MARKET GUARD®
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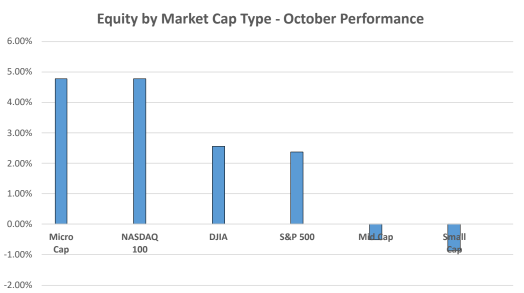
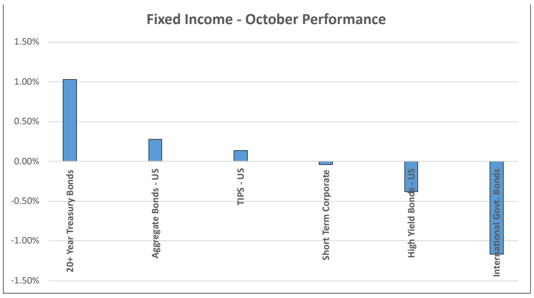
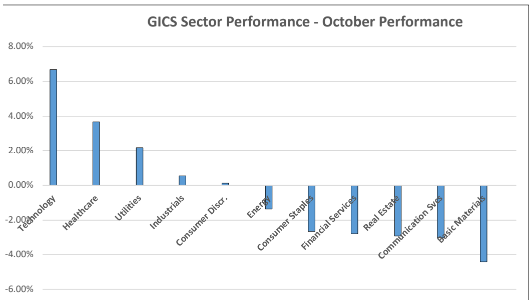
October 2025 - Market Comments

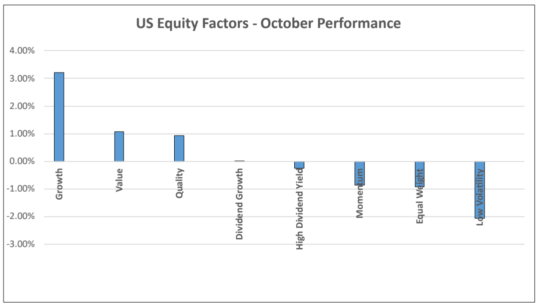
Markets in a Glimpse

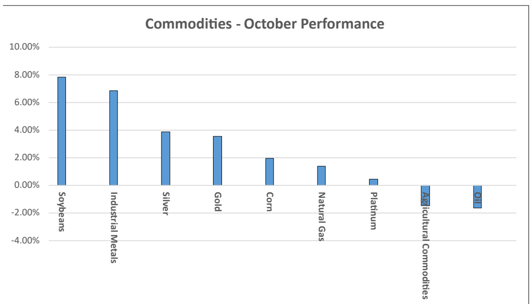
- **Stock Markets Rally Lingers**: Global equities sustained their rally in October, helped by early-cycle rate cuts in the U.S. and stronger-than-expected corporate earnings, particularly in tech and emerging markets.
- **Global Sentiment Remains Subdued:** The United States and other major advanced economies continue to experience persistently weak consumer and business confidence, underscoring a broader deterioration in overall economic sentiment.
- **AI Masking Underlying Economic Weakness**: AI-driven investment is currently a major contributor to U.S. GDP growth, but its sustainability and productivity payoff remain uncertain until adoption spreads across the wider economy.
- **Golden Volatility**: Precious metals ended in positive territory the month, yet experiencing an incredible rollercoaster with Gold suffering a pull-back later in the month as lower-than-expected inflation data was released.
- **Oil market dynamics were mixed:** supply concerns (sanctions, OPEC+ restraint) clashed with weak demand forecasts and inventory surpluses, resulting in oil prices holding broadly flat to slightly negative by month-end.
- **Crypto Technical Correction:** After strong institutional participation in Q3, Bitcoin and other cryptocurrencies pulled back amid liquidity & leverage adjustments, while broader crypto derivatives volumes remained elevated.

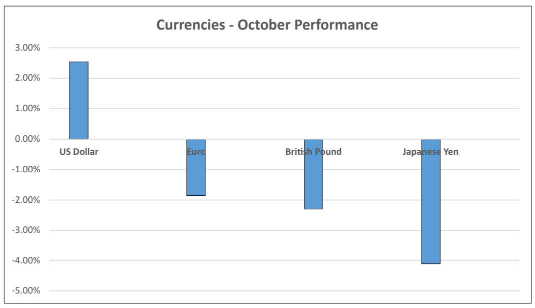












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In-Depth Market Review

Financial Markets

Equities

In October, equity markets extended their rally with mid-single digit advances overall. Technology, Healthcare and Utilities led the market, whereas inflation-related sectors such as Energy, Financials or Materials suffered from lower-than-expected inflation indicators. Large-cap Quality Growth stocks, particularly technology and AI-related stocks, were the big winners. The rally did not come without turbulence as mixed economic data, and geopolitical events (tariff risks, trade discussions) created intermittent pull-backs. Lastly, earnings season kicked off with strong figures with the percentage of companies beating consensus well above historical averages,

Fixed Income

Bond yields moved lower over the month reflecting growing market belief that the Federal Reserve was tilting toward easing, especially after the soft inflation data released. The easing of yields helped support equity valuations by reducing the discount rate applied to future earnings, though some caution remains given stretched valuations and inflation uncertainty. The interplay between inflation expectations and growth prospects is influencing corporate bonds, yet credit spreads remained stable, for which reason, corporate bonds performance tracked sovereign securities quite closely.

Commodities

Oil prices fell as OPEC+ signalled higher output, though geopolitical risks kept a floor under prices. Gold surged to record highs on safe-haven demand and easing rate expectations, while base metals remained mixed amid weak Chinese demand. Agricultural commodities were mostly flat with ample supply and softer demand offsetting tighter stock forecasts.

Currencies

UDF dollar experienced pronounced volatility as market participants increasingly anticipated interest rate cuts from the Federal Reserve and shifted allocations towards riskier assets. This fluctuation in currency markets contributed to a more favourable environment for commodities denominated in currencies other than the U.S. dollar e.g. gold. Cryptocurrencies weakened, as macro uncertainty and regulatory pressures weighed on Bitcoin and broader digital assets.

Monthly Key Takeaway

October was characterised by a renewed advance in risk assets, driven by growing conviction that monetary policy might ease, alongside strong earnings in technology/AI-related sectors and supply-side support in commodities. Equities pushed higher, with large-cap tech and momentum names leading the way, even as fixed income yields eased and softened inflation data reinforced the policy-easing narrative. In commodities, gold volatility was the rule, while oil weakness lacked a clear breakout amid demand-supply tension. Crypto wavered as investors reset positions. Overall, markets appear to be leaning into a risk-on mindset underpinned by policy relief, yet the backdrop of elevated valuations, growth headwinds, and uneven global demand remains a cautionary note.

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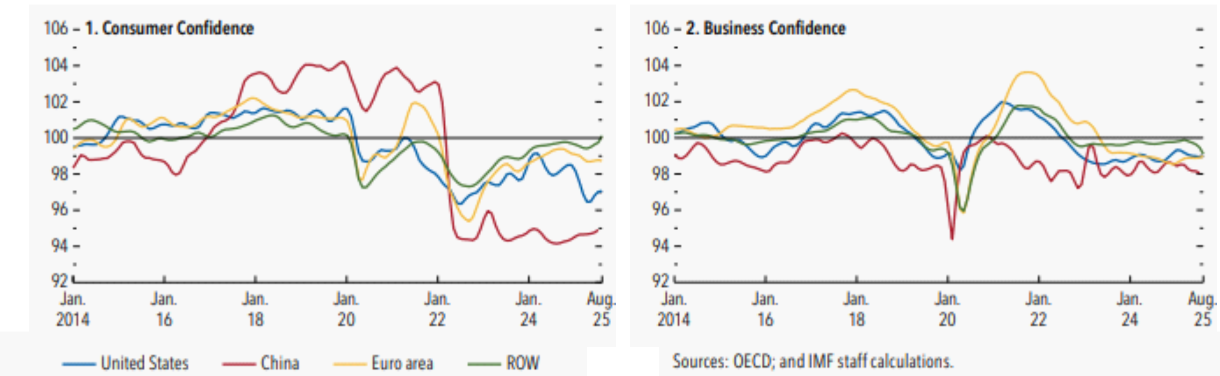
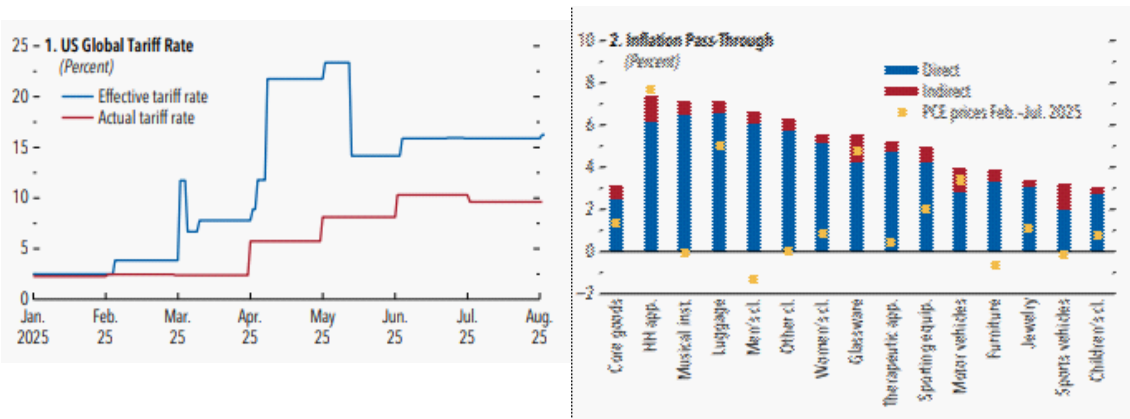
Macroeconomy & Financial Markets

- **Global Confidence Levels Remain Subdued**: The composition of GDP growth across major economies underscores the prevailing weakness in demand and reflects deeply subdued sentiment. Recent quarters have revealed clear distortions in trade flows, masking a broader loss of momentum. Consumption growth has been notably weak across all major regions, while investment has faltered despite temporary spurts of activity ahead of the April tariff announcements. Together, these patterns point to persistently low consumer and business confidence, reinforcing the picture of deteriorating economic sentiment (source: IMF).



- **Tariffs Delayed Pass-Through**: The inflationary impact of tariffs has been limited for the time being with US headline and core inflation ticking slightly up. This muted response likely reflects delayed pass-through, as stockpiling, tariff pauses, product-related tariff exceptions (e.g. data-centres components) and trade rerouting have reduced the effective tariff rate relative to announced levels. However, high-frequency data indicate that both imported and domestic goods in tariff-affected sectors are seeing price pressures, pointing to broader supply chain and pricing spillovers that may intensify as firms face rising costs. A weaker US dollar has limited exporters' ability to absorb tariff costs, leaving US firms and consumers to bear most of the burden. Despite higher tariffs, overall import prices have remained stable, though impacts vary by sector: capital goods have risen in price, while autos show modest increases e.g. Exporters like Japan have sharply cut prices for US-bound goods, underscoring uneven adjustment and minimal exchange rate offset (source: IMF).



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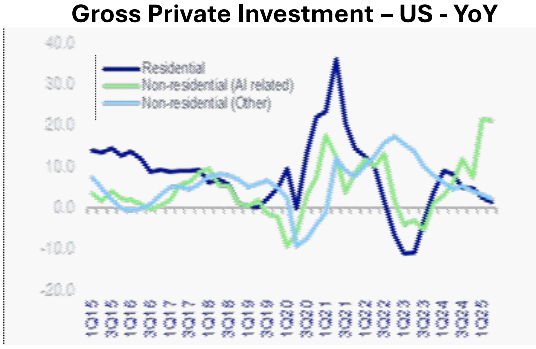
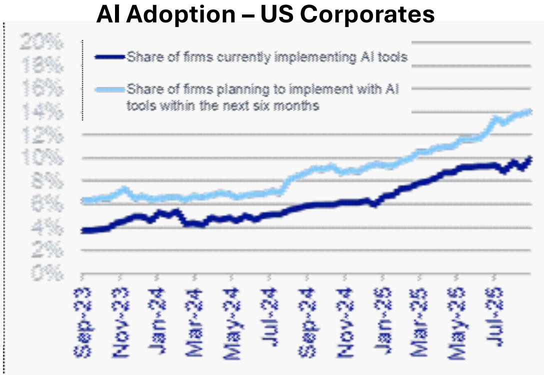
- **Fed Cautious Monetary Easing**: A hawkish Federal Reserve rate cut was the other major market story of late. While many sell-side firms reaffirmed expectations for another 25 bp cut in December, the tone of Chair Powell's remarks - emphasizing caution amid still-sticky core inflation and resilient labour markets - tempered market optimism. As a result, Treasury yields moved higher across the curve, and futures pricing now implies a flatter rate-cutting trajectory through year-end 2026, with roughly 70 basis points of easing expected next year, down from about 85–90 bp just two weeks ago. This adjustment reflects growing conviction that the Fed will proceed slowly, balancing disinflation progress against concerns that financial conditions remain too loose for a rapid pivot, which trigger some profit-taking from stock markets by month-end.
- **AI masking US economy weakness**: AI-driven investment is currently a major contributor to U.S. GDP growth, with data-center and semiconductor spending adding roughly 1–1.5 percentage points to real GDP in 2025 as tech giants pour hundreds of billions into infrastructure. This surge has supported construction, manufacturing, and energy demand, offsetting weaker consumer activity. However, the boom is concentrated in a few large firms and heavily reliant on continued capital expenditure rather than broad productivity gains. The biggest danger is that the impact may fade if spending slows, as AI's benefits have yet to translate into measurable improvements in overall labour productivity. In short, AI is powering near-term growth, but its sustainability and productivity payoff remain uncertain until adoption spreads across the wider economy.

Gross Private Investment – US - YoY



AI Adoption – US Corporates



- **Magnificent 7 Leading the Earnings Season:** Magnificent Seven earnings largely stood out, with results and commentary broadly positive. Alphabet (Google) impressed investors with strong cloud momentum and Microsoft reported 39% year-over-year Azure growth, exceeding both guidance and consensus forecasts. Meta Platforms as management's outlook for operating expenses to rise significantly faster in 2026 weighed on sentiment and limited the stock's post-earnings upside. Overall, two thirds of the companies reported with 83% beating consensus, a beat rate above past historical averages, and the percentage of companies issuing negative at 57%, which is in line with past earnings season periods.

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Commodities and Currencies

- Energy: The oil complex exhibited a tug-of-war dynamic in October. On one hand, supply disruptions, production discipline from the Organization of the Petroleum Exporting Countries and its allies (OPEC+) and sanctions on major producers provided support; on the other, demand concerns and inventory accumulation weighed on prices. By month-end, oil prices hovered around US$65 for Brent, with U.S. WTI near US$60, as investors assessed the possibility of a US-China trade truce and softened demand signals with consensus expecting struggles with oversupply pressures within the next 12 months, with forecasts suggesting Brent might average US$62 in Q4 2025 and move toward US$52 in 2026.

- Metals: Gold surged to new record levels, driven by central bank purchases, ETF inflows and a softening U.S. dollar. However, by late October gold began to pull back modestly as technical/positioning factors came into play and some analysts flagged that a correction may last months. In the industrial metals space, the outlook is more subdued as industrial commodity prices are forecast to be lower in 2026 than in 2025 due to the uncertainty surrounding key metal demand drivers (e.g. China), especially in an environment of structural transitions (clean energy, electrification) but also near-term demand softness.

- Soft Commodities: Agricultural commodities are contending with mixed supply and demand signals: favourable weather in some regions, but uncertainty around input costs and global demand remain. The World Bank estimates that commodity prices in 2025 will still average ~23 % above 2019 levels, underscoring the structural shift in supply chains and inflation-linkage in agricultural markets.

- Cryptocurrencies: A sharp escalation in the Donald Trump-led US-China trade conflict triggered widespread risk-off sentiment that sent crypto and other risk assets into retreat. Meanwhile, Hong Kong took a regulatory lead by approving the world's first Solana (SOL) Spot ETF, launched by ChinaAMC, effectively leapfrogging the U.S. in this emerging segment. Still, this rebound appears more technical than fundamental. Going forward, market momentum is likely to hinge on ETF capital flows, geopolitical developments, and evolving regulatory signals.

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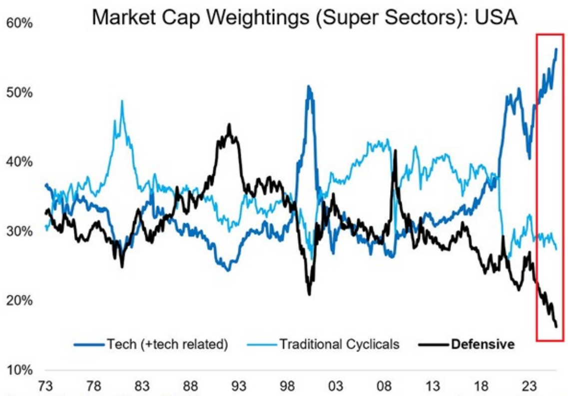
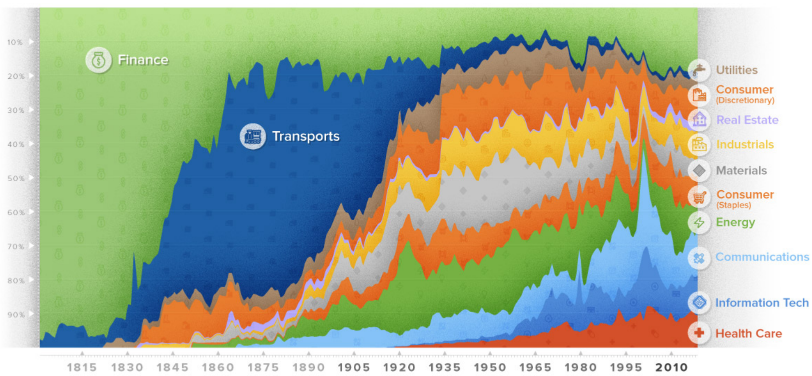
Topic of the Month: Technology Index Dominance

Technology-related equities now account for more than 55% of the total stock market capitalization i.e. approximately five percentage points higher than the peak of the Dot-Com bubble in 2000. In contrast, defensive stocks comprise less than 15% of the market, marking the lowest level ever recorded. This also represents the first instance in history in which defensive equities have remained below the 20% threshold for a sustained period. Meanwhile, traditional cyclical stocks represent just 28% of total market capitalization, hovering near historically low levels.



The evolution of sector composition over the past century highlights how investor capital reallocates toward new engines of growth. When early U.S. stock market indices were first introduced in the 1800s, they tracked primarily railroads and industrials. By 1900, railroads still dominated but were gradually joined by utilities, steel, and energy companies.



In this way, if one could travel back to the late 19th century, it would have been almost impossible to convince investors that railroads were not the inevitable future of the stock market. Governments actively fuelled the expansion through subsidies and vast land grants. Between 1868 and 1873, just after the American Civil War, the US laid an astonishing 33,000 miles of new track, reflecting the urgency to industrialize and integrate the economy. Entrepreneurs and financiers poured capital into ambitious ventures such as the Northern Pacific Railway, confident that the rail network would revolutionize commerce. By the peak of the boom, railroad-related stocks accounted for more than 60% of total U.S. stock market capitalization, making the sector the undisputed posterchild of investor enthusiasm.

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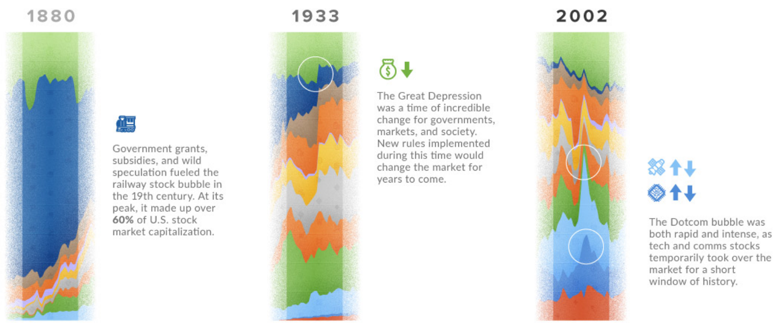
Likewise, the late-1990s boom was driven largely by telecom infrastructure investment (e.g. expanded fibre-optic capacity) inadvertently suppressing demand for further build-out as more data could travel through the same lines. Moreover, early internet applications (e.g. email replacing letters, digital supply-chain tracking) were human-centric, improving efficiency but delivering limited productivity gains, which resulted in Dot-Com stocks unable to consistently generate genuine revenue and solid free-cash flow. This period highlights the importance of distinguishing between speculative capital deployment and genuinely transformative innovation.

AI's potential to transform the physical economy, stimulate downstream industries, and increase demand for its own infrastructure makes it far more analogous to the 19th-century railroad boom than to the Dot-Com bubble. On the one hand, the Dot-Com era was primarily about communication efficiency and suffered from an infrastructure overbuild that suppressed further demand. On the other hand, the AI era, like the railroads, promises self-reinforcing adoption, capital-intensive infrastructure growth, and deep structural change—even if many early-stage firms fail along the way.

In hindsight, the valuations placed on many of these rail companies appeared unsustainable. Despite the undeniable transformational role, investor expectations far exceeded the industry's long-term earning capacity. In other words, capital markets balance risk and reward, but future outcomes remain inherently unpredictable. As the speculators of 1869 discovered, even the most promising innovation waves carry the potential for significant capital loss. This transition reveals how successive waves of innovation - electricity, automobiles, aviation, telecommunications, computing - have displaced previous leaders, reshaping the investment landscape repeatedly over time.



The railroad experience offers key insights for evaluating today's AI-driven equity surge:

1. Early Superiority: Transformative technologies often dominate markets in their early phases, drawing intense speculative capital.
2. Temporary Edge: Sector leadership rarely endures indefinitely; industries that appear indispensable can eventually decline as new technologies emerge.
3. Hype vs Reality: Investor expectations frequently overshoot operational realities, creating valuation bubbles that later correct.
4. Lasting Impact: True innovations can deliver lasting productivity gains even if many early participants fail e.g. railroads' enduring impact on commerce and industrialization.

Historical perspective invites caution amid AI optimism: while the technology may reshape industries in profound ways, the composition of future markets will almost certainly differ from today's leaders.

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MG’s Message to Investors

- October was marked by a renewed rally in risk assets, supported by rising confidence that central banks are approaching an easing phase, alongside robust earnings from technology and AI-focused sectors. Equity markets advanced broadly, led by large-cap tech and growth names, as moderating inflation data and easing bond yields reinforced the soft-landing narrative. In commodities, gold saw heightened volatility amid shifting rate expectations, while oil prices remained range-bound, constrained by the push and pull between weak demand signals and ongoing supply adjustments. The cryptocurrency market fluctuated as investors recalibrated positions following strong third-quarter gains.
- Overall, sentiment tilted toward a risk-on stance, fuelled by hopes of policy support, though investors remain mindful of stretched valuations, lingering inflation risks, and uneven global growth momentum. In fact, the last days of the month saw a more hawkish than expected Fed that riled up stock markets and highlighted their current fragility.
- As November advanced, MG highlights the following tactical views for the next week that had been implemented since the last week of October:
    - Equities: Underweight equity exposure minimizing risk exposure to cycle-sensitive securities and inflation-related securities to favour more defensive large cap growth exposure benefitting from latest soft inflationary data points.
    - Fixed Income: Underweight stance by favouring high yield and intermediate investment grade corporate bonds and reducing exposure to pure interest rate-sensitive assets such as government securities.
    - Alternatives: Underweight exposure on the back of oversupply dynamics in Oil as well as profit-taking moves from Gold after a lower-than-expected inflation data.
    - Outlook and Strategy: These positioning shifts are tactical in nature and will be reassessed as incoming economic data, policy developments, and market dynamics evolve.
- MG reminds its investors about the importance of disciplined risk management, reaffirming the necessity of adopting a cautious, data-driven methodology focused on achieving long-term performance objectives. In this way, MG remains steadfast in its commitment to diligently monitor financial markets and actively adjust risk exposures in alignment with shifting market dynamics. The primary recommendation emphasises the preservation of a fully diversified portfolio, ensuring its structural integrity by refraining from imprudent exposure to risks or opportunities that may appear excessively favourable or unsustainable.

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MG Investment Solutions Taxonomy

- MG ETF Asset Allocation Portfolios: Multi-asset class diversified mandates employing a quantitative asset allocation framework that dynamically adjusts portfolio exposures in response to evolving market conditions and the distinct risk profile of each mandate, with the objective of effectively navigating the prevailing environment of uncertainty.
- MG ETF High Income Portfolio: A diversified ETF portfolio designed as an alternative investment vehicle for investors seeking short-duration, highly liquid exposure with the objective of generating monthly income. The strategy targets a mid-single digit yield and is recommended for investors with a minimum investment horizon of two years.
- MG Opp Portfolio: An equity portfolio managed through a quantamental investment process, selecting U.S. stocks with a higher likelihood of outperformance over the medium to long term. The portfolio maintains a strategic bias toward large-cap growth companies.
- MG Opp Dividend Portfolio: An equity portfolio constructed through a quantamental investment process, focused on the selection of U.S. stocks with a dividend yield significantly higher than the broad U.S. equity market. The portfolio emphasizes companies with high-quality balance sheet, aiming to enhance the likelihood of outperformance over the long term, with a strategic bias toward mid-cap value and quality-oriented stocks.
- MG Emerging Technologies (MGET): A Tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by allocating capital to high-growth transformative thematic opportunities such as Artificial Intelligence, Cybersecurity, Robotics, Biotechnology, Blockchain, and Quantum Computing.
- MG Blockchain (MGBLOCK): A tax-efficient, annually rebalanced portfolio designed to target double-digit annualized returns over the long term by offering investors diversified access to the cryptocurrency sector. The strategy employs a combination of direct exposure to cryptocurrency-linked, fiat currency-denominated ETFs (focused on Bitcoin and Ether) alongside indirect exposure to publicly traded companies demonstrating high sensitivity to the blockchain ecosystem.

MG Solution	Short	Asset Class	Description
MG Asset Allocation ETF	*MGAA*	Multi-Asset Class	Multi-asset class diversified mandates employing a quantitative asset allocation framework that dynamically adjusts portfolio exposures in response to evolving market conditions and the distinct risk profile of each mandate, with the objective of effectively navigating the prevailing environment of uncertainty.
MG High Income ETF	*MGHI*	Fixed Income	A diversified ETF portfolio designed as an alternative investment vehicle for investors seeking short-duration, highly liquid exposure with the objective of generating monthly income. The strategy targets a mid -single digit yield and is recommended for investors with a minimum investment horizon of two years
MG Opp	*MGOP*	Equity	An equity portfolio managed through a quantamental investment process, selecting U.S. stocks with a higher likelihood of outperformance over the medium to long term. The portfolio maintains a strategic bias toward large -cap growth companies
MG Opp Dividend	*MGOD*	Equity	An equity portfolio constructed through a quantamental investment process, focused on the selection of U.S. stocks that prioritize a dividend yield approximately three to four times higher than that of the broad U.S. equity market. The portfolio emphasizes companies with high-quality balance sheet, aiming to enhance the likelihood of outperformance over the medium to long term, with a strategic bias toward mid -cap value and quality-oriented stocks.
MG Emerging Tech	*MGET*	Equity	A Tax-efficient, annually rebalanced portfolio designed to target double -digit annualized returns over the long term by allocating capital to high -growth transformative thematic opportunities such as Artificial Intelligence, Cybersecurity, Robotics, Biotechnology, Blockchain, and Quantum Computing.
MG Blockchain	*MGBLOCK*	Equity & Crypto ETF	A tax-efficient, annually rebalanced portfolio designed to target double -digit annualized returns over the long term by offering investors diversified access to the cryptocurrency sector. The strategy employs a combination of direct exposure to cryptocurrency-linked, fiat currency-denominated ETFs (focused on Bitcoin and Ether) alongside indirect exposure to publicly traded companies demonstrating high sensitivity to the blockchain ecosystem.