

MACROCOSM

Gold at \$4,000-plus

Thursday, October 9, 2025

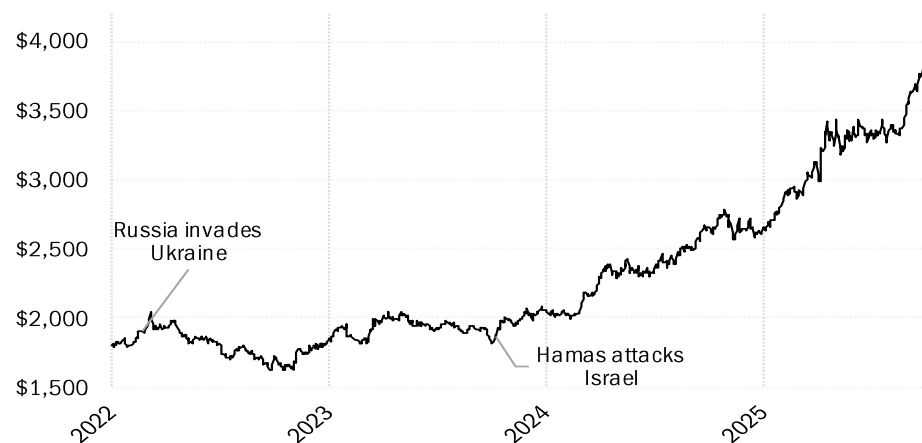
Donald Luskin

The typical explanations for gold's hyperbolic run-up don't cut it. What does? Anything?

What are we to make of the gold price above \$4,000? When we started TrendMacro in 2001, gold had a very special place in our intellectual universe – we even put it at the peak of the gray triangle in the center of our logo. Gold was a trusty indicator of inflation and liquidity, and a great guide to forecasting the policies of Alan Greenspan, [who was a lifelong advocate of a gold standard](#). It was central to our calling the bottom in the Great Recession. We will always be fascinated by it and respect it – and own it personally. But as the years have passed, we've increasingly lost touch with gold as an indicator. So we have to tell you at the outset we're not sure what this very dramatic current move is telling us. Perhaps our most valuable contribution to the discussion will be to make you not so sure, either.

From what we can see, the chatter about gold right now is an exercise in ["round up the usual suspects."](#) You know them all. They're all *bad* things (gold, it seems, never indicates *good* things – more on that later). Inflation, flight from the dollar, general currency debasement, government debt and geopolitical instability are always on the list, but you can add anything going on in the world that you don't like, and imagine that gold agrees with you (we'll get to our own addition to that list in a moment). The problem is that gold isn't the only indicator of economic response to these factors – and none of the other indicators are agreeing with gold.

Gold (spot, USD)



Source: Bloomberg, TrendMacro calculations

Update to strategic view

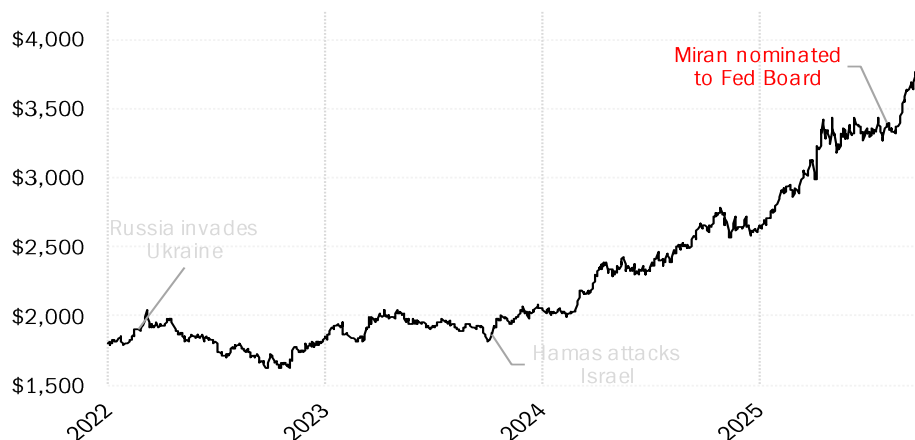
GOLD, US MACRO, FEDERAL RESERVE, US STOCKS, US BONDS, FX: Typical explanations for gold's run-up "round up the usual suspects" such as inflation, the dollar, currency debasement, debt and geopolitical instability. Other markets that reflect such factors offer no corroboration whatsoever. Gold declined after Russia's invasion of Ukraine. The Hamas attacks on Israel were something of an inflection point, with gold never lower since. If that is the trigger, then the Trump peace deal could be a reason to take some profits in gold. Gold's most recent 22%-plus run-up in less than two months corresponds perfectly to the nomination of Miran as a Fed governor. His policy prescriptions would be a perfect storm for gold. But again, other markets offer no corroboration. Gold may not be reflecting risk, but rather opportunity in the post-pandemic productivity-led boom. In that case, other markets such as stocks, are perfectly corroborating. Gold may be more than a put – it may be a straddle.

[\[Strategy dashboard\]](#)

- Inflation? Unlike the 1970s and 1980s, the heyday of gold as a market-based consensus inflation indicator, we now have a TIPS market. Spreads between nominal and inflation-protected 10-year Treasury bonds at 2.36% are slightly above the average of 2.01% for the life of the data going back 23 years, but they have been above average consistently for the last five years. No corroboration for gold pointing to inflation.
- Dollar flight? The trade-weighted US dollar at 98.92 is slightly above the average of 98.86 for the life of the data going back 60 years. No corroboration for gold pointing to dollar flight.
- General currency debasement? No, the recent bull market in gold shows up no matter which currency you measure it against.
- Government debt? The 10-year Treasury yield at 4.13% is well below the average of 5.80% for the last 63 years. No corroboration for gold pointing to a debt crisis.
- Geopolitical instability? Hard to quantify – but that just means it is both hard to refute as a cause, and hard to prove as a cause. It's not about Russia's invasion of Ukraine in February 2022. Gold rallied in the run-up to invasion, but didn't trade higher for many months after. It's tempting to explore a connection to the October 7, 2023 terrorist attack on Israel. It's discernible on the chart as something of an inflection point – gold has never traded lower since (please see that chart on the previous page). To the extent that October 7 was the starter's pistol, perhaps the Trump peace deal being put together now means it's time to take something off the table. All that said, we like event studies to really jump off the page – this one doesn't quite feel like that. So we're going to say insufficient corroboration for gold pointing to geopolitical instability.

But now it's time for us to project our own priors into the gold price. This won't explain the whole thing, by any means. But we think it may have at least something to do with gold's hyperbolic 22%-plus moonshot since August 12 (please see the chart below). It's President Donald J. Trump's nomination of Stephen Miran to the Federal Reserve Board of Governors

Gold (spot, USD)



Source: Bloomberg, TrendMacro calculations

Contact TrendMacro

On the web at
trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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on August 7 (see [“Miran: We Warned You, and We’re Warning You Again”](#) August 8, 2025). Jumps off the chart, doesn’t it?

- *If there’s anybody who can push the Fed into an inflationary error with too-low interest rates, it’s Stephen Miran.* His was the dissent at the September FOMC calling for a 50 bp rate cut (see [“On the September FOMC: It’s Chaos I Tell You, It’s Chaos!”](#) September 17, 2025). His was the 2-7/8% funds rate for year-end 2025 in the “dot plot” at the [September Summary of Economic Projections](#) that shifted the median to three cuts this year, from two.
- His comical rationale was given in [a speech last week](#), and reiterated in yesterday’s [September FOMC minutes](#) (see [“Data Insights: FOMC Minutes”](#) October 8, 2025):

“...additional policy easing was also appropriate to reflect that the neutral rate of interest had fallen due to factors such as increased tariff revenues that had raised net national savings and changes in immigration policy that had reduced population growth.”

- *Really?* Since when is it an axiom that the neutral rate of interest falls when national savings increases? And since when does collecting taxes from the private sector in the form of tariffs increase national savings anyway? When Walmart pays tariffs, it comes out of Walmart’s savings and is transferred to the government’s savings. No net increase (indeed a deadweight loss: [“carrying charges, my boy, carrying charges”](#)). Moreover, if tariff revenues do increase national savings, then won’t the larger revenue losses from the tax cuts in the One Big Beautiful Bill decrease them even more (see [“Video: What you’re not hearing about the One Big Beautiful Bill”](#) July 7, 2025)? Maybe we need a rate *hike*.
- *Really?* Does reduced population growth everywhere and always lower the neutral rate? At least we can see a case for that now. But *that would be Miran’s confession that Trump’s immigration policy is lowering the growth potential of the economy* (with which we don’t disagree – see among many, [“Video: What you’re not hearing about the effects of immigration on the post-pandemic boom”](#) April 9, 2024). Perhaps when Trump demands sharply lower interest rates, he should mention it’s because his policies are causing a contractionary labor shock that needs to be offset.
- This kind of economic fakery is pure Miran, and this man may well be the next Fed chair, as we’ve warned since April (see [“Jay Powell: Alien Enemy”](#) April 21, 2025). But how different he is than the three out of four most recent Fed chairs who had been previously, as Miran just was, chair of the White House Council of Economic Advisors. Greenspan had a long and respected career in the same business we’re in – economic forecasting. Ben Bernanke and Janet Yellen were serious academic economists, both with long prior experience on the Fed Board of Governors. Miran, on the other hand, is basically nobody. Prior to becoming chair of the CEA and now a Fed governor, he has had, let’s say, a checkered resume in the private sector. He has held six jobs over just 12

years at various investment management organizations (two years of which were at a failed hedge fund start-up of his own). Somehow he has morphed into a policy entrepreneur who now strides the corridors of power at the highest level. He's like the villains in [*Atlas Shrugged*](#) who fail in the private sector and end up with limitless government authority.

- He worked for Treasury in the first term as "Senior Advisor for Economic Strategy," focusing on Covid response. We wonder if his fingerprints are all over the excessive stimulus that caused the worst inflation in two generations? When his hedge fund failed, he became a "Senior Fellow" at the Manhattan Institute. There he published last year [a paper](#) with Dan Katz, his partner in the failed hedge fund, on how to reform the Fed, including many proposals to make it less independent of the White House (see ["On Miran's Senate Banking Hearing: Triumph of the Weasel"](#) September 5, 2025).

As tempting as it is to let it go at that, as it would seem to be some kind of explanation for at least the latest and most energetic stage of gold's run-up – and to play right into our confirmation biases, which at least feels good for a few minutes.

- But wait. None of that obviates our earlier point that inflation-sensitive markets other than gold don't seem to be worried at all.

We can go on...

- *[Who better to weaken the dollar than Stephen Miran](#)* whose Unabomber manifesto of economics last November, ["A Users Guide to Restructuring the Global Trading System,"](#) advocates first and foremost for weakening the dollar to the point where it can no longer be used as the world's reserve currency? Miran even calls for a maneuver to achieve that entailing dumping all the gold in Fort Knox.
- But wait. All that said, it doesn't obviate our earlier point that the dollar isn't especially weak. In fact, it's a little stronger since Miran's Fed nomination was announced. And, of course, the gold price isn't acting like the US's entire stock of it is about to be dumped.
- *[And who better to foment a debt crisis than Stephen Miran](#)*, whose manifesto advocates the so-called "Mar-a-Lago Accord" in which the US would effectively default by forcibly converting all foreign-held Treasury debt into 100-year zero-coupon bonds (see ["The 'Mar-a-Lago Accord' has Already Happened"](#) August 15, 2025)?
- But wait. All that said, it doesn't obviate our earlier point that Treasury yields sure aren't acting like the government is about to default.
- And as far as we know Stephen Miran is not a threat to geopolitical security.

Okay, so we did find an event – Miran – that corresponds tantalizingly with the trend-inflection point that has seen gold run up more than 22% in less

than two months. And there are credible narratives that connect the risks associated with that event to the risks that gold is traditionally utilized to hedge. The analytic problem remains that nothing else in markets is acting like gold. So our theory getting no corroboration.

- Indeed, we could argue gold as an indicator of any extraordinary risk on the horizon is getting contradicted. Isn't that what it means when stocks continue to keep making all-time highs from already richly-valued levels? We're open to the idea that gold may be uniquely sensitive to these issues. When there's a message to be gotten, some market needs to get it first, and maybe that's gold. But still, no corroboration, indeed contradiction.
- Could it be that we're looking for explanations for the gold move in all the wrong places? Maybe gold is not responding to risks – all "the usual suspects" we listed – but, instead to opportunity? Maybe the stock market and gold are, in fact, corroborating each other that something good is happening in the world.
- If we've been right all along – that ever since the pandemic lockdowns ended, the world launched into what amounts to a post-war productivity-led boom (see, very first, ["Let It Go, Let It Rip"](#) August 4, 2021) – then gold and stocks *should* rise together. Stocks should rise because earnings are rising (see, most recently, ["Video: What you're not hearing about the one thing that makes recession impossible right now"](#) October 7, 2025). And maybe gold should rise because the global economy needs a commensurably growing money supply, and the stock of gold – which can be seen as the world's true money supply – is only endogenously increasing by about 1.5% per year.
- Growth is unusually abundant. Gold is as scarce as always. Maybe that's as good as any other explanation we've heard.
- If it's true, than the usual rationale for gold – that it's a long put – is only half the story. It's actually a long straddle.

So what to do? If our concluding observation is right – that gold and everything else are thriving because we are in an excellent economic environment – then do nothing, other than perhaps harvest some volatility by rebalancing away from gold a little, because it has performed so exceptionally. If you believe that gold has unique insights into future problems that other markets are missing, then, obviously, sell other markets and hold your gold. Finally, if you believe Stephen Miran is going to be the next Fed chair and will be instrumental in leading the Trump administration to execute on his Unabomber manifesto, then gold will have turned out to be right and every other market will have turned out to be wrong – and there's no amount of gold you can own that is too much.

Bottom line

Typical explanations for gold's run-up "round up the usual suspects" such as inflation, the dollar, currency debasement, debt and geopolitical instability. Other markets that reflect such factors offer no corroboration whatsoever. Gold declined after Russia's invasion of Ukraine. The Hamas

attacks on Israel were something of an inflection point, with gold never lower since. If that is the trigger, then the Trump peace deal could be a reason to take some profits in gold. Gold's most recent 22%-plus run-up in less than two months corresponds perfectly to the nomination of Miran as a Fed governor. His policy prescriptions would be a perfect storm for gold. But again, other markets offer no corroboration. Gold may not be reflecting risk, but rather opportunity in the post-pandemic productivity-led boom. In that case, other markets such as stocks, are perfectly corroborating. ▶