



A VIEW FROM THE SQUARE

NOVEMBER 2025

A Time for Reflection

The long wait for interest rate cuts goes on. Perhaps that's not such a great surprise with national and corporate debt at such high levels. Budget deficits are proving difficult, and in the US, possibly impossible to resolve. We have observed growing interest in cross-border CBDC (Central Bank Digital Currency) initiatives, with China leading multiple pilot programs aimed at expanding the Yuan's role in international settlements as a potential complement to the SWIFT system. In 2023, the Yuan overtook the Euro to become the second most used currency in global SWIFT payments, accounting for around 5.8% of transactions, compared with the U.S. dollar's dominant share of over 80%. While the yuan's share remains relatively small, and broad substitution of the dollar is limited, the trend highlights a gradual shift in international payment patterns that warrants monitoring.

We recently took some profits by making small cuts to portfolio Gold exposure as the price was rising at a possibly unsustainable rate and it did pause for a moment or two. However, it is clear that China wishes to impose itself in global terms and on the West in particular, and any US\$ weakness is likely to be exposed and exploited.

Elsewhere we have looked at the possible danger from vendor financing. In this area attention has been drawn to the world of Artificial Intelligence where fears have been expressed that cross trading by players in the sector have shown shades of the dot.com boom where cross sector reinvestment was not based on completed orders and cashflow; further echoes of such distortion were seen with the Magic Circle in the Investment Trust sector in the Noughties where cross investment by a few aligned management groups, distorted the market. Reassuringly, comparisons between Nvidia and Lucent (the telecommunication equipment company that sold fibre optic and communication equipment in the late 1990s) show that cash conversion from customers is significantly stronger for the former.

There are threats to market levels, and while we believe that subdued industrial activity leaves funds free for stock market investment, this is a good time to review one's risk appetite and decide whether an allocation to rock solid Gilt Edge stocks is sensible for the stability of one's portfolio. The answer will be different for different risk appetite, but the comfort of a safety cornerstone is that returns on low coupon Gilts are capital gains tax free. They are also usually more tax efficient historically in producing good net returns compared to cash deposits.

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