OCTOBER 13, 2025

PHILEQUITY CORNER

By Wilson Sy

Gold soars as markets crash

Gold soared to record highs last week as US stocks suffered their worst selloff in six months, reaffirming its role as the ultimate crisis hedge. The S&P 500 tumbled by 2.7 percent Friday, while the Nasdaq sank by 3.5 percent — their steepest drops since April. Gold, by contrast, rose by 1.1 percent. It extended its winning streak to eight weeks, capping a 53 percent rally this year that has outperformed equities, Bitcoin and virtually every other major asset.

Trump's latest salvo

Trump re-escalated the trade war last Friday, threatening to impose an additional 100 percent tariff on China and export controls on "any and all critical software" beginning Nov. 1. The announcement came just hours after he threatened to cancel an upcoming meeting with Chinese President Xi Jinping.

"It has just been learned that China has taken an extraordinarily aggressive position on Trade in sending an extremely hostile letter to the World, stating that they were going to, effective Nov. 1 , 2025, impose large scale Export Controls on virtually every product they make, and some not even made by them," Trump said on Truth Social.

The announcement cratered stocks, Bitcoin, oil and industrial metals, while gold surged.

4,000

Gold rose above the $4,000 barrier Wednesday, peaking at $4,059 per ounce before settling at $4,017 Friday. Silver hit $51.24, closing at $50.13 — its best level in over four decades. Fueling the latest leg of the rally is the so-called debasement trade which is a bet that relentless government borrowing and money printing will erode the value of fiat currencies.

A perfect storm of fiscal fears

A US government shutdown sparked by partisan gridlock over spending bills has also rattled the markets and deepened fiscal anxiety. Markets are pricing in two more Fed rate cuts this year despite inflation running stubbornly above the two percent target.

China, meanwhile, has struck a defiant posture against Trump and the US. Among many other measures, it threatened to choke off exports of rare earth minerals that are critical to US technology and defense industries. The escalating standoff, combined with Trump's retaliatory tariff threats, has created a perfect storm driving investors to gold as the ultimate hedge.

Revered financial experts issue warnings

Two of Wall Street's most respected investors are flashing red signals. Bridgewater Associates founder Ray Dalio warned this week that US debt is ballooning at an unsustainable pace, drawing parallels to the runup to World War II. He called it a "deficit/debt bomb" posing a "threat to the monetary order" and warned that "a civil war of some sort" is brewing, fueled by "irreconcilable differences."

Billionaire trader Paul Tudor Jones warned of a stock market crash reminiscent of the 1999 dot-com bubble, driven by excessive liquidity and stretched valuations. Both are recommending gold as a hedge against the systemic risks they see ahead.

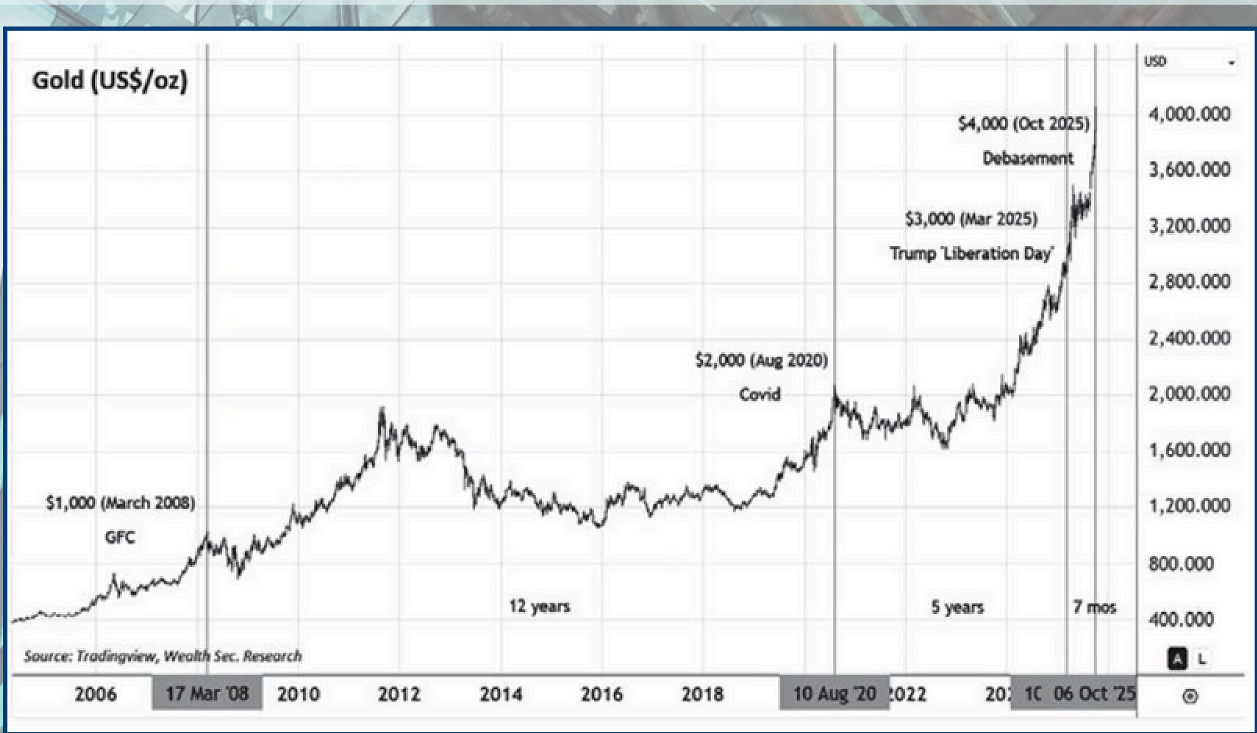
Central banks pile in

Geopolitics has become the accelerant. The West's 2022 decision to freeze Russian central bank assets following the Ukraine invasion sent shockwaves through emerging markets, triggering a fundamental reassessment of dollar reserves. Ongoing conflicts in Ukraine and the Middle East have kept those fears alive. Now, political turmoil in France and Japan has pushed gold buying into overdrive.

Hedging by buying other currencies proved futile as all currencies depreciated against gold. Gold has surged by 36 percent in euro terms, 47 percent in yen terms and 54 percent in Philippine peso terms. It offered protection against both local fiscal troubles and global currency debasement.

Gold's accelerating trend

What began as a stealthy ascent — flagged in our March 18, 2024 article "Gold's stealthy ascent to record highs" — has accelerated dramatically, catching Wall Street off guard. Gold first hit $1,000 during the 2008 Global Financial Crisis. It took 12 years to double to $2,000 during the height of the COVID-19 pandemic in 2020. It then surged to $3,000 in March 2025 during President Trump's "Liberation Day" tariff announcement. Just seven months later, it hit $4,000 as buyers ranging from retail traders to hedge fund managers and central banks piled into gold as a hedge against eroding fiat currencies.



$5,000 next?

Wall Street is betting the rally has legs. Goldman Sachs raised its end-2026 gold forecast to $4,900 per ounce from $4,300, citing private sector diversification driving sustained ETF demand. The bank expects central bank buying to average 80 metric tons monthly in 2025 and 70 tons in 2026 as public and private institutions continue their structural shift away from dollar reserves.

Whether gold hits $5,000 remains to be seen. But with central banks accumulating, financial experts warning of a stock market bubble and private investors diversifying, the rally appears driven by more than panic — it reflects a deeper distrust of governments and fiat currencies in an age of runaway deficits.