KFH Capital Monthly Insights

Capital Market Outlook & Updates

May 2025

Important Notice

This information is only intended for the client and should not be passed on to any other person.

This presentation is provided for information purposes only on the express understanding that the information contained herein will be regarded and treated as strictly confidential. It is not to be delivered, nor shall its contents be disclosed to anyone other than the entity to which it is being provided and its employees without the prior written consent of KFH Capital Investment Company K.S.C.C. (“**KFH Capital”)**.

Moreover, it shall not be reproduced or used, in whole or in part, for any purpose other than for the consideration of the financing or transaction or services described herein, without the prior written consent of KFH Capital. The information contained in this presentation does not purport to be complete and is subject to change. This is a commercial communication. The presentation does not include a personal recommendation and does not constitute an offer, or the solicitation of an offer for the sale or purchase of any financial product, service, investment or security.

Whilst every care has been taken in preparing this document, no member of KFH Capital gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness, timeliness or correctness of the information set out in this document. All views, opinions and estimates contained in this document June be changed after publication at any time without notice. Past performance is not indicative of future results. For the avoidance of doubt, our duties and responsibilities shall not include tax advisory, legal, regulatory accounting or other specialist or technical advice or services. You are to rely on your own independent appraisal of and investigations into all matters and things contemplated by this presentation. By accepting this presentation, you agree to be bound by the foregoing limitations. Kindly note that this presentation does not represent an offer of funding since any facility to be granted in terms of this presentation would be subject to KFH Capital obtaining the requisite internal and external approvals.

This presentation is not intended for the use of retail clients and must not be acted on or relied on by persons who are retail clients. Any investment or investment activity to which this presentation relates is only available to persons other than retail clients and will be engaged in only with such persons. Persons into whose possession this presentation comes are required by KFH Capital to inform themselves about and to observe any such restrictions.

Capital Markets Insights

Market Analysis & Outlook

- **Global Equities** stage a recovery during the second half of the month after recording new lows (*in particular the US equities*). Key drivers being favorable market sensitive macroeconomic data i.e., Inflation and Unemployment. Further supported by better-than-expected Q1 earnings for 2025
- C**ommodities:** With the exception of Gold which is up 5.8% on monthly basis all the other commodities have recorded a price decline during the same period. In the case of industrial commodities weak demand amid tariff uncertainty have impacted prices. While the sharp decline of over 15% in crude oil is fundamentally driven as the oil market witnesses decline in demand while supply continues increase. The crude price outlook has potential downside risks
- **Fixed Income:** The Treasury Yield Curve movement can be best described as a Bullish Steepening as shorter tenor yields have flattened compared to longer tenor yields. An indication that investors expect rates to fall in the short term.
- **Outlook**: *We believe two key themes will dominate for the remaining of 1H2025, firstly how the tariff policies materialize amidst negotiations. While the other theme being the monetary policy action which has been diverse so far. We have the Euro area with a dovish monetary policy while the US continues to hold rates*.
- **Tariffs Policies:** The story so far is a baseline 10% tariff rate on all countries, additional tariff have been paused for a 90-day period i.e., until July 2025 with the exception of China.

Market Analysis & Outlook

- The impact of tariffs is through indirect channels which includes potential higher prices (*sticky inflation*), decline in international trade flow (*weak demand*), decline in Capital Investments by industries
- **Macroeconomic Outlook:** In the case of US so far, the data has complicated the monetary policy action. Headwinds for the Fed include potential downside risks to economic growth which recorded a contraction of 0.3% during Q12025, Unemployment at 4.2% which within target range coupled with personal income growth and sticky inflation as tariff impacts are yet to be priced in.

KFH Private Wealth Insights - Is Gold Overbought ?

- ***The Chart of the month is the performance of Gold***. The recent run up in the precious metal has created excess positions. Based on the mean revision theory and a statistical analysis, investors should take advantage of this absolute and relative positions. Find on following slides detailed analysis of the above.

Chart of the Month - Is Gold Overbought ?

Mean Revision theory suggests asset prices eventually return to long term average. We suggest investors to take advantage of the excess absolute positions created from recent performance

Gold Price in USD Per Ounce (Spot basis) – in Comparison to its Average Price Over the Past 250 Days

we see Gold as significantly overbought on an absolute basis – As can be observed in absolute terms there is a huge divergence of spot prices away from Long-Term Average Price (250 Day Moving Average Line).

As shown the Spot Price for Gold stood at USD 3,349.4 Per Ounce, while the Average Price over 250 Days stands at USD 2,658 per Ounce

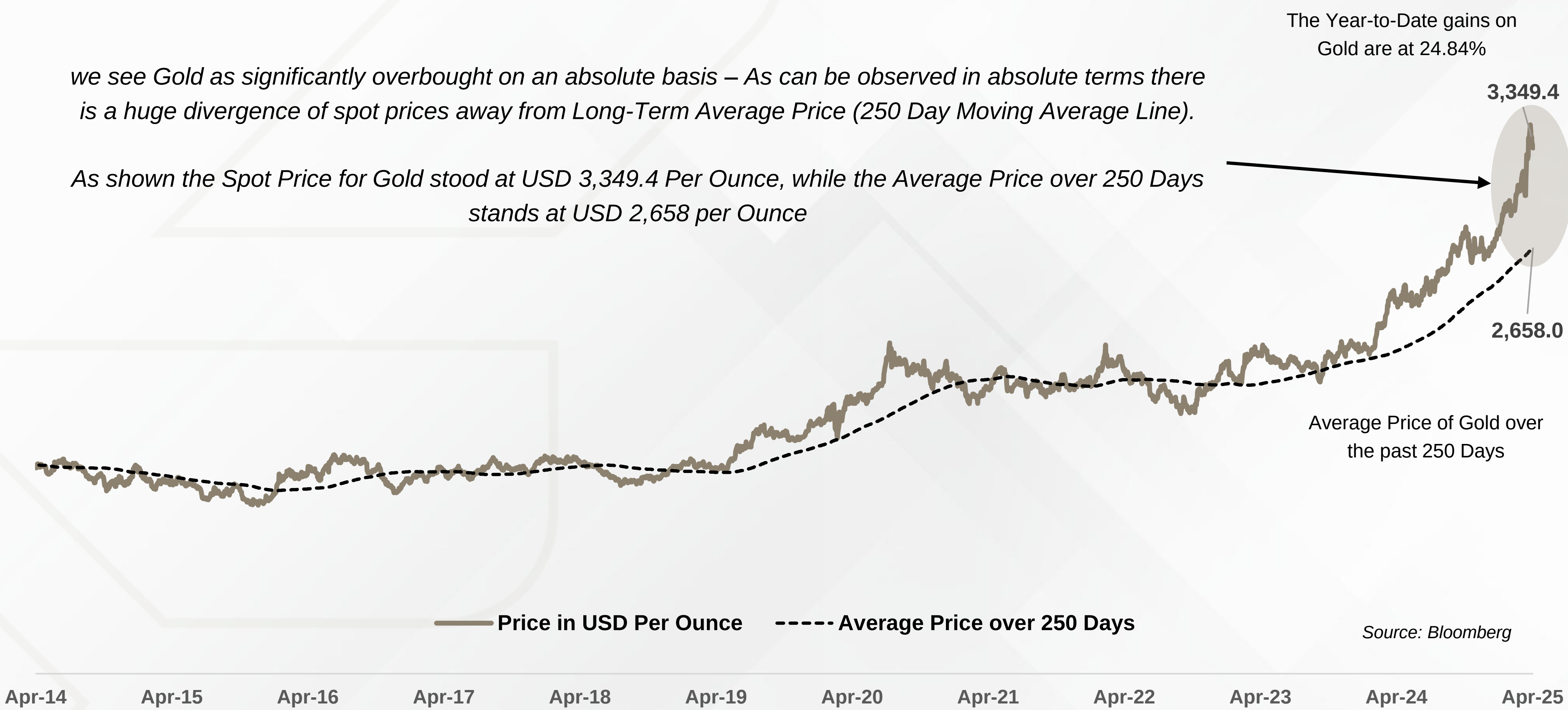


Chart of the Month - Is Gold Overbought ?

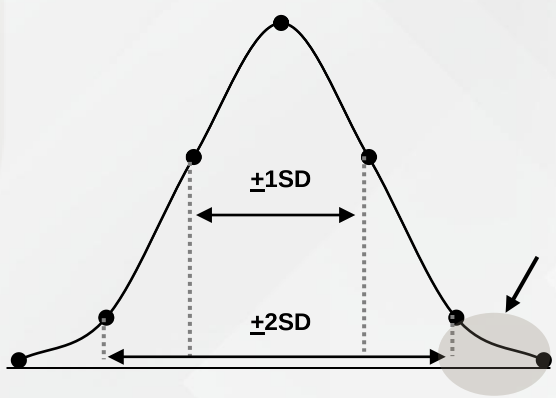
Statistical Analysis also suggests investors to take advantage of the extreme standard deviation of values from its mean created from recent performance

Gold Price in USD Per Ounce (Spot basis) Relative to MSCI World Equity Index (Gold Price / MSCI World Index)

Source: Bloomberg

Relative Performance of Gold / Equities – How to Make Sense Statistically (*A Statistical Analysis*)

Statistical Ratio Summary	
Last Value	0.9174
Average / Mean	0.6828
Median	0.6714
Standard Deviation - (A)	0.0705
Deviation of Current Value from Mean (X)	0.2346
Standard Deviation from Mean (Z = X/A)	3.3285



- The Standard Deviation of the current value of the relative ratio of Gold to Equities (0.9174) from its Mean is 3.33 Standard Deviations (3SD). The statistical data is indicating that current value is at the extreme of the normal distribution graph shown. Statistically, based on a normal distribution of returns, this should happen once every 150 years.
- Note that in reality, investment returns have skew and are not entirely normally distributed. However, it is still a measure of the level of euphoria in the gold price right now.

Equity Markets Update

Global Equities performance remained mixed with marked increase in volatility. Key market drivers include Q12025 earnings along with earnings outlook for 2025 and tariff related announcements

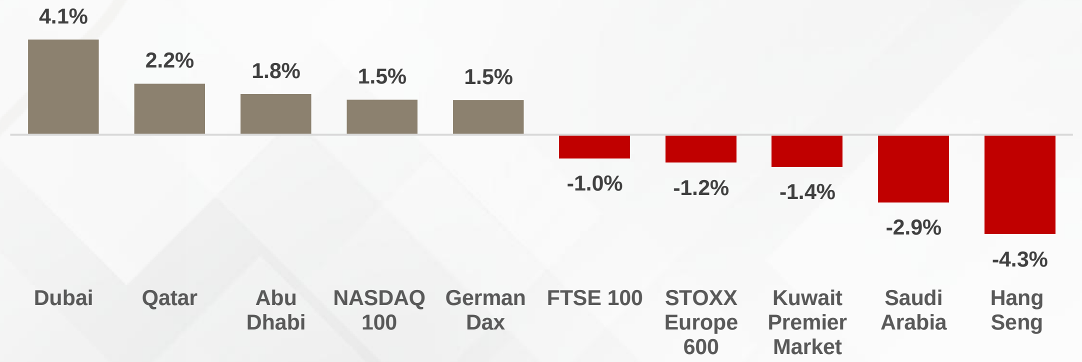
Market volatility was up 46.38% during April 2025:

- The average Volatility Index (VIX) stood at 32 during April 2025 which is higher when compared to previous month average level of 22. VIX is the measure of market volatility
- Overall, Q12025 earnings have been above consensus estimates however the corporates have turned cautious in terms of 2025 outlook. Also, managements have indicated a scaling down in capital expenditure and expansion for the same period
- On a sector bases, the US banking sector earnings recorded high single digit growth in earnings driven by growth in core operating income. While the Oil & Gas sector reported dismal earnings growth, key drivers being lower volumes coupled with price declines. The consumption-based business have indicated a muted 2H2025 amid weak demand. The technology stocks continue to record double-digit growth in earnings driven by AI and cloud computing.

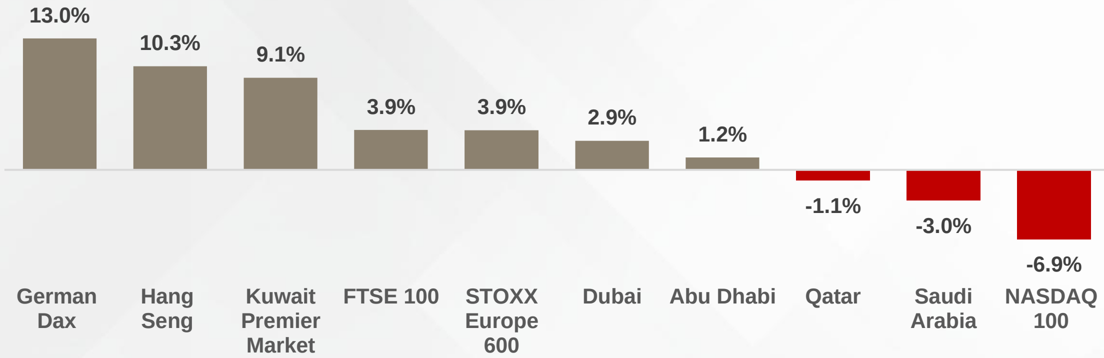
Low crude prices and earnings drive GCC equities:

- Among GCC the banking sector reported growth in earnings, double digit growth in non-operating income coupled with lower provisions were earnings drivers.
- The other impact on earnings is the implementation of the new Domestic Minimum Top-Tax (DMTT) of 15%

Global Equity Markets Performance – Month to Date (MTD)



Global Equity Markets Performance – Year to Date (YTD)

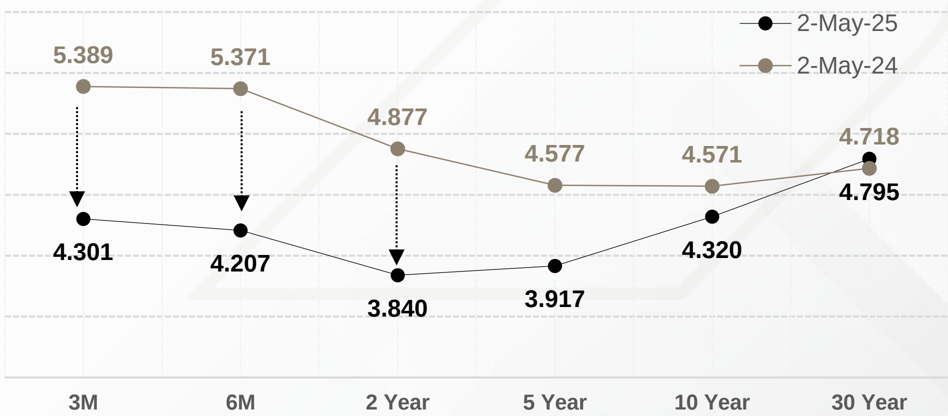


Source: Refinitiv; *Index Closing as of April 30, 2025

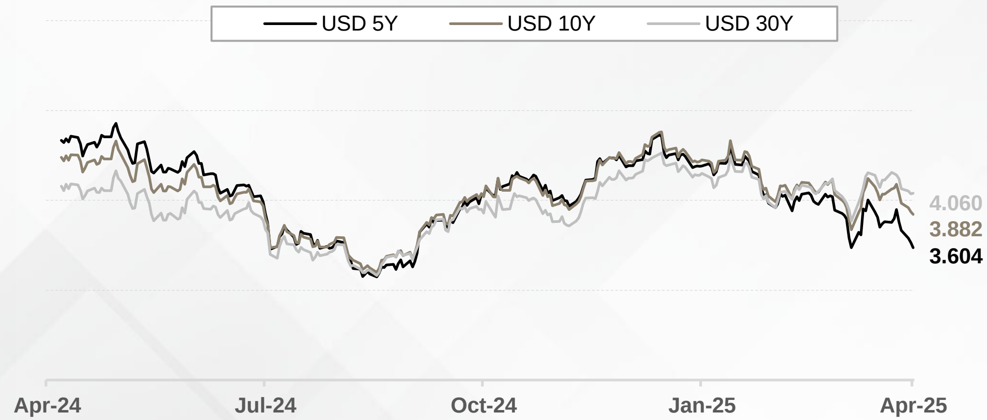
Global Benchmark Yields

The US Treasury Yield Curve movement indicates bullish outlook on interest rates

US Treasury Yield Curve (%)



US Mid-Swaps Yield (%)



- With the decline of short yields compared to the long tenor treasuries as shown in the graph above, the US Treasury Yield Curve movement can be described as Bullish Steepening an indication that rates are likely to fall in the short term
- On a yearly basis the 3M and 6M bills have witnessed 109 and 116bps decline respectively. While the 2Y and 5Y treasuries recorded a decline of 104 and 66bps correspondingly
- In the case of long tenor treasuries, the 10Y US Treasury closed at 4.320% a decline of 25bps same period last year. While the 30Y closed at 4.795% an increase of 8bps during the same period.

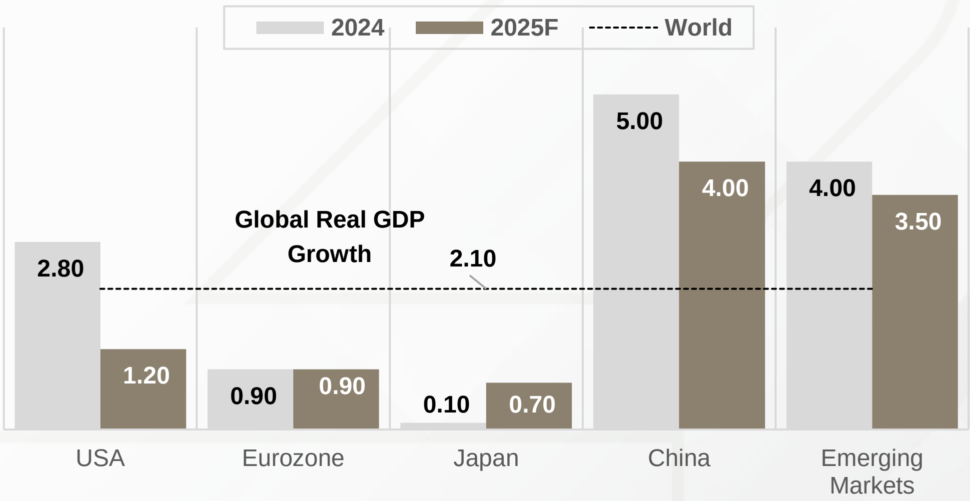
10Y-2Y Spread (bps)

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

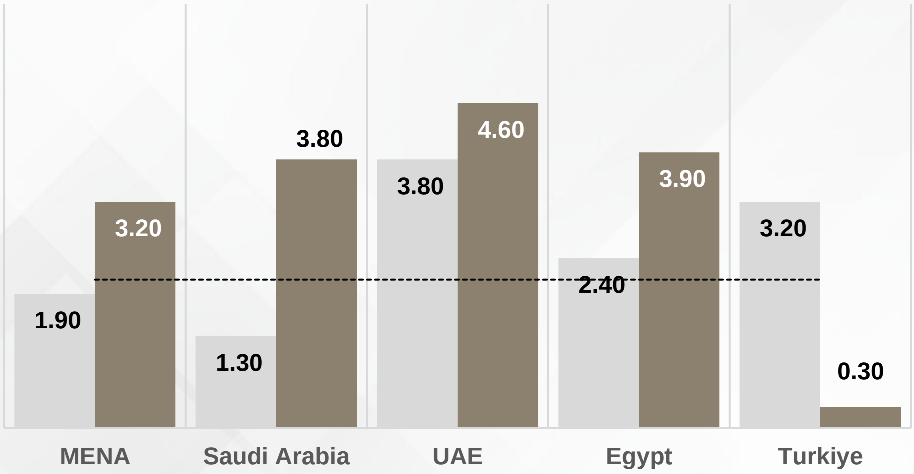
Macroeconomic Overview

Uncertainty on Tariff Policies result in downward revision of global GDP growth forecasts for 2025. Key headwinds include weak demand, decline in trade flows, reduced corporate CAPEX…

Real GDP Growth (%) - Global



Real GDP Growth (%) – MENA Region



- Fitch solutions has revised its global GDP growth for 2025 to 2.1% from earlier 2.5%. While Fitch Ratings another Fitch group entity has revised its global growth forecasts to 1.9% for 2025 from earlier expectations of 2.9%. The International Monetary Fund (IMF) in its April 2025 economic outlook report forecasts global growth at 2.8% down from earlier 3.3%
- Major downward revisions are seen in US wherein the GDP growth now stands at in a wide range of 1.2-1.8% for 2025. While economic growth in China has been revised to 3.9-4.0% down from 4.5-5.0% earlier.

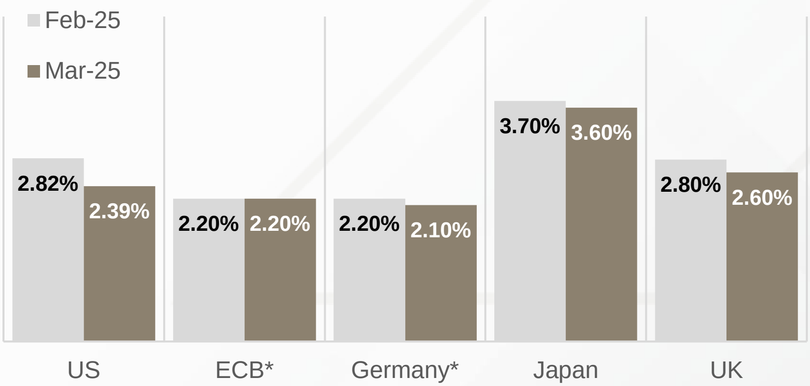
- In the case of MENA region, the growth forecasts have been revised downwards to 3.0% for 2025 compared to earlier expectations of 3.5%. The downside risks include impact on global demand and prices for crude oil.
- Lower crude oil prices and economic uncertainty will impact GDP growth for oil exporters which includes the GCC region in particular. Fitch expects the GCC GDP growth to be 3.7% for 2025 which is downward when compared to earlier forecasts of 4.2% growth for the same period

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

Consumer Price Inflation & Central Banks Rates Monitor

Inflation though on the decline, prices yet to factor in the rise in tariff. Sticky Inflation and deceleration of economic activity blurs the Central Bank Policy Setting

Consumer Price Index (CPI)



** Inflation for the month of April*

- The US CPI (Inflation) for the month of March 2025 stood at 2.39% which is lower when compared February 2025 Inflation level of 2.82%. Lower Energy and Transportation costs were key drivers for the decline.
- While in the case of Euro area, the expected annual inflation for April 2025 remained unchanged at 2.2%. Though energy costs continue to decline, increase in annual rates of Services costs to 3.9% from previous 3.5%, followed by marginal increase in Food costs to 3.0% from earlier levels of 2.9% support the inflation index
- The European Central Bank (ECB) lowered its deposit facility, the main refinancing operations and marginal lending facility by 25bps to 2.25%. The cumulative rate cuts would be 75bps since the inception of 2025.

Source: Refinitiv; CPI: Consumer Price Inflation

Central Banks Rates

Central Bank	Current Rate	Prior Rate	Change (bps)
US Federal Reserve System	4.50%	4.50%	-
European Central Bank	2.25%	2.50%	(25.0)
Bank of England	4.50%	4.50%	-
People's Bank of China	3.10%	3.10%	-
Central Bank of the Republic of Turkey	46.00%	42.50%	(350.0)

Economic Calendar

May 2025

Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	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

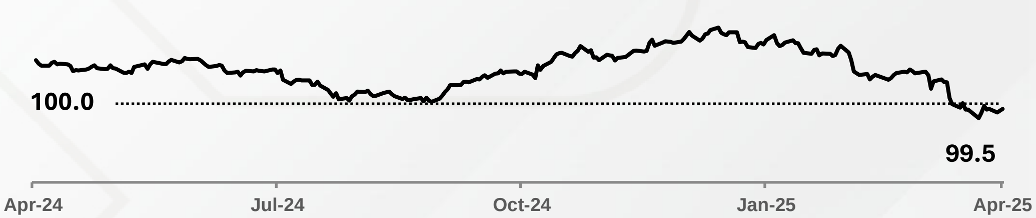
May 05: Turkey CPI data
May 07: US FOMC meeting
May 08: Bank of England meeting
May 10: China CPI data
May 13: US CPI data
May 19: Eurozone CPI data
May 20: People's Bank of China meeting
May 21: UK CPI data
May 23: Japan CPI Data
May 30: US Consumption (PCE) data

Commodities and Forex Overview

With the exception of Gold all the major commodities have recorded decline in prices as demand continues to remain weak amid tariff uncertainty

- Gold continues to move upwards as it recorded a high of USD 3,500 per Ounce during the month of April as it was up 5.83% on monthly basis. Given the inherent capability of being a safe haven amid uncertainty was key price driver.
- The average price for the Brent during on Year-to-Date (YTD) basis was at USD 72.50 per barrel a decline of 13.34% when compared to the YTD price of USD 86.67 per barrel same period last year.
- The decline in price is fundamentally driven as the oil market witnesses decline in demand while supply continues to records steady gain. The outlook on the price has potential downside risks.
- As per Refinitiv data the expected demand for Q22025 is 103.16 million barrels per day (mbpd) which is a decline of 0.37% over Q12025. While Supply during the same period is forecasted to increase by 0.26% to 104.38 mbpd which translates into excess supply of 1.22 mbpd. Further, as we write OPEC+ has indicated to accelerate the unwinding of production cuts thus adding to supply. The cumulative supply by June 2025 is expected to be an additional 1mbpd

The US Dollar Index is down 4.55% on a Monthly basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	58.21	-18.56%	-19.74%	-18.84%
Brent Crude (USD Per Barrel)	63.12	-15.55%	-17.77%	-15.43%
DME Oman Crude (USD Per Barrel)	63.85	-15.91%	-23.54%	-17.60%
Natural Gas (USD MMBTU)	3.33	-19.25%	9.26%	-8.45%
LNG - ASIA (USD MMBTU)	11.80	-9.23%	-14.49%	-16.31%
Precious Metals	**Last**	**MTD**	**3M**	**YTD**
Gold (USD Ozs)	3,305.00	5.83%	17.51%	25.70%
Silver (USD Ozs)	32.53	-5.59%	1.25%	12.41%
Base Metals	**Last**	**MTD**	**3M**	**YTD**
Aluminum (USD/Tonne)	2,399.5	-5.27%	-7.50%	-5.96%
Alu Alloy (USD/Tonne)	2,509.0	-1.95%	22.39%	11.26%
Copper (USD/Tonne)	9,125.0	-6.02%	0.85%	4.07%
Tin (USD/Tonne)	31,348.0	-14.45%	4.14%	7.79%
Zinc (USD/Tonne)	2,592.5	-9.11%	-5.45%	-12.96%
Lead (USD/Tonne)	1,957.5	-2.71%	0.41%	0.28%
Nickel (USD/Tonne)	15,418.0	-3.14%	1.37%	0.59%
Rolled Steel (CNY/Tonne)	3,024.4	0.00%	-3.92%	-4.71%

Source: Refinitiv, YTD as of April 30, 2025

Key Contacts

KFH Capital Investment Company

Investment Research
Investment Banking Division
P.O. Box: 3946 Safat,13040 Kuwait
Tel.(+965) 2298 7000
Company: www.kfhcapital.com.kw

For Private Use Only