

Caplign Market Perspectives & Gold Special *July 2025*

Perspective Over Prediction



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Introduction

Perspective over Prediction

In a world where headlines shift by the hour and volatility tests even the most seasoned investors, **maintaining strategic discipline** becomes more important than ever. At Caplign Wealth, we believe long-term success lies not in reacting to short-term market noise but in positioning thoughtfully around structural trends.

The first half of 2025 has reminded us of this lesson again: markets remain on edge, navigating geopolitical tensions, persistent inflation pressures, and renewed fiscal uncertainty. Rather than being driven by fear or euphoria, our **approach remains guided by durable themes and time-tested principles**. As AQR's now-classic note [1] "*So What If You Miss the Market's Best Days?*" reminds us: staying invested over time—not timing the market—is often the most rational and effective strategy for long-term wealth preservation.

A buy-and-hold S&P 500 investor earned 9.87% p.a. historically over the period from 1961 to 2015 [2]. Avoiding the 25 worst days would have boosted returns to 15.27%, while missing the 25 best slashed them to 5.74%. But these **extreme days often cluster**—sharp rebounds follow steep drops. Timing them is nearly impossible. *Staying invested*, and at times *acting anti-cyclically*, tends to outperform—unless a true structural crisis unfolds.

In a volatile 2025 market shaped by inflation, geopolitics, and uncertainty, Caplign Wealth emphasizes long-term positioning over short-term reactions.

Staying invested through market cycles—rather than attempting to time them—remains key to preserving and growing wealth.

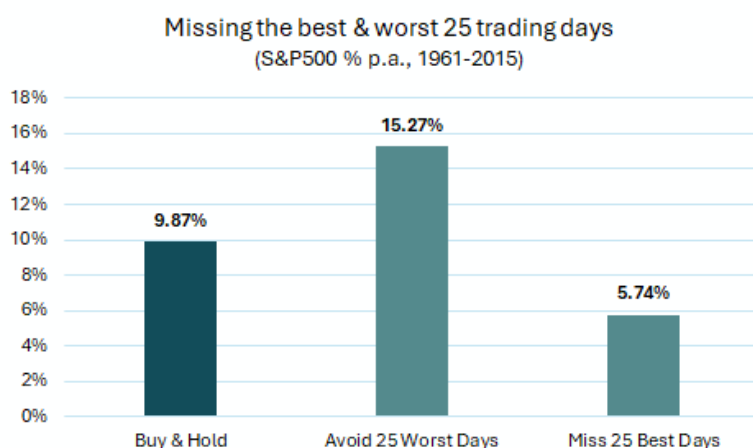


Fig-1: Market timing, CAIA Association, 2015

The real risk isn't short-term volatility, but abandoning a disciplined strategy in the face of noise.

Market View

H1 2025 in Reflection

U.S. Fiscal Fragility, Strategic Tariffs, and Market Discipline

The first half of 2025 has tested investors' resilience. A volatile mix of renewed U.S. tariffs, fiscal brinkmanship, and elevated global uncertainty kept capital markets in flux. Equities rose early in the year on AI-driven optimism, only to reverse **amid policy ambiguity and a sharp rebound in yields**. In 2025, U.S. 30-year Treasury yields surged above 5% by May—testing that level multiple times—as foreign demand weakened and concerns over fiscal sustainability intensified. Once a safe haven, the bond market offered little protection amid rising term premiums and shifting global capital flows.

At the core of this dislocation lies a growing unease over America's long-term debt trajectory. **Federal debt** has now **surpassed \$36.6 trillion**, growing by \$3–4 trillion annually, or **\$1 trillion every 100 days**. In FY 2024, interest payments alone reached \$881 billion, with FY 2025 on track to exceed \$952 billion—surpassing even Defence (\$895B) and Medicare (\$465B) spending. Moody's early-year downgrade of U.S. sovereign debt marked the end of its top-tier ratings and a symbolic challenge to the dollar's global primacy.

In early 2025, U.S. markets were shaken by surging 30-year Treasury yields above 5%, driven by weakening foreign demand, strategic tariffs, and growing fears over unsustainable federal debt, now exceeding \$36.6 trillion.

With annual interest payments projected to surpass \$950 billion—outpacing Defence and Medicare—investors are confronting the fragility of America's fiscal foundation and the fading safe-haven status of U.S. bonds.

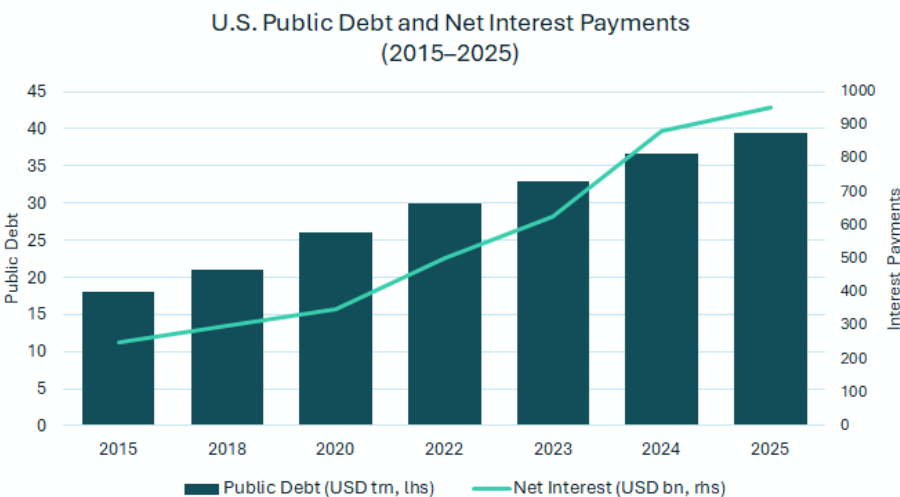


Fig-2: US Debt and Interest Payments, Source: Bloomberg, 2025

Yet in classic market fashion, the **tariff-related sell-off proved short-lived**. Equities rebounded sharply in late Q2, with major indices not only recovering prior losses but setting new all-time highs (the German DAX index and US S&P 500

reached new highs in local currency, though for euro-based investors the S&P's gains were largely offset by the stronger euro)—as if the volatility had never occurred. This resilience reflects both structural optimism and the market's growing tendency to discount policy noise in favour of long-term themes.

Tariffs Return—What's the Impact?

In parallel, Washington reintroduced **broad-based tariffs** as part of a strategy labelled “strategic reindustrialization” While politically resonant, the economic facts are sobering:

- The U.S. goods **trade deficit** stood at **\$1.21 trillion** in 2024.
- **Just three categories**—machinery, electronics, and vehicles—accounted for **~60% of that gap**.
- **Major deficit contributors** include:
 - China : **-\$295B (24%)**
 - EU : **-\$235B (19%)**
 - Mexico + Canada : **-\$235B (19%)**
 - Vietnam : **-\$123.5B (~30% of its GDP exported to the U.S.)**
 - Germany : **-\$85B (5.4%)**
 - Taiwan : **-\$74B (4.7%)**
- The remaining global share : **-\$530B (44%)**

The U.S. reintroduced broad tariffs under a “strategic reindustrialization” agenda, despite a persistent \$1.21 trillion goods trade deficit in 2024—60% of which stems from machinery, electronics, and vehicles. Key deficit partners include China and the EU.

Tariffs often fail to reduce imbalances and may instead raise costs and fuel inflation.

Despite previous rounds of tariffs, these imbalances persist—highlighting that tariffs rarely eliminate deficits and can instead shift supply chains, raise input costs, and provoke retaliation. The inflationary risk of such measures is nontrivial, especially in a supply-constrained global environment.

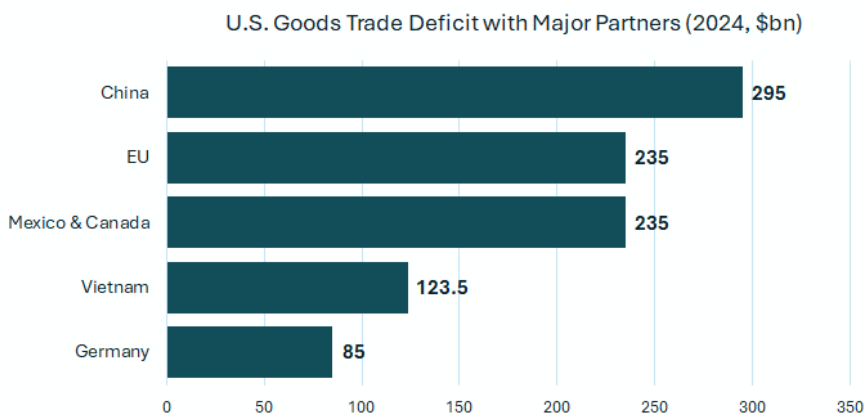


Fig-3: US Trade Deficit with Major Partners, US Bureau of Eco. Analysis (BEA) 2024

Meanwhile, the fragmentation of the global monetary system is accelerating. The **BRICS+ alliance, now over 37% of global GDP**, is pushing for **alternatives to the**

dollar in cross-border settlements—a trend with profound long-term implications

Navigating Noise with Discipline

These overlapping risks echo **Warren Buffett's 2003 warning** [3] about the corrosive impact of chronic trade deficits on national wealth. His proposal — **Import Certificates**—never materialized, but the imbalance he identified has only deepened.

Amid these crosscurrents, Caplign Wealth's posture remains measured. We **resist reactive portfolio shifts** in favour of structural themes and long-term resilience. Where appropriate, we **act countercyclically**—seeking to use irrational market sell-offs not as a threat, but as an opportunity. As AQR's analysis underscores, market timing is not just difficult—it is often counterproductive. Long-term outcomes are more often determined by **thoughtful positioning and resilience** than by tactical agility.

Gold Special

A Strategic Pillar in a Fracturing System

Gold has **surged past \$3,300/oz** in 2025, not as part of a speculative mania but as a **rational repricing amid global realignments**. Unlike past rallies—often driven by inflation fears or retail euphoria—this bull market is led by central banks and institutional allocators repositioning gold as a strategic reserve asset. At Caplign Wealth, we view gold's rise not as a trade, but as a structural reset.

Three converging forces are re-anchoring gold at the core of asset allocation:

- **Erosion of trust** in fiat currencies and sovereign debt
- **Geopolitical fragmentation** and asymmetrical risk
- **Growing demand** for sanction-proof, portable reserves

As Bridgewater notes, gold is increasingly functioning as a USD alternative—especially for the “*non-aligned world*” [4]. Traditional correlations (e.g. gold vs. real yields) **have broken down**. **Despite higher yields, central banks continue to accumulate gold** aggressively for its unique features: it is nobody's liability, immune to sanctions, and easily transferable across borders.

Central Banks Are Leading the Shift

Global central banks—**particularly in emerging and geopolitically neutral regions**—have now entered their fourth consecutive year of massive gold buying. This marks a historic shift in reserve strategy.

Key Facts:

- **~1,000 tonnes** annually in net purchases (**2022–2024**), continuing in 2025
 - **Q1 2025: 290 tonnes**—highest quarterly buying since at least 2000
- Gold as % of Global Reserves: **11% – highest since 1990s**
- Reserve manager sentiment:
 - 95% expect to increase gold holdings in the next 12 months
 - 76% foresee gold's share of total reserves rising over 5 years
- Foreign Ownership of U.S. Treasuries: **↓ from 38% (2010) to 14% (2024)**

Gold's surge past \$3,300/oz in 2025 reflects a structural reset, not speculation – driven by central banks and institutions seeking a sanction-proof, non-fiat reserve asset amid geopolitical and monetary instability.

With record quarterly purchases and gold now making up 11% of global reserves, trust is shifting from sovereign debt to tangible, portable stores of value.

This demand is not driven by yield considerations. Rather, it reflects a response to rising sovereign debt levels, growing sanctions risk, and the ongoing fragmentation of the post-Bretton Woods monetary system. The rationale is clear: gold is non-sovereign, resistant to sanctions, and serves as a hedge against geopolitical and monetary instability.

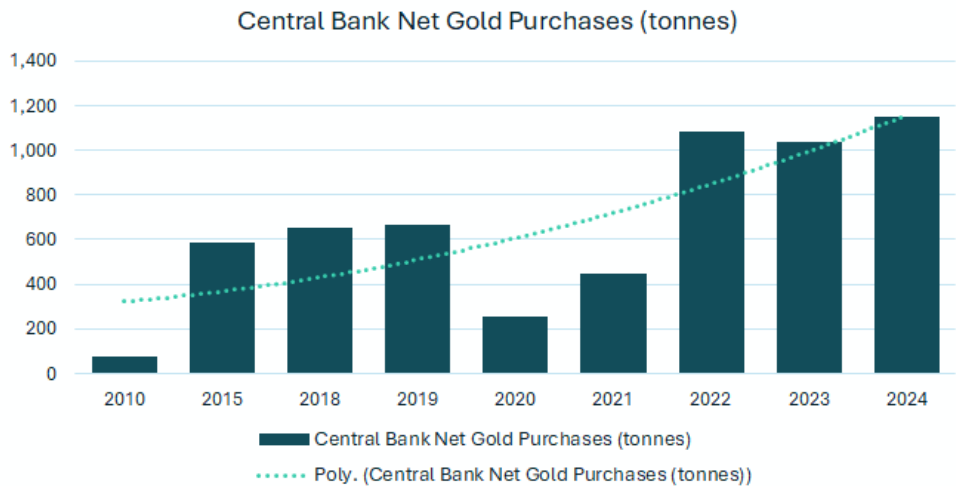


Fig-4: Central Bank Net Gold Purchases, Source: World Gold Council 2025

Gold Cycles: Not Linear, But Enduring

Gold’s strength lies in **long-term preservation**, not short-term performance. It has delivered **real value** across centuries, outperforming most fiat currencies and often rivalling equities over multi-decade periods. Gold’s performance has followed **cyclical waves**, often aligned with major macro resets

Gold Cycles in Historical Context:

Period	Structural Trigger
1930s	Great Depression, domestic gold decoupling (U.S.)
1970s	Stagflation, end of Bretton Woods & full fiat transition
2007–2010	Global financial crisis (GFC), QE
2020s	Fiscal dominance, de-dollarization, geopolitical shifts

In 1933, President Roosevelt ended gold convertibility for U.S. citizens, and the 1934 Gold Reserve Act fixed gold at **\$35/oz.** While gold backed international trade under the **Bretton Woods system** (1944–1971), this **ended in 1971** when Nixon halted dollar-to-gold convertibility. By 1973, the world had fully moved to **fiat currencies**, marking the end of the gold standard.

Gold’s enduring value stems from its role as a long-term store of wealth, not short-term gains – often rivalling equities and consistently outpacing fiat currencies over decades.

Its strongest cycles align with major structural shifts, from the Great Depression to today’s de-dollarization and fiscal dominance.

Gold thrives when systemic trust erodes—whether in currencies, central banks, or global leadership.

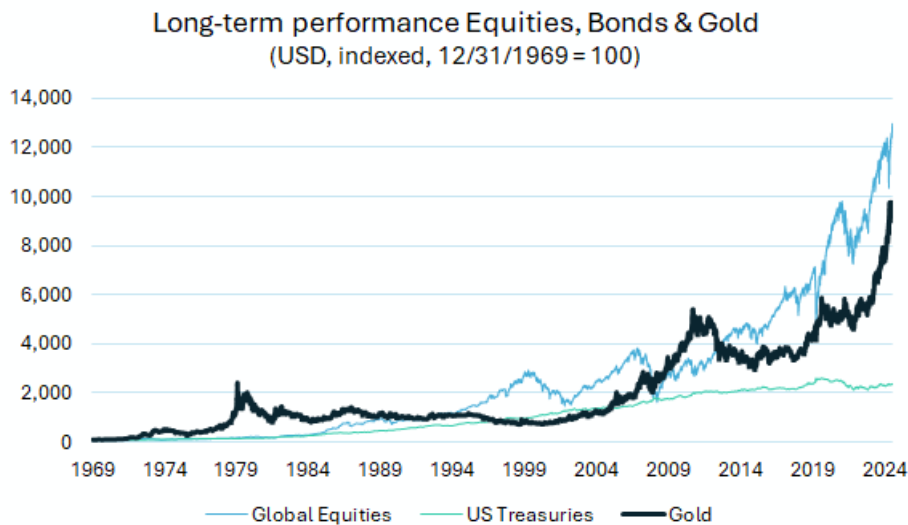


Fig-6: Gold (USD) vs Equities and Bonds, Source: Bloomberg 2025

Chart (7) illustrates the long-term relationship between the price of gold (left axis) and total U.S. debt (right axis) from 1973 to 2023. While U.S. debt has risen steadily—accelerating sharply in recent years—the gold price has responded in waves, often spiking during periods of financial stress or inflation fears. This suggests that, over time, rising debt levels tend to support a structurally higher gold price, reflecting its role as a monetary anchor and hedge against systemic risk.

Gold tends to outperform when trust in currencies, institutions, or global stability breaks down.

Its long-term pattern shows price surges during debt-fueled stress, reinforcing gold's role as a monetary anchor in times of systemic risk.

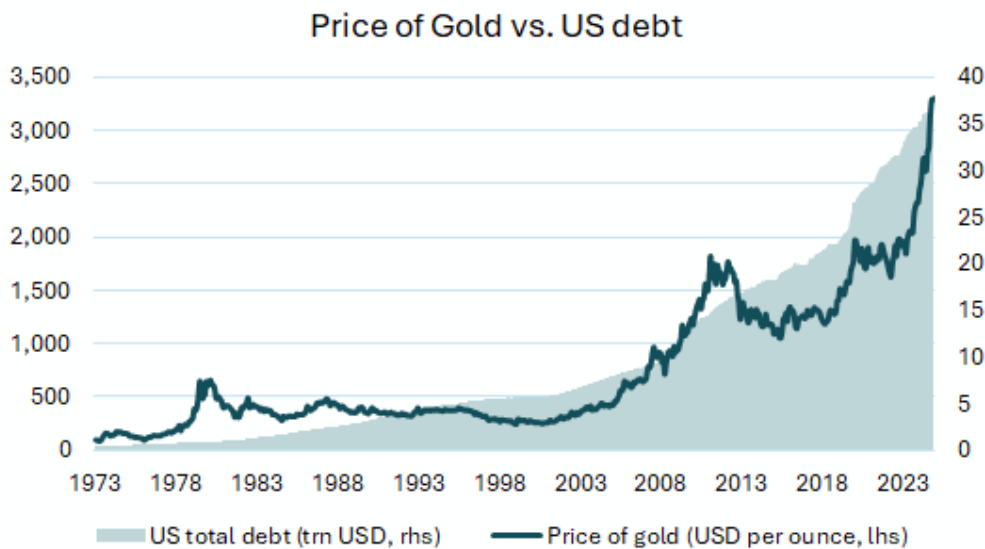


Fig-7: Price of Gold (\$) vs. US Debt (\$ trn), Source: Bloomberg 2025

Comparing Gold to Other Real & Digital Assets

While digital assets like Bitcoin gain traction, **gold remains unrivalled in credibility, liquidity, and legal clarity**. For many institutional allocators, Bitcoin is a complement—not a replacement—for gold in the "true hedge" category.

Asset	Role	Risks/Limitations
Gold	Physical, sovereign-free store of value	No income, cyclical volatility
Bitcoin	Decentralised money, peer-to-peer payment, Digital scarcity hedge	Extreme volatility, regulatory and legal risks
Real Estate	Tangible, inflation-linked	Illiquid, policy-sensitive
Commodities (ex Gold)	Growth-sensitive hedges	High correlation to business cycles
Fiat FX (EUR, CHF)	Liquidity/safety proxies, Medium of exchange	Vulnerable to monetary dilution

While Bitcoin is emerging as a digital hedge, Gold remains unmatched in credibility, liquidity, and legal certainty – making it the cornerstone for institutional risk-off positioning.

With a ~\$15 trn market cap, gold vastly exceeds Bitcoin's ~\$1.3 trn and continues to serve as the most established, sovereign-free store of value.

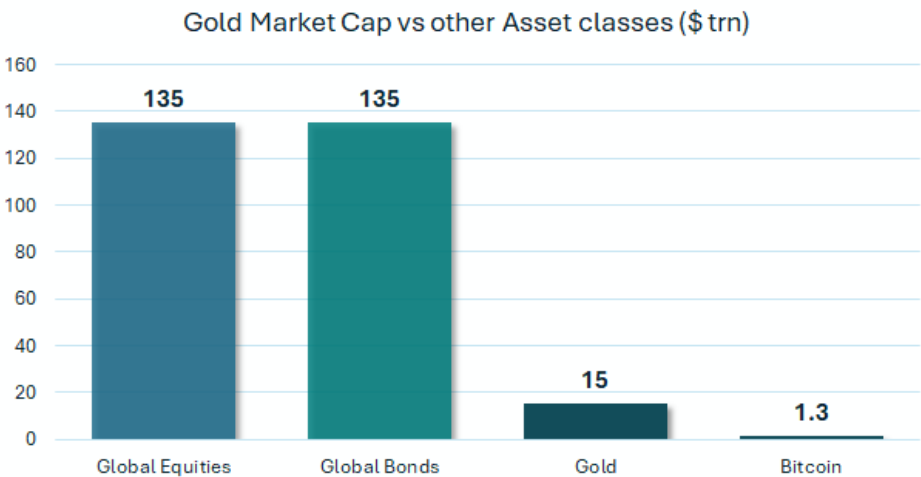


Fig-8: Gold Market Cap vs other Asset Classes (\$ trn), Bloomberg 2025

Gold's ~\$15 trn market cap is modest compared to global equities and bonds (each ~\$135 trn, yet it remains a cornerstone store of value and proven hedge in times of uncertainty. Bitcoin, at ~\$1.3 trn, is far smaller but gaining traction as a digital alternative—though still volatile and exposed to regulatory risk—highlighting the vastly different maturity levels across asset classes.

Gold in EUR – A View for European Investors

For **euro-based investors**, gold performance is also influenced by EUR/USD exchange rate movements. Recent U.S. dollar weakness has limited gold gains when measured in euro.

Key Considerations:

- A weaker USD can reduce EUR-denominated returns for unhedged gold positions
- Currency-hedged gold exposures provide a more direct reflection of gold price movements, though they involve hedging costs
- Portfolio strategy should account for both the gold outlook and FX expectations, as well as the overall currency exposure across the portfolio

Conclusion: Gold as a Strategic Reserve Asset

We believe gold's current move is not a bubble, but a **structural repricing** in response to tectonic shifts in the global monetary system. As central banks diversify out of dollar assets and institutional allocators seek **stability beyond traditional safe havens**, gold is reclaiming its role as the reserve of last resort.

At Caplign Wealth, we continue to treat gold not as a speculative trade, but as a **strategic hedge in client portfolios**—an anchor of resilience in an increasingly asymmetric and multipolar world.

Caplign Wealth maintains a **strategic allocation framework** with a 5–15% gold exposure, adjusted based on risk profile, investment horizon, FX positioning, individual client preferences, and existing physical holdings **within the context of total wealth**.

Gold's ascent reflects a structural repricing — not a bubble — as global trust in fiat systems erodes and central banks diversify away from the U.S. dollar.

At Caplign Wealth, we view gold as a strategic reserve asset and maintain a dynamic 5–15% allocation as a resilient anchor amid rising geopolitical and monetary asymmetry..

Closing Thoughts

Staying Invested Staying Diversified

Timing markets is seductive—but dangerous. In 2025, with the monetary and geopolitical order in flux, we believe staying structurally invested matters more than ever.

Gold is not a short-term momentum trade. It is a strategic anchor—particularly when trust in institutions, currencies, and policy frameworks comes under pressure. For investors seeking sovereign-free diversification, portfolio resilience, and a long-term store of value, gold deserves renewed consideration. In our view, gold is not merely a hedge. It is a foundation for long-term resilience.

The future may be uncertain—but enduring success stems not from short-term reaction, but from calm, forward-looking conviction.

Timing the market is tempting—but in today's uncertain world, staying structurally invested is key. Gold isn't a trade; it's a long-term anchor of resilience when trust in systems falters.

As Warren Buffett once said: "The stock market is designed to transfer money from the impatient to the patient."

 & Your Caplign Team

References

- [1] AQR (2025). So What If You Miss the Market's Best Days?
- [2] CAIA Association, 2015 analysis
- [3] Buffett, W. (2003). America's Growing Trade Deficit. Fortune Magazine
- [4] Bridgewater (2025). Gold Hits All-Time Highs – Daily Observations, March
- [5] World Gold Council, IMF data

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