

KFH Capital Monthly Insights

Capital Market Outlook & Updates

September 2025

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Capital Markets Insights

Market Analysis & Outlook

- **Capital Markets Monthly Summary:** Equity markets continue to record new highs as they discount the interest rate cuts and the AI related hype. While in the case of Fixed Income the US Treasury Yield Curve movement supports more rate cuts as we move into the last quarter of 2025. There was considerable compression in the short tenor yields compared to the long tenor resulting in a bullish steepening of the curve. Commodities performance continued to be mixed with precious metals outperforming. Persistent uncertainty is likely to support prices for precious metals.
- **Tariff Update:** The key metric to focus on is the Effective Tariff Rate (ETR), which refers to the average actual tariff burden on imported goods. The consensus of the expected ETR for the US is at 17.5%, which is substantially higher compared to the 2024 level of 2.4%.
- **What it means for Capital Markets:** A higher ETR increases downside risks through macroeconomic channels such as elevated inflation and a negative impact on corporate margins, as companies struggle to pass price increases on to consumers. As a result, 2H2025 earnings are likely to remain under pressure.
- **Outlook:** We believe markets will remain range bound as they lack fundamental triggers. Market tailwinds include resilient macro-economic activity, continuation of the interest rate cut cycle. Headwinds include uncertain trade policies, downside risks to corporate earnings as the full impact of tariffs has yet to materialize, persistently high inflation levels, recent government shutdown in the US

KFH Private Wealth Insight – Chart of the Month

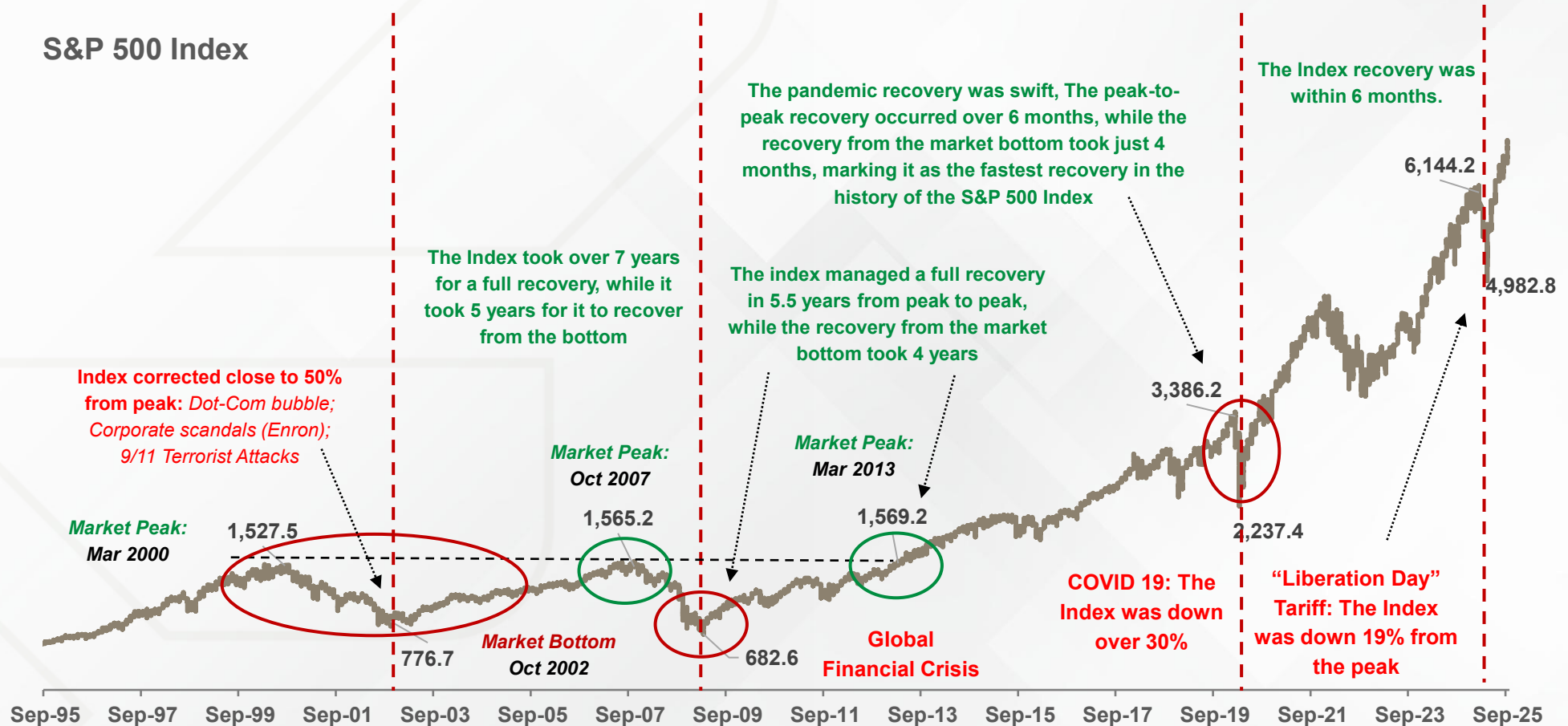
- **Market Recovery Time Trends and What it Means for Investors:** , Predicting a full market recovery is challenging, as it depends on many moving parts, including fundamentals, geopolitics etc. Nonetheless, markets have always recovered and gone on to record new highs (see *graph on the following slide*). However, study of the S&P500 Index has provided evidence that market recoveries have become swifter which we believe could be due to increase government / central bank interventions.
- Examples from recent market declines include the 30% decline in the S&P500 Index from its peak during the pandemic. The pandemic recovery was swift, The peak-to-peak recovery occurred over 6 months, loose fiscal policy coupled with rate cuts by central banks were key features of the recovery
- **What it means for Investors:** Acceptance that markets will witness corrections, however the primary trend remains to the upside. Market corrections provide Investors with portfolio rebalancing opportunities. Traditional momentum strategies or stop loss strategies are unlikely to work given the speed of the corrections.
- **KFH Private Wealth Strategy:** Best solution is acceptance, diversification and an active approach post correction – not prior and especially not succumbing to the short-term fear during these market falls.
- For more on market recoveries and what it means for investors refer to the **Wealth Insights: Q4 Outlook** report which will be published soon

Are Market Corrections and Recoveries Quicker than before?

Market recovery timelines have shortened considerably. However, the recovery timelines are a function of many factors like the underlying fundamentals & macroeconomics, geopolitics etc....

Full Market Recovery Means: A complete cycle of Peak – Bottom – Peak

S&P 500 Index



Equity Markets Update

Markets continue to record new highs amid interest rate cuts and AI related investments. Equities to remain range bound with potential downside risks

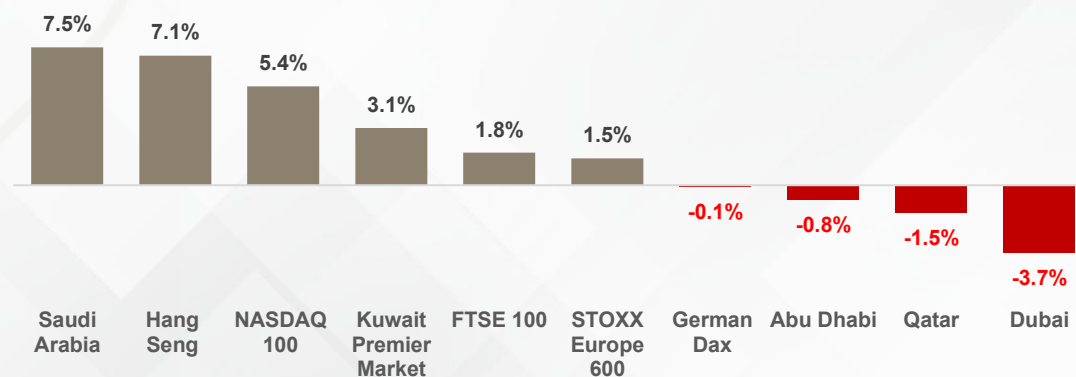
Equity headwinds & Tailwinds:

- Government shutdown; new tariff announcements; corporate profitability. While tailwinds is continued loose monetary policy which is likely to support increased consumer spending and Corporate Investments.
- Government Shutdowns are not a new phenomenon; however, it is the period or days of the shutdown which will result in increased uncertainty. The most recent was during 2018 which lasted for over a month. Donald Trump was the president during the same period. Also, the full impact of tariffs is yet to be discounted in the corporate earnings. So far businesses have not fully passed on the input price increase on to end consumers. Thus, corporate profit margins will be another area to watch

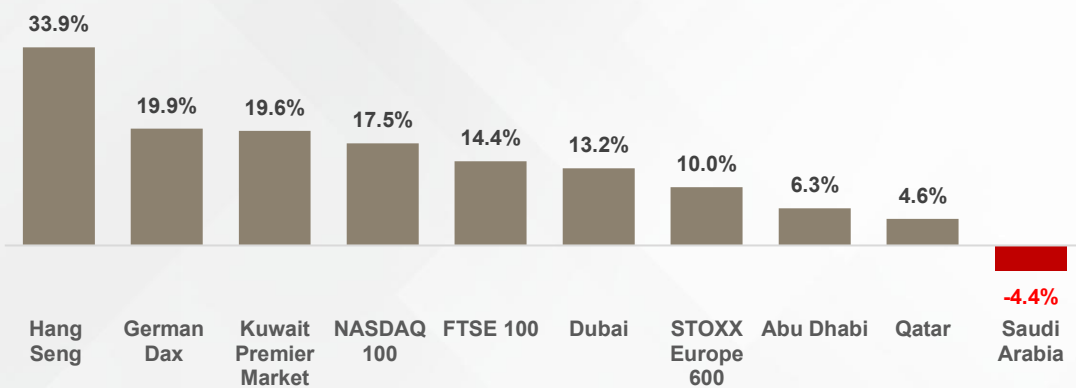
GCC Equities among top performers in global peers:

- On monthly basis Saudi Tadawul Share Index (TASI) was the top performer among global peers with 7.5% gains. Driven by recent announcements by Saudi Capital Market Authority on a proposal to allow more foreign investors access on Saudi markets. **What it means for the Saudi Markets:** Increased liquidity, Higher Foreign Direct Investments in Saudi.
- The 25bps rate cuts during the month by all the GCC Central banks following the US Fed, rate cuts to impact GCC markets positively. The cuts to support non-oil economic growth

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)*

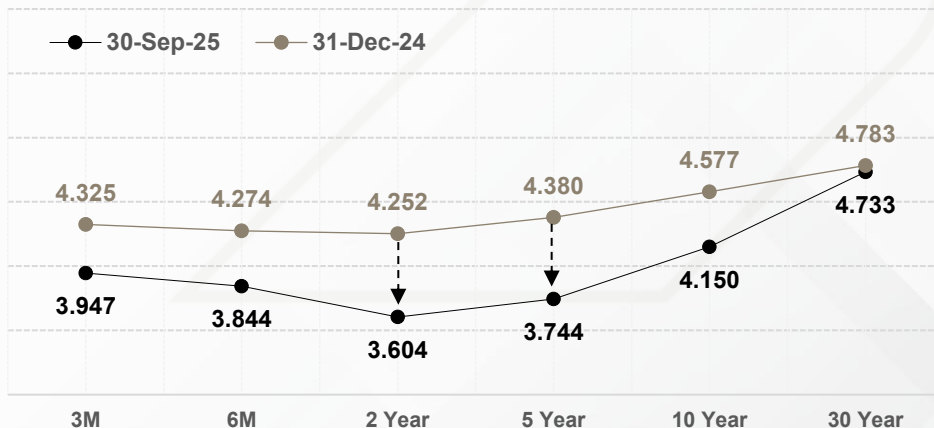


Source: Refinitiv; *Index Closing as of September 30, 2025

Global Benchmark Yields

Bullish steepening of the US Treasury Yield Curve amid rate cut expectations

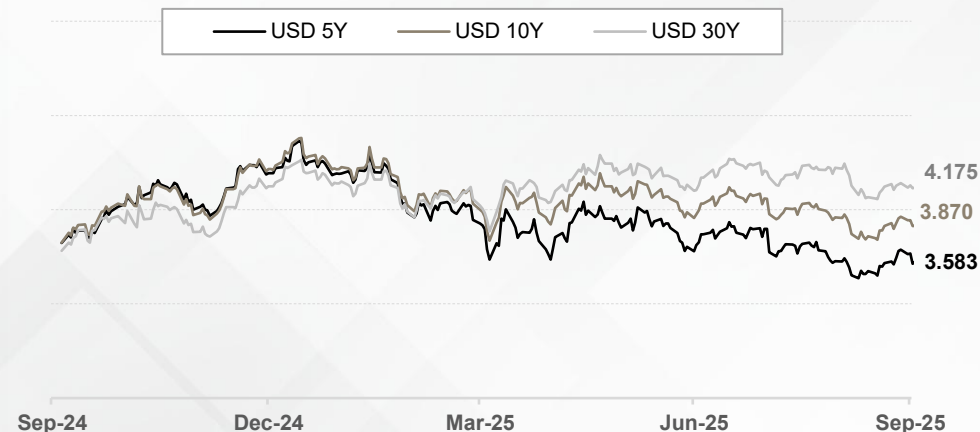
US Treasury Yield Curve (%)



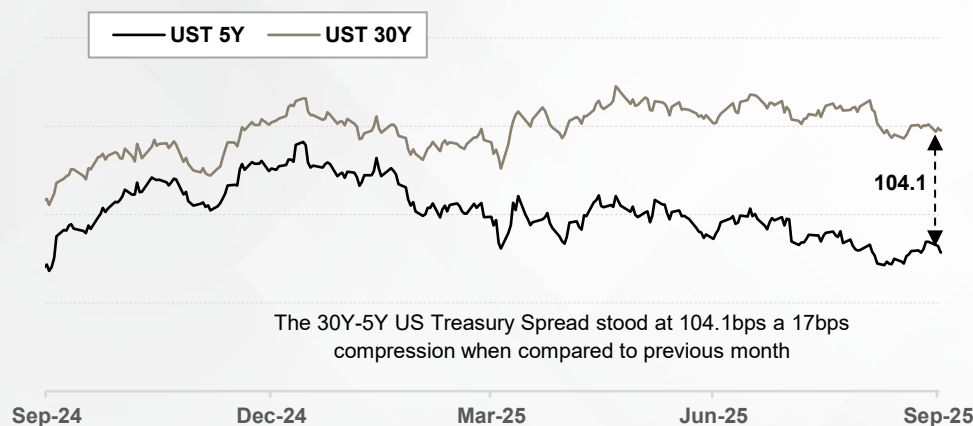
- On a Year to Date (YTD) there was a considerable compression in the short tenor bond yields as markets discount further rate cuts for the remaining of 2025. The 2Y Treasury Yield closed at 3.604% down 65bps on YTD basis, while on a month-on-month basis it remained unchanged with a marginal 2bps decline
- As for long tenor the 30Y Treasury saw demand as the yields were down 19bps on a monthly basis, which explains the compression in the 30Y-5Y yield spread. Further, the 5Y saw increased supply as the Yields moved up by 5bps, while the 10Y Yields were down 8bps during the same period.

Source: Refinitiv, Year-to-Date (YTD) as of September 30, 2025

US Mid-Swaps Yield (%)



30Y-5Y Spread (bps)

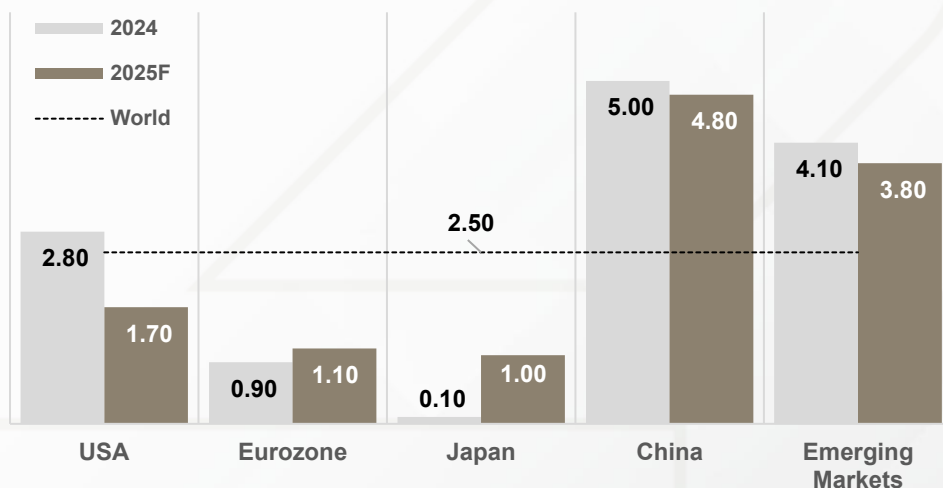


The 30Y-5Y US Treasury Spread stood at 104.1bps a 17bps compression when compared to previous month

Macroeconomic Overview

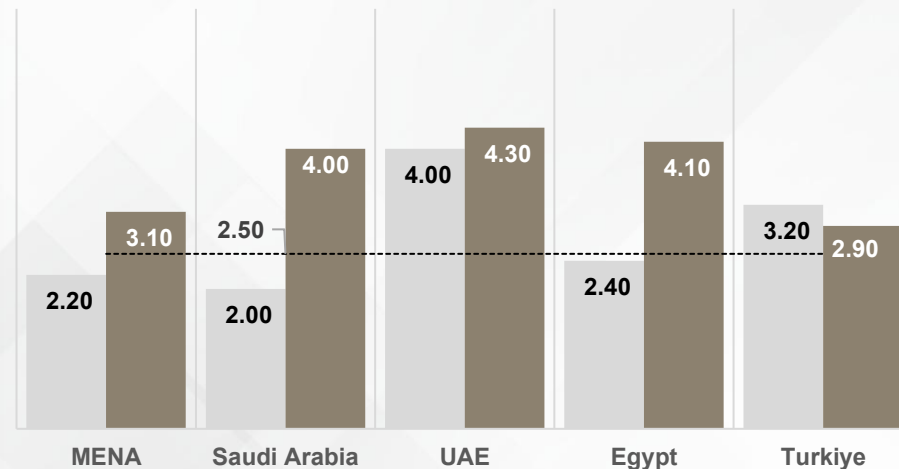
Global Growth Outlook remains broadly unchanged at 2.5% for 2025, key headwind is the higher effective tariff rates, however dovish monetary policies to support growth...

Real GDP Growth (%) - Global



- In the case of Tariffs the key metric to focus on is the Effective Tariff Rate (ETR), which refers to the average actual tariff burden on imported goods. Recent Fitch report stated that the expected ETR for the US is likely to be 17.5%, which is substantially higher compared to the 2024 level of 2.4%.
- A higher ETR increases downside risks through macroeconomic channels such as elevated inflation and low consumer spending. The increased downside risks to growth due to higher ETR is partially set off by monetary easing as major central banks continue to cut interest rates

Real GDP Growth (%) – MENA Region



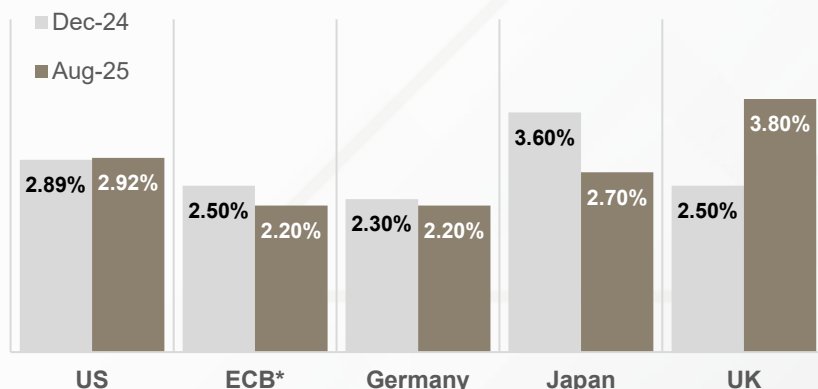
- Growth in MENA region to be supported by rising crude oil production as OPEC+ unwind voluntary production outputs and growth in non-oil economy. Non-oil economic segment growth to be supported by easing monetary policy which is likely to drive consumer spending.
- While headwinds to growth include the persistent low oil price environment resulting in decline in government spending a key GDP driver. Like in the case of Saudi Arabia which likely to revisit its project pipeline due expected budget deficit

Source: Fitch Solutions, f=forecasted, e=expected

Consumer Price Inflation & Central Banks Rates Monitor

Monetary Easing to continue, emphasis on labor markets and economic activity, while inflation levels remains anchored

Consumer Price Index (CPI)



- The month of September saw the US Fed restart its interest cutting cycle as the Fed made a 25bps cut to its target rates, first since November 2024. The rate cut was despite elevated inflation; we believe it was a risk management strategy. As shown in the graph US Inflation remains elevated at 2.92%, however unemployment has increased to 4.3% and has potential risks to the upside. Also, the economic projections report released by the US Fed committee has forecasted a GDP growth of 1.6% for 2025 down from 2.1% forecast during December 2024
- The Bank of England (BOE) kept rates unchanged at 4.0% during the monetary policy meeting in September 2025. As we write, the Euro area inflation expectations were announced with the print coming at 2.2% which is higher when compared to previous month level of 2.0%

Source: Refinitiv; CPI: Consumer Price Inflation; * For the month of September

Central Banks Rates

Central Bank	Current Rate	Prior Rate	Change (bps)
US Federal Reserve System	4.25%	4.50%	(25.0)
European Central Bank	2.00%	2.00%	-
Bank of England	4.00%	4.00%	-
People's Bank of China	3.00%	3.00%	-
Central Bank of the Republic of Turkey	40.50%	43.00%	(250.0)

Economic Calendar

October 2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
28	29	30	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

- Oct 01:** Eurozone CPI data
- Oct 02:** Turkey CPI data
- Oct 03:** Non-Farm Payrolls – US
- Oct 15:** Consumer Price Inflation - US
- Oct 20:** People's Bank of China Meeting
- Oct 22:** Consumer Price Inflation - UK
- Oct 23:** Central Bank of Republic of Turkey
- Oct 29:** US Fed Meeting
- Oct 30:** European Central Bank Meeting

Commodities and Forex Overview

Commodities record modest gains on a monthly basis; however precious metals continue to outperform. While the energy complex continues to record price declines

- Precious metals continue to outperform as Gold records 10.6% gains on monthly basis. While Silver prices were up 15% during the same period. Continued uncertainty on trade policies and geopolitics were key drivers.
- The average Brent crude price for September was at USD 67.5 per barrel an increase of 0.2% on previous month average price of USD 67.4. The outlook on the crude remains on the downside as markets are likely to witness increased supply as demand continues to remain weak.
- As per recent data on Refinitiv, crude markets are to witness excess supply to the tune of 2 million barrels per day (mbpd). Supply is expected to reach 106.5mbpd by end of December 2025. While demand is forecasted to be at 104.6mbpd
- Potential upside for the commodities include a further devaluation of the USD, a weak USD makes commodities low-priced which can result in increased procurement. Further, changing geopolitical events can impact prices to the upside.

US Dollar Index is down 9.87% on a YTD basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	62.37	-2.56%	-4.21%	-13.04%
Brent Crude (USD Per Barrel)	67.02	-1.61%	-0.87%	-10.21%
DME Oman Crude (USD Per Barrel)	69.35	-4.33%	-1.46%	-10.50%
Natural Gas (USD MMBTU)	3.30	10.21%	-4.43%	-9.08%
LNG - ASIA (USD MMBTU)	11.20	0.45%	-14.50%	-20.57%

Precious Metals	Last	MTD	3M	YTD
Gold (USD Ozs)	3,840.80	10.57%	16.59%	46.08%
Silver (USD Ozs)	46.25	15.06%	29.01%	59.82%

Base Metals	Last	MTD	3M	YTD
Aluminum (USD/Tonne)	2,680.5	2.49%	3.20%	5.06%
Alu Alloy (USD/Tonne)	2,509.0	0.00%	0.00%	11.26%
Copper (USD/Tonne)	10,268.5	3.70%	4.05%	17.11%
Tin (USD/Tonne)	35,410.0	1.12%	5.02%	21.75%
Zinc (USD/Tonne)	2,960.0	5.00%	7.58%	-0.62%
Lead (USD/Tonne)	1,988.5	-0.13%	-2.76%	1.87%
Nickel (USD/Tonne)	15,235.0	-1.21%	0.13%	-0.61%
Rolled Steel (CNY/Tonne)	3,072.0	0.56%	4.58%	-3.21%

Source: Refinitiv, YTD as of September 30, 2025

A world map with a grid of binary digits (0s and 1s) overlaid on it. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right. The background is dark blue with a grid of small, glowing dots.

Key Contacts

KFH Capital Investment Company

P.O. Box: 3946 Safat, 13040 Kuwait

Tel. (+965) 2298 7000

Company: www.kfhcapital.com.kw

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