A Dollar Reversal Could Halt The Gold Bull

In Monday?s Commentary, we alerted readers that the&#2013266080;dollar could be setting up for a reversal higher. Furthermore, we noted that if such a turn comes to fruition, some investors may encounter surprises. To wit:

> *As such, investors should examine their portfolios for risks that have developed with the reversal of the previously overbought dollar, to now very oversold.*
>
> *Such reversals are often the thing that surprises complacent investors the most.*

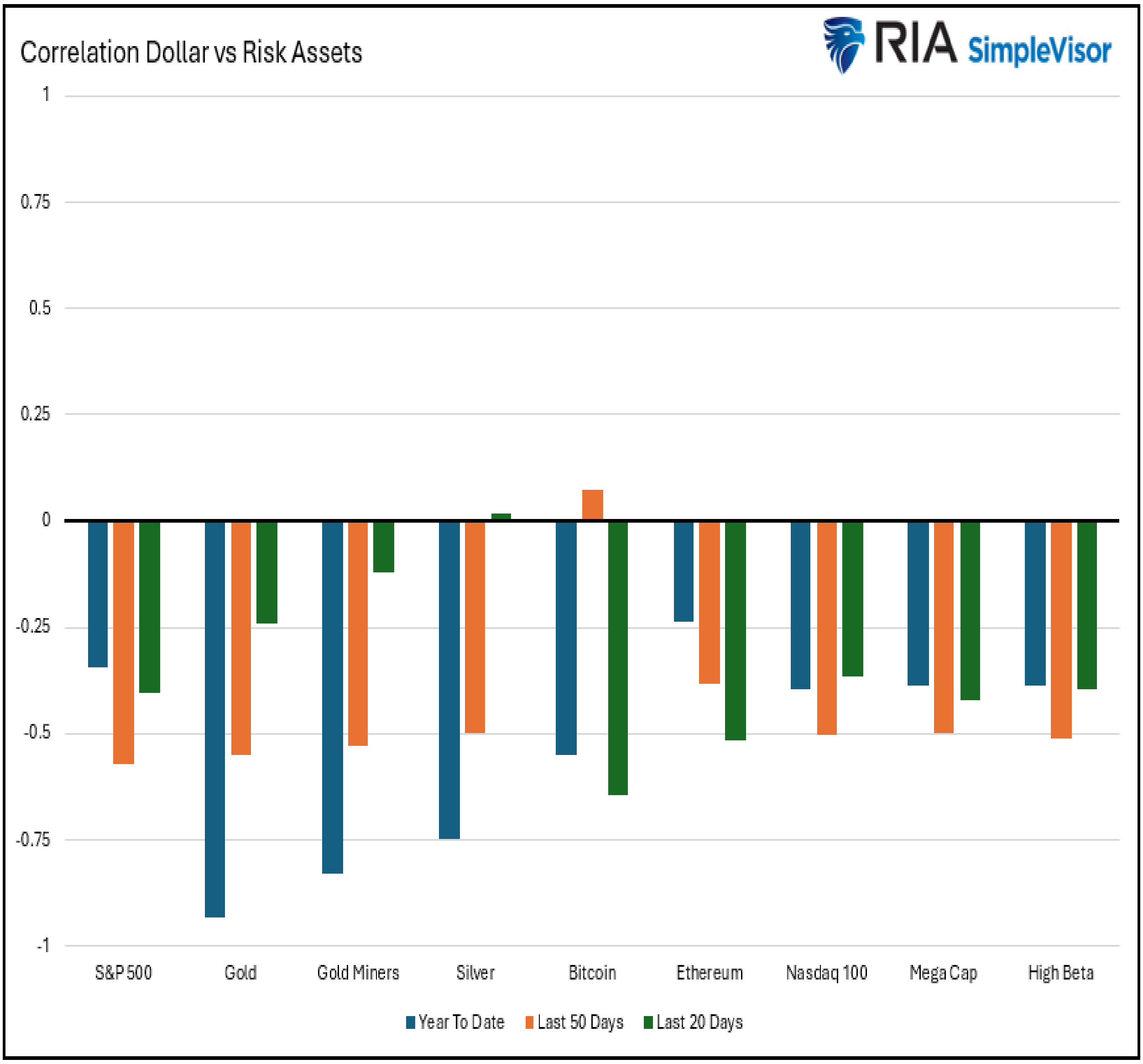
A few readers asked us what assets are most at risk, especially if such a dollar appreciation is rapid. The easy answer is gold, as it, along with many commodities, tends to have a negative correlation with the dollar. The SimpleVisor graph below shows the inverse relationship between gold and the dollar over the last three years. Beneath the price graph is the running 50-day correlation. This confirms what our eyes see in the price graph: gold has been rising while the dollar has been declining.

The following bar chart examines gold and other, more speculative assets that have performed well recently. This will help further answer the question of which securities are at risk if the dollar turns upward. As shown, on a year-to-date basis, gold, gold miners, and silver exhibit the most negative correlations. Next in line is Bitcoin. Lastly, the better-performing stock market sectors show a negative correlation, albeit one that is less pronounced than that of the precious metals and Bitcoin. Ethereum has the&#2013266080;lowest correlation among the assets we chose.

Correlation Dollar vs Risk Assets

RIA SimpleVisor

1



What To Watch Today

Earnings

- *No earnings releases today*

Economy

Thursday October 02 2025			Actual	Previous	Consensus	Forecast
06:30 AM	US	Challenger Job Cuts SEP		85.979K		150.0K
07:30 AM	US	Initial Jobless Claims SEP/27		218K	223K	223.0K
07:30 AM	US	Continuing Jobless Claims SEP/20		1926K	1930K	1929.0K
07:30 AM	US	Jobless Claims 4-week Average SEP/27		237.5K		239.0K
09:00 AM	US	Factory Orders MoM AUG		-1.3%	1.4%	1.4%
09:00 AM	US	Factory Orders ex Transportation AUG		0.6%		0.1%
09:30 AM	US	Fed Logan Speech				

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Market Trading Update

Yesterday, we discussed the technical backdrop for a dollar rally. However, we now also have to deal with a Government shutdown, which certainly has many media pundits on the edge of their seats with something to talk about. However, in reality, there is not much there. Historically, the market has dealt well with previous shutdowns, rising about 85% of the time.

Shutdowns Add Drama, But Stocks Don't Really Care

S&P 500 Performance During And After Government Shutdowns

Start of Shutdown	Reopen Date	Length (Days)	S&P 500 Return	S&P 500 12 Months After End	President	Senate	House
9/30/1976	10/11/1976	11	-3.5%	-6.6%	Ford	Democrat	Democrat
9/30/1977	10/13/1977	13	-2.5%	12.0%	Carter	Democrat	Democrat
10/31/1977	11/9/1977	9	0.4%	1.5%	Carter	Democrat	Democrat
11/30/1977	12/9/1977	9	-1.0%	3.2%	Carter	Democrat	Democrat
9/30/1978	10/18/1978	18	-2.0%	3.1%	Carter	Democrat	Democrat
9/30/1979	10/12/1979	12	-4.4%	24.7%	Carter	Democrat	Democrat
5/1/1980	5/1/1980	1	-0.8%	25.8%	Carter	Democrat	Democrat
11/20/1981	11/23/1981	3	0.7%	9.3%	Reagan	Republican	Democrat
9/30/1982	10/2/1982	2	0.3%	36.2%	Reagan	Republican	Democrat
12/17/1982	12/21/1982	4	2.4%	18.0%	Reagan	Republican	Democrat
11/10/1983	11/14/1983	4	1.6%	-0.4%	Reagan	Republican	Democrat
9/30/1984	10/3/1984	3	-2.2%	13.5%	Reagan	Republican	Democrat
10/3/1984	10/5/1984	2	-0.6%	12.6%	Reagan	Republican	Democrat
10/16/1986	10/18/1986	2	0.0%	18.4%	Reagan	Republican	Democrat
12/18/1987	12/20/1987	2	2.5%	11.9%	Reagan	Democrat	Democrat
10/5/1990	10/9/1990	4	-2.1%	23.2%	G.H. W. Bush	Democrat	Democrat
11/13/1995	11/19/1995	6	1.2%	22.8%	Clinton	Republican	Republican
12/15/1995	1/6/1996	22	0.0%	21.3%	Clinton	Republican	Republican
10/1/2013	10/17/2013	16	3.1%	8.9%	Obama	Democrat	Republican
1/19/2018	1/22/2018	2	0.8%	-7.1%	Trump	Republican	Republican
2/9/2018	2/9/2018	1	1.5%	3.4%	Trump	Republican	Republican
12/21/2018	1/25/2019	34	10.3%	23.7%	Trump	Republican	Republican
	Average	8.2	0.3%	12.7%			
	Median	4.0	0.1%	12.3%			
	% Higher		54.5%	86.4%			

Posted on ISABELNET.com

Source: Carson Investment Research, FactSet 03/07/2025
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Source: Carson Investment Research, FactSet 03/07/2025
@ryandetrick

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Secondly, we are starting the seasonally strong ?six months of the year,? with October posting an average 1% return and a 59% success rate. Those numbers improve markedly over the remaining two months of the year.

Monthly Return Stats for the S&P500 1964-2024

	Avg Return	% Positive	Best	Worst	Std Dev
Jan	1.1%	59%	13%	-9%	4.9%
Feb	0.0%	54%	7%	-11%	3.9%
Mar	1.1%	66%	10%	-13%	3.8%
Apr	1.5%	72%	13%	-9%	4.1%
May	0.3%	61%	9%	-8%	3.6%
Jun	0.2%	59%	7%	-9%	3.5%
Jul	0.8%	54%	9%	-8%	4.1%
Aug	0.1%	56%	12%	-15%	4.7%
Sep	-0.7%	46%	9%	-12%	4.4%
Oct	1.0%	59%	16%	-22%	6.0%
Nov	1.6%	69%	11%	-11%	4.4%
Dec	1.2%	70%	11%	-9%	3.5%

Source: Topdown Charts, LSEG

topdowncharts.com

Monthly Return Stats for the S&P500 1964-2024

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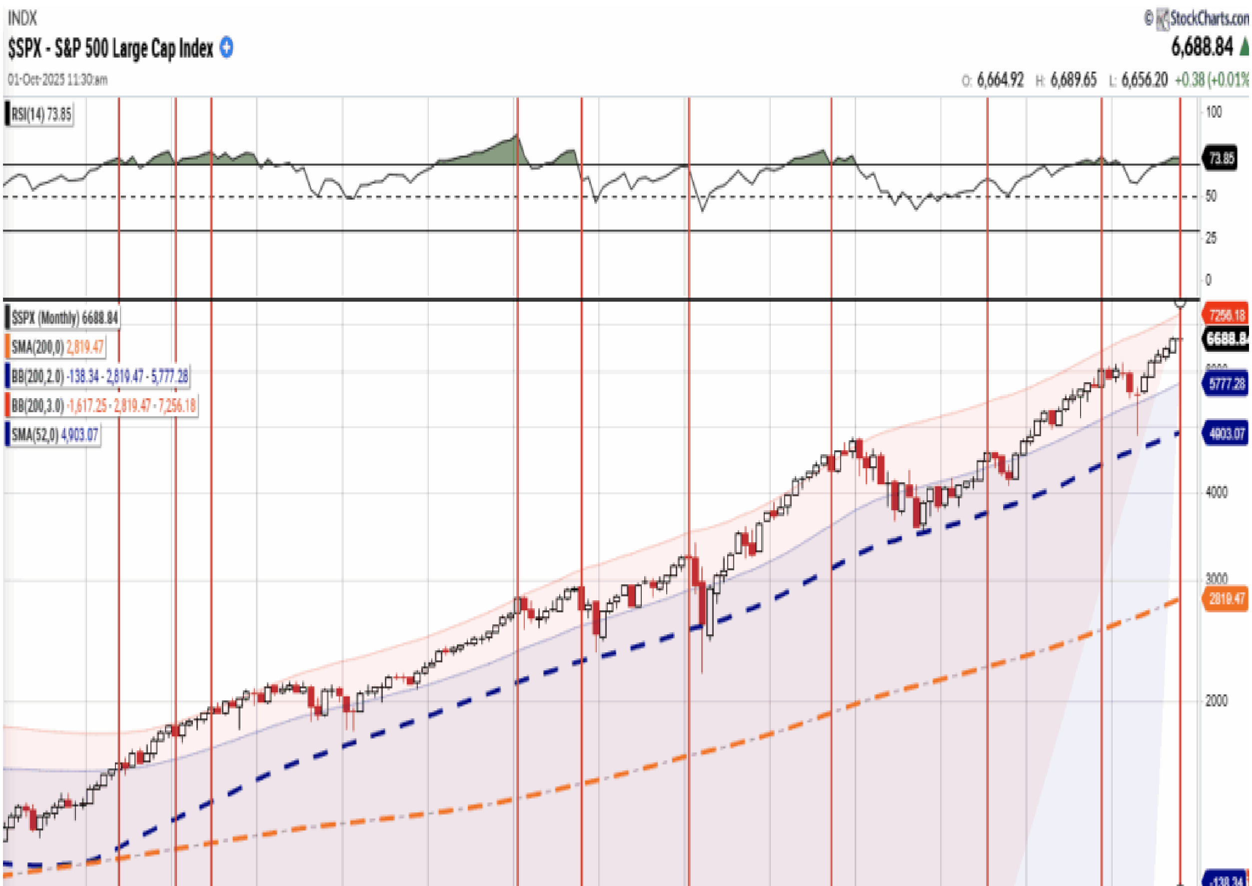
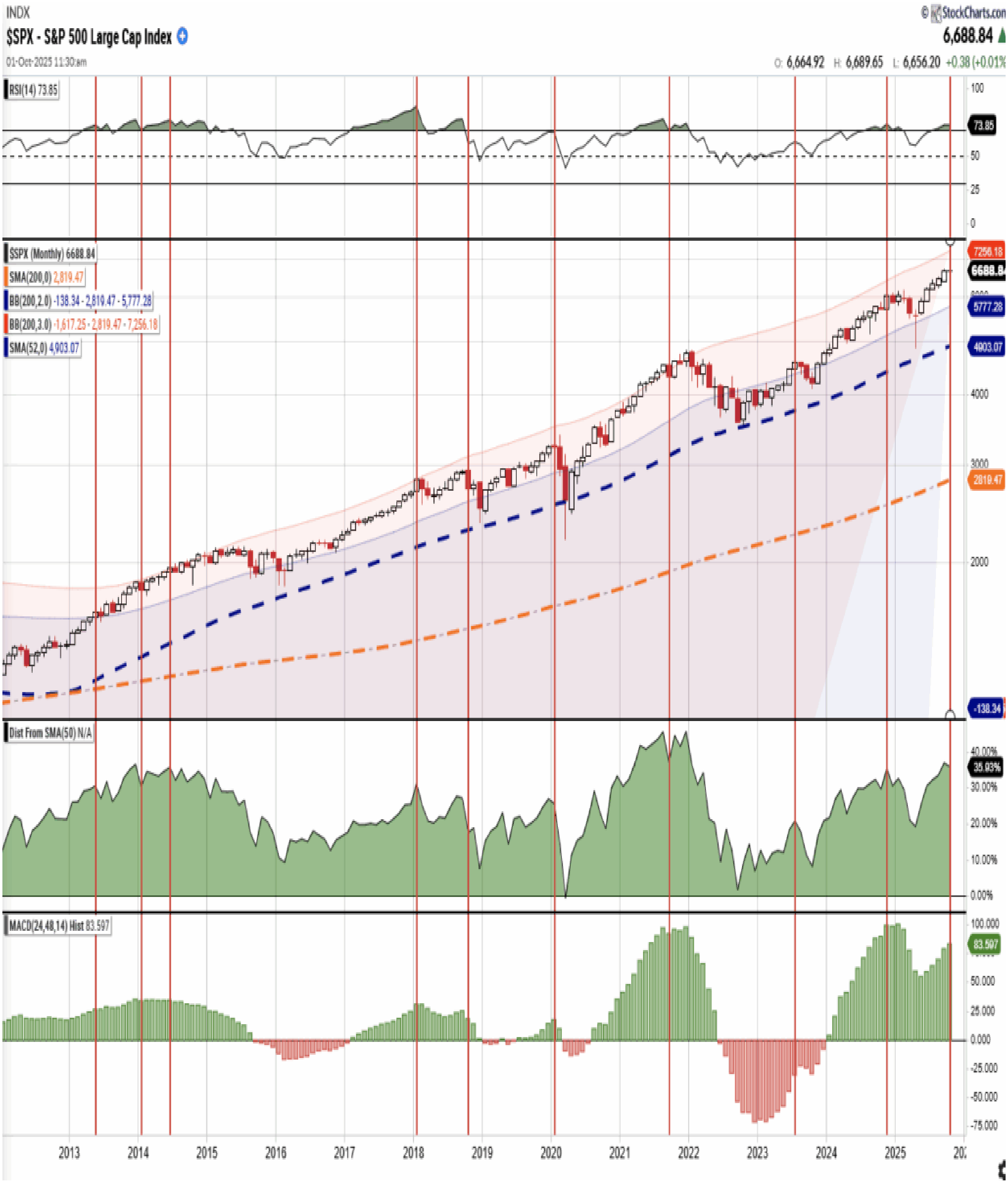
Feb	0.0%	54%	7%	-11%	3.9%
Mar	1.1%	66%	10%	-13%	3.8%
Apr	1.5%	72%	13%	-9%	4.1%
May	0.3%	61%	9%	-8%	3.6%
Jun	0.2%	59%	7%	-9%	3.5%
Jul	0.8%	54%	9%	-8%	4.1%
Aug	0.1%	56%	12%	-15%	4.7%
Sep	-0.7%	46%	9%	-12%	4.4%
Oct	1.0%	59%	16%	-22%	6.0%
Nov	1.6%	69%	11%	-11%	4.4%
Dec	1.2%	70%	11%	-9%	3.5%

Source: Topdown Charts, LSEG Posted on ISABELNET.com topdowncharts.com

However, one concern for investors in the short term is that the market has delivered five consecutive months of positive returns. While that in and of itself is not unprecedented, a correction tends to happen before the advance resumes when such a streak occurs with the markets both overbought and extended. In other words, if it occurs, some weakness in October would be unsurprising, which would set the market up for an advance into year-end. However, given the current momentum in the market and the chase by retail investors to grab exposure, a continued streak of gains into year-end would also not be unprecedented. However, the takeaway is that streaks of monthly gains eventually end. While that is not a bearish forecast, it does argue that some risk controls and having some ?cash on the sidelines? could provide an opportunity in the weeks ahead.





Trade accordingly.

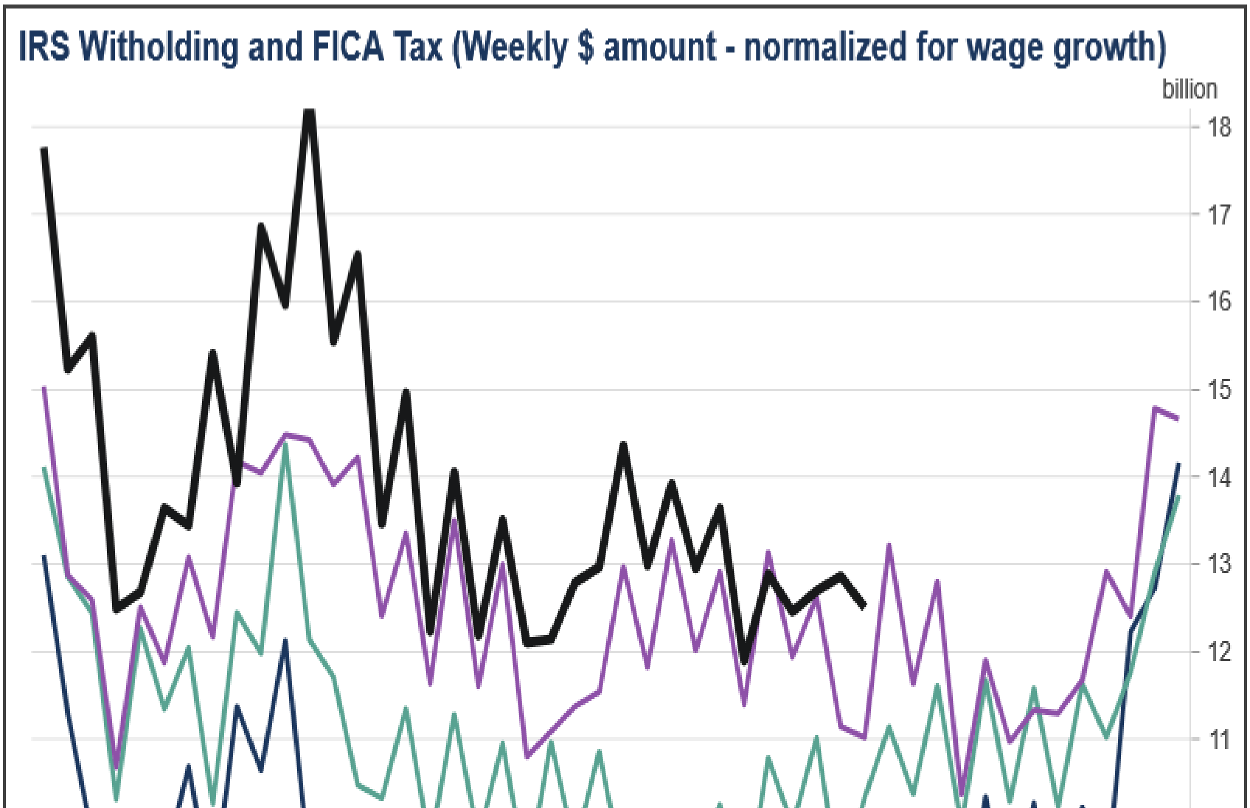
ADP, JOLTS, And Tax Withholding

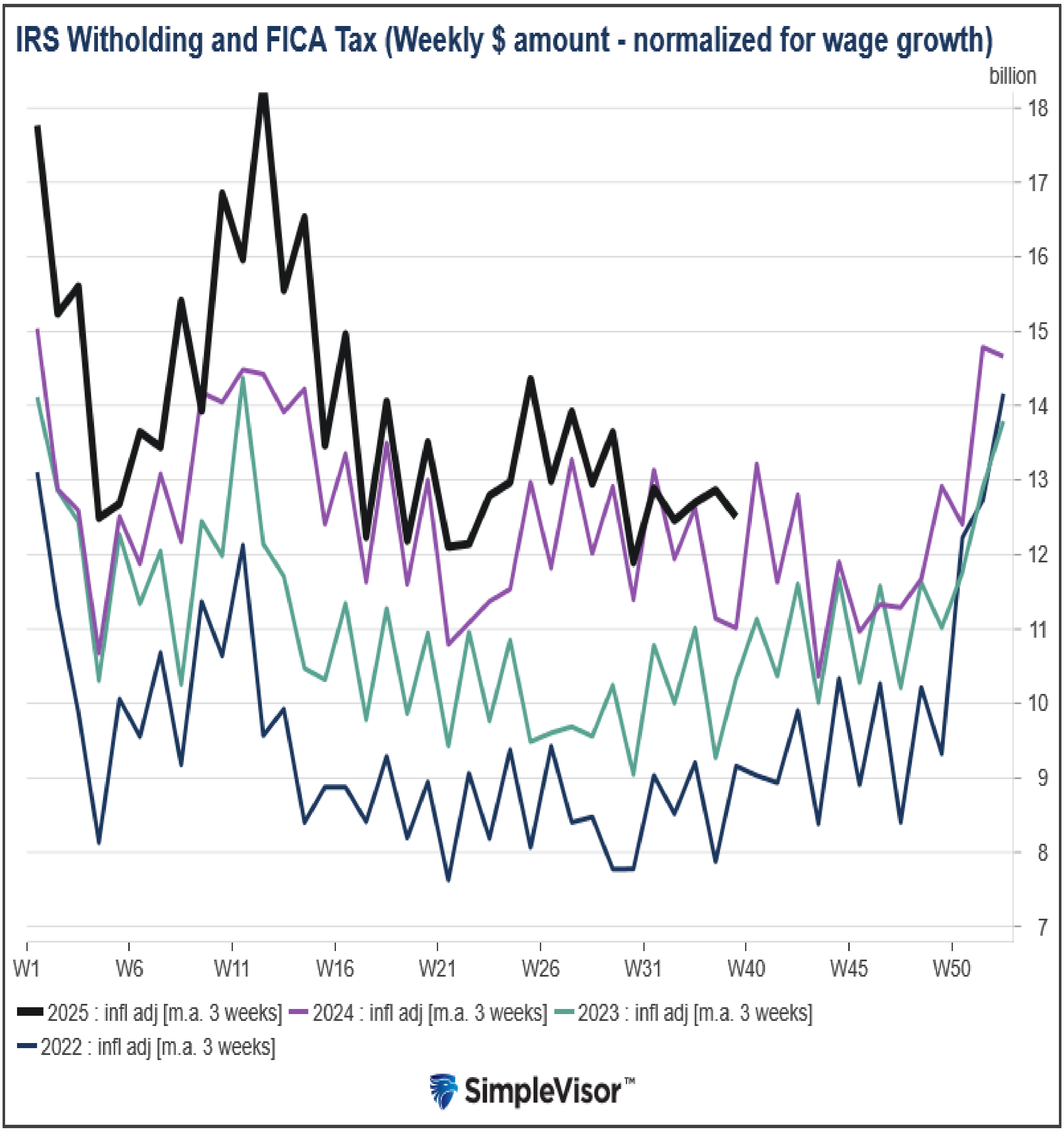
If the government shutdown continues through Friday, the BLS will not release the September employment report. While that report is one of the most important for investors and the Fed, there are plenty of other sources that can help us gauge what has been occurring in the labor markets since the last BLS report. Let?s look at a few of them.

ADP: ADP reported that the number of jobs fell last month by 32k. The market was expecting a gain of 50k. Equally concerning, the prior month was revised lower by 57k jobs to -3k. Three of the last four months have now seen job shrinkage. The only other negative ADP print since COVID was in 2023, when they reported a loss of 53k jobs. This report suggests that the BLS is likely to report negligible job growth when it releases its monthly report. A negative print with further downward revisions would not be surprising.

JOLTs: Job openings, which soared in 2021-2023, have fallen ever since. At 7.2 million, they are roughly in line with the peak existing before the pandemic. They should be higher given that the economy has grown substantially since then. However, the data can be somewhat flawed, as many companies advertise for employees but do not necessarily fill the jobs. The bottom graph in the second graphic is disturbing. It shows that there are now more unemployed people than job openings. At .98, the ratio is decently below the pre-pandemic rate of 1.25. This data aligns with continuing unemployment claims, which indicate that those recently laid off are having difficulty finding new employment.

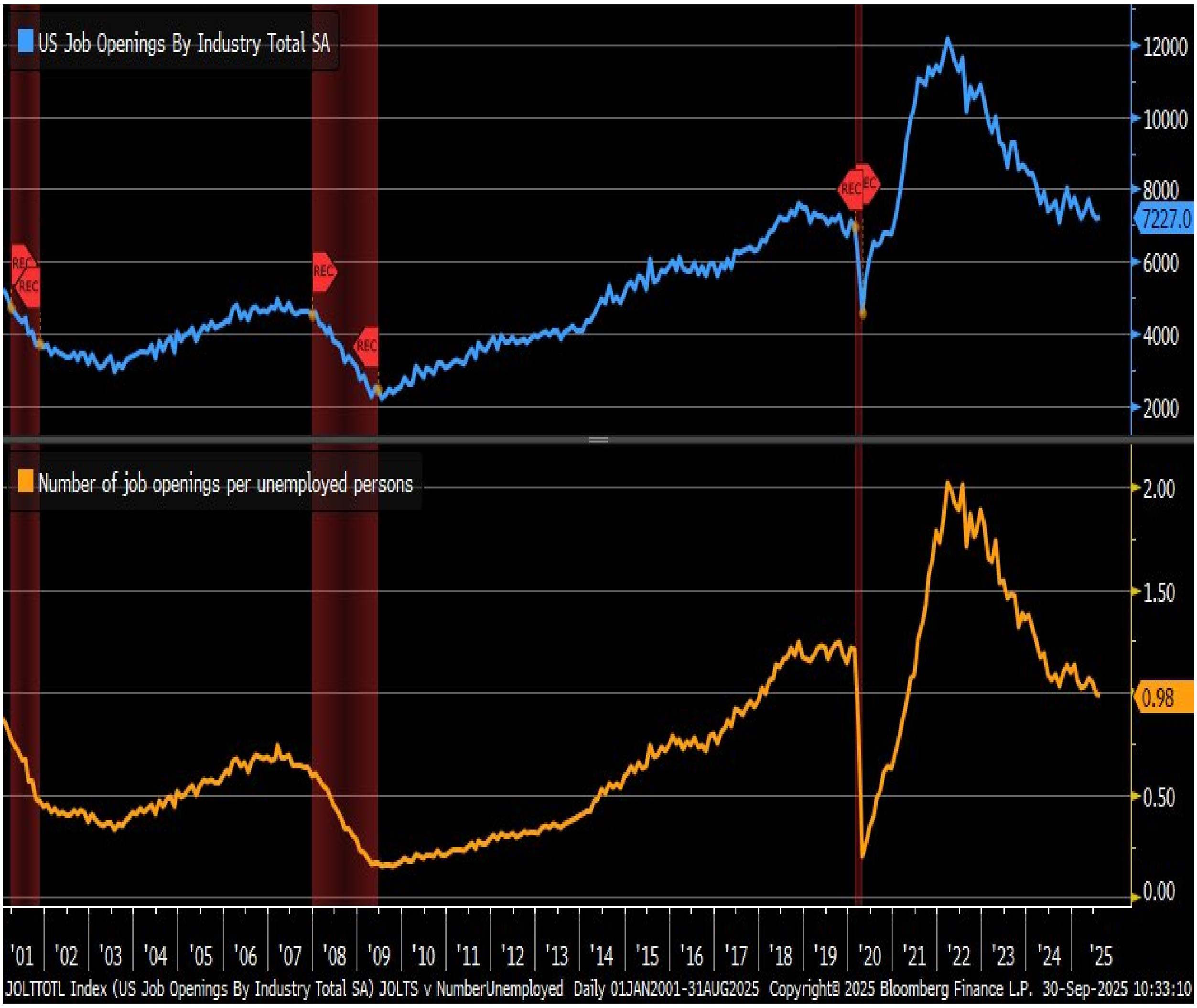
Tax Withholding: The second graph below shows that IRS tax withholding, adjusted for wage inflation, has been running slightly above last year?s levels. Assuming that job growth is rising, we would expect a decent gap between the weekly figures for each year. This is evident in the differences between 2022 and 2023, as well as between 2023 and 2024. The fact that 2025 is running barely above 2024 tells us job growth has been minimal.





IRS Witholding and FICA Tax (Weekly $ amount - normalized for wage growth)
billion
18
17
16
15
14
13
12
11
10
9
8
7
W1
W6
W11
W16
W21
W26
W31
W40
W45
W50
2025 : infl adj [m.a. 3 weeks]
2024 : infl adj [m.a. 3 weeks]
2023 : infl adj [m.a. 3 weeks]
2022 : infl adj [m.a. 3 weeks]
SimpleVisor™

US Job Openings By Industry Total SA
12000
10000
8000
7227.0
6000
4000
2000
REC
Number of job openings per unemployed persons
2.00
1.50
0.98



Miran Says Rates Are Too High: Politics Or Reality?

Some political commentators believe that Stephen Miran is a pawn of President Trump, aiming solely to lower interest rates, regardless of whether such action is justified.

Regardless of your political views, set aside your own perspectives for a moment and consider Miran?s views on the economy and monetary policy.

While we disagree with his assessment of how much the Fed should cut rates, he provides valid reasons why the Fed Funds rate remains too high.&#2013266080;&#2013266080;

Read More?

Make Full Screen

	Standard Taylor Rule		Same under Both Rules		Balanced-Approach Taylor Rule	
Ex-Ante Appropriate FFR (bps)	426				396	
Effect on optimal FFR of...	**Low**	**High**	**Low**	**High**	**Low**	**High**
Forces affecting π_t:						
Rent disinflation			-47	-60		
Forces affecting r*:						
Deregulation + energy			4	20		
OBBB			-6	-31		
Population growth			-36	-36		
Trade policy			-62	-73		
Forces affecting $(y_t-\bar{y})$:						

Make Full Screen

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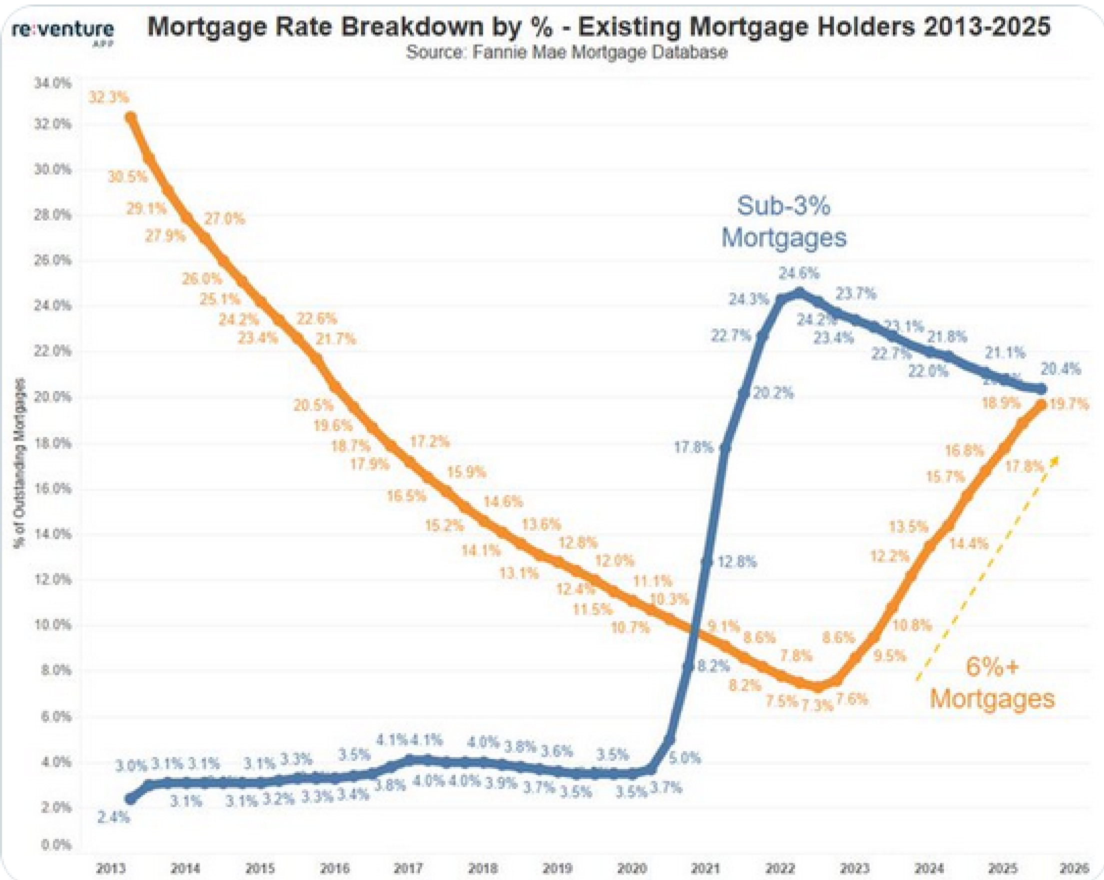
Population growth			-36	-36		
Trade policy			-62	-73		
Forces affecting $(y_t - \bar{y})$:						
Deregulation + energy	-11	-32			-23	-63
OBBB	8	8			16	16
Ex-Post Appropriate FFR (Midpoint) (bps)		249				206

Note: Table weights for ex-ante r* are 2/3 from the model-implied results from Benigno and others (2024) and 1/3 from the market-implied rate from Treasury Inflation-Protected Securities. FFR is federal funds rate. OBBB is One Big Beautiful Bill.

Tweet of the Day

Nick Gerli @nickgerli1 · 19h

By the end of Q4 2025, there will be more 6% mortgages than sub-3% mortgages.



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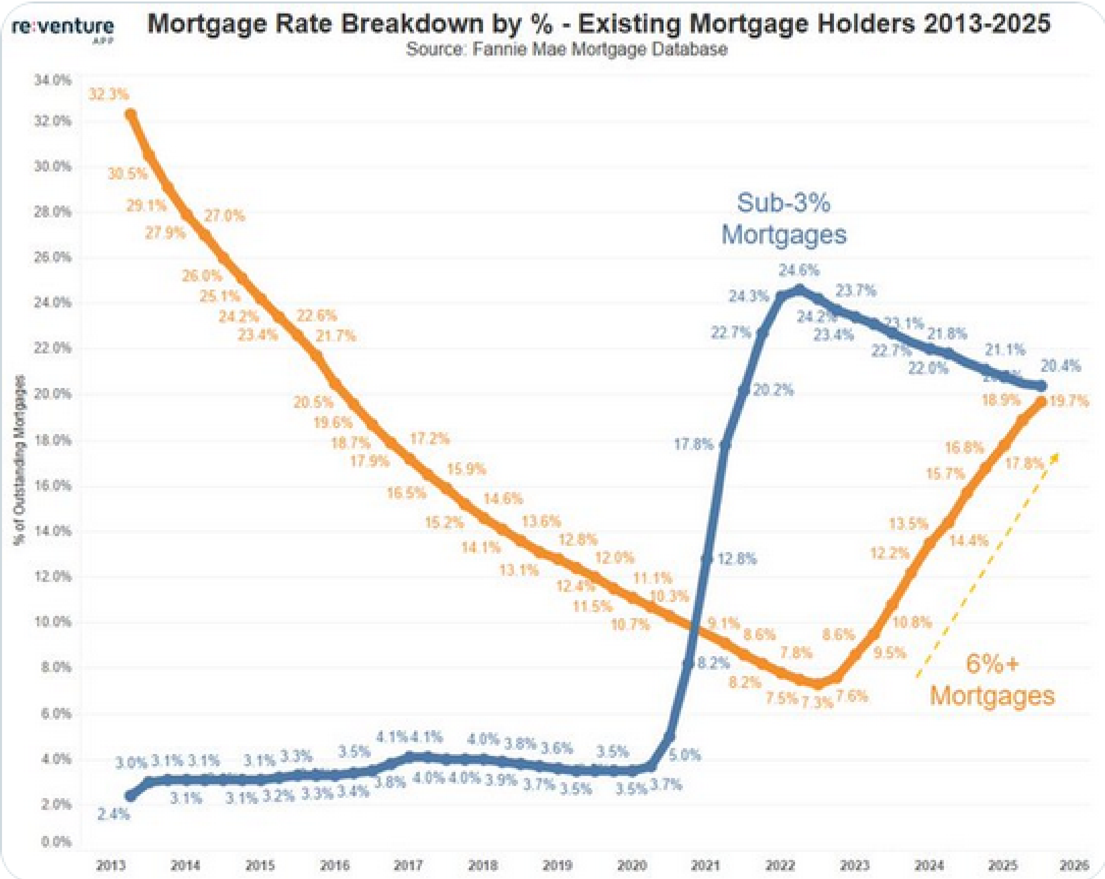

?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?]()

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> *If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.*