Issue 62 | November, 2025 | **Global Edition**

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Lending Solutions for SMEs
One of the fastest growing NBFCs

AWARDS AND ACCOLADES

—

Best for Discretionary Portfolio Management in India, 2024

—

Best for Ultra High Networth in India, 2023

—

Best for Ultra High Networth in India, 2022

—

Best for Investment Research in India, 2021

—

Asia Private Banker League Tables
Featured in Asia Private Banker League Tables for Top 20 Private Bank / Wealth Management in India, 2021-2022

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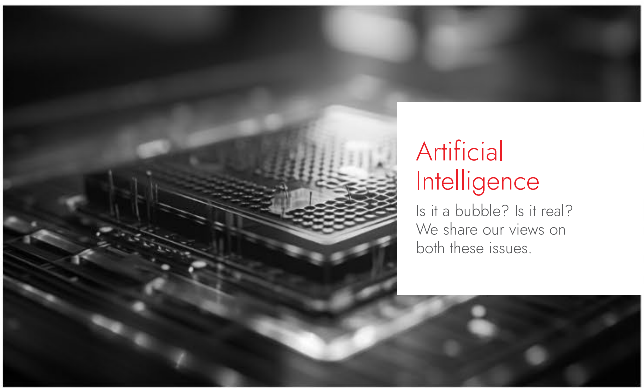
Our Investment Outlook & Key Investment Themes / Ideas

USA

Are recent bankruptcies in the auto sector a systemic issue? What is the key risk factor to watch for? Mag 7 or broader U.S. market? Large caps or small caps? We cover these issues and more.

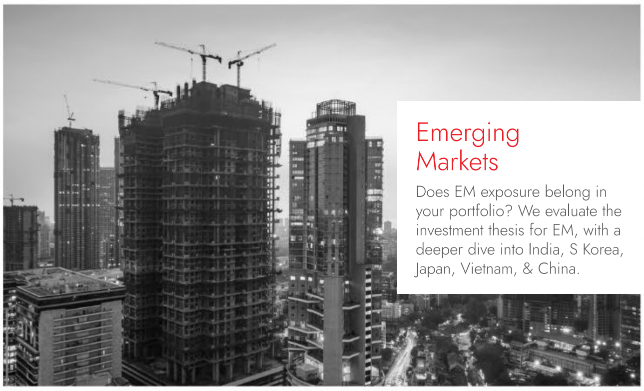


Artificial Intelligence

Is it a bubble? Is it real? We share our views on both these issues.

Gold

Has gold topped? Is it time to sell? We share the investment factors driving gold prices and our view on the outlook for gold.



Emerging Markets

Does EM exposure belong in your portfolio? We evaluate the investment thesis for EM, with a deeper dive into India, S Korea, Japan, Vietnam, & China.

Europe

European equities have rallied sharply, we look at earnings growth, valuations and share our outlook for European equities.

Indices:
S&P 500
Nasdaq 100
Nifty 50
MSCI EM

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Investment Summary

- **Macro Trends & Tectonic Shifts**: Year- end approaches to a year that witnessed structural shifts in global trade, tectonic shifts in perspectives on safe havens, geographic diversification into non-U.S., geopolitical re-alignments and rising global angst. It would appear that **peak tariff angst is behind us**, but uncertainty lingers. Government spends are surging in developed markets, stimulus plans are underway across key economies, rates are being cut globally, inflation is low, commodity and crude oil prices are benign, emerging markets are witnessing a resurgence, and a $450 billion capex driven AI tech wave is contributing to growth.

- **Fiscal spending and strong capex** continue to contribute to nominal growth. Clarity is emerging on the rising productivity outcomes across industries from AI, with growing opportunities around robotics and automation, but concerns about circularity of investments, and euphoric excess in private markets and high valuations in public markets are a concern.

- **Inflation Watch in 2026**: Inflation is a watchlist item for 2026, given global fiscal spending plans to re-invigorate growth, tariff impacts, supply chain restructurings, defense and infra spending. Labor shortages, exacerbated by restrictive immigration policies, could also fuel inflationary pressures in developed markets.

- **Geopolitical Shifts**: The world is shifting from unipolarity to a multipolar landscape, and along with that comes preferences for bilateral trade agreements, rising protectionism, tariffs, supply chain disruptions and uncertainty.

- **Rising Long Term Yields in DM:** Bond markets across Japan, Europe and the U.S. are demanding higher yields on long term debt, reflecting skepticism about inflation and worsening public debt and fiscal deficits.

Investment Strategy

- **Capitalize on Fiscal and AI Infrastructure Spend**: Sectors such as technology, industrials, materials, infrastructure, semiconductors, and defense are well-positioned to benefit from policy and tech driven investment. The picks and shovels providers stand to benefit, as do companies building AI driven productivity enhancement toolsets. That's not just the U.S. hyperscalers; opportunities abound across the supply chain, across geographies, particularly in emerging markets.

- **Geographical and Asset Diversification a Key Trend:** Dollar weakening and worries about U.S. debt have led to evolving definitions of safe havens. Portfolio allocations have followed suit, towards emerging markets, Europe and precious metals.

- **Quality and Predictability:** As investors adapt to rising uncertainty and an evolving world order, preference at the portfolio level should favor companies with quality growth prospects, dominant, entrenched, unassailable business models, **pricing power**, **earnings visibility** and strong, reliable fundamentals, high quality companies with strong balance sheets, low debt, strong free cash flow, steady top line and earnings growth, and proven managements adept at navigating market challenges.

- With a weaker dollar, **emerging markets are attractive.** Notably, emerging markets represent the most attractive demographics, the highest growth rates and stable fiscal positioning. Moreover, reforms are starting to kick in (Japan, Korea). Attractive opportunities are available in emerging markets in structural growth industries such as semiconductors, AI, technology, automobiles, materials etc. Valuations in most EMs remain attractive, on a relative and absolute basis. Most institutions remain under-allocated to EMs

Key Investment Themes by Asset Class

ASSET LASS	OUTLOOK	#	INVESTMENT PREFENCES
Equity	Macro conditions – low interest rates, benign commodity prices, accommodative policy, and strong capex – remain favourable.	1	Growth Quality Predictability Thematic
	Tariff related concerns are in the price; a key risk remains in resolution of rare earths.	2	Emerging Markets - preference for India, Japan, Korea, Taiwan and selective Chinese tech/ equities – quality, dominance, predictability
	Defence and infrastructure have been at the forefront, alongside AI and tech. Massive capex ($450b by the hyperscalers alone) has contributed to U.S. growth.	3	Large & Mid are dominant across the world, selective small cap exposure
	Artificial intelligence is well positioned to increase productivity and drive earnings across industries. However, concerns are rising around circularity, capex and ROI that bear watching.	4	AI, Infrastructure, Platform, Materials, Energy, Tech, Financials.
Precious Metals	Structural preferences have shifted this year, with investors showing clear preference to diversify dollar denominated exposure.	5	Gold despite the sell-off remains a strategic asset with strong hedge characteristics
	With stimulus plans across developed and emerging markets, and rising deficits particularly in the U.S., inflation remains a watchlist item for 2026.	6	Commodities – demand driven, bottom up, active management opportunities
	Precious metals provide reliable and attractive hedges to concerns related to currency, debt and market volatility	7	Silver – industrial demand
Fixed Income	The Fed is caught between tariff, stimulus, higher spending and slowing economic growth. Rising money supply poses risks to the inflation outlook.	8	Infrastructure assets and REITs with inflation protecting pricing power
	Low absolute rates, inflation risks, uncertainty around rate outlook	9	Short duration as outlook on rates largely unclear. Higher yield opportunities U.S. with reliable fundamentals
	Corporate balance sheets remain largely healthy (ex regional banks U.S., ex credit/lending)	10	Selective opportunities in structured credit
Private Equity, Other	Structural opportunities in place around AI, energy, defence, infrastructure, technology, health tech, education etc. Euphoric excess and high valuations remain concerns.	11	Selective opportunities in structural growth themes at acceptable valuations or reliably predictable outcomes

- **Sectoral & Stock Diversification:** As we look across the global opportunity set, we prefer companies with dominant positioning, whether it be tech, consumer in select markets, online, e-commerce, picks n shovels, materials, energy, infra etc. Surging global investments – public and private – are set to drive earnings and deliver attractive returns.

- **Large & Mid:** Large caps are ruling the roost globally. Whether it be the Mag 7, or dominant tech companies in emerging markets, **large caps** have clear advantages as investors navigate a world with constantly shifting trade policies, political, economic and trade uncertainty. Large caps are generally better placed to manage opportunity and volatility today. Emerging dominant **mid-caps** are equally interesting. For **small cap**, we prefer exposure to selectively via active managers with stock picking skill; in particular, companies with large opportunity sets and new products/services.

- **Inflation Protection:** With our expectations that inflation pressures could emerge in coming quarters, keeping a keen eye on inflation in the pipeline is paramount. Second, on signs of such occurring, orienting portfolios towards inflation protection. These would be assets with escalation clauses, **real assets, REITs, infrastructure** investments, and selectively equities with predictable earnings streams and pricing power.

- **Precious Metals**: An attractive option - one which we've been espousing since Mar 2024 – is an over-weight in Gold. Gold remains an attractive and reliable hedge during periods of high inflation and currency debasement.

- **Hedges:** Currency weakness in the U.S. has been largely a result of policy uncertainty, worsening fiscal deficits, rising debt and interest burden. Central banks recognized the vulnerability of holding dollar assets post Russian assets being frozen in 2022, and have actively been rebalancing towards gold.
- **Risk:** While we take heart from a softening posture adopted by the U.S. on trade, global entropy and policy uncertainty remain high. As a result, continual monitoring of tariff impacts, supply chain disruptions, geopolitical shifts, inflation, currency volatility, U.S. exceptionalism, AI, the U.S economy, China will continue to be a necessity in 2026.

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INVESTMENT OUTLOOK

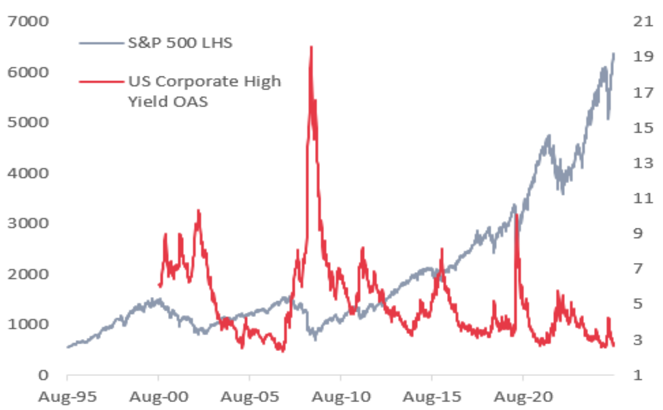
U.S. – Credit Woes, Waning Tariff Angst

Junk bond spreads have widened marginally, as a result of the defaults by **Tricolor and First Brands.** Tariffs and trade disruptions may be pushing other issuers into distress as well.

However, U.S. corporate high yield **spreads remain extremely tight** (see chart below left). High-yield consumer discretionary spreads have widened 70 basis points this year, while they have risen by 89 basis points for subordinated financials. (chart below right) Rating companies have highlighted tariff risks to Liberty Interactive, RealTruck Group, Aston Martin Lagonda and Wabash National. Large banks, however, have reported strong earnings this week.

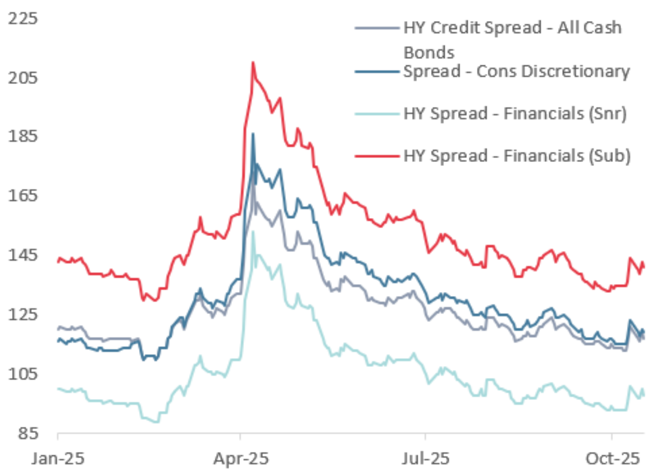
We've also highlighted rising delinquencies in student loans, auto and credit-card loans and do so again (see chart top next page). The U.S. economy continues to experience stress but as we've noted in our past month's commentary, the U.S. markets are increasingly driven by tech and communication services, banks, large multi-nationals etc. Second, and more importantly, **delinquencies on mortgage and auto loans remain low** relative to historical crisis level prints.

U.S. Corporate High Yield Spreads Remain Historically Low,
not indicating escalating credit worries



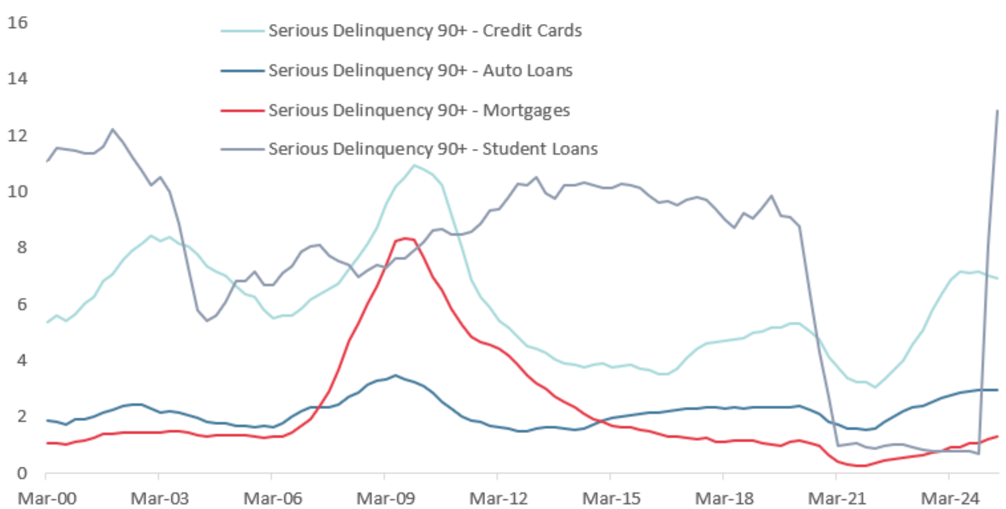
Source: Ambit Global Private Client, Bloomberg

Spreads Have Risen Marginally
for Subordinate Financials and Consumer Discretionary



Source: Ambit Global Private Client, Bloomberg

While Auto Loans, Student & Credit Card Delinquencies are Rising…
…Mortgage Delinquencies Remain at Historically Low Levels



Source: Ambit Global Private Client, Bloomberg

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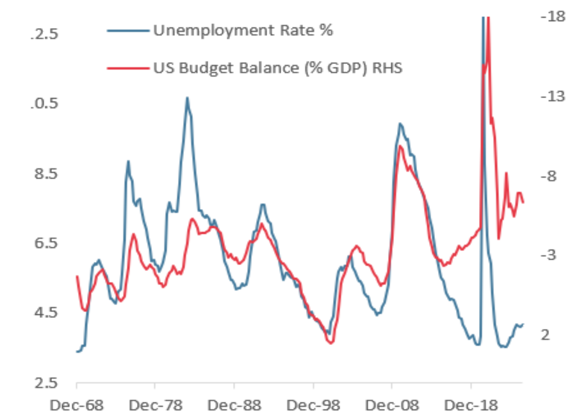
The U.S. Deficit Has Been Rising Since 2000

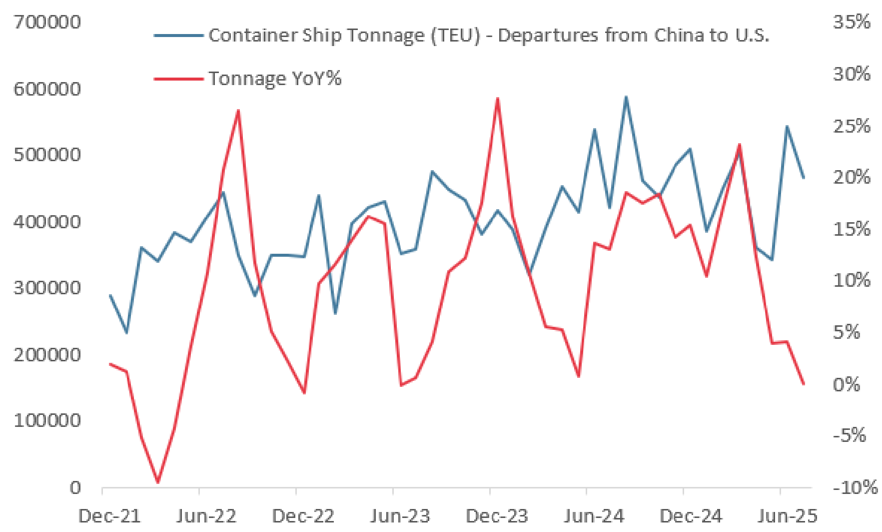


Source: Ambit Global Private Client, Bloomberg

U.S. Interest Payments are now at $1.2T annually

Source: Ambit Global Private Client, Bloomberg

China Exports to U.S. Have Decelerated to 0% Growth YoY



Source: Ambit Global Private Client, Bloomberg

Fiscal Deficits Remain an Overhang, on a Rising Trend Since 2000

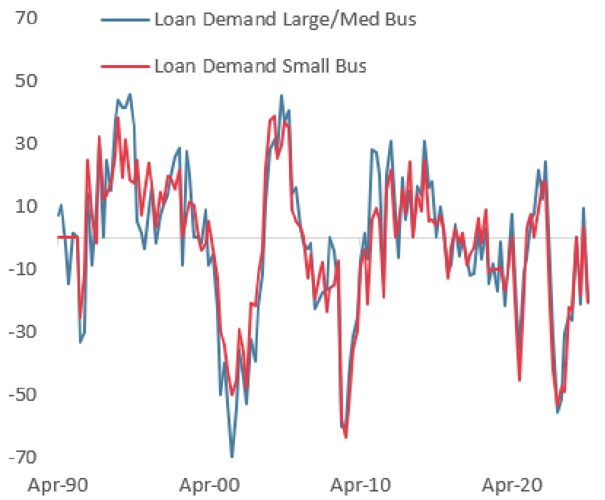
The chart below highlights the counter-cyclical nature of deficit spending; i.e., as unemployment rises, the government spends more to support the economy. However, the fiscal deficit appears to be on a rising trend since the GFC and Long-Term Capital Management in 1998, and has continued to rise in a manner that is clearly unsustainable longer term.

The U.S. Economy Continues to be a Mixed Bag but Holding Up

Container ship tonnage shipped from China to U.S. is flat year over year, suggesting that tariffs have had a marginal impact on shipped goods. Loan demand trends remain tepid. Loan officers have begun to tighten lending standards marginally for large and medium sized businesses, but continue to be loosening standards for consumers.

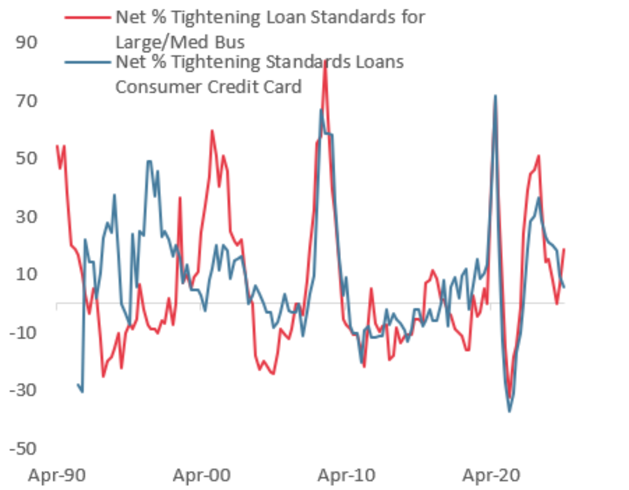
The recent bankruptcies by **First Brands and Tricolor do not appear to be spreading** to other parts of the financial system. Spending trends continue to hold up. U.S. GDP grew at a 3.8% rate in the second quarter, buoyed by investment spending.

Loan Demand Remains Tepid



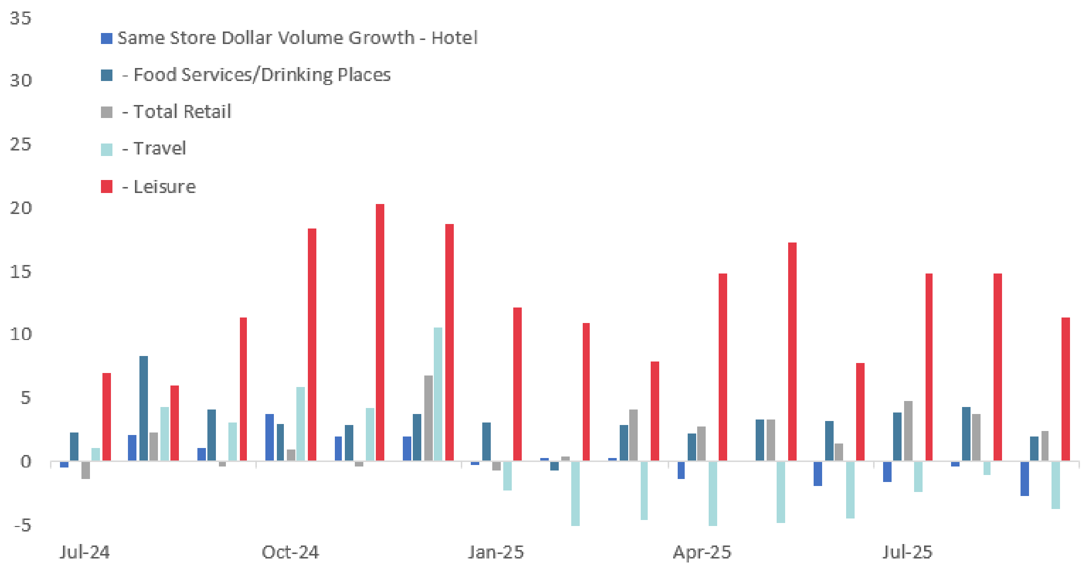
Source: Ambit Global Private Client, Bloomberg

Lending Standards Tightening for Large/Med Bus but Not Consumer



Source: Ambit Global Private Client, Bloomberg

Leisure Spending Continues to Hold Up Strongly, While Travel Has Slowed



Source: Ambit Global Private Client, Bloomberg

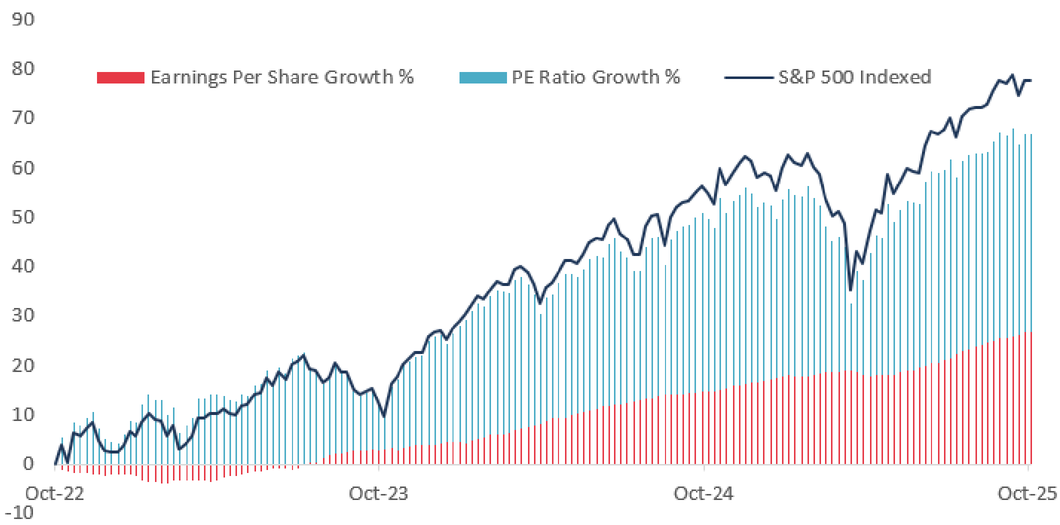
Investment Outlook

Of the 77% return over 3 years delivered by the S&P 500, 27% was earnings growth, roughly 3-4% was dividends, and a whopping 39.9% is PE expansion.

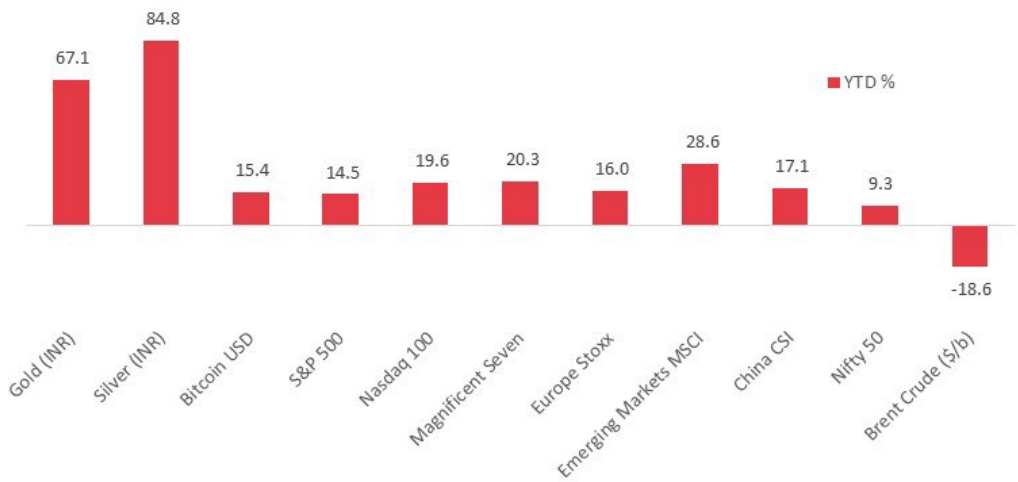
That in turn has led to rising and rich valuations. That's an interesting contrast with the Magnificent 7, which have delivered earnings growth in excess of return, a topic we covered in detail last month (see Know the Now, Sep 2025, "Navigating the New Market Leaders").

Were it not for the dramatic valuation expansion, earnings and dividends have delivered roughly 31% over 3 years, or approximately 10% per annum. Nor are valuations very attractive, currently at amongst the highest levels across tracked historical data. Should valuations contract from the high historical levels, that would impede future returns.

S&P 500 Performance Has Been a Large Valuation Expansion Component



Even So… Emerging Markets, Gold & Silver Have Outperformed S&P & Nasdaq YTD



Alongside worries about U.S. stock valuations, Trump's tariff war, worries about a slowing economy and rising inflation create an environment where there is **little room for error.**

Markets are Shifting in Response to Structural Shifts

Rising debt, a weak dollar, policy uncertainty, tariff impacts, currency risk have all contributed to a reassessment of U.S. risks and portfolio allocations by global investors. **Perceptions of U.S. treasuries and the dollar as safe havens have evolved** dramatically in just a few months. Further exacerbating the situation is events that have been set in motion such as the strategic bitcoin reserve, Fed appointments, rumors of gold revaluations and progress towards treasury backed stablecoins.

Investors are increasingly choosing to **diversify geographically**. European investors are increasingly hedging dollar exposure while retaining equity exposure. Infra and defence spending plans in Europe, rate cuts globally, market reforms and stimulus in EM are adding to the allure of diversification.

Concerns around **AI, capex circularity, and return are also coming to the fore**. For now, we **continue to prefer dominant technology over the broader market**, and selective opportunities in preferred sectors via active management instead of passive strategies.

Artificial Intelligence – Bubble? What Next for U.S. Equities?

At the root of all financial bubbles is a good idea carried to excess.

At its root, in our view, AI is an admission by entrepreneurs that they cannot replicate the intelligence of the human mind; ergo, brute force is the next best alternative. Every known word and multi-media object have been fed into extraordinarily large "language" models, with the hope that the model can efficiently record, organize and recognize patterns, avoid hallucinations, and infer the next best fit.

AI's Diverse Applications Across Industries

Surprisingly, these models are quite capable at managing large datasets and there is value in inference as we list below:

- **Healthcare:** AI-powered diagnostics, product innovation, research, and personalized care are accelerating drug research, patient outcomes and health care outcomes.
- **Retail:** AI-driven analytics and learning systems are enabling more effective personalized shopping experiences, personalized marketing strategies, increasing customer loyalty, reducing service time, improving effectiveness and adding to the bottom line.
- **Automation & Smart Manufacturing:** AI is accelerating factory and manufacturing automation across industries, creating customized solutions leading to productivity gains. Supply chain optimization agents are reducing operational costs and improving efficiency. Internet-connected sensors and software are enabling logistics players to respond more efficiently to demand and supply conditions. Over half of companies are piloting and incorporating automated manufacturing, with plans to implement at scale.
- **Financial Services:** AI is enhancing access to data, improving speed of response and service quality, aiding in fraud detection, increasing customer engagement, and increasing customer service satisfaction and profitability. Financial technology solutions continue to get more sophisticated with improving functionality.
- **Robotics:** Advancements in mechanical dexterity, machine vision, and on-board intelligence are broadening robotic functionality. AI is redefining possibilities, enabling machines to learn complex, repetitive tasks and transforming industries.
- **IoT:** Tech applications of IoT in enterprise and industrial spaces are improving factory automation, logistics, and energy grid management. With real-time data, IoT facilitates optimize production, predictive maintenance, and resource management.
- **CyberTech:** An expanding cloud infrastructure and increasingly sophisticated cyber technologies are being complimented by AI pattern recognition to thwart cyber-attacks.

Outlook: Today, **AI capex is driving U.S. equities, enhancing automation and productivity**, and adding to GDP growth.

But… the circularity of investments, shockingly large capex, and lower than expected ROI, slowing growth and high valuations remain concerns that bear watching.

We believe AI as a technology will over time drive productivity, reshape workflows, enable innovation and unlock opportunities that were not available until now. In time, we may find the killer app. Inflated valuations have been a feature of all technology waves. Hyperscalers alone are projected to spend approximately $480 billion in capital expenditures in 2025.

AI is predicted to boost data center power demand and with it, the need for more global data infrastructure. Announcements of large deployments are coming through weekly, across geographies. This too, reminds us of the massive race to deploy optical fiber in the late 1990s.

Private equity has likely carried good investment ideas to **excess** and there appears to be an irrational exuberance in Silicon Valley to throw billions at good ideas. There will certainly be large losses.

Were there a prize, such as a YouTube, a LinkedIn, a Facebook, a WhatsApp… available for a measly few billion, maybe the math changes immediately. However, we're not seeing the killer app at this time.

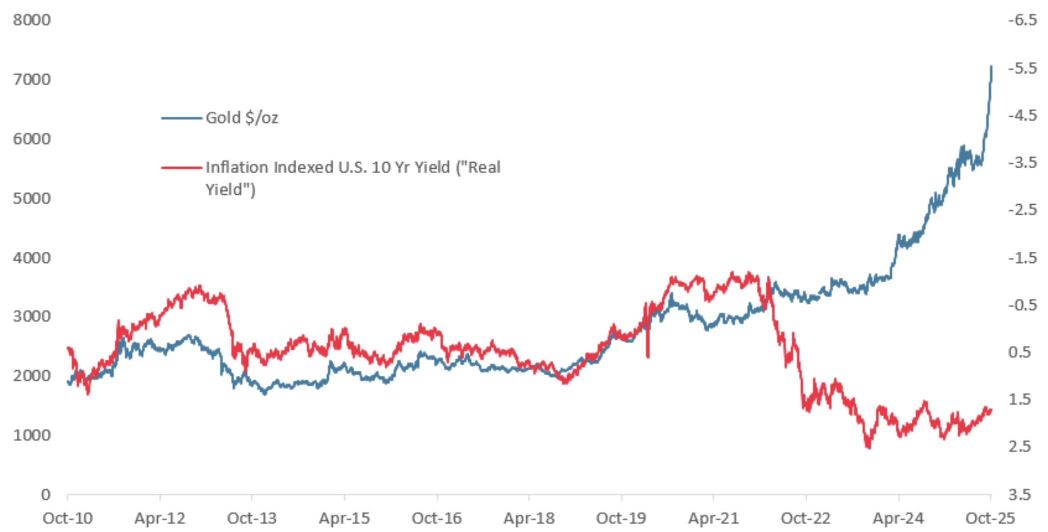
While we're glad to note that the Mag 7 and tech in general do not trade at Nasdaq 1990s type bubble valuations, they do trade at a high valuation premium. Should growth slow, that creates vulnerability. While recognizing that these stocks have defensible business models and generate strong cash flows, we are concerned about the impact that a slowing U.S. economy and high capex investments may have on these companies. Therefore**, while we remain invested** and over-weight large cap U.S. tech, but we **remain watchful** of proceedings in the AI space and implications for U.S. and global equities.

Precious Metals – Gold – Debt, Debasement and Diversification

The Thesis for Gold

- **A Seminal Moment in 2022:** Gold began rallying in 2022, post the **freezing of Russian assets**, a seminal moment when the rules of the game changed and central banks realized their holdings in USD weren't safe. There has been a steady shift to gold since then.

Gold Broke It's Correlation to Real Treasury Yields in 2022



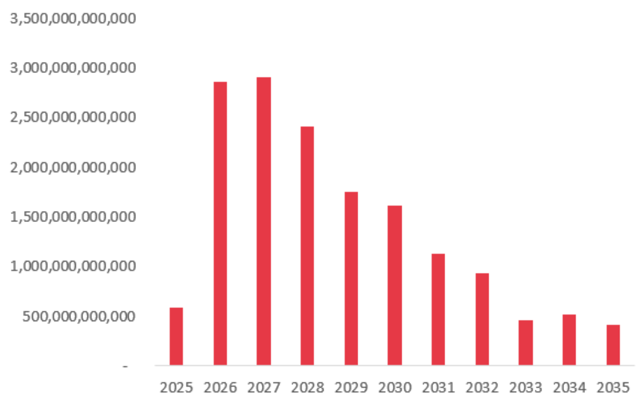
The disconnect between gold and real yields – as inflation dropped, real yields rose but gold continued to rise - has been driven by investor desire for safety, underscoring a structural shift towards bullion as sovereign bond market confidence collapses.

- **Diversification - Shifting Perceptions of Safety:** Citadel's Griffin recently noted that investors view **gold as safer** than the U.S. dollar. Confidence in fiat and treasuries is dissipating. Central banks have been driving the trend, buying record amounts of gold, as we've reported for many months now. China, the world's largest producer and buyer of gold, is positioning gold as a reserve asset underpinning a potential alternative settlement system.

- **Debasement:** Worries about tariffs, inflation, debt, talk of a bitcoin reserve, DOGE, fixing the debt. It's not just U.S. debt, currently $3.7T. Japan has $9.3T. France is next at $4.0T. U.K. $3.9T. Italy $3.6T. Germany $2.9T. Those are the big ones. France's political crisis, marked by credit ratings downgrades, has heightened investor anxiety across Europe. UK gilts are seeing weak demand at auctions ahead of the budget in November. Investors are de-risking against developed market debt.

- **Debt and the Bitcoin Reserve:** The U.S. government has stated a goal of accumulating 1 million BTC by 2029. Assuming U.S. debt compounds at 3% per annum, it would reach $73 trillion by 2049. Were Bitcoin to compound at 15% a year, and Bitcoin holdings compound at 18% a year (seizures, and allocated purchases), the Bitcoin reserve would be $17t by 2049, potentially offsetting a third of U.S. debt. Alternatively, the government could pledge these assets to the Federal Reserve and obtain liquidity without issuing new debt, providing fiscal support.

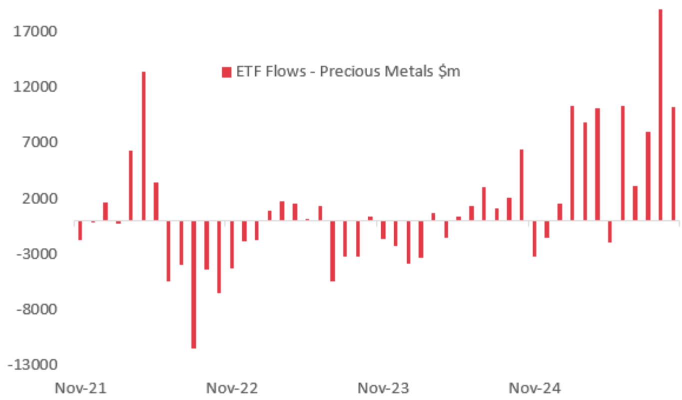
The U.S. Debt Maturity Schedule is Daunting



Source: Ambit Global Private Client, Bloomberg

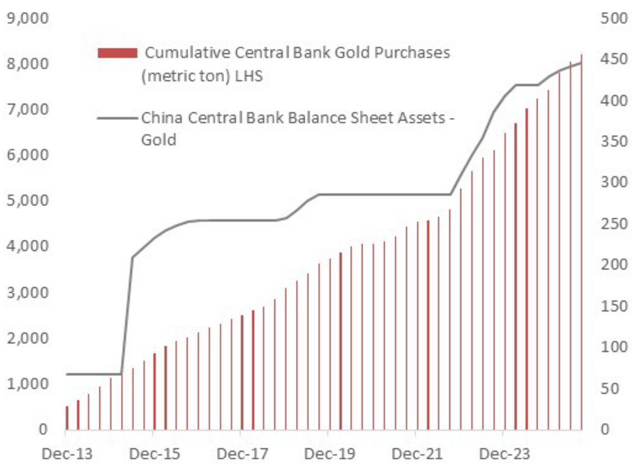
ETF Flows Have Been Getting into the Act

Largely post Liberation Day and particularly of late



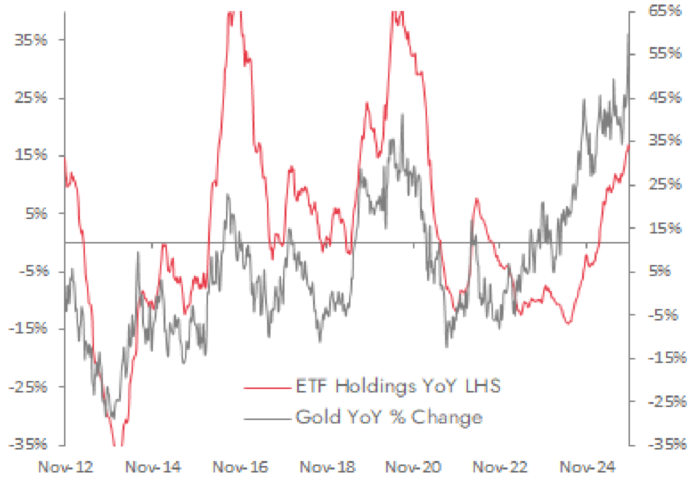
Source: Ambit Global Private Client, Bloomberg

Central Banks Continue To Accumulate Gold



Source: Ambit Global Private Client, Bloomberg

U.S. ETF Holdings of Gold Are Playing Catchup

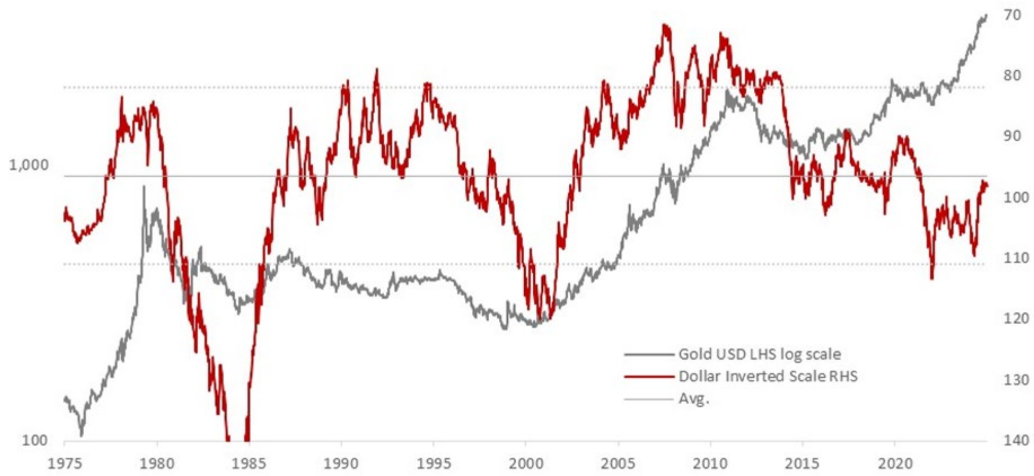


Source: Ambit Global Private Client, Bloomberg

- **Genius Act and Stablecoin:** Further complementing the bitcoin reserve is the Genius Act, enacted in July 2025, which establishes a regulatory framework for stablecoins pegged to gold, treasuries or Bitcoin, potentially acting as a buyer of treasuries or expanding the money supply without an increase in federal debt. Many parts of this plan are underway.
- **Central Bank Response:** As news of these initiatives has surfaced, central banks have **accelerated gold purchases**, repatriated gold, reduced dollar holdings, and made progress on alternative settlement systems in anticipation of the unexpected.
- **Dual Strategies:** China is using the Shanghai Gold Exchange to incent central banks from partner nations to buy bullion and store it in vaults in their own countries. The goal is to build the architecture of a parallel global settlement system backed by gold. China's decision to offer Shanghai as an alternative venue for central banks to store their gold may be symbolic for now. But it highlights the fact that most evolutions of the world financial system lead to more demand for gold.

- **The Historical Precedent:** In the 1970s, the U.S. lost control of inflation. Faith in the dollar cracked, gold soared. The U.S. has resorted to radical resets (1933, 1971) In 2008 and 2020, bailouts led to currency debasement and gold soared. In the 1930s, gold confiscation and revaluation allowed the U.S. to shrink obligations and reset its balance sheet. Finally, in 1971, closure of the gold window ending Bretton Woods, forced the world back to a fiat dollar standard.

The Fundamental Drivers for Gold – Debt, Debasement and Diversification – Continue to Remain in Place... And Gold is a Terrific Hedge for Portfolios



Outlook

If 1979 was a somewhat irrational panic over inflation, this latest rally seems to be driven by rational calculations of global central banks, largely one would argue, in response to actions initiated by the U.S.

Be that as it may, gold is up 64% YTD in USD and on course for its best year in more than four decades. Gold is up 284% since the end of 2015, less than half the gold rallies in 2001-11 and 1976-80.

The fundamental thesis of a central bank bid remains in place. Geopolitical trust has evaporated to basically zero. Gold is the hardest currency, with historical supply growth around 2% per annum, the lowest of all metals. Gold has also been a **stellar hedge** asset with negative correlation to equities on sell-offs, particularly when inflation and currency debasement via spending programs is in play.

The recent sell-off was a rational response to a euphoric rally in gold. **We raised our exposure to Gold in March 2024. (See Know the Now, March 2024 and April 2024, "Gold as a Strategic Asset")** We've remained overweight Gold as it has risen over **+84%~** since that time.

Tactical allocators would be **justified in taking some profits** on gold post a dramatic rally. Then what? Look for new opportunities or await re-entry, hopefully lower, post taxes.

For medium to long term investors, our thesis for gold remains in place. With abundant risks on the road ahead, both short and longer term, we prefer to stay the course on our allocation. Gold is an effective hedge, a safe haven and **in a longer term scenarios, gold looks as well-positioned as any asset to come out a winner.**

Emerging Markets – Diversification, Growth, Reforms, Dollar

Asian EM equities are soaring to all-time highs, with the action being driven by South Korea, Hong Kong, Japan, Taiwan, and Vietnam. The EM index has outpaced gains 3in the S&P 500 and Stoxx Europe 600.

Emerging Markets Equities are Hitting All Time Highs

22-Oct-25	Price	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
Asia										
MSCI EM	1,383	3.3	2.8	3.2	2.8	10.4	29.0	28.6	20.4	-0.1%
Japan - Nikkei 225	49,316	5.3	9.8	9.5	9.8	23.9	43.9	23.6	26.6	0.3%
Hang Seng	26,023	2.3	-3.1	-2.0	-3.1	4.1	21.6	29.7	27.1	-5.0%
Hang Seng Tech	6,002	1.3	-7.2	-4.6	-7.2	7.5	22.8	34.3	33.6	-10.6%
China CSI 300	4,608	1.5	-0.7	2.4	-0.7	12.8	21.7	17.1	17.1	-2.5%
Australia	9,095	2.2	2.8	3.7	2.8	4.9	16.3	11.5	9.0	-0.2%
Taiwan	27,752	3.6	7.5	8.5	7.5	18.9	45.3	20.5	17.9	-0.1%
Korea	3,824	7.4	11.7	11.0	11.7	19.1	53.7	59.4	46.8	0.2%
Nifty 50	**25,869**	**2.9**	**5.1**	**2.8**	**5.1**	**2.6**	**6.3**	**9.4**	**5.9**	**-0.2%**
Singapore	4,388	-0.0	2.0	2.0	2.0	4.3	16.7	15.8	21.4	-1.9%
Vietnam	1,659	-5.8	-0.2	0.0	-0.2	11.7	37.4	30.9	29.6	-7.6%
Indonesia	8,217	1.9	1.9	2.1	1.9	11.1	27.5	16.1	5.7	-0.9%
Malaysia	1,615	-0.0	0.2	1.1	0.2	5.9	7.7	-1.7	-1.9	-2.6%
Phillipines	6,094	0.3	2.4	-2.7	2.4	-4.1	-0.7	-6.7	-17.7	-18.2%

Key Drivers of Growth

- **Innovation & Global Leadership:** EM companies are global leaders in technology, semiconductors, memory, mobile phones, industrial goods and renewable energy. Taiwan, South Korea, and China play critical roles in the AI supply chain.

- **Dollar Weakness:** Traditionally, EM equities have an inverse correlation with the dollar and that's playing out this year as well. Weak dollar generally coincides with a weak U.S. economy, which allows EMs to pursue accommodative policies, and attracts investment inflows. It is generally also a good environment for commodities. A strong dollar erodes overseas returns for U.S. investors. Dollar weakness is a boost to companies with dollar denominated borrowings.

A Number of Factors Alongside Dollar Weakness are Positive Drivers for EM

- **Diversification:** A growing recognition of the risks associated with the dollar, has led to capital seeking safety in EM at reasonable valuations.

- EMs Have Underperformed U.S. Equities Since 2010… 15 Years!

- **Stable Fiscal Positioning:** Our focus being primarily Asian EM, many EMs have stronger fiscal and lower debt-to-GDP ratios compared to key developed markets. Most central banks are in rate cutting mode, and inflation remains low.

- **Growth:** With advanced economies delivering GDP growth in the 1-2% range, most high growth economies are in emerging markets. Vietnam and India are the fastest growing economies in the world.

Emerging markets are increasingly critical contributors to global economic growth, accounting for approximately two-thirds of global GDP growth. Four out of five emerging economies are expected to outpace U.S. GDP growth this year.

- **Structural reforms**: Countries like Japan, Korea and Vietnam are pushing forward aggressive reforms, recognizing the need to invigorate investor sentiment and drive growth and markets higher.

- **Stimulus:** Alongside reforms, many EMs are pushing forward with stimulus plans. Japan's new regime has stated a pro-growth pro-stimulus preference. China is actively providing strong stimulus and regulatory reforms to achieve its 5% GDP growth target. South Korea has recently announced the most far reaching reforms in years, that have equity investors enthused.

- **Valuation Discount:** Market gains have yet to make much of a dent in the region's relative valuation discount — even for standout performers Hong Kong and South Korea with valuations at 11.9 and 16.8 times trailing earnings.

- **Inflows:** Shifting preferences to hold non-dollar assets are driving inflows into EM that traditionally sought to stay in U.S. treasuries and U.S. equities. Asian markets have witnessed significant inflows this year, a sign of investor optimism. Valuations are attractive on a relative and absolute basis.

- **Exposure to AI and Technology via EM:** For investors interested in tech exposure but not necessarily dollar exposure, EM provides various paths to gain exposure to tech and the structural AI tech wave. Taiwan and South Korea are entrenched in semiconductors, memory, hardware, design and production. China is competing with the U.S. on AI innovation and applications. China has innovative companies across the spectrum in tech, automation and robotics. Finally, India has a burgeoning number of technology companies that are involved in semiconductor design, cost effective implementation strategies and customized AI applications and solutions for a large, entrenched global customer base.

- **PMI services and manufacturing activity is picking up** in the region. China's begun to gradually emerge out of contraction, and we're witnessing similar trends in Indonesia, South Korea, and Vietnam, each moving above 50 in the past 3 months.

Emerging Markets Manufacturing & Services Activity is Improving

Activity bottomed around Liberation Day in April '25

Source: Ambit Global Private Client, Bloomberg

China PMI Activity Has Shifted to Growth, Albeit Minimal

PMI Surveys have improved sequentially each of the past 3 months

Source: Ambit Global Private Client, Bloomberg

- **An Ideal Environment for Experienced, Active Managers**

  Emerging markets remain an efficient gateway to powerful secular themes, from technology to consumer growth. Many companies offer attractive dividend yields of 5-7% and strong fundamentals.

  Understanding the complexities of various political regimes, local regulations and unforeseen cultural factors can be a daunting exercise. Gaining exposure to EM is best achieved via experienced managers that ideally emphasize bottom-up stock selection.

- **Long Cycles & Portfolio Constructs**

  The next 15 years are unlikely to mirror the last 15 in terms of U.S. geocentricism, dominance and leadership. Obviously, much will depend on the path of AI.

- **Risk and Return:** On a risk adjusted basis, a case can be made that the U.S. is priced for perfection while EM offers abundant, attractive opportunities. U.S. markets are increasingly reliant on a narrow set of companies, with lofty expectations. The opportunity set outside the U.S. is rich with mispriced opportunities and acceptable risk.

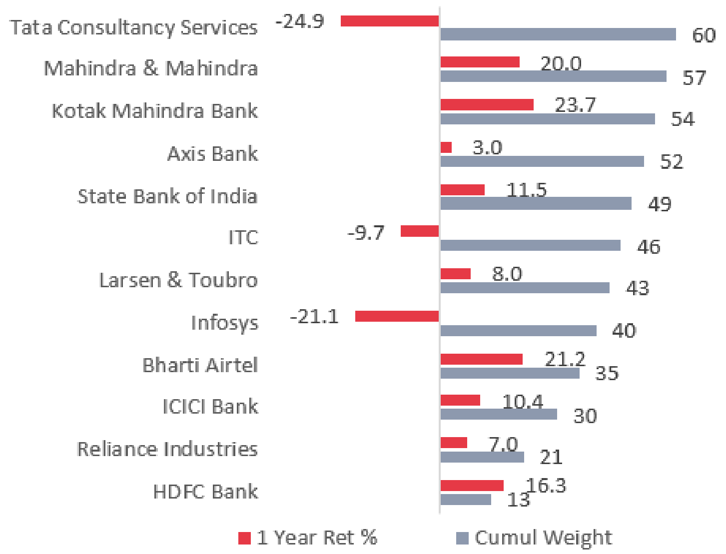
India – Index Construction, IT and Old Economy, Consumer Demand

Index Construction Has Held Back Equity Performance

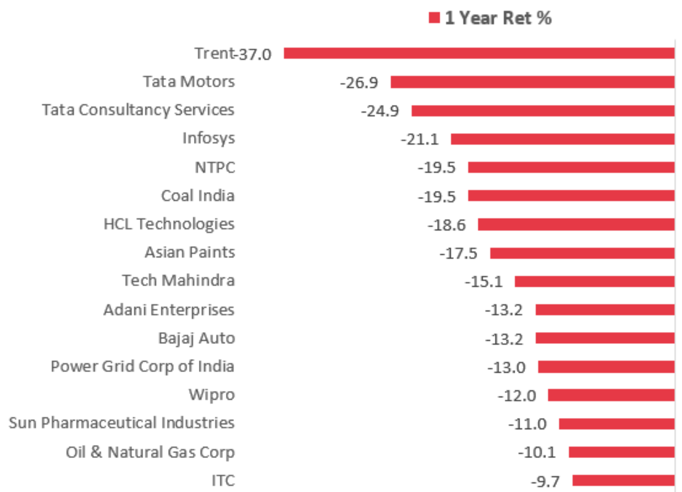
The most common refrain we hear these days is that Indian equity markets have not delivered a return in over a year.

In the table below are the top 60% of the Nifty 50 by weight. Two names in particular in the IT space, TCS (-24.9%) and Infosys (-21.1%) are down over 20% in the past year. Meanwhile, the rest of the names with the exception of ITC have delivered acceptable positive performance.

Nifty 50 Performance Is Being Impeded by the IT Sector

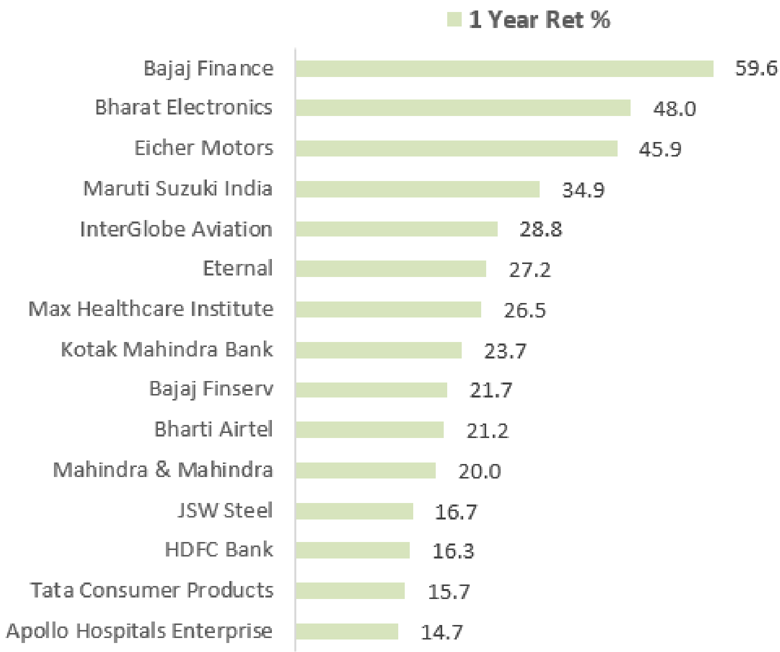


The IT Majors & Old Economy Names - NTPC, Coal India, PowerGrid and ONGC – Are Double Digit Negative Contributors



Cum Wt	Sector
0.9	Consumer Discretionary
1.6	Consumer Discretionary
4.0	**Information Technology**
8.2	**Information Technology**
9.5	Utilities
10.1	**Energy**
11.3	**Information Technology**
12.5	Materials
13.2	**Information Technology**
13.9	Industrials
14.8	Consumer Discretionary
15.9	Utilities
16.5	**Information Technology**
18.1	Health Care
18.7	**Energy**
21.5	Consumer Staples

Meanwhile, Quality Growth - 1/3rd of the Nifty - Has Done Well



It's difficult for any index to make up for large laggard performance. Meanwhile, a large part of the index, one third, has delivered returns in excess of 15%~ YoY. There has been a **wide dispersion in returns** over the past year, and we expect this trend to continue. The **index isn't representative** of the attractive returns much of the market has delivered. It's also noteworthy that quality growth has done well in the past year.

We wrote about the **new leadership** last month. (See Know the Now, "Navigating the New Market Leaders", Sep 2025) Adding to our thesis, we share below what can fairly be referred to as India's **new economy** stocks. The returns YoY and YTD are absolutely not supportive of the refrain that "Indian equities have not done well in the past year".

Adding to Our New Market Leaders Thesis... The New Economy Stocks Have Delivered Stellar Returns YoY and YTD

21-Oct-25	Price	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi
Bse Ltd	2,494	2	22	14	22	-1	19	41	73	-18%
Multi Commodity Exch India	9,195	-2	18	14	18	11	55	47	39	-4%
Eternal Ltd	338	-3	4	0	4	24	44	22	27	-8%
Swiggy Ltd	422	-4	-0	-8	-0	7	23	-22	n/a	-32%
One 97 Communications Ltd	1,306	5	16	11	16	28	49	28	80	-1%
Fsn E-Commerce Ventures Ltd	257	1	11	6	11	20	34	57	41	-4%
Urban Co Ltd	154	2	-8	-17	-8	n/a	n/a	n/a	n/a	-23%
Delhivery Ltd	475	1	6	-1	6	10	63	37	22	-3%

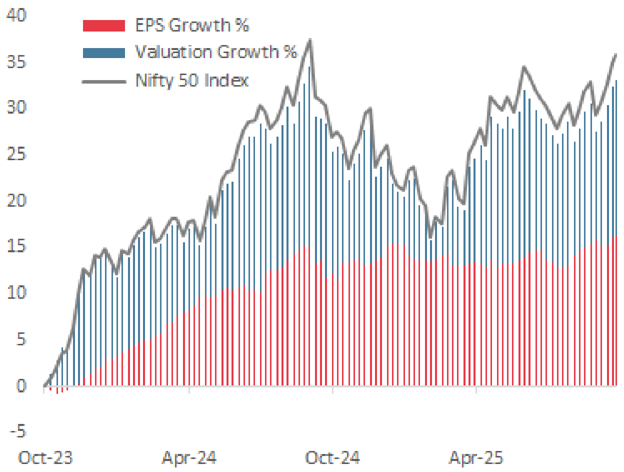
FI Rotation and Selling Continues to Drag on Markets

Over the past year, **rotation** away from India has been the fashion du jour. First, it was China that offered an attractive investment thesis and cheap valuations. Then, it was the Mag 7 / AI theme, and investors reallocated to the U.S. Along the way, precious metals – gold and silver – also caught the fancy of investors. Finally, Trump's tariff policies for India have hurt sentiment and the IPO supply has been unending.

Earnings and Revisions Are Rising

The good news is that earnings revisions are notably rising higher, particularly for mid-caps, as well as large caps. Amongst all the handwringing and the naysaying, the Nifty 50 is a meagre **1.3% from all-time highs,** having rocketed higher over the past few days.

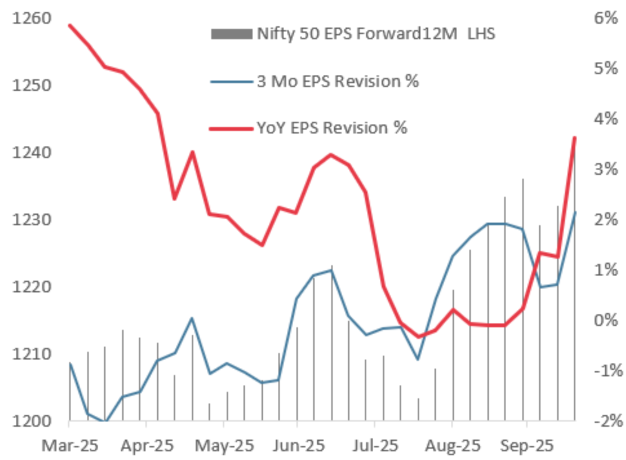
Nifty 50 Earnings Growth Has Stalled in the Past Year



Source: Ambit Global Private Client, Bloomberg

But EPS Estimates are Rising Sharply Post Diwali

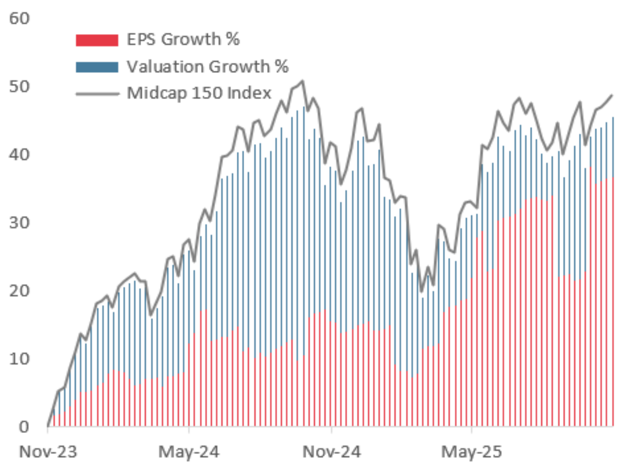
Forward EPS Est Have Risen to 1241, up 3% Since April



Source: Ambit Global Private Client, Bloomberg

MidCap Earnings are Entirely Driving the Index

Earnings and Forward Estimates Continue to Rise Sharply



Source: Ambit Global Private Client, Bloomberg

EPS Estimates are Rising Sharply Post Diwali

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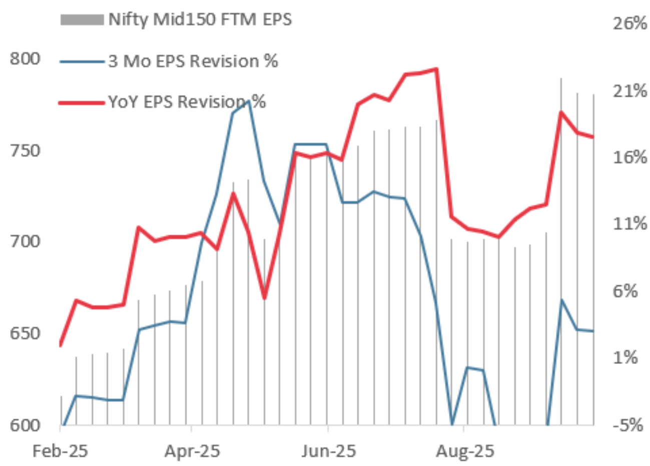


Source: Ambit Global Private Client, Bloomberg

Macro Tailwinds are Starting to Kick in with Strong Retail Momentum of Late

India has recorded record-breaking Diwali sales this year with total festive trade touching **INR 6.05 lakh crore,** comprising Rs 5.40 lakh crore in goods and Rs 65,000 crore in services, according to the Confederation of All India Traders (CAIT). That's compared to 4.25 lakh crore last year, **a jump of 25%** over the prior year.

Sector-wise, grocery and FMCG accounted for 12% of total sales, followed by gold and jewellery (10%), electronics and electricals (8%), consumer durables (7%), ready-made garments (7%), and gift items (7%). Other major categories included home décor and furnishings (10%), sweets and namkeen (5%), textiles and fabrics (4%), pooja articles (3%), fruits and dry fruits (3%), bakery and confectionery (3%), and footwear (2%), while miscellaneous items made up 19% of total trade.

The services sector such as packaging, hospitality, cab services, travel, event management, tent and decoration, manpower, and delivery collectively generated an estimated Rs 65,000 crore, reflecting the ripple effect of the festive economy across multiple sectors.

Seventy two percent of surveyed traders attributed higher sales volumes to reduced GST rates on daily-use items such as footwear, garments, confectionery, home décor, and consumer durables. Trader and **consumer sentiments were reported at a decade high,** with the Trader Confidence Index (TCI) at 8.6 out of 10 and the Consumer Confidence Index (CCI) at 8.4 out of 10.

A dramatic rise in **gold prices** has added to consumer confidence via a **gold wealth effect,** and likely contributed to the strong consumer sales.

Rising Numbers of Wealthy

Fifty percent of cars being sold today are SUVs. A decade ago, most new car buyers were entry buyers. Per the Mercedes Hurun Wealth Report 2025, India's high-net-worth landscape has exploded: the **number of households with ₹8.5 crore or more in net worth has nearly doubled** (up~90%) between 2021 and 2025, swelling to roughly **8.71 lakh** millionaire households. These HHs are leading the surge in high-value discretionary spending, across jewelry, cars, luxury lifestyle upgrades and global aspirations. Travel is a top hobby.

India's **credit economy** is set to expand two to three-fold over the next seven years. For MSMEs, digital platforms are the equalizer, democratizing access to online sales, logistics, order management software, fulfillment, across India and global markets, with real time tracking, inventory analytics etc.

More Indians are now self-employed, and small businesses are popping up all over tier 3 and tier 4 towns, leveraging distribution and technology. The blistering pace of e-commerce has created over 1.5 million jobs in logistics, warehousing, delivery, and customer service alone.

Small entrepreneurs are jumping into travel, hospitality and related opportunities. Ayurveda and wellness products are finding strong demand in the US, Europe, and the Middle East. Amazon is helping drive exports. Government programs like One District, One Product (ODOP) and PLI schemes are enabling local manufacturers to scale up competitively and integrate with international value chains.

Legacy models are increasingly being disrupted. Larger FMCG and retail companies are being forced to reconsider their market strategies. **Consumption appears set to drive growth,** contributing nearly 55–60% to GDP.

With the rise of online channels, the readymade garment business has grown rapidly in both urban as well as tier 2 and tier 3 cities. An ever-increasing number of consumers are entering into higher disposable income slabs.

Separately, TVs, washing machines, refrigerators and other white goods are in high demand. On the back of GST rate cuts, Indians are expected to spend around ₹35,000-40,000 crores on **white goods,** ₹70,000 crores **on travel**, including airlines and railways, ₹65,000-75,000 crore across **food** orders. Dine–in and online meal orders activity continues to grow. **Consumption is back as a core bullish theme.** Within financials, select capital markets-linked businesses look attractive.

People are travelling and the gloom from earlier in the year is lifting. Auto may have the best month ever in October. Truck fleets are experiencing shortages due to high demand. We expect the data to show up in earnings in the Dec quarter.

Outlook

We reduced our equity exposure last year, in October 2024 across large, mid and small caps. We subsequently **turned bullish in March 2025, raising our equity allocations** across large, mid and small.

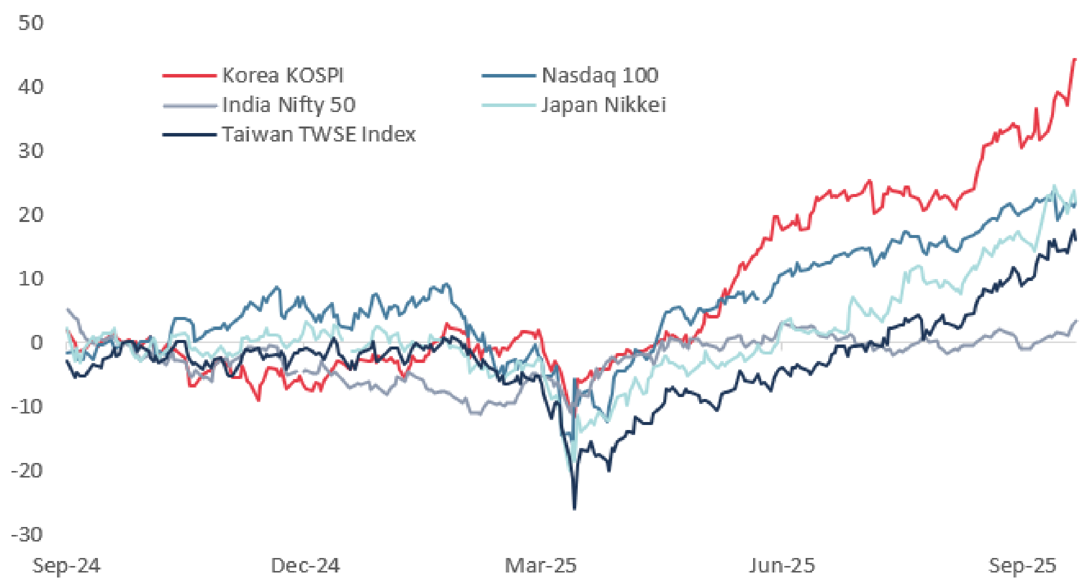
We remain **over-weight Indian equities,** particularly quality growth. As we review the global equity landscape, the **India story** and opportunities available in **India remain extremely attractive**, **particularly on a relative basis**.

In particular, we prefer **actively managed** portfolios over passive index. Unlike global markets, India continues to be a market where one can expect 12-14% long term earnings growth from **large caps** and similar returns. The opportunities for outsized, multi-bagger returns continue to come from **mid-caps, small caps and micro caps**. However, dispersion of returns has widened considerably. Ergo, experienced active management should have an advantage and we prefer **experienced, active managers** over passive index exposure.

South Korea – Path to 5,000

South Korea's Kospi is up more than 40% this year, beating all other major global indexes.

South Korea Has Led All Major Indices Including the Nasdaq This Year



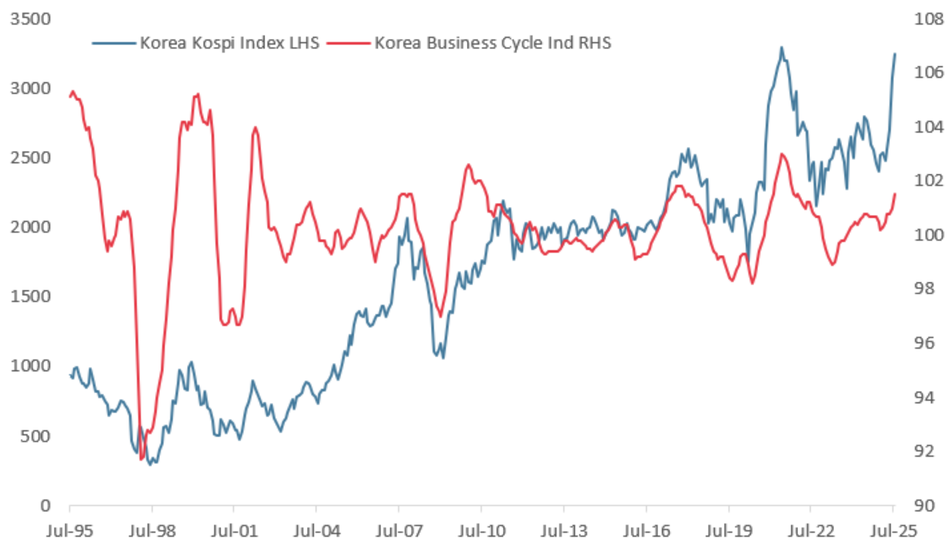
President vows to Lift Kospi to 5,000 Target

New President Lee Jae Myung's commitment to removing the **"Korea discount,"** – via structural reforms aimed at improving market transparency – is set to keep investors engaged. Korean companies have strong management structures, with many global leaders across technology, automotives, industrials and commodities that trade at reasonable valuations.

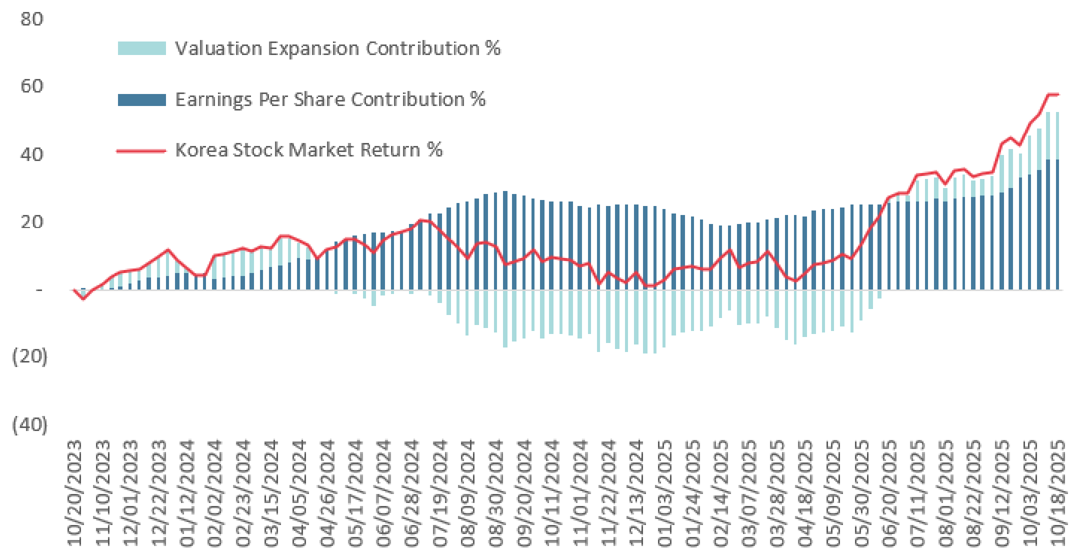
The earnings outlook is improving. Earnings have grown steadily over the past couple of years and contributed largely to the index return. Valuation expansion has also contributed (see chart below). Moreover, the forward earnings outlook is rosy, with estimated earnings growth dwarfing the 8.5% estimated for global stocks.

President Lee has repeatedly pledged to improve accessibility for global investors – 24-hour currency trading is the most recent change - and enhance access to Korea's capital markets, as well as a goal to lift the Kospi stock benchmark to 5,000 points and inclusion in the MSCI developed markets indices.

The Korea Business Cycle Leading Indicator is Rising Steadily



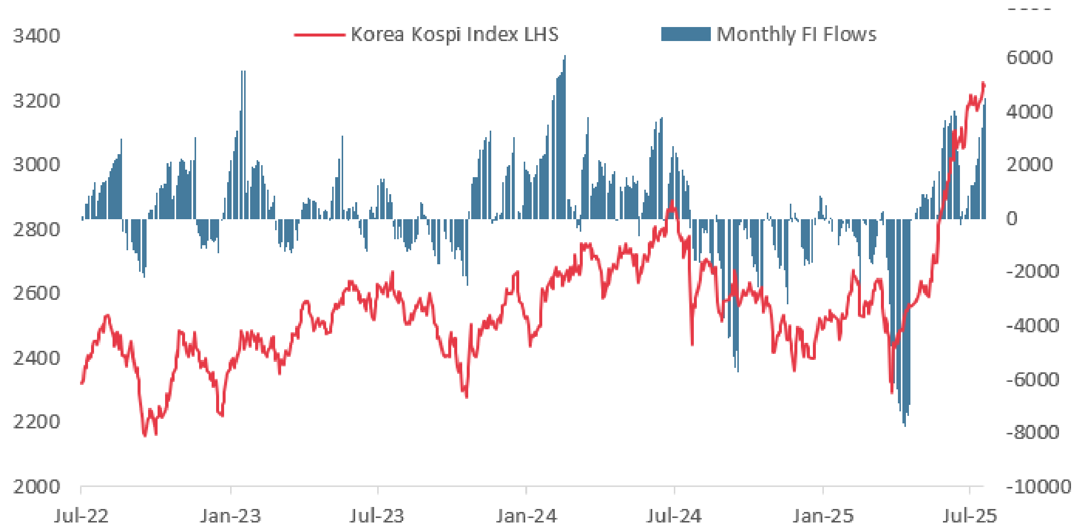
Earnings are the Large Contributor to the Index's Performance



Reinvigorating Flows into the Capital Markets

Persistent low valuations and low returns lead to limited wealth creation for domestic investors. With stagnant equity markets, money heads overseas in search of return. That leads to a hit on the foreign exchange rate and capital outflows. Ultimately low returns lead to a loss of innovation and low growth.

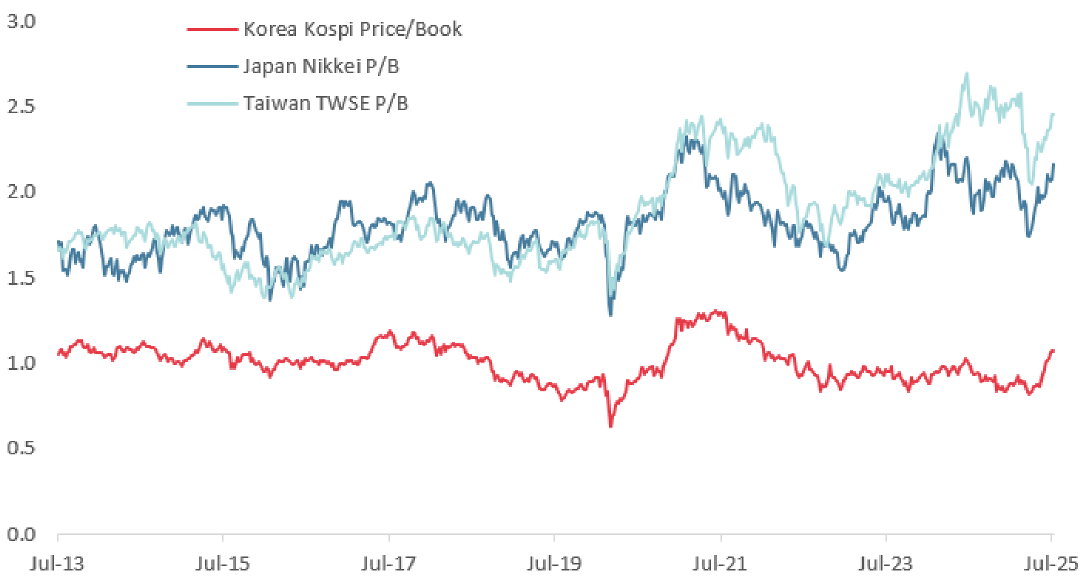
Monthly FI Flows Have Been Steadily Pouring In This Year



South Korea has also announced an **8.2% increase in defence spending** for 2026, the steepest increase in years. The move comes amid growing pressure from the United States. Much of the new spending is expected to stay within the local economy.

Korean equities offer multiple growth drivers. Companies with deep technological expertise, embedded in the global tech supply chain, memory, industrial, automotives, alongside attractive valuations.

The KOSPI Remains Undervalued Relative to Peers



Reforms

The current focus in reforms is treasury shares. Companies have been sitting on shares after buying them back from the market rather than permanently eliminating them. Cancellation would improve earnings per share by a minimum of 3%. The nation's chaebol industrial groups are among those with relatively large treasury holdings. Lotte Corp. holds 32.5% of its total shares outstanding. SK Inc. owns a 24.8% stake in itself. The National Assembly is expected to pass a bill by year-end requiring companies to cancel treasury shares.

With vigilant oversight, shareholder protections, conscientious corporate actions, improved return streams can drive a virtuous cycle that leads to a healthier equity market and an improved capital markets environment.

Big changes are underway in Korean **corporate governance**. Korean policymakers and regulators remain committed to improving corporate governance standards. Alongside global developments, Korean equities can re-rate on corporate reforms, increased spending, tax efficient buybacks, and improved balance sheet management.

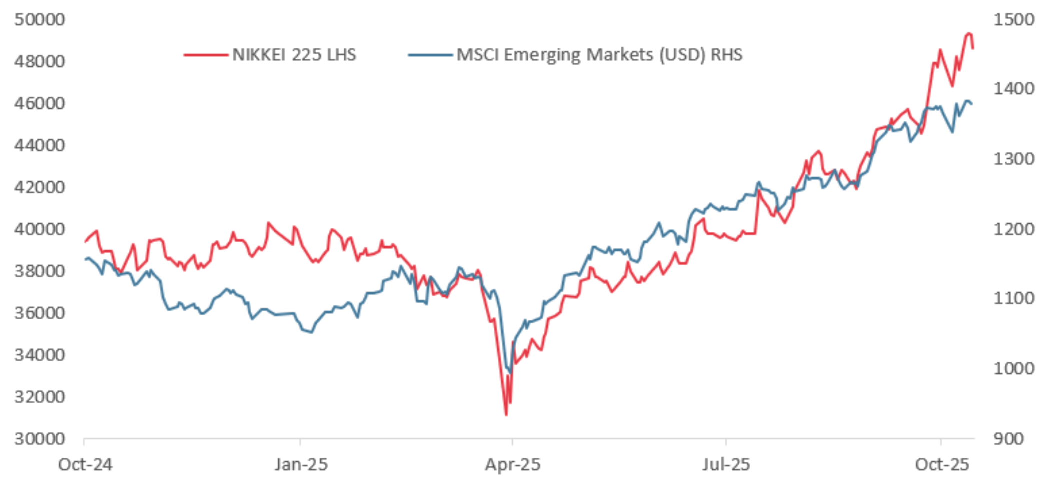
Investors have taken note. Korea is one of the best performing major markets in the world YTD. Asian central banks have been cutting rates, reducing cost of capital and improving prospects for improved growth. Tech firms Samsung Electronics Co. and SK Hynix are key beneficiaries of the AI boom.

Japan – Pro-Growth Regime

Japanese equities are experiencing a renaissance of sorts, driven by **market-friendly reforms**, a return to an inflationary environment, **rising wages**, and attractive valuations.

With a market multiple of 16.5x forward earnings, **fiscal stimulus** and pro-growth reforms, as well as opportunities to participate in the AI wave, any improvement in earnings growth will lead to further multiple re-rating.

The Nikkei is On a Tear Since Liberation Day



Newly appointed Japanese Prime Minister Sanae Takaichi has high approval ratings, at 64.4% to 71% according recent polls. Takaichi has pledged to counter inflation and strengthen the economy, and her government is working on an economic package to ease the burden of inflation on households and companies.

The election of Takaichi has added fuel to Japan's AI-driven rally since late June, pushing the Nikkei to gains ahead of the US and Europe**. Investors are pricing in a pro-growth regime,** with **government spending** targeted at low-income households and accommodative **monetary policy**. Takaichi's leadership is expected to continue Shinzo Abe's "third arrow" corporate reforms, supporting profitability and shareholder returns.

Fujitsu jumped 10% after announcing a partnership with Nvidia recently, to create an AI agent platform for health care, industrials and robotics applications. Three names – Advantest, SoftBank and Tokyo Electron – explain 67% of the Nikkei's year-to-date gains, with each having exposure to the AI tech wave. Corporate reforms and pro-business policies should drive ROE up to 10-11%, and re-rate valuations higher.

Key Catalysts

A rise in inflation, the highest wage increases in 30 years, and a pro-growth regime have generated investor enthusiasm. Negative interest rate policy has ended over a year ago. The central bank has loosened yield curve control. A record high in share buybacks reflects a focus on improving shareholder return, and improve ROE. We believe the combination of structural reforms, stimulus, accommodative fiscal policy, attractive valuations, and increased clarity around trade policy will support the case for continued positive performance in Japanese equities.

Vietnam – Reforms, Growth Agenda

Vietnam's government is **targeting at least 10% growth over the next 5 years**. The nation will prioritize diversifying export markets towards Middle East, Africa, Latin America.

The **reforms program** is winning plaudits for its bold steps in overhauling Vietnam's public sector and overall economy. There is also a concerted anti-graft push. Finally, Resolution 68 elevates the role of the private sector.

Clarity on trade is a key priority. While the initial 46% tariff has been pared back to 20%, the U.S. has also set a 40% tariff on transshipped goods. The government is focused on speeding key projects in the renewable energy and industry sectors. Bullish investors will be watching a once-every-five-years party congress expected in January.

The Vietnamese government gross domestic product rose 8.23% in the third quarter from a year before, aided by factories racing to ship products before tariffs hit.

Despite the tariff uncertainty, **Vietnam's attraction as a production and assembly base has continued to attract overseas companies**. FDI is up to $18.8 billion YTD, up 8.5% from last year.

The government is investing in a massive **infrastructure push**. Improving the quality of public investment is important.

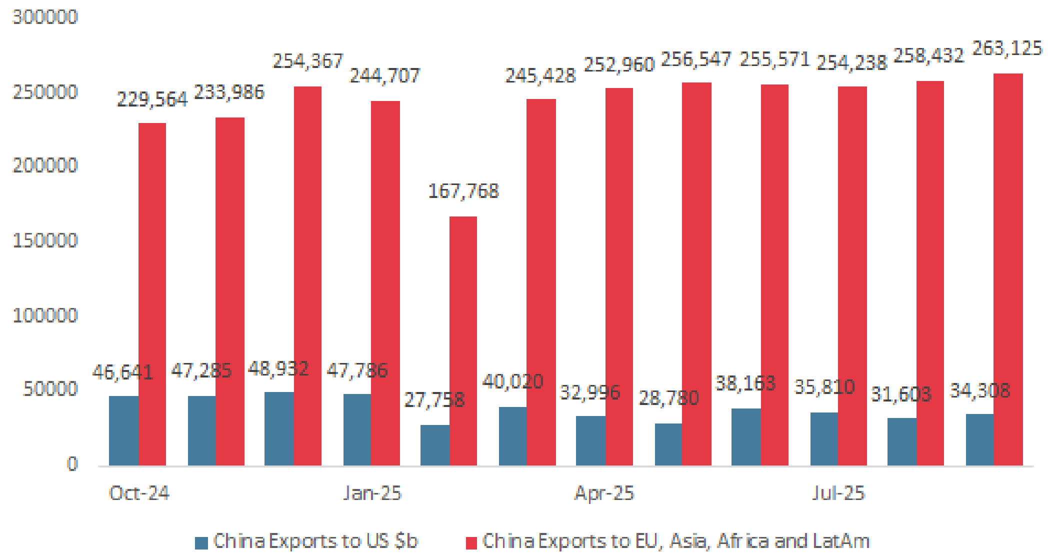
Vietnam's manufacturing base has grown to be globally competitive. Vietnam now has the third-largest trade surplus with the US, roughly $123 billion, behind only China and Mexico. Hanoi has also recently rolled out a series of reforms to make the market more accessible to international investors. Yet again, we prefer selective exposure via active managers.

China

Exports to ROW Rise Sharply

Chinese exports to the U.S. are down from a $46.6 billion run rate last year to a $34.3 billion run rate, or **down 27% YoY**. That's a significant **$144 billion annualized drop** in exports to the U.S. Meanwhile, excluding shipments to the US, Chinese exports to **the rest of the world are up over +10% YoY**, or **+$34 b per month,** the fastest growth since 2022.

China Exports to U.S. are $34 B Monthly Run Rate, Down $12.6B YoY...
...While China's Exports to Non-U.S. are $263 B, Up $33 Bil YoY



Pro-Growth Pro-Technology Pivot

On Sept. 24 last year, the Chinese government made a clear pro-growth pivot with a 'shock and awe' package of monetary, fiscal, stock, and housing policies. One year on, the results are mixed. The economy got an **early boost that has since faded**.

In pivotal signaling of a prioritization towards technology led growth and strategic initiatives, Premier Xi recently met with a group of entrepreneurs including Huawei founder Ren Zhengfei. China is increasingly committed to **technology innovation led growth.**

Separately, Huawei laid out a bold vision for dominance in the AI race, including next generation AI chips and designs that link up to 15,488 of its AI chips. Jack Ma is back at **Alibaba** and that has animal spirits rising. Alibaba unveiled its new LLM, a series of AI offerings, and outlined plans to spend $53 billion on AI model development and infrastructure over the next 3 years, with an aim of being a **full stack AI service provider.** The company recently reported triple-digit growth in its AI-related products.

Reform Agenda to Aid Domestic Economy

China has announced wide-ranging measures to **stimulate domestic demand,** such as promoting the consumption of services such as sports and entertainment. The government has launched initiatives this year to support household income and easing cost-of-living burdens, including childcare subsidies, higher health insurance and medical spending.

Bloomberg's consumer sentiment index shows that the confidence boost from the 2024 pivot has petered out, underscoring the limits of short-term measures such as the trade-in program.

Domestic headwinds still prevail. Chinese equities are increasingly detached from fundamentals. The half-life of government investment continues to decline. To address challenges, the government will likely keep rolling out measures to put a floor under growth, while steering the economy toward more robust growth driven by domestic demand.

Trade tensions with the U.S. continue to be an overhang. Washington seems committed to a path of economic re-configuration of manufacturing and supply chains. Neither party wins in a trade war.

Outlook

China's decades of efforts to liberalize its capital markets were wiped out with the slew of anti-investor regulations that wiped out over $1 trillion in market cap in U.S. listed Chinese entities such as Baidu, Alibaba, Tencent (BAT). The overhang of that remains, and investors will continue to apply a sufficient **political risk premium.** Recent belligerence and policy – on rare earths in particular – arguably a response to tariff policy, further highlight the risks. On the flip side, China appears to have managed to divert exports successfully to Europe, ASEAN and Africa. Other structural issues remain, such as demographics, real estate doldrums, access to key technology companies.

China's **corporate profit growth now stands at the slowest** since the 2008-09 global financial crisis. Over time, persistently weak earnings are poised to test investor confidence and patience.

Although the Chinese economy faces challenges within, **there are attractively valued companies across automotive, internet, e-commerce, AI**, technology, robotics, travel etc.

The authorities' willingness to stick with low interest rates to assist ailing developers also underscores the supportive set up for Chinese stocks now that Beijing is more fully engaged in stimulus.

Europe

In the past year, easing inflation, ECB rate cuts, plans for infra and defense spending, improving credit conditions and recovering domestic demand have led to positive outcomes in the European stock markets.

As global markets evolve, the opportunity to **unlock value in non-U.S. equities** has become increasingly compelling. Europe, Japan, and emerging markets each present unique dynamics that merit closer examination. Factors in Europe's favor include strong governance, and under-valuation relative to US equities.

Key Drivers of Growth

- **Fiscal Stimulus, Defence and Infrastructure Spending:** Germany is leading fiscal expansion efforts, while Europe broadly seeks to increase defense and infrastructure investments. These initiatives are expected to drive corporate earnings growth and improve sentiment. However, the proof is in the pudding.
- **Lower Interest Rates** are improving consumer and business confidence.
- **Structural Reforms:** Efforts are underway to create an EU savings and investment union that unlocks capital for growth initiatives. Additionally, proposed changes to securitization rules freeing up bank capital would be a boost to growth.

Challenges continue to persist. Policy uncertainty on spending plans, **policy uncertainty** with regard to tariffs, geopolitics, the Ukraine war, lackluster earnings and tepid topline momentum are impeding market momentum. Sector specific strategies such as defense and infrastructure, and alternatively, stock specific exposure, look to be more effective means of obtaining exposure. On the flip side, Europe has benefitted from a rising lack of trust in the U.S. dollar and investor preferences to **diversify away from dollar assets.** Ultimately, however, **growth must come through**. The Russia Ukraine war, high public debt, a slow growth economy, alongside energy risks remain overhangs. Additionally, conservatives have thrown a wrench into plans for aggressive fiscal spending.

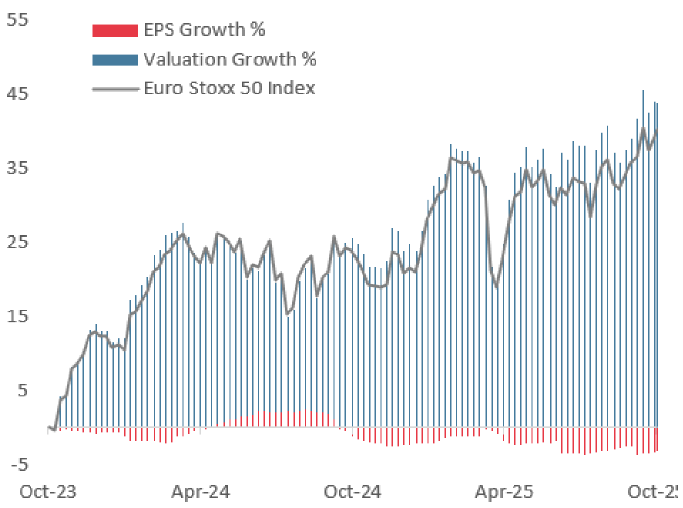
The **euro**'s strength poses near-term challenges on exports. Plans have been approved for a core defense spending target of 3.5% of GDP; however, differing objectives exist among countries, and a lack of clarity and commitment to follow through. Spain's open resistance is the reality. Limited fiscal space, limited growth prospects and adding to onerous debt burden is a difficult ask. The same applies to infra spending.

Risks continue to exist on **trade**. Europe runs the second-largest bilateral trade deficit with the U.S. To the extent that the U.S. administration abhors trade deficits, European exporters could be in the line of fire for tariff increases, which are likely to impact demand and exports at a time Europe can ill-afford it.

Ultimately markets follow growth. Earnings growth has been **tepid**, and the entire rally since 2023 is solely explained by multiple expansion. (See charts below). Until visible signs of earnings improvement emerge, we remain focused on individual and thematic opportunities.

The Market Rally in the Euro Stoxx 50 Has Been Entirely Driven by Valuation Expansion

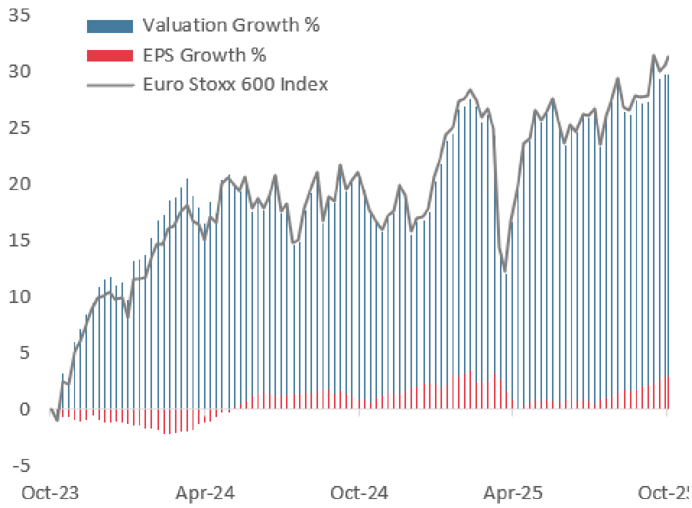
Contribution from earnings has been negative



Source: Ambit Global Private Client, Bloomberg

Ditto for the Stoxx 600

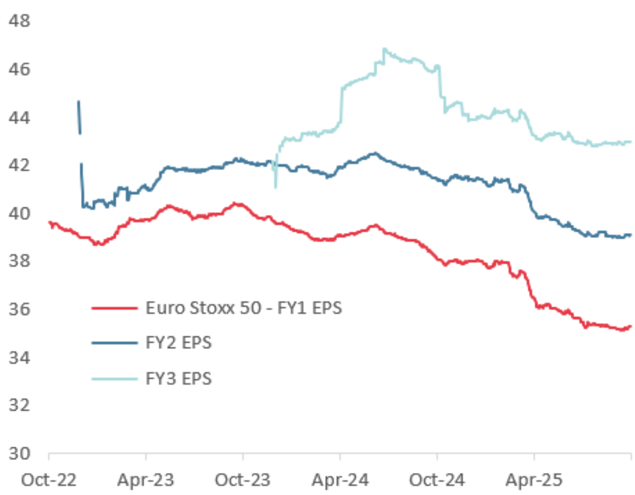
Earnings growth remains tepid



Source: Ambit Global Private Client, Bloomberg

Earnings Estimates for Stoxx 50 Continue to Head Lower

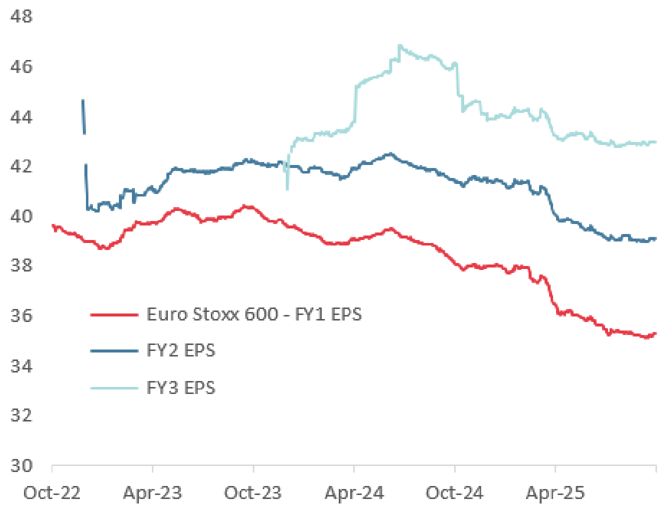
Ultimately earnings drive price



Source: Ambit Global Private Client, Bloomberg

Earnings Estimates for the Stoxx 600 Are Also Fading

There is no sign of a turn at the index level



Source: Ambit Global Private Client, Bloomberg

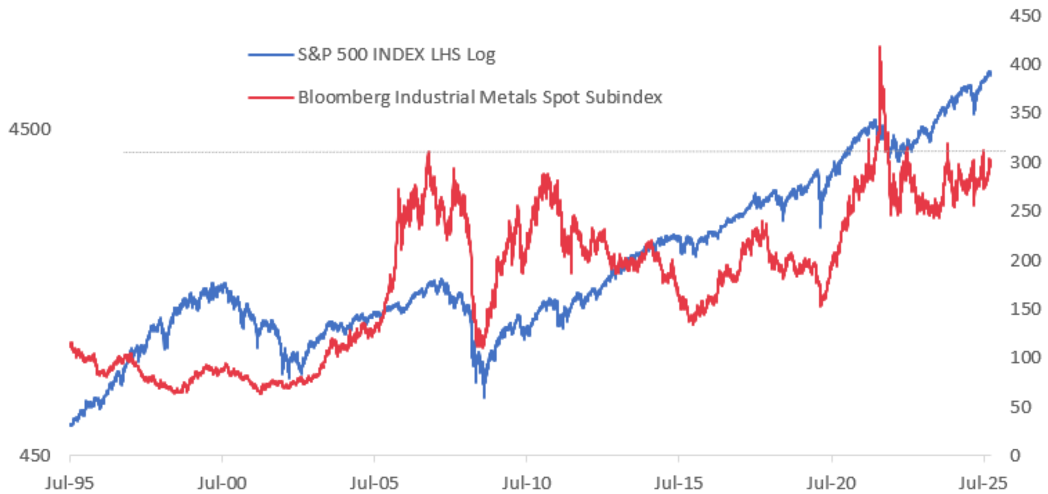
Crude & Commodities

With tariff impacts, reliable sourcing of inputs, geopolitics, rising global money supply, and stimulus plans across key large economies, as well as many central banks cutting interest rates, inflation watch is back.

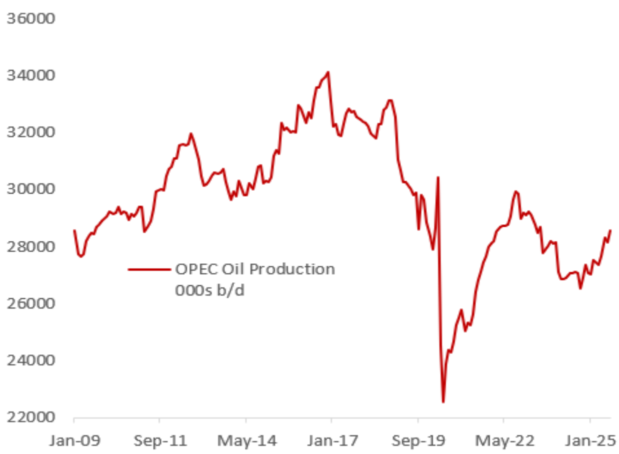
OPEC crude oil production continues to rise, keeping crude below $70. Industrial metals have witnessed selective price rises within the pack, but as a whole remain beneath highs witnessed in 2007.

Commodities benefit from low correlation to stocks and bonds, providing diversification, while possessing high cyclicality as an asset class. We're not seeing price pressures currently; however, **adding commodity exposure remains a watchlist item.**

Commodity Prices Remain Benign For Now…
…But Bear Watching over Coming Months

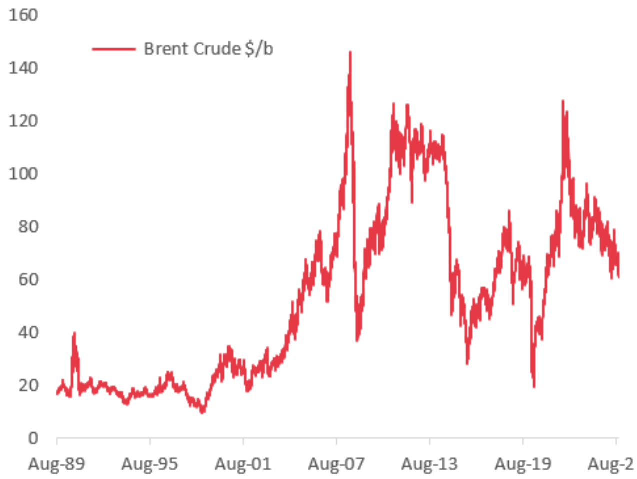


OPEC Oil Production Continues to Rise
Keeping upward price pressures manageable



Source: Ambit Global Private Client, Bloomberg

Crude Oil Prices Remain Historically Low
Especially when adjusted for inflation



Source: Ambit Global Private Client, Bloomberg

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Key Investment Themes by Asset Class

ASSET	OUTLOOK	#	INVESTMENT PREFENCES
Equity	Macro conditions – low interest rates, benign commodity prices, accommodative policy, and strong capex – remain favourable.	1	Growth Quality Predictability Thematic
	Tariff related concerns are in the price; a key risk remains in resolution of rare earths.	2	Emerging Markets - preference for Japan, Korea, Taiwan, India and selective Chinese tech/ equities
	Defence and infrastructure have been at the forefront, alongside AI and tech. Massive capex ($450b by the hyperscalers alone) has contributed to U.S. growth.	3	Large & Mid are dominant across the world, selective small cap exposure
	Artificial intelligence is well positioned to increase productivity and drive earnings across industries.	4	AI, Infrastructure, Platform, Materials, Energy, Tech, Financials
Precious Metals	Structural preferences have shifted this year, with investors showing clear preference to diversify dollar denominated exposure.	5	Gold despite the sell-off remains a strategic asset with strong hedge characteristics
	With stimulus plans across developed and emerging markets, and rising deficits particularly in the U.S., inflation remains a watchlist item for 2026.	6	Commodities – demand driven, bottom up, active management opportunities
	Precious metals provide reliable and attractive hedges to concerns related to currency, debt and market volatility	7	Silver – industrial demand
Fixed Income	The Fed is caught between tariff, stimulus, higher spending and slowing economic growth. Rising money supply poses risks to the inflation outlook.	8	Infrastructure assets and REITs with inflation protecting pricing power
	Low absolute rates, inflation risks, uncertainty around rate outlook	9	Short duration as outlook on rates largely unclear. Higher yield opportunities U.S. with reliable fundamentals
	Corporate balance sheets remain largely healthy (ex regional banks U.S., ex credit/lending)	10	Selective opportunities in structured credit
Private Equity, Other	Structural opportunities in place around AI, energy, defence, infrastructure, technology, health tech, education etc. Euphoric excess and high valuations remain concerns.	11	Selective opportunities in structural growth themes at acceptable valuations or reliably predictable outcomes

Global Index Performance

31-Oct-25	Price	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	From '25 Trough
Americas											
S&P 500 Index	6,822	1.2	2.0	2.0	2.0	7.6	22.5	16.0	19.6	-1%	18%
Dow Jones Indus. Avg	47,522	1.7	2.4	2.4	2.4	7.7	16.8	11.7	13.8	-1%	12%
Nasdaq 100 Stock Indx	25,735	2.5	4.3	4.3	4.3	10.8	31.5	22.5	29.4	-2%	26%
Nyse Fang+ Index	16,850	2.1	4.3	4.3	4.3	10.7	36.4	28.4	45.0	-2%	35%
Bbg Magnificent 7 Pr Usd	32,234	2.7	3.7	3.7	3.7	15.2	46.4	23.7	43.8	-3%	37%
Russell 2000 Index	2,466	-0.7	1.2	1.2	1.2	11.5	25.6	10.6	12.3	-3%	19%
Canada	30,179	-0.0	0.5	0.5	0.5	10.7	21.5	22.0	24.9	-2%	23%
Mexico	62,890	2.2	-0.0	-0.0	-0.0	9.6	11.8	27.0	24.1	-1%	20%
Brazil Bovespa	148,780	2.1	1.7	1.7	1.7	11.8	10.2	23.7	14.7	0%	n/a
Europe											
Euro Stoxx 50 Pr	5,679	0.1	2.7	2.7	2.7	6.8	10.1	16.0	17.6	-1%	5%
FTSE 100	9,729	0.9	4.0	4.0	4.0	6.5	14.5	19.0	20.0	-1%	11%
CAC 40 Paris	8,135	-1.1	3.0	3.0	3.0	4.7	7.1	10.2	10.7	-2%	1%
DAX Germany	24,025	-0.9	0.6	0.6	0.6	-0.2	6.8	20.7	25.9	-3%	8%
MIB Italy	43,239	1.8	1.2	1.2	1.2	5.5	15.0	26.5	26.1	-1%	15%
Norway OSEBX	1,605	-2.3	-2.4	-2.4	-2.4	-1.2	8.0	12.7	12.1	-4%	10%
Asia											
MSCI EM	1,412	1.6	4.9	4.9	4.9	13.5	26.9	31.3	26.1	-1%	29%
Japan - Nikkei 225	52,411	6.3	-	14.5	16.6	30.1	42.3	31.4	37.7	0%	40%
Hang Seng	25,907	-0.2	-3.5	-3.5	-3.5	4.6	17.1	29.1	27.5	-5%	13%
Hang Seng Tech	5,908	-0.7	-	-10.8	-8.6	9.5	12.7	32.2	31.8	-12%	7%
China CSI 300	4,641	-0.4	-0.0	-0.0	-0.0	14.4	23.1	17.9	19.3	-3%	19%
Australia	8,882	-1.5	-	-1.2	0.4	2.5	7.8	8.9	9.4	-3%	8%
Taiwan	28,233	2.5	-	5.5	9.3	20.5	35.8	22.6	23.9	-1%	25%
Korea	4,108	4.2	-	15.7	19.9	31.7	60.5	71.2	61.6	-1%	62%
Nifty 50	**25,722**	**-0.3**	**-**	**3.3**	**4.5**	**4.7**	**5.6**	**8.8**	**5.8**	**-1%**	**16%**
Singapore	4,429	0.1	-	0.4	3.0	6.6	15.2	16.9	24.6	-1%	14%
Vietnam	1,640	-2.6	-	-0.4	-1.3	9.7	33.7	29.4	30.7	-9%	25%
Indonesia	8,164	-1.3	-	0.6	1.3	8.3	19.8	15.3	8.8	-2%	28%
Malaysia	1,609	-0.3	-	-1.6	-0.2	4.9	4.3	-2.0	0.3	-3%	3%
Phillipines	5,930	-2.1	-	-2.9	-0.4	-6.0	-7.5	-9.2	-17.0	-18%	-2%

Crude Oil & Commodities

31-Oct-25	Price	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	From '25 Trough
Brent Crude	64.8	-1.7	-3.3	-3.3	-3.3	-10.6	2.7	-13.1	-11.4	-22%	-9%
West Texas Crude	60.4	-1.8	-3.2	-3.2	-3.2	-12.8	3.8	-15.8	-12.8	-25%	-12%
CRB Raw Industrials Inde:	574.5	1.7	-0.6	-0.6	-0.6	0.6	2.5	6.1	4.4	-2%	3%
BBG Cmdty ex-Prec Mtl	82.9	0.2	1.6	1.6	1.6	0.8	0.8	-1.1	1.9	-9%	-5%
CRB Metals Index	1,149.1	0.0	2.4	2.4	2.4	6.5	7.2	11.3	7.0	-1%	6%
LME Copper	10,895.6	0.5	6.6	6.6	6.6	12.9	19.5	25.9	15.9	-2%	17%
LME Aluminum	2,858.9	-0.4	6.7	6.7	6.7	10.1	20.5	13.1	10.6	-1%	9%
LME Nickel	15,025.2	-1.0	-0.2	-0.2	-0.2	1.4	-1.3	-0.6	-3.4	-9%	-5%
LME Zinc	3,133.5	-3.4	3.9	3.9	3.9	12.6	22.5	6.1	1.0	-6%	13%
LME Lead	1,988.0	0.7	2.1	2.1	2.1	1.7	2.1	3.3	1.5	-10%	0%
LME Tin	35,803.5	-0.2	1.0	1.0	1.0	7.3	14.9	24.1	16.6	-7%	14%
SGX Iron Ore	106.3	1.1	2.8	2.4	2.8	6.5	16.2	10.2	7.4	-1%	11%
Commodities											
Bloomberg Commodity Ir	107.0	-0.3	2.3	2.3	2.3	5.8	6.0	8.3	9.1	-1%	3%
CRB Commodities Index	539.1	0.5	-1.2	-1.2	-1.2	-4.4	-1.6	0.5	0.8	-6%	1%
Lumber	10,895.6	0.5	6.6	6.6	6.6	12.9	19.5	25.9	15.9	-2%	17%
Palm Oil	4,185.0	-4.5	-2.8	-2.8	-2.8	0.2	5.4	-13.9	-12.8	-22%	-9%
Wheat	518.5	1.2	2.1	2.1	2.1	-0.9	1.1	-6.0	-9.1	-15%	0%
Cocoa	6,251.0	-1.1	-7.4	-7.4	-7.4	-26.5	-31.5	-46.5	-14.8	-52%	-24%
Commodities											
Bloomberg Grains Spot	220.26	3.0	6.2	6.2	6.2	7.3	-1.6	-0.3	3.6	-9%	1%
Raw Sugar	14.35	-4.1	-10.9	-10.9	-10.9	-12.2	-17.8	-25.5	-36.9	-38%	-21%
Simex Iron Ore	106.95	1.2	1.6	2.8	1.6	7.3	10.4	3.2	4.5	-2%	5%

Interest Rates - Global

31-Oct-25	Price	5 Day %	MTD %	1 Mo %	QTD %	3 Mo %	6 Mo %	YTD %	1 YR %	% from 52 Wk Hi	52 Wk High
U.S. Yields & CPI											
U.S. 30 Year	4.66	4.59	4.73	4.73	4.73	4.90	4.68	4.78	4.48	(49)	5.15
Home Mortgage 30 Yr Fix	6.27	6.34	6.36	6.36	6.36	6.80	6.90	7.28	7.23	(114)	7.41
U.S. 10 Year	4.10	4.00	4.15	4.15	4.15	4.37	4.16	4.57	4.28	(71)	4.81
U.S. 5 Year	3.72	3.61	3.74	3.74	3.74	3.97	3.73	4.38	4.16	(90)	4.62
U.S. 2 Year	3.61	3.48	3.61	3.61	3.61	3.96	3.60	4.24	4.17	(81)	4.42
U.S. 1 Year	3.69	3.59	3.62	3.62	3.62	4.10	3.86	4.15	4.27	(72)	4.41
U.S. 3 MO T-BILL	3.75	3.85	3.94	3.94	3.94	4.34	4.29	4.32	4.55	(83)	4.58
U.S. 1 Year	3.55	3.59	3.62	3.62	3.62	4.10	3.86	4.15	4.27	(86)	4.41
T Bill 90 Day	3.75	3.85	3.94	3.94	3.94	4.34	4.29	4.32	4.55	(83)	4.58
T Bill 30 Day	3.87	4.00	4.11	4.11	4.11	4.36	4.30	4.28	4.67	(87)	4.74
Federal Funds Target Rate	4.00	4.25	4.25	4.25	4.25	4.50	4.50	4.50	5.00	(100)	5.00
Spread 10-5	0.38	0.40	0.41	0.41	0.41	0.40	0.44	0.19	0.13		
Spread 30-2	1.05	1.11	1.12	1.12	1.12	0.94	1.07	0.54	0.30		
Spread 10-2	0.49	0.52	0.54	0.54	0.54	0.42	0.56	0.33	0.11		
Spread 10-3mo	0.35	0.15	0.21	0.21	0.21	0.03	(0.13)	0.25	(0.26)		
Spread Fed Funds Vs 1 Ye	(0.31)	(0.66)	(0.63)	(0.63)	(0.63)	(0.40)	(0.64)	(0.35)	(0.73)		
High Yield & Inflation											
Bloomberg US Corporate	2.78	2.9	2.67	2.67	2.67	2.78	3.84	2.87	2.76	(175)	4.53
Bloomberg Pan-Europear	2.90	3.1	2.81	2.81	2.81	2.92	3.74	3.18	3.30	(156)	4.46
U.S. CPI	3.00		3.00	2.90	3.00	2.70	2.40	2.90	2.40	-	3.00
China CPI	(0.30)		-0.3	-0.4	-0.3	0.1	-0.1	0.1	0.4		
Europe Asia Yields											
Japan Govt 40 Year	3.37	3.40	3.37	3.37	3.37	3.35	3.13	2.64	2.56	(32)	3.70
Japan Govt 30 Year	3.06	3.06	3.15	3.15	3.15	3.08	2.71	2.30	2.22	(29)	3.35
Japan Govt 10 Year	1.67	1.66	1.65	1.65	1.65	1.56	1.32	1.10	0.95	(4)	1.71
China Govt Bond 10 Year	1.80	1.85	1.87	1.87	1.87	1.71	1.63	1.68	2.15	(37)	2.16
Euro Govt Bond 10 Year	2.64	2.63	2.71	2.71	2.71	2.70	2.44	2.37	2.39	(30)	2.94
Germany Govt Bnd 30 Yr	3.21	3.21	3.28	3.28	3.28	3.18	2.88	2.60	2.60	(23)	3.43
Germany Govt Bnd 10 Yr	2.64	2.63	2.71	2.71	2.71	2.70	2.44	2.37	2.39	(30)	2.94
Uk Gilts 30 Year	5.18	5.22	5.51	5.51	5.51	5.38	5.21	5.13	4.88	(57)	5.75
Uk Gilts 10 Yr	4.42	4.43	4.70	4.70	4.70	4.57	4.44	4.57	4.45	(50)	4.92
Italy Govt 10Y Yield	3.39	3.42	3.53	3.53	3.53	3.51	3.56	3.52	3.65	(66)	4.05
Italy Govt 30 Year	4.28	4.33	4.46	4.46	4.46	4.39	4.39	4.21	4.20	(48)	4.75
Swiss Govt Bonds 2 Year	(0.13)	(0.14)	(0.10)	(0.10)	(0.10)	(0.08)	(0.05)	0.05	0.39	(54)	0.41

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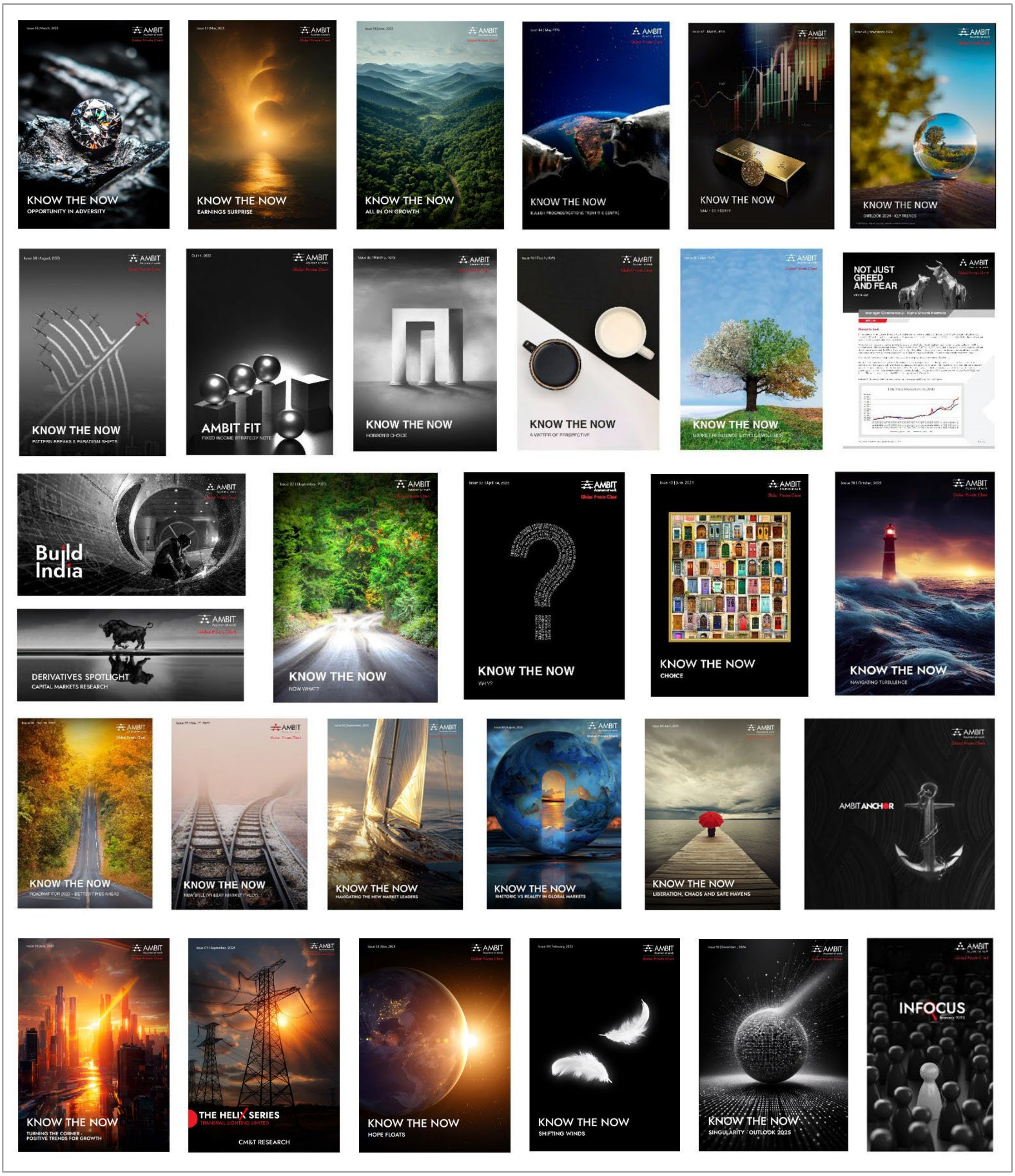

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