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Three Take-Aways

1) Gold's decisive surge past $4,000, led by anti-fiat/anti-inflation hedge and enhanced by elevated geo-political uncertainty, defying higher (long-end) real rates.

2) Coincident surge in equities ("risk on") suggest headline haven allure is subordinated to structural debasement boost. Hence, Gaza Peace deal may merely temper, not overturn Gold's bull run.

3) Elsewhere, the BSP is set to hold policy rate, (with it underlying dovish bias) hobbled by PHP wobbles amid unwelcome political risks.

MACRO THEME: Touched by Midas - Turning to Gold

- In Greek mythology, **King Midas is granted his wish to have everything he touches turn to Gold**. ***Today,*** with **Gold's indefatigable surge decisively surpassing $4,000/oz**, it appears markets have been touched by Midas.

- At least insofar that **markets have insatiably been *turning to*** - *albeit in a slightly different sense of that phrase* - ***to Gold***.

- To be specific, turning to Gold; i) for hedge against latent inflation risks; ii) for haven refuge amid elevated geopolitical risks and; iii) ***above all,*** as protection/hedge against mounting fiat (led by USD) debasement risks.

- So compelling is this primal (and powerful) allure of Gold, driven by **instincts to protect wealth** and **seek refuge**, that it has ***overwhelmed the drag of elevated real rates (especially surging ultra-long-end) on Gold***. It was not too long ago - in fact, **just 7 months, back in March 2025** - that **$3,000/oz was a new psychological level surpassed**.

- And *if inflation-debasement risks* and *geopolitical uncertainty persist,* **even $4,000/oz may be a pit-stop** enroute to greater ascendancy.

Show Me the ("Real", Not Fiat) Money!

Notably, **Gold's stellar run** has been **in tandem with**, ***albeit far superior to,*** **a coincident surge in equities**.

First, the **emphatic co-movement/correlation with the rally in equities** suggest that **haven the lift from Gold's allure plays second fiddle to** its compelling, if not **unmatched**, **debasement hedge boost**.

If that was ***not*** the case, there is a higher probability that the positive ***Gold-S&P500 correlation would have*** significantly ***weakened, or flipped even*** (with Gold up and equities down on "risk off"). What's more, **Gold's spectacular outperformance** points to suggests ***emphatic debasement hedge*** (leveraging on its superior anti-fiat properties) being resorted to **as a complement to liquidity-driven, "post-Liberation Day" FOMO* rallies**. Simply put, this is a **conspiracy of Anti-Fiat "risk on"**, which wants **both the upside and the protection**.

* The solid rebound and sustained follow-up rallies after the initial sell-off from April's "Liberation Day" shocks prompted doubling down in "risk on" rallies to compensate (and keep up with benchmark performance).

Gaza Peace Deal to Temper, Not Topple

- And insofar as the compelling anti-fiat allure of gold is the dominant driver of its unfettered surge, Gold may be less susceptible to pullback in geo-political risks. That's to say, the any cyclical/headline-driven pullback in Gold expected from cooling geo-political risks may not permanently impair Gold's buoyancy, much less strike it down decisively.

- As a corollary, **any realization of a Gaza Peace deal** may **merely temper, but not topple Gold bulls**. Point being, while it may admittedly provide a profit-taking opportunity after such a significant run-up, it may not undermine the structural boost to Gold that may endure.

Global Reserve Managers Underwrite Gold's Shine

- Especially given that **Gold has risen in prominence** and in **stature with global reserve managers**. Specifically, as **mounting USD debasement fears** from US' policy adventurism.

- Point being, **global reserve managers are forced to confront dangers of wealth destruction** *from exchange rate risks associated with their massive stock of UST holding.* And given that when push comes to shove, global reserve managers will prioritize (wealth) preservation over income/carry, **Gold** *(and other real assets)* **must necessarily be re-weighted considerably higher in their portfolios**. That's to say, **global reserve managers** are the ones **underwriting the structural allure/ascendancy of Gold**, rather than headline-driven ebbs and flows of refuge seeking. And *"Sell America"* **from shockingly extractive US policies** makes this a *"You had me at hello" moment for Gold bulls.*

BSP's Sharp Dilemma

- The BSP is confronted with a sharp dilemma as it weighs on policy this time. To be sure, **given a conspiracy of growth set-backs** Philippines, now *exacerbated by the corruption scandal that has suspended boost from public infrastructure,* the **case for more monetary easing by BSP is ostensibly justifiable**.

- But the trouble is sharp wobbles in the PHP, prompted by the same corruption scandal also warns of rate cuts being at the expense of PHP stability. In other words, the recent corruption scandal simultaneously intensifies downside risks to growth and PHP depreciation pressures, thereby sharpening the FX-stability trade-off from rate cuts. In addition, after a series of cuts, the **urgency to add one more 25bp relief *versus*** the **necessity to stabilize the PHP** (lest it becomes a costly endeavour after a rate cut) are debatable and dependent on market conditions. Either way**, PHP stress may not dissipate** immediately. The bias may be to *fade any PHP bounce from hold/hawkish cut.* And *watch for intervention against short PHP on a rate cut.*

Yields ***(2Y: +1.7bp; 10Y: -0.5bp; 30Y: -1.5bp)***

Equities ***(Nasdaq: +1.1%; S&P 500: +0.6%; Dow: +0.0%)***

FX ***(DXY: +0.3%)***

- The USD sustained traction against most G10 peers. JPY extended declines with USD/JPY buoyed above 152. EUR slipped below mid-1.16. USD/SGD climbed above mid-1.29. AUD was an outperformer, with mild gains to sustain hovering just below 66 cents.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(JP) Labour/Real Cash Earning YoY (Aug)	1.5%/-1.4%	2.7%/-0.5%	3.4%/-0.2%
(JP) Current Account Bal. (Aug)	¥3775.8b	¥3513.2b	¥2684.3b
(JP) Eco Watchers Survey Current (Sep)		47.00	46.70
(PH) Unemployment Rate (Aug)	3.9	--	5.3%
BoT Benchmark Interest Rate	**1.50%**	**1.25%**	**1.50%**
(TW) CPI/PPI YoY (Sep)	1.3%/1.5%	1.6%/1.7%	1.6%/1.7%
FOMC Minutes			

Today	Actual	Exp.	Prior
(JP) Machine Tool orders YoY (Sep P)			8.5%
(US) Initial Jobless Claims		228k	--
BSP Overnight Borrowing Rate		**5.00%**	**5.00%**
(TW) Exports/Imports YoY (Sep)		38.8%/22.5%	34.1%/29.7%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	152.69	152.68	+0.52%	148.00	-	155.00
EURUSD	1.1628	1.1629	▼0.25%	1.1600	-	1.1800
GBPUSD	1.3404	1.3401	▼0.16%	1.3400	-	1.3550
AUDUSD	0.6586	0.6584	+0.08%	0.6520	-	0.6650
DXY	98.9	--	+0.34%	97.0	-	99.0
USDCNY	7.1224	--	+0.00%	7.0900	-	7.1500
USDCNH	7.1501	7.1493	+0.06%	7.0900	-	7.1700
USDHKD	7.7822	7.7815	▼0.01%	7.7600	-	7.8200
USDSGD	1.2957	1.2956	+0.19%	1.2750	-	1.3000
USDKRW	1406	1424	+0.00%	1395	-	1415
USDTWD	30.53	--	+0.07%	30.10		30.60
USDINR	88.80	--	+0.02%	87.60	-	89.50
USDIDR	16560	--	+0.12%	16500	-	16800
USDMYR	4.216	4.217	+0.03%	4.180	-	4.250
USDPHP	57.96	--	▼0.28%	57.90	-	58.80
USDTHB	32.53	32.56	+0.06%	32.0	-	32.7
USDVND	26361	26361	▼0.02%	26300	-	26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.582	4.119	1.7	-0.5
JGB (JP)	0.919	1.685	1.3	0.6
Bunds (GE)	1.986	2.678	-1.5	-3.0
Gilts (UK)	3.991	4.708	1.2	-1.0
AGB (AU)	3.509	4.363	-0.6	-2.5
SGS (SG)	1.463	1.842	-3.2	-4.8
CGB (CN)	1.428	1.859	0.0	0.0
KGB (KR)	2.524	2.963	0.0	0.0
SDL (IN)	5.647	6.503	0.6	-0.7

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6753.72	39.13	+0.58%
Nasdaq (US)	23043.38	255.02	+1.12%
DJIA (US)	46601.78	-1.20	▼0.00%
N225 (JP)	47734.99	-215.89	▼0.45%
STOXX50 (EU)	5649.73	36.11	+0.64%

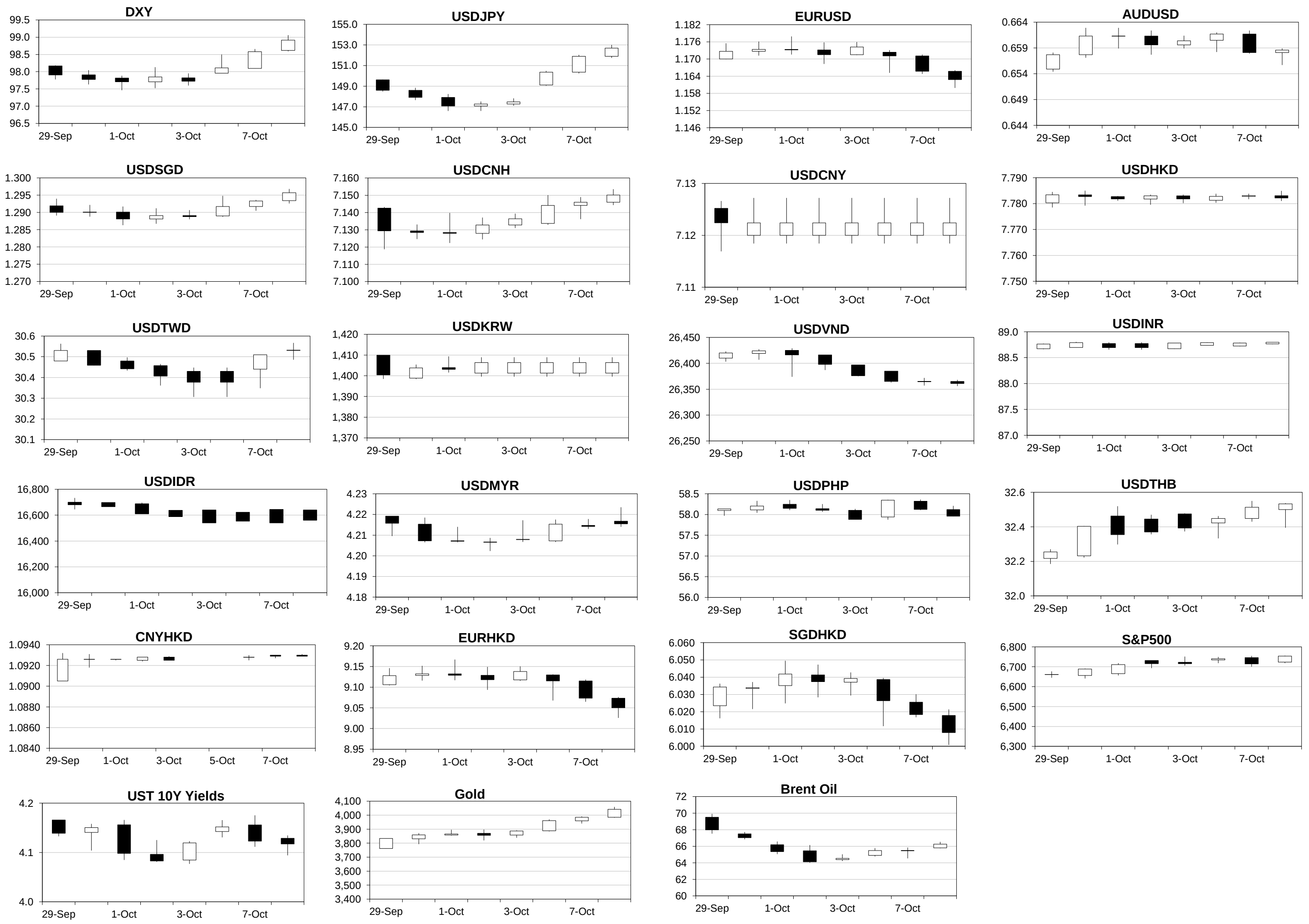
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,639.48	-84.79	▼0.79%
IRON ORE (CN)	104.20	0.29	+0.14%
GOLD	4,042.03	57.18	+1.43%
SILVER	48.89	-0.17	▼4.72%
OIL (BRENT)	66.25	0.80	+1.22%
OIL (WTI)	62.55	0.82	+1.33%
NATURAL GAS	3.33	1.06	+2.21%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	177.57	177.55	+0.28%
GBP/JPY	204.669	204.599	+0.36%
JPY/SGD (100yen)	0.8482	0.8486	▼0.36%
JPY/HKD (100yen)	5.0963	5.0966	▼0.53%
CNH/JPY	21.455	21.44	+1.10%
CNH/HKD	1.0929	1.0927	+0.00%
EUR/GBP	0.86771	0.8678	▼0.07%
AUD/NZD	1.1381	1.1385	+0.30%
EUR/CNH	8.3152	8.3139	▼0.18%
GBP/CNH	9.5842	9.5804	▼0.09%
CNY/HKD	1.0929	1.0927	+0.00%
EUR/HKD	9.0501	9.0491	▼0.25%
SGD/HKD	6.0079	6.0061	▼0.17%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5156.49	31.98	+0.62%
STI (SG)	4456.3	-15.96	▼0.36%
SHCOMP (CN)	3882.777	0.00	+0.00%
SZCOMP (CN)	2519.422	0.00	+0.00%
HSI (HK)	26829.46	-128.31	▼0.48%
SENSEX (IN)	81773.66	-153.09	▼0.19%
JSE (ID)	8166.029	-3.25	▼0.04%
KLSE (MY)	1627.5	-2.53	▼0.16%
PSE (PH)	6098.74	14.91	+0.25%
SET (TH)	1304.92	-0.32	▼0.02%
VNINDEX (VN)	1697.83	0.01	+0.74%

CHARTS



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