

KFH Capital Monthly Insights

Capital Market Outlook & Updates

October 2025

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Capital Markets Insights

Market Analysis & Outlook

- **Capital Markets Monthly Summary:** Equity markets have performed well over the month despite the volatility which was predominantly due to renewed tariff related news and the latest sanctions on Russia by the US. Nonetheless, the markets resumed the upward movement as it discounted strong earnings, interest rate cuts and reversal in tariff policies. In the case of commodities, Gold prices continued to record price gains however remained volatile as prices declined by 8% from month high
- In the case of tariffs, after initial retaliatory tariffs between China and US at the beginning of October, the US has finally agreed to trim tariffs on China to 47% from earlier proposed 57% after negotiations. Positive for markets
- **Earnings:** Quarter earnings have been strong driven by the banking and tech sector, while the manufacturing sector recorded muted earnings amid tariff related impacts. The manufacturing sector companies have announced USD 500-750 million in impact from tariffs during Q3 alone. As we near the end of 2025, corporate have revised Q4 2025 earnings outlook upwards, have announced increased Capex, higher Free Cash Flow from operations and increased dividend payouts along with share buybacks.
- **Monetary Policy:** The US Fed announced a 25bps rate cut while the European Central Bank (ECB) kept key rates unchanged. In the case of US we believe the rate cut is continuation of the risk management strategy as the US Fed anticipates weak labor market, however presently key policy drivers do not warrant rate cuts. Inflation though soft continued to remain elevated at 3.01% and above Fed target range. The last available figures of Unemployment are for the month of August which were 4.3%.

Market Analysis & Outlook

- However, there is a potential upside risk to the figure. If one were to collate the recent Layoff announcements among only the blue chips, in total US employers have so far announced over 900,000 job cuts on a YTD basis as per Refinitiv news.
- **Outlook:** We continue to believe markets will continue to do well and remain range bound in the near term supported by the rate cut stimulus which will drive growth. However, in the medium-term there are fundamental factors that are potential headwinds, foremost being the Effective Tariff Rates (ETR) imposed by the US on Imports. ETR is likely to be in to range of 15-20% which is significantly higher when compared to 2024 levels of 2-3%. This means businesses will be accumulating future inventory at higher prices.
- A portion of the tariff hike will be passed on to consumers which will result in acceleration in future inflation prints. This leads to increased uncertainty on the outlook of monetary policy as the situation will be challenging for central banks to balance higher inflation and Unemployment.

KFH Private Wealth Insight – Chart of the Month

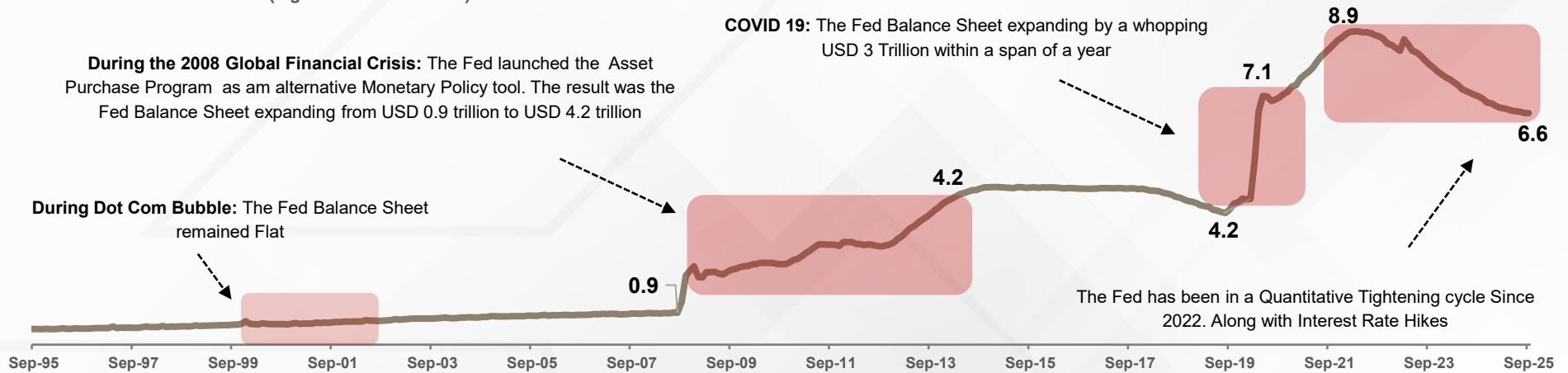
- ***Is Government Intervention central to Swift Market Recoveries?*** : In continuation with our previous Chart of the Month wherein we discussed the recent trends in market recoveries. We validated the theory that market recoveries have been swifter in recent years compared to historical norms.
- We explore the reasons for the swift recoveries, one of the theories is increased government intervention. For more details refer to the **Wealth Insights: Q4 Outlook** report

Is Government Intervention central to Swift Market Recoveries?

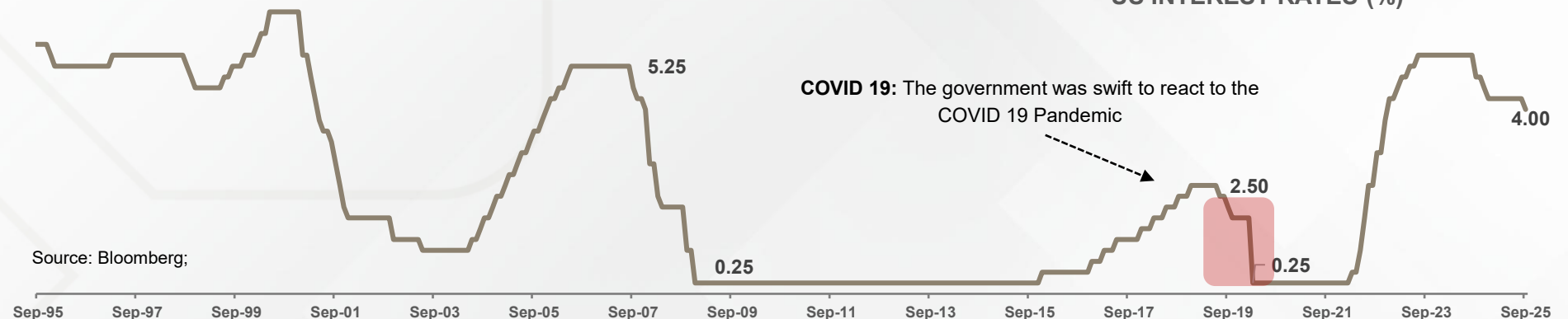
Historical data indicates that indeed it is the depth and speed of government intervention that has reduced the timeframe of market recoveries...

Markets are supported by a combination of monetary policy tools or channels, like QE and Interest Rate Cuts

US FED Balance Sheet (Figures in USD Trillion)



US INTEREST RATES (%)



Source: Bloomberg;

Equity Markets Update

Equities continue to rally as markets discount strong quarterly earnings, upward revision in CAPEX, dovish monetary policy and reduced tariff uncertainties

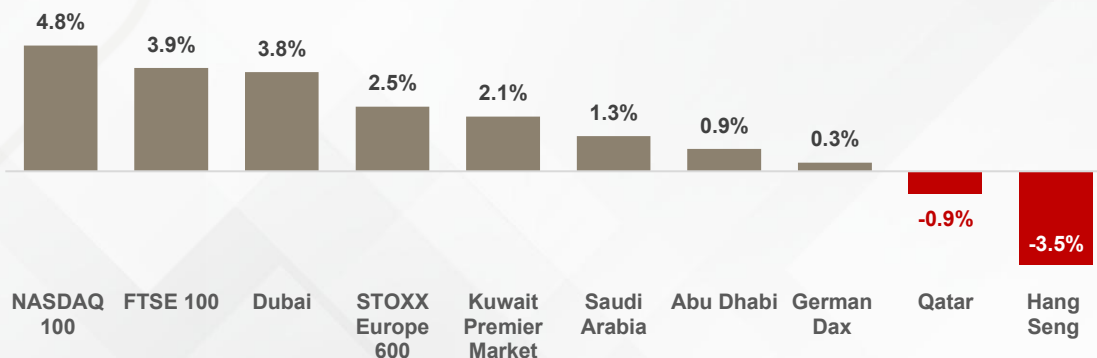
Corporate Earnings forecasts revised upward:

- The S&P500 corporate earnings for Q32025 has been revised upwards to a little over 10% compared to previous estimates of 8-8.5% as per Refinitiv .
- On sector basis the earnings have been diverse, banking along with technology sector have had a strong quarter. While manufacturing segment earnings have been impacted negatively by tariff related costs. In the case of banks higher fee income from Investments, Wealth Management etc. has been the key driver. While core banking revenues have been muted as lending margins remained under pressure

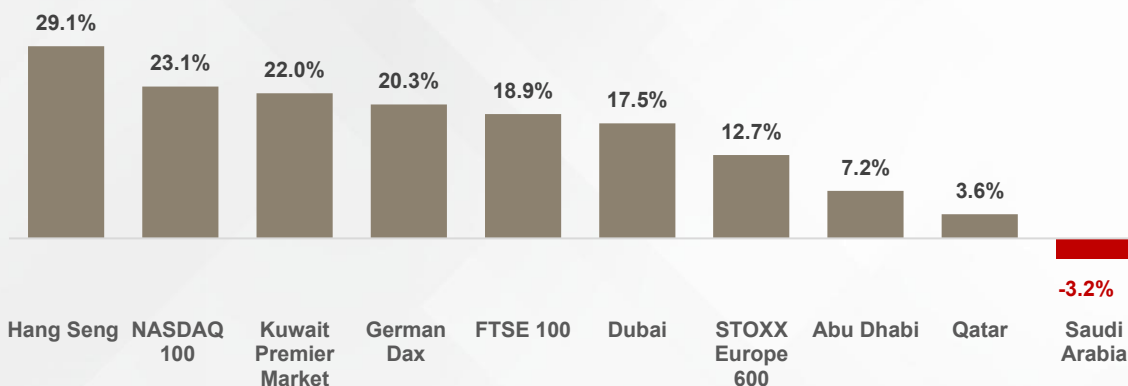
Earnings driven GCC Equities :

- In the case of GCC, major regional banks have recorded earnings, and they have been mixed. Key highlights have been higher non-operating income, lower provisions and double-digit loan growth
- In the case of Kuwait, earnings have been impacted negatively due to higher Tax Expenses (the Minimum Domestic Top up Tax), while Net Financing Income have recorded single digit growth as lending margins have been under pressure. UAE banks reported double digit growth in earnings driven by lower provisions and higher non-operating income as core banking income remained under pressure

Global Equity Markets Performance – Month to Date (MTD)



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

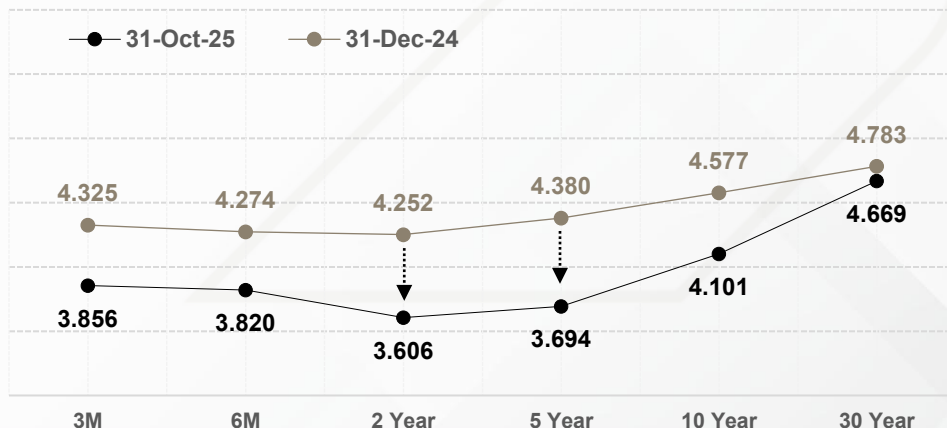


Source: Refinitiv; *Index Closing as of October 31, 2025

Global Benchmark Yields

The US Treasury Yield Curve Movement validates further monetary easing

US Treasury Yield Curve (%)



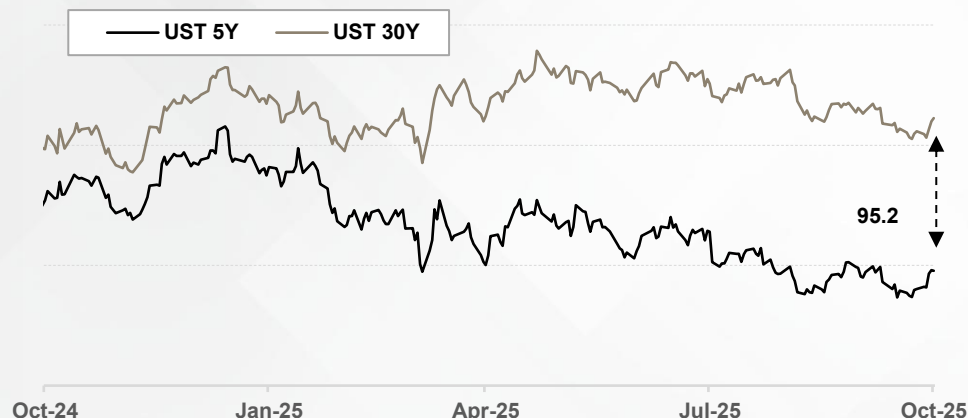
- On a Year to Date (YTD) basis the treasury yield curve has steepened with bullish indications as shorter tenor yields decline as markets discount or pricing further easing in the monetary policy in the near term
- On a monthly basis the yields have been steady as the 2Y treasury yields remained flat at 3.606%. The 10Y treasury yields were down by 5bps as it last traded at 4.101% during the same period. Similarly, the 5Y also was down by 2bps as it last traded at 3.694%. The 30Y treasury yields traded at 4.669% down 6bps on monthly basis.

Source: Refinitiv, Year-to-Date (YTD) as of October 31, 2025

US Mid-Swaps Yield (%)



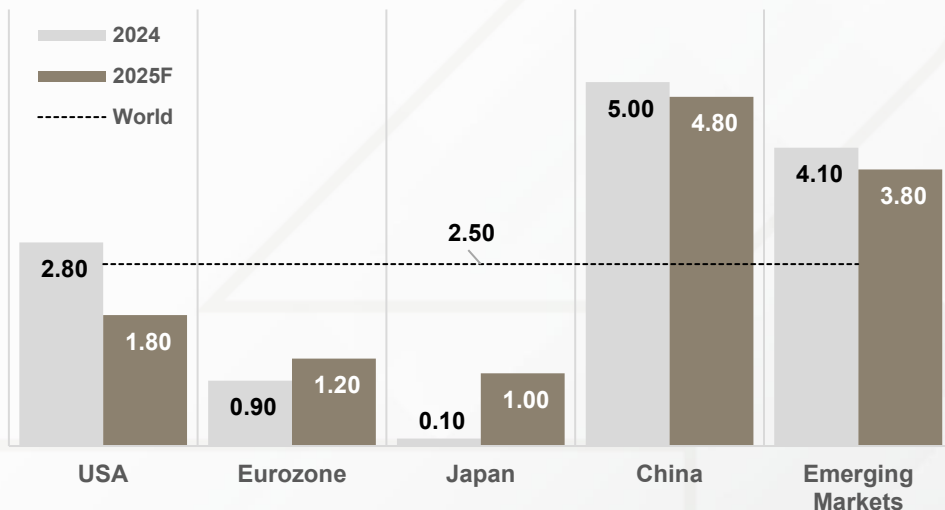
30Y-5Y Spread (bps)



Macroeconomic Overview

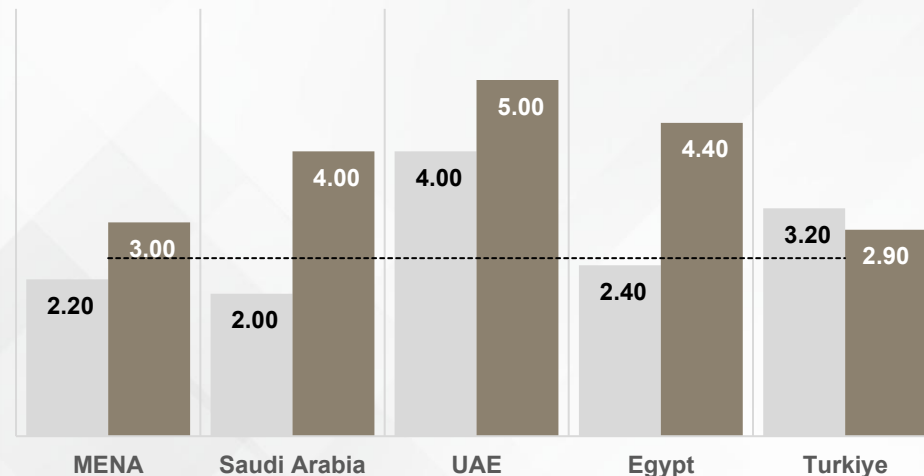
Global Growth ranges between 2.5-3.2% for 2025, tailwinds include higher corporate earnings, increased CAPEX while headwinds is the continued tariff uncertainty...

Real GDP Growth (%) - Global



- The International Monetary Fund (IMF) published October 2025 Outlook wherein it forecast GDP growth of 3.2% for current year. The IMF Outlook is on the higher side when compared to the World Bank outlook of 2.3% and Fitch Solutions forecasts of 2.4% for 2025. However, in all the above the risks to global growth are to the downside
- Other highlight of the IMF Outlook was the forecasts on trade volumes; IMF forecasts for 2025 is 3.6% growth in trade volumes. However, there is a deceleration in trade volumes during 2026 with a forecast of 1.6%

Real GDP Growth (%) – MENA Region



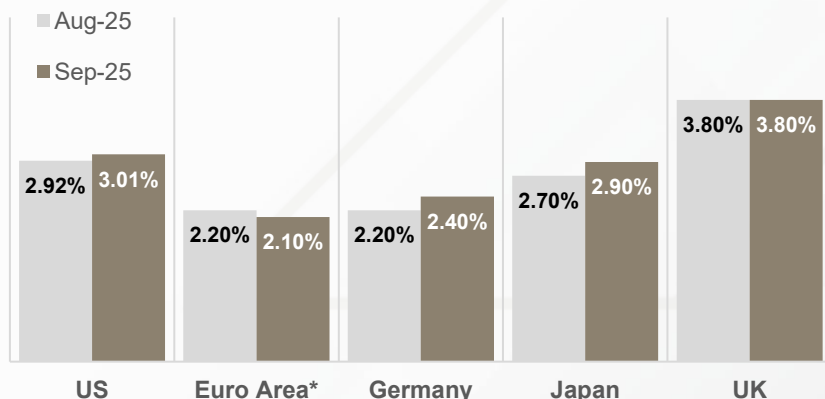
- Growth in MENA region to continue at 3.0% for 2025, key tailwinds for the region are higher volumes of crude as further unwinding of the OPEC+ production cuts. The recent Interest Rate cuts also should also support the non-oil sector growth
- Tailwinds include the persistent low crude oil prices; YTD average prices are below the hypothetical price of USD 70 per barrel assumed for government budget forecasts. Thus, governments are likely to report budget deficits going into 2026

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

Consumer Price Inflation & Central Banks Rates Monitor

Global Central Banks remain cautious as monetary policy remains mixed driven by respective incoming macro-economic data

Consumer Price Index (CPI)



- The US Federal Reserve (Fed) committee lowered the US target range for federal funds rate by 25bps to 3.75-4.00%. This would be the second rate cut by the US Fed during 2025 bringing the overall rates down from 2024 target range of 4.25-4.50%. While the European Central Bank (ECB) kept rates unchanged during the same period.
- In the case of inflation, the US Consumer Price Index (Inflation) increased by 3.01% for the month of September 2025 on a year-on-year basis. The Price Index excluding Food and Energy recorded an increase of 3.02% on Y-o-Y basis, which is lower when compared to the previous month's increase of 3.11%. The Euro Area annual inflation is expected to be 2.1% during October 2025, down from previous month 2.2%.

Source: Refinitiv; CPI: Consumer Price Inflation; *for the month of October

Central Banks Rates

Central Bank	Current Rate	Prior Rate	Change (bps)
US Federal Reserve System	4.00%	4.25%	(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	39.50%	40.50%	(100.0)

Economic Calendar

November 2025						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	30	31	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	1					

- Nov 03:** Turkey CPI data
- Nov 06:** Bank of England
- Nov 07:** Non-Farm Payrolls – US
- Nov 13:** Consumer Price Inflation - US
- Nov 19:** Consumer Price Inflation - UK
- Nov 19:** Consumer Price Inflation - Eurozone
- Nov 20:** People's Bank of China Meeting
- Nov 21:** Consumer Price Inflation - Japan
- Nov 26:** Personal Consumption - US

Commodities and Forex Overview

Gold continues to rally as it records new highs, the crude complex continues to record decline in prices amid unfavorable demand supply balance

- Gold last traded at USD 3,982.2 per ounce a gain of 3.68% on monthly basis. Despite gains Gold prices remained volatile during October, the yellow metal recorded a high of USD 4,336.4 per ounce, at current prices it is decline of 8% from the monthly high.
- Crude prices though continued to record decline in prices also witnessed volatility during the month. The average price for Brent Crude on a Year to Date (YTD) basis stood at USD 69.3 per barrel a decline of 14.65% when compared to same period last year average price of USD 81.2.
- On a monthly basis the prices remained volatile driven by recent sanction announcement on Russia's Rosneft and Lukoil by the US. The two companies together account for more than 5% of global oil output. The impact was the Brent crude trading at a monthly high of USD 66 per barrel, it was a rise of 8.6% from the lows of USD 61 during the same period.
- The consensus outlook for crude prices is USD 67-69 per barrel for 2025 as leading organizations are expecting a supply glut amid weak demand

US Dollar Index is down 8.0% on a YTD basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	60.98	-2.23%	-11.95%	-14.97%
Brent Crude (USD Per Barrel)	65.07	-2.91%	-10.29%	-12.82%
DME Oman Crude (USD Per Barrel)	67.71	-2.36%	-13.24%	-12.62%
Natural Gas (USD MMBTU)	4.12	24.86%	32.78%	13.52%
LNG - ASIA (USD MMBTU)	11.10	-0.89%	-6.72%	-21.28%
Precious Metals	Last	MTD	3M	YTD
Gold (USD Ozs)	3,982.20	3.68%	20.92%	51.46%
Silver (USD Ozs)	47.99	3.76%	31.30%	65.84%
Base Metals	Last	MTD	3M	YTD
Aluminum (USD/Tonne)	2,863.5	6.83%	11.64%	12.23%
Alu Alloy (USD/Tonne)	2,509.0	0.00%	0.00%	11.26%
Copper (USD/Tonne)	10,917.0	6.32%	13.59%	24.51%
Tin (USD/Tonne)	35,792.0	1.08%	9.42%	23.07%
Zinc (USD/Tonne)	3,037.5	2.62%	10.03%	1.98%
Lead (USD/Tonne)	2,022.0	1.68%	2.61%	3.59%
Nickel (USD/Tonne)	15,230.0	-0.03%	1.97%	-0.64%
Rolled Steel (CNY/Tonne)	3,097.1	0.82%	2.62%	-2.42%

Source: Refinitiv, YTD as of October 31, 2025

A world map with a binary (0s and 1s) overlay, giving it a digital or data-driven appearance. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right. The text is overlaid on the left side of the map.

Key Contacts

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