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President **Trump**

has publicly called for
lower rates

Europe:

Inflation is projected
to remain above 3%
until spring 2027

Q4 '26

Market outlook

US: "The biggest Q4 risk may
therefore be a policy error."

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Gold caught between central banks and the Fed



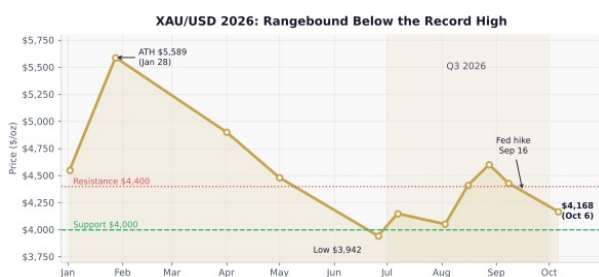
Raed AlKhedr
Chief Market Analyst

Gold enters Q4 caught between two competing forces. Central bank demand continues to provide support, while expectations of higher US interest rates limit its recovery. After a volatile third quarter, the question remains whether gold can regain momentum or face further pressure.

"For gold, the Fed's guidance may matter more than the rate decision itself."

Gold's recovery struggles to gain momentum

The Q3 report questioned whether gold's rebound from its June low marked a genuine trend reversal or a temporary recovery within a broader correction. The outcome was mixed. After falling around 14% in Q2, gold recovered roughly 6.4% in Q3 through 25 September but remained largely within a \$4,000–\$4,500 per ounce range. Gold briefly reached a quarterly high near \$4,600 in late August, after weaker-than-expected July US inflation data reduced the probability of a September Fed rate hike from around 55% to 35%. However, prices fell roughly 4% in September. By 6 October, XAU/USD was trading near \$4,168, down more than 5% over the month and around 25% below its January record high.



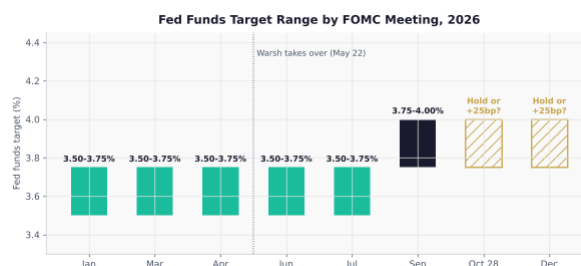
Higher US rates continue to weigh on gold

US monetary policy remains the biggest influence on gold. On 16 September, the Federal Reserve unanimously raised rates by 25 basis points to 3.75%–4.00%, its first increase under Chair Kevin Warsh after holding rates at 3.50%–3.75% since the start of the year.

The decision followed persistent inflation, with annual PCE inflation at around 3.7% in July. Warsh has maintained that inflation is not slowing and returning it to the 2% target remains the priority. Markets subsequently increased expectations of further hikes, pushing the 10-year Treasury yield above 5.2%, the 30-year above 5.5% and the 10-year real yield to around 1.6%.

Higher real yields make non-yielding assets such as gold less attractive. However, gold has remained relatively resilient despite rising yields

and a stronger dollar, pointing to continued support from underlying demand.



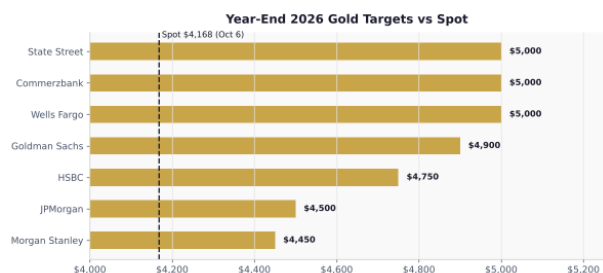
The Fed's next move could be decisive

The Fed's 27–28 October meeting will be a key event for gold, taking place less than a week before the US midterm elections on 3 November. President Trump has publicly called for lower rates but says the decision rests with Warsh, who has pledged to protect the Fed's independence. For gold, the Fed's guidance may matter more than the rate decision itself. September inflation data on 14 October could shift expectations ahead of the meeting, followed by October payrolls on 6 November, October CPI on 10 November and the final Fed meeting in December. Any indication that rate hikes are coming to an end could lower real yields and weaken the dollar, giving gold the momentum it lacked in Q3.

Central bank demand continues to support gold

Central bank buying remains a key source of support. According to the World Gold Council, net purchases reached 288.9 tonnes in Q2, up 62% year on year and the highest second-quarter total on record. This came despite gold experiencing one of its sharpest quarterly declines since 2013. Poland's central bank added 51 tonnes, bringing reserves to 632 tonnes against a target of around 700 tonnes. China's central bank has also purchased double-digit tonnages each month since May, including roughly 20 tonnes in July. The Council's 2026 survey found that 45% of central banks plan to increase gold reserves

over the next year, the highest share since 2019. However, reported monthly purchases remain below 2025 levels, while the Council's quarterly estimates also account for unreported buying. Its Q3 report, expected in late October, will therefore be an important indicator of whether demand remains strong.



Geopolitical tensions create a dilemma for gold

Geopolitical uncertainty has not always supported gold this year. Despite the US-Iran conflict and Brent rising above \$100 in September, gold fell during the same month. Higher oil prices fuel inflation, increasing pressure on the Fed to raise rates. This can weigh on gold more heavily than safe-haven demand supports it.

That creates an unusual possibility for Q4. A US-Iran peace agreement that restores normal shipping could benefit gold by lowering oil prices and inflation expectations, giving the Fed more room to pause rate hikes. President Trump has suggested the conflict could end immediately after the midterm elections, although that timeline remains uncertain.

Gold's key levels to watch in Q4

The base case is for gold to trade between \$4,000 support and \$4,400 resistance until the Fed's October decision provides greater clarity.

A weekly close above \$4,400 could open the way towards \$4,500 and potentially \$4,700. This would likely require a clear signal that the Fed is pausing rate hikes or a meaningful decline in oil prices that eases inflation pressure.

On the downside, a break below the summer



The oil barrels are back, the calm is not

Oil enters Q4 under renewed pressure as tensions between the US and Iran continue to disrupt the outlook for global supply. Despite expectations of a return to more stable prices, renewed fighting has pushed Brent back above \$100 a barrel, raising concerns about further volatility in the months ahead.

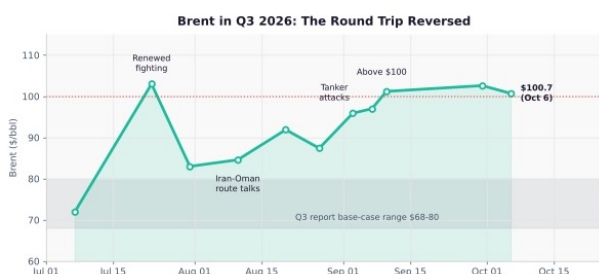


Raed AlKhedr
Chief Market Analyst

"Global inventories remain low after months of heavy drawdowns, leaving prices particularly vulnerable."

Renewed tensions drive oil prices higher

The base case in the Q3 report assumed the US–Iran truce signed in mid-June would hold, with Brent trading between \$68 and \$80 a barrel as the structural supply surplus returned. Instead, the upside risk identified at the time materialised. Fighting resumed in the second half of July, pushing Brent from around \$72 on 7 July to above \$100 in September. Prices ended the quarter near \$102.6 on 30 September, gaining more than 11% in the final month alone and over 50% year on year. As of 6 October, Brent was trading near \$100.7 and WTI near \$89.7.



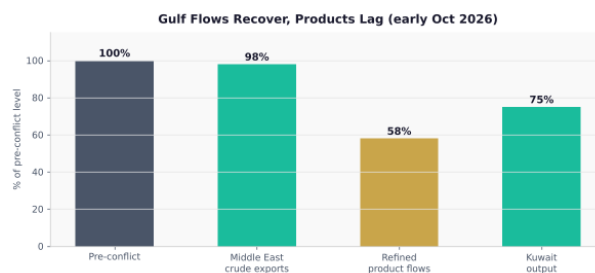
Diplomatic hopes fade as tensions rise

Q3 brought several attempts to ease tensions, but hopes of a lasting agreement faded. In August, Brent fell to \$83–\$87 as Iran–Oman talks progressed on shipping routes and revenue sharing through the Strait of Hormuz. However, disagreements over fees remained, with Iran seeking 5%–7% of cargo value, Oman proposing around 3% and Washington rejecting fees altogether.

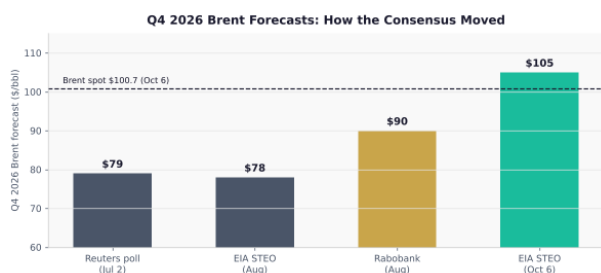
Tensions escalated in early September following drone attacks on tankers, including one on a vessel belonging to Saudi Arabia's national shipping company that killed two sailors. US Central Command later announced it had destroyed ten Iranian tankers it linked to a shadow fleet funding the Revolutionary Guard. Shipping through the strait fell to just seven vessels on one day, sending Brent back above \$100.

Crude supply recovers, but diesel remains under pressure

Despite the conflict, crude supply is recovering. JPMorgan estimates Middle East shipments at 17.5 million barrels per day, or 98% of pre-conflict levels. The US Energy Information Administration also reported that shut-in production fell to its lowest level since fighting began, supported by bypass pipelines and ship-to-ship transfers. However, refined product flows remain at just 58% of previous levels, while Kuwait is operating at around 75% of capacity. This explains why prices remain near \$100 despite recovering crude supply. The pressure has shifted towards diesel, with US East Coast distillate inventories around 32% below their five-year average in September, ahead of winter demand.



Efforts to ease oil prices are gaining momentum. OPEC+ has kept production quotas unchanged, while Saudi Aramco widened its November Arab Light discount for Asian buyers from \$2 to \$5 below the regional benchmark, signalling a focus on market share as exports recover. G7 countries also agreed to release 100 million barrels from emergency reserves, while Iraqi exports rose to around 2.34 million barrels per day in August. However, global inventories remain low after months of heavy drawdowns, leaving prices particularly vulnerable to further disruptions in the Strait of Hormuz or Bab el-Mandeb.



Oil forecasts move higher

The latest forecasts reflect the scale of the price surge. In its 6 October outlook, the US Energy Information Administration (EIA) raised its Q4 Brent forecast to \$105 and its 2026 average to \$96, up \$5 from September. The revisions reflect tight diesel markets and vulnerable regional supply routes, although the EIA expects prices to average \$84 in 2027.

These forecasts assume Middle East supply constraints continue through year-end, meaning they do not account for a potential peace agreement.

Two possible paths for Q4

The Q4 outlook remains two-sided. The base case is for Brent to trade between \$95 and \$105, with recovering crude supply limiting further gains, while diesel shortages and geopolitical risks provide support.

Further attacks on tankers, Gulf infrastructure or shipping through Bab el-Mandeb could push prices above \$110. Conversely, a comprehensive US-Iran agreement restoring normal navigation could send Brent back towards \$80, as seen in June when expectations of a supply surplus returned. President Trump has linked the timing of a potential deal to the period after the midterm elections.

Key developments to watch include weekly EIA inventory reports on Wednesdays, US inflation data on 14 October, the Fed meeting on 28 October, the midterm elections on 3 November

and the next EIA outlook on 10 November. Monthly OPEC+ decisions and vessel traffic through the Strait of Hormuz will also be important indicators.





The Fed is fighting the wrong war

"The Fed could be right that inflation remains too high, but wrong about what is driving it."

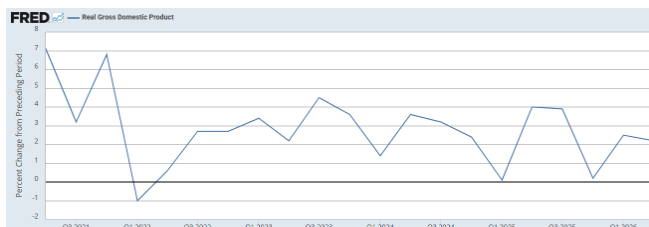


Ahmed Azzam
Head of Financial
Market Research

The US economy enters Q4 looking strong on the surface, but the picture becomes less comfortable beneath the headline numbers. Growth remains solid, yet the labour market is losing momentum and inflation is increasingly being driven by pressures that higher interest rates cannot easily solve. That leaves the Fed facing a difficult question: how much further can it tighten without doing more harm than good?

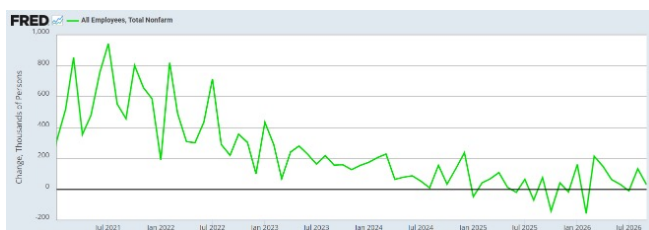
Growth remains stronger than it looks

Growth is holding up, with second-quarter GDP revised to 2.2% and private domestic final demand growing at an annualised rate of 4.6%. The Atlanta Fed's GDPNow estimate also points to growth of around 3.7% in the third quarter.



Source: FRED

Those are not recession numbers. But the labour market tells a different story. The US economy added just 29,000 jobs in September, while monthly payroll growth has averaged around 45,000 over the past year. Hiring is clearly slowing, making the weakness harder to dismiss as short-term noise.



Source: FRED

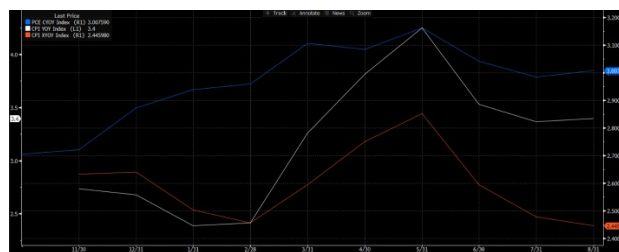
That leaves the Federal Reserve with a difficult balance. Growth remains strong enough to keep inflation concerns alive, while a weaker labour market makes further rate hikes increasingly risky.

Inflation has changed

The inflation picture is becoming more mixed. Headline PCE inflation stands at 3.4%, while core PCE is at 3.0%. Headline CPI is also at 3.4%, but core inflation has eased further to 2.4%.

The difference matters because inflation is increasingly being driven by factors that interest

rates cannot easily control. Energy prices are a clear example: the energy index is up 16.3% from a year earlier; gasoline is 27.4% higher and fuel oil has risen 52%. ISM price indicators have also moved sharply higher, pointing to renewed pressure



Source: Bloomberg

across the supply chain.

Tariffs add another complication. Research from the New York Fed suggests around 26% of the 2025 tariff increase is passed on to consumers, with further effects potentially appearing months later through higher input costs and domestic prices. This leaves the Fed with a difficult question: what does another rate hike fix?

Higher rates can reduce spending, credit and employment, but they cannot increase oil supply, lower shipping costs or reverse tariffs. If inflation remains high in Q4 because of supply pressures rather than strong demand, monetary policy becomes a much less precise tool.

Not the 1970s. Yet.

The comparison with the 1970s is understandable. Energy shocks are back, geopolitical risk is elevated and inflation remains above target. But one important piece is still missing. Average hourly earnings are rising just 3.0% from a year earlier, while the 10-year breakeven inflation rate remains around 2.36%. Neither wages nor long-term inflation expectations suggest inflation has become embedded in the economy.

That was what made the 1970s so dangerous. Energy shocks were only the beginning, with inflation eventually feeding into wages, expectations and prices and creating a cycle that reinforced itself. That cycle is not visible today. The Fed still has another lesson to consider. In 2021, policymakers waited too long because they expected supply-driven inflation to fade. The risk now is going too far in the other direction. Treating every new inflation shock as a sign of overheating demand could become the next policy mistake.



The consumer has a clock

American consumers are still spending, but the support behind that spending is weakening. Consumption rose 0.9% in August and 0.6% after inflation, while personal income increased just 0.2%, real disposable income was flat and the saving rate fell to 4.1%. That gap cannot continue indefinitely.

Consumer confidence has already fallen to 81.9,

while 30-year mortgage rates are above 7%. Borrowing is becoming more expensive just as income growth is slowing. The main Q4 risk is therefore not a sudden drop in spending, but a gradual loss of consumer strength. Consumers may be able to keep the economy moving through another quarter. The bigger question is how much of that strength can carry into 2027.

December matters more

The Fed raised rates to 3.75%–4.00% in September, and its projections still point to another quarter-point increase before the end of the year. October looks increasingly straightforward, but December is less certain.

The 10-year Treasury yield is already near 5.3%, meaning financial conditions are tightening even without another Fed move. Mortgage rates are above 7%, credit remains expensive and higher long-term borrowing costs are already doing some of the Fed's work.

History offers a useful reminder.

In 1994, the Fed raised rates aggressively from around 3% to 6%, before beginning to cut them by July 1995. The lesson was not that the tightening was unnecessary, but that monetary policy works with a lag. Knowing when to stop can matter as much as knowing when to start. The Fed could now be approaching a similar point.

The base case remains slower growth without a recession and no rate hike in October, while December remains open. If payroll growth stays weak, wage pressures remain contained and inflation expectations stay anchored, another hike will become harder to justify. But if higher energy prices and tariffs begin feeding into wages, services inflation and longer-term expectations, the case for another hike would become stronger. The biggest Q4 risk may therefore be a policy error. The Fed could be right that inflation remains too high, but wrong about what is driving it. That distinction could determine whether the US economy enters 2027 with a soft landing still intact.





ECB policy faces a difficult balancing act

The European Central Bank (ECB) enters Q4 facing renewed inflation pressure, driven largely by rising energy prices. With interest rates already increasing, policymakers must decide whether further tightening is necessary or whether higher energy costs and weaker demand will do some of the work for them.

"The euro could weaken even if the ECB raises rates in December."



**Nouraldean
Al Hammoury**
Chief Market
Strategist

Energy inflation puts further rate hikes in focus

The ECB raised its deposit rate to 2.50% on 10 September, its second increase of 2026, reversing the easing cycle that had brought rates to 2.0% in mid-2025. The main driver is energy, with eurozone headline inflation reaching 3.2% year on year in August and energy prices rising 14.3%. Inflation is expected to peak at 3.6% in Q4 before gradually easing to 2.1% by 2028.

Markets currently assign a 78% probability to a 25-basis-point hike on 17 December, implying a year-end deposit rate of around 2.67%–2.75%. An October hike is considered less likely, with a probability of just 13%.

Most analysts expect one final increase in December, taking the deposit rate to 2.75%, while a more hawkish minority anticipates hikes in both October and December, bringing rates to 3.00%. An alternative outlook favours a final hike in October, with December remaining possible if energy inflation persists and begins feeding into wages and underlying prices.



The ECB keeps its options open

Recent Governing Council comments suggest the ECB is avoiding any commitment to a specific rate path. On 7 October, Dolenc said current rates provide sufficient flexibility to respond to developments, while Rehn warned that forecasts remain subject to exceptionally high uncertainty. The December decision will therefore depend heavily on October inflation figures and Q3 GDP data.

The challenge is that the ECB cannot directly resolve inflation caused by supply disruptions. Chief Economist Philip Lane has acknowledged

that higher energy prices could weaken demand enough to reduce the need for further rate hikes. Widening yield spreads between eurozone government bonds are also tightening financial conditions, potentially reducing the pressure on the ECB to raise rates further.

The key question for Q4 is whether inflation remains persistent enough to justify another hike, or whether weaker demand and tighter financial conditions begin to limit the need for further action.

European bond yields face growing pressure

Instrument	Current Level	3M Change	Consensus Q4 Forecast
Bund 2Y	3.10%	+39bp (+14.5%)	Likely near peak
Bund 10Y	3.52%	+43bp (+13.8%)	3.40% end-2026
iTraxx Crossover	317 bps	—	Widening bias on growth risk

Three factors are pushing European bond yields higher: ECB rate hikes lifting short-term yields, the return of higher term premiums after years of quantitative easing (QE), and increased German government borrowing. German sovereign issuance is expected to reach €512 billion in 2026, up from €425 billion in 2025.

However, the greater risk lies in widening yield spreads between eurozone countries. The gap between French and German 10-year bond yields (OAT-Bund spread) has approached levels last seen in 2012, driven by France's difficult budget negotiations and fiscal concerns. Italian and Greek spreads have widened even more significantly, while German Bunds have benefited from safe-haven demand.

These concerns have intensified following the presentation of the French budget. If the OAT-Bund spread reaches 125 basis points, it could reduce French GDP growth by a further 0.1 percentage points, pushing the economy closer to contraction.

Fiscal risks could limit further ECB tightening

The German two-year yield is likely nearing its peak, as widening bond spreads could limit the ECB's ability to raise rates further. This was evident when markets sharply reduced expectations of additional hikes following the surge in French bond spreads.

German Bunds face competing pressures. Higher government issuance and inflation are pushing yields up, while safe-haven demand linked to French fiscal uncertainty is helping contain them. This could place a natural limit on further increases in the 10-year Bund yield, which is projected to reach 3.40% by the end of 2026 before rising above 3.50% by mid-2027.

EUR/USD has peaked, with sideways trading expected through year-end



French fiscal uncertainty is helping contain them. This could place a natural limit on further increases in EUR/USD reached a high of 1.1679 on 21 August, supported by the ECB's hawkish stance and stronger risk appetite over the summer. Since then, the pair has fallen 4.3% to 1.1183, with the sharpest decline occurring in early October as widening European bond spreads and weaker global risk sentiment weighed on the euro. The outlook for Q4 remains mixed, with several possible scenarios:

Bearish case (target 1.12): The US dollar could continue to benefit from AI-driven US economic growth and potentially higher oil prices.

Constructive case (target 1.15 in Q4 2026): EUR/USD is expected to trade within a range over the coming months, before potentially rising to 1.17 in Q1 2027.

Constructive case (target 1.1450 in Q4 2026):

Despite the ECB's hawkish stance, risks to the euro

remain balanced, making sustained moves in either direction less certain.

Political risks: The CDU's performance in German state elections and potential political paralysis in France could add further downside pressure on the euro.

The recent EUR/USD decline is not primarily driven by interest rates, as the ECB is still tightening policy. Instead, it reflects growing concerns about economic growth. Markets are increasingly viewing the energy shock as a threat to economic activity rather than simply an inflation problem that could support the euro through higher ECB rates.

This shift is important for Q4. If third-quarter GDP disappoints, the euro could weaken even if the ECB raises rates in December, as investors may reduce expectations of further hikes beyond that meeting.

Key risks to watch in Q4

- **October CPI (flash, ~Oct 31):** A print above 3.5% would cement December hike expectations and likely push Bund yields back toward 3.60%+. Inflation is projected to remain above 3% until spring 2027.

- **Strait of Hormuz / energy prices:** The ECB must be ready for various inflation outcomes as the situation in the Middle East continues to dominate the outlook for consumer prices; a sustained reopening of the Strait of Hormuz would ease pressure, while renewed escalation could send oil and gas materially higher.

- **French budget (Oct–Nov):** OAT–Bund spread trajectory is the single most important intra-European risk asset signal for Q4. A broader risk-off sentiment could increase the likelihood of ECB intervention in bond markets, especially since the issue is no longer solely a French concern.

- **Eurozone PMI durability:** The eurozone composite PMI reached 53.1 in September 2026, the fastest expansion since April 2023, with services at 53.0 and manufacturing at 52.7. Sustainability into Q4 is the key growth swing factor.



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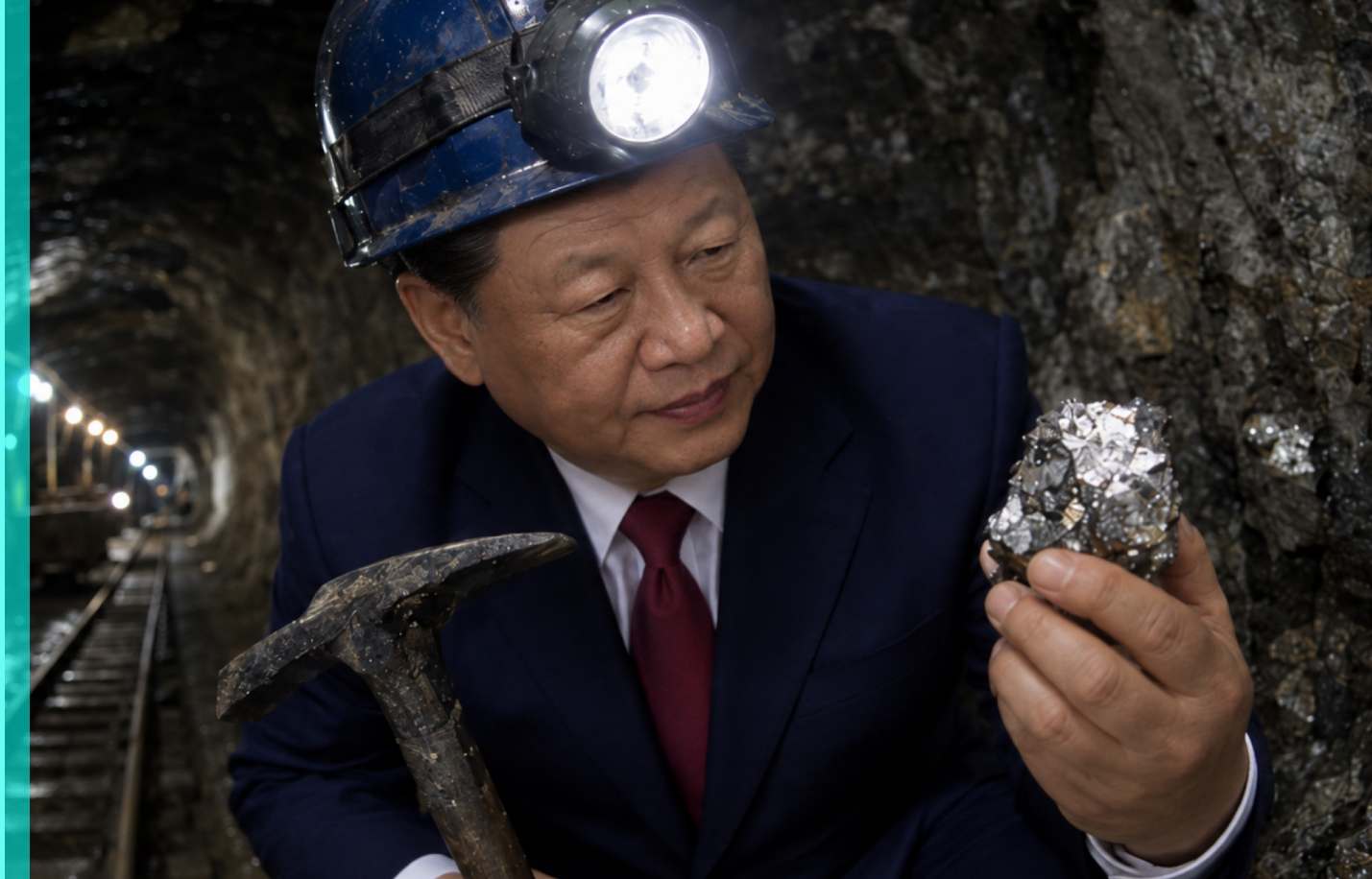


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Silver faces a test of resilience

"Direction has been driven more by US interest rate expectations than by underlying physical supply conditions."

Silver enters Q4 caught between high US interest rates and a tightening physical market. Prices have fallen sharply from January's record high, and while supply shortages continue to provide support, the Federal Reserve's next moves are likely to determine whether silver can recover or face further losses.



Rufas Kamau
Regional Financial
Market Analyst

Silver's volatile year

Silver traded near \$58.80 an ounce on 8 October, after closing at \$60.37 on 2 October. That puts it roughly 18% below its 2026 opening price of \$71 and around 50% below January's record of \$121.62, although it remains 26% higher year on year. With gold near \$4,140, the gold-silver ratio stands at 68.6, meaning an ounce of gold costs almost 69 times as much as an ounce of silver. Despite silver's larger decline this year, the ratio does not necessarily suggest it is undervalued.

From record highs to a sharp correction

Silver began 2026 near \$71 before surging around 70% to a record \$121.62 on 29 January. The rally quickly reversed as investors withdrew roughly \$3 billion from the iShares Silver Trust ETF (SLV) in January and higher exchange margin requirements forced leveraged traders to close positions. By mid-March, silver had fallen into a \$72–\$80 range, ending Q1 broadly flat at around \$70–\$75.

The decline continued in Q2. After opening April at \$75.36, silver briefly closed above \$80 amid hopes of progress in US–Iran peace talks, then traded between \$75 and \$77 through late May. In June, the Fed held rates but signalled further tightening was possible. A stronger dollar and renewed inflation concerns following the US–Iran energy shock pushed silver below \$60 for the first time since December 2025. It closed at \$57.43 on 24 June and ended Q2 at \$58.59, down more than 22% from the start of April.

Q3 brought another reversal. Silver reached its yearly low near \$54.75 on 17 July before weaker US employment data, including a 23,000 decline in July payrolls, reduced expectations of further Fed tightening. Prices rebounded 15.59% in August and tested \$70 on 28 August, before hawkish comments from Fed Chair Kevin Warsh at Jackson Hole triggered another decline. In September, the Fed delivered its first rate hike

in three years, lifting rates to 3.75%–4.00%. The 10-year Treasury yield reached 5.3%, its highest since 2002, while the dollar index approached 102. Silver fell around 8% that month, ending Q3 just below \$61, roughly 3%–4% above its Q2 close. The quarterly average was \$62.59, compared with a year-to-date average of \$73.24.

Across 2026, silver has traded between approximately \$54.78 and \$121.62. Its direction has been driven more by US interest rate expectations than by underlying physical supply conditions.



Bank forecasts point to a possible recovery

Major banks have lowered their silver forecasts, although their latest targets remain at or above current prices.

J.P. Morgan cut its Q4 average forecast from \$90 to \$63 an ounce on 13 August, with a 2026 average of \$70.60 and a 2027 forecast of \$63.90. It also expects the gold-silver ratio to widen towards 70 in the second half of 2026 and 75 in 2027. ING lowered its Q4 forecast from \$84 to \$74, after its Q3 estimate of \$68 exceeded the realised average by around \$5.40.

UBS expects silver to reach \$70 by December, \$75 by March and June 2027, and \$80 by September 2027. Bank of America sees potential for prices to exceed \$100 in Q4 if gold rallies, followed by a decline towards \$75 by Q2 2027.

The difference between these forecasts is how far silver could recover. The more optimistic scenarios from ING, UBS and Bank of America depend heavily on a Fed pause that has yet to materialise.

Interest rates remain the biggest influence

The Fed, Treasury yields and the US dollar remain the main drivers of silver prices. Unlike bonds, silver pays no interest, making it less attractive when Treasury yields exceed 5%.

Markets currently assign around a 20% probability to an October rate hike and more than 80% to a December increase. September inflation data and the Fed's late-October meeting will be important tests. Softer inflation or a less restrictive policy outlook could reduce expectations of a December hike and support a recovery towards \$65–\$70.

Oil prices add another complication. With WTI near \$91 and talks over the Strait of Hormuz stalled, elevated energy costs continue to fuel inflation concerns and strengthen the case for higher rates. A US-Iran agreement that lowers oil prices could therefore support silver, while renewed

escalation could add pressure.

Gold and physical supply provide support

Silver's direction also depends heavily on gold. Banks often use gold price forecasts and the gold-silver ratio to estimate silver's potential value. At Goldman Sachs' revised end-2026 gold fair value of \$4,650 and the current ratio, silver would trade near \$68. At J.P. Morgan's projected ratio of 75, the implied price would be around \$62. Physical supply remains tight. COMEX registered silver inventories fell below 100 million ounces on 1 September and reached 96.28 million ounces by 25 September, down 5% in a month. The delivery coverage ratio, which compares potentially deliverable futures contracts with available warehouse stocks, stood near 19%, indicating tight conditions.

These shortages can help support prices during declines, but they were not enough to prevent Q3's sell-off.



Investment demand remains subdued

Speculative positioning has weakened considerably. Managed money held a net long position of just 7,614 COMEX silver futures contracts on 29 September, down from 13,124 two weeks earlier. Open interest stood near 107,000

contracts, more than 40% below the start of the year.

This suggests speculative positions are less crowded, reducing the risk of widespread forced selling. However, it also shows that fresh buying has yet to return.

Investors have favoured gold over silver. In the week to 8 September, the largest silver ETF recorded outflows of \$29 million, while gold ETFs attracted almost \$2 billion. A sustained recovery in silver investment demand may therefore depend on falling real yields or a weaker dollar.

The supply deficit remains a long-term support

The Silver Institute forecasts a sixth consecutive annual silver deficit in 2026, with demand exceeding supply by approximately 46.3 million ounces. Solar demand is expected to fall 19% as manufacturers reduce the amount of silver used in each cell, while coin and bar investment demand is forecast to rise 18%. Mine production is expected to remain broadly flat.

The deficit provides longer-term support, but it has not been enough to offset the pressure from Treasury yields above 5%. Until monetary conditions become more favourable, physical shortages alone may struggle to sustain a recovery.

Silver's key levels to watch in Q4

The base case is for silver to trade between the mid-\$50s and mid-\$60s as markets continue pricing a potential December rate hike.

A Fed pause, combined with lower oil prices, could support a recovery towards \$70. Resistance sits at \$62.40, followed by \$64.20 and the August high near \$70.

On the downside, support lies at \$60, \$58.04 and the July low near \$54.78. A weekly close below \$58.04 would put that low back in focus, while a further break could open the way towards \$50.

Silver enters the final quarter with a persistent supply deficit but limited investor momentum.

Whether prices recover will depend largely

on inflation, the Fed's next decisions and the direction of US Treasury yields.





Yazeed Abu Summaqa
Market Analyst

Fiscal pressure leaves the UK caught between inflation and growth

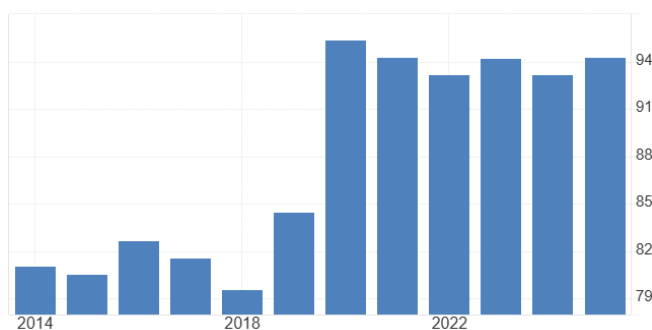
"The government therefore needs to show fiscal discipline without putting too much pressure on the economy."

The UK enters Q4 with fiscal credibility as a key challenge for both the government and the Bank of England. The government is expected to focus on stabilising debt through higher taxes and tighter spending, while the BoE keeps monetary policy restrictive. The key question is whether the Budget can restore confidence in the UK's debt outlook without causing a deeper economic slowdown.

Fiscal credibility becomes the main test

The Budget will be judged less on individual measures and more on whether it can put debt-to-GDP on a more credible path. Higher borrowing costs are already pushing up interest payments, making further increases in debt harder to manage.

A gradual improvement in the debt ratio is more likely than a sharp reduction. Cutting too quickly could weaken demand and be difficult to sustain while growth remains slow. The government therefore needs to show fiscal discipline without putting too much pressure on the economy. This balance will be important for gilts. A credible Budget could ease concerns around UK debt and reduce pressure on longer-term yields. A weaker plan could lead investors to demand a higher risk premium, keeping long-term yields elevated.



Source: Office for Budget Responsibility, UK

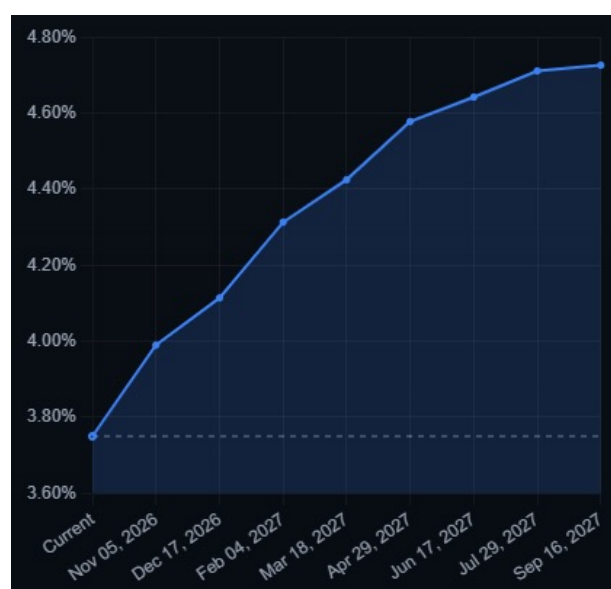
Sticky inflation limits the BoE's room to respond

The challenge is made harder by inflation, which remains well above target. Inflation is expected to average around 3.6% in 2026, even as economic growth slows. Wage growth and inflation expectations will therefore remain important factors in the BoE's next moves.

The BoE faces a difficult balance. Cutting rates could support the economy but keep inflation higher for longer, while further rate hikes would add pressure on households, businesses and the government. The base case is for one further hike in Q4, with another move in December becoming more likely if wage growth and inflation

expectations remain high.

Fiscal policy could make that decision easier or harder. Tighter spending could help bring inflation down over time but would also weaken growth. More government spending could support the economy but may keep inflation higher for longer and give the BoE less room to cut rates.



Source: Rate probability



Gilts will show where the pressure is coming from

Long-term gilt yields are already showing that investors are looking beyond Bank Rate. The 30-year yield has moved above 6%, while the 10-year yield has reached its highest level since 2007. Heavy government borrowing, fiscal uncertainty and the extra return investors demand for holding longer-term debt are becoming increasingly important alongside interest rate expectations.



Source: Bloomberg

This will be important in Q4. Short-term yields should remain closely tied to expectations for Bank Rate, while 10- and 30-year yields are likely to react more directly to the Budget and the government's borrowing plans.

If long-term yields continue to rise faster than short-term yields, it could signal growing concerns around the UK's fiscal outlook rather than simply tighter monetary policy. A credible Budget could help stabilise longer-term yields, while a weaker package could keep them under pressure as quantitative tightening continues and government borrowing remains high.

Sterling faces the same credibility test

Gilt yields will also influence sterling. Higher UK rates can support the pound when they reflect tighter monetary policy and greater confidence in the UK's fiscal position. A credible Budget could therefore strengthen confidence in UK assets and support sterling.

But higher yields are not always positive for the currency. If they rise because investors are demanding greater compensation for fiscal risk, gilts and sterling could weaken together.

What matters is why yields are rising; not simply how high they go. A credible Budget could help stabilise gilts, support sterling and give the BoE more room to focus on inflation. A weaker package could push long-term yields higher and increase the risk premium on UK assets.

The challenge in Q4 is whether the government can improve confidence in the UK's debt outlook without worsening the economic slowdown, while the BoE works to bring inflation down without putting further pressure on growth.



Japan's tightening path meets fiscal pressure

The Bank of Japan heads into Q4 on a tightening path, while the government continues to support household demand through fiscal measures. Rising inflation, a 1.25% policy rate and reduced JGB purchases could keep bond yields under pressure, while the planned food tax cut adds to borrowing needs. The BoJ's next move will therefore matter not only for the yen, but also for JGB yields and Japan's fiscal outlook.



Yazeed Abu Summaqa
Market Analyst

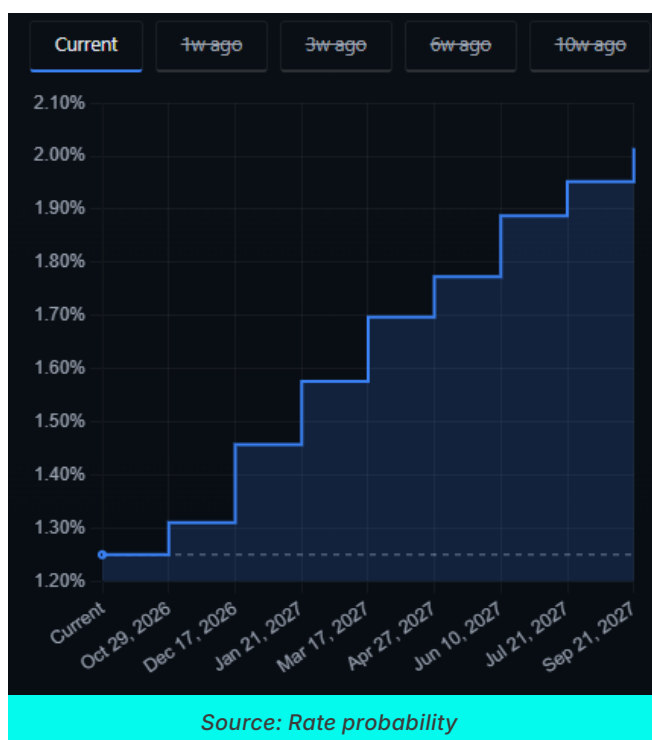
"Monetary and fiscal policy are increasingly pulling in opposite directions."



BoJ tightening meets fiscal support

Monetary and fiscal policy are increasingly pulling in opposite directions. With the BoJ's policy rate at 1.25% and Tokyo core inflation at 2.7%, another rate hike remains on the table. At the same time, the government is moving to support household demand through fiscal policy.

The government plans to cut the consumption tax on food from 8% to 1%, supporting household purchasing power but creating a revenue shortfall of roughly 5 trillion. With public debt near 200% of GDP, this policy mix could put further pressure on JGB yields as borrowing needs remain elevated. The BoJ is expected to maintain its tightening bias, with a December hike more likely than one in October. The challenge is that every additional rate hike also raises the government's financing costs, making the balance between controlling inflation and supporting the economy increasingly important.



JGB yields could push higher

Pressure on JGBs is building from both sides. The BoJ is gradually reducing its bond purchases, leaving private investors to absorb more government debt, while fiscal support could increase future borrowing needs.

The 10-year JGB yield above 3% suggests investors are demanding greater compensation as monetary policy normalises and the supply of government bonds shifts. Upward pressure on longer-term yields is likely to continue through Q4. A faster expansion in fiscal spending or a quicker BoJ tightening cycle could add further pressure.

The yen's recovery depends on the BoJ

The yen enters Q4 with 160 on USD/JPY as the key ceiling and 152 as the main downside reference, following its sharp recovery from the highs. A sustained move above 160 would suggest the US-Japan yield gap is still outweighing the impact of BoJ tightening, while bringing intervention concerns back into focus. A break below 152 would signal a different story, suggesting the yen's recovery is becoming more structural, particularly if accompanied by another BoJ rate hike or lower US Treasury yields.





Digital assets enter Q4 with momentum



Daniel Mejia
Market Analyst

Spot Bitcoin ETFs have helped drive bullish momentum in recent months, supported by strong institutional demand and positive regulatory developments. Greater regulatory clarity is helping bridge the gap between digital assets and traditional finance. However, rising bond yields and geopolitical tensions remain key risks that could drive capital outflows and renewed volatility in Q4.

"Greater regulatory clarity is helping bridge the gap between digital assets and traditional finance."

Renewed inflows into spot Bitcoin ETFs

Interest in spot Bitcoin ETFs picked up again in Q3. Between July and September 2026, net flows averaged approximately \$93.85 million per day, supporting Bitcoin's price appreciation. Over the same period, Bitcoin rose by approximately 43%, marking a strong recovery following a months-long bearish trend.

BlackRock's iShares Bitcoin Trust (IBIT) remains the largest fund by assets, followed by the Fidelity Wise Origin Bitcoin Fund (FBTC) and Grayscale Bitcoin Trust (GBTC). Alongside other Bitcoin index funds, their cumulative performance has continued to trend higher, suggesting institutional investors could be maintaining structural exposure to and sustained interest in Bitcoin. Total assets held across spot Bitcoin ETFs rose from \$72.17 billion at the early-July trough to \$106.89 billion by the end of September – an increase of approximately \$34.72 billion, or 48%. While these holdings represent only a proportion of Bitcoin's total market capitalisation, ETF flows can have a considerable influence on wider market sentiment by signalling institutional positioning, making them an important reference point for traders and retail investors.



Source: Data from the CBOE, NASDAQ and NYSE Arca Exchanges.

Current regulatory landscape for crypto markets

Crypto regulation has shifted meaningfully in recent months, supporting asset valuations as the gap between digital assets and traditional finance continues to narrow.

In the US, the Securities and Exchange Commission (SEC) announced in mid-September that financial institutions and platforms would be allowed to facilitate trading in blockchain-based

stocks and other securities. The initiative, known as the 'Innovation Exemption', is not permanent statutory law but a flexible exemption designed to adapt as the technology develops.

At the same time, the UK's Financial Conduct Authority (FCA) announced a regulatory framework for crypto-assets at the end of September. Under the new regime, crypto firms will be able to apply for full regulatory authorisation, subject to rigorous operational and capital assessments. The framework aims to strengthen market integrity and investor protection across the digital asset ecosystem.

As two of the world's most influential financial regulators, moves by the SEC and FCA could mark a turning point for crypto oversight and influence how other jurisdictions approach regulation.



Is bitcoin bullish or bearish?

Bitcoin spent much of the past year under pressure, falling as much as 53% from its previous high by late June. It then rebounded by around 43% in Q3, although it remains 32% below its October 2025 peak. Heading into Q4, the key question is whether this recovery can continue as part of the longer-term bull market, or whether it is simply a temporary rally within a broader downtrend. Technical indicators suggest the long-term uptrend remains intact. Despite the mid-year contraction, Bitcoin maintained a pattern of higher highs and higher lows, while the \$60,000 level held as structural support. The price also remained above its 200-week simple moving average (SMA), a key long-term benchmark historically associated with major bull cycles. BTC/USD also held above the 61.8% Fibonacci retracement level of its previous rally, adding further support to the view that the structural bull market remains intact.



However, Bitcoin still faces pressure from broader macroeconomic and geopolitical risks. Tensions in the Middle East, particularly around key shipping routes such as the Strait of Hormuz and Bab el-Mandeb Strait, continue to put upward pressure on energy prices amid concerns over supply disruptions. In response, global central banks, led by the Federal Reserve, are taking an increasingly restrictive stance.

Tighter monetary conditions could drive capital away from risk assets, including cryptocurrencies, as higher risk-free bond yields become more attractive, and investors seek better risk-adjusted returns.



Q4 Market outlook 2026

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