

IONIC WEALTH
BY ANGEL ONE

The Investing Pantheon

October 2025



“The Investing Pantheon”, harmonizes timeless wisdom with modern innovation. Just as the ancient Pantheon stands as a sanctuary for all Gods, our Investing Pantheon embraces comprehensive topics in investing, across asset classes and styles.

What Are We Saying?

The US government shutdown that began on October 1, 2025, initially prompted a modest negative market reaction. However, while a prolonged shutdown poses downside risks to near-term growth and labor market conditions, a softer macro backdrop increases the likelihood of a more dovish Federal Reserve stance. Continued monetary easing, coupled with moderating inflation and resilient corporate earnings, should sustain support for US risk assets. Beyond the US, a weaker dollar and lower yields are likely to enhance global liquidity, benefiting emerging markets such as China and Korea. ***Looking ahead, progress in trade negotiations will remain a key driver of market sentiment and performance.***

US Government Shutdown : Not a rare phenomenon, with limited lasting market impact

The US government shutdown began after Republicans and Democrats failed to agree on a funding bill for government operations beyond September 2025. Historically, such shutdowns have triggered short-term market volatility and a temporary drag on GDP growth. However, the economic and market recovery has been generally swift once government operations resume.

AI capex: An unleveraged bubble

Capex as a percent of revenue has risen to around 16%, similar to telecom levels, but well within sustainable limits given the firms' margins and liquidity cushions. Hyperscalers are effectively self-financing their AI infrastructure arms race—not borrowing from speculative credit channels—so there isn't a systemic credit risk buildup

Gold: Demand outstrips supply, mining capex strong

Gold presents continued investor opportunity, with strong fundamentals supporting the price momentum.

Industrial Metals: Supported by DXY weakness, can shine once the global demand firms up

Industrial metals like copper and aluminium could benefit from sustained weakness in USD. Also, a likely recovery in global capex cycle that could be led by US and Europe could also support the positive outlook for these metals.

Emerging Markets Ex India Revival Strong

EMs like China and Korea stand to benefit from lower valuations, supportive value measures, improving investor confidence, DXY weakness and Fed rate cut cycle.

The global macro environment remains uncertain, dictated by trade conflicts, US government shutdown, divergent monetary and fiscal policies. Amidst this active managers are the ones that can create higher value for investors. We believe a diversified portfolio across geographies and commodities would be the ideal approach to navigate through intermittent volatility and to enhance risk-adjusted returns.

US Government Shutdown: Despite Economic Pain, Historically Markets Have Dismissed It....

The U.S. government entered a shutdown on October 1, 2025, as Congress failed to pass appropriations or a continuing resolution for fiscal year 2026. This isn't a rare phenomenon- and has happened as recent as in 2018-19, during Mr. Trump's first term. Government shutdowns, adversely impact the labour market, government's discretionary spending and overall economic activity.

The last US shutdown lasted for 35 days leading to a permanent GDP loss USD 3 Bn– **How far can this shutdown go?**

Equity markets didn't react negatively during past shutdowns; while yields fell and gold prices usually surged on increased safe-haven bets

2018-19 Vs 2025 Shutdown		
	2018-2019	2025-Ongoing
No. of Days of Shutdown	35 Days	15+ Days
No. of Employees Furloughed	300000	750000
% of federal workforce furloughed	38%	40%
Daily loss of compensation	USD 86 Mn	USD 400 Mn
Permanent loss in GDP	USD 3 Bn	-
Permanent loss in GDP %	0.02%	-
Net discretionary funding affected by partial shutdown	USD 329 Bn	-
Net discretionary funding affected by partial shutdown- % of total discretionary spending of the federal government	25%	-

Market Reaction					
Year	Shutdown Type	Duration (Days)	S&P 500 (%)	10Y UST (Bps)	Gold (%)
1995	Partial	5	0.8% ↑	-2.6 ↓	-0.1% ↓
1995–1996	Partial	21	0.1% ↑	-8.6 ↓	2.5% ↑
2013	Full	13	3.1% ↑	-2.1 ↓	-0.7% ↓
2018	Partial	2	0.8% ↑	-0.9 ↓	0.2% ↑
2018–2019	Partial	35	10.3% ↑	-3.2 ↓	3.8% ↑
2025	Partial	15+	0.3% ↓	-12.2 ↓	9.0% ↑
Average (1995-2019)		15.2	3.0%	-3.5	1.2%

Source: MSCI, Ionic Wealth, Data available as on October 15, 2025

The US shutdown occurred because Republicans and Democrats failed to reach an agreement on a bill to fund government services beyond September 2025. *Without approved funding, the government legally cannot spend money on many of its activities..*

...and Buying Into Volatility Has Paid Off After 3 and 6 Months

Post the shutdown, equity markets have almost always gained, while treasury yields moved higher (unless accompanied by aggressive fed rate cuts) and gold prices have shed gains

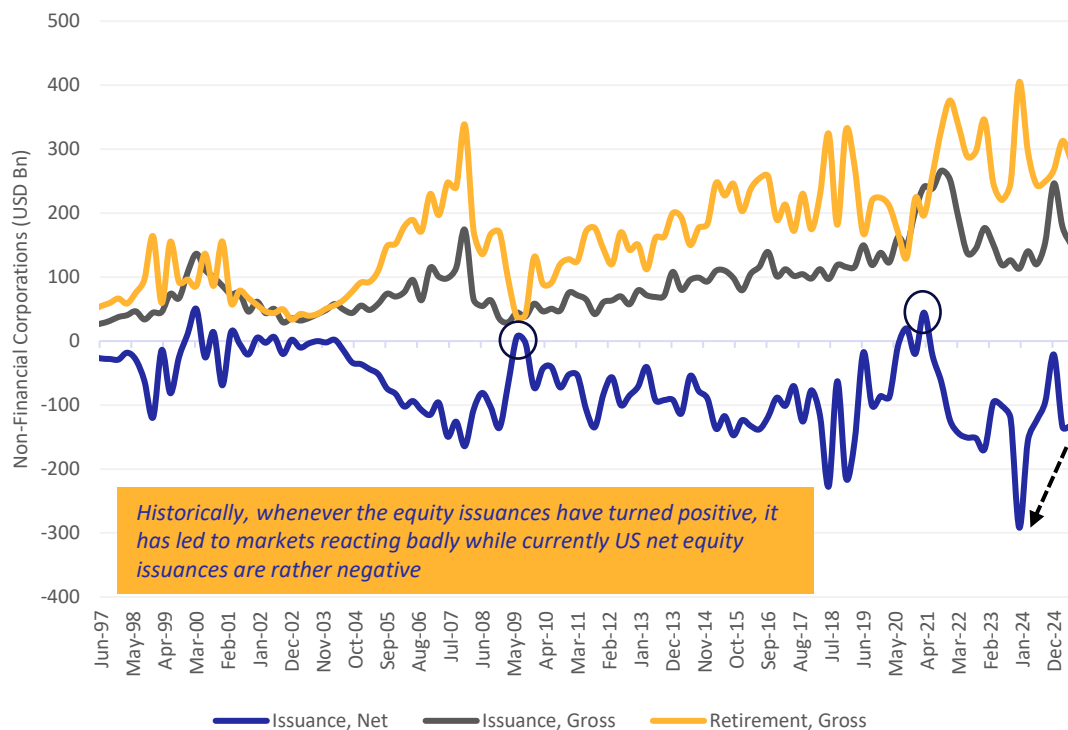
Market Reaction						
	3M After Shutdown			6M After Shutdown		
Year	S&P 500 (%)	10Y UST (Bps)	Gold (%)	S&P 500 (%)	10Y UST (Bps)	Gold (%)
1995	8.0%	-13.3	4.8%	11%	74.7	1%
1995–1996	6.3%	87.8	-0.7%	7%	134.2	-4%
2013	6.1%	23.0	-5.0%	8%	13.2	-2%
2018	-5.7%	31.0	0.2%	-1%	24.3	-8%
2018–2019	9.8%	-22.6	-2.2%	13%	-67.8	8%
Average (1995-2019)	↑ 4.9%	↑ 21.2	↓ -0.6%	↑ 7.5%	↑ 35.7	↓ -0.7%

Source: Bloomberg, Ionic Wealth, Data available as on October 15, 2025

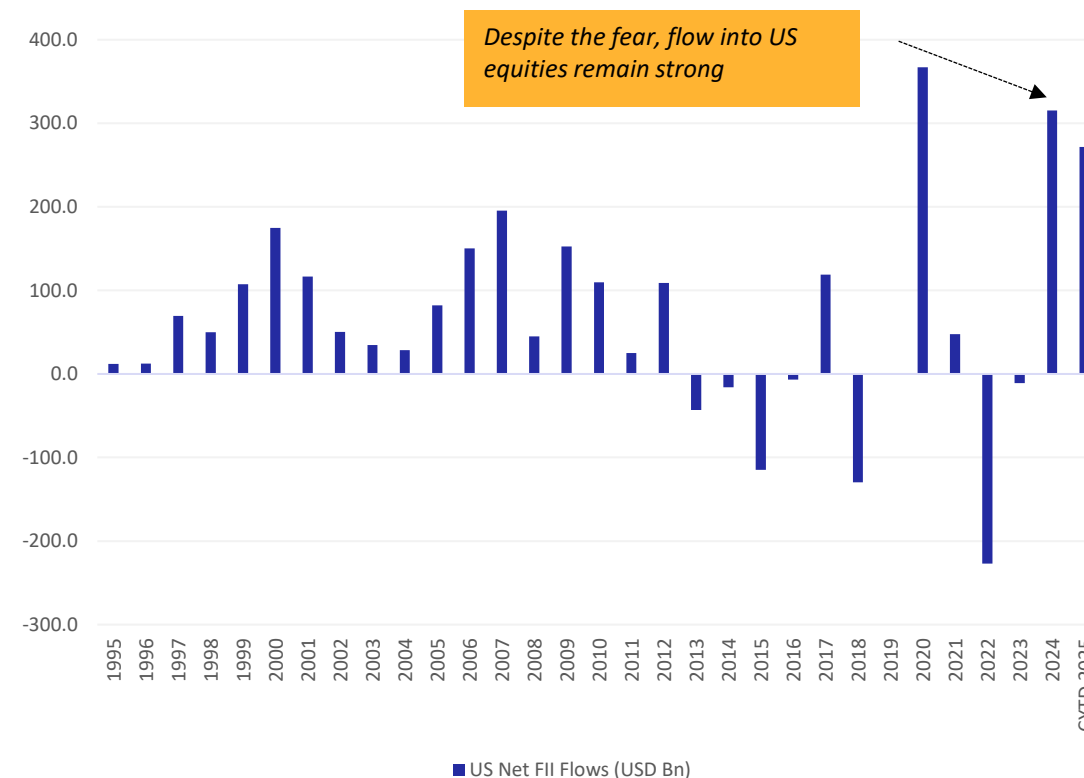
History suggests that risk assets such as U.S. equities have tended to outperform traditional safe havens like gold and US treasuries in the three to six months following past government shutdowns. Though till the time the shutdown gets over we expect some volatility in equity and debt markets. We expect the situation to resolve in the coming days with some consensus between the Republicans and the Democrats.

US Equity: Demand > Supply Currently Supports Equities Climbing Higher

US Net Equity Issuances are dwindling with sharp increase in retirement (Repurchases + M&As), i.e., weak supply



...AND FIIs interest in US equities remain strong amid strong corporate earnings, i.e., strong demand



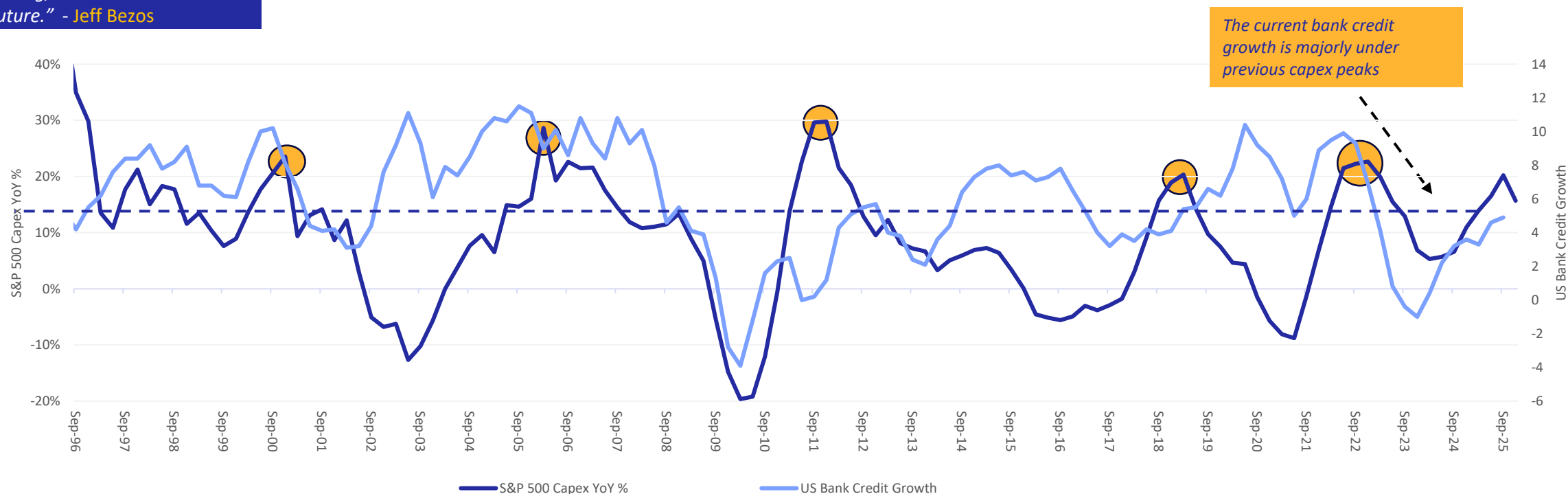
Source: US Federal Reserve, Bloomberg, Ionic Wealth, Data available as on October 15, 2025

A decline in net equity issuances in the US and foreign institutional investors' (FII) demand remaining robust, has provided strong support to equity markets and driven valuations higher. Limited new supply of shares—owing to increased retirement of shares (repurchases + M&As), has tightened the market's equity float. At the same time, persistent foreign inflows, attracted by the resilience of US corporate earnings, has created a favourable demand–supply imbalance. This dynamic has underpinned upward pressure on prices and contributed to the sustained strength in US equity performance.

The Surge In Capex Has Come With Lesser Leverage

Historically, US bank credit growth has tended to rise alongside capex growth, often peaking during periods of economic stress or recession when liquidity needs increase. However, the current capex cycle led by AI names is largely funded by cash surpluses and not bank credit. **Does this mean that the current capex boom is not systemic risk heavy?**

“Financial bubbles destroy everything; industrial bubbles make the future.” - Jeff Bezos



Source: Fred, Bloomberg, Ionic Wealth, Data available as on October 15, 2025

In every recent cycle — the dot-com boom, the GFC, the post-COVID surge — credit growth and corporate investment have expanded together until tightening or shocks reversed them. These were **financial bubbles**, built on leverage. This time, the rebound in credit appears more measured, with banks still cautious and companies funding growth internally.

AI Capex: A Deleveraged, Structural Investment Cycle

Tech infrastructure capex has grown 13 % p.a. over the past decade — outpacing total enterprise capex by more than 2x, though it forms only 3% of total enterprise capex. Unlike past cycles, this boom is financed not by debt but by **free cash flows** of major tech companies.

Capex breakdown (US\$bn)	2015	CAGR	2024
Enterprise total capex	\$11.1tn	4.7%	\$16.8tn
<i>Tech infra has grown more than 2x of enterprise total capex</i>			
Tech. Infra. capex	\$175bn	13%	\$512bn
<i>Share of growth (%)</i>			
		6%	
As % of total capex	1.6%		3.0%
<i>Other capex is way bigger share of pie than tech infra</i>			
Other capex	\$11.0tn	4.5%	\$16.3tn
<i>Share of growth (%)</i>			
		94%	

D/E <1, capex growth with some compromise on FCF is currently underway

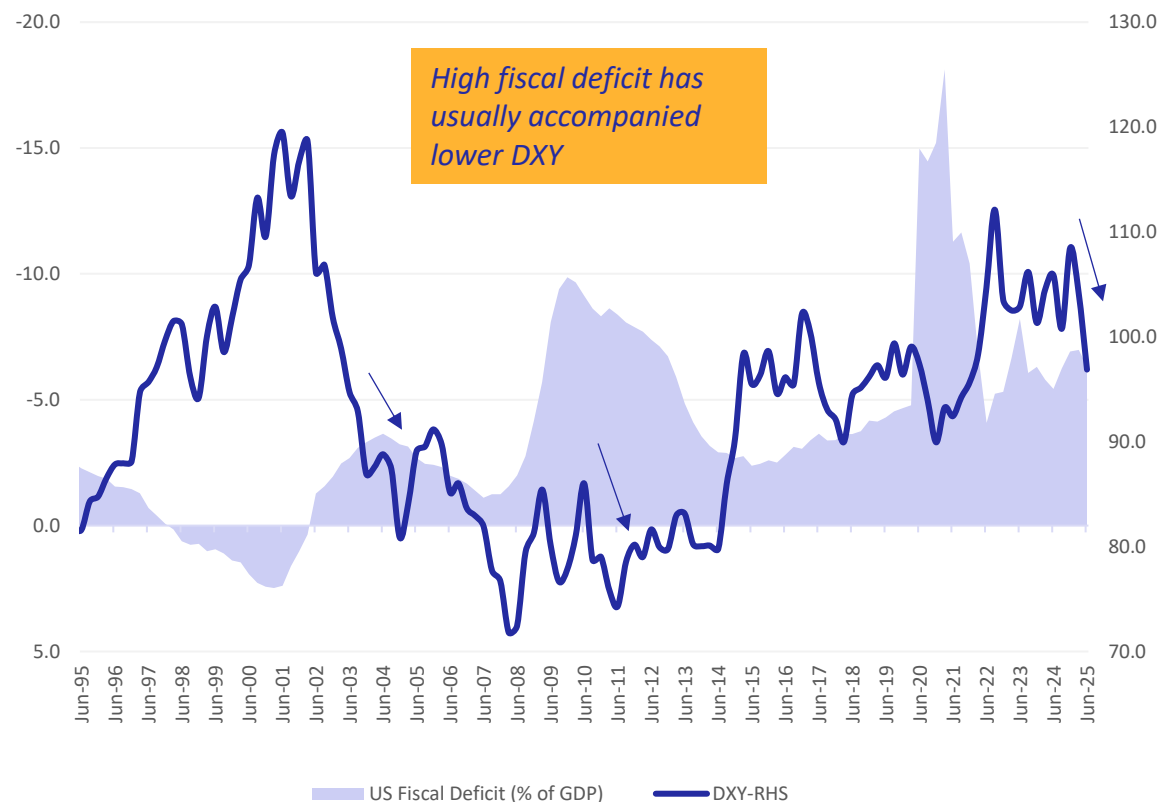
S&P Global Ratings-adjusted FOCF and capex (USD Bn)								
Company	2020	2021	2022	2023	2024	2025f	2026f	CAGR
Microsoft								
Capex	15	21	24	28	44	65	73	34%
FOCF	47	58	67	62	77	76	73	10%
D/E	0.7	0.6	0.5	0.4	0.4	0.3		
Amazon								
Capex	40	61	64	53	83	111	131	23%
FOCF	30	-9	-10	40	42	42	44	7%
D/E	1.08	0.96	1.06	0.77	0.52			
Alphabet								
Capex	22	24	31	32	52	75	82	28%
FOCF	45	69	63	72	76	82	98	13%
D/E	0.12	0.11	0.12	0.10	0.08			
Meta								
Capex	15	19	31	27	37	70	97	36%
FOCF	25	40	20	45	56	40	31	10%
D/E	0.09	0.12	0.22	0.25	0.27			

Source: NewStreet Research, Bloomberg, Ionic Wealth, Data available as on October 15, 2025

From 2015 to 2024, tech-infra investment has tripled but it is still a fraction of global capex, expanding way faster than any other category. The largest contributors — Microsoft, Alphabet, Oracle, Amazon, and Meta — together estimated to generate free cash flow close to USD 258 bn in 2025, having low debt levels (average of <1 D/E). This makes the AI capex cycle **deleveraged and sustainable**- an *industrial bubble* — one that leads to the creation of infrastructure, productivity, and platforms for future growth. In contrast to the leverage-driven cycles of the past, this is a capex wave that **creates the future instead of mortgaging it**.

What Will Move The Dollar Next? Plausible Rate Cuts

Ongoing Fed rate cuts, coupled with a rising US fiscal deficit, are likely to weigh on USD strength, potentially prompting global investors to shift funds toward higher-yielding assets in other currencies

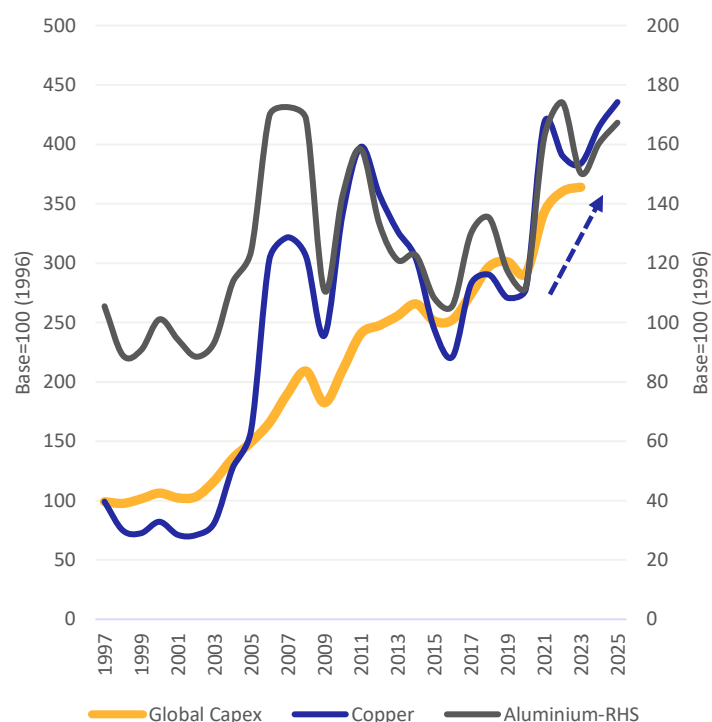


Source: Bloomberg, Ionic Wealth, Data available as on October 15, 2025

The USD may face downward pressure amid a Fed rate-cut cycle, as lower interest rates tend to reduce the yield advantage of holding USD-denominated assets. At the same time, a rising US fiscal deficit could exacerbate this weakness by increasing the supply of treasury securities, potentially dampening investor confidence in the USD.

Industrial Metals May Gain from USD Weakness When Global Demand Improves

Base metals like copper and aluminium could benefit from continued DXY weakness, given their strong inverse correlation with the USD. Moreover, their close alignment with the global capex cycle suggests that an uptrend in investment spending could further support a rally in these metals. Similarly, a declining copper-to-gold ratio indicates that copper is undervalued relative to gold, suggesting potential upside for industrial metals if growth momentum improves.

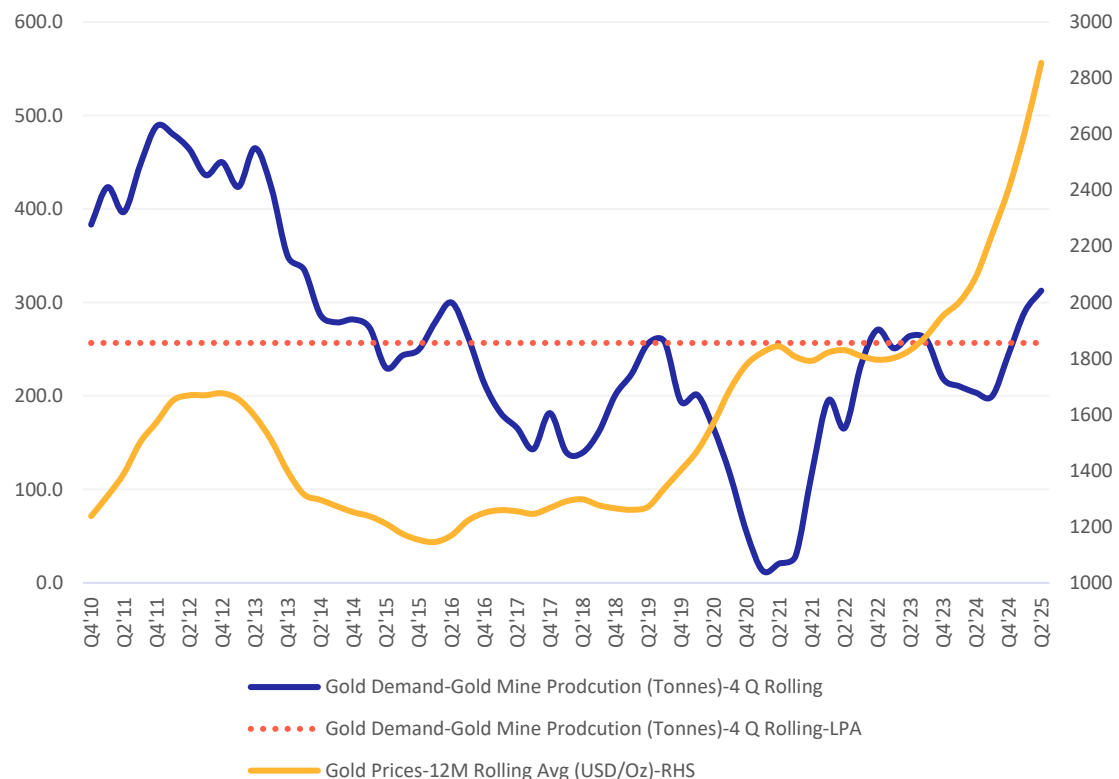


Source: Bloomberg, World Bank, Ionic Wealth, Data available as on October 15, 2025

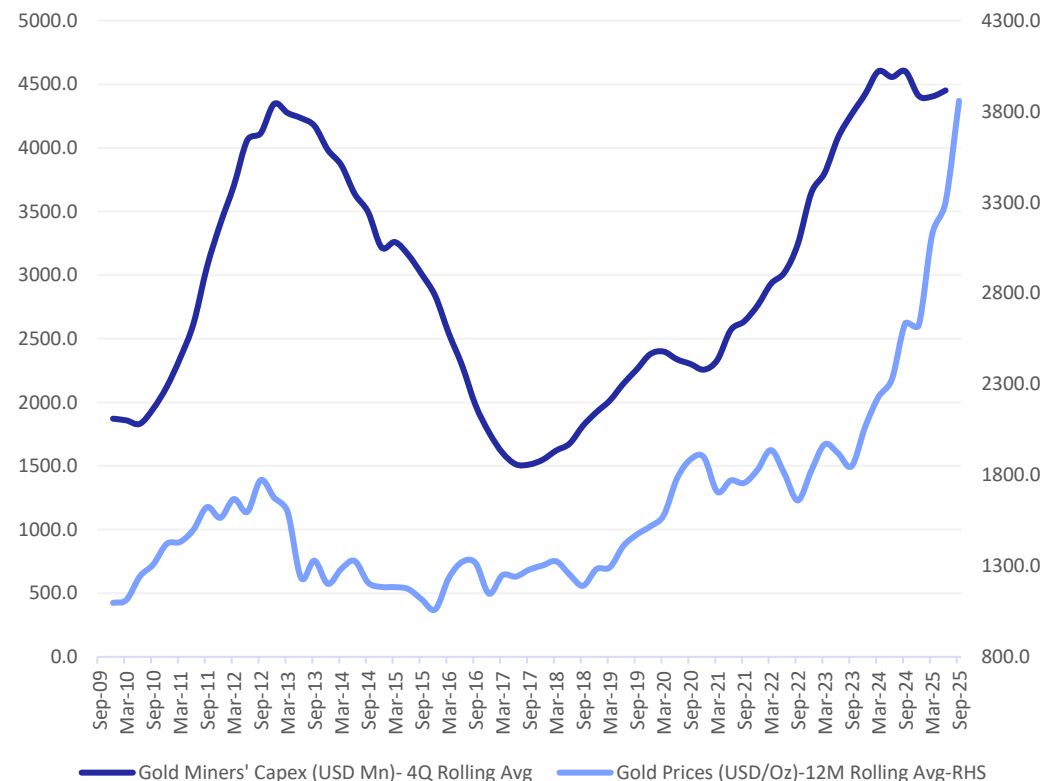
Industrial metals such as copper and aluminium stand to benefit from a softer US dollar and improving global growth prospects. **A weaker USD typically enhances the appeal of commodities by making them more affordable for non-US investors, while robust demand from sectors such as infrastructure, electric vehicles, and renewable energy continues to support a constructive medium-term outlook.** With supply constraints persisting amid limited new capacity additions, the combination of favourable macro trends and structural demand drivers could support a renewed bull phase for base metals.

Gold: Demand Is More Than Supply, There Could Be Fluctuations But Long Term Outlook Is Positive

Higher demand vs gold mine production led to a surge in gold prices and the gap continues to exist for now



Robust gold demand + Surging prices has kept the gold miners capex strong but there's a huge gestation period (~8 years) from capex to output



Source: World Gold Council, Bloomberg, Ionic Wealth, Data available as on October 15, 2025

Higher gold demand is translating into increased gold mining activity, with global mine production rising in response to sustained investor and central bank interest. As a result, the **difference between gold demand and gold mine production has moved above its long-period average (LPA)**, indicating that, demand remains higher than the supply. On the other hand, strong demand is translating into higher capex of the top global gold mining companies. *Can gold prices reverse if supply catches up?*

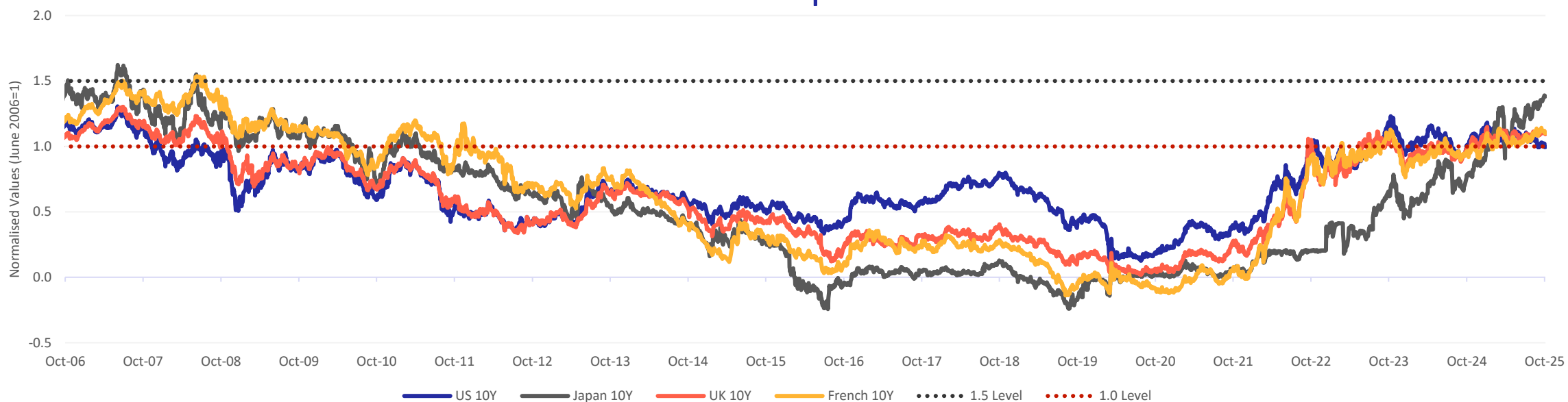
Global Treasures at Multi-Year High- To Worry or Not to Worry?

The current global debt cycle is led by increased government debt, unlike the Global Financial Crisis which was driven by private sector leverage—allaying fears of a recession triggered by private debt imbalances.

2008- Global Debt as % of GDP			
	Private	General Government	Total
France	166.5	69.8	236.3
Japan	165.5	180.9	346.4
United Kingdom	185.3	50.8	236.1
United States	170.7	73.6	244.3
Average	172	93.8	265.8

2024- Global Debt as % of GDP			
	Private	General Government	Total
France	215.5	113.1	328.6
Japan	181.4	236.7	418
United Kingdom	137.3	101.3	238.6
United States	143.1	120.8	263.9
Average	169.3	142.9	312.3

1.5X



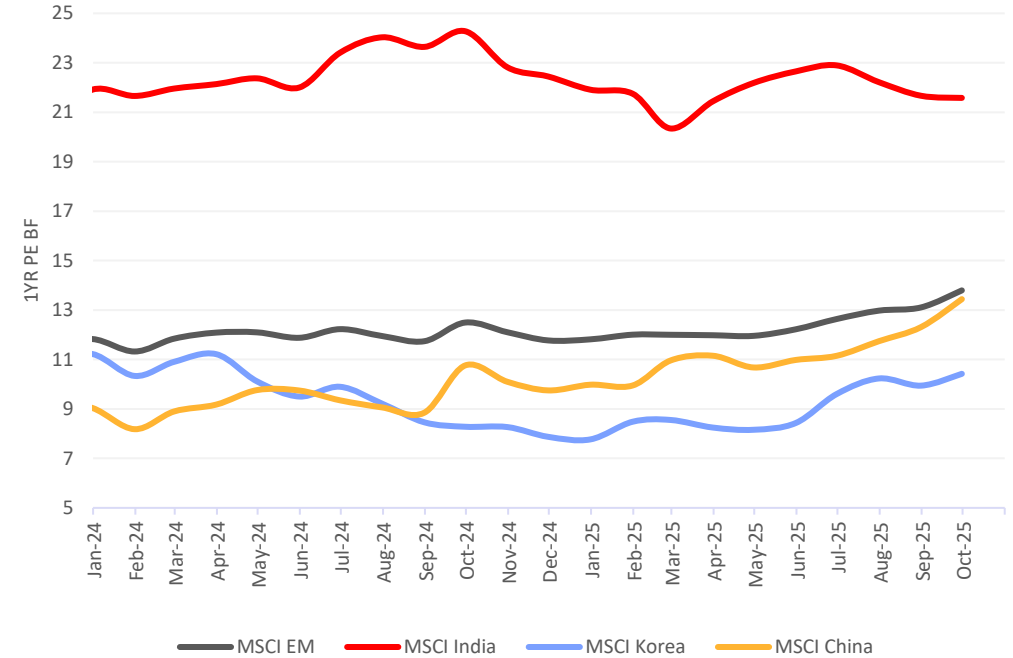
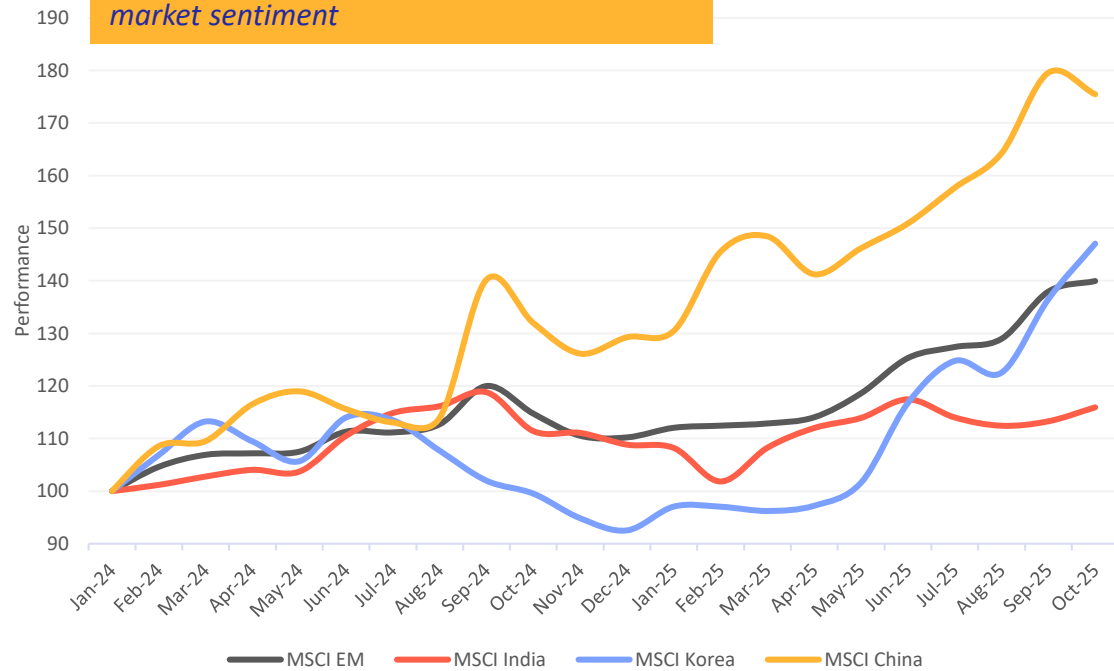
Source: Bloomberg, Ionic Wealth, Data available as on October 15, 2025

Globally, yields especially the longer-end of the curve is observing a sharp surge despite most of key central banks being on rate easing mode. Last time yields moved to these levels was during global financial crisis, however, that was because of dramatic increase in private debt. On the other hand, this time around, yields have increased due to sharp increase in government debt for the key global economies and not private debt excesses. *Does this mean that risk of a recession is lower this time?*

Global Capital Allocators Have Hunted For Cheaper Markets, EMs ex India have been a beneficiary

India trades at a forward PE of ~21X, well above peers. By contrast, China at ~11-13X and Korea at ~10X are at cheaper valuations with stronger performance momentum showcasing possible growth potential

Both Korea and China are pursuing fiscal and monetary expansion— supporting macros & market sentiment



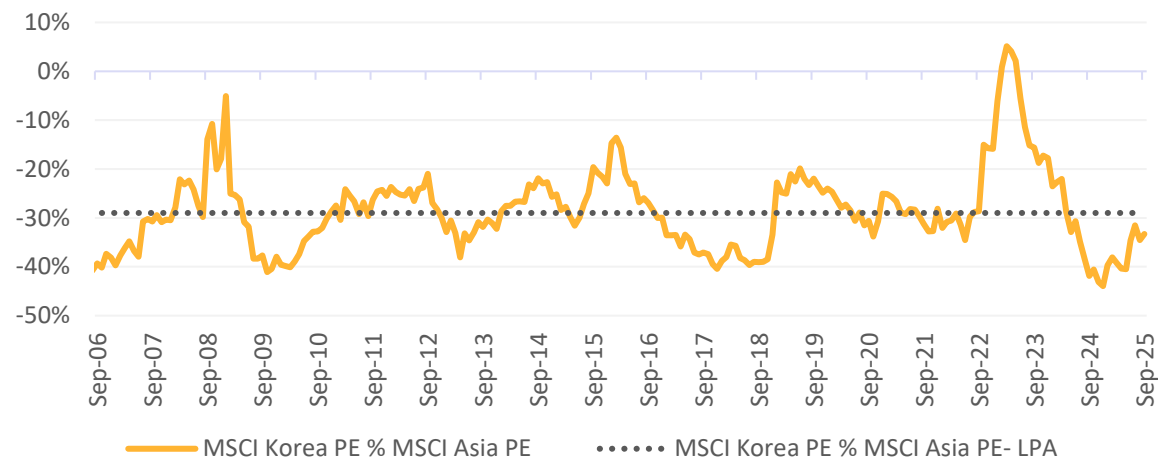
Source: Bloomberg, Ionic Wealth, Data available as on October 15, 225

Source: Bloomberg, Ionic Wealth, Data available as of October 15, 2025

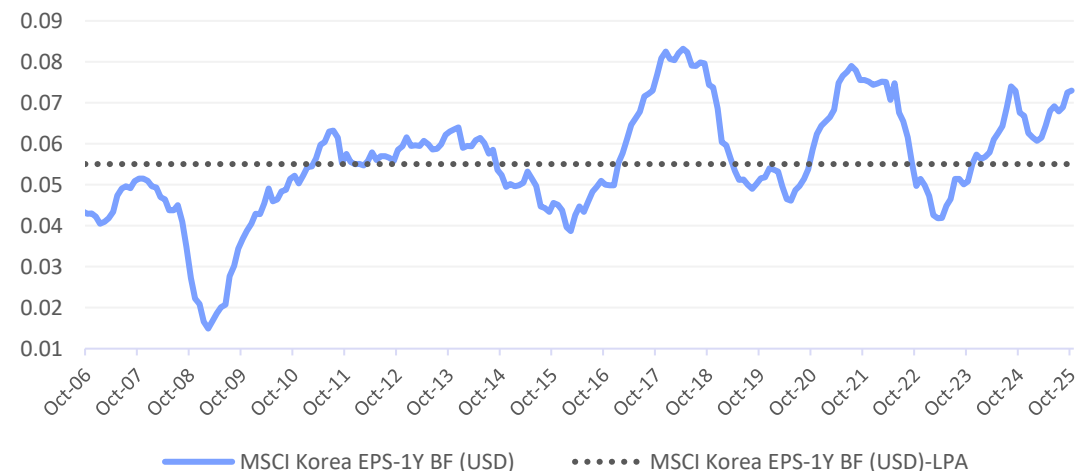
Over the last year, China and Korea have driven gains in the emerging markets, supported by earnings recovery, reforms, and sectoral growth in areas like technology, EVs, and green infrastructure. Meanwhile, India's high valuations limit scope for further upside relative to peers. With EM ex-India indices trading at nearly half India's multiples, there is a possible huge growth potential in these undervalued markets where policy support and structural trends are translating into stronger returns.

Korea- Cheap Valuations, Improving Earnings & Positive FII Flows

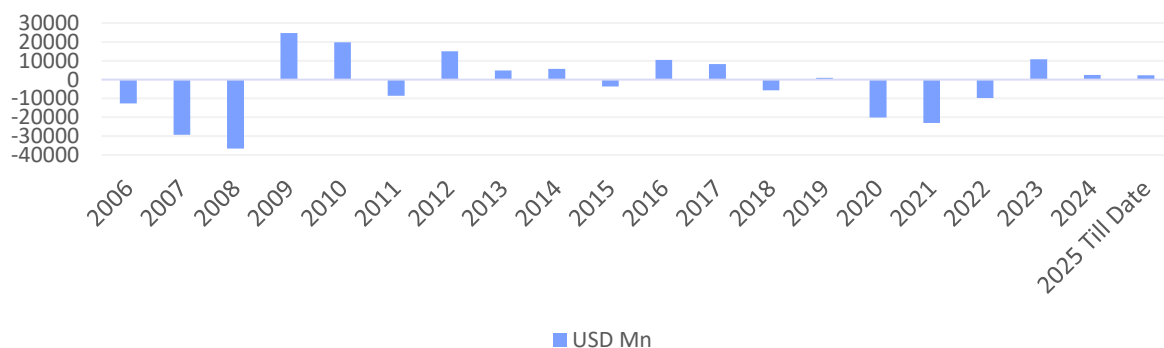
MSCI Korea trading at a significant discount to MSCI Asia



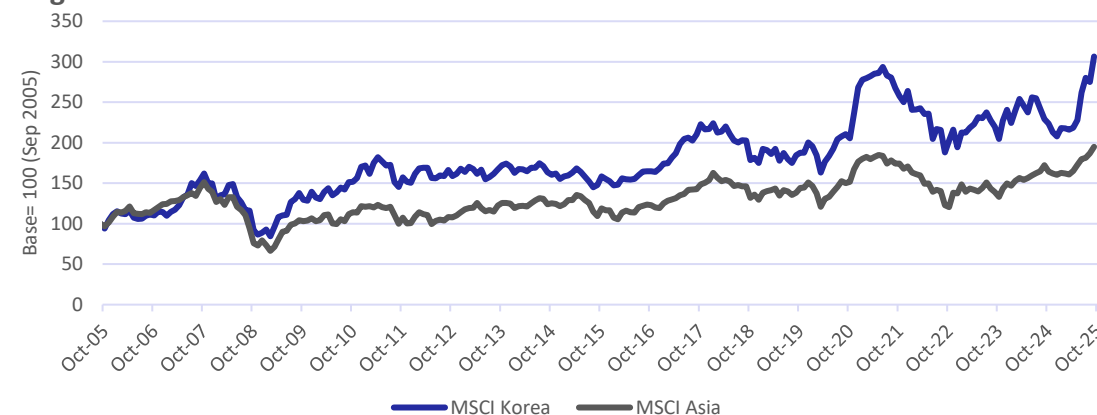
Korea EPS improving and is above LPA



FII's continue to be net buyers in the Korean Equity Markets



Korea has considerably outperformed the broader Asia market over a long-term

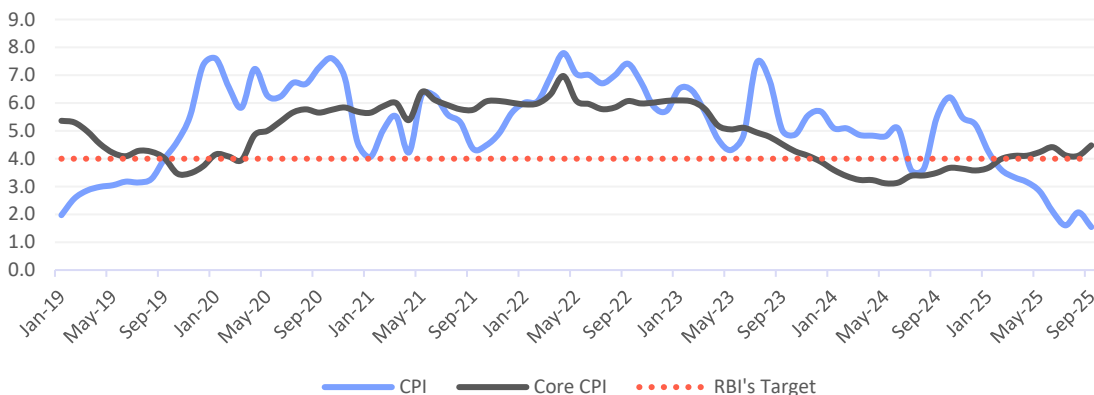


Source: Bloomberg, Ionic Wealth, Data available as on October 15, 2025

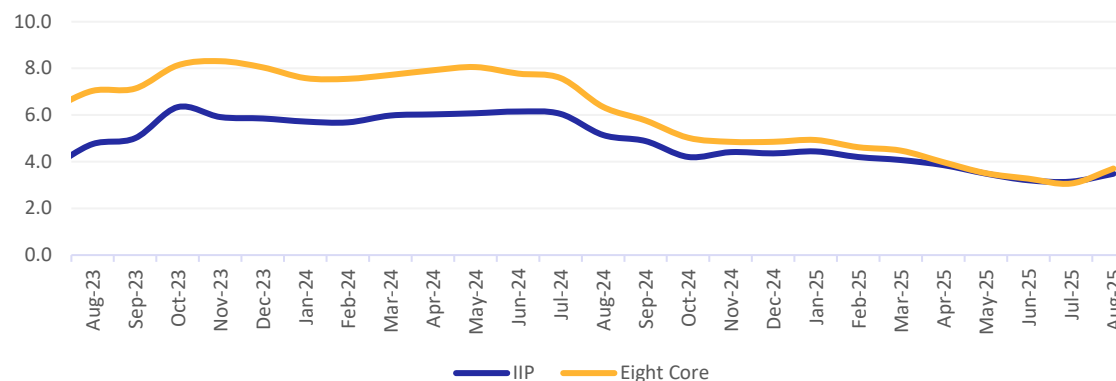
Korea's equity market has been gaining traction, supported by a combination of attractive valuations, a sustained recovery in corporate earnings, and renewed foreign investor interest. Earnings momentum is improving, particularly in key sectors such as semiconductors and technology hardware, which are benefiting from the global tech upcycle. Additionally, continued FII inflows reflect rising confidence in Korea's macro stability, policy reforms, and prospects of eventual reclassification as a developed market—all of which are driving market performance.

India: Further Rate Cuts on the Table, Growth Recovery seems to be around the Corner

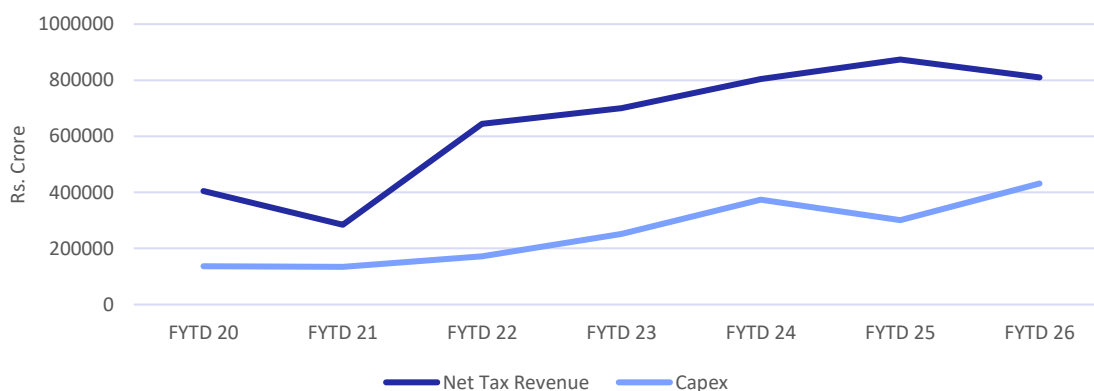
India's CPI inflation remains comfortably below RBI's 4.0% target



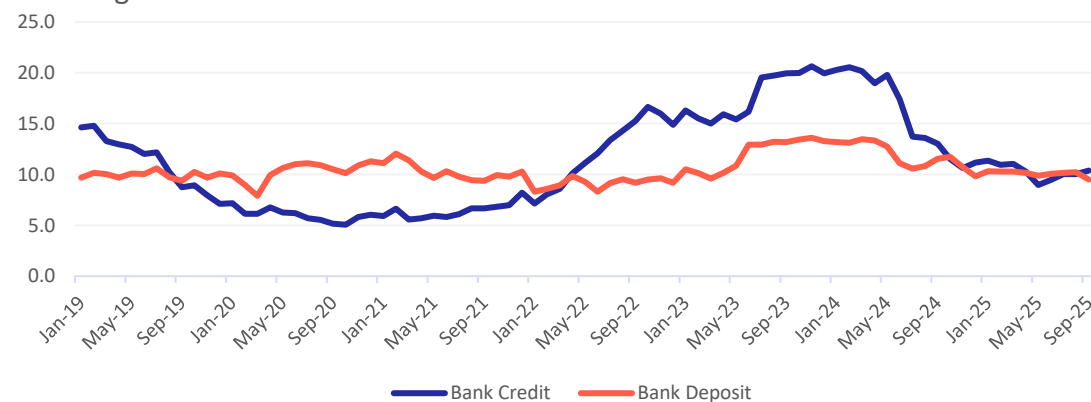
Both the **Eight Core Industries** and **IIP data** point to a marginal recovery in growth momentum, raising the question — **could this mark the beginning of the end of India's sluggish growth phase?**



Government's tax revenue down 7.3%, while Capex is up 43.4% YoY FYTD26



Can bank credit sustainably outgrow bank deposit from here on? Recent banking reforms, continued easy monetary conditions and revival in demand to support further growth



Source: Bloomberg, Ionic Wealth, Data available as on October 15, 2025

Domestic inflationary environment remains benign with headline CPI inflation remaining much below RBI's target of 4.0% and core inflation staying little over 4.0% as of August 2025. While inflation remains comfortable, growth momentum in the economy continues to be slow, however some nascent signs of recovery are visible. Additionally, government's capex revival seen this year coupled with major GST reforms should likely support growth in the coming quarters. Bank credit growth remains low, however, ample surplus liquidity, lower interest rates and revival in consumer confidence should pick-up credit growth in the coming months. This balanced scenario underscores a cautiously optimistic outlook where inflation stability provides room for growth-supportive policies.



In a nutshell,

This remains a time to trust active managers. It has been a volatile period and uncertainty has surprised on the upside. However, one needs to stay mindful of first principles of investing to remain fool proof in the markets.

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