

Monthly newsletter

October 2025 comment

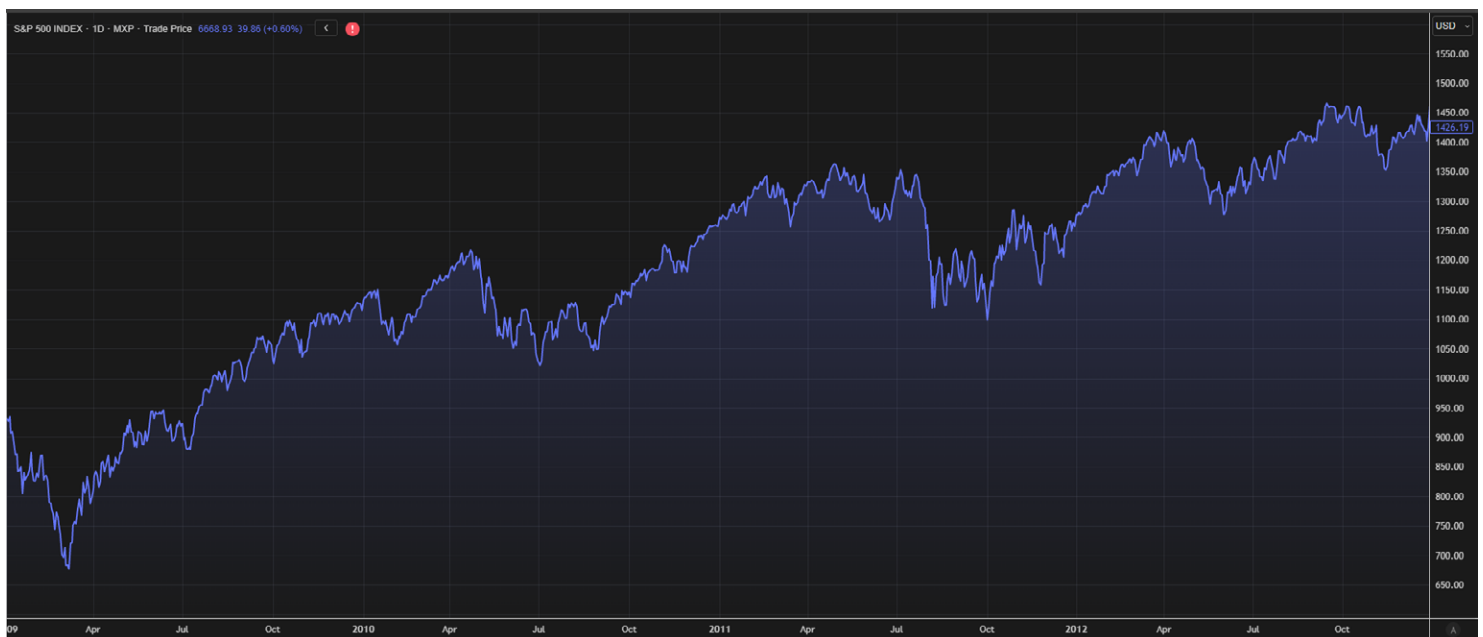
Bubble? Or Tailwind?

*"A man who is certain he is right is almost sure to be wrong."
- Michael Faraday*

More recently we are seeing increased chatter and concerns around the potential of a bubble developing or a market crash or some sort of black swan event that unsettles the apple cart. This chatter ultimately brings us back the fear and greed which regardless of the environment are typically always the same. We have started to see some signals of fear as the political clouds have formed and are frankly concerning but also to a degree ignorable. The data from the economy has not been terrible. Most recently we are now seeing central banks of influence start to lower interest rates which in interesting times can cut both ways. Right now, we are seeing rate cuts by central banks as a tailwind for the markets. This brings us to some data points worth consideration on the prospects of a Bubble. First on the docket is cash balances. Historically

when cash balances go up (current estimate as of October 2025 in the US in USD was 7.3 Trillion!) and as rates go down those cash balances look for a more reasonable rate of return. The hunt for return can go a lot of ways but as one astute person mentioned the other week "the stock market is the only place you can get into all industries day in and day out".

Now we could argue that this data point is waiting for the pullback to be invested. For sure and for certain, part of the cash hoard is in waiting mode. Still, this is a lot of cash. The S&P 500 from 2009 to 2012 had a pretty good run if history is any reflection of the future. That period saw cash balances peak and decline. Where did the money go? Chart of the S&P 500 is below:



Source: LSEG

Now it would be clairvoyant for us to suggest that the next three years are going to play out like above, but it remains to be seen where all this cash goes. Bubble or Tailwind?

This past month we have sifted through a lot of data from earnings to central bank announcements. This brings us to the run down of things this past month that perhaps balance out the collection of thought that investors are anchored to as we grind through these times.

The truth is that our planet is resilient.

Consumers in the top 10% of the income distribution were behind 49.2% of total spending in the second quarter, the highest level in data going back to 1989, Bloomberg reported Tuesday, citing Moody's Analytics chief economist Mark Zandi.

That share ticked up from 48.5% in the first quarter and is well above the roughly 35% level of the early 1990s, according to Moody's Analytics' review of Federal Reserve data.

Headline factory orders fell 1.3% MoM (as expected) as the hangover from the massive tariff-front-running in May lingers, dragging orders down to just a 1.6% YoY gain...

This gets us to our final point, one that is not really seeing a lot of headline news or chatter, but we believe it may be at a tipping point. We may be at the start of a multipolar world order. Recently China, Russia and India got together and had their own economic meetings. It was without the invitation of the US. It was both symbolic and had substance in the face of growing economic disconnect developing in the other side of the world. What this means today is still at a very early stage, but the wheels are in motion. The bottom-line suggestion from this meeting is that the world is moving on from you know who. Perhaps what ultimately unfolded in Tianjin was not the birth of a new Cold War but the emergence of something far more complex and consequential: a multipolar future in which the West is no longer the sole arbiter of global norms, trade, and security.

Final Thought

By the time you get this we will be just a few short months away from Christmas! Yikes, time flies. Based on the information in front of us we don't see a bubble in AI or the markets there remains too much cash on the sidelines to buy whatever dip may come. It seems likely that the FED may lower rates again this year as well, but they continue to remain data dependent and independent for now! Enjoy the change in temperatures and tailwinds and we will keep you posted going forward.



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