

October 13, 2025

Weekly Investment Insights



Gold rallied above USD 4,000 a troy ounce for the first time last week, with investors worried about sticky US inflation, ongoing geopolitical risk, and soaring debt levels. The US government shutdown, now entering its second week, has also spurred the rally. From a more structural perspective, record purchases by central banks seeking to diversify away from the US dollar, have been a key driver of the precious metal.

This week, European stocks and US futures rose as President Trump struck a softer tone towards China, after having threatened to impose additional tariffs of 100% on Chinese imports on Friday. This followed China's tightening of rare earth export controls announced last week, and led to a fall in global stocks as investors worried about a flare-up in the trade war. President Trump and President Xi are expected to meet in person in South Korea at the end of the month to discuss a trade deal, and investors will be watching closely, hoping for an agreement that will ease the uncertainty present since President Trump announced his "reciprocal" tariffs in April.

In France, Sébastien Lecornu was reappointed as prime minister after having resigned last week, and the race is now back on to prepare a budget and have it approved before the end of the year. This will be challenging, particularly as the far-right Rassemblement National has already threatened with a vote of no confidence.

MACRO SNAPSHOT

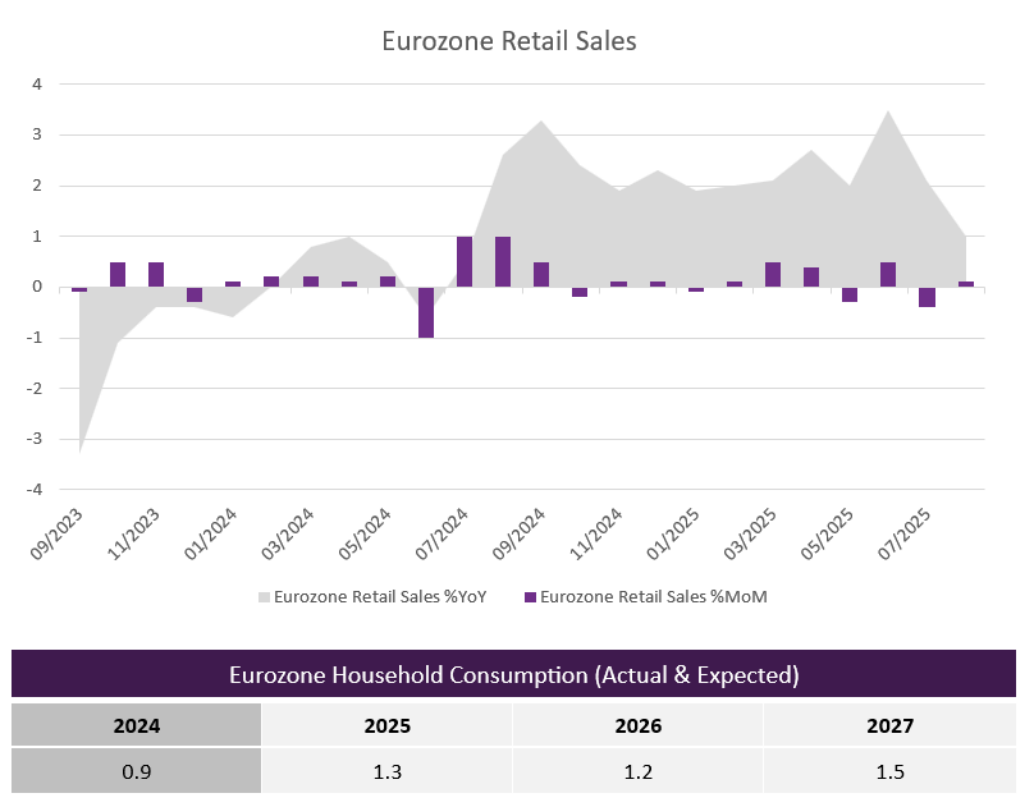
Europe

The Eurozone economy is muddling through, the labour market is robust, and households are

enjoying positive real wage growth. However, predictions for a pick-up in consumer spending have hit a speedbump. After falling 0.4% MoM in July, retail sales across the bloc basically stagnated in August, rising by just 0.1%. Moreover, the uptick was driven by items that we might consider more essential in nature. Food, alcohol and tobacco sales were up 0.3% and auto fuel by 0.4%. Sales of non-food products fell by 0.1%.

The fragile recovery in spending that began in 2023 seems to have tapered off, perhaps due to the uncertainty introduced by US trade tariffs, as well as political uncertainty in places like France and the Netherlands. Lately, however, confidence indicators have started to edge up, with survey respondents indicating that they plan to make a major purchase in the coming year.

Consumer spending represents about 55% of economic output in the bloc and its contribution to the Q3 GDP print is likely to be muted. Thereafter, it might bring some tailwinds, but no consumer boom is expected, as can be seen in the second chart showing consensus expectations for consumption growth in the years ahead.



Source: Bloomberg, BIL

German factory orders fall for the fourth month in a row signaling persistent weakness in industrial activity

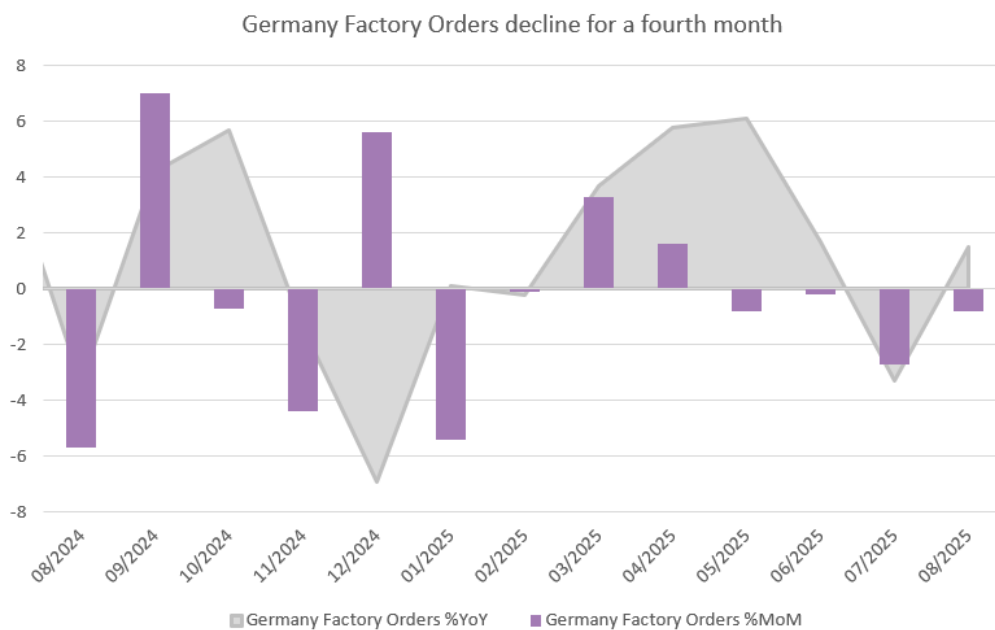
Despite government efforts to reboot the German economy, industrial production fell by 4.3%

MoM in August, reversing a 1.3% increase in July and coming in well below market expectations of a 1% decline. This marked the steepest monthly drop in industrial output since March 2022, and declines were broad-based across industries. Production in the automotive industry sank 18.5%, machinery and equipment manufacturing fell 6.2%, pharmaceutical manufacturing dropped 10.3%, and the computer, electronic, and optical category was down 6.1%. Production excluding energy and construction declined by 5.6% on the month, with capital goods falling 9.6%, consumer goods down 4.7%, and intermediate goods slipping 0.2%.

Factory orders do not offer much hope for a recovery in the near-term. Orders were down for a fourth consecutive month in August, coming in at -0.8% MoM versus +1.4% expected. In the beleaguered auto sector, orders fell 6.4%. Demand also weakened for data processing, electronic and optical products (-11.5%) & pharmaceuticals (-13.5%).

In contrast, orders rose for metal products (15.4%), other transport equipment (17.1%), & electrical equipment (7.2%). Foreign orders dropped 4.1%, while domestic demand grew 4.7%, boosted by a boom in the defense sector.

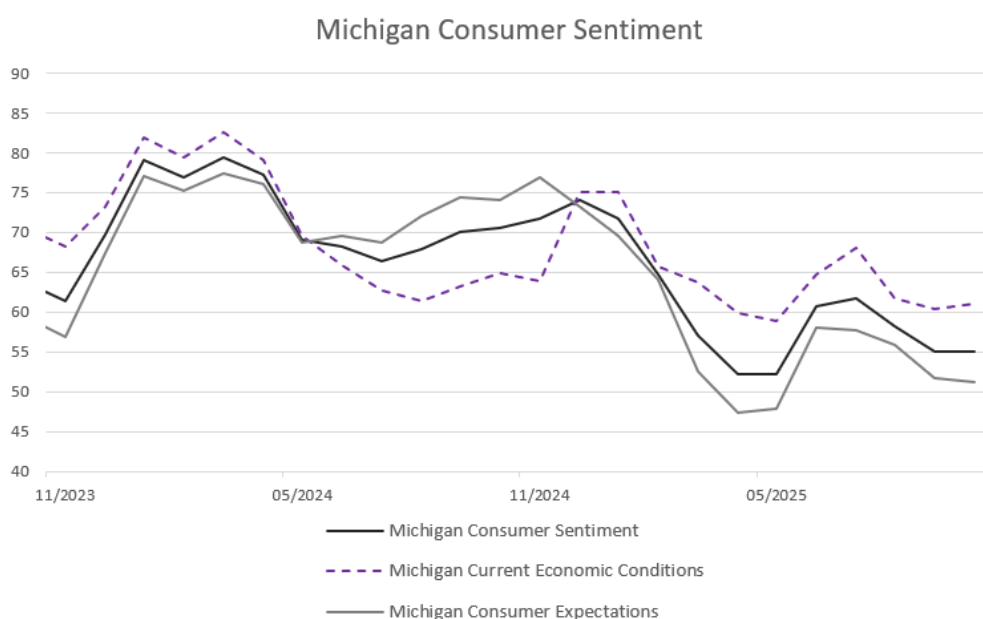
Manufacturing accounts for an outsized share of German economic output: around 23%. For comparison, it represents about 10% of the US economy, 9% of the British economy and 10% of French GDP. The latest hard data does increase the likelihood that the Bundesbank's prediction of economic stagnation this year becomes a reality.



Source: Bloomberg, *BIL*

US

The radio silence on official US data continues as the government shutdown lingers, making it harder to assess the state of the economy. The University of Michigan consumer sentiment index released last week, did not provide much nuance. The index fell slightly from 55.1 in September to 55 in October, according to preliminary estimates. The index remains low as improvements in current personal finances and business conditions over the next year were offset by declines in expectations for future personal finances, as well as current buying conditions for durables (things like cars, dishwashers, laundry machines). High prices and weakening job prospects remain central concerns for consumers, who are not foreseeing significant improvements in these areas. Inflation expectations for the year ahead also remain high at 4.6%, although easing from 4.7% last month. Long-run inflation expectations held steady at 3.7%.



Source: Bloomberg, BIL

Calendar for the week ahead

Monday – China Balance of Trade. OPEC Monthly Report.

Tuesday – Germany Inflation (Final, September). UK Unemployment, Average Earnings and Retail Sales. Eurozone and Germany ZEW Economic Sentiment. China M2 Money Supply.

Wednesday – US and China Inflation Rate (September). Japan Industrial Production. France and Spain Inflation (Final, September). Eurozone Industrial Production (August).

Thursday – UK GDP Growth (August). Italy Inflation (Final, September). US PPI, NAHB Housing

Market Index, Retail Sales, Weekly Jobless Claims.

Friday – US Industrial Production, Housing Starts and Building Permits. Eurozone Inflation (Final, September).

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