



STRATEGY UPDATE • NOVEMBER 2025

Confidence Through a Broadening Market Cycle

KEY TAKEAWAYS

- The global equity bull market remains intact, underpinned by resilient corporate earnings, structural investment in AI and infrastructure, and supportive liquidity conditions.
- We stay overweight equities, favouring the US, Japan, and select emerging markets. Exposure to China remains indirect through Asian and EM strategies to reduce volatility.
- Fixed income remains a defensive anchor with a short to mid-duration focus, favouring quality credit, and selective EM hard-currency exposure. With yields gradually trending lower, liquid alternatives such as equity market-neutral strategies can complement bond allocations, offering bond-like stability and income without the same duration risk.
- Gold and silver remain strategic assets despite a temporary consolidation; copper and industrial metals continue to benefit from reindustrialisation and electrification.
- The US dollar's long-term downtrend remains intact, though near-term volatility may rise as liquidity cycles shift and Fed easing proceeds cautiously.

MARKET REVIEW

Global markets continued their upward trajectory in October, extending one of the most resilient bull phases of recent years. The Nikkei 225 crossed the 50,000 mark for the first time, symbolizing the broad nature of the advance, while the S&P 500 and Nasdaq flirted with new record highs. Emerging markets outperformed, supported by a weaker dollar, improving risk appetite, and rising demand for cyclicals and commodities. The combination of earnings resilience, moderating inflation, and growing conviction that the tightening cycle is over has kept risk assets well bid despite episodic volatility linked to trade negotiations and isolated

credit headlines. The result has been an orderly, liquidity-driven melt-up rather than a speculative blow-off, with investors still underexposed to equities relative to past peaks.

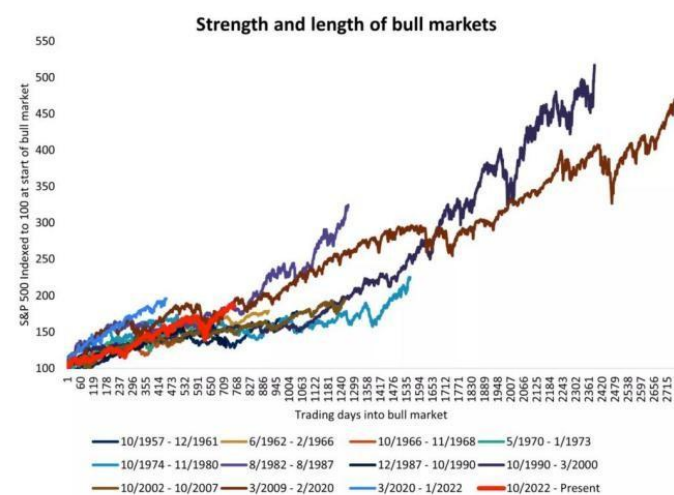
In the US, the economy continues to defy predictions of a slowdown. Job creation remains steady, though hiring intentions have softened, signalling a gradual rather than abrupt cooling. The Federal Reserve delivered another 25-basis-point rate cut this week, bringing policy rates closer to neutral while maintaining a hawkish tone to manage expectations. The probability of one further cut in December remains high, and markets now anticipate that quantitative tightening will end before year-end. Liquidity indicators, including global M2 growth, remain broadly supportive through the end of the year. Fed officials have started discussing the resumption of net asset purchases in 2026 – though likely under a different label – to stabilize financial conditions. The shift away from liquidity withdrawal marks a turning point that continues to underpin risk assets.

REGIONAL OPPORTUNITIES & GOLD

US corporate earnings have surpassed expectations: roughly 87% of S&P 500 companies have beaten EPS estimates for Q3, with technology and industrials leading the way. The breadth of market participation remains healthy, with nearly 70% of the index trading above its 200-day moving average. Mega-cap stocks remain the main beneficiaries of the **AI-driven investment wave**, but gains are **gradually broadening across sectors**. The AI and data infrastructure cycle is expanding beyond hyperscalers into semiconductors, electrical equipment, and utilities tied to power grid modernization. Despite talk of an AI bubble, corporate fundamentals remain robust – today's leaders finance their capex internally and generate substantial free cash flow, unlike the debt-fueled expansion of the late 1990s. For now, **valuations are demanding but not excessive**, and the behavioral signals typical of bubbles – speculative issuance, leverage, and irrational exuberance – are absent

In Europe, the narrative has improved. Flash PMIs confirmed a slow but steady recovery, led by Germany's manufacturing rebound and renewed fiscal stimulus. The Eurozone's recovery is uneven, but **sentiment indicators have turned positive for the first time in months**. **Fiscal policies are gradually becoming more expansionary**, especially in defense, energy transition, and infrastructure – areas where industrials and capital goods manufacturers stand to benefit. The ECB is likely to keep rates steady for the rest of the year, as inflation continues to moderate while growth remains in its early rebound phase.

Japan remains one of the most constructive equity stories globally. The election of Prime Minister Sanae Takaichi has boosted confidence in fiscal stimulus and reform continuity.

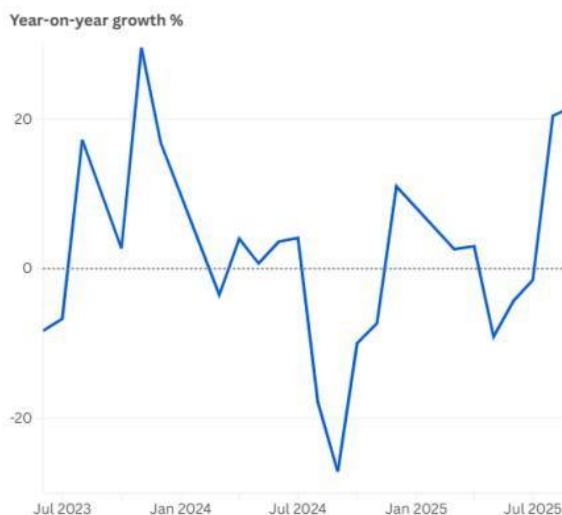


Corporate governance improvements, higher shareholder returns, and the stable inflation outlook continue to attract global capital inflows. The Bank of Japan, while cautious, maintains an accommodative stance, supporting domestic liquidity and valuations.

Emerging markets have regained momentum, outperforming developed peers since late summer. The weaker dollar, higher industrial metal prices, and improved trade flows into Asia and Latin America have revived interest in EM equities and debt. **China remains complex**: on one hand, industrial profits surged 21.6% in September – the largest increase in almost two years – while exports proved resilient despite tariffs. On the other, domestic consumption and property activity remain subdued, leaving growth heavily reliant on manufacturing. Authorities are seeking to engineer a “managed equity bull market” to rebuild household confidence and offset balance sheet damage from the property downturn. The combination of record infrastructure spending and progress in advanced manufacturing could set the foundation for a longer-term recovery. Still, **volatility is likely to remain elevated**, which supports our preference for indirect exposure through diversified Asian and EM strategies rather than direct single-market bets.

China's industrial profit posts biggest jump in nearly two years

Earnings for January-September period rose 3.2% from a year earlier



Source: Wind Information, National Statistics Bureau

In the commodity space, **gold has entered a consolidation phase** after setting historic highs above USD 4,000 earlier this year. **The pullback is healthy and largely technical**. The fundamental case remains intact: **persistent central bank buying, de-dollarization, and heightened geopolitical risk continue to support demand**. Gold remains the ultimate hedge against fiscal dominance and policy uncertainty. **Silver and mining equities** add cyclical leverage to the theme, while **copper** stands out as a structural beneficiary of global reindustrialization, power-grid expansion, and the AI data-center boom. Industrial metals have begun to stabilize as China increases energy investment and supply bottlenecks ease. Oil remains range-bound, as new sanctions on Russia have had little impact on global balances, with Asian buyers absorbing discounted crude. The market is likely to oscillate around the mid-USD 70s, with upside capped by supply discipline and downside supported by resilient demand.

FIXED INCOME, ALTERNATIVES & CURRENCIES

Fixed income positioning remains defensive. The 3-5-year maturity range continues to offer the best risk-reward profile, balancing carry with limited duration exposure. The long end remains vulnerable to renewed inflation concerns and widening fiscal deficits, particularly in the US. Credit spreads have compressed back to pre-volatility levels, underscoring the need for selectivity. We continue to prefer single-A over BBB names, focusing on issuers with visible cash flow and manageable refinancing risk. Hybrids remain a niche but attractive segment, especially those issued after 2022 with wide reset spreads and reduced extension risk. Inflation-linked bonds are still useful insurance against energy shocks or renewed price pressures. EM hard-currency corporate bonds, especially from Latin America and Asia, offer appealing carry in a context of falling global rates and stable fundamentals. Importantly, as yields gradually compress, investors can **complement traditional bond exposure with liquid alternatives** such as equity market-neutral and absolute-return strategies. These vehicles have

shown the ability to generate steady, low-volatility returns independent of market direction, providing diversification and a smoother risk profile without sacrificing liquidity.

Currencies are entering a more complex phase. **The US dollar has been trading in a tight range**, reflecting both the fading of its first-half weakness and temporary liquidity effects. Ahead of new tariff measures, US importers front-loaded orders and drew on USD credit lines, temporarily boosting dollar liquidity. As inventories normalize toward year-end, repayment of these facilities could withdraw liquidity and trigger a short-lived volatility spike. Structurally, however, the dollar remains on a weakening path as fiscal deficits persist and the rate advantage narrows. Diversification into EUR and CHF for stability, and into AUD and SGD for commodity and trade-linked exposure, remains an effective way to capture the global rotation.

PORTFOLIO OUTLOOK

The near-term outlook remains constructive but selective. Equities should stay the portfolio's growth engine, supported by policy easing, resilient corporate fundamentals, and structural themes such as AI, defense, and green industrial investment. Fixed income serves primarily as a stabilizer, with short and mid-duration exposure complemented by inflation protection. Liquid alternatives such as equity market-neutral strategies bridge the gap between bonds and equities, offering stability and diversification as monetary policy turns more accommodative. Commodities, gold, and liquid alternatives continue to provide essential balance in an environment where traditional diversification benefits remain muted. The main risks to monitor are a resurgence of inflation, an abrupt correction in AI-related valuations, and an unforeseen credit event. For now, none appear imminent: inflation expectations are stable, the AI cycle is supported by real earnings growth, and credit stress remains contained.

With the global economy adjusting to a more multipolar order and central banks entering a new easing phase, portfolios should remain equity-focused, balanced with real assets and high-quality fixed income. The bull market may be maturing, but it is far from exhausted.

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