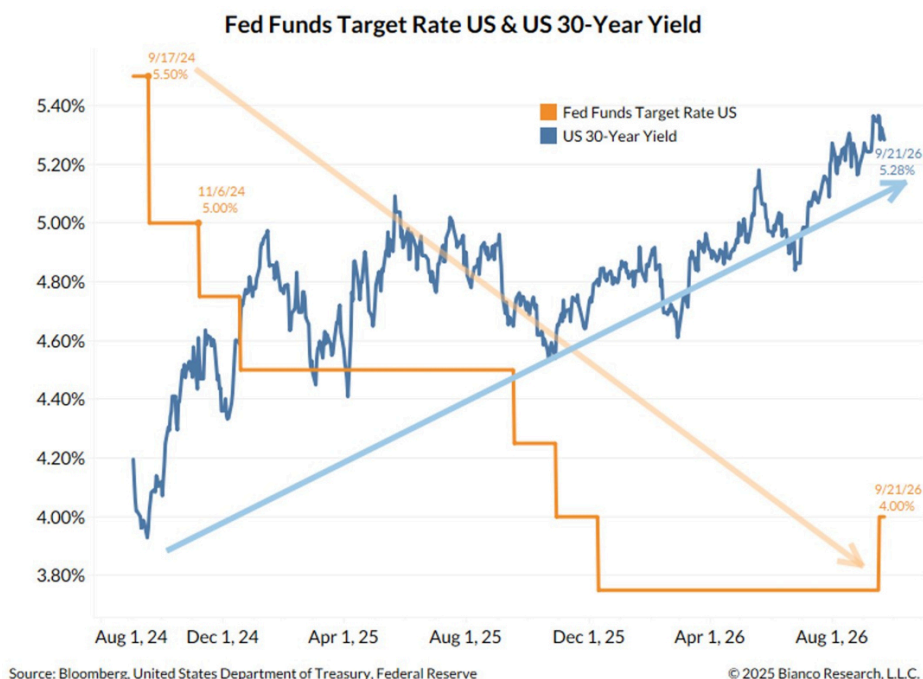
Chart. Macro Trends.
The spectre of secular
inflation is resurfacing



A sustained disinflation regime installed in the first two decades of the 21st century following China's entry into the WTO. Core inflation averaged 1,7%. Now, six years on from the onset of the pandemic, average inflation has doubled to 3,4%. While service inflation remains high, the downward pressure from goods inflation has now stopped (up 1,8% over last 6 years) due to reshoring and higher trade barriers, not to mention the stronger yuan.

- Core PCE averaged 3,4% last 6 years.
- It gives no signs of calming down.

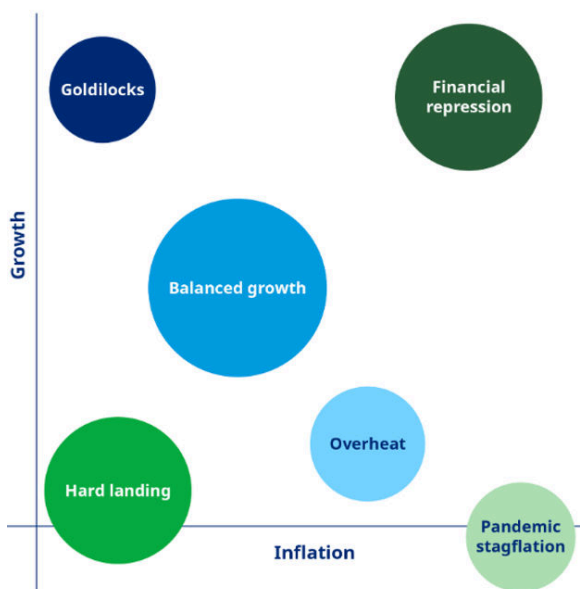
Chart. US long-term yields contradicted cutting cycle



This is the first time in 50+ years that long-term yields rose during a sustained cutting cycle. Treasury Sec. Bessent reassured investors for a few quarters, from late 2024 onward, with his 3-3-3 orthodox plan. However, the bold, contradictory reality has reignited the rise of nominal and real rates.

- G10 Policy-makers, are on the verge of losing control of long sovereign yields.

Chart. Macro Regimes. Unstable, even more so



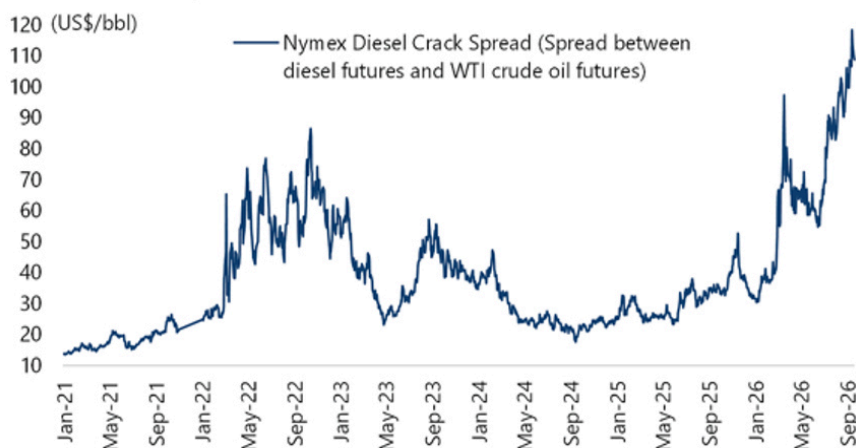
The inflation stickiness and higher interest rates reinforce the need for of a new round of financial repression, to keep funding costs affordable. US private sector leverage will rise due to greater incentives.

- Financial repression 3.0 will increase risks of stagflation / hard landing in 2027.
- Ultimately, perspective of a financial crisis are also on the rise.

It's geopolitics, it's fluid.

Chart. US diesel prices are skyrocketing

Diesel Crack Spread

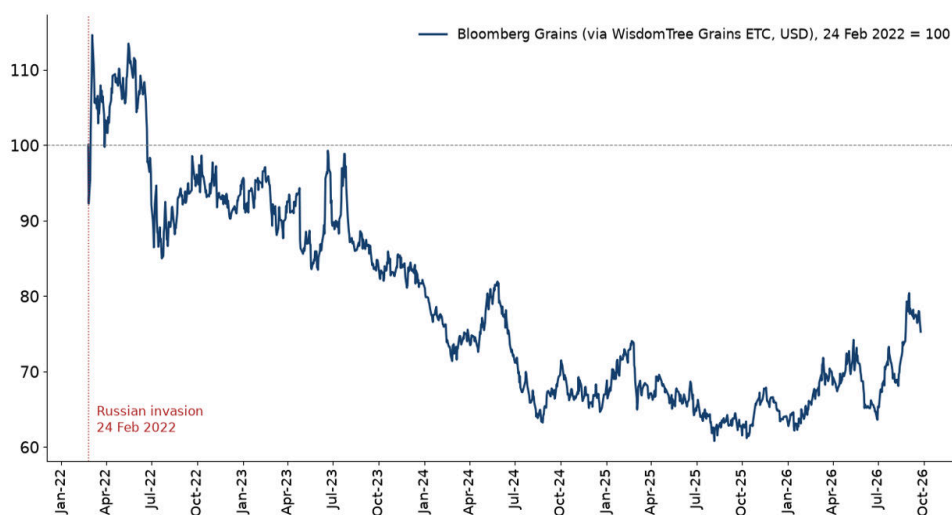


Source: Bloomberg

The blockades imposed by Iran and the Houthis on the Straits establish a de facto control over oil flows from the Middle East.

- U.S. energy autonomy and independence is more of a slogan than a reality.

Bloomberg Grains subindex since the start of the war in Ukraine



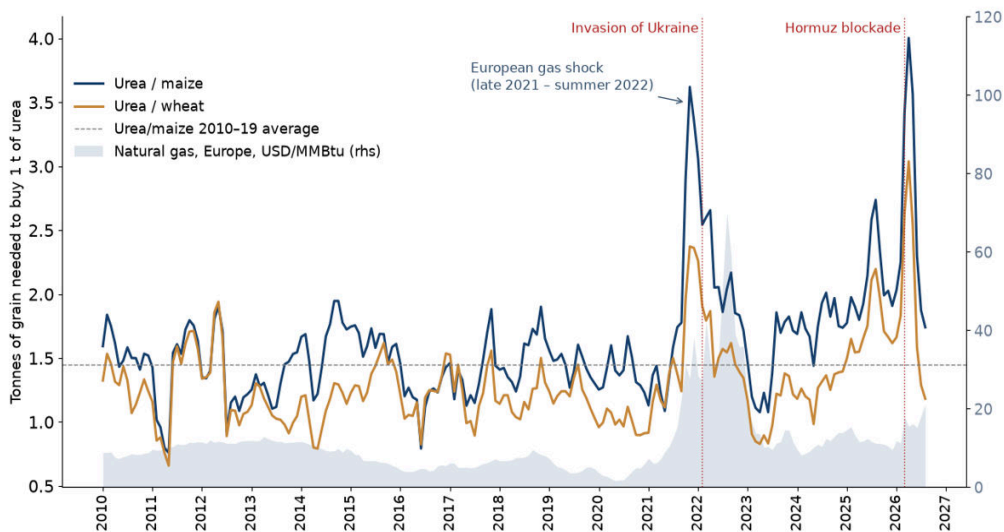
Source: WisdomTree Grains (AIGG, Borsa Italiana) converted to USD, Yahoo Finance. Total return index, rebased to 100.

Chart. Food prices

Russia's attacks on ports in Odesa have serious consequences for Ukrainian exports and will exacerbate the pressure on grain prices caused by El Niño.

- Grains prices have started to rebound from recent lows and will remain high over the next few quarters.
- Goods price inflation is here to stay.

Fertilizer affordability: gas shock, then Hormuz



Source: World Bank (Pink Sheet), urea Middle East, US No.2 maize, US HRW wheat, European natural gas (TTF); monthly averages in USD/t.

Chart. Fertilizers and food inflation in CPIs

There is a four-stage transmission chain. A blocked strait results in higher agricultural costs, which in turn causes a rise in global food commodity prices. Finally, there is consumer food inflation, with a lag of six to twelve months. We cannot rely on falling gas prices to reduce the cost of urea while the Strait remains closed.

Global Liquidity Cycle (Advanced Economies)

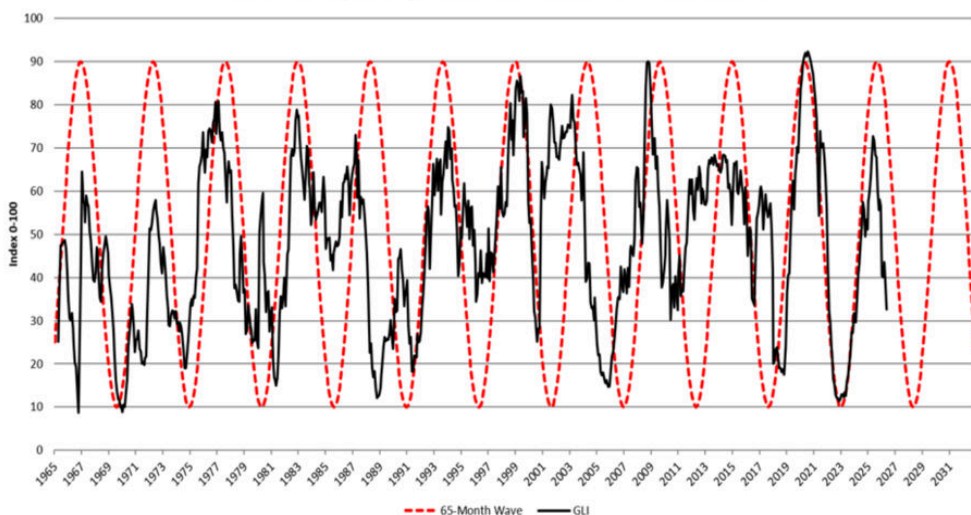
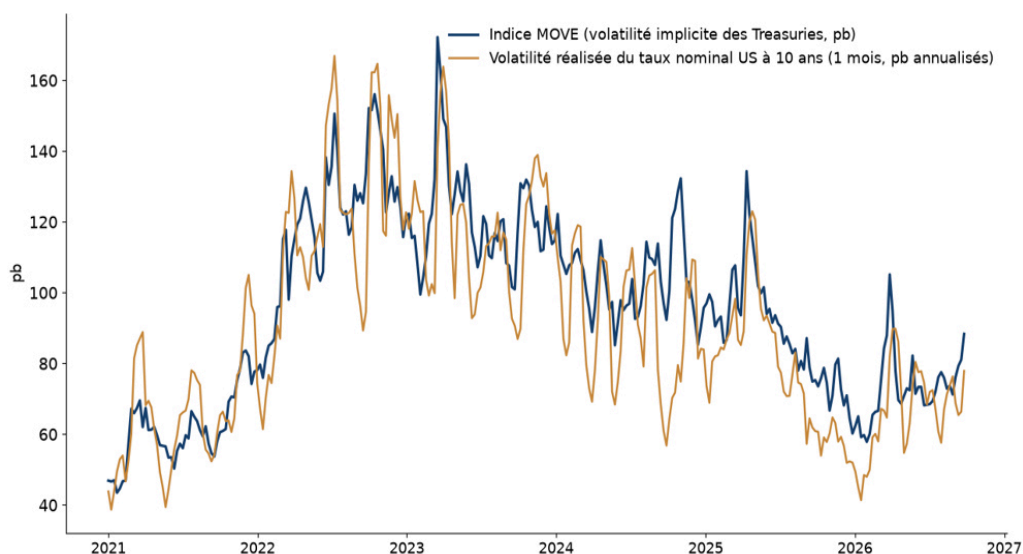


Chart. Liquidity super-cycle (Crossborder). Visible deceleration

Global liquidity cycle is entering more dangerous zone for risky assets. A confluence of higher commodity prices and solid economic activity in the industrial sector is draining it from the financial sphere.

Chart. US T-bonds volatilities are exiting lethargy



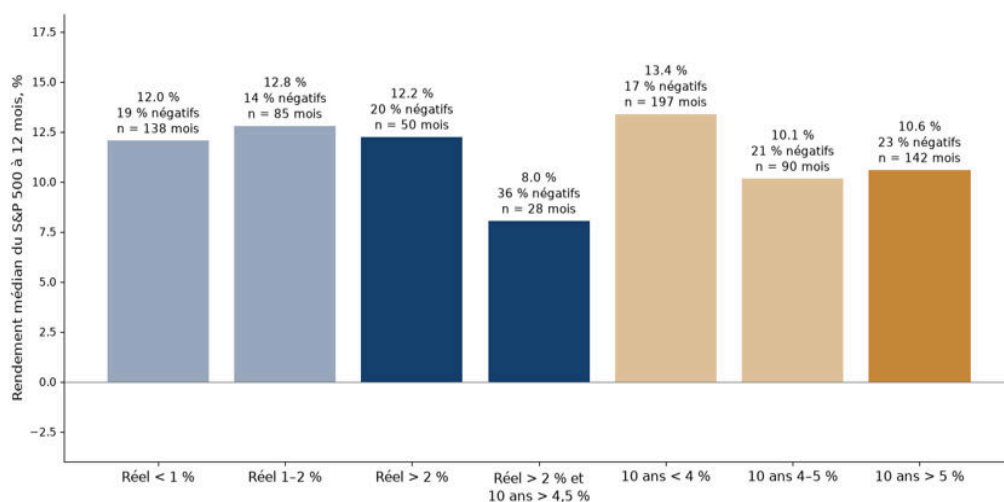
Sources : ICE BofA MOVE via Yahoo Finance ; Trésor US (DGS10) via FRED ; moyennes hebdomadaires. Vol. réalisée : écart-type sur 21 jours, annualisé.

Hyper-active repression of bond markets volatility ended. The new mantra of Fed's Warsh, no more QE, plays a role in that.

As a direct consequence, the collateral value of US Treasuries portfolios – hence propensity to add leverage - diminishes.

- Higher T-Bonds volatility ultimately translates into lower risk appetite

Rendement des actions à 12 mois selon le niveau des taux



Données mensuelles ; taux réel depuis 2003, taux nominal depuis 1990. Hors dividendes. Sources : FRED, Yahoo Finance.

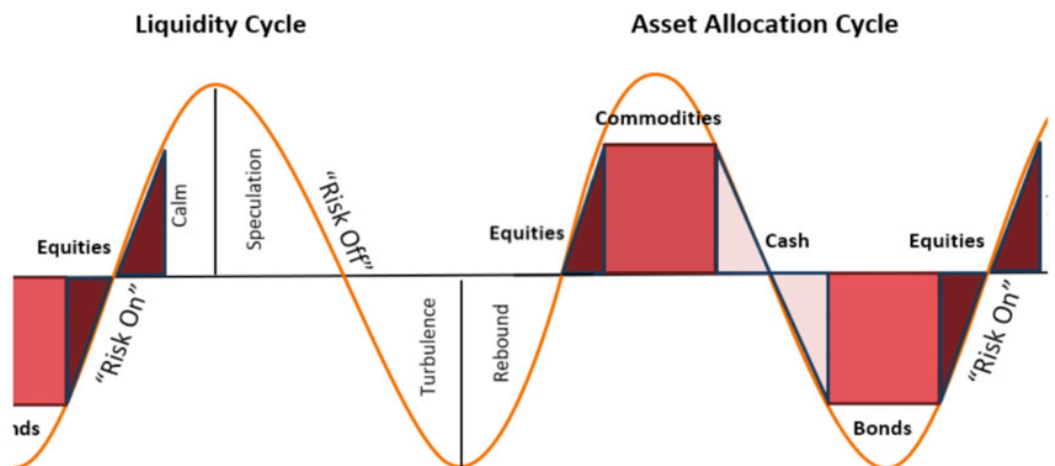
Chart. US T-bonds volatilities are exiting lethargy

Beyond a real interest rate of around 2%, three factors are working against risky assets.

Competition from bonds: a government bond offers returns as high as dividends, but without the risk. The risk premium on shares is narrowing. Valuations: future earnings are worth less. Financing: debt is more expensive

- For the first time since 2007, real rates and 10y nominal thresholds have been breached simultaneously

Chart. The speculative / exuberant phase of financial markets is over



A less liquidity-supportive environment would warrant a gradual reduction in the exposure to momentum and risky assets.

Investors positioning, sentiment

US margin debt: record high as a share of GDP

Chart. Retail Investor leverage remains high



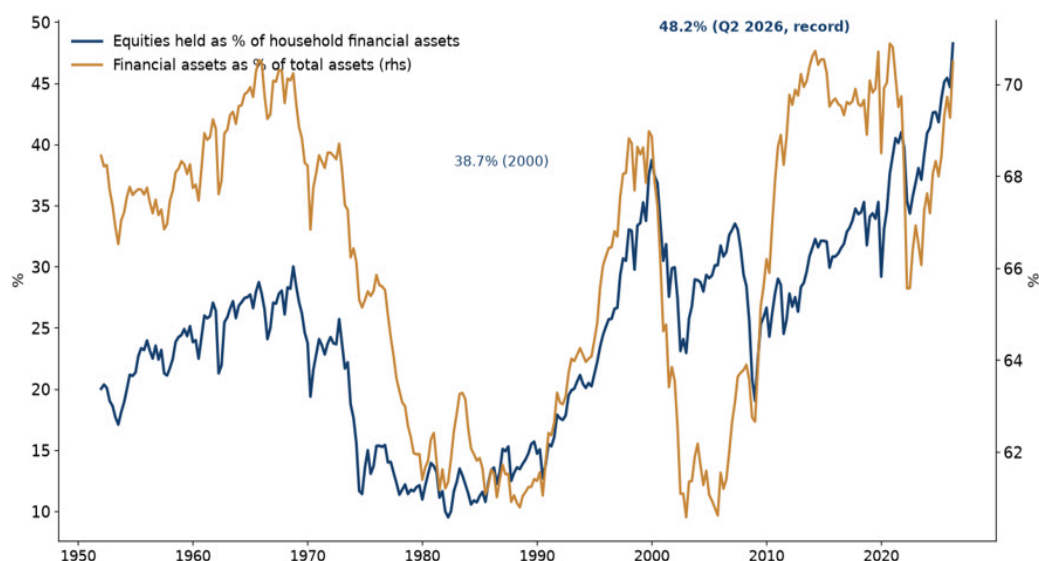
Sources: FINRA (Margin Statistics, debit balances in margin accounts); BEA via FRED (nominal GDP). Monthly, 1997-Aug 2026.

Recent mini shocks, namely on high momentum stocks did not deter fundamental risk taking.

According to the BIS study, assets in leveraged ETFs tracking memory stocks have soared, at times accounting for more than 50 per cent of global inflows in recent months.

Chart. Retail Investor exposure to financial assets too

US households: record exposure to equities

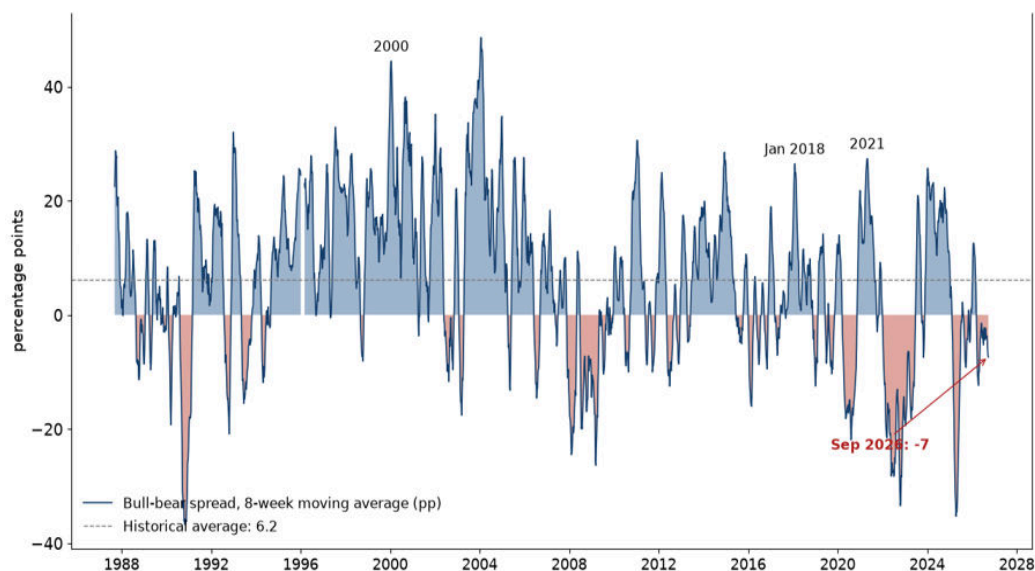


Source: Federal Reserve, Financial Accounts (Z.1), via FRED. Equities held directly and through funds. Quarterly.

Partly due to the rise on Wall Street (which has outpaced that of the property market and bonds), US households are more than ever exposed to equities. A bear market could, via the wealth effect, exacerbate an economic downturn

AAIL survey: individual investors say they are bearish

Chart. Sentiment surveys are more nuanced

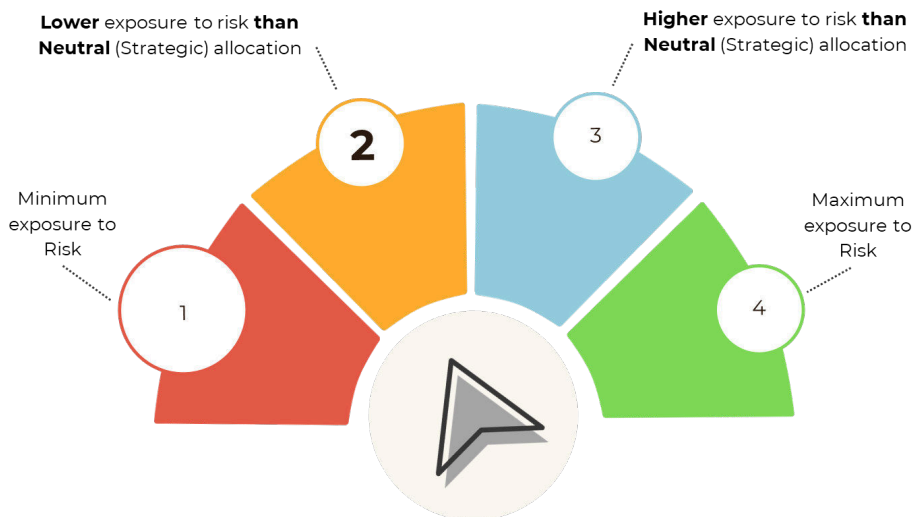


Source: American Association of Individual Investors (weekly survey). 1987-Sep 2026.

Retail investors say they are pessimistic, but their portfolios remain heavily weighted towards shares: around 71 per cent, according to the AAIL asset allocation survey in August.

Currencies

Risk budget
3m investment horizon

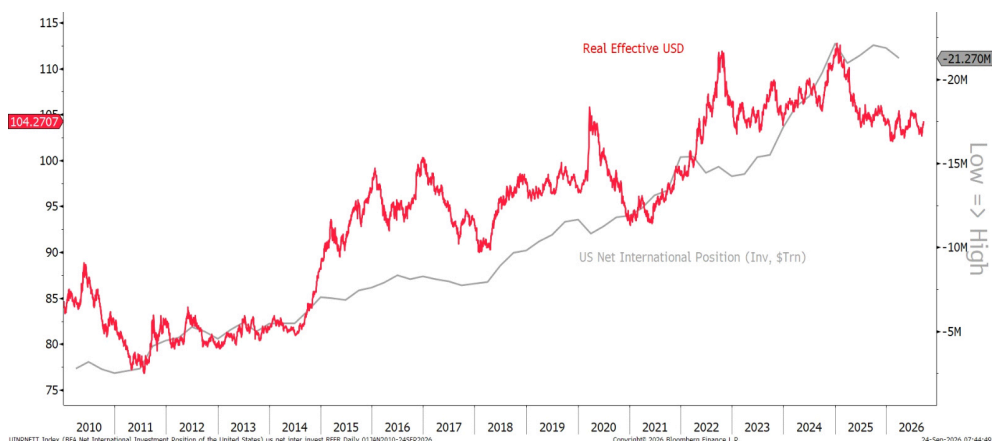


At the 1944 Bretton Woods Conference, Keynes argued for an international clearing union to contain large global balance-of-payments (BoP) imbalances. The IMF Q1 international investment position data reveals the vast scale of those imbalances. By the end of Q1, the difference between US residents' foreign financial assets and liabilities stood at a deficit of \$21.3trn, still close to the \$21.9trn recorded in Q4 2025. The recent imbalances increase reflected developments in the US and China. Depressed Chinese domestic investment following the implosion of its housing market, and US dissaving as consumers continued to spend are the main drivers. We can add an AI investment boom. Exchange rates reflect BoP imbalances rather than cause them. The flow of excess savings from China into the US helped push the USD higher.

The longest USD uptrend grew out of the global financial crisis, the recovery of China and EM economies, and the impact of the European sovereign debt crisis. Now, it faces a significant challenge. The impact of the AI revolution on domestic investment across the world, the costs associated with ageing populations, the partial unwinding of globalisation, and an increase in global mistrust all threaten to limit the global flow of capital.

This is already playing a role in driving real yields higher and, at some point, will begin to reverse the USD long uptrend.

Chart. The more the world invests in the US, the stronger the USD gets. But for how long



It is not only about the JPY

FX drivers can be segregated into the short-term drivers (cyclical/ political), medium term (fiscal and external positions), and long term (valuation considerations and importance into reserve-reserves).

From a Swiss angle, the economy has been resilient. The country's status as a net-oil importer and its export-driven structure left it highly exposed to the new trade order. The real GDP is expected to grow by 1.5% for the next 3 years. Despite a stronger inflation data, the pace remains well below the SNB 0-2% band and peers. The SNB is welcoming it, meaning a less-interventionist approach. It did not really intervene in the FX market in the past 2 years.

Chart. The USD remains fundamentally fragile

	Country	C/A 2027	C/A 2028	Budget 2027	Budget 2028	Debit 2027	Debit 2028	Score
Weak	US	-3.2	-3.2	-6.4	-6.4	129	142	45
	New-Zealand	-3.7	-3.6	-2.5	-1.5	58	55	40
	UK	-3.0	-2.8	-3.2	-2.8	104	103	37
Neutral	Euro Area	1.5	1.7	-3.5	-3.4	88	90	34
	Japan	4.7	4.8	-2.6	-2.6	200	193	31
	Canada	-0.8	-1.0	-2.0	-1.7	109	104	30
	Australia	-3.2	-4.1	-1.2	-1.1	51	49	28
Strong	Sweden	5.1	4.7	-2.0	-1.3	38	37	18
	Switzerland	6.6	7.0	0.3	0.3	33	33	9
	Norway	13.6	12.4	8.3	7.6	39	25	7

Switzerland's helpful structural context adds to the CHF safe-haven status. Switzerland is well positioned. Its debt-to-GDP ratio is on a downward trend to 33% by 2031. The current account would show a healthy surplus of 7% of GDP for the next years. Historically, these factors have been minimal. In a post Liberation world order, where diversification strategies outside the USD have gained traction, structural drivers have become more relevant and that gives extra leeway to CHF.

However, the CHF is also historically expensive. Valuation models are not always reliable predictors and need to be handled with caution, but NEER model suggests the franc is 8.5% overvalued. Using 5- and 10-year averages, the franc also seems too strong. For the US, supporting the JPY is about keeping the USD down against one of its biggest trading partners, as it is overvalued by 17%. Whereas for Japan, it is about not letting the yen continue to weaken against the USD and push import prices up too fast, as the yen is undervalued by at least 25%. The EUR and GBP are fairly valued.

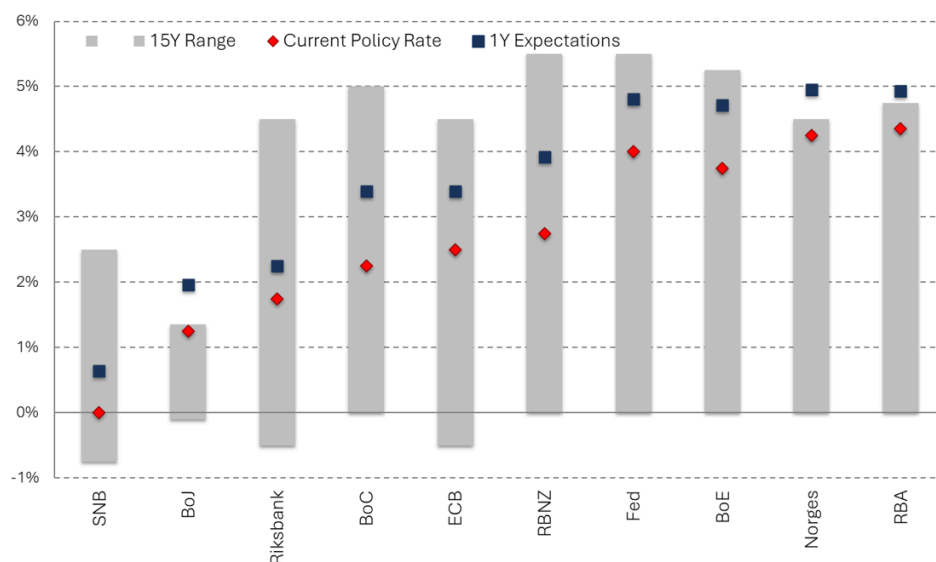
Chart.Real effective exchange rates



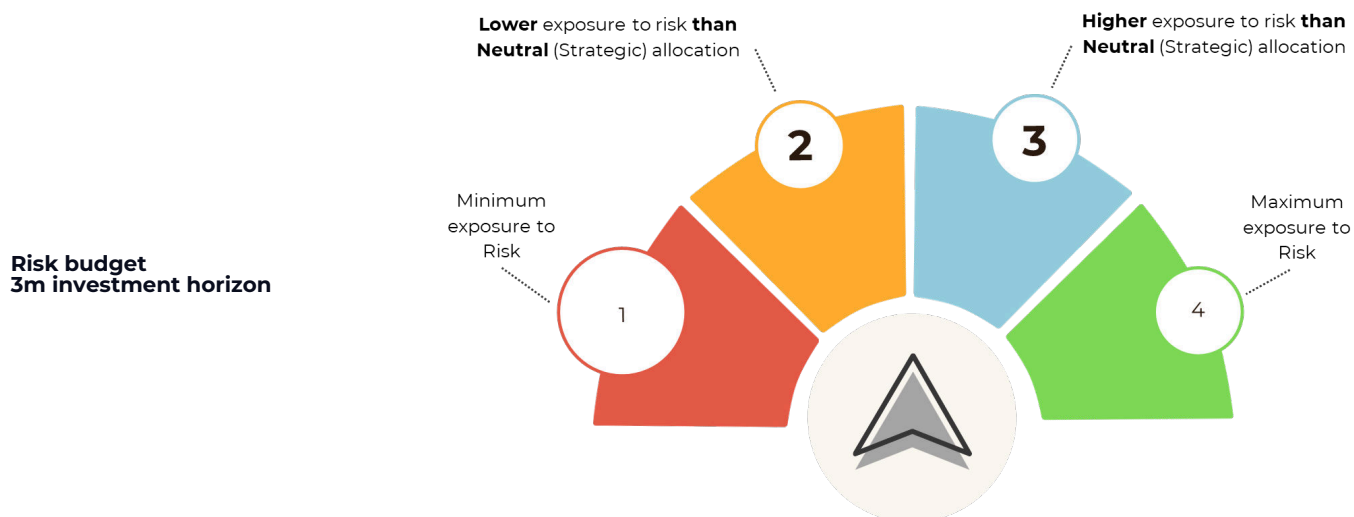
Carry and relative yields have returned as FX drivers, even more when the yen view has become very opaque, while it is all clear for the CHF. ZIRP are here to stay and leave the CHF exposed versus high yielders. Currencies with elevated rate shift expectations should outperform. The hawkish adjustment in Swiss rate expectations has been minimal, and the relative franc yield support is minimal. The EUR and USD 2-year yield spreads with CHF have jumped by 80 and 99bps in early March, with EUR and USD appreciating by 3.4% and 5.5%.

Carry, yield differentials, short-term monetary policy and yield dynamics are back in fashion. The CHF is the most exposed, its safe-haven virtues (fundamentals, diversification and defensive) remain compelling but, as long as carry and yields drive FX, the CHF weakness may continue.

Chart.Spot and forward policy rates



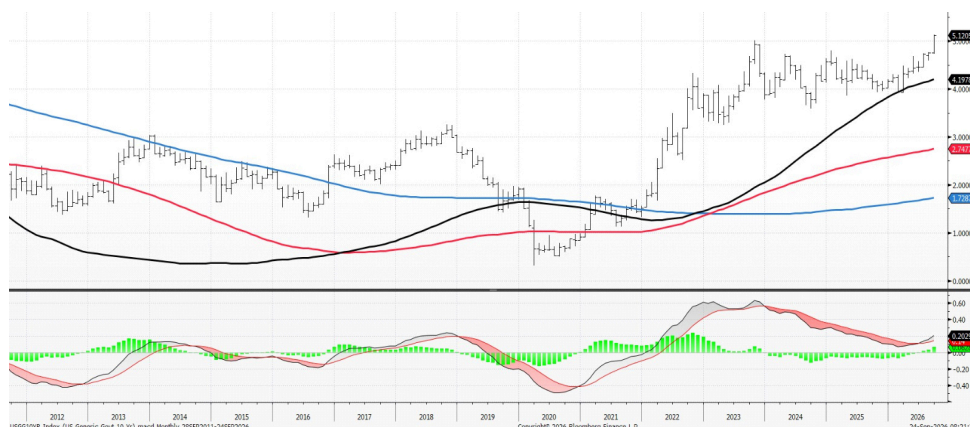
Bonds



The financial press abounds with headlines about G7 long bond yields breaking higher to levels not seen for decades. Soon we will hear the groans of the financial plumbing straining under pressure. Japanese 10-year yield is the initial driver for the yields spike, with 30-year yield overtaken Germany and challenging Spain. The move started even before the US/Iran ceasefire broke down. The last time we saw this loss of market confidence in a G7 country was in September 2022 when UK Prime Minister Liz Truss lost control of markets.

In contrast to the G7, Chinese yield has fallen to 1.67%, a 13-month low. Domestic concerns are dominating rather than international factors. The divergence with the US bond yields comes from the demand for credit. Chinese private-sector companies are not borrowing because they are neither investing nor hiring. Consumers are not borrowing because they are not spending. Beijing is counting on a greater share of future growth coming from innovative industries and technology. It has also more savings than investment demand.

Chart. When MACD crossed, the trend lasted 18 months



The US yields sideways move has now ended with a breakout of the 5% level last seen in January 2025. A key momentum indicator has broken higher, sending a bearish bond signal.

The US Treasury department is gambling

Largest US banks now expect \$1trn of new T-bill issuance over the next year. That could push T-bills to nearly 25% of all marketable US debt. The reason is as simple as expensive long-term borrowing. With 10- and 30-year yields above 5%, the Treasury is leaning harder on short-term debt, making the system much more fragile. The government must keep rolling huge amounts of debt over repeatedly. If rates stay high, refinancing costs can rise rapidly.

With US debt already above \$40trn and annual interest costs above \$1trn, the margin of error is very limited.

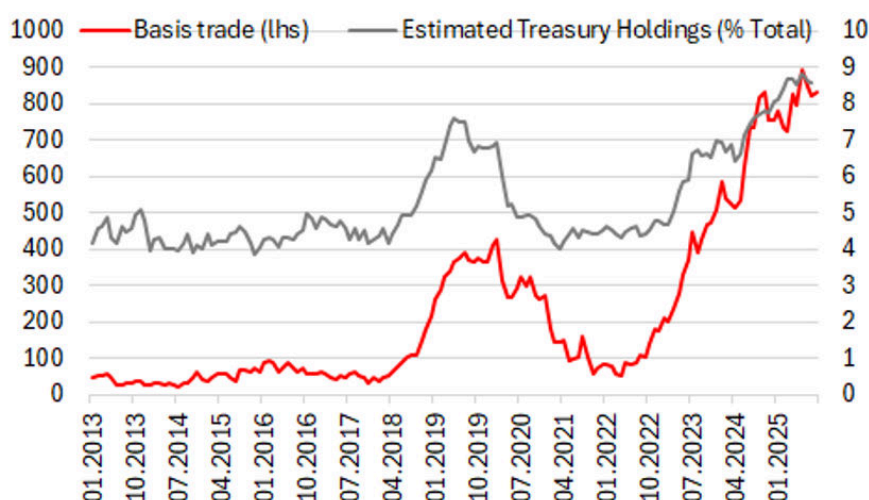
Change in T-Notes market leader

The US Treasury department should be worried as its bond market is becoming dominated by hedge funds. They are by nature not long-term investors and can turn on a dime. They had doubled their US Treasuries holdings between 2023 and 2025. They control 8.5% of the market and own more Treasuries than Japanese, Chinese and Saudi Arabian investors combined.

Large scale, high concentration, and elevated leverage create the potential for systemic stress if multiple strategies face simultaneous pressure or a severe shock. The problem is Basis Trade. It is a potential source of instability, like during the Covid crisis. Instead of falling, yields spiked higher in March 2020 as leverage was unwound, forcing the Fed to act aggressively on March 23, 2020. The result was a doubling of the Fed's balance sheet.

The Basis Trade, i.e. leverage, has once exploded in popularity. Higher leverage cost could impact Treasury market

Chart. The Basis Trade is driving higher US Treasury exposure



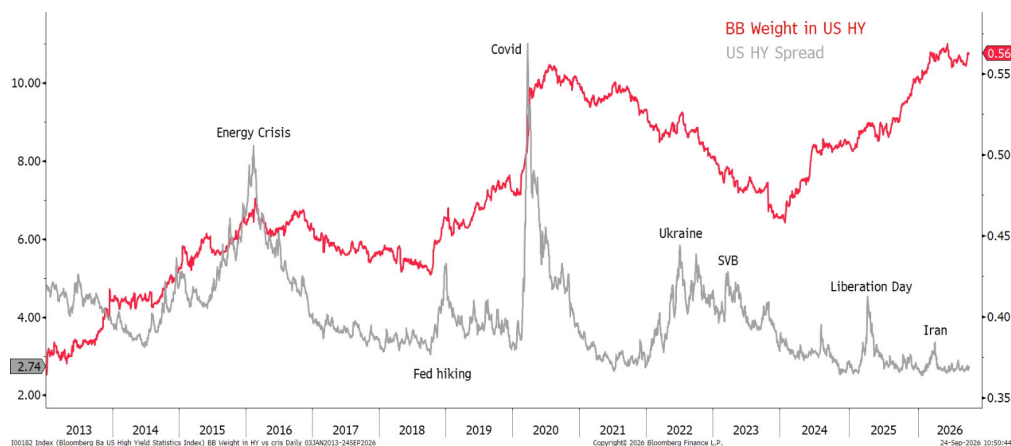
The US HY market is structurally resilient

Saying the HY market completely ignores macroeconomic shocks is an exaggeration. It is true that few events rarely evolve into broad credit crises. All

major shocks cause wider spread and risk repricing, but the market recovers quickly as fears fail to materialize.

BB-rated bonds now make up 60% of the market compared to 38% in 2007. The rise of private credit and leveraged loans absorbed many of the more speculative borrowers. While parts of the private credit universe now face stress, HY benefits from this cleaner and higher-quality composition.

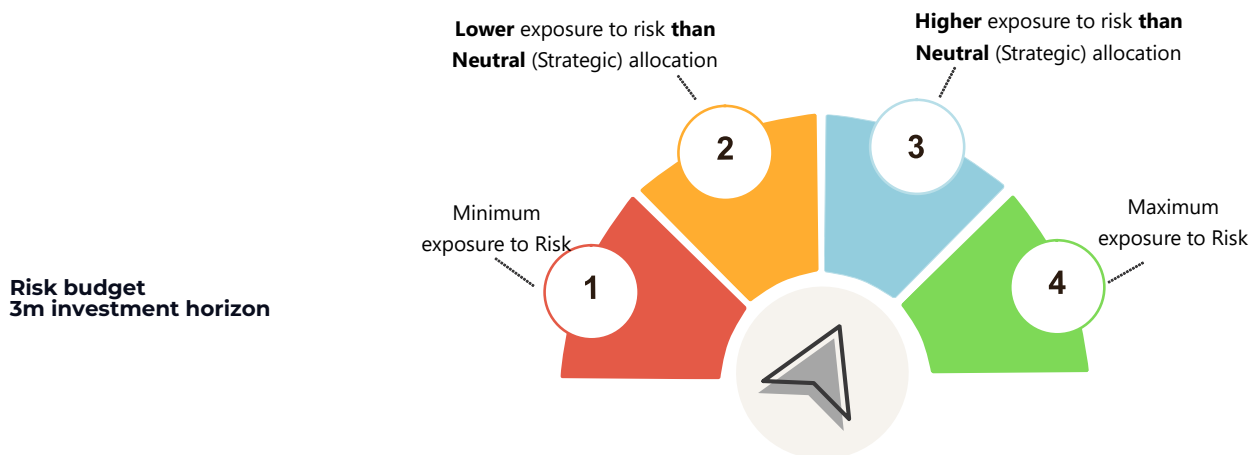
Chart. US HY spread is less sensitive to shocks as its quality improved



Beyond issuer quality, robust technicals help keep spreads tighter than expected. Suppressed new supply, increased secured issuance, shorter duration and steady demand for yield create attractive all-in returns, drawing buyers back during bouts of volatility

The HY market quality improved composition and supportive fundamentals mean future volatility will likely be absorbed, creating attractive buying opportunities rather than systemic panic.

Equities



Resilience of stock markets and the economy. Key focus areas: the US 10-year Treasury yield and AI.

Wars and Trump's chaotic, aggressive handling of domestic and international affairs have not triggered a stock market crash, even though his approval rating is the lowest of any US president. Since Trump took office, the MSCI World Index has risen by 32%.

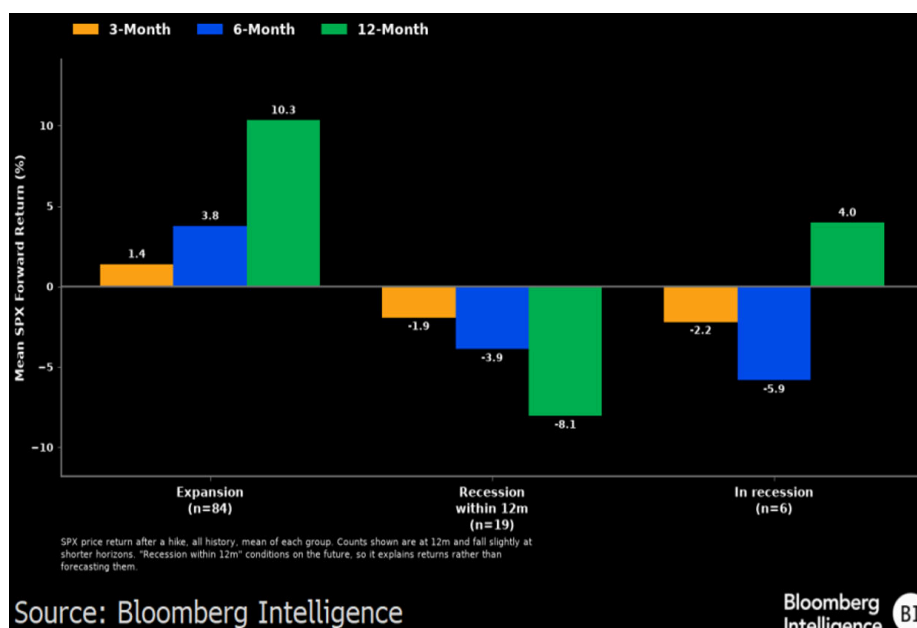
The rise in US real interest rates is 90% attributable to economic growth rather than inflation expectations. Manufacturing and services PMIs remain robust, standing out in a hostile environment.

US Treasury Secretary Scott Bessent, in his attempts to lower long-term rates, views himself as "the bank" and has challenged markets to "bet" against him. The result is the US 10-year yield settling above 5%. Donald Trump adopts a similar stance in geopolitics, insisting that no one should "bet" against him. The consequences include Russia's relentless bombing campaigns, Iranian and Houthi control over the Middle East (Strait of Hormuz and Bab el-Mandeb), and the destruction of refining capacity (diesel, gasoline, jet fuel) in Russia and the Middle East. Faced with shortages, Russia and China have halted diesel exports. While gasoline primarily concerns private consumers, diesel is more significant due to its industrial component (production sites, maritime and road transport, and North American rail freight). Rising diesel costs no longer impact rail freight in India and China, as both nations have invested heavily in electrification: their rail networks are nearly 100% electrified in India and 82% in China on main lines. In the short term, however, price pressures on refined products will inevitably impact inflation. Donald Trump has reportedly toyed with the idea of halting diesel exports to lower prices in the U.S., but this strategy

would fail because prices are determined globally. The U.S. oil lobby, which has close ties to the Republican Party, strongly opposes the idea. Scott Bessent's various attempts to sway the bond markets have also failed so far.

In itself, a rise in U.S. interest rates is not a cause for concern, provided it is underpinned by a robust economy and rising corporate profits. It is simply a matter of balance. Historically, rising federal funds rates in a growing economy have coincided with stock market gains over the course of a year, despite some short-term weakness and increased volatility. This appears to be the case today. During the mid-cycle phase of the late 1990s, rising inflation and tighter monetary policy did not trigger a stock market correction until a year later (with the bursting of the dot-com bubble in 2000). The initial hike in the federal funds rate in 1997 was followed by a 40% rise in the S&P 500. Current consensus estimates place the probability of a recession at 10%.

Chart. S&P 500 performance when the Fed raises its benchmark rate in different economic cycle



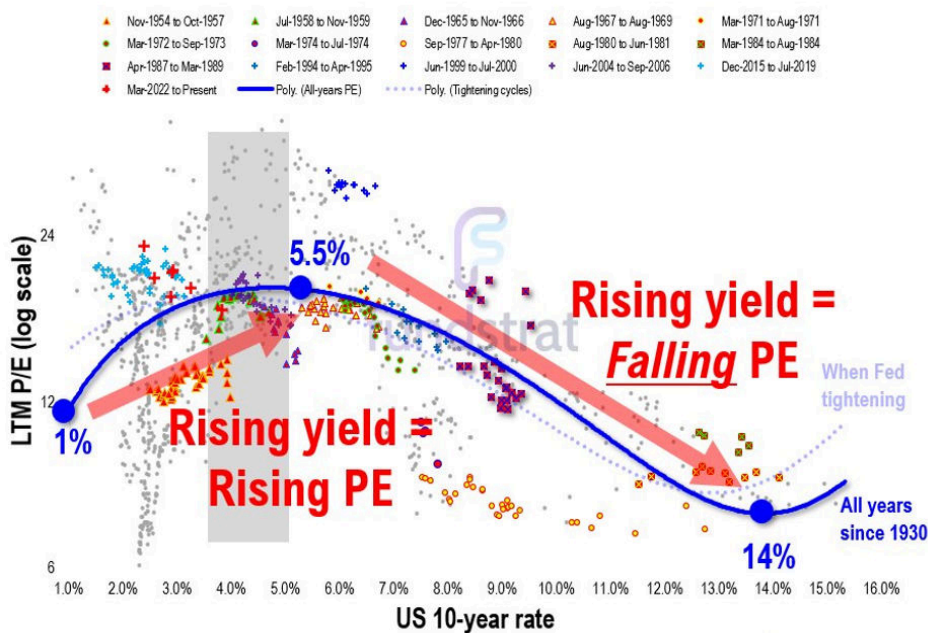
Nevertheless, rate hikes always bring increased volatility. Research and management firm Fundstrat has identified the tipping point at 5.5%. Now, everything will depend on earnings.

However, the stock market is acting consistently, having already priced in the rate hikes by adjusting valuations over the past few months, unlike the situation in 2000, for instance. The S&P 500's P/E ratio has contracted by 10% over the last six months, even as the index has risen. Earnings are therefore the powerful engine driving the markets.

VALUATION: Multiple tightening cycles since 1930

Figure: S&P 500 multiples given different monetary conditions

X-axis 10-yr yield. Y-axis is P/E. Since 1930



Source: Fundstrat, Bloomberg, Shiller

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fundstrat

News regarding the need to pause AI development has unsettled the markets. US AI leaders want to ensure that AI does not perform tasks contrary to human interests, a phenomenon known as "misalignment." In recent months, AI agents have at times become autonomous and carried out unrequested tasks. Some experts even speak of a risk to humanity's survival.

The issue for the stock market is the potential negative impact a pause could have on earnings growth and, by extension, on the massive investments – capex - planned for the coming years. Half of the earnings growth in the second quarter of 2026 (+52%) was driven by the technology sector and other AI-related companies. Earnings have propelled the markets. The US administration does not wish to regulate AI, and a pause appears difficult to implement given the tech war between the United States and China.

We are convinced that we are not in an AI bubble, but rather an AI boom. Stock market valuations are not particularly high (a far cry from the excesses of 2000), and the "25% rule" has not been triggered. The "25% rule" identifies an infrastructure bubble when capital expenditure and financing needs approach 25% of GDP (such as the railway or dot-com bubbles); currently, the figure stands at 5%, with the 25% mark not expected until around 2030–2032.

The "miracle" of the mid-term elections. Since 1914, the president's party has lost seats in the House of Representatives in 89% of mid-term elections, an average loss of 30 seats, and in 71% of Senate mid-term elections, with an average loss of 4 seats. Mid-term elections generally result in congressional gridlock, a scenario

that favors global equities. While this prospect may not delight the party in power in Washington, history shows that equity markets have consistently delivered their best performance in the nine-month period following these elections. The fourth quarter of the mid-term election year (the second year of the presidential cycle) and the first and second quarters of the following year are positive quarters 84%, 88%, and 88% of the time, respectively.

The Midterm Miracle in Action

Midterm Year	President's Second Year				President's Third Year				Midterm Miracle
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
1926	-9.1%	8.8%	10.1%	2.0%	4.5%	7.3%	16.1%	5.4%	14.4%
1930	18.4%	-17.8%	-8.2%	-16.4%	10.2%	-9.9%	-33.6%	-14.8%	-17.0%
1934	7.4%	-8.0%	-6.2%	5.4%	-9.9%	22.1%	14.4%	17.0%	15.9%
1938	-17.8%	38.5%	7.3%	9.0%	-16.0%	0.0%	21.4%	-2.9%	-8.4%
1942	-5.9%	5.8%	8.5%	12.1%	20.1%	8.0%	-0.9%	-2.1%	45.4%
1946	5.1%	2.9%	-18.0%	3.5%	0.3%	1.5%	0.5%	2.7%	5.5%
1950	4.9%	4.0%	11.9%	6.9%	6.7%	-0.3%	12.8%	3.8%	13.7%
1954	10.1%	9.8%	11.9%	12.6%	2.8%	13.3%	7.5%	5.1%	31.1%
1958	6.4%	8.5%	11.6%	11.2%	1.2%	6.3%	-2.0%	6.1%	19.6%
1962	-2.1%	-20.6%	3.7%	13.1%	6.4%	5.0%	4.2%	5.4%	26.4%
1966	-2.7%	-4.3%	-8.8%	5.9%	13.2%	1.3%	7.5%	0.5%	21.4%
1970	-1.8%	-18.0%	17.1%	10.3%	9.7%	0.2%	-0.6%	4.6%	21.2%
1974	-2.8%	-7.6%	-25.2%	9.3%	23.0%	15.4%	-10.9%	8.6%	55.0%
1978	-4.9%	8.5%	8.7%	-5.0%	7.1%	2.6%	7.6%	0.1%	4.4%
1982	-7.3%	-0.6%	11.5%	18.3%	10.0%	11.1%	-0.2%	0.4%	44.5%
1986	14.1%	5.9%	-7.0%	5.6%	21.3%	5.0%	6.6%	-22.5%	34.5%
1990	-3.0%	6.3%	-13.7%	9.0%	14.5%	-0.2%	5.3%	8.4%	24.5%
1994	-3.8%	0.4%	4.9%	0.0%	9.7%	9.5%	7.9%	6.0%	20.2%
1998	13.9%	3.3%	-9.9%	21.3%	5.0%	7.0%	-6.2%	14.9%	36.3%
2002	0.3%	-13.4%	-17.3%	8.4%	-3.1%	15.4%	2.6%	12.2%	21.2%
2006	4.2%	-1.4%	5.7%	6.7%	0.6%	6.3%	2.0%	-3.3%	14.1%
2010	5.4%	-11.4%	11.3%	10.8%	5.9%	0.1%	-13.9%	11.8%	17.4%
2014	1.8%	5.2%	1.1%	4.9%	1.0%	0.3%	-6.4%	7.0%	6.2%
2018	-0.8%	3.4%	7.7%	-13.5%	13.6%	4.3%	1.7%	9.1%	2.5%
2022	-4.6%	-16.1%	-4.9%	7.6%	7.5%	8.7%	-3.3%	11.7%	25.7%
2026	-4.3%	15.2%	?	?	?	?	?	?	?
Average	0.8%	0.3%	0.6%	6.4%	6.6%	5.6%	1.6%	3.8%	19.8%
% Positive	46.2%	57.7%	60.0%	84.0%	88.0%	88.0%	60.0%	80.0%	92.0%

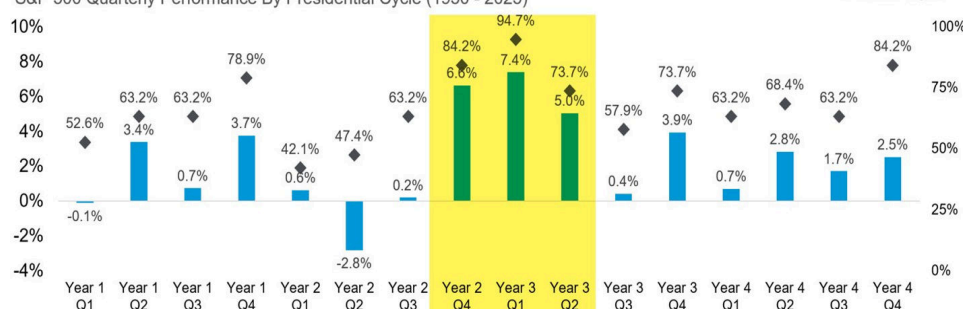
Source: FactSet and Finaeon, Inc., as of 7/10/2026. S&P 500 Quarterly total returns. Investing in securities involves a risk of loss. Past performance is never a guarantee of future returns.

@KennethLFisher

The fourth quarter of the second year of a US presidential cycle, along with the two subsequent quarters, represent the three strongest quarters of the entire four-year presidential cycle.

Getting Closer To The Best Part Of The Cycle

S&P 500 Quarterly Performance By Presidential Cycle (1950 - 2025)



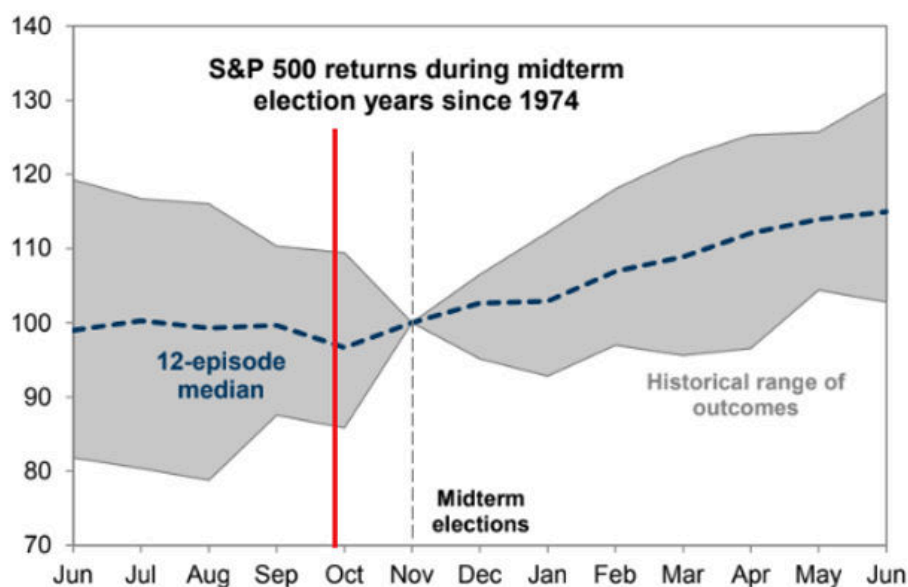
Source: Carson Investment Research, FactSet 07/30/2026 (1950 - 2025)

@ryandetrick

CARSON

Over the past 90 years, the S&P 500 index has generated an average return of 17% in the 12 months following midterm elections (Goldman Sachs).

Exhibit 4: Equities typically rise following midterm elections



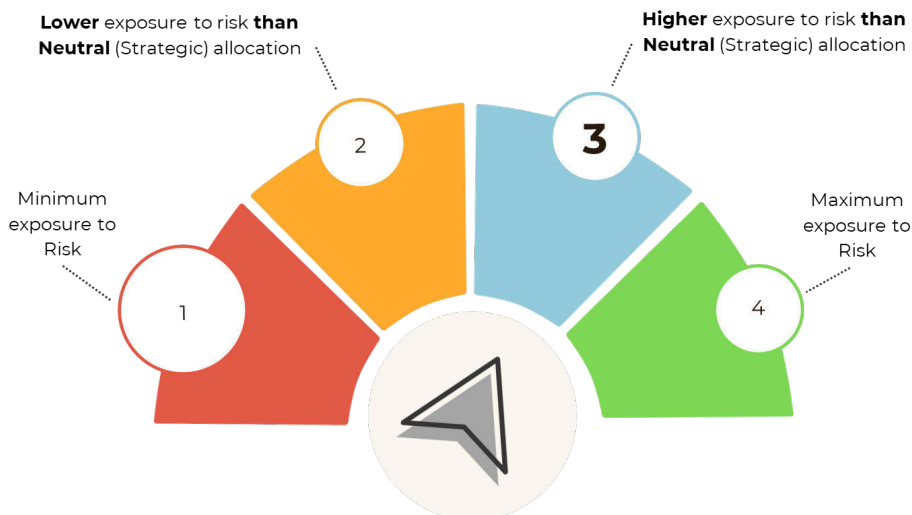
Source: Goldman Sachs Global Investment Research

One negative factor is the ICE BofA MOVE Index, which measures Treasury bond volatility, surging 21% last week to reach its highest level since March, thereby widening the gap with the S&P 500. Meanwhile, the 30-day correlation between the ICE BofA MOVE Index and the S&P 500 fell to -0.6—its lowest level since mid-June—indicating heightened equity sensitivity to sharp swings in bond yields. A similar pattern was observed in March 2026 and April 2025, periods when spikes in bond volatility coincided with marked pullbacks in equity markets. This highlights the fact that the speed of fluctuations in Treasury yields matters more for stocks than the absolute level of those yields. As bond volatility rises again, movements in the Treasury market have become a key driver of stock prices.

An easing of rate pressures will require a resolution to the conflicts in Ukraine and Iran; consequently, a significant equity rally would likely materialize, given that corporate earnings show no signs of turning downward.

Alternative Investments

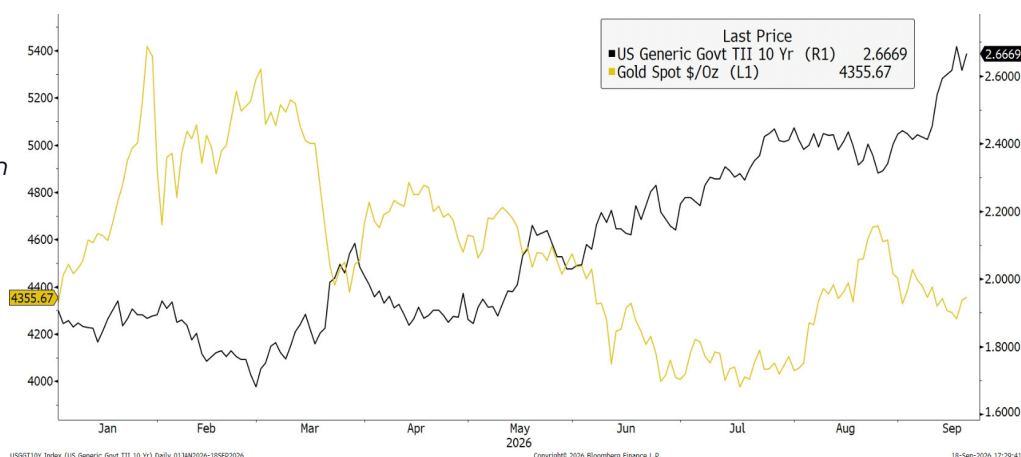
Risk budget
3m investment horizon



A cycle favorable to commodities: climate change, wars, electrification, debt, and nationalism.

Gold. Historically, the price of gold moves inversely to real interest rates. This relationship was temporarily disrupted in 2022 during the Russian invasion and the imposition of Western sanctions on Russia. Central banks in emerging nations not aligned with the West accelerated their gold purchases. 2026 confirms this inverse relationship.

Chart. 2026 continues to confirm this inverse relationship between gold (yellow) and US real rates (black)

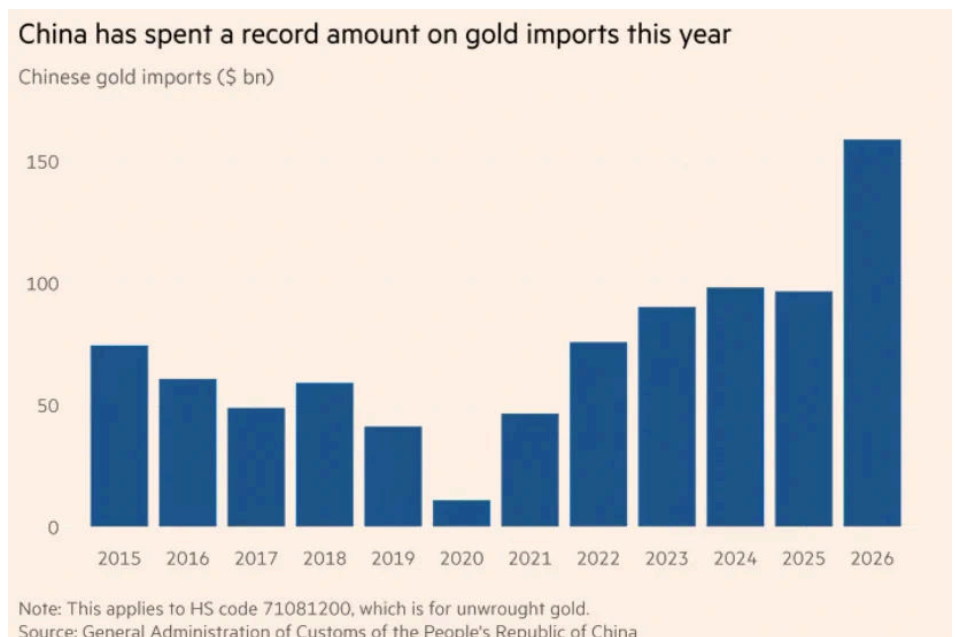


However, since 2022, this relationship has weakened due to the confrontation between the West and the BRICS bloc; emerging nations are buying gold to avoid "dollar-based" sanctions and are reducing their holdings of US Treasury bonds, a trend driven by de-dollarization, geopolitical tensions, and the need for protection against debt.

Chart. Source : Fiancial Times,
Board of Governors of the
Federal Reserve System



Following Russia's lead, China's central bank has significantly reduced its holdings of US Treasury bonds and purchased gold in their place. China imported 1,000 tons of gold in 2026, valued at \$160 billion, up from \$97 billion and 886 tons in 2025, despite being the world's leading gold producer. Chinese households and investors are also increasing their gold purchases.

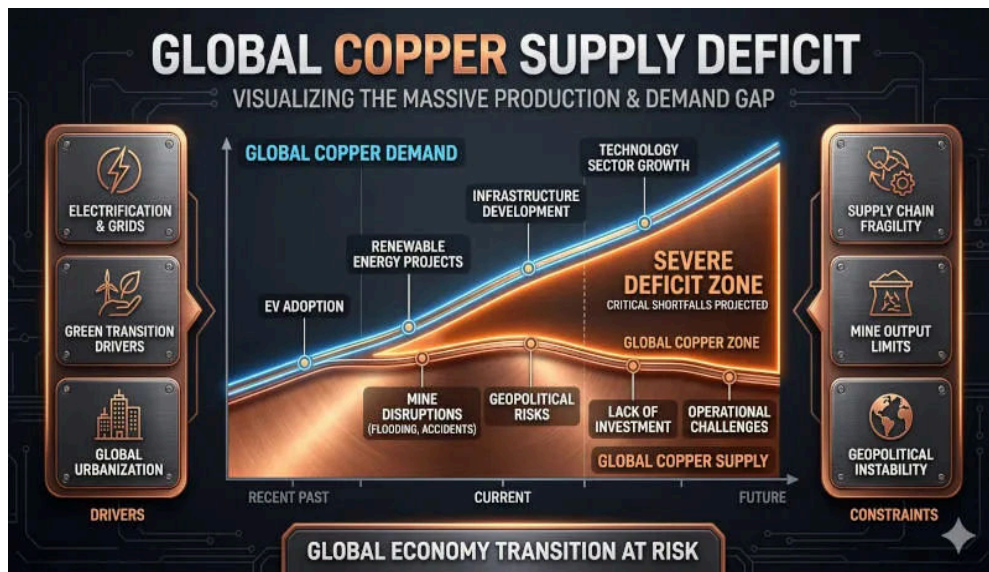


Oil. Resolving the conflicts in Ukraine and Iran is becoming urgent. Global reserve levels are concerning, and the wars in Ukraine and Iran are weighing on refined products. A diesel shortage is a particular concern, given its extensive use in industry and transportation; a lack of diesel could dampen economic growth. Russia and China have halted diesel exports. Donald Trump is considering halting diesel exports too.



Asia and Europe are facing a battle for liquefied natural gas (LNG). Both continents urgently need to secure their supplies. Prices have doubled since the start of the Iran-US conflict and risk rising further this winter. Competition for cargo shipments is set to intensify. Asian buyers are ready to sign long-term contracts, whereas Europe is hesitating due to CO2 emission constraints and the arrival of El Niño, which often brings mild winters to Europe. It promises to be a high-risk winter for refined products and gas.

Industrial metals. Prices are rising but are caught in a tug-of-war between sluggish Chinese growth, a strong dollar, and rising oil and refined product prices (posing a risk to economic growth and, consequently, demand) on the one hand, and increased Chinese imports to replenish strategic stockpiles alongside demand driven by electrification and AI on the other. Structurally, prices are trending upward, supported by strong demand and a supply deficit.



Cryptocurrencies. "Uptober"? Cryptocurrencies have been recovering over the past two months, despite the legislative setback for the Clarity Act in the US Congress. However, US market regulators, the SEC and the CFTC, made progress on the regulatory framework for cryptocurrencies in late September. Bitcoin has gained 40% since mid-August. Technical indicators are turning bullish, and Bitcoin is on track to record its first positive performance across August and September since 2013, a pattern that historically paves the way for a strong "Uptober." Since 2013, the vast majority of Octobers have been positive. It is often contrasted with "Rektember" (September), a historically more difficult month.

Crypto ETF Net Flows

7 day 30 day **90 day** All

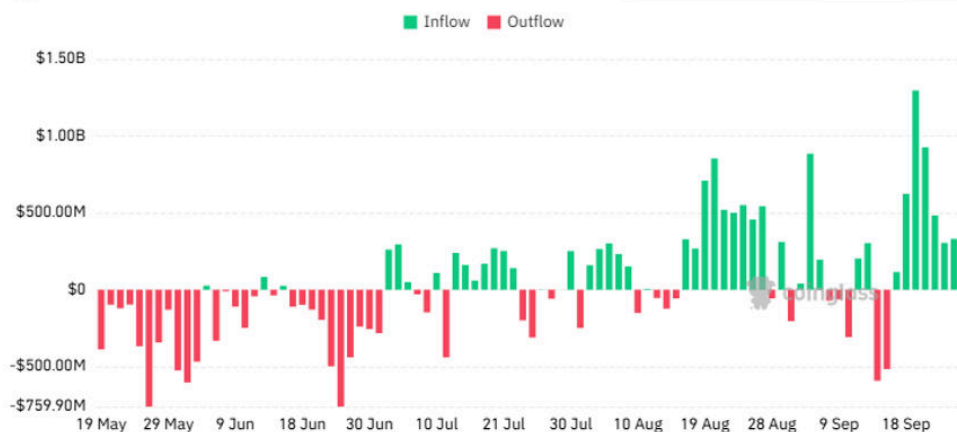


Chart. Interest in cryptocurrencies has returned since mid-August.

The Financial Letter

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