



Macro Outlook Summary

October 2025

Market commentators describing their trigger for the next bear market is an increasingly popular game. Many have pointed to expensive tech and AI stocks, drawing parallels with the dotcom boom of 1999 and implying that a similar -50% bear market will surely follow. In fixed income others have pointed at the world of private credit and suggested that this entire space is riding for a fall and will be the catalyst for a global market correction or crash.

Jamie Dimon in a remarkably uninformed comment talked about more cockroaches likely to appear in private credit when First Brands defaulted. Yet of FB's \$11bn of debt, \$9bn was in public bonds and loans structured, documented, underwritten and distributed by banks like JP Morgan. Those public credit spreads are extremely tight and will undoubtedly widen in a general asset market sell-off, so being short these spreads is a cost effective hedge.

But the whole point about private credit is how wide and attractive the yield spreads are and how much cushion they provide against possible future stress. AI and private credit are two spaces where change is happening fast but that in itself is usually not enough to trigger a crash. The GFC began with cynical and rotten bank lending on a massive scale being packaged and passed on to unquestioning institutional investors which infected the entire financial system including a feedback loop to the banks themselves.

The chain reaction of damage reached much further than almost anyone imagined and the sequence of resulting shocks drove the bear market. Today this chain reaction potential stemming from either tech or private credit is hard to see but that doesn't mean that either or both of these spaces could not still witness a shakeout. In turn that shakeout could lead to a growing number of investors losing confidence and possibly hitting trading stops etc.

That sort of risk is ever present in markets but more so when lots of assets are highly valued or priced to perfection. Staying away from market driven investment outcomes and focusing on manager driven investment outcomes seems to us like the best place to be given current circumstances.