

UNITED KINGDOM

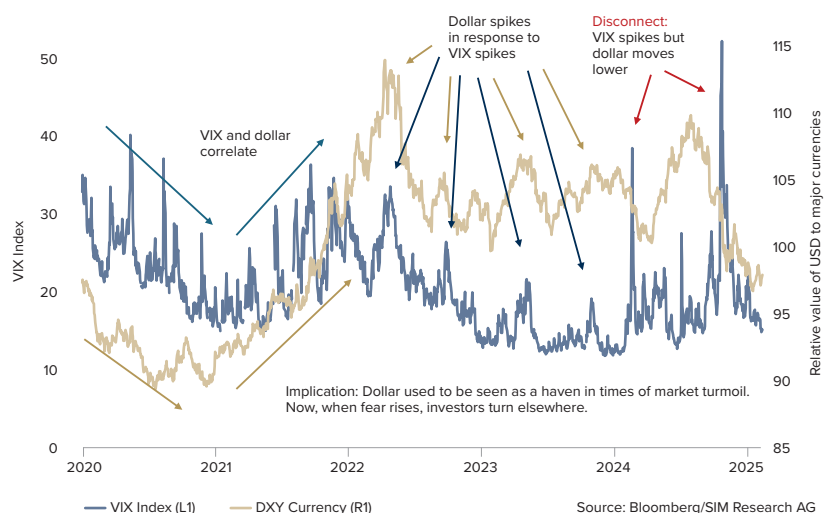
Market Report

Developments in Financial and Commodity Markets

Recent economic data is increasing pressure on the Fed to lower rates, with Fed officials projecting up to three rate cuts before the end of the year. Gold has broken out of its summer doldrums, reaching a new all-time high of \$3,600 per ounce (08.09.2025). A weak dollar and expectations of a Fed rate cut in September have boosted the precious metal's appeal.

A recently published MIT-linked paper found the majority of enterprise investments in AI lack measurable returns, raising concerns of AI overvaluation. A closer look, however, suggests the issue lies not with the technology itself, but with enterprises deploying AI without a clear plan or defined use case.

VIX vs US Dollar



Highlights

• Fed Likely to Lower Rates

Markets expect up to three rate cuts this year, beginning with a 25-basis-point move in September.

• Gold Shines as Top Asset

Gold has outperformed all major assets decade-to-date, despite a \$2 trillion injection into the Fed's balance sheet.

• Market Risk Signal Favours Protection

The current market risk signal favours protective assets, with higher allocations to cash and precious metals, and minimal focus on stabilisation and growth.

• Dollar's Safe-Haven Role in Question

Traditional correlations are breaking down, raising doubts over the dollar's reliability as the default safe haven.

• Spain Overtakes Japan in GDP per Capita

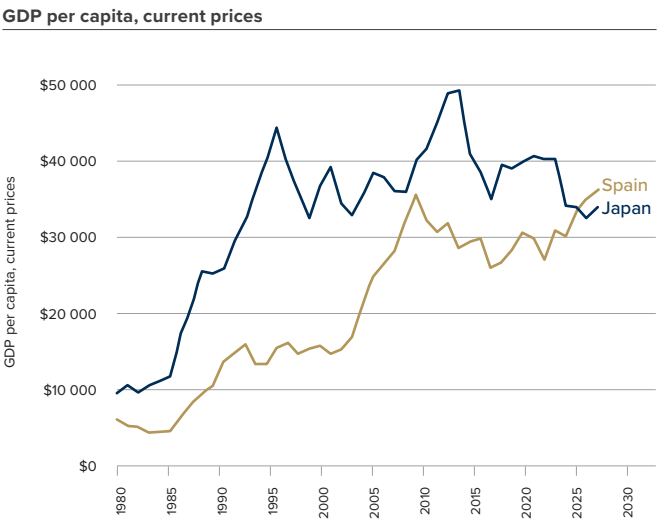
Spain's GDP per capita has surpassed Japan's, marking a significant shift in global economic rankings and underscoring Spain's strong recent growth.

Amid trade and geopolitical tensions, 2025 has been characterised by dynamic and evolving currency movements. This can be seen by the fall of most major currencies relative to gold. Additionally, traditional market correlations— such as the VIX-USD—are breaking down, with the US dollar no longer responding predictably to recent events.

This uncertainty raises questions about whether this is a temporary disruption or the beginning of a new monetary order where the US dollar is no longer the default safe haven currency. Market movements this year highlight the need for adaptability in an evolving global economy.

In 2025, Spain’s GDP per capita—at \$36,190—surpassed Japan’s, which stood at \$33,960, according to IMF data. It is worth noting that the Japanese yen’s 40% depreciation since 2021 has artificially lowered Japan’s dollar-denominated GDP per capita.

Nevertheless, this development marks a notable shift in global economic rankings and highlights Spain’s robust growth in recent years. Spain’s GDP growth has been driven by strong domestic demand, a thriving tourism sector, government support, population increases, and lower energy prices.



Precious Metals and Commodities

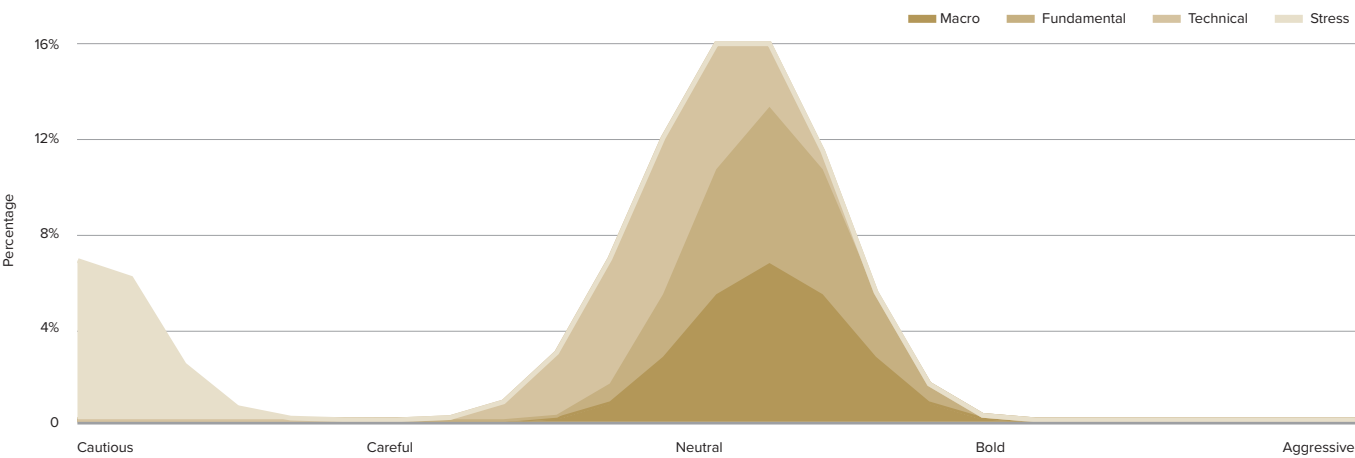
Gold and silver are expected to rise in the short to medium term, while copper, oil, and agricultural commodities are projected to

remain flat. Nonetheless, all precious metals and commodities continue to follow a long-term upward trajectory.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	↗	↗	→	→	→
Outlook	↗	↗	→	→	→
Trend	↗	↗	↗	↗	↗

Market Risk Signal

Market Risk Signal

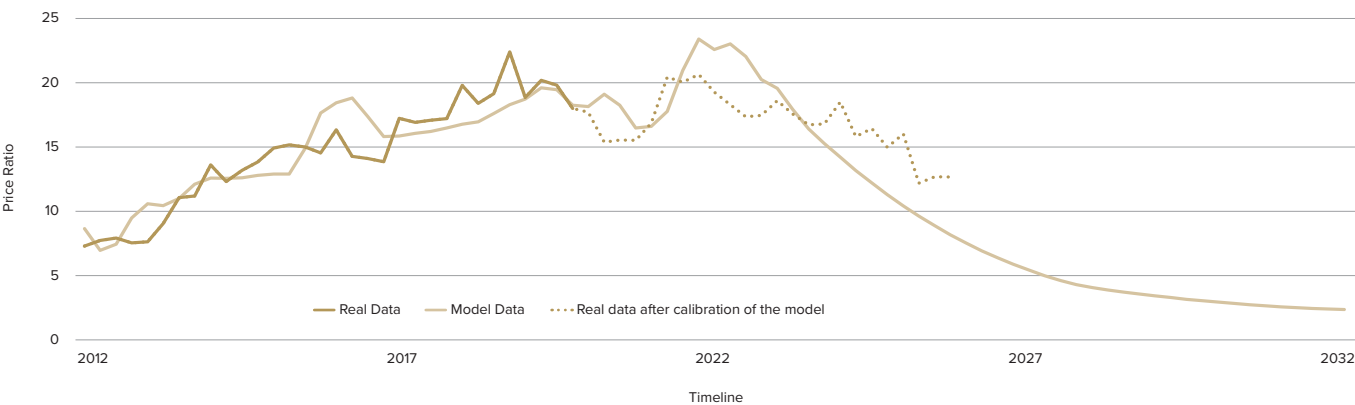


Gold vs stocks forecasting model

According to the model, the point at which economic activity assets - such as equities- last outperformed gold was around Q3 2022. From that point onwards, the model predicts an out-performance of gold relative to equities (light line).

When compared to actual data on the stock-to-gold price ratio (dotted line), the trend of gold outperforming equities appears to have begun in early 2022. Whether a short-term reversal will occur remains uncertain; however, the long-term trend towards stronger gold performance remains clear.

Ratio of stock to gold prices in the US



Gold Feature

In an era where monetary policy, geopolitics, and mounting debt are reshaping investment landscapes, traditional notions of safe-haven assets are evolving. For example, despite their reputation as a cornerstone of risk management, US Treasuries have delivered a mere 1% return decade-to-date. Meanwhile, gold has emerged as the top-performing major asset, with returns of 122%.

Gold's outperformance is all the more striking given the aggressive monetary expansion between 2020 and 2022, during which \$2 trillion worth of US assets were injected into the Federal Reserve's balance sheet.

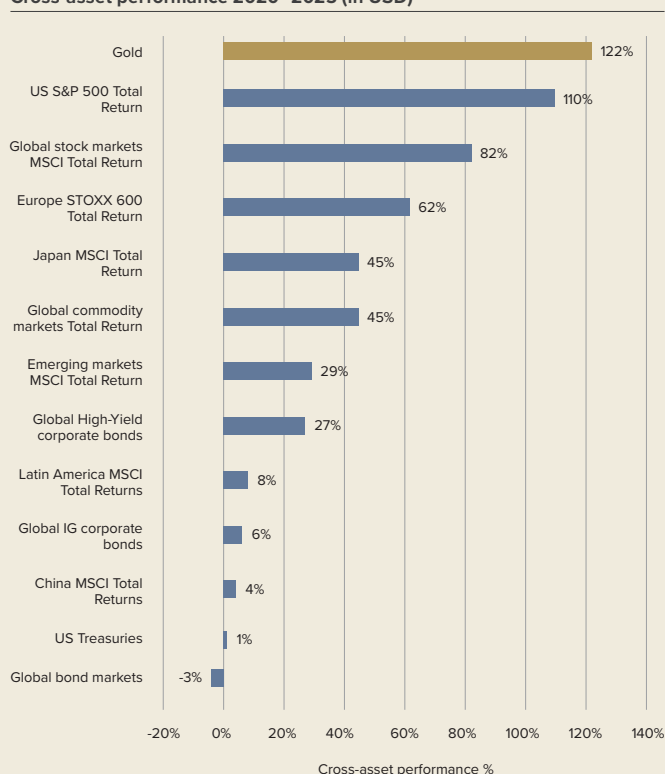
Once regarded as the default passive strategy, the traditional 60:40 (equity–bond) portfolio is now under scrutiny, following the failure of US Treasuries to provide stability during recent inflation shocks and market sell-offs. As the investment landscape evolves in response to monetary and geopolitical developments, rethinking portfolio hedges has become crucial to long-term wealth preservation.

One alternative passive strategy that offers a similar balance—targeting growth while protecting against market declines—is the equity-gold portfolio.

In an equity-gold portfolio, the two assets play roughly equal roles and can be held in similar proportions to the traditional 60:40 portfolio. With equities providing much of the growth potential, gold replaces bonds as the portfolio stabiliser during market declines.

However, unlike bonds, gold's stabilising effect is not directly linked to monetary policy; it does not depend on central banks lowering rates to stimulate the economy. Instead, gold acts as a hedge against the negative effects of monetary inflation, such as lower real returns and a loss of purchasing power. In such an environment, it not only safeguards gains during market downturns but also tends to outperform other assets.

Cross-asset performance 2020–2025 (in USD)



Current investment situation

Expansionary monetary policies and persistent budget deficits continue to inflate asset prices globally. Precious metals, particularly gold, have surged as investors seek protection against currency debasement and economic uncertainty, while equities remain buoyed by abundant liquidity.

Certain sectors—most notably technology and defence—are experiencing outsized gains, driven by targeted government spending and strong momentum trading from private investors. This environment of cheap money and strategic fiscal support is fuelling demand for high-growth assets, reinforcing the upward trend across both safe-haven and speculative markets.

Recent geopolitical developments—particularly the outcomes of the latest SCO Summit—signal a notable shift towards strengthening national sovereignty and promoting more balanced international trade within the framework of the United Nations. This realignment presents significant opportunities, especially for smaller nations, while also opening new markets for European industrial economies.

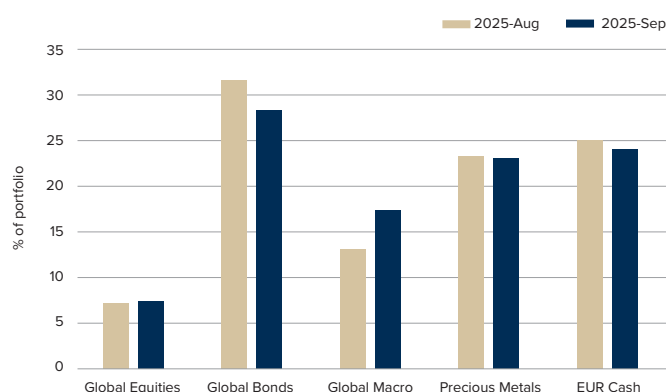
A key focus of this movement is the drive to increase trade denominated in local currencies, thereby reducing reliance on the US dollar and rebalancing global economic influence. These dynamics have contributed to rising gold and silver prices in recent months, as markets respond to the prospect of a multipolar financial system and more diversified reserve assets.

The diversification of the global semiconductor market—driven by Chinese firms prioritising domestic innovation, particularly in AI applications—is set to intensify competition and broaden access to AI systems worldwide. Open-source initiatives, such as those led by ETH Zurich, EPFL, and the Swiss National Supercomputing Centre, enable organisations to build and deploy AI models on their own infrastructure, directly addressing data security concerns. Platforms such as Apertus can now operate at full capacity on local, cost-effective infrastructure, thanks to increasing affordability. Given Europe's ambition to achieve data competitiveness and sovereignty, these developments have the potential empower businesses—including those handling sensitive data—to implement efficiency-enhancing AI solutions across a wide range of applications, without compromising confidentiality or control.

Allocation adjustments

The current market environment—characterised by strong upside potential alongside persistent stress factors—is driving a shift in investor preference from global bonds to more agile global macro funds. This reallocation reflects a growing demand for active management strategies, as investors seek to capitalise on volatility while maintaining comparable levels of risk exposure. Skilled macro fund managers, with the ability to navigate rapid market shifts and seize emerging opportunities, are increasingly seen as better positioned to deliver enhanced returns in today's evolving landscape.

Allocation compared to the previous month

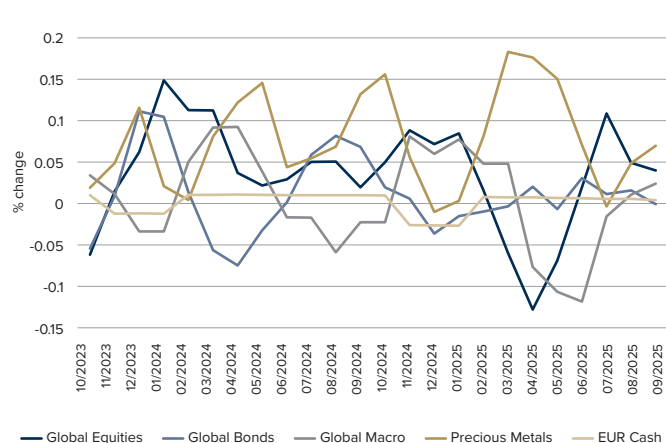


Rolling three-month performance of various asset classes

An analysis of rolling three-month performance indicates that active allocation between equities, bonds, and gold has consistently contributed to portfolio returns. This trend remains evident over the long term, underscoring the value of dynamic asset management.

Gold has notably re-emerged as the strongest driver of returns, reinforcing its role as a key diversifier and performance enhancer in periods of market uncertainty.

Rolling 3-month performance



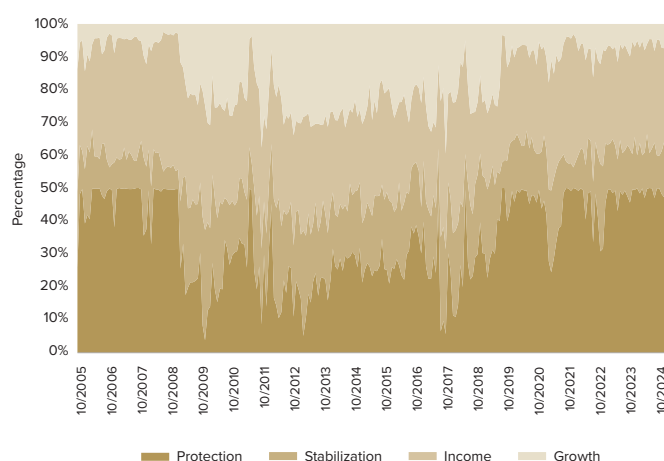
Historical analysis of dynamic gold allocation

The market risk signal—derived from economic data, capital investment valuations, and market behaviour—offers guidance on both asset class selection and allocation levels. In general, a more favourable environment supports greater

exposure to equities, whereas a more critical or uncertain market climate calls for increased allocations to hedging assets such as precious metals or cash.

Allocation changes over time

Allocation by portfolio role



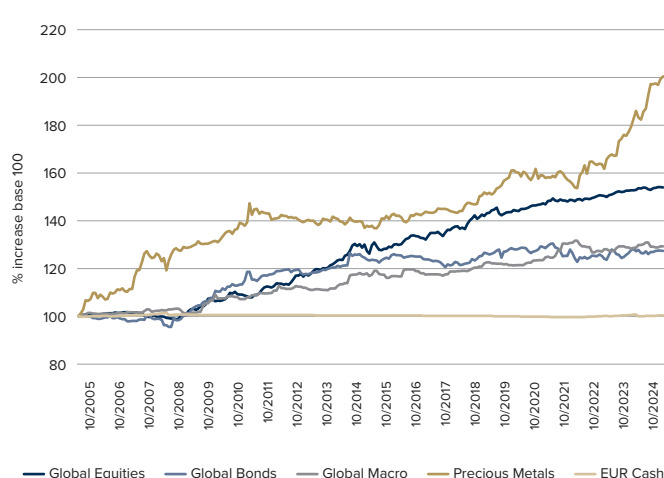
Accordingly, asset class allocations are adjusted in response to the market risk signal. For example, in the summer of 2008, when market risk was very high, the portfolio was heavily weighted towards cash, precious metals, and bonds.

In contrast, between 2012 and 2015, risks in the European market were relatively low, leading to a higher allocation to equities—fulfilling the portfolio’s “Growth” role—and a reduced need for hedging assets.

At present, the market risk signal favours a more protective positioning, with strong allocations to cash and precious metals, a slightly reduced weighting in income assets, and only minimal exposure to stabilisation and growth-oriented investments.

Performance contribution of various asset classes

Performance Contribution



Performance attribution illustrates how much each asset class contributes to overall portfolio performance during a given period, with relative allocation playing a key role. For example, between 2014 and 2019, the allocation to gold was relatively low, and the majority of returns were generated by bonds and equities.

In more economically challenging years, the allocation to gold increased, and—due to gold’s strong performance during those periods—the portfolio delivered attractive overall returns. At present, precious metals are outperforming all other asset classes by a considerable margin.

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