



FOUNDED IN

1988

EMPLOYEES

80+

LOCATED IN

10+
COUNTRIES

ASSETS DIRECTLY
UNDER MANAGEMENT

USD 1.3
BILLION

ASSETS HELD BY INVESTEE
& AFFILIATED COMPANIES

USD 41.6
BILLION



ICM Monthly Outlook

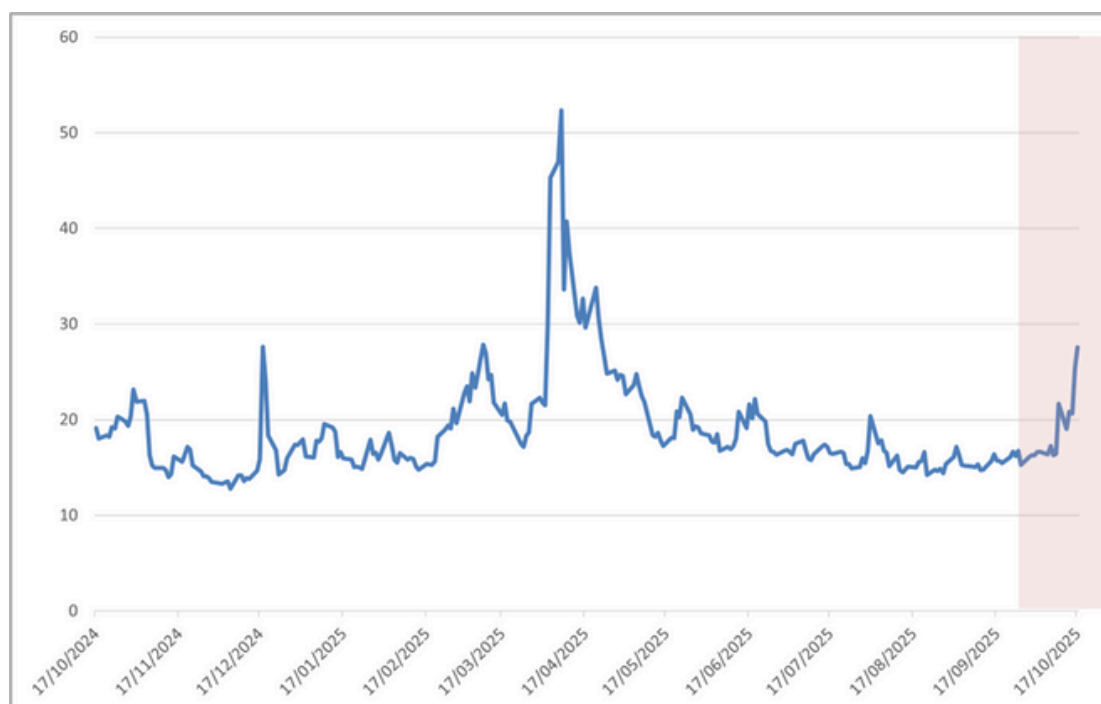
OCTOBER 2025

Market Review

Lately, I started the newsletter with “financial markets have reached numerous new all-time highs.” Not this month. The S&P 500 is down 0.4% at the time of writing. The NASDAQ is up 0.1%, a modest increase compared to recent months. The Brent oil price has fallen 8.96%. The crypto market was down 13% at one point in October but has recovered 3% since then.

Gold is the exception. The gold price continues reaching new all-time highs each day, illustrating the phrase, “melt up,” which I dislike. Gold exemplifies a safe haven asset. The gold price indicates that investors are worried about the future, whether it is currency debasement or geopolitical shocks. Year to date, gold has increased by 62%.

Some investors feel nervous without key hard data for the U.S. Government. The Volatility Index clearly shows investor nervousness (see below). The pink section on the right displays the volatility over the past two weeks. (The spike in April was due to a tariff announcement sell-off.)



Source: Bloomberg

Market Outlook

We do not foresee any seismic risks on the horizon for investors, and the pick-up in volatility portends a softer run-in to year-end. We believe some investors reined in their horns temporarily, given the array of objectionable news lately, especially the lack of reliable U.S. economic data, which will reverse.

Idiosyncratic negative headlines rise to the top in the absence of economic data. The financial media has no choice but to amplify less relevant stories. A variety of stories have recently antagonised investors.

The IMF warned that global stock market valuations are in dotcom bubble territory at its annual confabulation in Washington last week. The IMF says the bullish market sentiment about productivity gains from AI *could* end abruptly. As a reminder, the IMF was warning about an impending recession at their confab last spring. AI - the very sector the IMF is warning against today - is the very sector driving returns and growth. We have highlighted elevated stock valuations for several months already. Old news. Next.

China and the U.S. are bickering again, this time over controls on rare earth metals. The recent tiff followed the familiar playbook of knee-jerk reaction of 100% tariffs from President Trump, after which Secretary Bessent soothed the markets with conditional rhetoric. Geopolitical tit-for-tat machinations between China and the U.S. is old news. Remember, Trump always chickens out. Old news. Next.

Morgan Stanley recently gained significant attention with a widely circulated report titled "AI: Mapping Circularity." The report points out the lack of transparency in cash flows within the AI sector, especially regarding vendor financing for AI infrastructure backed by revenue sharing. Their main concern is the sustainability of cash flow based on the circular movement of money and the implied valuation of hyperscale companies like Microsoft, Oracle, and Google. Major AI firms such as OpenAI and Gemini must meet revenue targets to uphold their current valuations. Morgan Stanley stopped short of calling it a bubble but has introduced a note of caution into a sector previously viewed with euphoria. Now, conversations around AI are becoming more cautious. Investors prefer certainty and will expect greater reassurance from the leading companies. In our view, it is a reasonable point but still premature. Be prepared for some volatility at some point. Next.

On 11 September, the third largest auto retailer in Texas and California, Tricolor, filed for bankruptcy, with a balance sheet of c.USD 1 billion; small beer in the context of the U.S. economy. On 28 September, a major U.S. auto parts manufacturer, First Brands, filed for Chapter 11 bankruptcy, revealing liabilities between USD 10 - 50 billion. (Quite a vague range, I should say.) Its assets are between USD 1 - 10 billion. These defaults will crystallise real losses, upsetting a lot of investors in the process.

Let us examine First Brands more closely. The rapid collapse of First Brands surprised investors. First Brands caught large, reputable banks off guard, including Jefferies and UBS. Jefferies' exposure exceeds USD 700 million. UBS stated that some of its investment funds had aggregate exposure over USD 500 million. First Brands overextended itself with debt-funded acquisitions and off-balance sheet financing practices based on invoice discounting. Both UBS and Jefferies reported exposures linked to invoice discounting arranged by Raistone. Raistone is notable because its founder is a former employee of Greensill. Greensill was the fraudulent invoice discounting firm that caused Credit Suisse to lose nearly USD 4 billion, ultimately leading to its collapse and bailout. It will be embarrassing for the Swiss regulator if another of its banks gets caught out by invoice discounting fraud, if that turns out to be the case.

A slightly dogmatic CEO of a global bank did nothing to calm jitters by comparing First Brands and Tricolor to cockroaches, warning against a possible infestation. We feel the same CEO has a habit of doomsaying and pontification. It is not the first time we have heard him tee up, "I told you so" that never transpires. Collective blame is more palatable than admitting a mistake when his own bank lost USD 170 million.

We have seen unfortunate incidents like this before: Greensill, Archegos Capital, and 1MBD. The market moves on when it figures out what went on. Credit spreads have not flinched on the basis that these are isolated frauds as opposed to a systemic problem. No doubt, these two incidents will focus a spotlight on the underwriting standards of private credit markets, given their interconnectedness with bank balance sheets. But these are not new risks.

Market Implications

At present, we see no long-term implications from this list of negative headlines above. The path for markets still relies on our usual favourites of unemployment, inflation expectation, and their sway over interest rates.

The Bureau of Labour Statistics provides the clearest view of underlying conditions in the labour market for policymakers. It might be months before the Bureau of Labour Statistics can produce trustworthy employment data again. We believe the U.S. is facing a protracted deadlock in resolving the government shutdown. President Trump holds the record for the longest shutdown in history already. Between December 2018 and January 2019, the U.S. Government shutdown lasted 35 days in a spat over the funding of a big wall along the U.S.-Mexico border.

Nonetheless, ADP, a private company specialising in payroll processing, and the Federal Reserve Bank itself both suggest that the labour market is still maintaining a “curious kind of balance,” which Chairman Powell mentioned in his speech in August 2025.

It is easiest to explain by quoting Chairman Powell:

“In the near term, risks to inflation are tilted to the upside, and risks to employment to the downside—a challenging situation... Overall, while the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. And if those risks materialise, they can do so quickly in the form of sharply higher layoffs and rising unemployment”¹.

Based on this assessment, and without reasons indicating a change in employment since our last letter, it is reasonable to believe this current curious kind of balance persists.

On this basis, we expect the Federal Reserve Bank to cut interest rates on 29th of October and again in December, as we suggested last month.

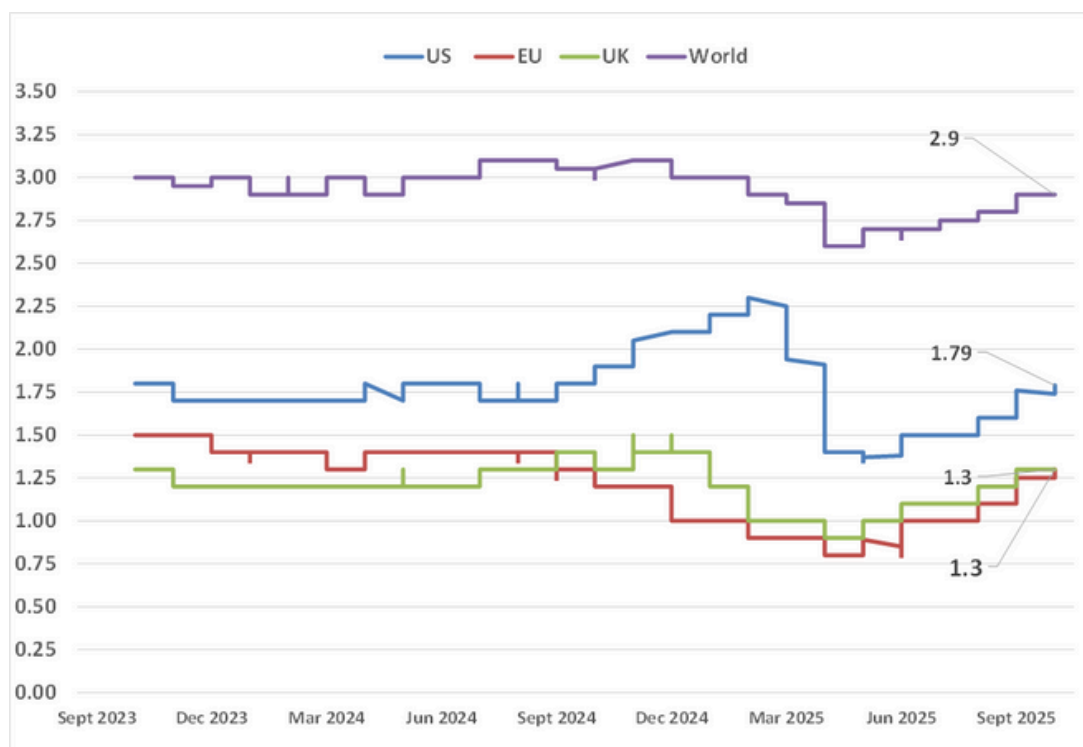
We believe the Fed is cutting out of caution more than necessity, despite their “data dependent” rhetoric. We expect the Fed will become more data-dependent from the start of 2026.

Some economists contend that the Fed does not need to cut again because of the strength of the U.S. economy. The U.S. consumer (or a subset of wealthy U.S. consumers) is keeping the U.S. economy humming, as it has done for over a decade. JP Morgan recently reported that the increase in value of just 30 AI-related stocks has boosted U.S. household wealth by USD 5 trillion. Happy shareholders, not overly worried about rate cuts.

We believe the wealth effect from such rapid growth should sustain economic growth for at least all of 2026. The U.S. economy is becoming “The Haves, the Have-Nots, and the Have-Yachts”².

AI and consumers remain the backbone of U.S. growth expectations, which continues to recover, and is now just below pre-tariff tantrum levels due to greater certainty.

Global Growth Expectations



Source: Bloomberg

And finally

There are always things to worry about. October has produced its fair share. Nonetheless, earnings continue to impress. For example, big banks in the U.S. have reported solid earnings, despite a few high-profile corporate defaults and some concerns about the health of lower-income earners in a new world of “low hires and low fires.”

Globally, countries are adapting to dealing with the capricious U.S. President, who is liberalising internal markets and increasing fiscal spending power. Countries have no choice but to diversify their trading relations across all sectors.

The reasons to stay optimistic outweigh the negatives for the foreseeable future.

Have a good month.

Kind regards,
Conor Spencer
October 2025

Source Data: ICM, Bloomberg as of 30 September, 2025.

[1] [Speech by Chair Powell on the economic outlook and framework review - Federal Reserve Board](#)

[2] Frank, M. (2023) *The Haves and the Have-Yachts: A Modern Paradise Lost*. New York: Penguin Press.

Risk Warning

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