Dollar wavers with politics and trade tensions in focus

By Hannah Lang, Reuters, October 20, 2025

The dollar edged higher against the yen on Monday as investors shifted their focus to political developments in Japan and the euro area, while U.S. credit risk concerns lingered. The yen edged lower as hardline conservative Sanae Takaichi is almost certain to become Japan's first female prime minister after a decisive parliamentary vote.Her expected premiership, backed by a new coalition with the right-wing Japan Innovation Party, has raised investor concerns over potential fiscal expansion, which could weigh on the yen."Market participants will now be watching closely to see what fiscal plans are put together by the new coalition government," said MUFG senior currency economist Lee Hardman. The dollar was up 0.08% to 150.710 yen. Bank of Japan board member Hajime Takata, who voted against keeping rates steady in September, reiterated on Monday his case for resuming hikes, giving the Japanese currency some support. Japan's benchmark Nikkei stock index (.N225) closed more than 3% higher, hitting an all-time peak. The BOJ next decides monetary policy on October 30, with market-implied odds of a quarter-point rate increase at 23%, LSEG data shows.
The euro edged slightly higher against the dollar as French political tensions eased, but investor caution lingered. Markets have yet to fully price out French risk from the euro, with the government's decision to freeze pension reform offering only a temporary political breather. The euro was down 0.06% at $1.164. U.S. stock indexes ended higher on Friday after U.S. President Donald Trump said his proposed 100% tariffs on China would not be sustainable, while upbeat quarterly results from regional banks helped ease credit risk concerns. After a turbulent week in which some regional U.S. banks flagged bad loan and fraud issues, investors are now awaiting more earnings to check for signs of wider sector strain.

The U.S. dollar index, a measure of its value relative to a basket of other major foreign currencies, rose 0.053% to 98.587. It hit 98.025 on Friday, its lowest level since October 6. "The immediate danger seems to have passed as investors are convinced that the bankruptcies, bad loans and fraud accusations are all isolated incidents, and not part of widespread failings within the banking sector," David Morrison, senior market analyst at Trade Nation, said in a note. Economists said the dollar's resilience will be tested on multiple fronts. "One, the government shutdown is hurting economic activity, both directly and indirectly," said Klaus Baader, global chief economist at Societe Generale Corporate and Investment Banking (SGCIB), adding U.S.-China tensions were a second major concern. "Three, the (import) tariffs that are already in effect continue to feed through, slowing real household income growth and weighing on corporate margins," he said.

Barclays flagged that, with no obvious catalyst to end the federal government shutdown in the next few weeks, the stoppage may extend well into November, when political and economic pressures should intensify. The Australian dollar rose 0.48% to $0.652 on Monday, cheered by data from top trade partner China showing its economy reasonably resilient to U.S. tariffs. Official data showed China's economy grew 1.1% in the third quarter, topping forecasts, while industrial output also beat with a 6.5% rise. Although the 4.8% annual growth rate marked the weakest pace in a year, it kept China on track to meet its official target of around 5%.

China's Economic Growth Slows Amid Sputtering Domestic Demand

By Peter CATTERALL and Isabel KUA, IBTimes, 10/20/25

China's economic growth slipped below five percent in the third quarter of 2025, the slowest pace in a year as trade headwinds and a domestic consumer slump continued to weigh. The data comes as the country's ruling Communist Party kicks off a closely watched four-day meeting in Beijing focused on long-term economic planning. It also comes ahead of in-person discussions later this month between top Chinese and US trade officials -- as well as a potential meeting between presidents Donald Trump and Xi Jinping. Trump earlier this month threatened blistering 100 percent tariffs on Chinese goods from November 1, in response to Beijing's sweeping export controls in the strategic rare earths sector. Gross domestic product in the July-September quarter expanded 4.8 percent year-on-year, the National Bureau of Statistics (NBS) said, down from 5.2 percent in the previous three months. The figure was on par with an AFP forecast based on a survey of analysts. It also represented the slowest growth since the same quarter last year, when GDP expanded 4.6 percent.

As trade pressure builds, experts say China must adjust to a growth model driven more by domestic household spending than exports and manufacturing. Fixed asset investment in the first three quarters saw a slight decline of 0.5 percent year-on-year, the data showed, largely because of a sharp contraction in real estate investment. That decline is "rare and alarming", Zhiwei Zhang, president and chief economist at Pinpoint Asset Management, wrote in a note. Zhang noted that recent stimulus measures "should help to mitigate the downward pressure on investment" in the fourth quarter. "Nonetheless, the risk to GDP growth in Q4 is likely on the downside," he added. Domestic spending has lagged in recent years, having failed to fully recover from the Covid-19 pandemic, which hammered consumer sentiment.

In a further sign of weakness, the NBS said retail sales growth slid to three percent year-on-year in September, in line with estimates in a Bloomberg survey but down from August and the slowest rate since November. "This slowdown reflects the waning impact of the consumer goods trade-in scheme, which had boosted sales of certain products earlier in the year," wrote Julian Evans-Pritchard of Capital Economics. "China's growth is becoming increasingly dependent on exports, which are offsetting a slowdown in domestic demand," he wrote. "This pattern of development is not sustainable," he added. In one bright spot, industrial production rose 6.5 percent last month, the NBS data showed, outperforming the five percent forecast in a Bloomberg survey. "The national economy withstood pressure and continued to maintain steady progress," the NBS said in a statement about the first three quarters of the year.

Beijing and Washington agreed over the weekend to conduct a fresh round of trade talks this week as leaders attempt to walk back from the brink of another damaging tit-for-tat tariff battle. Fears of a full-on trade war were also eased after Trump told Fox News that 100 percent levies on all Chinese goods were "not sustainable". Eyes are fixed on potential outcomes from the Communist Party meeting, which is due to conclude in Beijing on Thursday. The fourth such "plenum" to be held during the current Central Committee's 2022-2027 term, this session will focus on proposals for the 15th five-year plan on economic and social development, according to state media. That plan, which covers the period from next year until 2030, will play a central role in the pursuit of Xi's core aims, including technological self-sufficiency and military and economic might.

Gold Price: Is US Economy On The Brink? Shocking $4,300 Leap Sparks Global Panic And Investor Frenzy

By Melvin Gascon, IBTimes, 10/17/25

Gold's meteoric climb beyond $4,300 (£3,225) an ounce has rattled markets globally, serving less as a triumph of bullion than a symptom of systemic fear. In just days, gold has become the epicentre of investor anxiety—a barometer for eroding confidence in the US economy, fragile credit markets, and a Federal Reserve caught between hawkish discipline and political pressure. In a report, Reuters said the bump in gold signals deepening stress in markets already reeling from doubts about US banks and rising expectations of aggressive policy shifts.

Record Rally Conceals Deeper Fears

Spot gold climbed to as high as $4,378.69before before pulling back slightly, marking an 8 per cent gain on the week--its steepest weekly advance since December 2008, according to Reuters. US gold futures reportedly echoed that momentum, with December contracts reaching all-time highs. The rally has been fueled by a confluence of factors: expectations that the US Federal Reserve may soon shift toward interest rate cuts, mounting geopolitical risks, and growing unease about the stability of regional banks in the US. In recent days, borrowers tied to US regional lenders have disclosed significant loan losses and fraud allegations. Zions Bancorporation announced a $50 million hit, while Western Alliance has filed suit relating to a roughly $100 million bad-loan claim--moves that sent shockwaves across global markets, The Guardian reported. The revelation has revived memories of past banking stress and raised fears of systemic contagion. Markets responded with heavy selling: the FTSE 100, DAX, Nikkei 225 and Hang Seng all extended losses, and bond yields retreated as investors sought refuge in gold, according to The Guardian.

Safe-Haven Demand and Central Bank Accumulation

Analysts say that gold's traditional role as a hedge is magnified in today's uncertain climate. According to Reuters, the safe-haven bid has become overwhelming, particularly as central banks and institutional investors chase shelter. The SPDR Gold Trust, among the world's biggest gold ETFs, raised its holdings to their highest level since July 2022, underlining the strong investor appetite. HSBC has also raised its forecasts, projecting that gold could reach $5,000 per ounce in 2026 under current momentum. Goldman Sachs analyst Lina Thomas likened the current rally to the 1970s gold boom, arguing that the advance is built on real demand rather than speculative excess, according to markets.businessinsider.com.

Weak US Data, Dollar Decline, and Rate Cut Speculation

Beneath the surface, US macro data have been softening. Sluggish job growth, downward revisions to prior data, and signs of slack in consumer demand have shaken confidence. Meanwhile, the U.S. dollar has slid, losing value against major currencies--a trend that makes dollar-priced gold more attractive internationally. Markets are aggressively pricing in rate cuts from the Fed in October and December. Lower interest rates make non-yielding assets such as gold more appealing relative to bonds or cash holdings.

Economic Alarm or Temporary Panic?

A rally in gold, even when dramatic, is not definitive proof of impending collapse. But many analysts interpret it as a flashing warning light. Professor Paolo Pasquariello of the University of Michigan told ABC News that gold's rapid surge is not a 'good sign' and could presage deeper US economic trouble. He sees it as a symptom of waning confidence rather than a cause. Others point to the fragile condition of regional banks and tighter credit conditions as potential triggers for a broader slowdown or contagion event. Still, some strategists urge caution: the gold rally may face pullbacks. Analysts at Bank of America recently warned that after weeks of gains, a correction might loom.

Global Fallout & Market Panic

Across Asia and Europe, stock indices absorbed heavy losses as fear rippled through capital markets. In Europe, the FTSE 100 marked its steepest one-day drop since April, according to The Guardian. Emerging markets investors increasingly rotated out of equities into safe assets like gold, sovereign bonds, or defensive currencies. Analysts warn that gold's market--while large--remains relatively small compared to global capital flows, meaning that modest inflows can trigger outsized price swings, Reuters reported.

What Lies Ahead: Volatility or Validation?

Looking forward, forecasts remain bullish but cautious. Many expect elevated volatility to persist, and some models suggest a target of $4,600 per ounce by mid-2026 if current trends hold. HSBC and Bank of America have both floated $5,000 per ounce as a possible long-term ceiling, should the bullish cycle extend. But risks abound. Any signs of a rebound in US economic data, a shift in Fed policy toward hawkishness, or resurgent risk appetite could swiftly reverse the gold surge. For now, global markets are on edge. The rise of gold beyond $4,300 is more than a price shock: it is a barometer of deeper fragilities in the financial system.