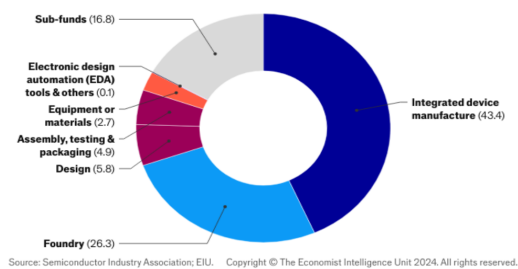


Japan's central bank is considering raising rates again. Although they remain uncommitted to specific timing, a decision to raise interest rates could have adverse effects on US bond and equity markets due to the large amount of US securities owned by Japanese investors. The EU's ongoing energy issues exacerbate its ability to remain competitive on the global stage, underscoring a critical need to reassess its strategic priorities.

## Highlights

### China's "Big Fund", mostly via equity investment, has largely gone into chip manufacturing

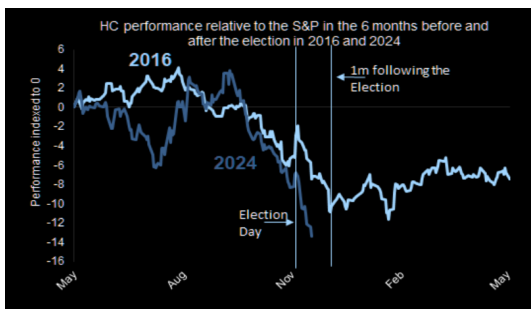
Share of National IC Fund phases 1 and 2 investment by segment, %



Source: Semiconductor Industry Association; EIU. Copyright © The Economist Intelligence Unit 2024. All rights reserved.

Source: The Economic Intelligent Unit

In March 2024, China allotted over \$27 billion for the third phase of its National IC Fund, aiming to boost technological advancement amid US export control efforts. This phase focused heavily on chip-making equipment, following previous investments in fabrication and upstream design. This month, Beijing announced plans to spend a further \$4.6 billion on a 12-inch wafer fabrication facility. This project aims to boost domestic semiconductor production, addressing gaps in Chinese chipmaking capabilities. The initiative reflects China's broader efforts to enhance its semiconductor industry amid global competition and geopolitical pressures.



Source: Zerohedge

The healthcare sector is grappling with increasing uncertainties, leading to a decline in pharma valuations. Investors have been exiting the sector since 2022, with a recent plunge following Trump's election win, mirroring the 2016 election period. Healthcare stocks hit 15-year lows and under performed the S&P500 by about 20% year-to-date, prompting Goldman Sachs to highlight the challenges of trading highly contentious, election-related sectors.

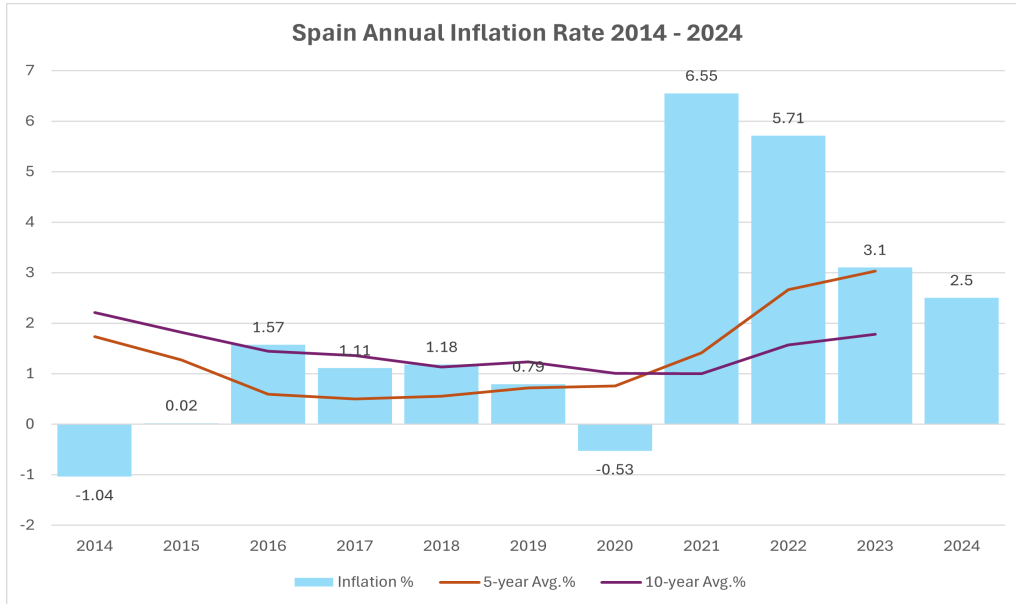
## Precious Metals & Commodities

All commodities are expected to remain flat in the short-term but remain on an upward trajectory, long-term. Gold and silver are expected to rise mid-term, while copper, oil, and agriculture will likely remain flat.

Indicator	Gold	Silver	Copper	Oil	Agriculture
Current	➡	➡	➡	➡	➡
Outlook	↗	↗	➡	➡	➡
Trend	↗	↗	↗	↗	↗

## Spot on Spain

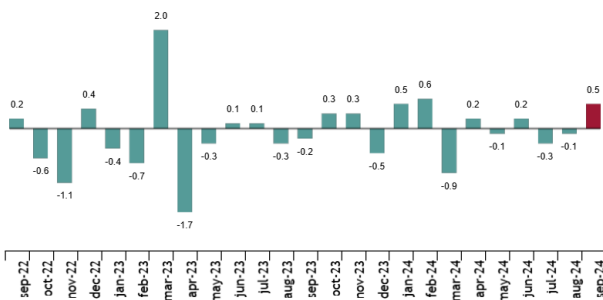
Spain's inflation rate edged higher in October, reaching 1.8%, marking a 0.3% increase from the previous month. The uptick was primarily driven by rising energy costs and transport sector dynamics, suggesting potential pressures on household budgets as the winter season approaches. Annual core inflation came in at 2.5%, having increased 0.1%, indicating persistent underlying price pressures in the economy. Housing costs emerged as a key inflation driver, surging to 4.2% annually. Regional variations persist across Spain, with the Basque Country recording the highest inflation rate at 2.3%, while Castilla-La Mancha registered the lowest at 1.4%. The cumulative inflation since 2020 stands at 18.78%, reflecting significant erosion in purchasing power over this period.



Source: CPI, INE

## Spain Highlights

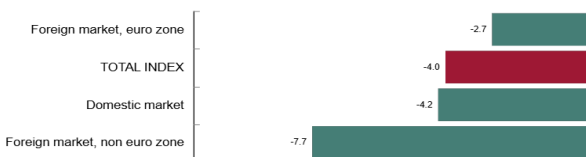
**General Industrial Production Index**  
Adjusted for seasonal and calendar effects. Monthly rate. Percentage



Source: IPI, INE

Spain's Industrial Production Index (IPI) registered a 0.6% year-on-year increase in September after seasonal adjustments, marking a 0.7-point improvement from August. The energy sector led growth with a 2.3% rise, while capital goods remained challenged with a 2.9% decline. Regional performance varied significantly, with Aragon leading growth at 5.9% while the Canary Islands experienced the steepest decline at -8.1%. The month-on-month production increased by 0.5%, indicating a gradual industrial recovery despite ongoing sectoral disparities.

**Industrial Turnover Index, Total and by market. August 2024**  
Annual rate. Percentage



Source: ITI, INE

Spain's Industrial Turnover Index (ITI) declined by 1.1% year-on-year in August after seasonal adjustments, with the unadjusted figure showing a steeper 4.0% drop. The non-euro foreign market was particularly affected, falling 7.7%. Monthly data revealed a 0.5% decrease, with energy sector leading the decline at -4.0%. Regional performance was predominantly negative, with 12 of 17 autonomous communities reporting decreases. Comunitat Valenciana recorded the largest decline at -11.5%, while Andalucía led growth with a 2.7% increase.

# Spain

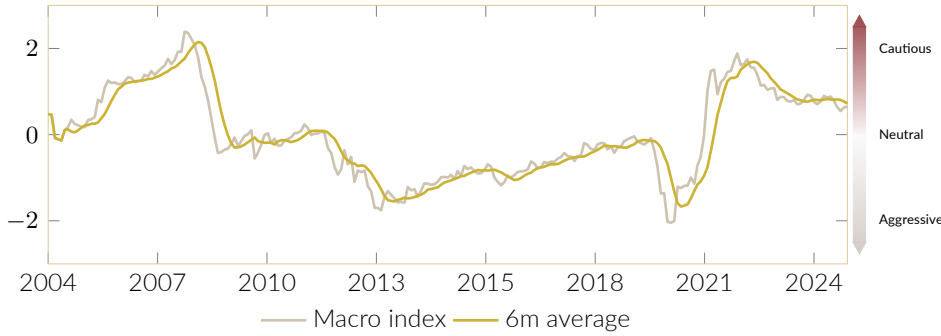
Inflation rates have trended higher, nevertheless profit margins have remained elevated amidst low unemployment rates. Equity markets have had some positive movement, however, bond yields have fallen. Monetary stability has lowered in risk, making Spain's overall Market Risk signal cautiously neutral. Ability has lowered in risk, making Spain's overall market risk cautiously neutral.



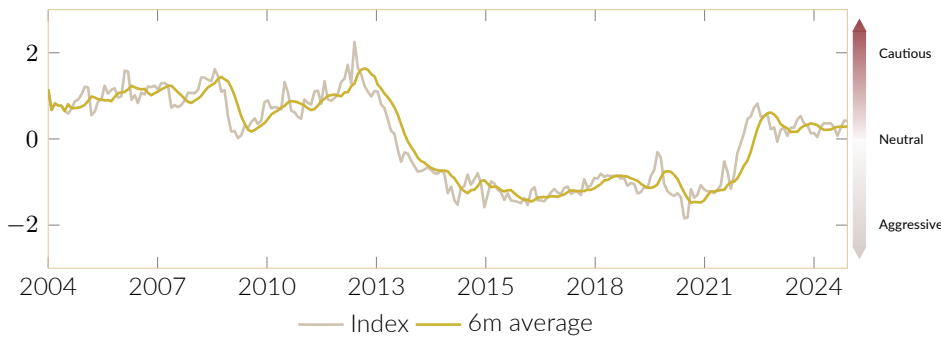
Spain

RISK: NEUTRAL

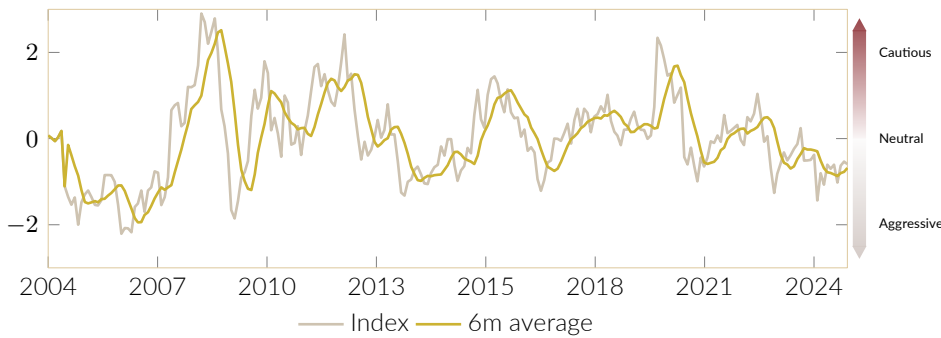
## Business Cycle



## Investment Environment



## Market Behaviour

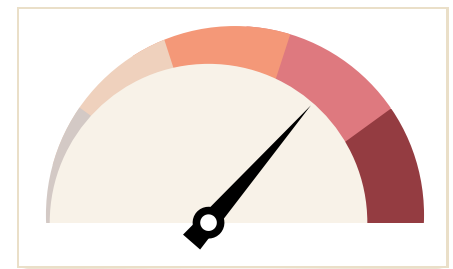


## Key Macro Statistics

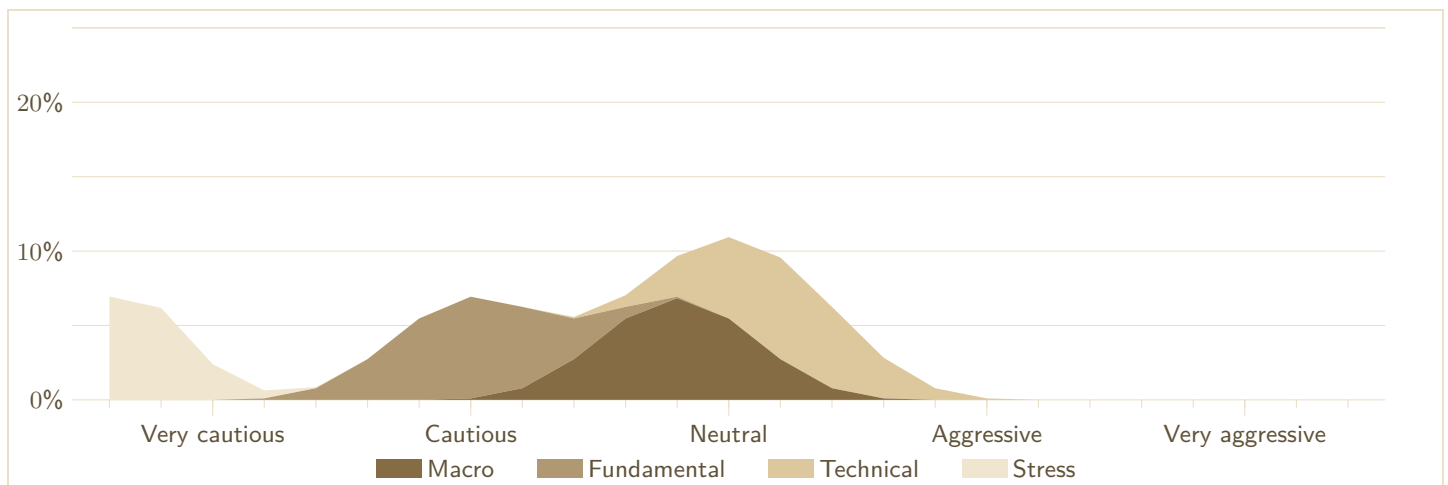
CPI	
M1 YoY%	
Unemployment	
Profit margin	
Real 10y yield	
Dividend yield	
Volatility	

Trend (12m)

## Monetary Stability



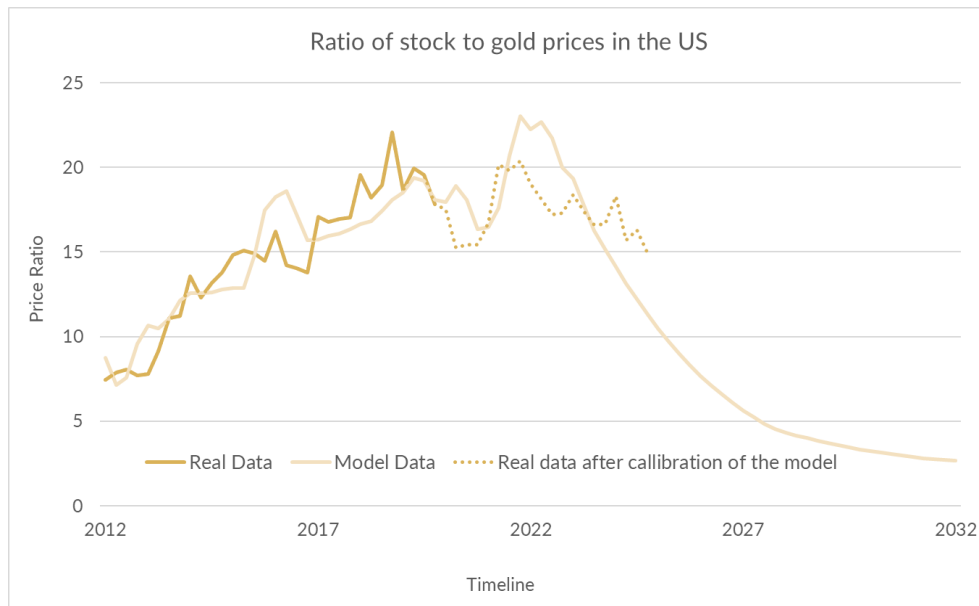
## Spain Market Risk Signal



## Prediction Model Gold or Stocks?

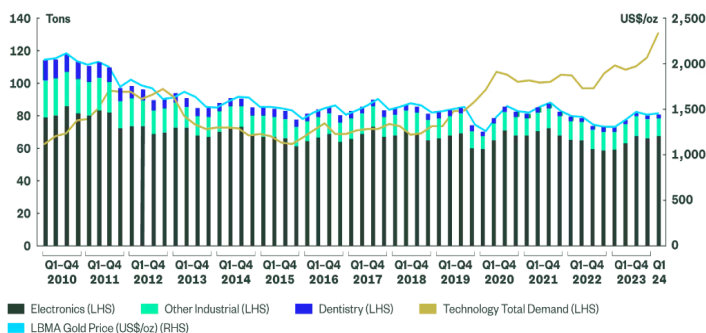
The current level of debt compared to production of the real economy is similar to the situation in the Germanic nations before the world wars in the 1910s, and the situation in France before the French Revolution in the 1790s. In such high debt level scenarios, the likelihood of instability and a deleveraging process is increased. Since gold holdings are normally free from another's liability, the deleveraging process has a far gentler impact on gold prices than, for example, equities. The upcoming deleveraging process can be modelled using coupled differential equations which leads to the expectation that gold will perform better than stocks from 2022 onwards. The model was calibrated in 2019, and has not since been adjusted for new input data.

Based on this data, the peak at which economic activity assets (such as equities) will outperform gold is around Q3 2022. From then on, the model predicts a outperformance of gold towards stocks (light line). When looking at the real data of stock to gold price (dotted line), we see the trend of gold outperforming stocks already began early in 2022. Whether we will experience another countermove or not is currently difficult to predict, but the long term trend for higher gold performance remains clear.



## Gold Feature

AI Boom May Keep Gold Technology Demand Strong Into 2025



Source: Gold Demand Trends Q2 2024, World Gold Council, as of July 30, 2024.

Image Source: SSGA

The electronics sector, which accounts for roughly 80% of gold's industrial use, may be on the cusp of a notable demand surge, driven by AI technologies. Recent data from the World Gold Council reveals that gold usage in electronics has seen three consecutive quarters of double-digit growth, with an 11% increase in the latest quarter. The precious metal's unique properties—exceptional conductivity, corrosion resistance, and malleability—make it nearly irreplaceable in many modern devices from EV batteries to the high-end chips used for AI and other high-performance computing. Major chip manufacturers report their 2024 high-end memory chip inventory is already sold out, with 2025 production largely reserved, while the World Semiconductor Trade Statistics Group forecasts 16% growth

across the semiconductor market in 2024, indicating sustained demand for gold within these sectors.

Despite this growing technological demand, gold's role in electronics remains relatively modest compared to its traditional drivers. Industrial and technological applications currently account for just 8% of total gold demand, while jewelry (47%), investments (28%), and central bank purchases (17%) dominate the market. Industry experts suggest that even if technological demand doubles due to AI advancement, it wouldn't dramatically alter gold's supply-demand dynamics at this time.

Nevertheless, the metal's expanding role in emerging technologies, from LEDs to advanced driver assistance systems and robotics, suggests a steady increase in industrial demand. As AI continues to evolve and computing needs grow more sophisticated, gold's importance in the electronics sector appears poised for consistent growth.