

What to watch in the week ahead

Weekly Global

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- Markets are bracing for the first Fed rate cut of 2025, in what looks set to be a second wave of monetary easing. As evidence has mounted of a weakening jobs market, so have investor expectations for a dovish pivot from the Fed. Beyond a reduction in interest rates on Wednesday, markets will be looking for a more dovish tone in the central bank's statement and from Jerome Powell at his subsequent press conference. The dot plot, which charts the rate projections of top Fed policymakers, will also be closely watched.
- Gold has already rallied by almost 40% this year, with its most recent leg up supported by hopes of Fed easing and continued geopolitical uncertainty. This week, investors will be looking to see if gold can further consolidate its position as the top-performing major asset class of 2025.
- The corporate highlight of last week was the 36% rise in Oracle's share price, after the company announced a jump in orders for its cloud business—which supports AI computing capacity. The news reinforced our confidence in the outlook for AI. But with the tech sector trading at elevated valuations, can the rally go further?

Will a dovish Fed live up to market expectations?

Any lingering doubts that the Federal Reserve is limbering up for a second wave of rate cuts dissolved last week, as data on both labor market and inflation removed potential final impediments. The monthly core consumer price index for August came in at 0.3%, higher than what is consistent with the Fed's 2% target, but likely not so high as to shift the central bank's focus from the weakening labor market. And earlier in the week, data showed the first monthly decline in wholesale prices since August, providing some comfort over the force of inflationary pressures in the pipeline. Added to this, there were further signs of cooling in the labor market. New claims for unemployment benefits rose to the highest level since late 2021.

All this has set up high expectations for a dovish shift by the Fed. Late last week, the market was implying that the fed funds rate will fall as low as 2.93% from 4.33% at present. To support this trajectory, investors will not only be looking for a rate cut from the meeting, but also for a more dovish tone from the Fed's statement, and from Jerome Powell at his subsequent press conference. The dot plot, which charts the rate projections of top Fed policymakers, will also be closely watched, along with the staff economic projections, which help guide policy.

Explore more about central banks

- Listen to Paul Donovan preview this week's Fed decision [here](#).
- Find out what the Fed's dovish tilt means for markets in this [House View Briefcase](#).
- Read this [ECB review](#), analyzing its decision to hold rates steady at its September meeting.

Explore more about gold

- Read our [Daily](#) publication to discover our most up-to-date commentary on gold.
- Watch CIO Strategist Wayne Gordon do a [Deep Dive](#) into why we think gold has more room to rally.
- Gain insights into our views on gold in [this one pager](#).

Explore more about the tech sector

- Dive deeper into Oracle's results in this [Intelligence weekly](#).
- Read the latest edition of CIO Essentials, where CIO Economist Alessandro Bee asks "[Are we facing an AI bubble?](#)"
- Find out [Why invest in transformational themes now?](#), including AI, in this briefcase.

Our expectation is that the meeting will confirm the more dovish tilt of the central bank, putting the Fed on course for 25-basis-point rate cuts at each of the next four policy meetings. That will further erode returns on cash, adding to the merits of putting excess cash to work in quality bonds and income-generating equity strategies.

Can gold climb to further record highs?

One of the main beneficiaries of Fed easing expectations has been gold, since this would reduce the opportunity cost of holding a zero-yielding asset. As a result, the precious metal has consolidated its position as the best-performing major asset class year to date, with last week's rally taking its gains for the year close to 40%. Gold has already set more than 30 records in 2025 in nominal terms, according to Bloomberg, and this month's rally has taken it above an inflation-adjusted peak set more than 45 years ago.

So, this week, investors will be looking to see if bullion can rally further. This could hinge to some degree on the tone and content of the Fed's meeting. Geopolitical uncertainty, which also typically supports gold, has also been elevated, especially given an incursion last week by Russian drones in the airspace of Poland, which is a NATO member. This prompted Germany to say it would intensify its "engagement along NATO's eastern border," while France said it would send fighter jets to help protect Polish airspace.

Our view is that gold's rally can continue into next year, and we now expect the price to reach USD 3,900 an ounce by June 2026, from our prior forecast of USD 3,700. So we maintain an Attractive view on gold and stay long the metal in our global asset allocation. For investors with an affinity for gold, we reiterate our recommendation for a mid-single-digit percentage allocation.

Can the good news continue to flow on AI?

Aside from rate cut hopes, AI optimism was a key driver behind last week's rise in the S&P 500, which took gains to 12% so far this year as of 12 September. The move was led by shares in Oracle, which climbed 36% in a single day after the company announced a steep rise in orders for its cloud business to support AI computing capacity. A series of recent large deals pushed up Oracle's bookings to USD 455bn in the quarter ending in August, up from USD 138bn in the prior quarter and ahead of analysts' forecasts. Earlier in the summer, Oracle agreed to a deal with ChatGPT operator OpenAI for 4.5 gigawatts' worth of data center capacity, enough to power millions of American homes, according to a report from Bloomberg.

Without commenting on any single stock, we see three lessons from the news. First, we are still early in the AI transformation. The next leg of growth will likely come from continued inferencing growth, broader AI adoption (corporates, sovereign AI), and agentic AI. Second, despite significant growth in recent years, AI compute capacity is still in short supply and Oracle's comments and guidance point toward continued growth in demand. Third, it's important for investors to have exposure across the entire AI stack. We see AI as a new technology stack comprised of the enabling layer (compute, network, storage, power, cooling), the intelligence layer (models and data, cloud service providers), and the

applications layer (AI services and applications).

While current tech valuations are elevated by historical standards, and investors should brace for bouts of volatility, we do not see this as a reason to shy away from diversified exposure to the sector. Investors should consider using near-term volatility to build exposure within the AI theme in the defensive software and internet industry, consistent with our current positioning in the AI TRIO, while also balancing tech allocations across baskets of low, medium, and high AI sensitivity.

Chart of the week

Gold finished trading on Friday at USD 3,643 an ounce, taking its rally so far this year to 38.8%, following gains of 27% and 13% in prior years. With geopolitical uncertainty still elevated, we think gold prices have room to grow. We now expect bullion to reach USD 3,900/oz by mid-2026.

We expect gold to rise to USD 3,900/oz by June 2026

Gold spot price, actuals, and CIO forecast



Bloomberg, UBS, as of September 2025

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