

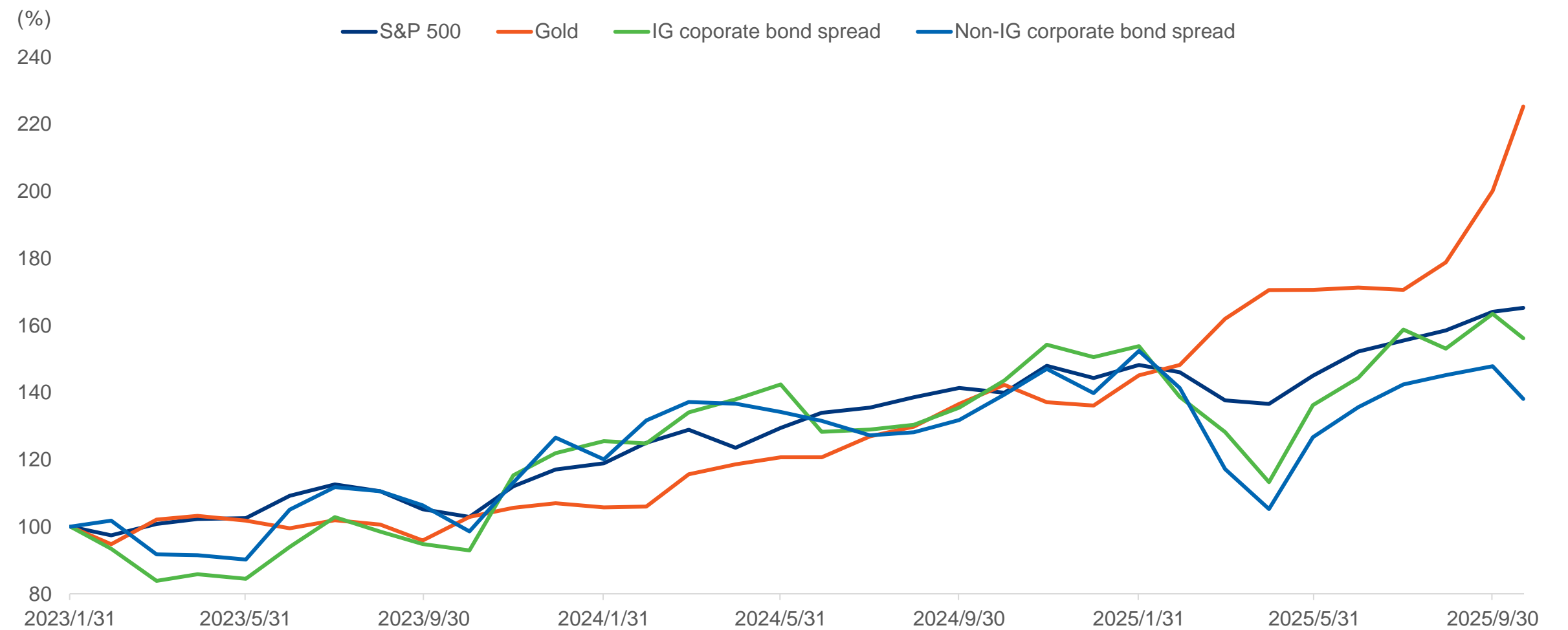
A Liquidity Party That All Assets Enjoy

Beware of the Hangover

31 October 2025

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

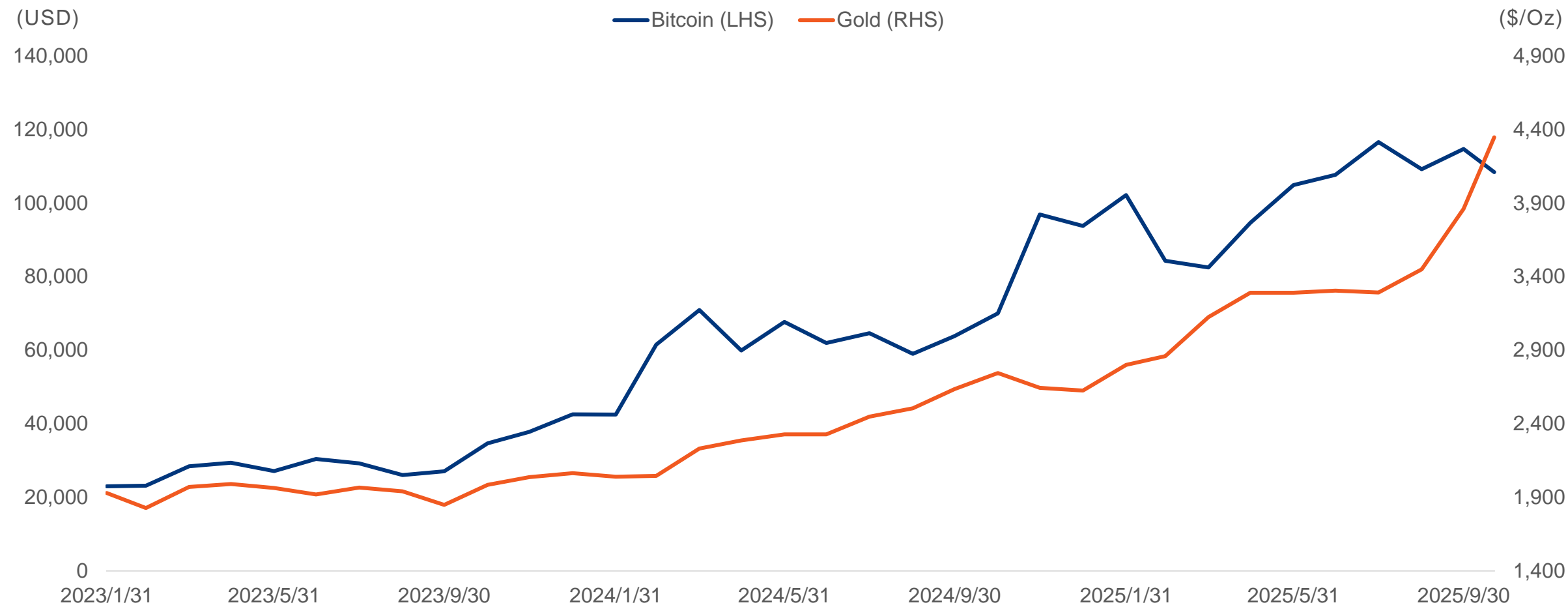
Understanding the Cause of It May Shed Some Lights on How to Avoid the Risks



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

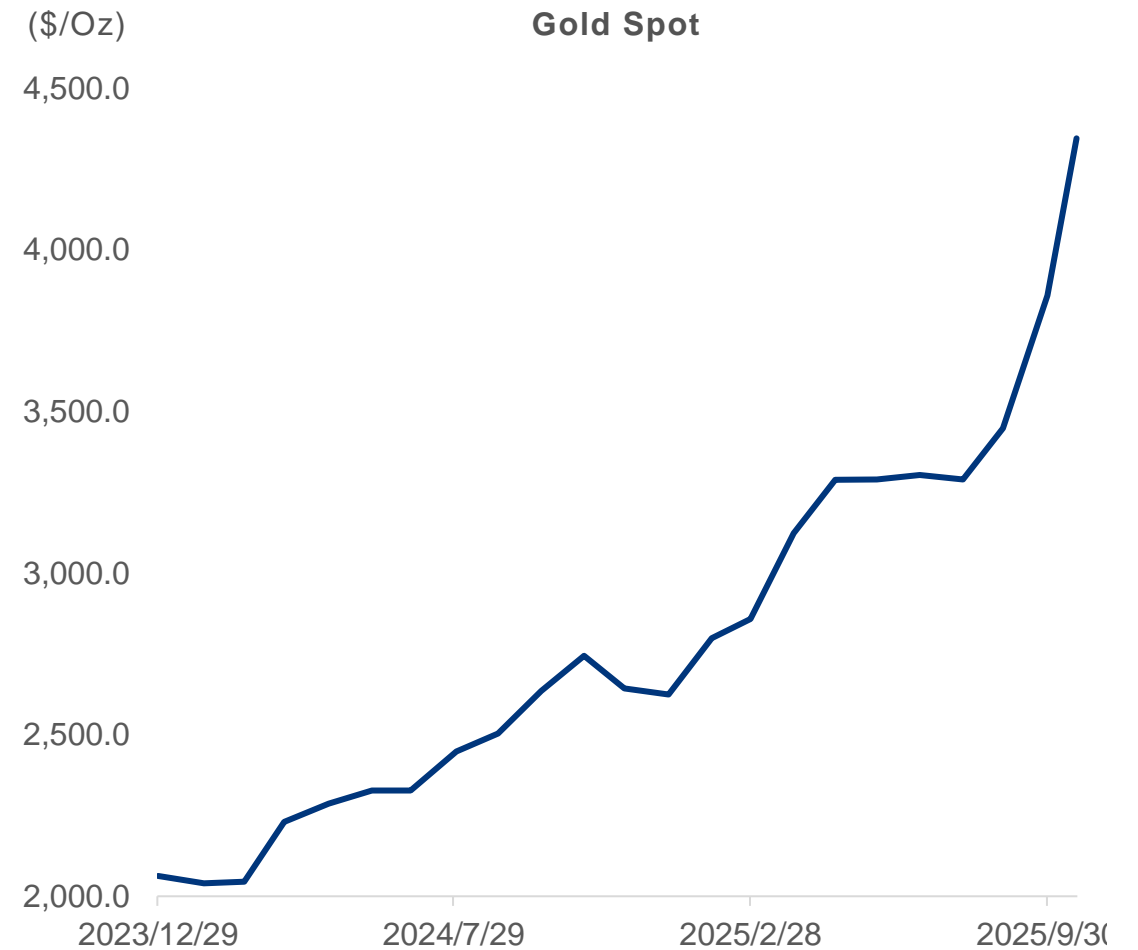
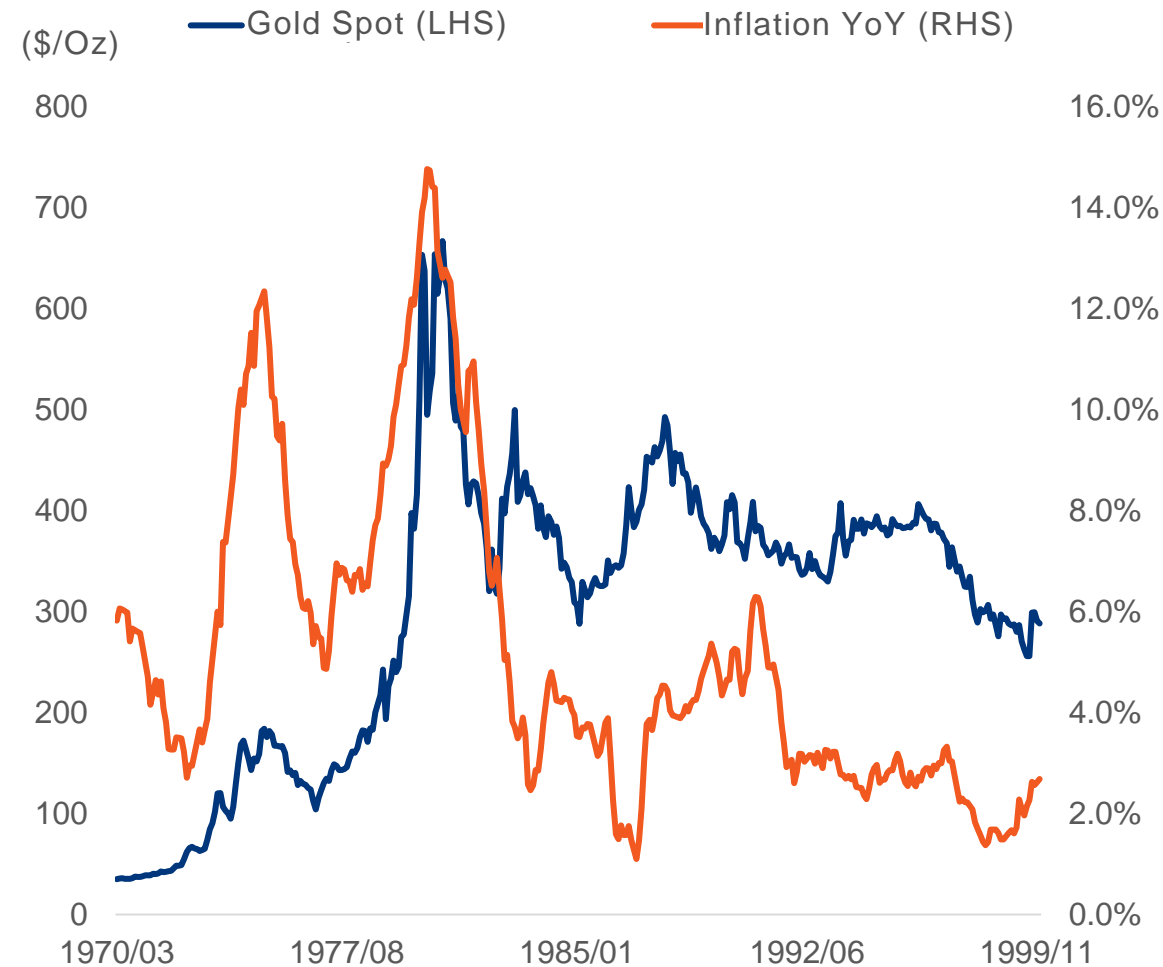
Afterall, US Stocks and Bonds Keep Rising. Is De-Dollarization a Real Reason Behind Such Increases?



Source: Bloomberg, KGI

The Rise in Gold Was Claimed to Be an Inflation Hedge

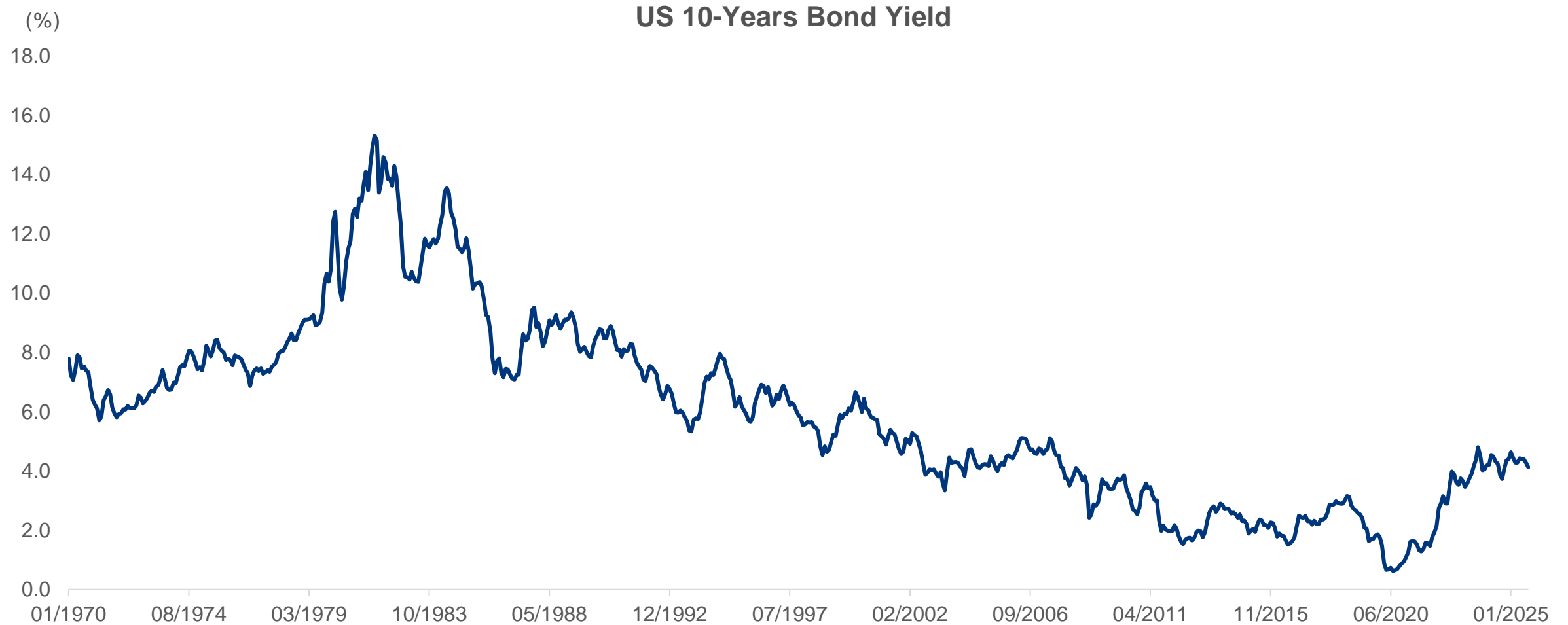
Gold Price Went From US\$35 to US\$700 During the 70's When Inflation Rose to 14%. How About Now?



Source: Bloomberg, KGI

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

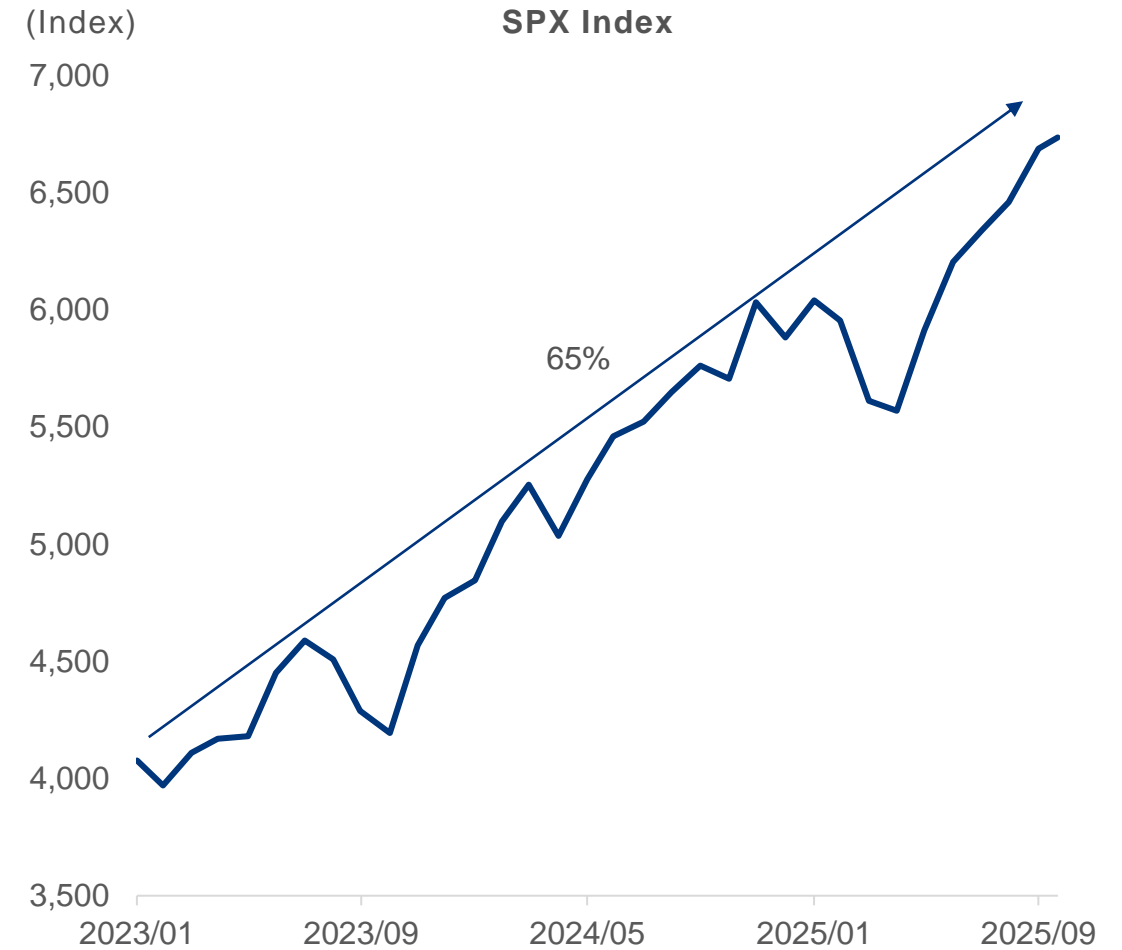
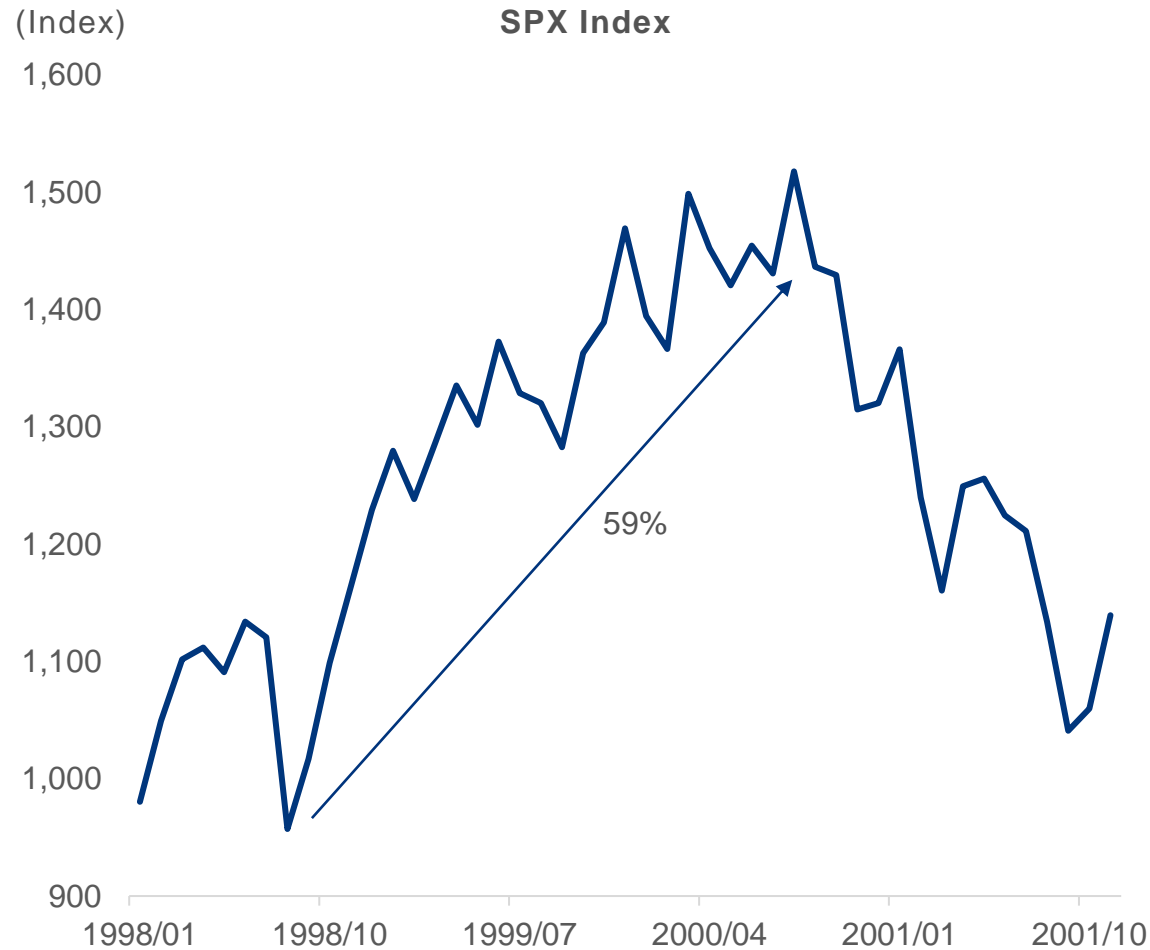
If Inflation Expectation Was the Main Concern, Bond Yield Would Not Be at Such a Low Level



Source: Bloomberg, KGI

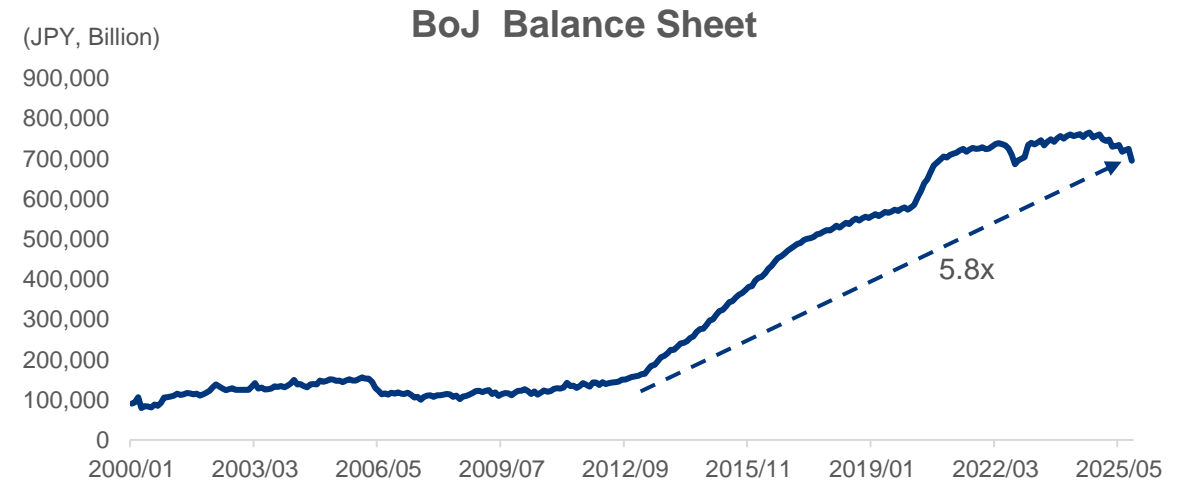
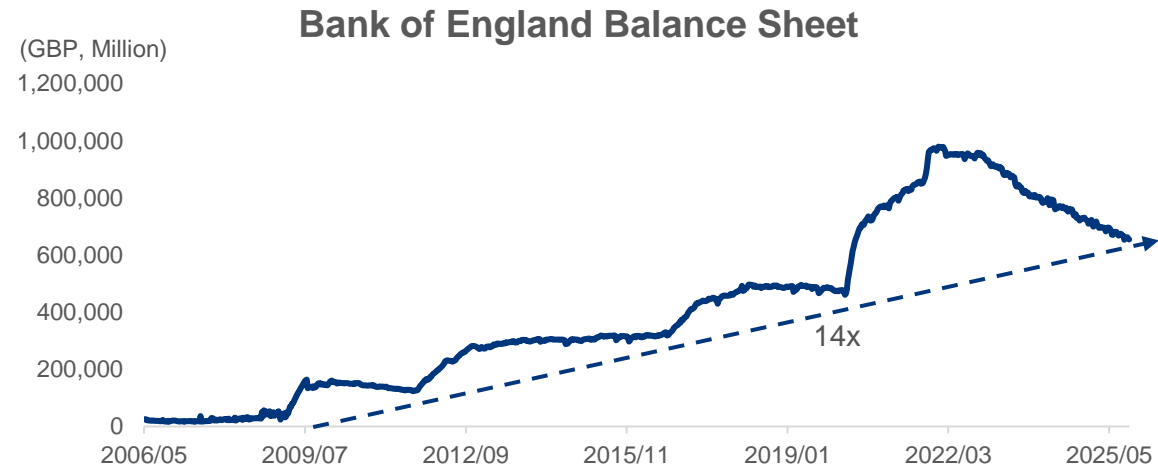
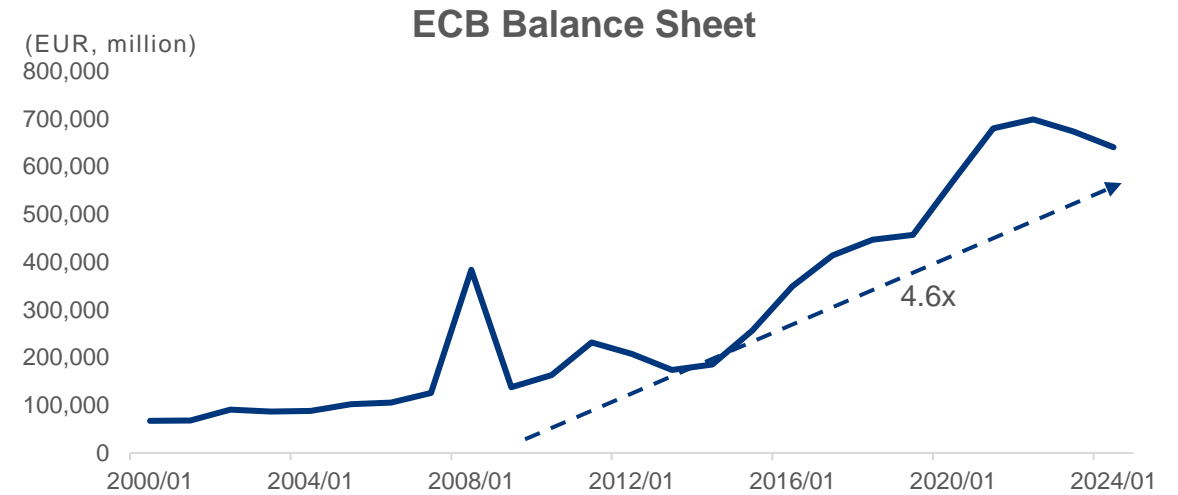
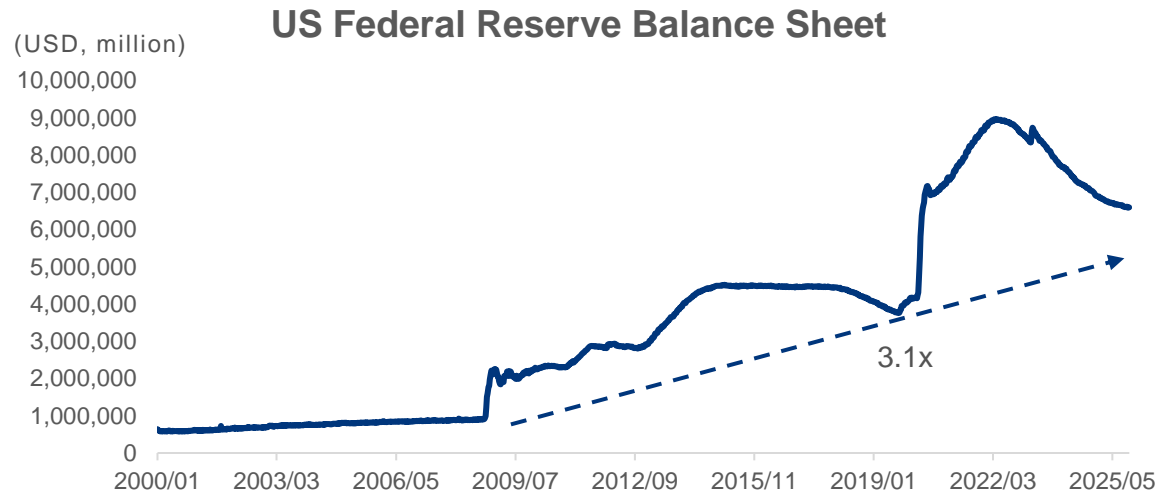
Are There Similarities Between the Dot-Com and the Current AI Rally?

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 PRINDEX | 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

Disclaimer and Important Notice

Hong Kong: The information contained in the document herein is confidential and is not intended for general public distribution or for use by any person or entity located or residing in any jurisdiction which restricts the distribution of such information by KGI Asia Limited ("KGI") or any affiliate of KGI. Re-distribution of the document herein and any part thereof by any means is strictly prohibited. Such information shall not be regarded as an offer, invitation, solicitation or recommendation to invest in or sell any securities or investment products to any person or entity in any jurisdiction. The above information (including but not limited to general financial and market information, news services, market analysis and product information) is for general information and reference purpose only and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd. Such information is not intended to provide investment advice and should not be relied upon in that regard. You are advised to exercise caution, and if you are in any doubt about such information, you should seek independent professional advice.

You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

No representation or warranty is given, whether express or implied, on the accuracy, adequacy or completeness of information provided herein. In all cases, anyone proposing to rely on or use the information contained herein should independently verify and check the accuracy, completeness, reliability and suitability of the information. Simulations, past and projected performance may not necessarily be indicative of future results. Information including the figures stated herein may not necessarily have been independently verified, and such information should not be relied upon in making investment decisions. None of KGI, its affiliates or their respective directors, officers, employees and representatives will be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered or incurred by any person or entity due to any omission, error, inaccuracy, incompleteness or otherwise, or any reliance on such information. Furthermore, none of KGI, its affiliates or their respective directors, officers, employees and representatives shall be liable for the content of information provided by or quoted from third parties.

Complex Products refers to an investment product whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. Investors should exercise caution in relation to complex products. Investors may lose the entire amount or more than the invested amount. For complex products with offering documents or information not reviewed by the Hong Kong Securities and Futures Commission (SFC), investors should exercise caution regarding the offer. For complex products described as SFC-approved, such approval does not imply official endorsement, and SFC recognition does not equate to a recommendation or assurance of the product's commercial viability or performance. Past performance data, if provided, is not indicative of future performance. Some complex products are only available to professional investors. Before making any investment decisions, investors should review the offering documents and other relevant information to understand the key nature, features, and risks of the complex products. Independent professional advice should be sought, and investors should have sufficient net assets to bear the potential risks and losses associated with the product. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers, employees and representatives may from time to time have a position in any securities mentioned herein.

Bond investment is NOT equivalent to a time deposit. It is NOT protected under the Hong Kong Deposit Protection Scheme. Bondholders are exposed to a variety of risks, including but not limited to: (i) Credit risk - The issuer is responsible for payment of interest and repayment of principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive interest and get back the principal. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer; (ii) Liquidity risk - some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity; (iii) Interest rate risk – When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price. Do not invest in bond unless you fully understand and are willing to assume the risks associated with it. Please seek independent advice if you are unsure.

All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

Singapore: This document is provided for general information and circulation only, and is not an offer or a solicitation to deal in any securities or to enter into any legal relations, nor an advice or a recommendation with respect to any financial products mentioned herein. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should ensure that you understand the risk(s) involved and should independently evaluate particular investments and consult an independent financial adviser before making any investment decisions. All information and opinions contained herein is based on certain assumptions, information and conditions available as at the date of this document and may be subject to change at any time without notice.