



Weekly Market Commentary

October 20, 2025



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Weekly Market GRIP Report – Week Ending October 17, 2025

Macro & Liquidity Narrative

Financial markets navigated another week with **limited official data** because the U.S. government shutdown continued. Some private estimates gave a pulse on the economy. **Initial jobless claims** for the week ended 4 October were estimated at about 235 k, up from 224 k the previous week. Economists noted that furloughed contractors were filing for unemployment benefits, keeping claims elevated but still within a range that suggests the labour market is slowing rather than collapsing. The preliminary **University of Michigan consumer-sentiment index** for October held steady at 55.0, just below September's 55.1; respondents cited high prices and weakening job prospects as their main concerns. Short-term inflation expectations remained elevated at 4.6 %, while longer-term expectations were 3.7 %. Because the shutdown postponed official releases such as the Employment Situation and CPI/PPI, investors relied heavily on sentiment surveys and market pricing to gauge the economic outlook.



Liquidity remained a central theme. Federal Reserve Governor **Christopher Waller** repeated his preference for another 25-basis-point rate cut at the upcoming meeting but warned that deep cuts could risk a rebound in GDP. He stressed the need for caution, noting disagreement among policymakers about how far and how fast to ease. Meanwhile, the ongoing government shutdown drained fiscal liquidity as federal spending halted and uncertainty grew. On the geopolitical front, President **Donald Trump** threatened 100% tariffs on Chinese goods, then later called such tariffs “unsustainable,” hinting at a possible thaw before his meeting with President **Xi Jinping**. Markets reacted violently to the tariffs talk: equities and high-yield credit weakened mid-week before stabilizing when Trump softened his tone.

Gold prices told the liquidity story vividly. After surging above US\$4,300/oz mid-week, bullion briefly pulled back on Friday to around US\$4,230/oz as trade fears eased. Even after the pullback, gold was still up sharply over the week and remained near record highs, reflecting safe-haven demand amid global uncertainties, strong central-bank buying and expectations of additional Fed rate cuts. In contrast, **Bitcoin** prices tumbled from roughly \$113,068 on Monday to about \$106,421 by Friday, illustrating risk aversion within speculative assets. Overall, liquidity conditions were push-pull: monetary easing expectations and safe-haven buying provided support, but fiscal drag, trade tensions and rising volatility dampened risk appetite.



Key Economic Releases (LEI Components & Inflation)

Indicator (Release/Proxy)	Week's Result	Why It Matters	Evidence
Jobless claims (4 Oct)	Private estimate ≈235 k, up from 224 k	Claims are one of the Conference Board's leading indicators . An uptick suggests softening labour demand but not yet a surge in layoffs.	Economists noted that contractors furloughed during the shutdown likely filed claims, pushing up the total.
University of Michigan consumer sentiment (preliminary Oct)	55.0, essentially unchanged from Sept's 55.1	Expectations component feeds into the LEI. Stable but low sentiment reflects cautious consumers, still worried about high prices and job prospects.	Short-term inflation expectations were reported at 4.6 % and long-term at 3.7 %.
Building permits (Aug, latest release)	1.330 M annual rate, down 2.3 % m/m	New permits are a LEI component; the decline to the lowest level since May 2020 suggests cooling construction and slower future growth.	Single-family permits fell 1.9 %, multi-unit permits decreased 2.8 %, with sharp drops in the West.
Inflation data	No CPI or PPI releases because the government shutdown delayed September reports	Without official inflation numbers, markets focused on price expectations and commodity movements.	The BLS release calendar shows September PPI was scheduled for Oct 17, but the shutdown postponed the release.



Market Performance (Oct 13-17)

Asset/Class	13 Oct Open	17 Oct Close	Weekly Change	Narrative & Source
S&P 500	6,622.53	6,664.01	+1.70 %	U.S. equities moved higher for the week: mid-week losses on trade-war angst were offset by late-week recovery when Trump said 100 % tariffs were “unsustainable.”
MSCI ACWI (iShares ACWI ETF)	137.23 (Oct 13)	138.63 (Oct 17)	+2.15 %	Global equities ended higher thanks to rallies in some developed markets.
Gold (spot)	≈\$4,010/oz on Oct 10 (prior week reference)	≈\$4,340/oz mid-week before easing to \$4,230/oz	Up ≈8 % for the week	Bullion’s surge reflected safe-haven flows and expectations of Fed rate cuts. Prices hit another record high before retreating after Trump softened tariff rhetoric.
10-year U.S. Treasury yield	4.04% on Oct 13	4.01% on Oct 17	–3 bps	Bond yields fell as investors sought safety and anticipated further Fed easing. The drop occurred even with limited data.
Bitcoin (Coinbase)	\$113,068 on Oct 13	\$106,421 on Oct 17	–5.9 %	Crypto markets sold off sharply, reflecting risk aversion. Bitcoin’s slide contrasted with gold’s rally, underscoring a preference for traditional havens.
High-yield credit spread (ICE BofA OAS)	3.18 % on Oct 10	3.04 % on Oct 16	–14 bps	Credit spreads tightened modestly despite volatility, showing resilience in corporate credit markets.



Net Risk Composite Interpretation: Equity and credit components were modestly supportive, while volatility, gold and crypto signaled rising risk aversion. The composite therefore edges **slightly negative**, reflecting heightened uncertainty and a shift toward safety even as core equity indices remained resilient. Liquidity conditions remain the swing factor: further easing by the Fed could tilt the composite positive, but fiscal deadlock, trade tensions and rising volatility currently weigh on risk appetite.

Policy & News Highlights

- **Federal Reserve communications:** FOMC minutes released this week revealed divisions over the pace of rate cuts; several members argued for slowing the pace, while others advocated continued easing. Governor Waller said he supports a quarter-point cut but emphasized caution.
- **Trade tensions:** Gold's mid-week rally and subsequent pullback were tied to U.S.–China trade rhetoric. President Trump's suggestion of a 100 % tariff on Chinese goods roiled markets; he later admitted such tariffs would be "unsustainable," signaling a desire for compromise.
- **Government shutdown:** The shutdown dragged into a third week. The Senate again failed to advance a funding bill. Courts warned of furloughs and suspended civil cases. Without appropriations, the BLS delayed the release of CPI and PPI data. This uncertainty weighed on consumer and business confidence.



GRIP Summary

- **Growth:** Softness in jobless claims and declining building permits signal slowing momentum. Consumer sentiment remains weak. Overall, growth is **fragile but not collapsing**.
- **Risk Appetite:** Equity indices were higher; credit spreads narrowed; but the VIX spike and gold rally show that **risk appetite deteriorated**. Bitcoin's slide underscores caution.
- **Inflation:** No official price data were released due to the shutdown. Survey-based inflation expectations remain elevated, but the absence of hard data keeps inflation risks ambiguous. Gasoline, rents, and Brent Crude trends suggest lower inflation for now.
- **Policy:** The Fed appears ready to cut rates further but is debating the pace. Fiscal policy is hamstrung by the shutdown. Trade policy remains volatile, with high-tariff threats and hints of negotiation.

Bottom Line

The week ending **October 17, 2025**, underscored the importance of **liquidity** in markets. With official data scarce, investors focused on policy signals and safe-haven flows. Equities and credit held firm, but rising volatility, a surge in gold and a sharp decline in Bitcoin point to growing risk aversion. Our **risk composite** tilts modestly negative, suggesting that portfolios should maintain a defensive stance and continue to monitor liquidity conditions closely.



Sources

1. Reuters – Initial jobless claims estimate and contractor furlough commentary (190481479795185†L186-L221) (190481479795185†L233-L235).
2. Reuters – University of Michigan consumer sentiment and inflation expectations (32057708308687†L186-L236) (32057708308687†L252-L254).
3. Reuters – Fed Governor Waller on rate cuts and policy debate(414922268322372†L186-L210) (414922268322372†L210-L239).
4. TradingEconomics – Gold price movements and Trump tariff comments (615481358939004†L165-L174) (615481358939004†L186-L199).
5. FRED (Federal Reserve Economic Data) – Bitcoin price data (521664038539676†L92-L103).
6. TradingEconomics – U.S. building permits detail (381313277200080†L143-L151).
7. BLS Release Calendar – PPI release scheduled for Oct17 and postponed due to shutdown (47198920200697†L1230-L1266).
8. FRED – S&P 500 daily closes for Oct13–17 2025 (433952580159253†L93-L104).
9. Financial Times – MSCI ACWI ETF daily closes for Oct13–17 2025 (246921257677806†L240-L249).
10. FRED – Broad USD Index levels (latest available) (425898022701939†L84-L103).
11. FRED – U.S. 10-year Treasury yield data (790071809583874†L85-L103).
12. FRED – High-yield OAS levels (219894180504227†L93-L103).
13. FRED – VIX values (402860529367384†L93-L104).



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