

# 2ND QUARTER NEWSLETTER 2025



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 **OCTAVE**  
ASSET MANAGEMENT

# MESSAGE FROM THE CEO



## AHIL MANSOOR

Chief Executive & Chief Investment Officer  
Octave Asset Management

Dear Valued Clients,

In April, we highlighted a focused and constructive outlook on global equities, grounded in relative value, earnings momentum, and policy catalysts. While bullish sentiment ran high in the U.S. and India, we took a more measured approach—overweighting Germany, the UK, and South Korea, where fundamentals and valuations were more compelling.

As Q2 wraps, this strategy has delivered. South Korea, Germany, and the UK outperformed alongside the US and India, which were neutral but exceeded expectations. China aligned with our weaker outlook. In contrast, Japan, despite similar expectations, outperformed driven by active buybacks, governance improvements, supportive inflation dynamics, and growing global investor interest.

Looking ahead to H2, we remain selectively optimistic. Germany stands out in Europe, benefiting from fiscal support, export leverage, and rising capex. The UK's return on equity recovery and policy stability remain a draw. South Korea's reform narrative continues, underpinned by free cash flow strength and improving shareholder returns.

On the flip side, we advise restraint in Japan and the broader Eurozone (excluding Germany). Despite low valuations, weak earnings and currency headwinds weigh on the outlook. In the U.S., valuations have cooled, but earnings risk and geopolitical friction make selective exposure—particularly in quality defensives and growth—a smarter play.

In real assets, we see targeted opportunities. While Dubai's mid-market housing cools, prime areas like Dubai Hills and Palm Jumeirah remain fundamentally strong. The focus should be on high-absorption, infrastructure-backed communities with real end-user demand.

Macro risks are building. Growing deficits in the U.S. and Japan—alongside rising debt servicing costs and policy inertia—threaten investor confidence. Commodities remain a mixed bag: oil faces supply pressure, but gold and uranium are gaining traction as geopolitical and energy transition hedges.

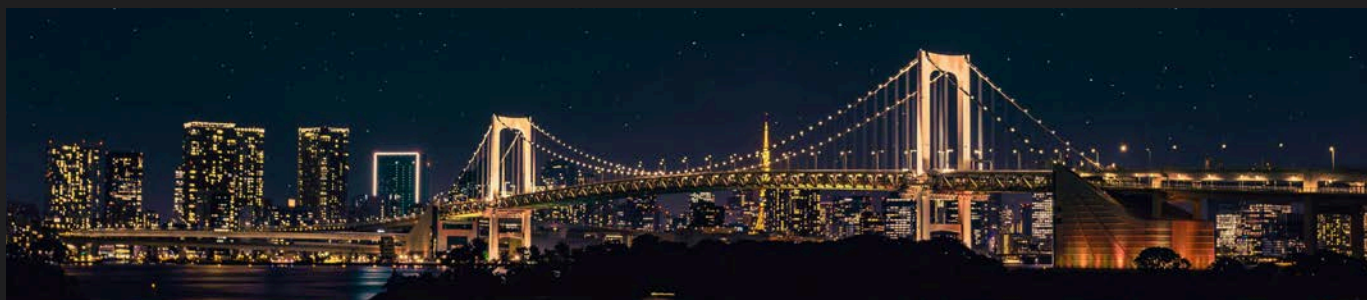
We navigate this environment with discipline, guided by our multi-signal framework: valuation, profitability, and revenue growth. The playbook for H2 isn't broad exposure—it's selectivity.

Thank you for your continued trust. Our goal remains to provide clarity, context, and conviction in a world full of noise.

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# GLOBAL EQUITY MARKETS OUTLOOK | Q2 2025 REVIEW & H2 POSITIONING



Q2 2025 played out largely in line with our April thesis: markets offering a compelling combination of valuation discount and return on equity (ROE) improvement outperformed. South Korea, Germany, and the UK outperformed alongside the US and India, which were neutral but exceeded our expectations. China aligned with our weaker outlook, delivering negative returns. While Japan, despite similar expectations, outperformed driven by active buybacks, governance improvements, supportive inflation dynamics, and growing global investor interest. With policy support deepening and valuation divergences persisting, we retain a constructive stance on select markets heading into H2 2025.

**Thesis Recap (as of April 2025 | Q2 Outlook):** Our April 2025 equity strategy framework was rooted in a combined signal of valuation attractiveness assessed via price-to-book (P/B) discounts versus 5-year historical averages—and profitability momentum, as measured by projected 3-year forward return on equity (ROE) relative to historical norms.

Using this dual-lens approach, we established overweight positions in South Korea, Germany, and the UK, where these metrics aligned most strongly. We remained neutral on U.S. and India due to full valuations and more moderate ROE deltas, while maintaining underweight exposure to China and the Eurozone ex-Germany due to structural drag and earnings uncertainty. We were also cautious on Japan due to yen volatility and policy uncertainty from the BOJ.

## Regional Performance Overview (QTD as of 22 Jun 2025)

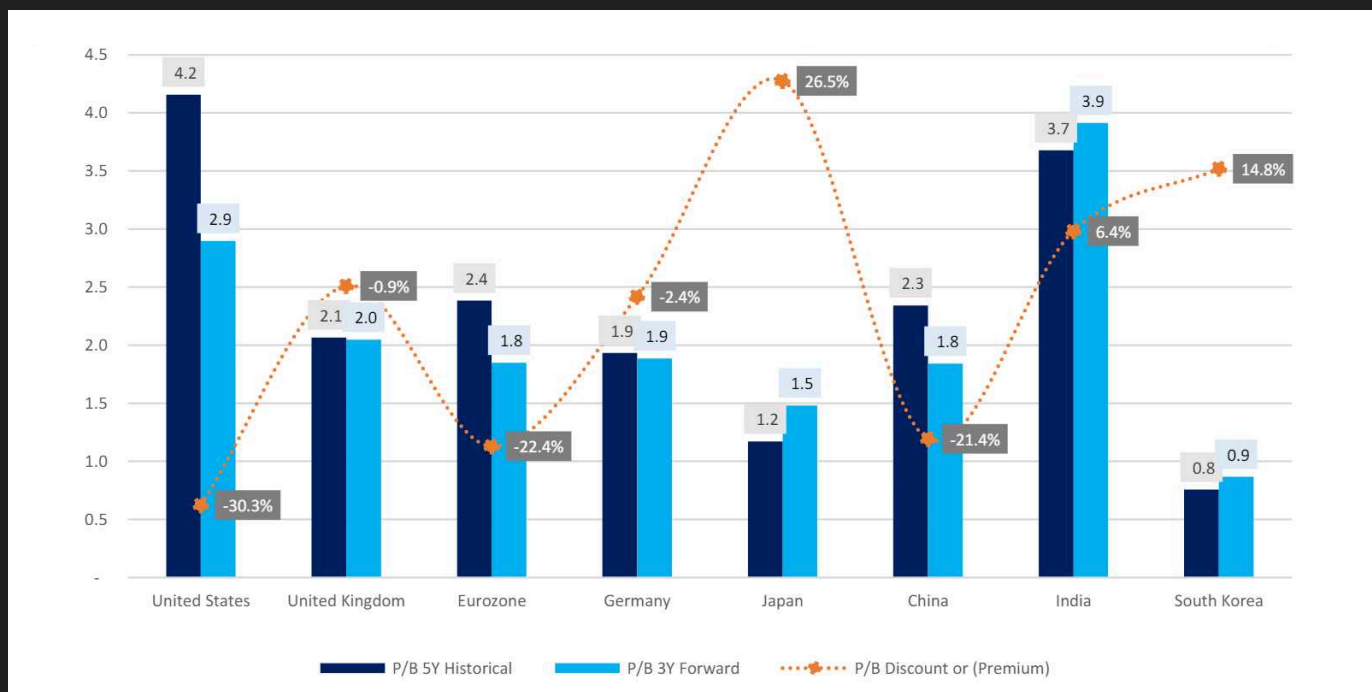
Market	Q2 Return (%)	Key Drivers
United States	6.34%	Rotation into defensives and financials as AI rally faded; Fed pause provided stability
United Kingdom	2.24%	Strong ROE delta, BoE rate cut, and sector-specific gains in healthcare and mining
Eurozone ex-Germany	0.60%	ECB easing priced in; tariff risks and subdued periphery growth held back performance
Germany	5.36%	Defense stimulus, strong IFO print, manufacturing capex cycle, and robust export rebound
Japan	7.82%	Technical bounce amid BOJ taper fears and yen strength-induced positioning shakeout
China	-1.05%	Tariff overhang, weak credit and PMIs; state-led buybacks offered only partial support
India	7.68%	Post-election stability and capex optimism drove gains, but valuations remain stretched
South Korea	21.94%	Structural “Value-Up” reform momentum, MSCI upgrade speculation, AI capex revival

Source: FactSet, OAM calculations

Following the structure used in our Q2 2025 outlook, we continue to assess global equity markets through three key forward-looking indicators: valuation (price-to-book vs historical averages), profitability momentum (3Y forward ROE vs 5Y history), and now, revenue growth potential (3Y forward vs 5Y historical).

This enhanced framework helps us better capture the sustainability of market performance and identify regions where improving fundamentals support a potential re-rating. Rather than focusing only on recent price moves, we use these metrics to understand the medium-term strength of earnings, efficiency, and investor appeal. The updated analysis below applies this structure to the major developed and emerging markets, guiding our positioning as we enter the second half of 2025.

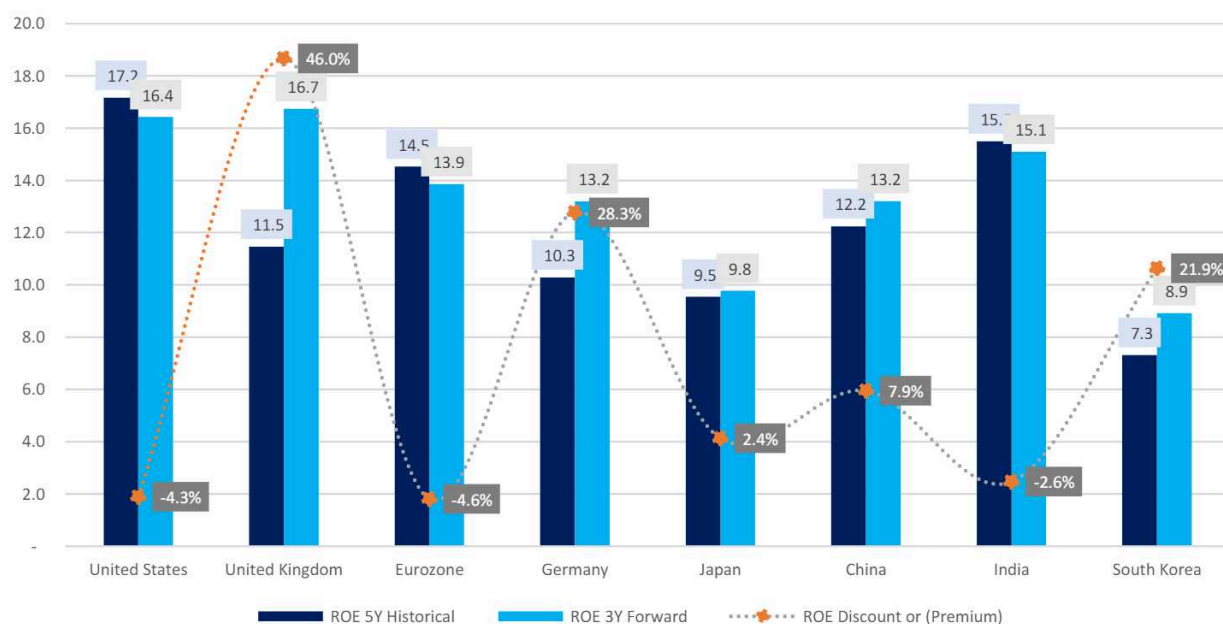
**Chart 1: Valuation of major economies: Price to book value (5Y historical vs 3Y forward estimate)**



Source: FactSet, OAM calculations

- AMONG DEVELOPED MARKETS:** The U.S. trades at a significant 30.3% discount to its 5-year average (2.9x vs. 4.2x), historically cheap but still expensive relative to global peers. The UK, at 2.0x, is near its long-term average, offering stability after years of underperformance. The Eurozone shows a 22.4% discount, reflecting cyclical weakness and structural growth concerns. Germany trades in line with its historical norm (1.9x) and remains the cheapest developed market in absolute terms. Japan, by contrast, trades at a 26.5% premium, indicating stretched valuations post a strong rally.
- IN EMERGING MARKETS:** China trades at a 21.4% discount, suggesting deep value despite near-term headwinds. South Korea, while now at a 14.8% premium, is still the lowest-valued major market (0.9x) on an absolute basis. India, at 3.9x, trades at a 6.4% premium, making it the most expensive globally.
- IN CONCLUSION:** United States and Eurozone ex Germany are attractive in developed markets; South Korea and China stand out in emerging markets.

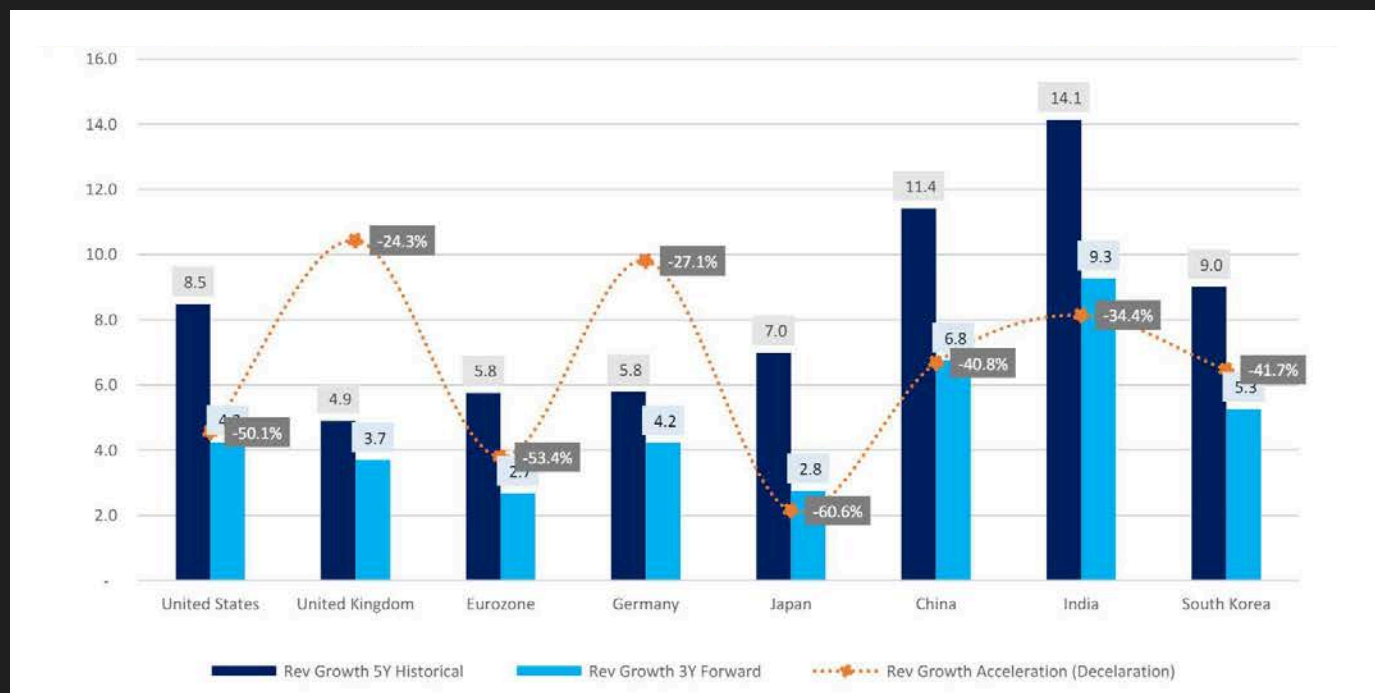
Chart 2: Profitability of major economies: Return on equity (5Y historical vs 3Y forward estimate)



Source: FactSet, OAM calculations

- AMONG DEVELOPED MARKETS:** The United Kingdom leads with a 46.0% improvement in forward ROE (16.7% vs. 11.5%), reflecting gains in capital efficiency and corporate reforms. Germany follows with a 28.3% uplift (13.2% vs. 10.3%) amid industrial recovery and policy support. Japan shows modest improvement (+2.4%), while both the United States (-4.3%) and Eurozone (-4.6%) exhibit mild deterioration, consistent with their mature earnings cycles.
- IN EMERGING MARKETS:** South Korea shows a notable 21.9% rise in ROE (8.9% vs. 7.3%), supported by governance reforms and improved profitability. China posts a 7.9% gain, reflecting stable margins despite macro challenges. India, while maintaining a high ROE level, shows a slight decline (-2.6%), pointing to earnings normalization.
- IN CONCLUSION:** In developed markets, the UK offers the strongest ROE recovery potential, followed by Germany. In emerging markets, South Korea stands out for its improving efficiency and corporate turnaround momentum.

Chart 3: Performance of major economies: Revenue Growth (5Y historical vs 3Y forward estimate)



Source: FactSet, OAM calculations

- AMONG DEVELOPED MARKETS:** Revenue momentum across developed markets is broadly decelerating. The United States slows from 8.5% to 4.2%, reflecting a more mature cycle. Germany shows relative resilience, maintaining growth at 4.2% vs. a historical 5.8%. The United Kingdom follows, moderating from 4.9% to 3.7%, while the Eurozone decelerates more sharply (5.8% to 2.7%), highlighting underlying weakness. Japan, despite past export strength, is projected to slow from 7.0% to just 2.8%, reflecting domestic and external headwinds.
- IN EMERGING MARKETS:** India leads on top-line momentum, though slowing from 14.1% to 9.3%, it remains the highest across regions. China follows (11.4% to 6.8%) with resilient consumer and industrial segments. South Korea decelerates from 9.0% to 5.3%, but remains relatively strong given its export-heavy profile.
- IN CONCLUSION:** Within developed markets, Germany and United Kingdom offers the best relative revenue resilience. Among emerging markets, India and China continue to dominate on growth despite some moderation.



## UNITED STATES

Valuation reset offers some cushion, but softening earnings and revenue growth limit broad upside. The policy backdrop remains uncertain, with delayed rate cuts and election risks weighing on sentiment. However, a stable FCF yield of 4.9% supports balance sheet strength.

**CONCLUSION:** Neutral – while downside appears limited, upside remains stock-specific. Favor quality defensives and selective growth

## UNITED KINGDOM

UK equities are seeing the strongest profitability rebound in developed markets. Supported by central bank easing, sectoral strength, and robust dividends, market sentiment is improving. FCF yield at 6.3% adds cushion in volatile conditions.

Conclusion: Overweight – improving fundamentals and high cash generation support a durable rerating.

**CONCLUSION:** Overweight – improving fundamentals and high cash generation support a durable rerating.

## EUROZONE (EX-GERMANY)

Despite compelling valuation, Eurozone equities remain constrained by weak earnings momentum and policy transmission lags. External trade risks and fragmented credit flows continue to limit broad recovery. FCF yield of 5.5% offers support, but lacks conviction.

**CONCLUSION:** Underweight – maintain selective exposure; avoid passive allocations across the region.

## GERMANY

Germany remains the strongest macro-to-market story in Europe, driven by capex revival, fiscal support, and improving earnings quality. Stable valuations and FCF yield of 5.9% enhance defensive appeal in global portfolios.

**CONCLUSION:** Overweight – a high-conviction developed market play with durable structural support.



## JAPAN

Japan's early strength has faded amid yen volatility and BOJ uncertainty. While corporate governance reform continues, valuations are now elevated, and forward ROE momentum has slowed. Investors are reassessing positioning as FX instability disrupts capital flows. The FCF yield of 4.5% offers some protection, but sentiment is fragile.

**CONCLUSION:** Underweight – await better clarity from the central bank and stabilization in currency before re-engaging. Current premium valuations are not well-supported.

## CHINA

China remains undervalued, but investor sentiment is cautious. Policy support, including buybacks and tech stimulus, is helping stabilize markets. However, structural challenges persist around credit efficiency and regulatory overhangs. Despite these, a strong FCF yield of 6.5% highlights cash-rich balance sheets in key sectors.

**CONCLUSION:** Neutral – stay tactical in positioning. Favor high-quality, state-aligned companies with cash visibility, but hold off on broad allocation until private sector confidence returns.

## INDIA

India's fundamentals remain solid, but valuation has stretched. Earnings growth is moderating, and profitability gains have leveled off. While reforms and capex initiatives continue, the market's ability to deliver upside is constrained by high expectations. A 3.0% FCF yield suggests limited immediate return potential.

**CONCLUSION:** Neutral – continue with focused, bottom-up exposure. Broader re-rating is less likely unless earnings significantly outpace current forecasts.

## SOUTH KOREA

Korea's rally has been driven by governance reforms, AI exposure, and foreign inflows. While valuation has risen slightly, the underlying ROE improvement and supportive flows remain strong. The FCF yield of 6.4% provides attractive downside protection. Continued momentum in chip demand and shareholder return programs enhance its positioning.

**CONCLUSION:** Overweight – Korea remains the top EM pick on improving fundamentals, strong cash generation, and persistent valuation appeal.

## H2 2025 Regional Equity Outlook Summary

Region	View	Drivers
Germany	Overweight	ROE uplift, fiscal tailwinds, strong capex cycle
United Kingdom	Overweight	ROE breakout, policy stability, valuation floor
South Korea	Overweight	Governance reform, AI-cycle leverage, ROE recovery
United States	Neutral	Valuation reset, but weak profitability momentum
India	Neutral	Structural strength, but stretched valuations
China	Neutral	Improving fundamentals, but policy caution remains
Japan	Underweight	FX overhang, low revenue/ROE delta
Eurozone (ex-Germany)	Underweight	Weak profit momentum despite value gap

Source: FactSet, OAM calculations

# US & JAPAN'S BALLOONING DEFICIT



## UNITED STATES OF AMERICA

The United States has been running a series of persistent budget deficits for decades, spending more than it collects in revenue. In FY24, the total government spending was \$6.75Tn and total revenue was \$4.92Tn, resulting in a deficit of \$1.83Tn, an increase of \$138Bn from the previous fiscal year. Major spending drivers include Social Security, Medicare, and interest on the national debt, together making up about 47.4% of total outlays. In response to COVID-19, the government significantly increased spending, with pandemic-related measures accounting for roughly 17% of the current deficit, mainly from FY 2020 and FY 2021.

In May 2025, The House passed the "One Big Beautiful Bill Act", a sweeping package projected to deepen the federal deficit. The CBO estimates it will add approximately \$3.0Tn over the next decade, mainly due to extensive tax cuts and minimum revenue offsets. The bill cuts **discretionary spending** by up to 10% annually, impacting agencies like the EPA and Department of Education, and reduces federal hiring. Non-discretionary cuts include \$499Bn from Medicaid work requirements, eligibility checks, and shifting SNAP costs to states. Continued reliance on borrowing is expected to strain fiscal stability and raise concerns over long-term debt sustainability.

Once considered a stable and controlled measure, U.S. government borrowing has accelerated into unprecedented territory in both pace and magnitude. As of 2024, the federal debt stands at \$36.21Tn, equivalent to 121% of U.S. GDP. With the debt-to-GDP ratio nearing World War II era highs, up from 62% in 2005 and 91% in 2010, its sharp rise has become a growing concern for both the Trump administration and Wall Street, driven largely by efforts to finance a widening deficit. The deficit is largely driven by inefficient spending on welfare programs, rising defence costs and debt servicing, with net interest payments now making up 13% of total outlays.

# \$1.83T

FY24 deficit totaled \$1.83Tn, up \$138Bn from previous year.

# 47.4%

Social Security, Medicare, debt interest = 47.4% of total spending.

# 17%

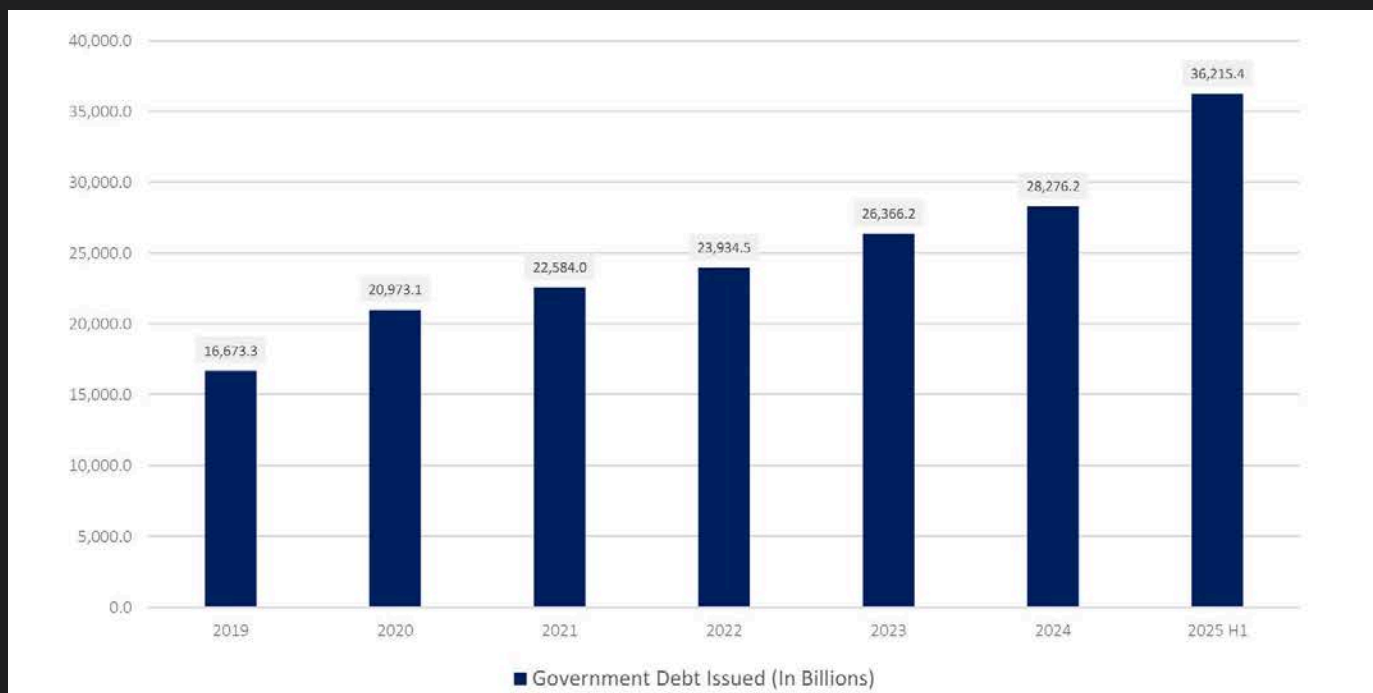
COVID-19 spending caused 17% of current federal deficit.

# \$3.0T

"One Big Beautiful Bill" adds \$3.0Tn to deficit over decade.

# \$3.0T

Federal debt hit \$36.21Tn, or 121% of U.S. GDP in 2024.

**Chart 4: Government Debt Issued by the U.S.**

Source: FactSet, OAM calculations

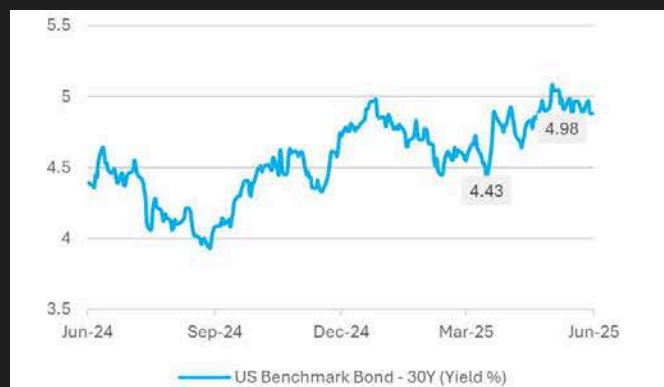
Rising interest rates in recent years have further strained the government deficit through higher net interest payments. The budgetary outlay for net interest rose from \$345.5Bn in 2020 to \$881.1Bn in 2024. Looking ahead, if interest rates were to increase by just one percentage point, it would add an estimated \$300 billion in borrowing costs annually. Currently, markets are pricing in two Federal Reserve rate cuts in the second half of 2025, as improving inflation data and a softening labour market give the Fed sufficient reason to begin easing rates. With the Big Beautiful Bill in play and interest rates holding firm in the short term, mounting pressure is likely to fall on government revenues, diverting more funds toward net interest payments and away from productive investments that could support long term growth.

Debt-to-GDP exceeding 175% would threaten the U.S. government and could undermine Treasuries' "safe haven" status. Surpassing 200% might risk insolvency, spark capital flight, and push yields sharply higher, but it doesn't have to come to that. According to analysts at WSJ, if the federal debt-to-GDP ratio were stabilized around 80% by 2050, average household income per person could rise by 6.7%. Achieving this would require tough political choices, including restructuring entitlement programs to control budgetary expenditures, alongside maintaining higher taxes. In today's polarized environment, such reforms remain highly unlikely.

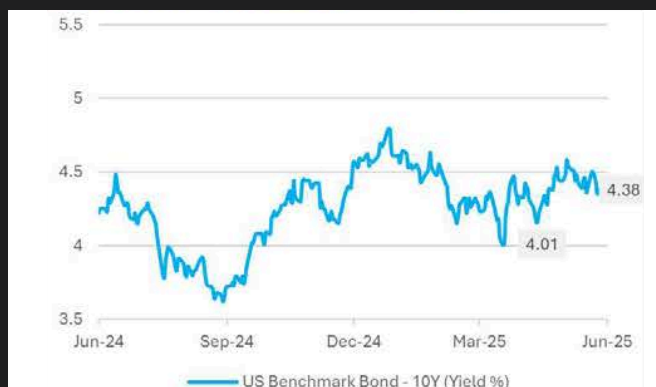
In 2025, investor appetite for U.S. Treasuries has grown stronger across short to medium maturities, with rising bid-to-cover ratios in the 5Y, 10Y, and 20Y auctions signalling increased confidence in the government's near-term fiscal stability. However, the 30Y bond market reflected a more cautious sentiment. In May, investor confidence in both 20Y and 30Y U.S. Treasuries weakened, with soft demand reflecting rising fiscal concerns. While 30Y demand rebounded slightly in June, it remains below YTD highs, signalling continued investor caution toward ultra-long-term debt.

Yields on 10- and 30-year Treasury bonds have surged as investors demand higher compensation for riskier long-term loans to the U.S. government. Concerns grew with the GOP budget bill expected to add trillions to the deficit, and worsened in May when Moody's downgraded the U.S., removing its last perfect credit rating and shaking investor confidence. The May 20-year auction saw foreign participation hit its lowest since July 2020. Despite domestic support, weak demand pushed yields to their highest since 2020 with 30y yields briefly hitting 5%. Foreign central banks cut U.S. debt sharply, with Fed custodial balances down to 2.88Tn, down \$90 billion since March and reverse repo use also falling, signalling reduced reinvestment into short-term US assets and caution.

**Chart 5: YTM of 30Y U.S. Benchmark Bond**



**Chart 6: YTM of 10Y U.S. Benchmark Bond**



Source: FactSet, OAM calculations

During market turmoil, investors typically seek safety in U.S. Treasuries, boosting the Dollar, but this time, capital fled the U.S., pushing yields up and the Dollar down, surprising Wall Street. The Dollar has fallen to a 3-year low, down 10% YTD, with a 4.5% drop in April, as investors grow wary of rapidly changing U.S. trade policy, including tariffs and rising deficits. The weakening dollar is making emerging market local debt more attractive, as investors seek alternatives.

**Chart 7: The U.S. Dollar Index YTD**



Source: FactSet, OAM calculations

## JAPAN

Across the Pacific, Japan is grappling with a deepening debt crisis as bond markets face severe strain. With a debt-to-GDP ratio exceeding 240%, investor confidence has eroded, triggering a sharp sell-off in Japanese Government Bonds. Yields on 30- and 40-year bonds have surged to 3.185% and 3.675% respectively, reaching record highs amid global volatility following the U.S. credit downgrade. A weak 20-year bond auction in June 2025, marked by the lowest demand since 1987, highlighted growing scepticism about Japan's fiscal capacity, especially after a GDP contraction in the first quarter. The bid-to-cover ratio dropped to 2.921 from 3.074 at the previous sale in May, reflecting waning confidence.

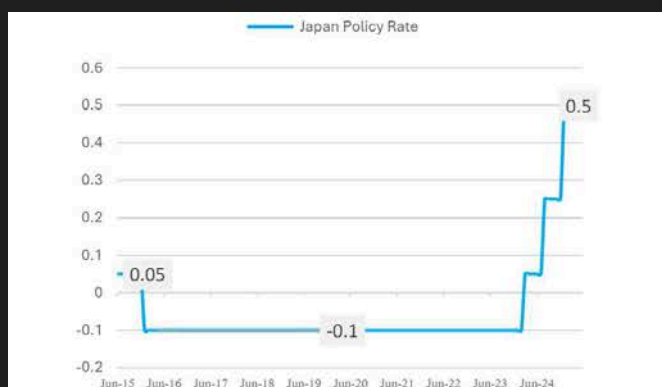
**Chart 8: YTM of 40Y Japan Benchmark Bond**



Source: FactSet, OAM calculations

The Bank of Japan, which holds nearly half of all outstanding government bonds, announced a gradual tapering of its bond-buying program to stabilize markets and ease distortions. Purchases will be reduced by 400 billion Yen per quarter through March 2026, followed by 200 billion Yen cuts through March 2027. These dynamics have also weighed heavily on the Japanese Yen, which has fallen 7.5% year-to-date. Persistently low interest rates near zero have fuelled capital outflows as investors seek higher returns abroad, weakening the currency further.

**Chart 9: Policy Rate of Japan**






Source: FactSet, OAM calculations

**Chart 10: USD/JPY**

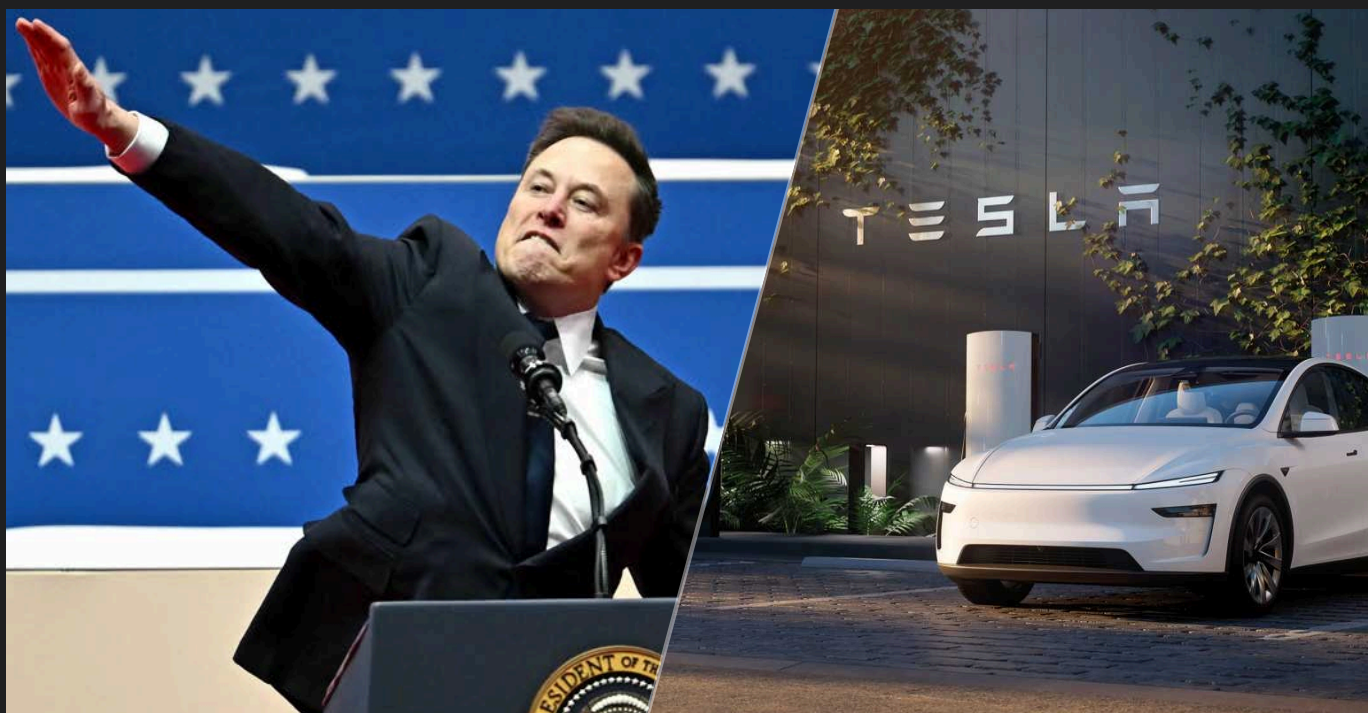


Japanese exports, long a cornerstone of the nation's economy, have begun to falter. In May 2025, exports declined 1.7%, better than the expected 3.8% drop, but still marked the first contraction in eight months. The decline was led by falling shipments to the U.S., especially in cars, auto parts, and chip-making machinery. The current 10% baseline tariff has already hurt competitiveness, with exports to the U.S. dropping 11.1% in May. Rising trade tensions may further strain Japan's outlook, with reciprocal tariffs of 24% including a potential 25% levy on automobiles set to take effect from July 9 unless a favourable deal is reached.

According to the Japan Research Institute, if all threatened tariffs are imposed, U.S.-bound exports could fall 20–30%, potentially shaving nearly 1 percentage point off GDP. The BoJ faces a delicate balancing act, as further rate cuts may support growth but risk fueling cost-push inflation without easing underlying pressures.

-  **EXPLOSIVE DEBT GROWTH RISKS UNDERMINING U.S. FISCAL STABILITY:** The U.S. deficit has surged to \$1.83Tn in FY24, driven by ballooning entitlement spending, rising interest payments, and the expansive “Big Beautiful Bill.” With federal debt hitting 121% of GDP—and interest outlays alone nearing \$900Bn—the U.S. faces mounting pressure from both domestic and foreign investors, risking higher yields, credit downgrades, and a potential erosion of the dollar’s “safe haven” status.
-  **JAPAN'S BOND MARKET UNDER STRAIN AMID RECORD-HIGH DEBT AND WEAK GROWTH:** Japan's debt-to-GDP ratio exceeds 240%, sparking a sharp sell-off in long-term government bonds and exposing deep cracks in investor confidence. With record-low auction demand, tapering BoJ support, and a rapidly weakening Yen, the country's fiscal space is shrinking just as exports contract and GDP falters—threatening a prolonged downturn if trade tensions escalate.
-  **INVESTOR CONFIDENCE IS FRACTURING ACROSS BOTH ECONOMIES:** From surging yields in 30Y U.S. Treasuries to Japan's weakest 20Y bond demand since 1987, investors are growing wary of long-term sovereign risk. Both nations are experiencing weakened currencies, strained auctions, and foreign divestment, signaling a broad-based retreat from their debt as fiscal imbalances become too large to ignore.

# AMERICA FIRST - THE LAUNCH HEARD AROUND WALL STREET



## THE LAUNCH HEARD AROUND WALL STREET

Elon Musk has launched something again—no, not a rocket or a new line of Teslas, but a political party. It's called the America Party, and as of this quarter, it's not just chatter on X (formerly Twitter); it's a bona fide movement that could reshape parts of the American political and economic landscape.

As a long-term investor—one who usually avoids betting on political winds—we still believe this moment demands careful thought. Not because we're suddenly interested in politics, but because Musk's new play could introduce both narrative volatility and longer-term valuation friction for Tesla (TSLA) and other Musk-adjacent enterprises.

## WHY THIS MATTERS FOR TESLA

Tesla (\$TSLA) having a current market price of 315.35 per share, isn't just a car company anymore—it's become a proxy for Musk himself. And now that Musk is entangling himself in presidential-level politics, Tesla is being pulled into that orbit, willingly or not.

This creates new risks, especially when paired with already mounting headwinds.

## WHAT WOULD WE DO IF WE OWNED TESLA?

We'd sell. Here's why:

- **VALUATION IS STILL FROTHY:** Even with the pullbacks in 2024, TSLA trades at a massive premium of 170 times earnings that assumes uninterrupted growth and continued market dominance. But growth is slowing dramatically, margins are under pressure, and the multiple doesn't reflect today's fundamentals.
- **MUSK'S POLITICAL AMBITIONS = NEW RISK CATEGORY:** With the America Party's launch, Musk is now a partisan figure. That puts Tesla in the crosshairs:
  - Expect more regulatory scrutiny
  - Potential backlash from global governments
  - Increased reputational volatility that could affect hiring, partnerships, and customer sentiment
  - Investors should be wary of any CEO whose personal politics eclipse the company's mission.
- **CHINESE EVS + EV CREDIT CUTS = BRUTAL COMPETITION:** China's EV makers are scaling fast and eating into Tesla's share globally. On top of that, the Big Beautiful Bill—the GOP-led economic package—eliminated key EV tax credits in the U.S., further hurting Tesla's pricing power and domestic demand.

Margins will tighten. Volume won't save it.

Bottom Line we don't bet on noise. We invest in cash flow, pricing power, and long-term durability. Tesla still builds great cars, but the story has changed. And with political crossfire, fading subsidies, and real competition the risk/reward just isn't there anymore. Sell. Reassess later. Let others trade the headlines.

# COMMODITIES OVERVIEW: MARKET TRENDS AND OUTLOOK

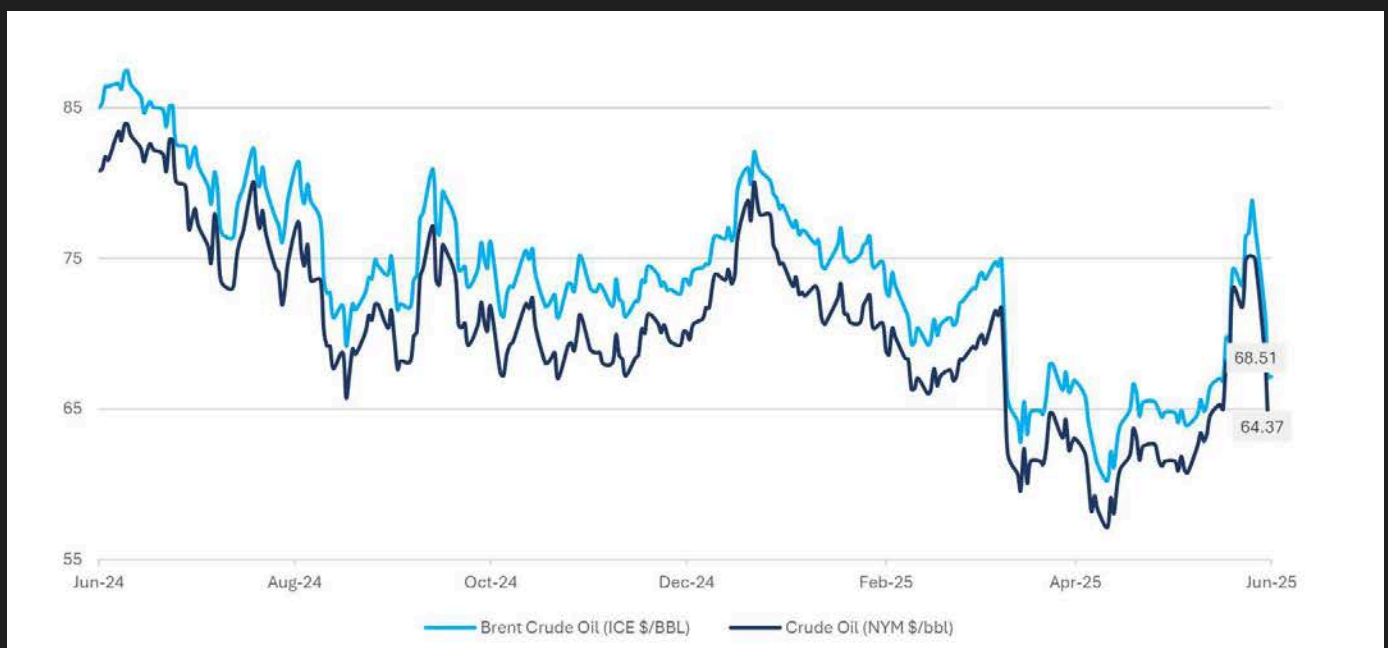


## OIL'S TUG OF WAR

It's been a rocky ride for black gold. While WTI and Brent have recently posted monthly gains of 6.63% and 1.77% respectively (As per 25th June), both benchmarks have been sliding since mid-January, reaching lows of \$57.13 (WTI) and \$60.23 (Brent) by May. This weakness has been driven by OPEC+ fast tracking its production ramp up, which has added excess supply to an already fragile market. Further weighing on prices are renewed US and China trade tensions and a downgraded global GDP forecast of 2.8% for 2025, with China, the world's largest crude importer, remaining a central source of demand uncertainty.

Geopolitical tensions failed to provide a price floor. A 12-day Israel-Iran flare-up ended with a Trump-brokered ceasefire, easing supply fears. Shortly after, Brent fell 6.1% to \$67.14 and WTI 6% to \$64.37, erasing the war premium. Comfort grew as Trump indicated China could continue importing Iranian crude, while rising output from Kazakhstan and Guyana added downward pressure. With risks contained, J.P. Morgan forecasts Brent at \$60–65, and Goldman Sachs sees December around \$62. Global oil demand is expected to peak by 2030, with China's consumption plateauing sooner due to electric vehicle adoption. Recent price moves suggest markets now weigh fundamentals like supply and economic data more heavily than geopolitical shocks.

**Chart 11: Brent vs WTI: Crude Oil Price Comparison (Past 12 months)**



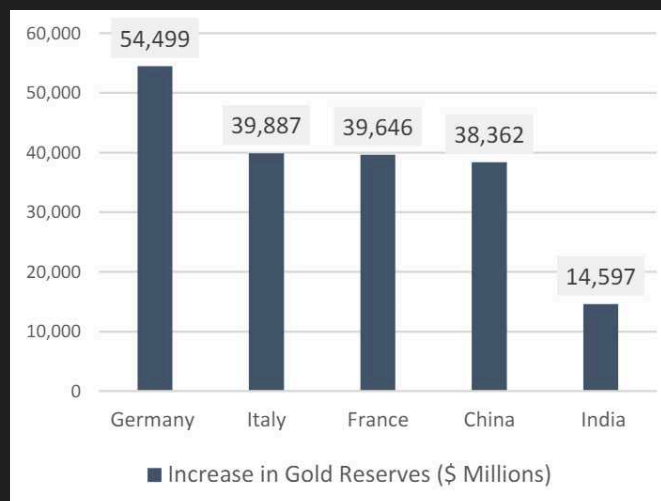
Source: FactSet, OAM calculations

## GOLD: EXCEPTIONAL PERFORMANCE IN UNCERTAIN TIMES

Gold has reasserted its dominance in 2025, soaring 26.70% in the first half of the year, trampling the S&P 500's lacklustre 3.65% return (Both figures as per 25th June). In April, the yellow metal surged past an all-time high of \$3,500 per troy ounce, even after adjusting for inflation, as investors sought refuge from rising inflation and intensifying geopolitical tensions. Trump's renewed tariff regime sparked fears of stagflation, while escalations between Israel and Iran further fuelled demand for the haven asset. Although gold prices dipped 1.34% immediately after the ceasefire, investor sentiment remains cautious. Capital continues to rotate into gold as markets react to each new ripple of global instability.

Looking ahead, several catalysts could extend gold's rally. The tariff pause deadline on July 9th looms with no concrete trade agreements in sight. A weakening dollar, paired with two expected Fed rate cuts, is likely to enhance gold's appeal by lowering the opportunity cost of holding non-yielding assets. Central banks are also ramping up gold reserves at an unprecedented pace, accumulating over 1,000 tonnes annually for three consecutive years. Wall Street remains largely bullish: JP Morgan predicts gold will hit \$3,675–\$4,000, while Goldman Sachs sees it at \$3,700. UBS and Citibank offer more tempered forecasts, but even their conservative outlooks point north. Whether it's fear, fundamentals, or fiscal folly, one thing's clear: the shine on gold isn't fading anytime soon.

**Chart 12: Largest Increases in gold reserves (\$ millions) in Q1 2025**



Source: World Gold Council & FactSet, OAM calculations

**Chart 13: Gold New York Spot Price Performance YoY**



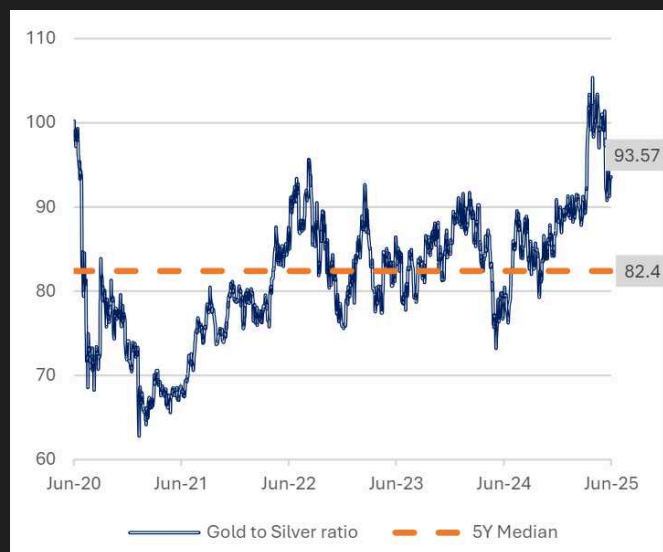
## SILVER: UNDERDOG GAINING GROUND

Silver has posted strong gains in 2025, rising 23.85% YTD (as per 25th June), driven by its dual role as both a safe-haven asset and a critical industrial metal. Unlike gold, silver is heavily used in sectors such as renewable energy, electronics, and electric vehicles, with industrial use now accounting for more than half of global demand, estimated at 700.2 million troy ounces in 2024.

Macroeconomic conditions have further supported silver's momentum. Elevated inflation and expectations of Federal Reserve rate cuts have increased investor interest, while a weaker U.S. dollar has made silver more accessible to foreign buyers. At the same time, supply constraints persist. Mining output continues to lag behind rising demand, and the silver market is projected to face a 118-million-ounce deficit in 2025, its fifth consecutive annual shortfall. This imbalance helped drive silver prices above \$35 per ounce in June, the highest in over 13 years.

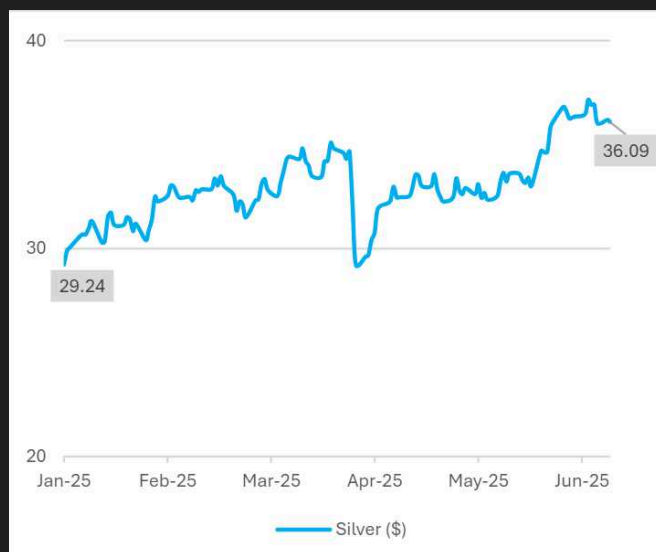
From a valuation standpoint, silver remains attractive relative to gold. The gold-to-silver ratio, currently at 93.57 (As per 24th June), is well above its five-year median of 82.4, historically a signal of silver's catch-up potential. Wall Street reflects this optimism, with JPMorgan forecasting \$39/oz by year-end and UBS projecting up to \$40/oz.

**Chart 14: Gold to Silver Ratio vs 5-Year Median**



Source: FactSet, OAM calculations

**Chart 15: Silver Price Performance YTD 2025**

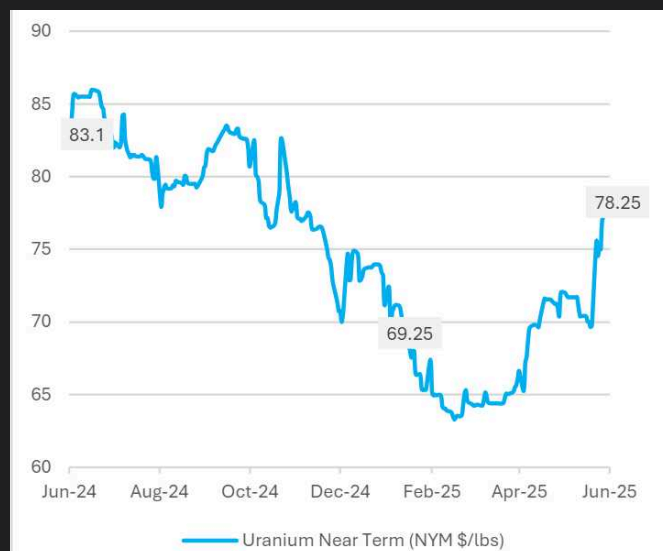


## URANIUM SURGE: POWERING THE NUCLEAR REVIVAL

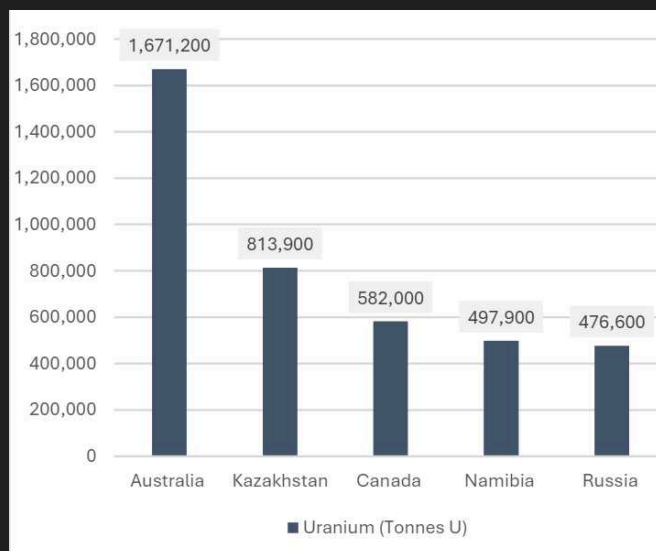
Uranium, long burdened by stigma, is quietly stepping into the spotlight, this time as a low-carbon powerhouse for the AI era. As energy-hungry data centres and AI infrastructure scale rapidly, nuclear energy offers the reliability that wind and solar still struggle to match. Trading at \$77.90/lb (As per 25th June) with term contracts around \$80/lb, uranium has gained 6.71% YTD (As per 25th June), outperforming many hydrocarbon benchmarks. Momentum has been driven by Trump's proposed executive orders to revive the U.S. nuclear sector and Sprott Physical Uranium Trust's \$200 million uranium purchase, which sparked a 10% rally in June. In a thinly traded derivatives market, such moves have an outsized impact.

Looking ahead, the investor case for uranium is building. Tech giants like Meta are securing 20-year nuclear energy deals, while countries including France, Japan, and China accelerate their nuclear agendas. The U.S., which imports ~95% of its uranium, is now pushing to boost domestic extraction and reduce reliance on Kazakhstan, Canada, and Russia. Meanwhile, Kazatomprom, the world's largest producer, plans to cut output by 5,000 tonnes (U) in 2025 due to sulphuric acid supply issues. With asymmetric supply dynamics and swelling demand, uranium could surge past \$100/lb by end-2025. Whether nuclear sticks as a structural energy solution or fades as a market fad will hinge on one thing, follow the contracts, not the headlines.

**Chart 16: Uranium Futures Price Trend: Past 12 Months**



**Chart 20: Uranium Resources to \$130/kg U by country in 2023**



Source: World Nuclear Association & FactSet, OAM calculations

# EVALUATING FITCH'S FORECAST OF A 15% CORRECTION IN DUBAI REAL ESTATE PRICES

## EXECUTIVE SUMMARY

Fitch Ratings recently forecasted a moderate correction of up to 15% in Dubai's residential real estate prices, beginning in the second half of 2025 and continuing into 2026. This anticipated correction is mainly attributed to a significant increase in housing supply, following a 60% price increase since 2020. Our research supports the likelihood of a limited correction in selected mid-market and off-plan segments. However, we find that prime locations and projects with strong end-user demand are likely to remain stable due to ongoing population growth, investor interest, and low systemic financial risk.

# 15%

Fitch forecasts up to 15% price correction from 2H 2025.

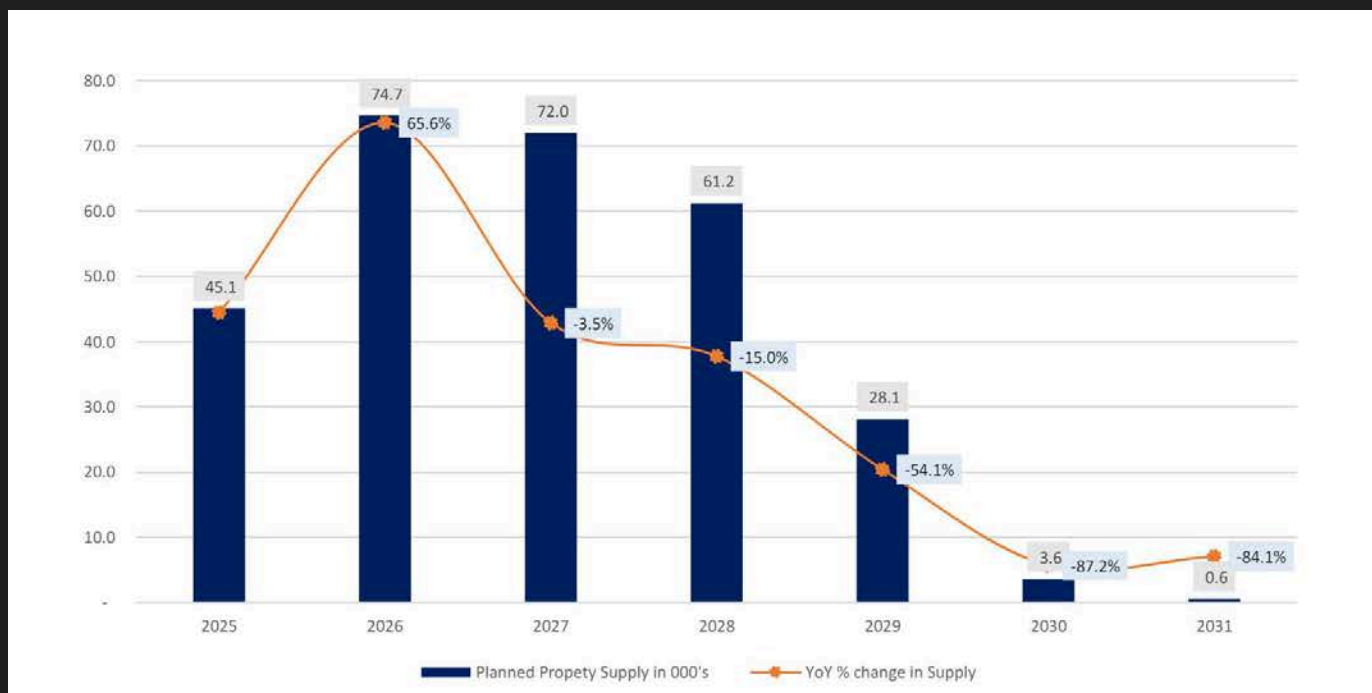
# 60%<sup>UP</sup>

This correction follows a 60% price increase since 2020.

## OVERVIEW OF FITCH'S FORECAST

Fitch expects up to a 15% correction in Dubai property prices starting in the second half of 2025 and continuing into 2026. The core reasons cited include:

- SUPPLY SURGE:** A projected 16% increase in total residential stock through 2026 will deliver approximately 110,000 new units over a two-year period. This marks one of the steepest supply expansions in a decade.
- DEMAND MISMATCH:** During the same period, Dubai's population is forecast to grow by only around 5%, from 3.95 million in 2024 to roughly 4.15 million by end-2026. This mismatch between supply and organic demand is expected to strain absorption, particularly in mid-market and fringe locations.
- YIELD PRESSURE:** Gross rental yields declined 30 basis points from 7.7% in 2H 2024 to 7.4% in Q1 2025. With more supply entering the market, Fitch expects continued downward pressure on yields.
- PRICE PLATEAU:** Following a cumulative 60% increase in property prices since 2020, several communities have reached pricing plateaus. Mid-market segments show signs of stagnation and slowing monthly momentum.
- INVESTOR CAUTION:** Elevated off-plan activity and marketing-led sales have led to heightened investor caution. Fitch notes that market optimism may begin to fade in the face of high interest rates, handover risks, and delays.
- INVENTORY IMBALANCE:** While market appetite for villas and larger homes remains strong, the bulk of under-construction inventory is skewed towards apartments. This structural imbalance may exacerbate vacancies and reduce pricing power in some developments.

**Chart 18: Future planned property supply Dubai (Starting from 1st of Jan 2025)**

Source: DXB Interact

According to DXB Interact, over 280,000 new residential units are scheduled for delivery between 2025 and 2028, peaking at 75,000 in 2026. This front-loaded supply wave comprising mostly apartments marks one of the most aggressive development phases in recent years. With sales velocity plateauing in mid-market areas and rental yields showing early compression, this volume raises concerns around potential oversupply, particularly in districts like JVC, Dubailand, and Arjan. The sharp decline in scheduled completions post-2028 indicates market self-correction, but until then, absorption capacity and investor selectivity will be key in maintaining price stability.

## MARKET DYNAMICS: SUPPLY VS. DEMAND

### SUPPLY

Dubai is expected to deliver over 120K new housing units by 2026, with the majority of launches in JVC, Business Bay, Downtown and Dubai Hills. Developers are aggressively marketing off-plan inventory, leveraging flexible payment plans. Villa supply remains tight, with Cavendish Maxwell reporting only 19,700 new villas expected by end-2025. However, historic trends show 30–35% of projects face delays, meaning actual completions may fall below 14,000 units.

### DEMAND

Demand is supported by multiple macro and policy drivers:

**POPULATION GROWTH:** As per DXB Interact and Dubai Statistics Centre, Dubai's population is expected to grow from 3.65 million in early 2025 to over 4 million by 2026.

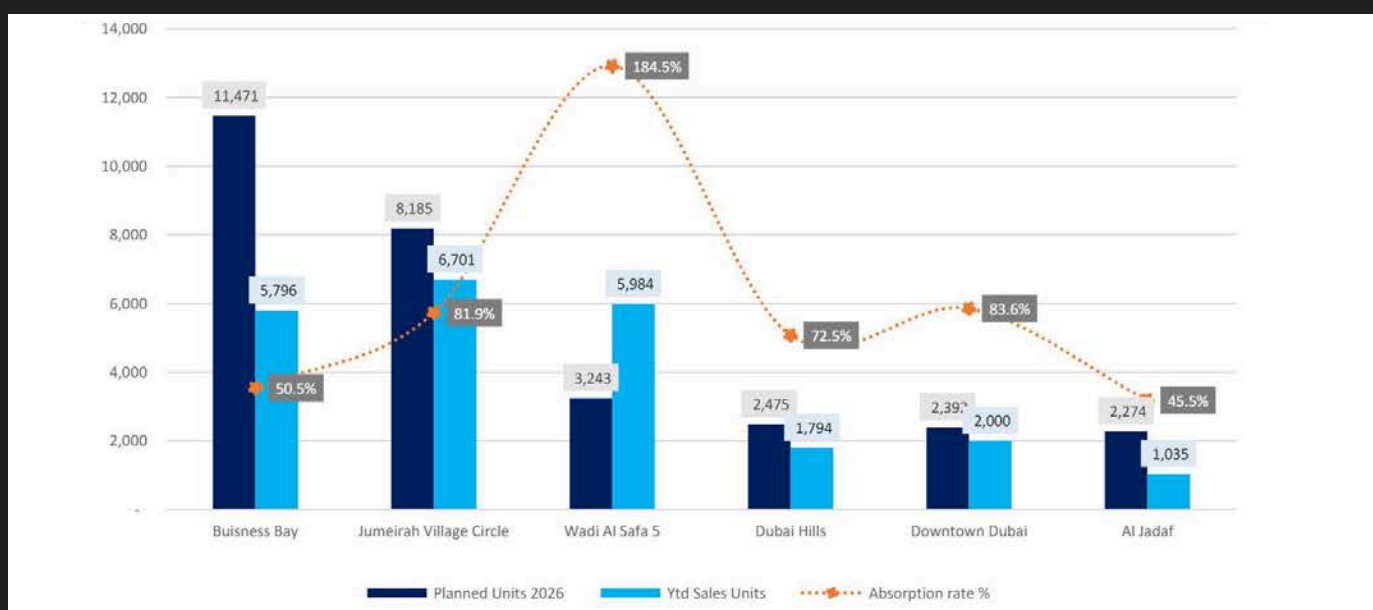
**SKILLED MIGRATION:** The introduction of long-term residency (Golden Visa, Green Visa), remote work permits, and 100% foreign ownership laws is attracting entrepreneurs, tech professionals, and digital nomads.

**HNWI RELOCATION:** Henley & Partners and Knight Frank identify Dubai as one of the top 3 global destinations for HNWI migration. This has driven demand for luxury villas and branded residences.

**SERVICE SECTOR EXPANSION:** Growth in AI, logistics, fintech, and green energy is driving middle-income housing demand, especially in Dubai South, JVC, Al Furjan, and Dubai Hills.

However, the absorption gap between mid-market apartments and luxury villas remains a challenge. Demand is not evenly distributed and remains concentrated in lifestyle-focused and infrastructure-ready zones.

**Chart 19: Sub-Market Absorption Rate –Sales YTD 2025 Vs Planned 2026 Units**



Source: DXB Interact

## INTERPRETATION

- Wadi Al Safa 5 displays exceptionally strong demand with absorption far exceeding supply, driven by limited inventory and lifestyle positioning.
- Downtown Dubai and JVC show healthy absorption above 80%, suggesting these areas are balanced despite large volumes.
- Dubai Hills Estate remains in equilibrium (~72%) with continued end-user depth and infrastructure support.
- Business Bay and Al Jadaf reflect low absorption (<55%), indicating significant oversupply risks heading into 2026.

## FINAL MARKET OUTLOOK & CONCLUSION

Dubai's residential property market is undergoing a period of measured recalibration following years of robust growth. While prime villa markets, such as Palm Jumeirah, District One, and Dubai Hills continue to demonstrate strong sales absorption and rental stability, mid-market apartment zones are showing signs of supply fatigue and slowing demand momentum.

More than 120K residential units are expected to be delivered by 2026, heavily concentrated in areas like JVC and Business Bay. Communities such as Business Bay (50.5%) and Al Jadaf (45.5%) currently show low absorption rates, suggesting an elevated risk of oversupply. In contrast, Downtown (83.6%), Wadi Al Safa 5 (184.5%), and JVC (81.9%) reflect relatively healthier demand, although JVC's vulnerability to further launches remains.

Chart 20: Dubai Submarket Price Change per Sq.Ft (YoY, 2020 – 2025)



Source: DXB interact

As of May 2025 (YoY), Dubai's residential submarkets delivered mixed performance in response to supply absorption dynamics. Wadi Al Safa 5 led with a +17% YoY price increase, supported by the highest absorption rate (184.5%) and strong end-user demand. Jumeirah Village Circle (JVC) recorded a +13% gain, reflecting solid buyer interest, though future supply raises concerns. Downtown Dubai remained flat (0%) YoY, indicating maturity and value preservation despite prior volatility. Business Bay saw a -5% YoY decline, reflecting supply-demand imbalance and softening investor appetite. Al Jadaf was the weakest, with a -15% YoY drop, confirming oversupply pressures in mid-luxury inventory-heavy corridors.

## THE MARKET FACES NOTABLE CHALLENGES

- Over 45,000 new apartment units are scheduled for handover in 2025, especially in mid-market zones like JVC, JVT, Arjan, and Dubai Production City, where similar units are completing simultaneously.
- Investor caution is rising, with 42.8% of March 2025 transactions attributed to resales of which nearly 30% were flipped off-plan indicating growing price sensitivity and emerging resistance to current valuations.
- Speculative off-plan launches in fringe, high-rise-only communities with limited infrastructure face elevated risk of price compression and weak resale demand, reflecting growing investor caution.
- Despite these headwinds, rental yields remain stable between 6–8%, supported by steady demand in infrastructure-backed, mid-income hubs like Dubai South, Al Furjan, and Town Square.

## STRATEGIC TAKEAWAYS

- Short-Term (2025–26): Expect localized price corrections in mid-market, apartment-dense zones. Developers will need to incentivize absorption or delay deliveries.
- Long-Term (Post-2026): Demand will remain resilient in integrated communities with schools, transport, and green space aligned with the Dubai 2040 Master Plan and D33 economic roadmap.
- Investor Strategy: Target communities with >70% absorption, end-user orientation, and visible infrastructure. Exercise caution in speculative off-plan and oversupplied areas.

## CONCLUSION

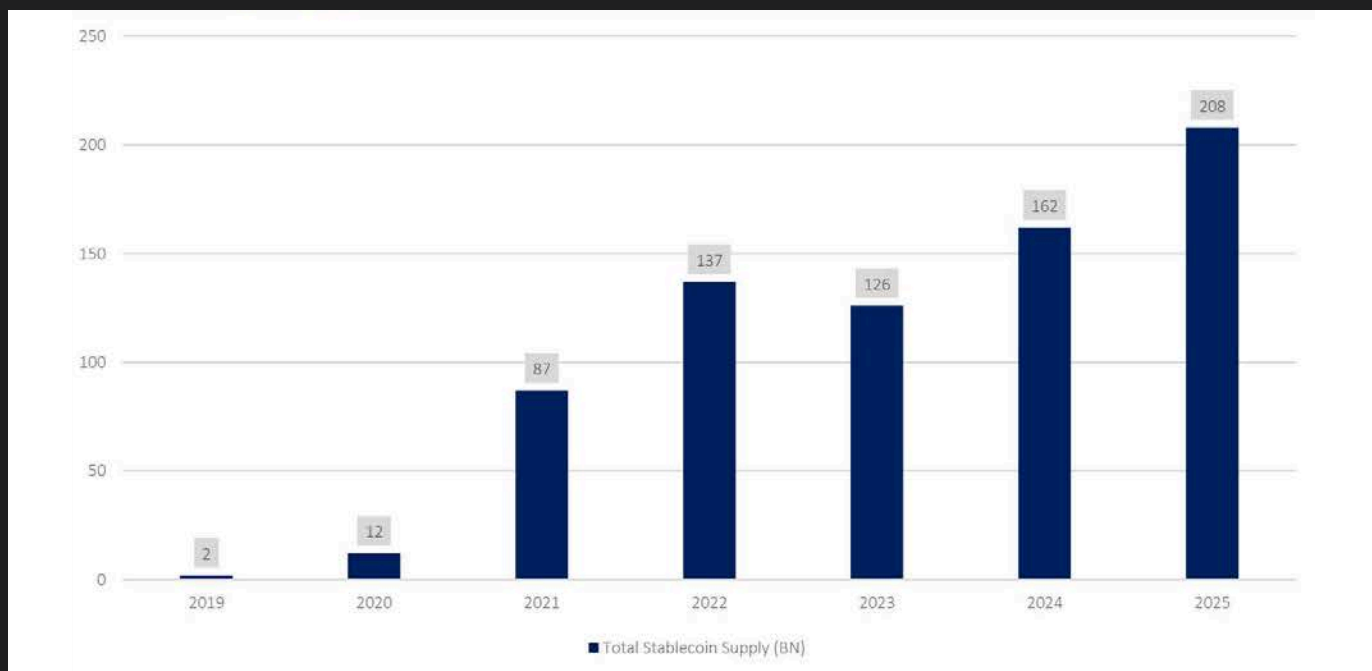
Dubai is not facing a systemic downturn but rather a healthy market rebalancing. Fitch's anticipated 10–15% correction is logical and localized primarily affecting mid-market apartment pockets, not the entire city. With strategic planning, demographic tailwinds, and global capital flows still intact, Dubai's real estate outlook remains fundamentally sound for disciplined, long-term investors.

*Sources: DXB Interact, Property Monitor, Global Property Guide (historical price trends), CBRE UAE (market analytics and submarket reports)*

# THE STABLECOIN BOOM

Once a niche tool for crypto traders, stablecoins are digital tokens pegged to assets like the U.S. dollar or gold. They offer the stability of fiat currencies combined with the speed and programmability of blockchain. Initially created for crypto investors to store value, these tokens have gained popularity in recent years, especially for digital payments. Adoption has surged, particularly in the past few months. In 2025 alone, stablecoin market capitalization has risen 22% YTD (As per 24th June), reaching an all-time high of \$251.7 billion. The average supply in circulation has grown roughly 28% YoY (As per 24th June), while transfer volumes hit \$27.6 trillion.

**Chart 21: Average Supply of Stablecoins in circulation, across all stablecoins**



Source: FactSet, OAM calculations

A pivotal moment came on June 17, 2025, when the U.S. Senate passed the GENIUS Act (Guiding and Establishing National Innovation for US Stablecoins) by a 68–30 vote. The bill lays out the first federal framework for U.S. dollar-pegged stablecoins, specifying how they should be issued, backed, and monitored. It mandates full reserve backing, monthly disclosures, and oversight by the U.S. Treasury.

Currently, Circle and Tether dominate the stablecoin market with a combined 86% market share. Circle issues USD Coin (USDC), while Tether Limited issues Tether (USDT). In June 2025, USDC further enhanced its capabilities by integrating with the high-performance XRP blockchain, improving both utility and scalability. But competition is heating up, Ripple's RLUSD, launched in late 2024, recently received regulatory approval from the Dubai Financial Services Authority, enabling its use within the DIFC. RLUSD is fully backed 1:1 by U.S. dollars and has already surpassed \$400 million in market capitalization.

Some of the world's biggest banks and companies are entering the space. JPMorgan is launching its own stablecoin, JPMD, while Visa has expanded stablecoin capabilities across the CEMEA region. Retail giants like Walmart and Amazon are exploring ways to issue or use stablecoins, signalling a shift from traditional payments. Growing interest is also reflected in the stock market, with stablecoin-related companies like Circle and Coinbase seeing increased investor attention.

The GENIUS Act now heads to the Republican-led House, and if passed, will become law once signed.

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