

October was a good month for the portfolio as both gold and silver rallied sharply early in the month, allowing the program to capitalize on the longer-term investment. All long positions in precious metals have been liquidated as the rally got a little ahead of itself. The story doesn't feel like it is over. Those markets are simply resting and getting ready for the next move. Opportunities in the space will be watched closely.

The yield curve steepener has been added back to the portfolio. With the labor market cooling and commercial loan stress rising, the odds of further rate cuts by the Fed appear to be high. The Fed did cut rates by ¼% on October 29. At the following press conference, Powell's commentary was interpreted as hawkish. My interpretation was a bit different. His statement that a December rate cut may or may not happen is a continuation of his mantra. The Fed under Powell is data dependent. If the economy accelerates, they will not cut rates. If it slows, they will. This is not news from him. As it sits today, the market is pricing ~68% of another rate cut in December. Hopefully, the government shutdown will end soon and regular data distribution will resume. Overall, the economy feels like it is slowing, but not in a recession. A slowing economy will allow the Fed to cut rates and steepen the yield curve.

Last, a relatively small, defined risk short has been executed in the stock market. While certainly not looking for a crash, this market appears to be priced for perfection. If my assertion that the economy is slowing proves correct, a move of 10-15% lower would not be out of the question. It is overall a low risk/high reward trade for the portfolio.

Sincerely,



Stephen Davis

November 4, 2025

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