

Daily Dose of Macro & Markets 18th September 2025: “Fed Meeting Outcome & Gold”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Key Quote

“Fed Chair Jerome Powell said Wednesday’s decision reflects a desire to keep risks to the economy in check.

“You can think of this, in a way, as a risk management cut,” Powell said.”

Source: CNBC, Fed Press Conference, 17th September 2025 <https://www.cnbc.com/2025/09/17/fed-meeting-today-live-updates.html>

“A well diversified portfolio would have somewhere between 10 and 15% in the portfolio of gold,” said Dalio’

Source: Ray Dalio, Investing.com, <https://www.investing.com/news/economy-news/gold-should-be-1015-of-portfolio-says-ray-dalio-4235047>

Fed Meeting Outcome & Gold

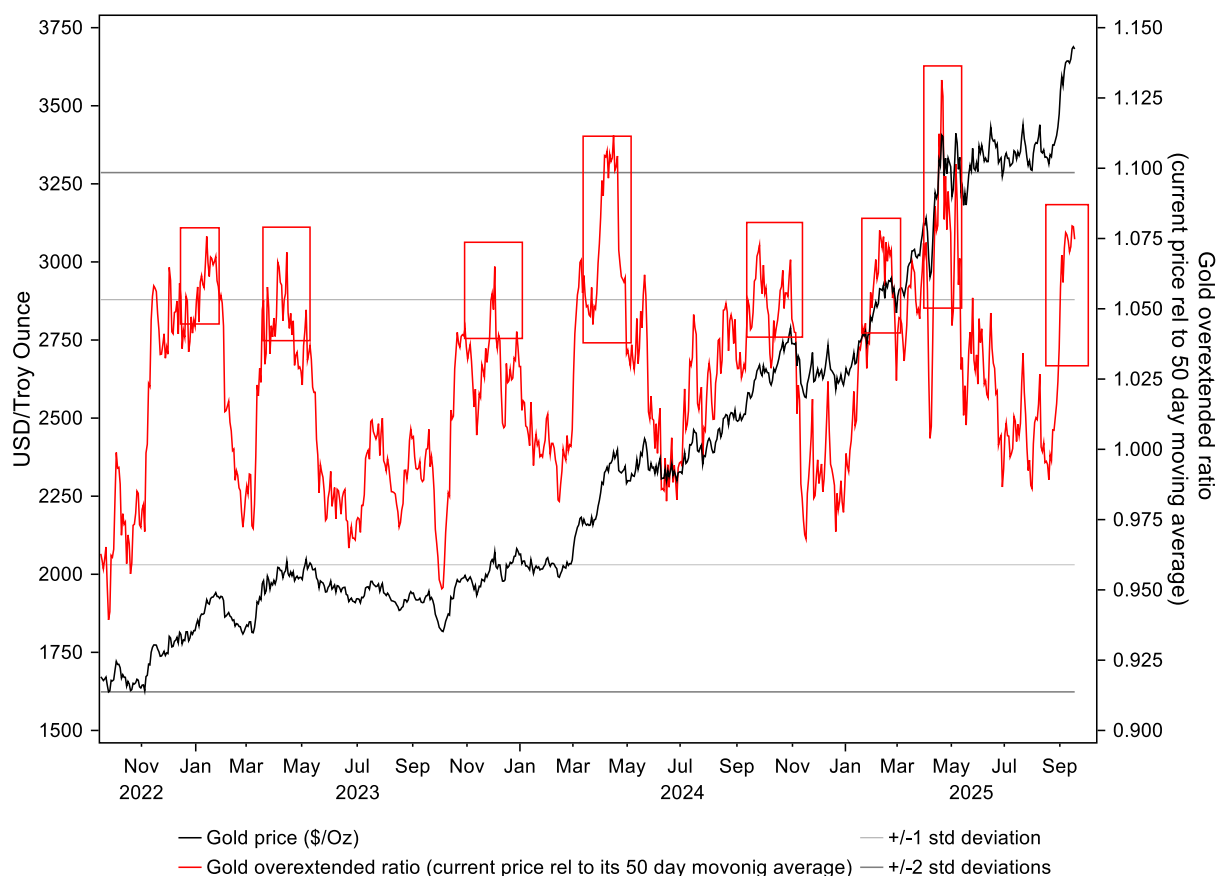
After all that anticipation (and focus on how Trump is influencing the Fed), the meeting wasn't that interesting. The Fed cut 25bps, as expected, the S&P500 closed 6 points lower (i.e. -0.1%), the NASDAQ was 0.3% lower, while US 10 year bond yields ended the day 2bps higher. The rates market moved negligibly, with Dec 2025 Fed Fund futures pricing in one more basis point of easing (while Dec 2026 priced out 5bps). So yes, Miran (new Fed nominee) voted for 50bps and is an outlier on the dot plots but Waller and Bowman (the other candidates on the FOMC for the Chairmanship) didn't dissent and voted with the consensus (i.e. stayed true to their economic views). So, while it was much anticipated and there was volatility intraday, the meeting passed and was largely uneventful. For choice, the Fed was a tad more cautious (about rate cuts) than might have been expected (Powell, for example, described the cut as “risk management” – see quote above), but he also emphasised the labour market risks.

What was interesting, though, was the **behaviour of gold** (and silver). Gold sold off on the policy announcement (2pm EST) by around \$100 and is down further overnight (currently around \$3,670, FIG 3). Gold is, of course, the purest ‘monetary metal’ traded in the market. It's highly sensitive to future expected changes in monetary policy (and money debasement). A hawkish cut is, therefore, negative for the price. Equally, recent chatter (about the loss of Fed independence) has been part of its latest rally and has generated widespread bullishness about its outlook (e.g. see Ray Dalio quote above), which is typically a contrarian signal.

Equally, though, given such enthusiasm for the asset price and the strong recent run, it's now overbought, whilst support from ‘US economic policy uncertainty’ (which was a big driver earlier this year) has dwindled. As FIG 2 shows, policy uncertainty peaked in May this year and has since fallen sharply (as the market has come to more fully

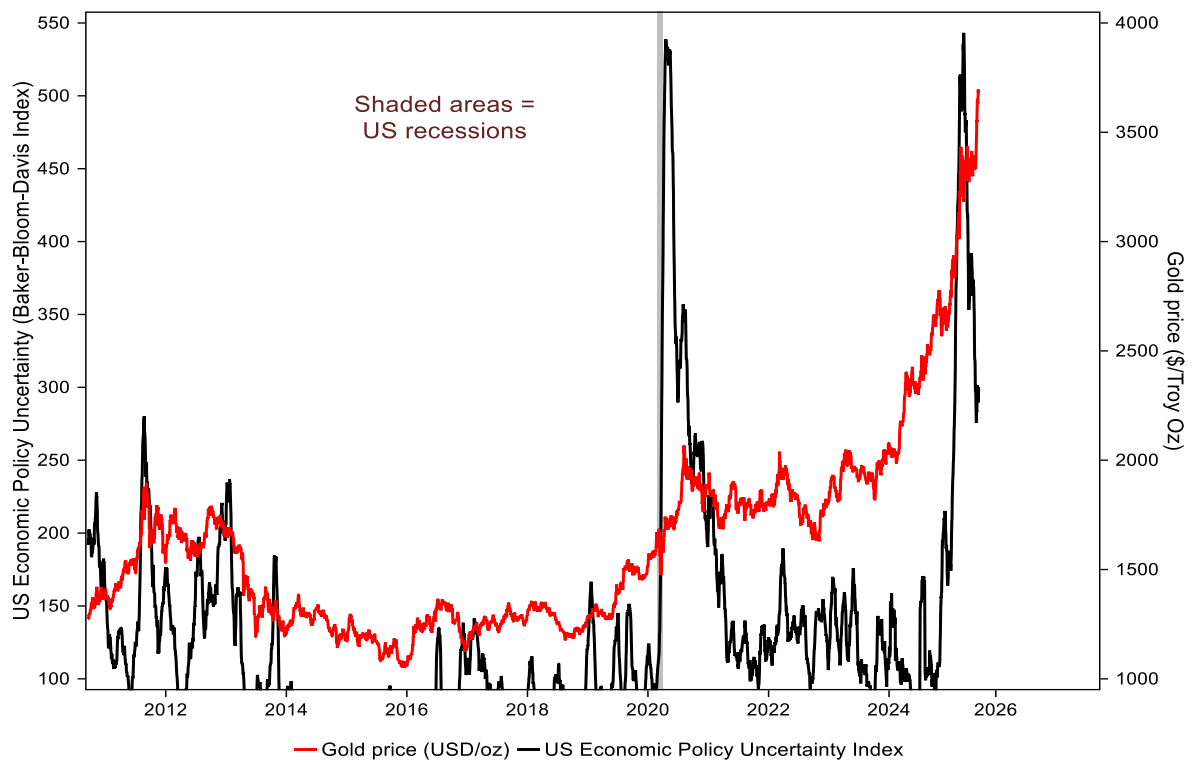
understand Trump's agenda). Added to that, the gold price is now overextended relative to its 50 day moving average (i.e. it's frothy, see FIG 1). Prior instances of overextendedness have mostly resulted in either a multi week/month consolidation phase, or even some meaningful giveback in the price. Indeed, if the Fed is correct in its forecasts for some cuts and modest economic growth, then it's plausible that Gold is coming to the end of this most recent phase of its bull run (i.e. its strong rally since October 2022). More on that in a deep dive into gold next week.

FIG 1: Gold overextended ratio vs. gold price (US\$/Oz)



Source: Longview Economics, Macrobond

FIG 2: US Economic Policy Uncertainty Index vs. Gold price (USD/Oz)



Source: Baker, Bloom & Davis, Longview Economics, Macrobond

FIG 3: Gold price (USD/Oz) 5 day tick chart shown with overnight price action

