



CIO Office

CIO Insights

Cusson Leung, Chief Investment Officer

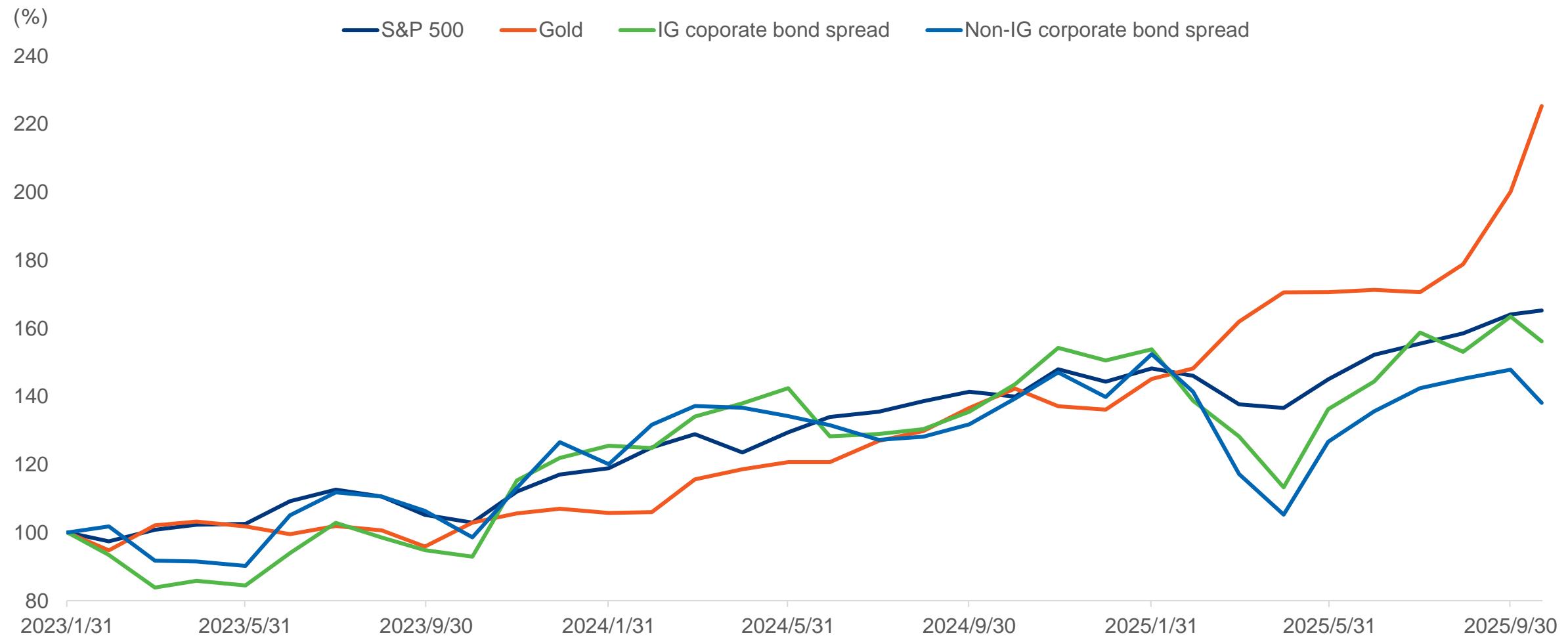
A Liquidity Party That All Assets Enjoy

Beware of the Hangover

31 October 2025

Stocks, Bonds and Gold Were on a Tear Over the Last 2 Years

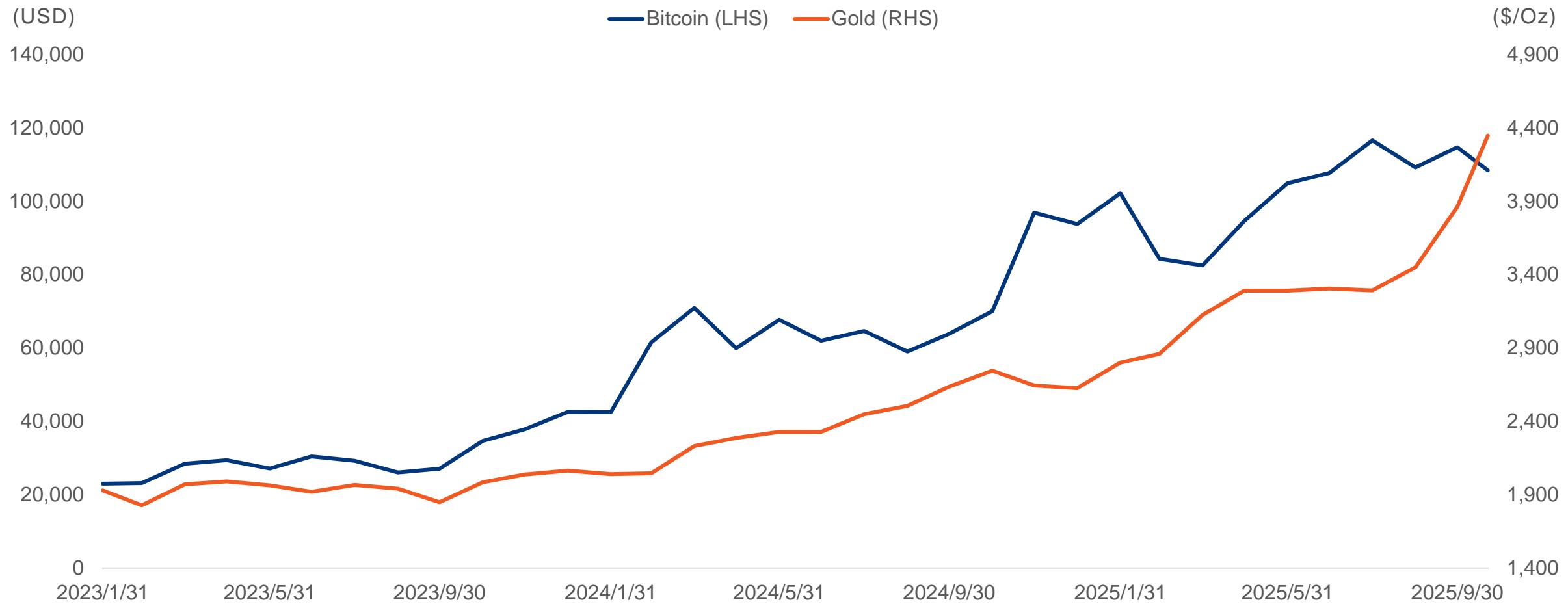
Understanding the Cause of It May Shed Some Lights on How to Avoid the Risks



Source: Bloomberg, KGI

Safe-Heaven Asset Behaving Like a Risky-Asset

The Only Common Thread Between Bitcoin and Gold Is De-Dollarization



Source: Bloomberg, KGI

The US Dollar Has Been Stabilizing in a Tight Range

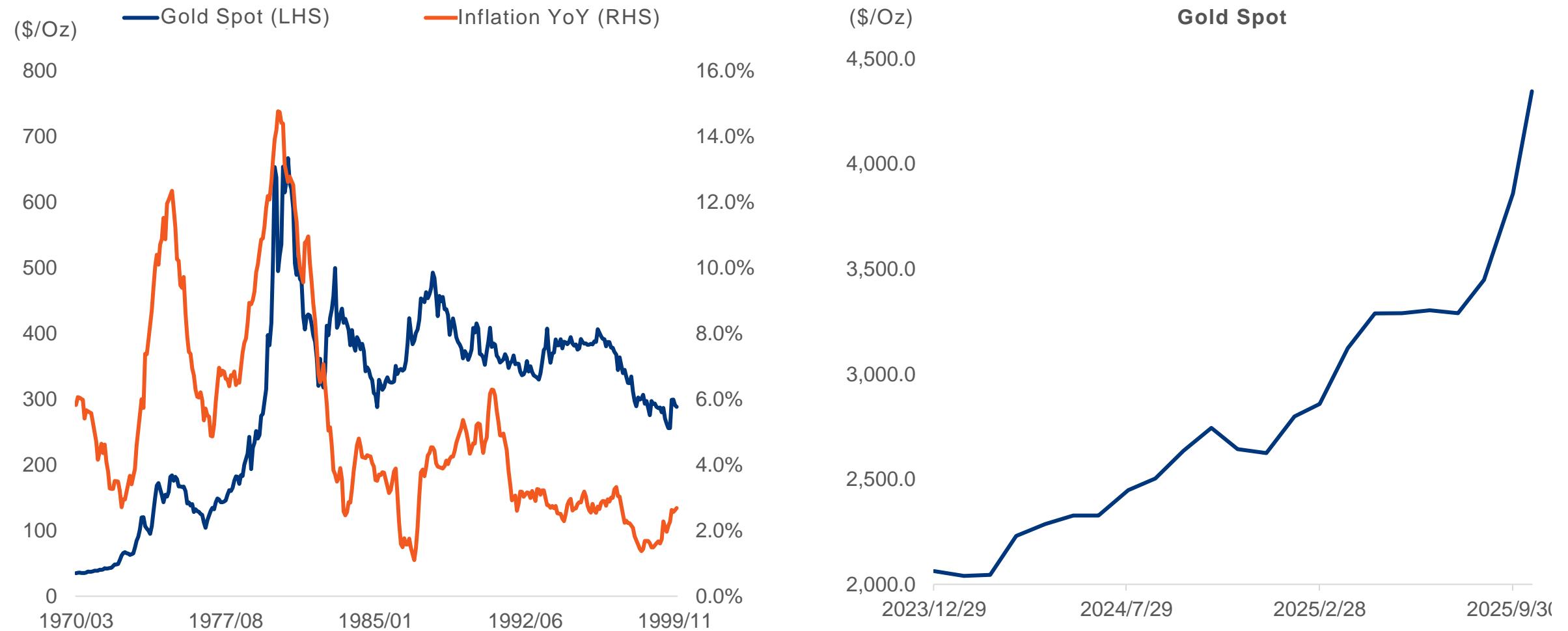
Afterall, US Stocks and Bonds Keep Rising. Is De-Dollarization a Real Reason Behind Such Increases?



Source: Bloomberg, KGI

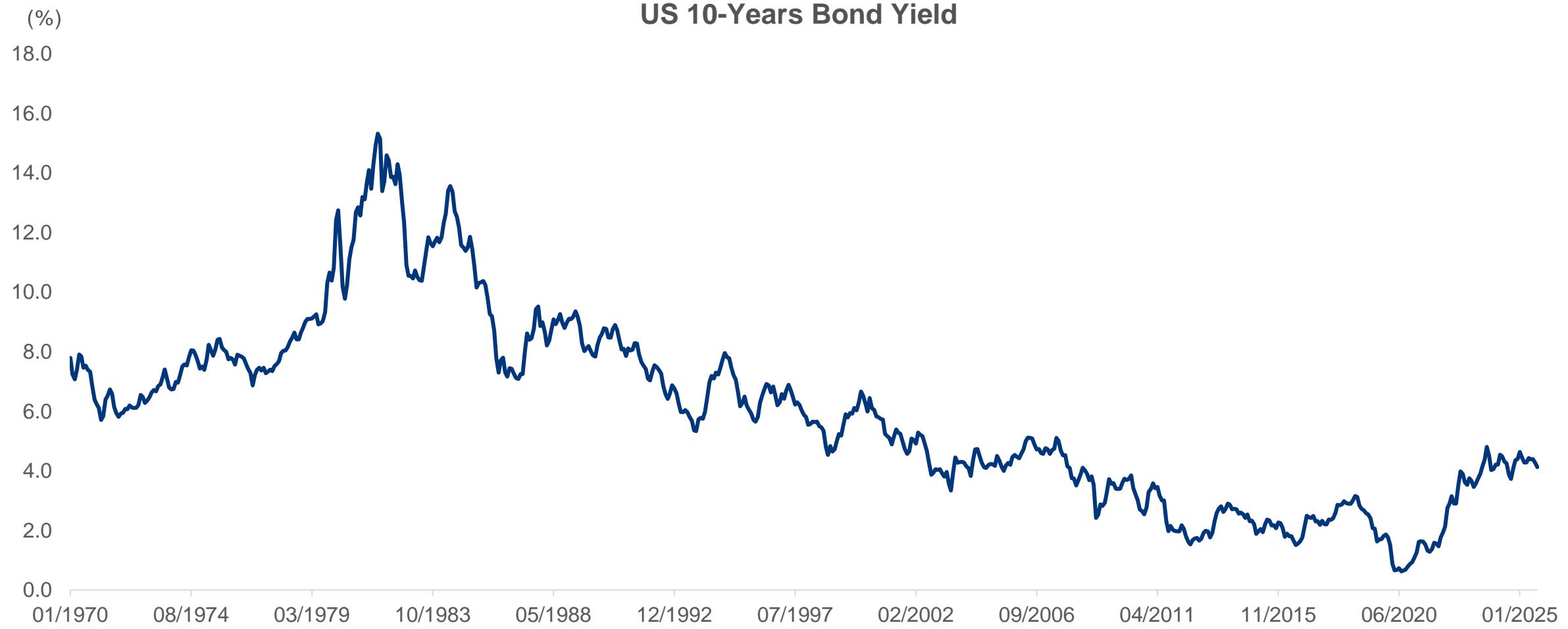
The Rise in Gold Was Claimed to Be an Inflation Hedge

Gold Price Went From US\$35 to US\$700 During the 70's When Inflation Rose to 14%. How About Now?



US 10-Years Bond Yield as a Gauge of Inflation Expectation

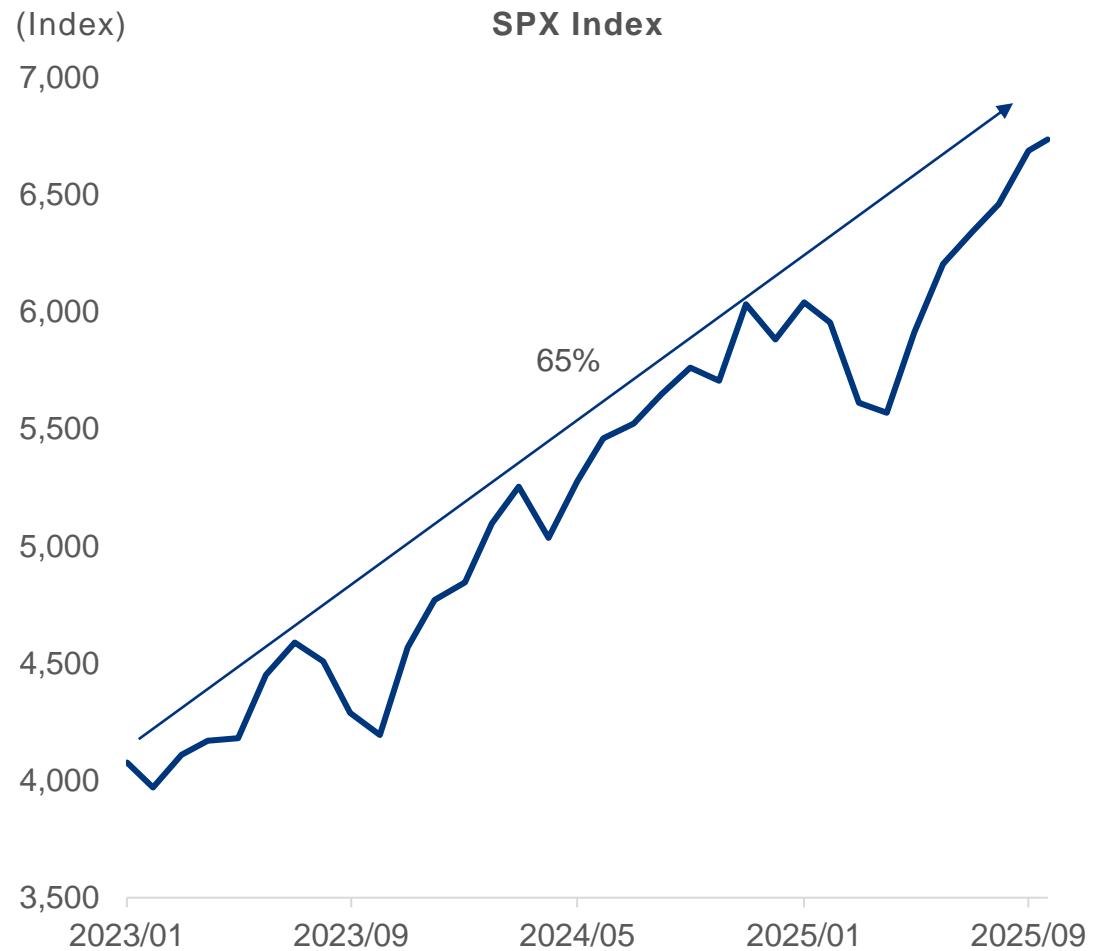
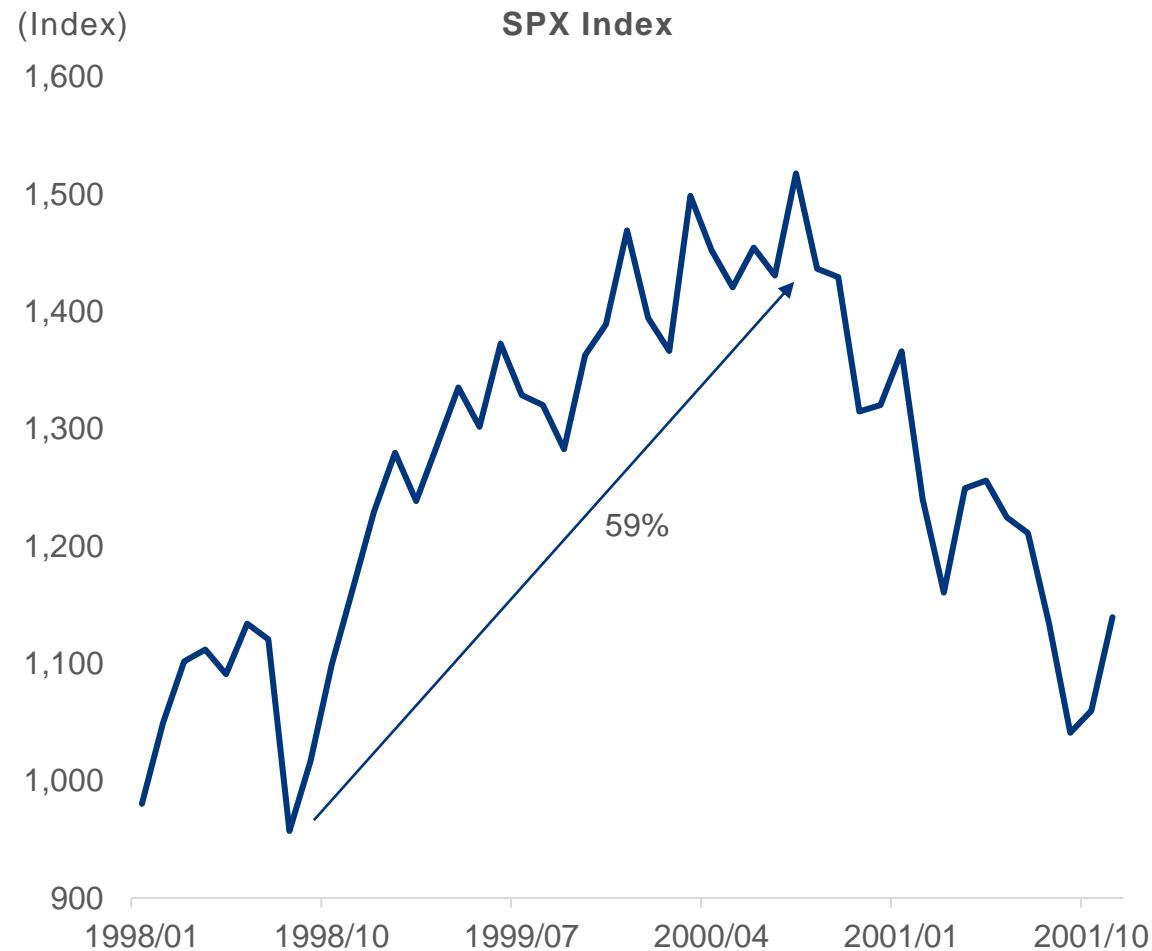
If Inflation Expectation Was the Main Concern, Bond Yield Would Not Be at Such a Low Level



Source: Bloomberg, KGI

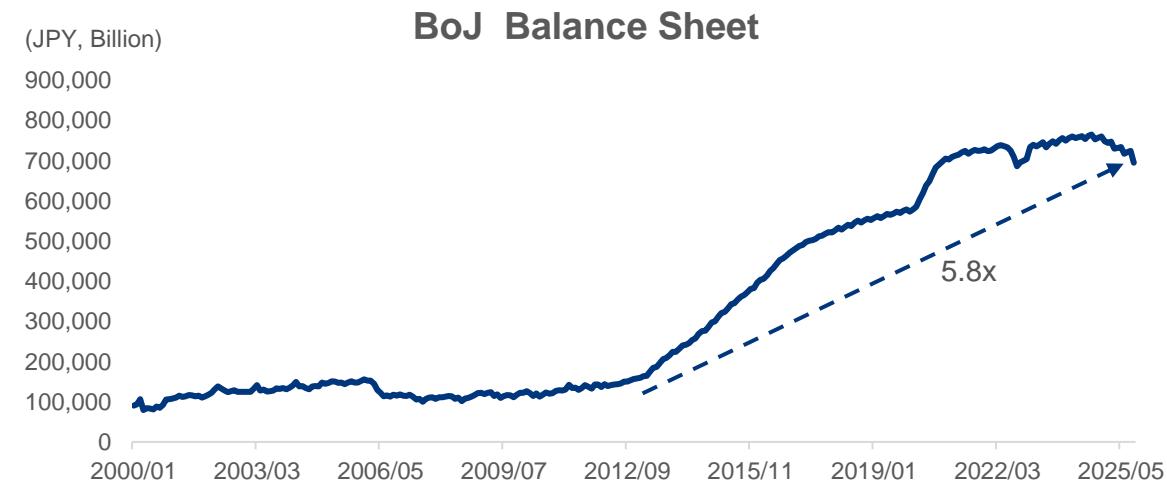
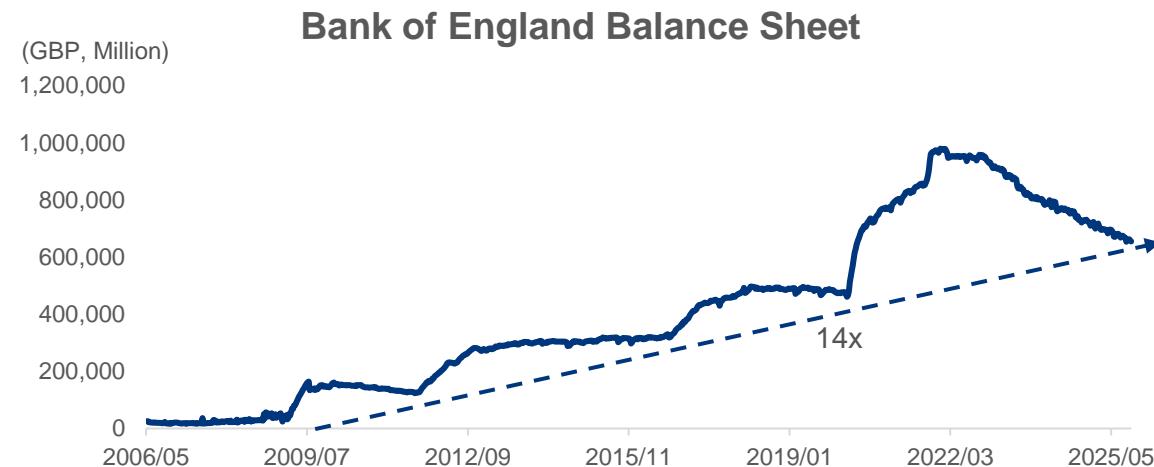
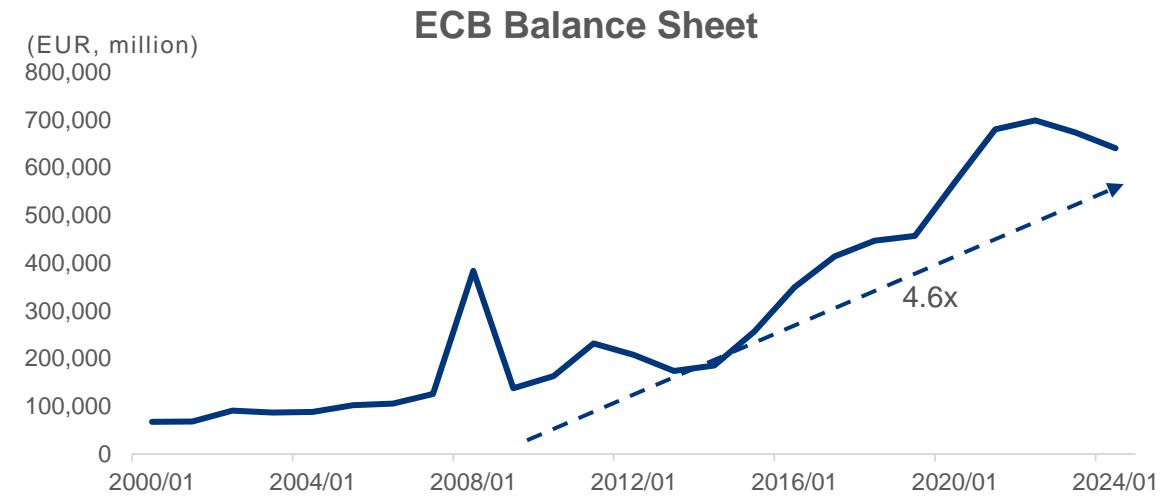
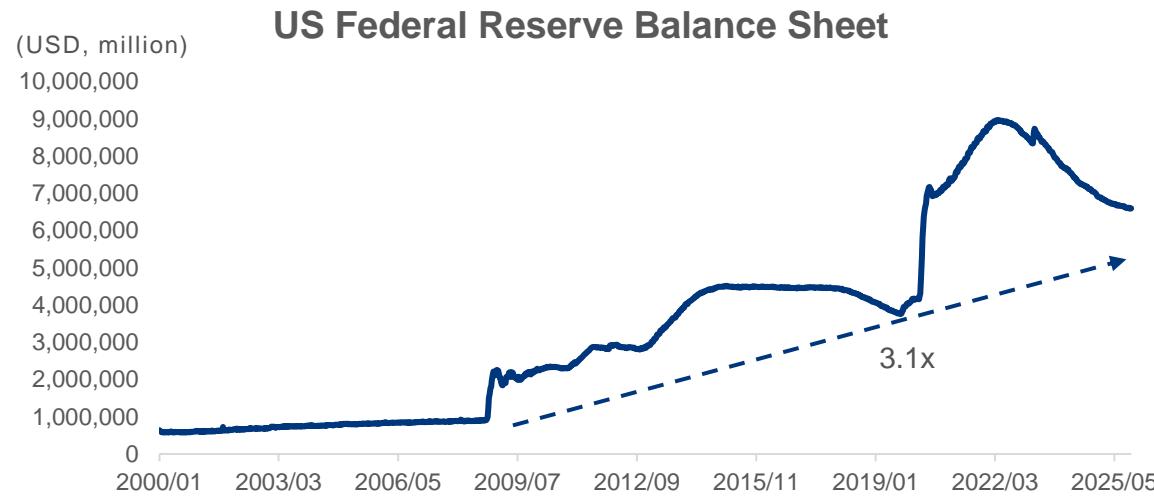
Are There Similarities Between the Dot-Com and the Current AI Rally?

A Bubble Is Not a Bubble Until It Bursts



Source: Bloomberg, KGI

Global Liquidity Is Still Aplenty Despite Moderate QT



Source: Bloomberg, KGI

How to Control Risk During a Liquidity Rally

Characteristics of a liquidity rally

- Falling or subdued bond yields
- Exceptionalism – “it is different this time”
- Valuation taking a second seat. It is not the primary considerations for investments
- Narrow market breadth
- Increasing use of leverage
- Global and asset class spillover

Ways to control risks

- Don’t leave the party too early! Build in profit-taking rules, such as scaling out at predefined multiples (e.g., 20-30% gains), to lock in returns without fully exiting the rally
- Monitor every liquidity event closely. Track liquidity proxies like Fed balance sheet changes, reverse repo balances, and money supply growth
- Focus on quality and valuation
- Diversify across asset classes and geographies, or both

Hong Kong and China Bear the Lowest Correlation to the US

Local Currency, Percentage Change, Weekly, 1 Year

Security	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 PR INDEX	HANG SENG INDEX	CSI 300 INDEX
S&P 500 INDEX	1.00	0.59	0.49	0.55	0.60	0.18	0.25
S&P/ASX 200 INDEX	0.59	1.00	0.63	0.51	0.54	0.16	0.18
FTSE 100 INDEX	0.49	0.63	1.00	0.38	0.73	0.31	0.11
NIKKEI 225 INDEX	0.55	0.51	0.38	1.00	0.49	0.35	0.35
Euro Stoxx 50 PR INDEX	0.60	0.54	0.73	0.49	1.00	0.49	0.25
HANG SENG INDEX	0.18	0.16	0.31	0.35	0.49	1.00	0.60
CSI 300 INDEX	0.25	0.18	0.11	0.35	0.25	0.60	1.00

Local Currency, Percentage Change, Weekly, 2 Years

Security	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 PR INDEX	HANG SENG INDEX	CSI 300 INDEX
S&P 500 INDEX	1.00	0.58	0.49	0.58	0.62	0.21	0.13
S&P/ASX 200 INDEX	0.58	1.00	0.56	0.47	0.51	0.17	0.03
FTSE 100 INDEX	0.49	0.56	1.00	0.36	0.70	0.36	0.11
NIKKEI 225 INDEX	0.58	0.47	0.36	1.00	0.49	0.30	0.23
Euro Stoxx 50 PR INDEX	0.62	0.51	0.70	0.49	1.00	0.40	0.21
HANG SENG INDEX	0.21	0.17	0.36	0.30	0.40	1.00	0.67
CSI 300 INDEX	0.13	0.03	0.11	0.23	0.21	0.67	1.00

Local Currency, Percentage Change, Weekly, 10 Year

Security	S&P 500 INDEX	S&P/ASX 200 INDEX	FTSE 100 INDEX	NIKKEI 225 INDEX	Euro Stoxx 50 PR INDEX	HANG SENG INDEX	CSI 300 INDEX
S&P 500 INDEX	1.00	0.66	0.65	0.62	0.70	0.40	0.31
S&P/ASX 200 INDEX	0.66	1.00	0.63	0.59	0.63	0.41	0.27
FTSE 100 INDEX	0.65	0.63	1.00	0.57	0.83	0.47	0.27
NIKKEI 225 INDEX	0.62	0.59	0.57	1.00	0.66	0.48	0.32
Euro Stoxx 50 PR INDEX	0.70	0.63	0.83	0.66	1.00	0.50	0.31
HANG SENG INDEX	0.40	0.41	0.47	0.48	0.50	1.00	0.68
CSI 300 INDEX	0.31	0.27	0.27	0.32	0.31	0.68	1.00

Source: KGI

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