Monthly Market Update

There is a beloved Calvin and Hobbes quote I have always cherished: "I have all the time in the world to do nothing." In Zen, this echoes zazen—simply sitting in stillness, embracing the art of doing nothing. That is my exact mindset amid the current U.S. furlough: no data to analyse, nothing to ponder, just serene, unhurried space.

Yet, a single ripple of curiosity stirs my stillness: the Atlanta Fed's GDPNow forecast, now at 3.9%. This is intriguing, amid low hiring and softening consumption, not sure what calculus allows such growth to bloom? Anyway, for now, even that question can rest, unanswered, in the peace of doing nothing.

The Fed appears to be adopting a strategy of "feeding the pigeons while letting the cat loose." We ended up with a hawkish rate cut, tempered by a reduction in QT. The QT adjustment seems more about managing the Standing Repo Facility than anything else, but I felt there was little need for Chairman Powell to downplay December prospects or maintain such a hawkish tone. Even a layman like me can see the sharp drop in energy prices, progress toward resolving China tariffs, and a still-uncertain macro backdrop (furlough risks included), so I expected a bit more conviction from the Fed on the rate-cutting cycle.

Argentina: Touched by the “hand of god”.

The Trump administration, viewing Milei as a key ideological ally, launched an unprecedented bilateral rescue package, the largest U.S. bailout of a Latin American country since Mexico's 1995-peso crisis. It totals $40 billion in support, framed as "economic stabilization" rather than a traditional bailout, using the Treasury's $221 billion Exchange Stabilization Fund (ESF). The aid aims to prop up the peso, rebuild reserves, and buy time for Milei's reforms. Luckily for the US, Milei’s party is on track to finish first in the midterm elections. My reading is slightly different, and I view this stabilisation as a trojan horse, but Argentinians were left with no choice but to accept. I still feel that ARP could weaken further (1600+) and this band aid fix requires something deep on reform front. I would be extremely wary of jumping into this asset rally.

Japan: Abenomics 2.0, The Revival Begins.

I believe PM Takaichi-san’s three pillars are expected to prioritize a corporate and growth-friendly environment. The first pillar will feature an expansionary fiscal policy, with targeted subsidies to address inflation (subsidies for electricity and gas). The second will focus on bolstering national defense capabilities. The third will emphasize energy security to ensure long-term stability. This agenda places the Bank of Japan (BoJ) in a challenging position. In my view, it supports a weaker yen, with a move beyond 160 likely within reach. Accordingly, I expect the BoJ to proceed with a rate hike in December. The outcome of all this is a higher Nikkei albeit hedged version.

China: The Party's plenum, where progress bends to fate.

China has substantially ramped up investment in strategic technology sectors, with artificial intelligence, advanced computing power, and space exploration designated as national priorities. The Plenum underscored the increasingly complex and challenging international environment; however, leadership emphasized constructive dialogue as the preferred approach, explicitly rejecting decoupling and confrontation.

On the domestic front, the anticipated large-scale stimulus package has yet to fully materialise. While policymakers acknowledged persistent weakness in household consumption, the current policy framework shows limited inclination toward aggressive pro-consumption measures. Focus remains on supply-side structural reforms and technological self-reliance.

This strategic pivot strongly reinforces the case for China tech exposure. The Hang Seng TECH Index (HSTECH) remains the most direct and efficient vehicle to capture this targeted growth in AI, advanced computing, and strategic innovation.

UK: Budget’s tempest looms, let prudence steer.

UK Government so far has borrowed GBP 7 billion more than expected, clearly derailing the fiscal wagon. They are expected to raise taxes in the November budget which is a function of the margin of error on their self-imposed fiscal rules. We all hope that margin of error is large enough for the UK economy to chug along without uncertainties. At this juncture, the sole near-term relief stems from easing inflation and the prospect of Bank of England rate cuts, which could meaningfully lower debt-servicing costs and ease pressure on the fiscal framework. However, these outcomes remain contingent and unconfirmed. Growth forecasts have been repeatedly downgraded, and the economy faces entrenched headwinds. From a currency standpoint, sterling weakness appears inevitable, with a downside target of 1.2500 or lower increasingly probable as the base case.

No actionable recommendation on the FTSE 100 at this time, market direction hinges on Budget clarity and global risk sentiment.

US: The Fed's Tightrope Walk and Inflation Tamed.

US CPI moderated to confirm the FED rate cut for October and probably sealed the December as well. Core CPI implies one and three year annualised gains of 2.8% (vs. 4.2% prior), 3.6% (vs. 3.6% prior) respectively. Bloomberg calculated the tariff pass through to read 26 basis, which means every $1 increase in tariff costs, firms passed through 26 cents to consumers. An impressive 80% of reporting companies have beaten EPS estimates and again 80% have exceeded revenue forecasts. With the Fed easing, inflation taming, and corporate profits surging, the stage is set for sustained, broad-based equity gains, a true crucible for a galloping stock market. If US-China trade tensions reset via a durable deal, easing tariffs, rare earth curbs, and tech export bans, the floodgates open for unbridled equity upside.

However, you could call me a doubting Thomas in a sea of bulls and will not insult your intelligence in spelling out valuations, but I have always believed that scepticism is not denial but survival and would rather live to tell another tale. In short stay long Treasuries, stay light on US equities, especially AI/tech and probably lean towards defensive plays. A strong USD in the realm of currencies may be back in the playbook.

Gold: Down the rabbit hole of the spot chart.

The price action grows curiouser and curiouser as the day trudges along. We have now slipped below $3,900 (as on 28th Oct) from the mad heights of $4,381. I remain lost in Wonderland's riddle: is Gold a safe-haven queen or a risky knave? It wears both crowns at once, defying logic and leaving price prophecy a Mad Hatter's game. Should the tumble follow its present logic, $3,600 looks a plausible stop.

Manoj Mahadev, Head of Investments

INVESTMENT MANAGER CONTACT DETAILS:

Aditum Investment Management Limited
Office 510, Level 5, Gate District 3
Dubai International Financial Centre,
Dubai, UAE

PO Box 506605
Telephone: +971 4 875 3700
Email: info@aditumim.com
www.aditumim.com

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