



Capital Markets 4Q25 Update

Policy eases yet long-term yields hold firm

Despite the Fed's rate cuts, long-term Treasury yields remain elevated as fiscal expansion and persistent inflation sustain upward pressure. Investors are better positioned in short-duration, high-quality credit to capture yield.

AI's hidden gold rush: the storage boom

The AI explosion has turned data storage hardware into a top-performing sector. Investors seeking diversified AI exposure should consider storage and infrastructure plays.

Good or not, every bubble pop

The S&P 500's 2025 rally has been dominated by a handful of AI-driven tech giants, fueling valuation anxiety and bubble talk. It may be time for selective positioning and some profit-taking in big-cap tech.

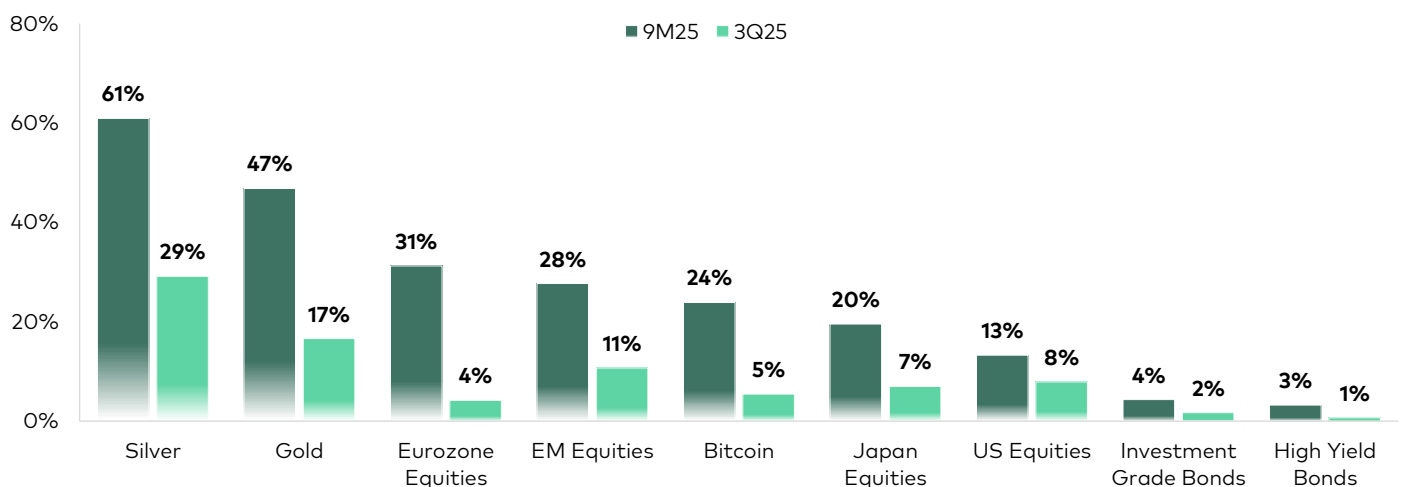
Silver steals the spotlight, while gold continues to shine

Precious metals have surged to record highs in 2025. While both gold and silver remain bullish plays, the gold-to-silver ratio near 80 signals a slight edge for silver.

Summary

- Silver overtook gold and Eurozone equities in 3Q25, delivering 61% return in all of 9M25.
- Bond markets offer attractive yields, but selectivity and short-duration focus are critical.
- The AI boom has ignited a powerful rally in data storage hardware, making "picks and shovels" plays a key second-wave beneficiary of AI investment.
- Gold and silver have outperformed all major assets amid global uncertainty, with silver showing a marginal relative advantage as investors seek hedges.
- Overall, 4Q25 markets reward discipline: stay short in duration, diversified across AI infrastructure, and tactically overweight in defensive hard assets.

Select asset class returns, 9M25 and 3Q25



Source: Bloomberg

Silver: iShares Silver Trust (SLV); Gold: SPDR Gold Trust (GLD); Eurozone Equities: iShares MSCI Eurozone ETF (EZU); Bitcoin: BTC/USD; EM Equities: iShares MSCI Emerging Markets ETF (EEM); Japan Equities: iShares MSCI Japan ETF (EWJ); US Equities: Dow Jones US Total Market Index (DWCF); Investment Grade Bonds: iShares Investment Grade Corporate Bond ETF (LQD); High Yield Bonds: iShares High Yield Corporate Bond ETF (HYG)

Fixed Income

Policy eases yet long-term yields hold firm

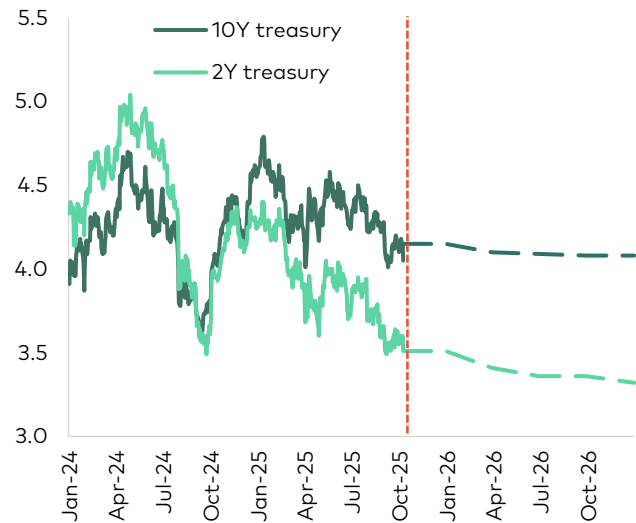
In 4Q25 bond investors face growing rate cut expectations on one hand, but stubbornly high long-term yields on the other. Swelling deficits and somewhat persistent inflation are likely to keep long-term US Treasury yields elevated even as the Federal Reserve continues easing (delivering 25bps cut in September 2025, with 2 more totaling 50bps expected by year-end). Short-dated Treasury yields will edge lower if Fed rate cuts arrive, but 10-year yields are expected to hold around 4.0% over the coming months and even next year, defying a full pull-back.

Several factors influence resilience of yields. US fiscal policy has been exceptionally loose – President Trump's tax cuts and spending plans (Big Beautiful Bill) expected to add over US\$ 3tn to the national debt over the decade. That paired with reduced appetite from traditional debt buyers forces prices down and hence yields up. Meanwhile, inflation, although significantly tamed compared to prior periods, remains above the Fed's 2% target, keeping inflation premium into long-term rates. With growth still relatively strong and price pressures sticky (coupled with reignited fears of tariffs), some analysts warn the Fed against cutting rates too quickly. Easing too soon could reignite inflation and push yields even higher.

We like short-term over long-term

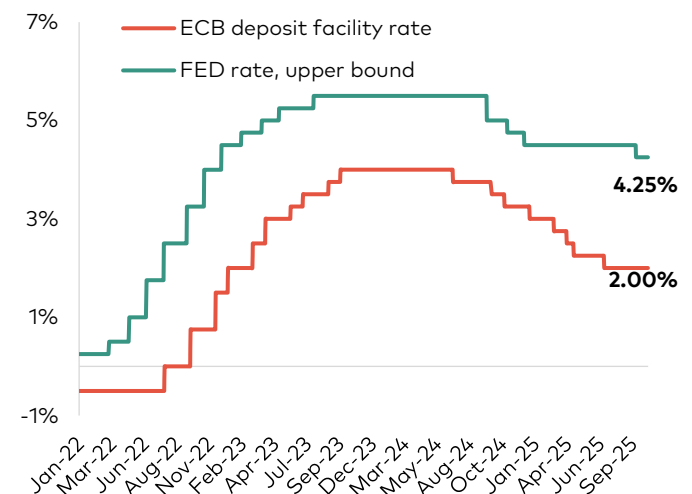
Fixed income investors may prefer to gravitate towards shorter-duration bonds and quality credit. Longer-term bonds face the risk of price declines if the market demands even greater risk premiums for inflation and growing debt. Meanwhile, Fed's cuts can easily push shorter-term rates lower, delivering price return to investors. Bond prices and yields move in opposite directions. Hence, locking-in short-duration elevated yields can help generate additional income.

US 10-year and 2-year Treasury yield, %



Source: Bloomberg

Fed and ECB interest rates



Source: Fed, ECB

Equities

The (AI) revolution is live - and it needs storage

Less obvious corner of the tech market – data storage hardware – has quietly become one of 2025's hottest trades. Companies that provide memory and storage devices are seeing surging demand thanks to the AI boom. A number of data storage stocks have shown return rivaling the best AI software names this year.

Training large AI models and powering new AI-driven services require massive amounts of storage for datasets, model parameters, and output. Leading data-center operators have scrambled to secure more hard drives and flash memory, creating an unprecedented demand upswing. Western Digital (WDC), a major hard disk drive maker, reportedly notified customers in September that it was raising hard drive disk (HDD) prices across the board due to "unprecedented demand" in the AI era. Similarly, other suppliers have been able to hike prices amid tight supply.

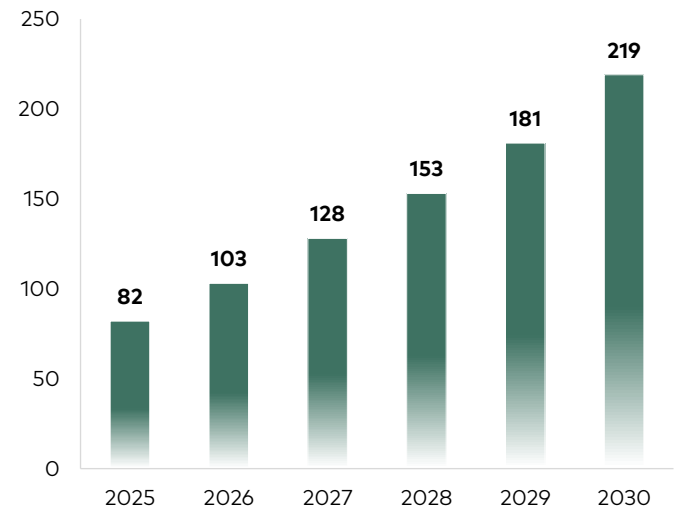
Across the board, storage vendors report strong backlogs and orders stretching out for quarters, as AI and cloud customers race to build out capacity. Wall Street analysts remain broadly bullish on these names despite the big moves. Morgan Stanley researchers this fall elevated Western Digital to their "top pick" in tech hardware, shifting from a previously favorite Seagate, and argued that demand is likely to continue outpacing supply into next year.

Investment implications

The boom in data storage equities underscores that the AI revolution's beneficiaries go beyond just AI software and semiconductors. Investors looking for exposure to the AI theme might consider the "picks and shovels" suppliers like storage, networking hardware, and other infrastructure, some of which still trade at cheaper valuations than AI software firms.

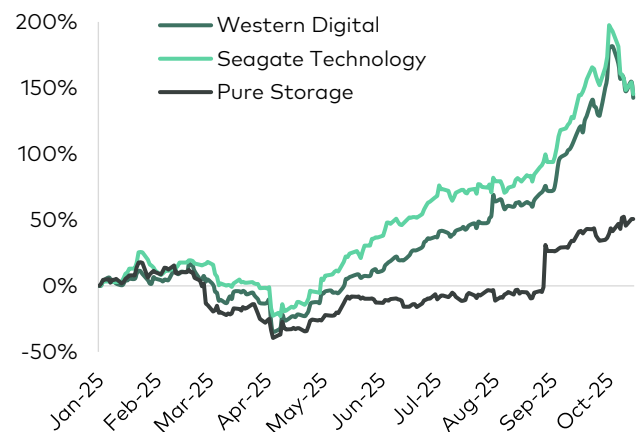
After such sharp rallies, selectivity is key. One should focus on companies with a technological edge (e.g. leading drive density or faster memory technology) and solid balance sheets to weather the industry's notoriously cyclical downturns. It's also wise to size positions properly - these hardware stocks can be volatile and sentiment-driven.

Global data center capacity demand forecast, GWt



Source: McKinsey

Price return of select stocks, %



Source: Bloomberg

Equities

Good or not, every bubble pop

The Magnificent Seven tech giants have powered a disproportionate share of the S&P 500's rise in 2025. AI-focused companies accounted for roughly 80% of US stock market gains this year, making the market increasingly top-heavy and sensitive to any stumble in sentiment.

However, as valuations stretched, so did skepticism. In October, BofA's global fund manager survey found 54% of fund managers now say tech stocks are overvalued. Moreover, a net 60% of respondents view overall equities as too expensive – the most bearish valuation stance in that survey in years.

Warning signs flash in statements of top-level CEOs too. Sam Altman commented in August that investors' excitement had spilled "past reason" and into bubble territory, explicitly comparing the current AI hype to the dot-com boom of the late 1990s. Jeff Bezos described the current wave of AI investment as a "good kind of bubble," one he believes will ultimately yield lasting benefits for society - even if markets stumble along the way.

Investment implications

One may wonder how this thesis ties with the statements of the previous page where we discuss some "top picks" of the tech industry. None of this is to say that a crash is imminent or that AI itself isn't transformative. But it does imply that the easy money may have been made in the big-cap tech trade for now. The volatility in tech shares has picked up, with the Nasdaq experiencing more swings as investors react nervously to any hints of slowing growth or earnings disappointments.

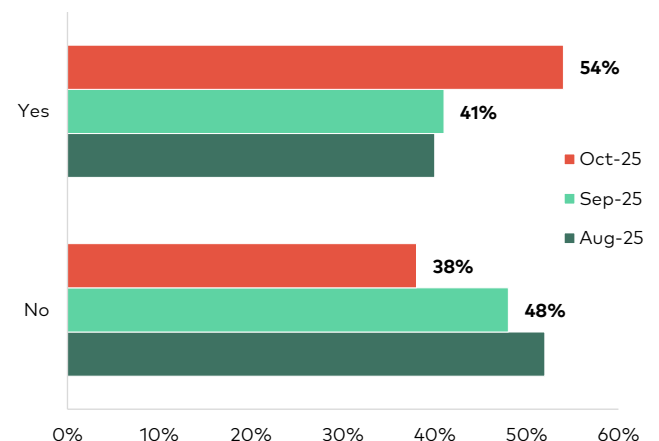
Investors do need to be riding the wave, it just may be a good time for some profit-taking. JPMorgan's CEO Jamie Dimon noted during the firm's earnings call: "We have a lot of assets out there which look like they're entering bubble territory, that doesn't mean they don't have 20% to go. It's just one more cause of concern."

S&P 500 forward P/E, x



Source: Bloomberg

Do you think that AI stocks are in a bubble?



Source: BofA Global Fund Manager Survey

Precious metals

Silver outshines gold; still bullish on both

Precious metals have been this year's top-performing major asset class. Gold prices hit an all-time high above US\$ 4,200/oz in October, and silver broke above US\$ 53.5/oz – level unseen since 1980s. They remain up 57% and 78% YTD, respectively, far outpacing global equities, reflecting investor's flight to safety and hedging.

Multiple factors have driven investors into gold and silver. Chief among them are geopolitical frictions (including reignited fears of tariffs and currency uncertainty) and Fed's rate cuts. Meanwhile, US federal government shutdown (now several weeks long) introduces additional uncertainty, delaying key economic data and raising concerns about growth.

For gold particularly, the shifting interest rate outlook is providing a tailwind. With the Fed expected to deliver more cuts, short-term yields are expected to ease slightly. While outlook for dollar is bearish, other major currencies (euro and yen) have exhibited volatility too. This urges investors to diversify cash holdings into precious metals.

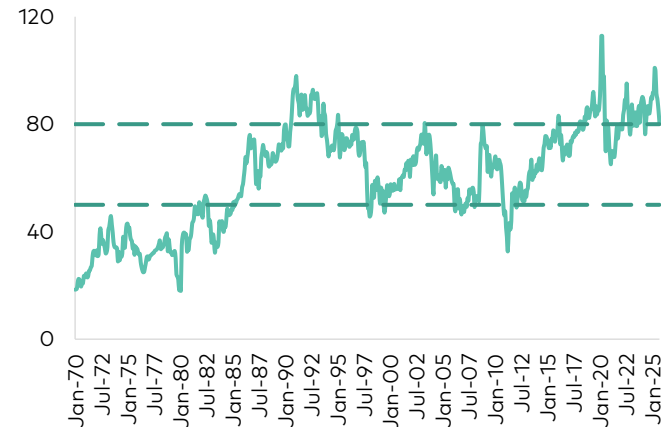
Investment implications

Gold and silver's robust uptrend suggests investors are actively seeking insurance for their portfolios. For the average investor, this could mean an overweight allocation to precious metals in the near term. But which one exactly – is the question.

Investors usually monitor the gold-to-silver price ratio to understand relative attractiveness of metals. Traditional rule of thumb suggests buying gold if the ratio falls below 50 and buying silver if the ratio shoots above 80. Over the past few months, this ratio stood above 80 and silver delivered relatively better performance. As of today, it hovers right around 80, giving no easy choice, but still hinting at a slight undervaluation of silver relative to gold.

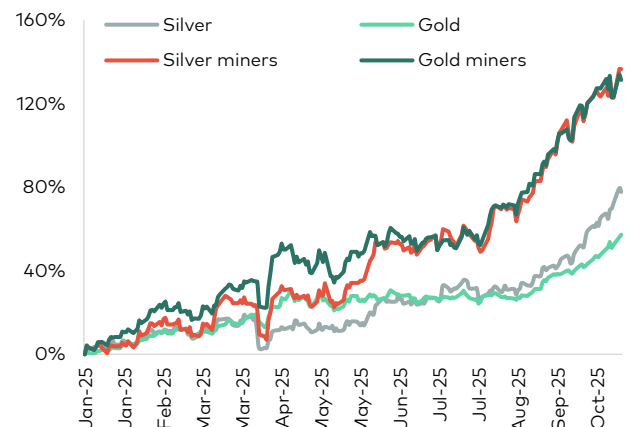
It is important to recognize that such an imbalance can normalize through price movements in either direction. The ratio may correct even if both metals decline, meaning a favorable ratio does not guarantee absolute gains. In that case, silver would be expected to fall less than gold.

Gold-to-silver price ratio, x



Source: Bloomberg

Total return of select ETFs, %



Source: Bloomberg

ETF	Description
iShares Silver Trust (SLV)	Tracks the price of physical silver.
Global X Silver Miners ETF (SIL)	Tracks the performance of global companies engaged in silver mining.
SPDR Gold Trust (GLD)	Tracks the price of physical gold.
VanEck Gold Miners ETF (GDX)	Tracks the performance of major global gold mining companies.

Forecasts for 2025 and beyond

Based on market expectations, over the next 12 months, a 2-year US Treasury yield is expected to touch 3.36% (down from current 3.50%), while a 2-year German bund yield is expected to rise to around 2.16%.

According to BlackRock Investment Institute, the outlook is neutral for Europe, Emerging Markets, the UK, and China, and slightly positive for US and Japan over the next 6 to 12 months.

Meanwhile, in terms of fixed income securities, BlackRock overweighs short-term IG (investment grade) credit, while underweighting Japan government bonds, and long-term IG credit.

FIXED INCOME

Yield forecasts (%)

	Last	4Q25F	1Q26F	2Q26F	3Q26F
US treasuries					
30-year	4.62	4.72	4.68	4.65	4.63
10-year	4.02	4.15	4.10	4.09	4.08
5-year	3.61	3.66	3.63	3.61	3.64
2-year	3.50	3.51	3.41	3.36	3.36
SOFR	3.89	3.77	3.57	3.36	3.27
German bunds					
10-year	2.57	2.76	2.85	2.91	2.94
2-year	1.92	2.03	2.07	2.12	2.16
EURIBOR	2.02	1.99	1.99	2.02	2.01

Source: Bloomberg

6-12 month outlook

Fixed income	Outlook		
Short US treasuries			
Long US treasuries			
Global inflation-linked bonds			
Euro area govt. bonds			
UK Gilts			
Japan govt. bonds			
China govt. bonds			
Short-term IG credit			
Long-term IG credit			
Global HY			
Asia credit			

Source: BlackRock Investment Institute

Equities	ETF	Outlook		
US	SPY			
Japan	EWJ			
China	MCHI			
UK	EWU			
Emerging Markets	EEM			
Europe	IEUR			

 Positive  Neutral  Negative

Source: BlackRock Investment Institute

Disclaimer

This document is the property of and has been prepared by JSC Galt & Taggart ("Galt & Taggart"), a member of Lion Finance Group PLC ("Group") solely for informational purposes and independently of the respective companies mentioned herein. This document does not constitute or form part of, and should not be construed as, an offer or solicitation or invitation of an offer to buy, sell or subscribe for any securities or assets and nothing contained herein shall form the basis of any contract or commitment whatsoever or shall be considered as a recommendation to take any such actions.

Galt & Taggart is authorized to perform professional activities on the Georgian market. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by Galt & Taggart to inform themselves about and to observe any and all restrictions applicable to them. This document is not directed to, or intended for distribution, directly or indirectly, to, or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

Investments (or any short-term transactions) in emerging markets involve significant risk and volatility and may not be suitable for everyone. The recipients of this document must make their own investment decisions as they believe appropriate based on their specific objectives and financial situation. When doing so, such recipients should be sure to make their own assessment of the risks inherent in emerging market investments, including potential political and economic instability, other political risks including without limitation changes to laws and tariffs, and nationalization of assets, and currency exchange risk.

No representation, warranty or undertaking, express or implied, is or will be made by Galt & Taggart or any other member of the Group or their respective directors, employees, affiliates, advisers or agents or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of this document and the information contained herein (and whether any information has been omitted from this document) and no reliance should be placed on it. This document should not be considered as a complete description of the markets, industries and/or companies referred to herein. Nothing contained in this document is, is to be construed as, or shall be relied on as legal, investment, business or tax advice, whether relating to the past or the future, by Galt & Taggart any other member of the Group or any of their respective directors, employees, affiliates, advisers or agents in any respect. Recipients are required to make their own independent investigation and appraisal of the matters discussed herein. Any investment decision should be made at the investor's sole discretion. To the extent permitted by law, Galt & Taggart, any other member of the Group and their respective directors, employees, affiliates, advisers and agents disclaim all liability whatsoever (in negligence or otherwise) for any loss or damages however arising, directly or indirectly, from any use of this document or its contents or otherwise arising in connection with this document, or for any act, or failure to act, by any party, on the basis of this document.

The information in this document is subject to verification, completion and change without notice and Galt & Taggart is not under any obligation to update or keep current the information contained herein. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the information since the date hereof or the date upon which this document has been most recently updated, or that the information contained in this document is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. No representation or warranty, expressed or implied, is made by Galt & Taggart or any other member of the Group, or any of their respective directors, employees, affiliates, advisers or agents with respect to the accuracy or completeness of such information.

The information provided and opinions expressed in this document are based on the information available as of the issue date and are solely those of Galt & Taggart as part of its internal research coverage. Opinions, forecasts and estimates contained herein are based on information obtained from third party sources believed to be reliable and in good faith, and may change without notice. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. Accordingly, undue reliance should not be placed on any such data contained in this document. Neither Galt & Taggart, any other member of the Group, nor their respective directors, employees, affiliates, advisers or agents make any representation or warranty, express or implied, of this document's usefulness in predicting the future performance, or in estimating the current or future value, of any security or asset.

Galt & Taggart does, and seeks to do, and any other member of the Group may or seek to do business with companies covered in its research. As a result, investors should be aware of a potential conflict of interest that may affect the objectivity of the information contained in this document.

Unauthorized copying, distribution, publication or retransmission of all or any part of this document by any medium or in any form for any purpose is strictly prohibited.

The recipients of this document are responsible for protecting against viruses and other destructive items. Receipt of the electronic transmission is at risk of the recipient and it is his/her responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Galt & Taggart

Address: 3 A. Pushkin Street, Tbilisi 0105, Georgia
Tel: +995 32 2401 111

Research: research@gt.ge
Tel: +995 32 2401 111 (4298)

Brokerage: sales@gt.ge
Tel: +995 32 2444 132

Investment Banking: ib@gt.ge
Tel: +995 32 2401 111 (7457)

Eva Bochorishvili – Head of Research

| evabochorishvili@gt.ge | +995 32 2401 111 ext. 8036

Sergi Kurashvili, CFA – Capital Markets Research Associate

| s.kurashvili@gt.ge | +995 32 2401 111 ext. 3654

Mariam Natroshvili – Capital Markets Analyst

| ma.natroshvili@gt.ge | +995 32 2401 111 ext. 3452