

October 8, 2025

Rip Van Winkle Awakens to a Global Value Recession Amid a Fracturing World

Picture a dollar-denominated investor -- our modern Rip Van Winkle -- falling asleep on October 8, 2024, when gold hovered at \$2,646 and the dollar seemed perched for a strengthening in gold terms on an anti-war, supply-side President Trump winning the November election. He wakes today, October 8, 2025, to gold blasting through \$4,000 -- a 52% surge -- and assumes a recession has wiped out US assets. Yet the S&P 500 sits at all-time highs near 6,767. What gold is signaling is not nominal contraction -- but a profound value recession that suggests a future of monetary inflation, policy distortion, and geopolitical fracture.

That's the Wanniskian lens: gold is the numeraire, the clearing price between liquidity supply and dollar demand. When gold pierces through supply growth by 50%+ in twelve months (vs. mining output at 1–2%), something else is collapsing -- confidence in the currency, not metals scarcity. What's more this is occurring even as the Federal Reserve's quantitative tightening shrinks the balance sheet.

The last time such a rapid repricing occurred outside the 1970s was after 9/11, when the Global War on Terror detonated the strong-dollar deflation regime and forced liquidity floods to backstop US military projection.

Today's move in gold is pricing something similar: eroding state cohesion (on-going low-intensity civil war), fractured deterrence, and a loss of control over the monetary narrative and apparently, levers.

Monetary Signal, Not Commodity Spike

Gold at \$4,045 trades as though the US lost a carrier group in the Pacific -- or its governing credibility at home. The kinetic markers are real:

- Russia has absorbed Ukrainian territory while neutralizing Western drone and surveillance advantages.
- Iran has demonstrated that US-aligned air shields can be overwhelmed (e.g. Israel's Iron Dome).
- North Korea, China, and Russia have validated hypersonic capabilities.

But the internal front now weighs arguably as heavily as the external one. The US lives inside what can only be called a slow-burn civil conflict:

- The attempt on Trump's life (July 2024 and September 2024)
- The assassination of Brian Thompson (December 2024)

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- The killing of Charlie Kirk (September 2025)
- Use of military assets in Portland and domestic deployments (since September 2025)

Historically, wars -- hot, cold, or internal -- weaken the dollar in gold terms. The gold market may be treating American politics as a form of sustained internal destabilization in the form of escalating tensions and pricing accordingly. But it's not just the dollar weakening. Fiat is doing what fiat does when the oligarchs are in charge: it weakens.

Nominal Strength Masks Real Contraction

The [Wall Street Journal's editorial](#) this morning tries to frame gold's move as a reaction to "instability" broadly -- shutdown politics, Obamacare subsidy brinkmanship, Powell's inflation drift, Europe's dysfunction, China's stall, Japan's malaise. But the op-ed still treats gold as a sentiment barometer rather than a scoreboard of monetary erosion.

As we said before, it's not just the dollar weakening. All the major currencies of the world are weakening against gold. Year-to-date the dollar-gold price has appreciated approximately 55%, followed by yen-gold at 51%, yuan-gold at 51%, pound-gold at 46% and euro-gold at 40%.

For markets, nominal story tell one tale:

- CAC 40: +22% YTD
- Shenzhen: +32%
- Hang Seng: +34%
- Nikkei: +23%
- S&P 500: +15%

Gold-adjusted reality tells another:

- CAC 40: -21%
- Shenzhen: -11.7%
- Hang Seng: -14%
- Nikkei: -18%
- S&P 500: -26%

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This is the global value recession no policymaker will name -- because price levels are rising fast enough to disguise contraction. But real wealth is disappearing, globally.

The Gold Ratio Signal -- Not a Bubble, a Breakdown

The S&P 500 now trades at just 1.66 ounces of gold. That puts it within striking distance of the April low at 1.49, which has acted as multi-cycle support:

- March 2020 crash
- Brexit disruptions (2016)
- Ebola and Ukraine flare-ups (2014)

A break below that band puts **1.33** in play -- a level last seen during Russia's annexation of Crimea. We don't need to predict it -- simply note that the market is already repricing in gold terms, not waiting for confirmation.

What Gold Ratios Reveal

As of October 8, 2025:

- **Oil/Gold:** ~65.7 barrels per ounce

Our read: Oil deeply undervalued; monetary stress, not a signal of commodity scarcity.

- **Silver/Gold:** ~83.2 silver ounce per gold ounce.

Our read: Above 80 underscores strong industrial pull even as the metal lags gold's monetary role.

- **Bitcoin/Gold:** ~30.3 oz per BTC

Our read: Digital risk assets not acting as displacement hedges, but alternatives store of value during currency debasement.

- **Housing/Gold:** ~104.9 oz per median home

Our read: real assets are lagging; echoes 1970s pre-adjustment dislocation.

Commodity indices (CRB) sit 15–20% below 2022 peaks. This is **not** all-in inflationary jaunt -- it's gold working as pure monetary beta against policy failure and fractured geopolitical architecture. The commodity train has not caught on, yet.

A Two-Track Fracture -- Dollar vs. Alternatives

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Yuan-gold and dollar-gold have tracked each other almost 1:1 YTD:

- Yuan-gold: +50.8%
- Dollar-gold: +54.7%

That tracking means China isn't driving the move -- it's riding it and preparing for alternatives, not replacing the dollar yet, just reducing dependence.

This stands in quiet contrast to the old "Dollar Milkshake Theory" -- the idea that capital crises always flow back to the dollar as the only viable reserve asset. That worked in the 1970s and 2008. It may no longer be structurally assured:

- \$38T in US debt caps raises concerns about long-term demand elasticity
- BRICS+ has cut USD reserve share to ~56%
- Physical metals prices (and demand) in foreign markets such as China is breaking suppression
- Reserve hedging is decentralized, no longer dollar-centric

The playbook that saved the dollar after Bretton Woods is no longer uncontested. Nixon's delinking forced the world onto a fiat dollar scaffold. Today, the reaction is decentralized and gold-denominated.

Conclusion -- Gold as the Scoreboard of Losing Control

Gold isn't "rallying" -- it's marking the dollar down amid polity fracture, low-grade civil conflict, policy abdication, and great-power realignment. The [WSJ](#) is right to say investors want "reassurance." What they're actually demanding is proof the dollar still has a center of gravity.

What they're getting instead:

- Shutdowns as baseline, not aberration
- Domestic assassinations with political overtones
- Incremental rate cuts, which promise to keep rate policy tight amid a weakening labor market
- A Fed openly tolerating erosion of the dollar's value
- A White House unable to restore, much less, anchor dollar credibility
- Allies doubting deterrence
- Rivals unmoved by threat or sanction

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This is not a panic -- it's a repricing.

The world is reorganizing beneath a dollar whose credibility has decoupled from its institutions. And the market is saying so -- one ounce at a time.

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