

The Way We See It

November 2025
Issue 47

Goji Consulting Limited

enquiry@goji-consulting.com

INSIDE THIS ISSUE

1. Review of Developments
 - Global Economies
 - Global Markets
2. Market Outlook: 2025 Q4
3. The Way We See It
 - Global Markets and Investment Thematics
4. Postscript
 - Could the current tightening of U.S. banking liquidity cause a financial crisis?

Last month we questioned the possibility of a continuing bull run in equities in October & Q4: It happily happened! What now?

A brief update report which serves to review the recent market development and to offer our outlook for the rest of the year and beyond.

Review of Developments

- Global Economies

The latest GDP-Now estimate from the Federal Reserve Bank of Atlanta indicates that the U.S. economy is expanding at a robust annualised rate of 3.9% for Q3. This momentum is underpinned by resilient consumer expenditure, a rebound in net exports, and sustained capital investment in artificial intelligence and adjacent sectors. However, this strength contrasts with softer labour market indicators, as non-farm payrolls remained subdued through August. The release of updated employment figures has been postponed due to the ongoing federal government shutdown, adding a layer of uncertainty to the outlook.

Outside the United States, economic activity across major developed markets remains tepid. Preliminary indicators from Europe and Japan suggest mild positivity, yet underlying weakness persists—particularly in export-driven industries. Trade flows

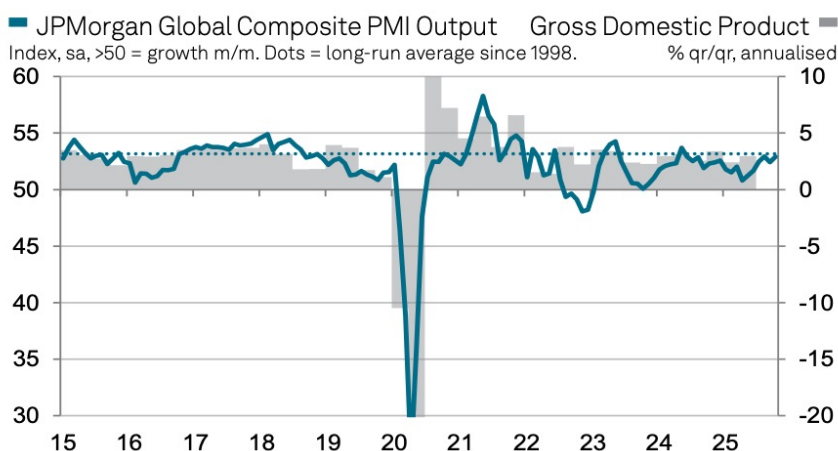
continue to be constrained by tariff regimes, dampening external demand.

China, while still registering positive growth, is exhibiting signs of deceleration. The slowdown is largely attributable to fragile consumer sentiment and persistent weakness in both residential and commercial property markets. Additionally, reduced exports to the U.S.—driven by elevated tariffs—have weighed on performance. Nonetheless, capital expenditure in AI, technology, and defence-related sectors remains robust, echoing similar trends observed in the U.S..

Inflationary pressures have broadly eased across OECD economies, with most central banks nearing the end of their rate-cutting cycles. In the U.S., core inflation—as measured by the PCE deflator—has moderated to approximately 3%, though it remains above the Federal Reserve's 2% target. The Fed's recent rate cuts in September and October, citing labour market softness, have prompted concerns regarding a potential underestimation of inflation risks over the medium term. GOJI continues to adopt a cautious stance, mindful of the delicate equilibrium between fostering growth and containing price pressures.

Inflationary pressure have broadly eased across OECD countries besides U.S.

J.P.Morgan Global Composite PMI™



Source: J.P.Morgan, S&P Global PMI,

Market pricing, as reflected in Fed funds futures, now implies a reduced probability (60%, down from 90%)

of a 25bps rate cut at the December FOMC meeting. This shift follows remarks from the Fed Chair highlighting internal divisions on the necessity of further easing, pending clearer employment data.

Geopolitical tensions have eased but remain a material risk. Conflicts in Ukraine, Gaza, and China, alongside ongoing frictions around Taiwan, continue to threaten regional stability and global supply chains. These dynamics underscore the importance of integrating geopolitical risk into strategic asset allocation.

GOJI maintains a disciplined investment approach, emphasising diversification, tactical flexibility, and responsiveness to macroeconomic inflection points. While challenges persist, targeted opportunities remain for investors prepared to navigate an increasingly complex global landscape.

- Global Markets – review of October

Global financial markets in October reflected a nuanced balance between constructive momentum and underlying caution. The sharp rebound in US equities, which gained traction through Q2 and Q3, was largely driven by sustained investor enthusiasm for mega-cap technology names—particularly those exposed to artificial intelligence, semiconductors, and the so-called “Magnificent 7”. This rally has been fuelled by growing confidence in AI’s cross-sectoral impact, alongside expectations of further interest rate reductions by the Federal Reserve before year-end.

Equity markets beyond the U.S. also posted positive returns, supported by resilient investor sentiment. Despite the introduction of new US tariffs on selected imports, global markets have largely absorbed the impact, with minimal disruption to capital flows or risk appetite.

The prevailing narrative of AI-led growth and monetary easing continues to underpin upward revisions to global economic and corporate earnings forecasts. There is a growing consensus that monetary policy across the U.S. and other OECD economies will

Equity markets posted positive returns, supported by resilient investor sentiment.

remain broadly accommodative. Concurrently, fiscal support—both domestic and international—is expected to persist. In response to US trade measures, Europe and China have implemented expansionary monetary and fiscal initiatives aimed at mitigating economic headwinds, which may help stabilise broader macroeconomic conditions.

Nonetheless, questions are emerging around the sustainability of the equity rally. Particular scrutiny has been directed at the “vendor financing” structures and circular capital flows underpinning recent high-profile transactions involving NVIDIA, OpenAI, and other AI infrastructure players. Moreover, a significant portion of the Nasdaq and S&P 500's recovery from the April trough to recent highs appears to be driven by retail momentum, short-covering, and FOMO-led activity from hedge funds and algorithmic strategies. The relatively muted participation from institutional investors raises concerns about elevated valuations in the AI segment and the durability of the rally, particularly in light of persistent stagflationary risks in the US and subdued global growth.

Questions are emerging around the sustainability of the equity rally.

Near-term performance of various asset classes

Asset Class Index	US Equities MSCI USA	Global Equities MSCI World	Global ex US Equities MSCI World ex USD
1 month	2.38%	2.02%	1.09%
3 months	8.22%	8.12%	7.85%
YTD	17.70%	20.21%	27.31%
FY 2024	25.08%	19.19%	5.26%

Asset Class Index	US Corporate Bloomberg US Corporate	US Treasury Bloomberg US Treasury	US Aggregate Bloomberg US Agg
1 month	0.38%	0.62%	0.62%
3 months	2.92%	2.54%	2.94%
YTD	7.29%	6.01%	6.80%
FY 2024	2.13%	0.58%	1.25%

Asset Class Index	Global Govt Bonds Bloomberg Global TSY	Global Aggregate Bloomberg Global Agg	GEM Equities MSCI EM
1 month	-0.55%	-0.25%	4.19%
3 months	1.27%	1.86%	13.31%
YTD	6.70%	7.64%	33.59%
FY 2024	-3.58%	-1.69%	8.05%

Asset Class Index	Asia ex Japan Equities MSCI AC AxJ	China A MSCI China A Onshore	China Offshore MSCI China
1 month	4.50%	-0.21%	-3.81%
3 months	13.10%	17.51%	10.80%
YTD	33.24%	27.05%	36.44%
FY 2024	12.51%	11.91%	19.67%

Asset Class Index	Global Commodities CBR	Gold Spot Price	USD Norm. Broad USD Index
1 month	0.65%	3.63%	1.00%
3 months	0.92%	21.34%	-0.28%
YTD	1.96%	53.41%	-5.96%
FY 2024	12.47%	26.49%	9.03%

Source: GOJI, MSCI, Bloomberg; data as of 31/10/2025

From a performance perspective, global equities (in USD terms) rose by 2% in October. U.S. equities gained 2.4%, while developed markets ex-US posted more modest returns of 1.1%, dampened by dollar strength. Emerging markets outperformed, advancing 4.2%, despite a 3.8% decline in Chinese equities.

U.S. fixed income delivered modest gains, with Treasuries up 0.6%, while global bonds fell by 0.6%. Commodities were mixed: crude oil softened amid increased Saudi output and weak demand, while gold extended gains before profit-taking emerged in early November.

GOJI maintains a disciplined, diversified investment approach, emphasising tactical agility and vigilance around macroeconomic turning points.

Market Outlook of Q4 2025

GOJI's outlook for Q4 2025 remains cautiously constructive, albeit more restrained than the prevailing market consensus, which increasingly anticipates a potential "melt-up" scenario. While thematic tailwinds—namely artificial intelligence, technology sector leadership, anticipated monetary easing by the Federal Reserve, and seasonally favourable Q4 dynamics—lend support to a positive bias, the broader investment environment continues to be shaped by macroeconomic fragility, policy uncertainty, and elevated valuation levels.

Our investment strategy is grounded in a multi-faceted evaluation of macroeconomic indicators, corporate earnings trajectories, asset valuations, investor sentiment, capital flows, and technical chart patterns. This holistic framework informs our strategic asset allocation and risk-adjusted positioning across global markets.

Outside the United States, the macroeconomic backdrop is expected to remain broadly supportive, assuming no further escalation in US trade policy—particularly in the form of additional tariffs. Both Europe and China have enacted expansionary fiscal and monetary measures aimed at stabilising growth

GOJI: we remain cautiously constructive for the rest of the year.

and mitigating the adverse effects of U.S. trade actions. These interventions may help sustain momentum, though structural headwinds persist, especially in export-dependent sectors.

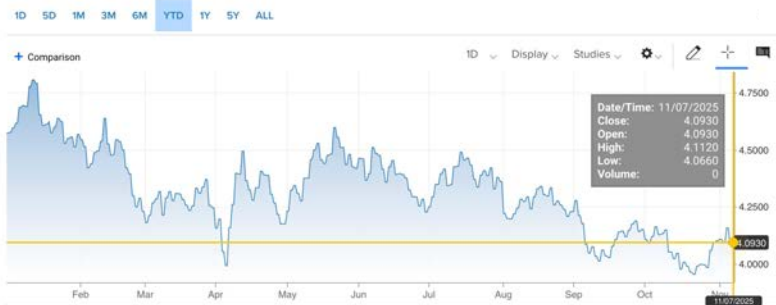
Within the U.S., investor concerns are mounting around the risk of stagflation, marked by slowing growth and entrenched inflation. This outlook is shaped by several factors: the absence of employment data due to the government shutdown, residual effects of tariff disputes, labour market disruptions linked to the DOGE (Department of Government Efficiency) initiative, tighter immigration enforcement, and emerging signs of weakness in private sector hiring. While sentiment has improved following the finalisation of President Trump's tariff framework and the passage of the "One Big Beautiful Bill"—a modestly stimulative fiscal package—inflationary pressures remain persistent.

A critical consideration for markets is whether the Federal Reserve risks a policy error by implementing rate cuts in both October and December, despite upward inflationary trends. These decisions will be closely monitored, with material implications for both fixed income and equity markets.

Global GDP growth is projected to remain below its long-term average, constrained by ongoing trade tensions and uneven recovery patterns across major economies. Europe's monetary easing cycle appears to be nearing its end, while China continues to maintain an accommodative stance. In the U.S., further easing remains plausible should economic data deteriorate, potentially bolstering liquidity and investor confidence.

Corporate earnings—particularly in AI, technology, and financials—are expected to remain resilient. However, valuation pressures may intensify if long-duration yields rise. With the S&P 500's forward P/E ratio hovering between 23x and 24x, sustaining current levels will require continued strength from high-growth technology leaders and a stable 10-year Treasury yield below 4.50%.

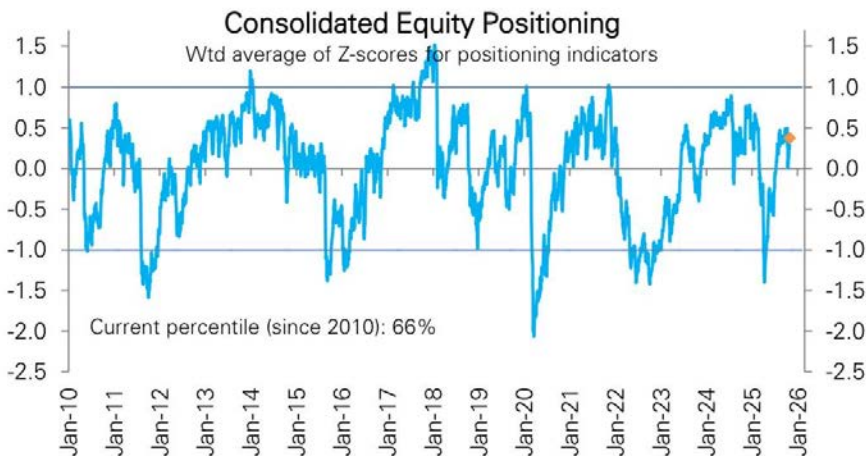
U.S. 10 Year Treasury



Source: CNBC.com

The U.S. bond market remains volatile, shaped by technical and structural forces. GOJI recommends a selective stance on U.S. fixed income, preferring entry when the 10-year Treasury yield surpasses 4.50% p.a.. In contrast, non-U.S. bonds have seen notable yield compression, curbing upside unless recession risks escalate. Duration exposure should be carefully calibrated, given prevailing valuations and shifting rate dynamics.

Consolidated Equity Positioning



*Weights based on explanatory power in regression of equity performance on indicators

Source: Deutsche Bank Asset Allocation

**Systematic trimmed;
Discretionary
increased modestly.**

As of early November, investor positioning shows divergence. Systematic strategies have trimmed equity exposure amid rising volatility. From near full investment, any adverse shock could prompt substantial selling, as these models—guided by momentum and volatility signals—rapidly adjust. This dynamic introduces potential downside risk, particularly if market sentiment deteriorates unexpectedly.

Discretionary vs Systematic Equity Positioning

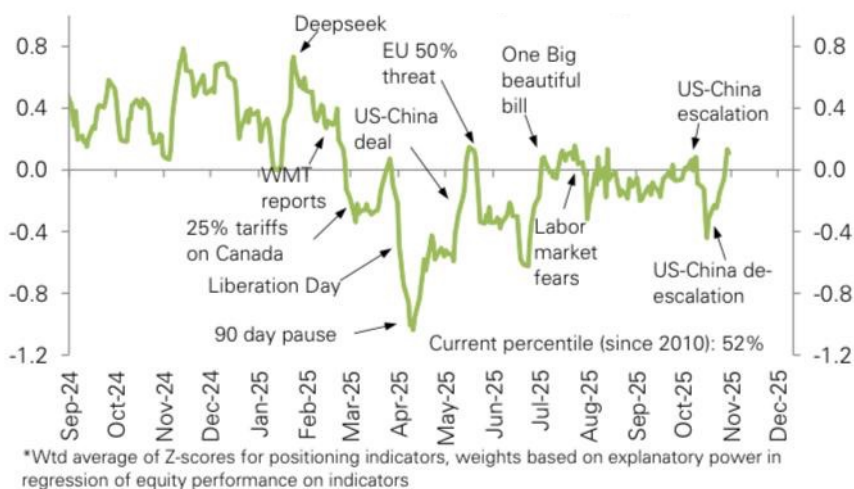


Source: Deutsche Bank Asset Allocation

Discretionary managers have modestly increased equity exposure, encouraged by easing China-U.S. tariff tensions, recent Federal Reserve rate cuts, and broadly positive Q3 earnings. Their previously neutral positioning provided scope to re-enter selectively. However, caution persists among some investors, citing elevated valuations, vendor financing risks within the AI sector, potential policy missteps by the Fed, and lingering uncertainty around tariff impacts on corporate margins.

Caution persists - elevated valuations, vendor financing risks, potential policy missteps, uncertainty around tariff impacts.

Discretionary Investor Positioning



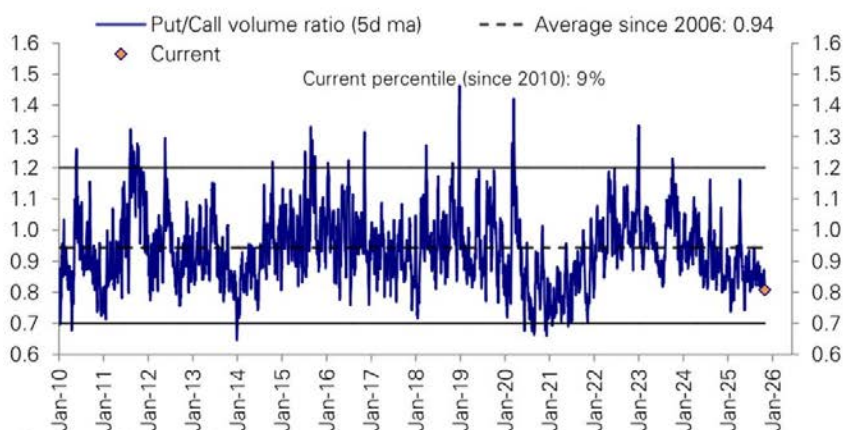
Source: Deutsche Bank Asset Allocation

Retail investor sentiment remained strongly bullish throughout October, fuelled by high-profile transactions involving NVIDIA, OpenAI, and other AI

infrastructure leaders. Confidence in further rate cuts before year-end has also supported risk appetite. The equity options market saw heightened activity, particularly in call options, driven by retail traders and fast-money funds.

This aggressive pursuit of upside exposure, coupled with minimal demand for protective puts—reflected in a notably low put/call ratio—suggests heightened vulnerability. Should adverse news emerge, markets may be exposed to abrupt downside pressure due to limited hedging activity.

Put and Call Options



Data as of October 30th 2025
Source: CBOE, Haver Analytics, Deutsche Bank Asset Allocation

Fear & Greed Index

- What emotion is driving the market now?



Source: CNN Business
Last update November 5 at 8:00:00 PM ET

The CNN Fear & Greed Index swung from "Greed" a month ago, to "Extreme Fear" in early November.

Short-term Technical Analysis

U.S. equity indices—namely the Dow Jones, Nasdaq, and S&P 500—remain firmly above their 50- and 200-day moving averages, reflecting strong long-term momentum. Golden Cross signals from late 2023 have driven record highs, fuelled by corporate buybacks and consistent inflows from retail and systematic investors. However, short-term profit-taking has led to sharp sell-offs in overbought momentum stocks and sectors, highlighting increased market sensitivity.

S&P 500 Stock Price Index



Despite supportive technicals and resilient earnings, the outlook remains uncertain. However, navigating elevated price momentum and bullish retail sentiment—set against concerns of an AI-driven bubble—demands agility, discipline, and adaptability. Investors must remain alert to shifting market dynamics and balance optimism with prudent risk management in an increasingly complex environment.

The Way We See It

- Global Markets and Investment Thematics

At GOJI, our investment framework is built on a dual approach—balancing short-term tactical agility with long-term strategic discipline. We distinguish between tactical positioning (3–6 months) and strategic allocation (1–2 years), allowing us to navigate evolving market dynamics with precision.

Long-Term Risk-Neutral Strategy Rationale

GOJI maintains a long-term risk-neutral stance amid ongoing U.S. trade policy uncertainty. With tariff risks largely priced in, markets appear to favour pro-growth and pro-digital asset policies. Given elevated valuations in AI and U.S. technology, we recommend a modest underweight in high-beta growth assets, while favouring overweight exposure to cash and high-quality instruments to preserve capital and maintain flexibility in an unpredictable macroeconomic and policy environment.

both fundamental and quantitative investors have largely priced in tariff-related risks. Markets appear to be operating under a best-case scenario assumption, favouring pro-growth, pro-equity, and pro-digital asset policies. In this context, our long-term stance remains risk-neutral. We recommend a modest underweight in high-beta growth assets, given elevated valuations and volatility. Instead, we favour an overweight allocation to cash and high-quality, stable assets to preserve capital and maintain flexibility amid policy unpredictability.

Short Term: to retain a moderately bullish tactic, but remain nimble in Q4

GOJI's tactical asset allocation (TAA) stance for Q4 has turned moderately bullish, driven by the Federal Reserve's decision to prioritise employment concerns over inflation risks through successive rate cuts. This dovish pivot, combined with resilient corporate performance in key U.S. growth sectors—namely AI, technology, and financials—supports a constructive short-term outlook.

Discretionary investors, currently positioned only marginally above neutral, may be compelled to re-enter the market, while retail participants—buoyed by gains since April—are likely to maintain momentum, potentially increasing leverage. However, markets have already priced in considerable optimism, leaving limited margin for error. Any negative surprise could prompt swift repricing across equities and bonds.

Valuations in corporate credit, equities, and digital

assets remain elevated, with positioning skewed towards high-beta exposures, particularly via algorithmic strategies. Technical indicators point to overbought conditions, and sentiment remains bullish, aided by Q4's historically favourable seasonality.

GOJI's view remains more measured than consensus. While upside potential persists, downside risks—such as an unexpected recession or credit event—are underappreciated. We continue to advocate a nimble approach, emphasising active risk management and readiness to pivot should market dynamics shift.

Postscript

- Could the current tightening of U.S. banking liquidity cause a financial crisis?

Concerns have emerged in recent weeks regarding a mild—though not yet crisis-level—tightening in the U.S. banking system and the offshore USD Eurodollar market. If left unaddressed, this liquidity strain could increase the risk of debt defaults among highly leveraged corporates whose operating cash flows are insufficient to service their debt obligations.

Signs of stress include a widening spread between key short-term rates—namely the general collateral (GC) repo rate, the Secured Overnight Financing Rate (SOFR), and the Interest on Reserve Balances (IORB)—alongside a notable surge in emergency borrowings via the Federal Reserve's liquidity facilities. Typically, when the GC repo rate exceeds SOFR and even IORB, it reflects heightened urgency among banks and corporates to secure funding, signalling systemic tightness.

Key developments include:

1. Fed acknowledgement and intervention

Federal Reserve Chair Jerome Powell recently noted: "Some signs have begun to emerge that liquidity conditions are gradually tightening, including a general firming of repo rates."

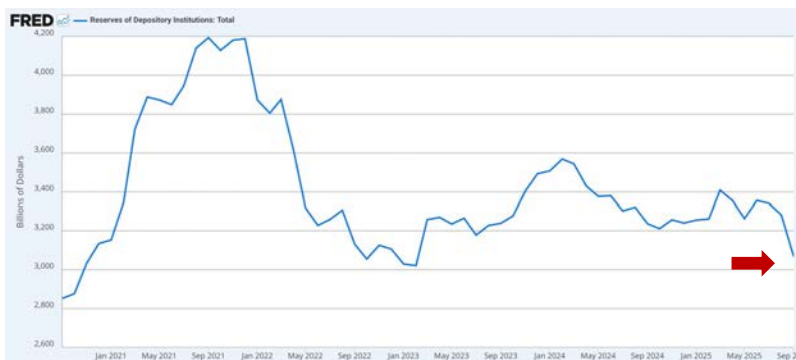
Furthermore, “On November 1, 2025, the Fed injected \$29.4 billion via its Standing Repo Facility (SRF) to stabilise markets, underscoring underlying stress without which conditions could worsen.”

This intervention effectively offsets several months of quantitative tightening (QT), highlighting the severity of the situation.

2. Decline in bank reserves

U.S. bank reserves, which are considered balanced at around \$3 trillion, have fallen to approximately \$2.8 trillion—suggesting a meaningful contraction in system-wide liquidity.

Reserves of Depository Institutions: Total (TOTRESNS)



Source: Board of Governors of the Federal Reserve System (US) via FRED®

Total reserves decline from peak pandemic level to latest.

3. Elevated emergency borrowing

Recent sizeable withdrawals at the Fed's lending window point to increased funding stress among financial institutions.

4. Rising interbank borrowing costs

The cost of borrowing in the interbank market has risen materially, by an estimated 32–34 basis points per annum, further tightening financial conditions.

5. AI-driven debt issuance

The liquidity squeeze may be partly attributable to substantial recent debt issuance by mega-cap technology firms in the AI sector, with reported volumes reaching up to \$70 billion since September.

While these developments do not yet signal an imminent financial crisis, they risk exacerbating an already constrained liquidity environment. As Powell and New York Fed President John Williams have observed, even after several rate cuts, the prolonged QT cycle, persistent positive real rates, and the capital-intensive AI boom—alongside disruptive fiscal policies under the Trump administration—have contributed to systemic tightening.

Notably, JPMorgan CEO Jamie Dimon has warned of “cockroaches” emerging in the U.S. credit system—a metaphor for hidden vulnerabilities that may multiply under stress.

In summary, the U.S. banking system appears less robust than headline figures suggest. Continued vigilance and proactive liquidity management will be essential to mitigate potential spillovers into credit markets and broader financial stability.

GOJI CONSULTING LIMITED



Level 34, Tower One, Times Square
1 Matheson Street, Causeway Bay, Hong Kong



www.goji-consulting.com



enquiry@goji-consulting.com



+852 3951 0359

Disclaimer

For your personal use and for reference only, not to be relied upon for any investment decisions or any other purposes. Not for further distribution. Neither Goji Consulting Limited nor its representatives are licensed with the Securities and Futures Commission of Hong Kong, nor is any of them holding out as such. No investment advice is offered. No solicitation made. Whilst information stated herein is based on independent third party sources we believe to be reliable, no warranty is hereby given and no responsibility is accepted.