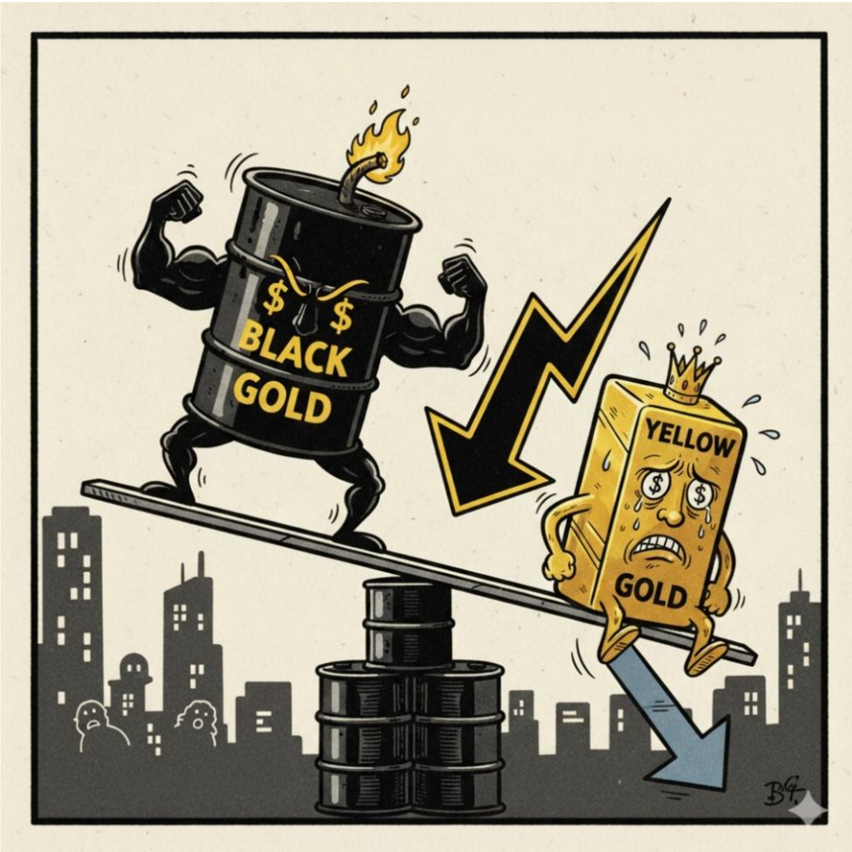
Yellow Gold Mellows, Black Gold is Tickled Pink, Right on Cue Trump Kicks up a Stink

Crude oil and natural gas prices are heading higher after a glut induced lull after the EU and US imposed fresh sanctions on Russia's three largest oil & gas companies, Rosneft, Lukoil, and Gazprom Neft, and their subsidiaries.

The sanctions freeze Rosneft and Lukoil’s US assets and bar US individuals and entities from doing business with them. The US also threatened secondary sanctions on foreign financial institutions that deal with them, prompting major buyers in India and China to scale back or even halt Russian oil imports, at least until new workarounds are developed.

This comes at a time when India appears close to a trade deal with the US so may be an opportunity to wrap that up before opening the door to fresh criticism.

The EU will also phase in a total ban on Russian LNG over 14 months, sanctioned an additional three Chinese entities that are significant buyers of Russian crude oil, and added 117 additional vessels to its sanctions list for the "shadow fleet" that is being used to circumvent the G7 oil price cap.



With black gold heading in one direction, yellow gold has been heading the other with a sell-off in precious metals arguably as a result of the planned US-China trade talks which are easing concerns of a further trade flare up. Gold fell over 7% this week. The setback for precious metals comes after a stellar run this year so could easily be a simple case of profit taking and momentum reversal.

The US are heading into talks having secured a deal with Australia aimed at breaking China’s dominance over critical minerals and rare earths. These developments with hit the ground running with both countries set to invest $1bn in the first 6 months.

While the deal may strengthen America’s hand, it may also serve to validate China’s key point of leverage.

Looking for additional ways to bolster its own negotiating position, the US is currently weighing a sweeping plan to restrict the export of advanced software to China and limiting the shipment of products that are manufactured using it, which would impact a wide range of goods including laptops and aircraft engines.

The trade relationship between these two countries is the key determinant of global trade sentiment, and we are yet to see a significant slowdown in trade as a result from tariffs imposed this year, with the World Trade Organisation upgrading 2025 global merchandise trade growth forecasts and pushing back its so far inaccurate forebodings into 2026 with an equivalent downgrade.

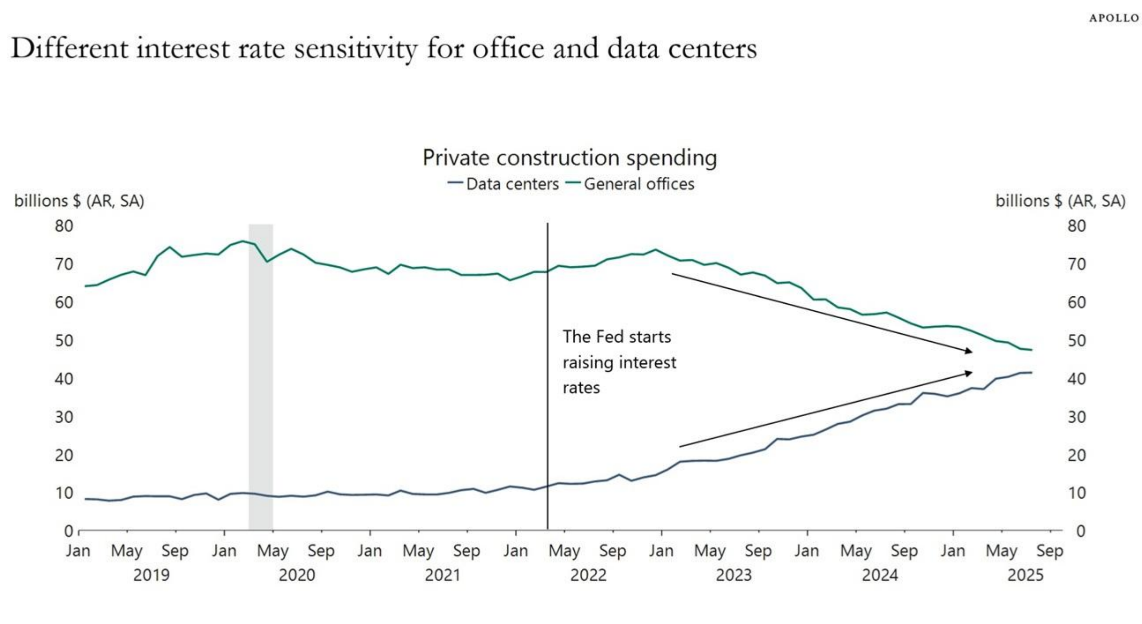
President Trump will prepare by sparring with its neighbour Canada after halting talks in response to an advert that opposes tariffs which has been championed by Ontario's premier, Doug Ford. The advert utilised the voice of former president Ronald Reagan and has been said to misrepresent his audio address without seeking permission from the Ronald Reagan Presidential Foundation to use the remarks.

This follows months of painstaking work by Canadian Prime Minister Mark Carney to improve relations with the US president.

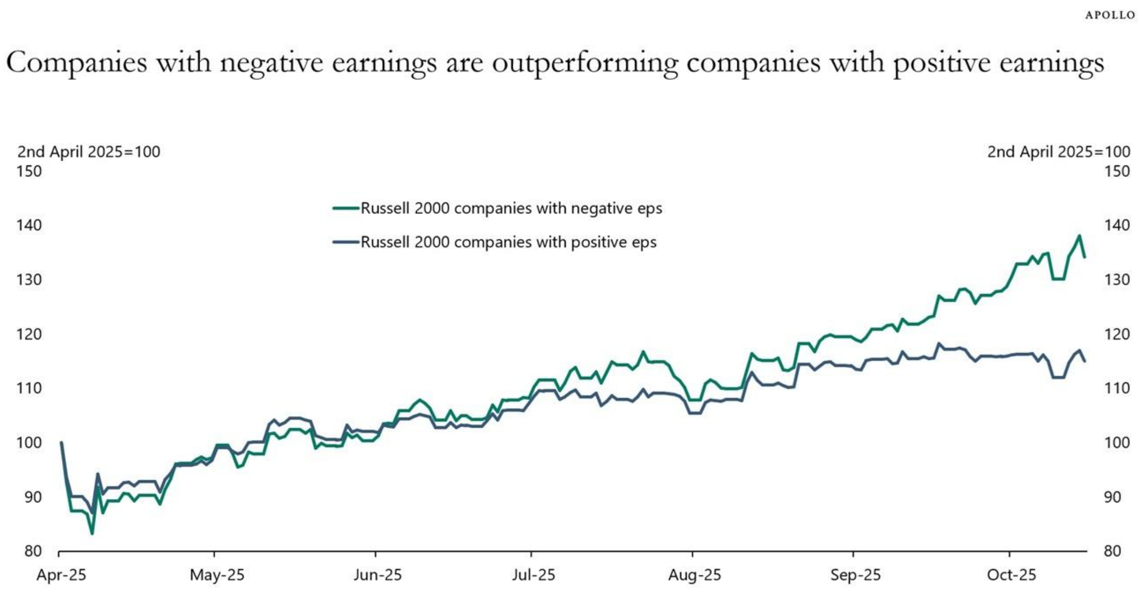
Third quarter corporate earnings have so far been very good with big-tech reporting next week and purchasing managers indices, which are a good forward-looking indicator of real economic activity, are also indicating a strong economy.

UK and US inflation data came in below expectations and while still higher than may may hope, support the story of a strong economy and reason for continued investment in inflation in risk assets. A Bank of England interest rate cut hangs in the balance. Central banks that are considering interest rate cuts in an environment of above target inflation point to a welcome scenario of accommodative monetary policy.

This may be well timed as economist Torsten Slok of Apollo Global Management points out AI infrastructure spending has not been impacted by tight monetary policy because it has been funded by cashflow rather than debt. With this dynamic likely to change into 2026, the effects of monetary policy could be amplified, particularly as this investment is currently providing most of US economic growth:



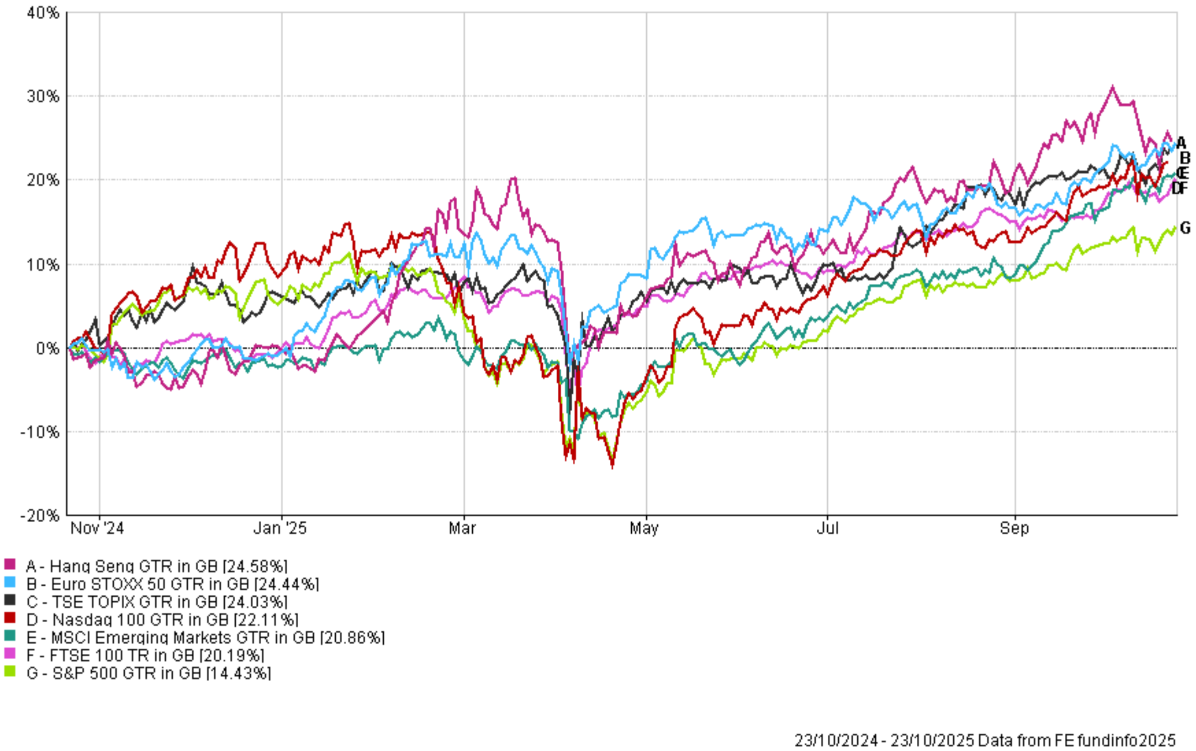
And on the rally in equities this year, most gains have been driven by actual earnings instead of higher valuations, with much of any valuation expansion confined to AI exposed companies. Take a look at the performance of US companies with no earnings:



If you are instead invested in companies that are much more mature, and have kept pace, one shouldn't be too concerned that the market is reaching new highs.

Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:



Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	+0.68%	+1.92%	+5.58%	+8.00%
Balanced	+0.82%	+1.99%	+6.87%	+10.17%
Adventurous	+0.93%	+2.11%	+7.47%	+11.03%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.