

STRATEGY OUTLOOK

NOVEMBER 2025



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Key takeaways-

- Boiling the frog
- China/US trade the next catalyst

Global markets entered the final quarter of 2025 with renewed momentum. October saw equity indices extend their rally, led by strong performance in Japan's Nikkei and U.S. benchmarks. While gold and Bitcoin paused after impressive gains earlier in the year, the next major catalyst for risk assets appears to be progress toward a China–U.S. trade agreement. This development, alongside supportive monetary and fiscal conditions, sets the stage for continued optimism—**albeit with rising risks.**

“Speculative bubbles are often associated with a sort of social contagion, stories of easy fortunes attract public attention, and then fuel further price increases as more and more investors, many with little knowledge of fundamentals, rush to participate” Shiller, Irrational Exuberance 2000

We would argue we aren't in a bubble. Yes, the gains, in many specific sectors have been spectacular but the rally is not broad based. Indeed, it feels hated by some. **Fears about trade negotiations, recessions or government shutdowns have kept many, it feels, on the sidelines.** Retail is no longer “dumb” money, they are more clued up, spontaneous and participating than the slow “smart” money of institutional fund managers. The market dynamic has changed.

	October	YTD
S&P	2.2%	16.3%
Rest of the World	1%	23.8%
US Treasury	0.6%	6%
Gold	4.1%	53%
Bitcoin	-4.5%	16.7%
WTI Crude	-1.6%	-10.5%
USD Index	2%	-8%

Fed expectations of inflation declines, lower interest rates and stopping the reduction of the balance sheet are supports. However, for further price increases in risk assets the economic outlook must become even more favourable, or liquidity provision must become more generous. Both are possible and we expect further gains but so too are the risks rising.

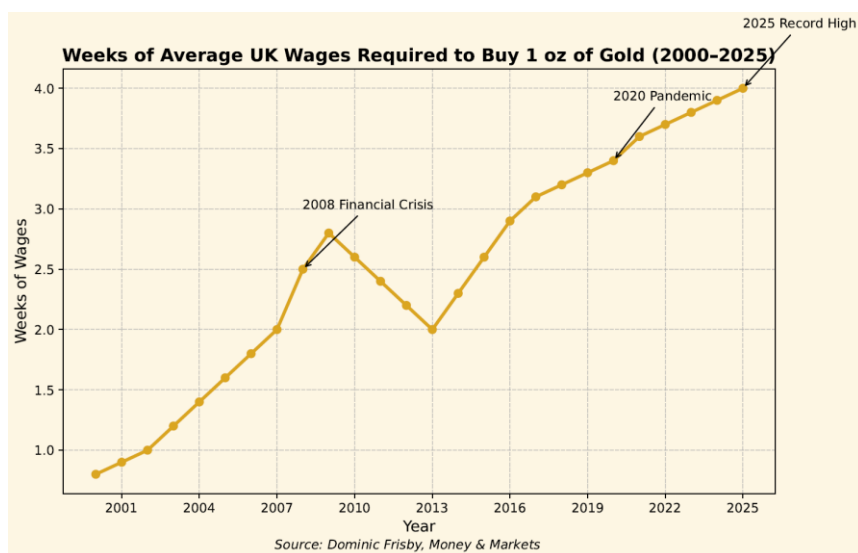
Looking into next year, we have a resilient global economy, flagrant government spending, low energy prices and a declining geopolitical threat level. Mid-terms are approaching and hence peace & trade deals are getting more likely. Private sector investment is ramping up especially in AI/data center/energy requirements and more flexible banking rules could see private sector lending pick up. Financial conditions are supportive with yields, USD and oil low.



We've mentioned the K-shaped economy before and believe it's the new normal. The top 1% own roughly a third of the assets and the bottom 50% own just 2.5%. Cost of living concerns, a cooling labour market (UPS -48k jobs, Amazon -30k, Intel -24k) with increasing fears of what AI means plus **growing anger in a political class** (particularly in Europe) far removed from the pulse of reality add another dimension. This skews many old, once reliable economic indicators as the gap only widens between the few and the many. That makes analysis of markets much harder. Economics, politics, society and markets are possibly as far away and uncorrelated as ever before.

The elephant in the room remains Government spending as growth rather than austerity is seen as the ticket out of debt. Even the fiscally conservative Bundesbank are proposing releasing their domestic debt brake. In the US the latest Congressional Budget Office predictions have the structural US fiscal deficit exceeding 12% of GDP by mid-century and that doesn't include the possibility of a deficit blowing recession. **The debt will be repaid by the loss of purchasing power.** Consumers are the proverbial frogs in the pot as inflation and currency debasement are **silent killers to wealth.**

Everything now has to be measured in gold terms to see true performance as the first chart shows. The first chart shows the 5-year performance of the Nasdaq in various currencies – USD, CHF, GBP, CAD, EUR and gold. In this period Nasdaq, according to various currencies, is up between 127% and 143%. In terms of Gold, it's up 10.7%. **Ignore currency devaluation at your peril is the takeaway.** Indeed, the second chart from a UK commentator highlights the stark destruction of purchasing power in the UK over the last 20 years.



The challenges to life from AI et al are even more perplexing when you consider how incompatible the current debt-based monetary system is to AI and robotics. We know AI and robotics will lead to employment disruption sooner rather than later. However, as jobs are lost or we see wage deflation there will be a consumer crisis and debt repayment will become tricky. Add in

the need for possibly universal basic income and the printing of money is only likely to go in one direction. Entitlements are going to become the ultimate political hot potato and indeed, you could argue that in a world of AI/robotics shrinking demographics is a positive and not a negative. **Gold and Bitcoin remain the best way to play this type of disruption.**

Ultimately, we continue to believe the business cycle and liquidity cycle remain supportive however as valuations rise so too do risks. Periodic risk off events will still occur, however these are more likely to be buy the dip moments especially in preferred assets. **The downward sloping branch of the K will fight for prominence.** The latest results from Delta showed that premium seat sales rose 9% while main cabin fell 4% are an example of the K. In Japan the election of the first female Prime Minister is another example of change. Takaichi san has just ordered a fresh package of economic measures to ease the burden



of inflation on households and companies. More debt, weaker Yen, higher real asset values are the takeaways.

We have increased exposure to solar stocks within dynamic portfolios and may broaden allocations if market weakness presents opportunities. At this stage, we do not plan to reduce risk heading into the New Year. Gold's recent surge suggests a period of consolidation—potentially through January—but we remain buyers under most scenarios. Liquidity remains critical, and global central banks continue to provide support, though short-term volatility is likely.

We do not believe markets are in a bubble, despite clear concentration in certain sectors. Current headlines on job losses must be weighed against evidence of accelerating growth—a dynamic that may lack historical precedent.

Best Buy, Macy's and Target all spoke about weakening demand going forward from consumers. We expect a U.S.–China trade agreement, which should act as a positive catalyst. While some year-end selling pressure is possible, the rally's limited breadth suggests any impact may be modest.

For new entrants, valuations already reflect significant optimism, making timing difficult. Exiting positions on weakness is likely even more challenging, reinforcing the need for disciplined, long-term positioning.

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