NEW DIMENSIONS CAPITAL

WEEKLY BULLETIN

October 2025: Issue #2

Quote of the Week.

"Sometimes people don't want to hear the truth, because they don't want their illusions destroyed" – Friedrich Nietzsche

Market Recap —Illusion of US Prosperity Showing Cracks

- Wealth Illusion vs. Real Economy Fatigue
  Record stock index highs have created an illusion of prosperity, but gains are concentrated in a handful of large-cap tech giants whose earnings are increasingly detached from Main Street. Small businesses, which employ half of the U.S. workforce, are showing signs of stress amid tighter credit, higher input costs, and softening demand. Even big tech firms have been cutting staff to protect profitability.

  Warning sign: The S&P500 reflects corporate globalization, not domestic health – while households face eroding real income and rising debt levels.

- Policy Complacency and Fiscal Strain
  Washington continues to mistake a strong market for a healthy economy. Both parties treat stock prices as a political scoreboard, ignoring how fiscal indiscipline and growing debt dependence could undermine confidence in the dollar and the Fed's long-term credibility. Even a prolonged government shutdown appears to have little impact on Wall Street — a clear sign of disconnect.

  Policy complacency is quietly eroding the foundations of stability

- Timing – The Unpriced Shock
  he greatest risk now lies in timing. The full impact of Trump's new tariffs has yet to be felt. Many U.S. companies have been absorbing higher import costs to preserve market share and political goodwill — but margins can only take so much. Eventually, these costs will be passed to consumers, unleashing a delayed wave of inflation that could force the Fed's hand again.

  On the other side, the damage may surface through a real cessation of business activity as tariffs choke external demand — as seen among US farmers and Nvidia's loss of China sales.

  The cracks are forming, the question is not "if" but "when" they will give way.

Conclusion & Action Plan

- Illusion can last but not indefinitely. As earnings momentum cools and tariff effects filter through, expect higher volatility into 1H 2026.
- For portfolio positioning – stay defensive and income-focused. Favour quality dividend payers, insurers, and infrastructure names with pricing power. Maintain liquidity to re-deploy during corrections
- FX view: Fade near-term USD strength as expectations grow for the Fed to cut rates to cushion the U.S. economy.

Last Week 's Notable Events.

US Economy/Politics

- 18th Oct – CEO Jensen says Nvidia's China AI GPU market share has plummeted from 95% to zero.
- 20th Oct – Despite tariffs, US merchandise imports increased and exports held steady in the first half of 2025.
- 21st Oct – Trump escalates pressure on China, threatens 155% tariffs amid rising trade tensions.
- 21st Oct – US Banks back $300 billion of Private Credit, Moody's says
- 22nd Oct – Federal workers form line down the block for food pantry as shutdown hits 3rd week mark.

Europe Economy/Politics

- 19th Oct – Global economy 'yet to feel the pain' from tariffs, ECB chief
- 22nd Oct – China agrees to crisis talks in Brussels as rare earth and Nexperia sagas boil over.

Asia Pacific Economy/Equity

- 20th Oct – China Q3 GDP y/y 4.8% vs exp 4.8%; China Industrial Production +6.5% vs exp 5%.
- 20th Oct – Vietnam targets 10% GDP growth in 2026 despite external pressure.
- 22nd Oct – US, Australia ink rare earths deal to counter China
- 22nd Oct – Thailand momentary policy should remain accommodative, central bank minutes show.
- 22nd Oct – Analysts raise Malaysia 2025 growth outlook after stronger Q3 performance.

Weekly Data Monitor

Weekly chart:

- S&P500 towards record high on more than 82% corporate earnings beating estimates.
- Asia Pacific region slide on rising US/China trade war tensions.
- US dollar slides on trade war tension.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

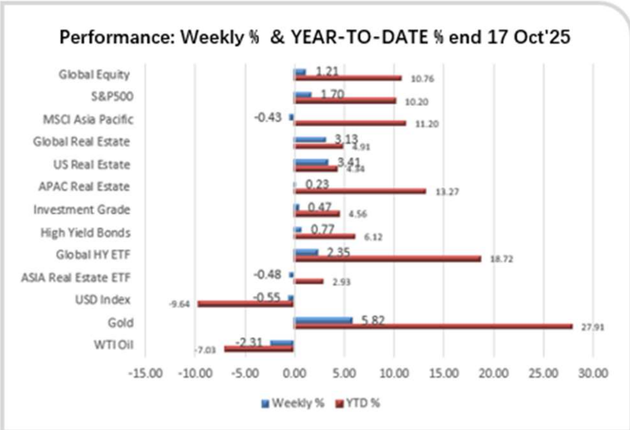
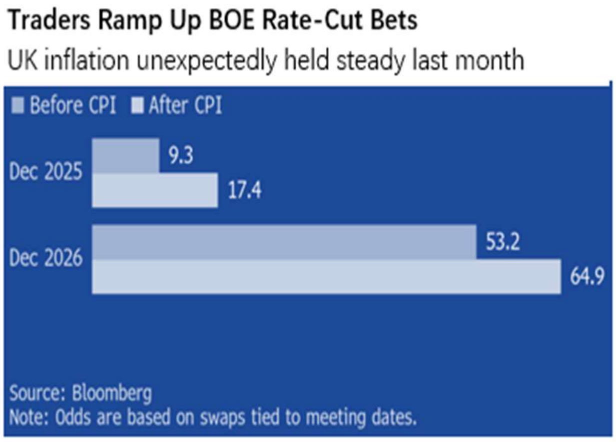


Chart of the Week

The chart above highlights one of the key reasons why Sterling Pound (GBP) has been weakening recently. Traders have sharply increased their expectations for Bank of England (BOE) rate cuts after UK inflation data came in unexpectedly soft — holding steady at 3.8% versus market expectations of 4.0%.

Following the CPI release, rate-swap pricing now implies a 17.4% probability of a cut by December 2025, nearly double the pre-CPI odds. By December 2026, markets are discounting roughly 65% probability of deeper easing — signaling a meaningful dovish repricing across the UK rates curve.

This repricing suggests investors see the BOE as nearing the end of its restrictive cycle, even as wage growth remains firm and services inflation sticky. The shift aligns with growing signs of economic fatigue — weaker retail sales, softer manufacturing output, and subdued consumer sentiment — all pointing to limited tolerance for prolonged high rates.



Strategic takeaway:

The BOE faces a credibility challenge — balancing inflation control with a fragile growth backdrop. If inflation undershoots again, Sterling may face another wave of selling pressure as rate-cut bets accelerate, bringing UK yields closer to those of the ECB and Fed, narrowing the rate differential that once supported the Pound.