

Q3 | July - September 2025

► Market Review & Outlook

US & TT Perspectives

Aligning to Quality Through a Dynamic Economic Horizon

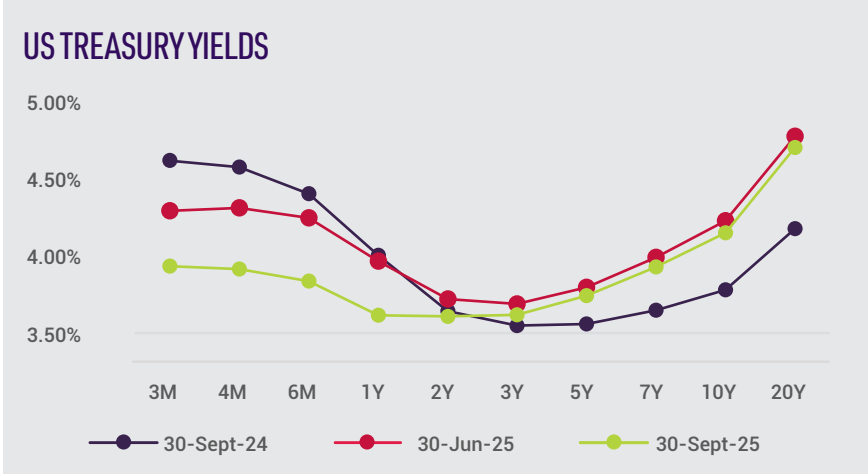
Preliminary data suggests the U.S. economy expanded at an annualized rate of 1.7% in Q3 2025, underscoring a still-resilient consumer and steady business investment despite tighter financial conditions. While growth moderated compared to earlier in the year, it reflected the economy's capacity to navigate persistent inflation and elevated borrowing costs.

ECONOMIC INDICATORS	Q1	Q2	Q3	Q4	CY	CY
	2025 _A	2025 _A	2025 _A	2025 _A	2024 _A	2025 _F
Real GDP (YoY%)	2.00	2.10	1.70	1.40	2.80	1.80
CPI (YoY%)	2.70	2.50	2.90	3.10	3.00	2.80
Housing Starts ('000s monthly avg.)	1,401	1,354	1,368	1,325	1,371	1,352
Unemployment (%)	4.10	4.20	4.30	4.40	4.00	4.30
Interest Rate - Fed Res. (%)	4.50	4.50	4.25	3.87	4.50	3.87

(A) Actual (P) Preliminary (F) Forecast

Headline CPI eased to 2.9% year-over-year in August but remained above the Fed's target, with services inflation proving sticky. The Federal Reserve cut its federal funds rate by 25 basis points in September, lowering the target range to 4.00% – 4.25%, in response to signs of softening in the labour market and downward revisions to prior employment data. This marks the first rate cut of the cycle following a period of a rate stability earlier in the year. During the quarter the labour market cooled modestly, with unemployment holding at 4.3% and wage gains easing.

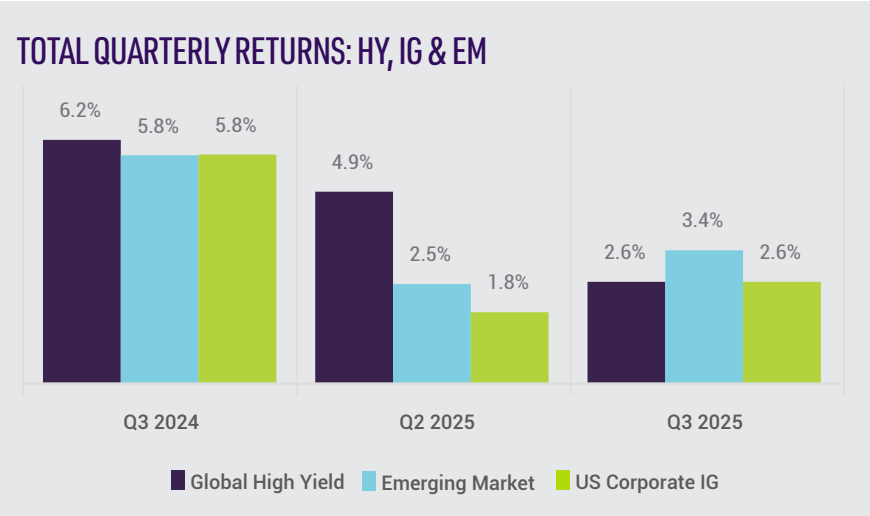
The housing market remained challenged, with affordability concerns keeping activity subdued. Housing starts declined 6.0% y-o-y in August to 1.307 million units (SAAR), while building permits fell to 1.312 million, the lowest in over two years. Mortgage rates averaged 6.65% over the quarter, keeping both buyers and builders cautious.



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In fixed income, the 10-year Treasury yield ended Q3 at 4.15%, after ranging between 4.1% and 4.5%. Investment-grade bonds gained +2.6%, supported by strong demand for quality credit. High-yield bonds rose +2.6% as corporate earnings surprised positively, while emerging market debt returned +3.4%, buoyed by stable currencies and inflows.



Equities advanced, with the S&P 500 up modestly, though sector performance was uneven. Technology (+13.2%), Communication Services (+12.0%), and Consumer Discretionary (+9.5%) led gains, benefiting from AI adoption, digital platform growth, and rebounding consumer spending. Laggards included Consumer Staples (–2.4%), pressured by the threat of thinner margins, and REITs (+2.6%), which while poised to benefit in a lower rate environment, failed to capture market attention.

INVESTOR OUTLOOK

As we move into the final quarter of 2025, markets find themselves in a delicate balance. On one side lie headwinds: inflation that remains above the Fed's comfort zone, unresolved trade tensions, and signs of global macro fragility. On the other side lie structural tailwinds: secular innovation, infrastructure cycles, corporate investment rotation, and technological adoption.

The interplay between these opposing forces will define the narrative, and our goal is to stay ahead of inflection points and to position portfolios not just for the next quarter, but for sustainable multi-year compounding. In fixed income, we emphasize investment-grade corporate bonds as the foundation for stability and income. Spreads remain attractive, while moderate duration exposure is appropriate as inflation gradually eases. High-yield allocations should be selective, focused on issuers with strong balance sheets and low refinancing risk. Emerging market debt offers a useful diversifier, though allocations should remain concentrated in higher-quality sovereigns and corporates.

Equity positioning into Q4 requires nuance. After strong gains in Q3, markets are trading near all-time highs, leaving less room for broad multiple expansion. Selectivity, therefore, becomes paramount.

Rather than leaning solely on defensive or growth labels, we see opportunity in three distinct areas:

1. Profit-Takers and Rotators

Certain high-profile growth stocks are priced for perfection. We recommend trimming positions where valuations far exceed earnings visibility. Capital can then be rotated into under-owned quality names with more reasonable entry points.

2. Secular Enablers

Companies that serve as infrastructure providers to long-term trends should continue to command a premium. This includes firms building the backbone for AI data centres, expanding next-generation connectivity (5G/IoT), and securing the cyber domain. These businesses capture growth across multiple industries rather than relying on one cycle.

3. Resilient Compounders

In a higher-for-longer rate environment, cash flow strength, balance sheet quality, and pricing power are non-negotiable. Sectors such as industrial logistics, specialty financial platforms, and clean energy producers (notably nuclear-enabled utilities) offer a mix of defensiveness and structural upside.

Importantly, equity allocation in Q4 is less about chasing momentum and more about preparing for dispersion. With volatility tied to inflation prints, Fed communication, and geopolitical shifts, investors should expect leadership to rotate. A disciplined process, realizing gains where valuations are stretched, recycling capital into quality compounders, and maintaining exposure to structural enablers remains the optimal approach. The greatest edge comes not from forecasting the next headline, but from staying anchored in themes that transcend cycles, maintaining a disciplined playbook, and adjusting tactically when risk–reward tilts favour reallocation.

By combining high-quality fixed income instruments, selective credit, and equity exposure aligned with secular growth, portfolios can not only mitigate volatility but compound returns over time. That is the hallmark of savvy investing, especially in evolving markets.

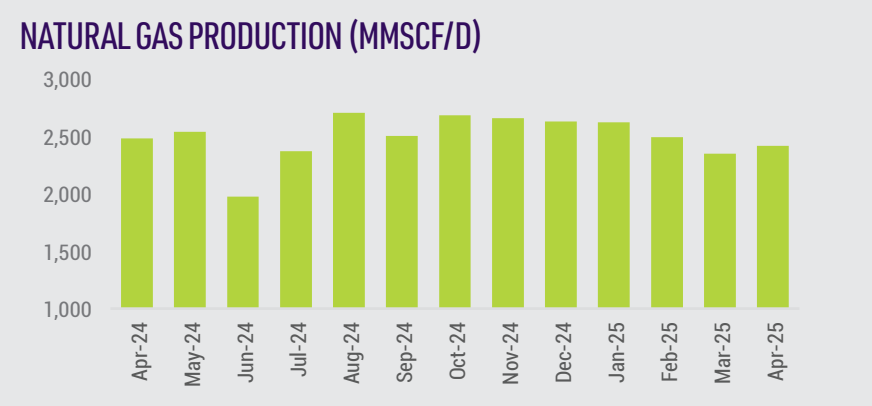
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The third quarter of 2025 was marked by significant geopolitical and energy-related developments that could reshape Trinidad and Tobago's economic trajectory in the coming years. While growth remained subdued, major international partnerships and renewed U.S. engagement altered the outlook for the energy sector. At the same time, external pressures and fiscal risks persisted, leaving the economy in a delicate balance.

ECONOMIC STATISTICS						
	Q2 2024 _A	Q3 2024 _A	Q4 2024 _A	Q1 2024 _A	CY 2024 _A	CY 2025 _F
Real GDP (YoY)	0.5%	-1.1%	1.9%	-1.1%	2.5%	1.0%
CPI Growth (YoY)	0.30%	0.2%	0.5%	0.2%	0.5%	1.5%
Debt/GDP	83.6%	83.3%	82.6%	83.5%	83.3%	85%
Unemployment	4.80%	4.10%	5.50%	4.90%	5.0%	4.9%
Labour Participation	54.5%	55.1%	55.9%	54.3%	55.1%	N/A

(A) Actual (F) Forecast Data via S&P Global Ratings

Preliminary estimates suggest GDP expanded by around 0.3% in Q3, consistent with the muted growth pattern seen since early 2024. Non-energy activity, including retail, services, and construction, provided limited support, while the energy sector continued to struggle with constrained natural gas output averaging just under 2.5 billion cubic feet per day. Petrochemical exports declined modestly compared to a year earlier.



The headline development was the signing of a deepwater exploration deal with ExxonMobil, covering ultra-deep blocks off the country's east coast. The agreement represents one of the most significant foreign investment commitments in recent years, with exploratory work expected to begin in the near term. Although production is years away, the deal sends an important signal to global investors that Trinidad remains attractive for long-term energy development.

Parallel to this, momentum returned to the Dragon gas project in Venezuelan waters. After earlier uncertainty, U.S. authorities, including the strong support of Senator Marco Rubio - granted clearance for Trinidad to advance the cross-border initiative. This marks a major policy reversal and has re-opened prospects for securing additional natural gas supplies for the domestic market and LNG exports.

While U.S. backing for Dragon is a diplomatic win for Trinidad, it also brings risks. Relations between Washington and Caracas remain tense, and Trinidad's visible alignment with the U.S. has already drawn scrutiny. Venezuela, facing criticism from Port of Spain on governance issues, may be less willing to engage cooperatively on revenue sharing or project governance. The potential for renewed friction between Venezuela and Trinidad cannot be dismissed, raising uncertainty over the project's timeline.

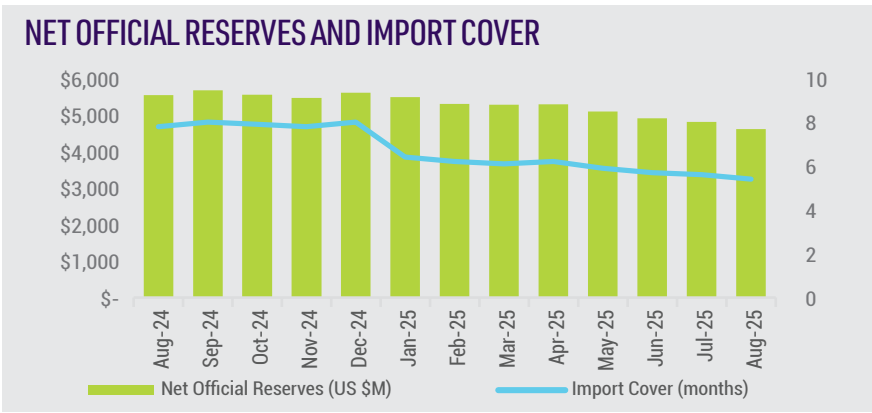
These dynamics place Trinidad in a sensitive geopolitical position, caught between its strategic need for Venezuelan gas and its reliance on the U.S. as both a diplomatic and financial partner.

In September, S&P Global Ratings reaffirmed Trinidad and Tobago's sovereign credit rating at BBB- but revised the outlook to negative. The agency highlighted declining energy output, slow diversification, and fiscal vulnerabilities as reasons for concern. While the country retains investment-grade status, the negative outlook signals that further erosion in external or fiscal buffers could trigger a downgrade.

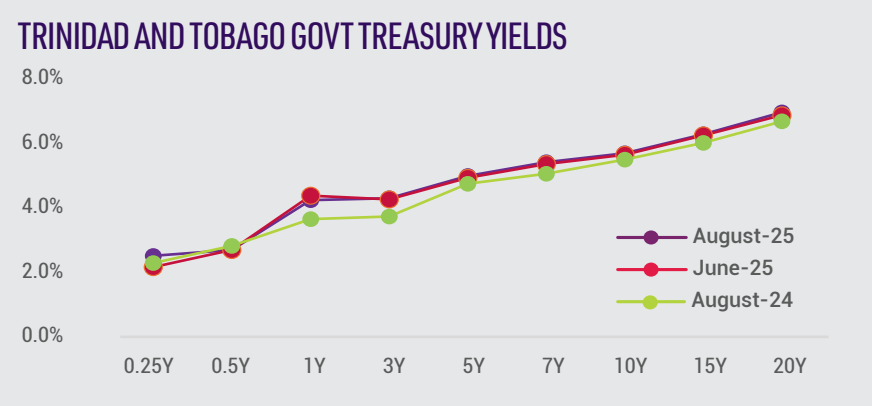
INVESTOR OUTLOOK

Economic expansion for 2025 is likely to remain modest, with full-year growth projected in the range of 0.8% to 1.0%. Energy sector output will remain the main constraint, though announcements such as the ExxonMobil exploration deal and the revived Dragon project may gradually improve sentiment. However, their impact will not materialize in production or revenue within this calendar year. The government faces pressing fiscal challenges. Energy revenues remain under pressure, while non-energy collections, though improving, are insufficient to bridge the gap. Debt to GDP is projected to approach 84.7% by year-end, and debt servicing costs are rising as global and local yields trend upward. The October budget will be a critical test: investors will look for credible revenue measures, expenditure restraint, and a pathway to stabilizing debt dynamics. Failure to deliver a balanced strategy could heighten downgrade risks.

FX pressures are expected to persist through the year. Without a meaningful boost from LNG or petrochemical exports, reserves could fall further. Businesses will continue to face delays in accessing foreign exchange, constraining imports and dampening confidence. Attracting new FDI, particularly into energy, manufacturing, and services will be essential to

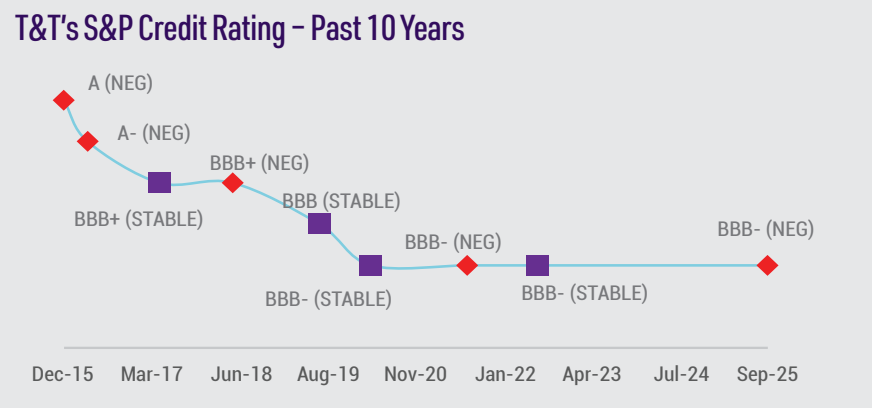
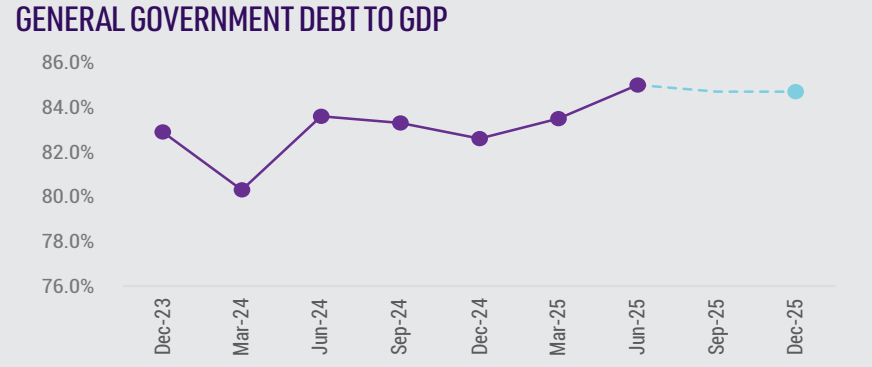


Domestically, treasury yields edged higher, with the 1-year note reaching 4.25% by the end of August, reflecting investor caution. Foreign reserves fell further to US\$4.61 billion, covering just over five months of imports, as FX inflows from energy exports remained subdued.



The housing and mortgage market remained soft. New mortgage loan approvals slowed further, with credit growth under 1% year-on-year. Rising construction costs and FX shortages for imported building materials added to the sector's pressures. However, commercial real estate, particularly warehousing and logistics-related facilities, showed some resilience.

With a new government in office, public attention has shifted to the upcoming national budget in early October 2025. The budget is widely expected to outline the administration's first comprehensive fiscal framework, including its approach to diversification, debt sustainability, and the energy sector. Business and investor sentiment remains cautious but anticipatory.



improving FX availability. While U.S. approval provides a lifeline for Dragon, Venezuela's willingness to proceed is less certain, especially in light of Trinidad's alignment with Washington. Any breakdown in cooperation could delay the project once again. Investors should therefore treat Dragon as a medium-term opportunity, subject to geopolitical volatility. The housing market is expected to remain weak for the rest of 2025. Household budgets remain stretched, and developers face higher costs and tighter financing conditions. Unless the October budget includes specific measures to stimulate housing or reduce barriers to credit, growth in this sector will remain limited.

Trinidad and Tobago closes Q3 2025 with a mix of renewed opportunity and heightened risk. The ExxonMobil exploration deal and U.S.-approved Dragon project offer potential to revive long-term energy prospects, but geopolitical frictions and domestic fiscal imbalances cloud the near-term outlook. The upcoming budget will be pivotal: it must reassure investors, address revenue shortfalls, and set a course for fiscal consolidation, all while managing social and political expectations. Until then, the economy is likely to remain in a holding pattern, with downside risks outweighing upside surprises.

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