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TITLE: Credit Cracks, India's Pivot, and the Cockroaches in the Kitchen

### TRANSCRIPT:

**Host: Eric, markets took a step back this week — led by stress in U.S. regional banks and growing worries about credit quality. What exactly is spooking investors right now?**

**Eric:**

Yes, the mood has definitely shifted. What started as a few isolated disclosures from regional banks — Zions Bancorp and Western Alliance — has snowballed into something much larger.

Both banks revealed loan losses tied to apparent fraud and weak collateral controls. The dollar amounts themselves — tens of millions — aren't huge, but the implications are. Investors suddenly realised these aren't one-offs; they could be early warning signs of deeper cracks in the system.

It's a little like peeling back an onion — each layer looks manageable until you realise how many there are. That's why comparisons to 2007 are starting to surface again. The fear isn't a single default, but what it reveals about broader credit discipline.

**Host: And markets reacted fast. The KBW Regional Banks Index fell sharply — what's the broader message here?**

**Eric:**

Confidence is fragile. Regional banks have heavy exposure to commercial real estate and middle-market lending — two areas already showing stress. Investors are beginning to price in the idea that credit deterioration may be more widespread than previously thought.

You saw it ripple across sectors: financials dragged the major U.S. indices lower, bond yields dropped as investors sought safety, and gold moved higher again. Even the dollar softened a touch against the yen and the Swiss franc — a classic risk-off pattern.

In short, markets are saying: "Maybe this isn't an isolated banking story. Maybe this is the start of a credit cycle turn."

**Host: Let's turn to Asia, because India made headlines this week — some big diplomatic and economic implications there.**

**Eric:**

Yes, this could be one of the most important geopolitical shifts of the year. Prime Minister Modi appears to be recalibrating India's energy strategy, signalling that India may scale back purchases of Russian oil in response to U.S. pressure — and specifically, Donald Trump's tariff threats.

It's a fascinating balancing act. On one hand, India's been benefiting from discounted Russian crude. On the other, New Delhi sees an opportunity to strengthen ties with Washington, especially ahead of U.S. elections.

If that pivot helps ease the threat of 50% U.S. tariffs on Indian goods — effectively a "Diwali present" from Trump — it could unleash a breakout in Indian equities, which have been consolidating for weeks. The Nifty 50 looks technically poised for it.

So, while it's framed as energy diplomacy, it's also a statement of India's growing strategic weight in global trade realignment.

**Host: Meanwhile, over in China, the picture is very different — more about internal control than external diplomacy.**

**Eric:**

Exactly. China's heading into its Fourth Plenum, where Xi Jinping will set the tone for the next five-year plan — and ahead of that, we've seen sweeping military purges, particularly within the Rocket Force and procurement channels.

To foreign investors, this might look like a political story — but it's really about consolidating power before Beijing unveils new economic blueprints. Xi seems to believe that internal discipline is a prerequisite for external strength.

And that shift in focus — from openness to control — matters for markets. It tells us that China may continue prioritising national security and resource sovereignty over growth in the near term. The rare earth restrictions and shipping fees this month fit that narrative.

All eyes now turn to the APEC summit in South Korea at the end of the month. That could be the first true test of whether Washington and Beijing can find a new equilibrium — or if we're heading toward another escalation in the trade war.

**Host: Before we wrap up — you mentioned Jamie Dimon's "cockroaches in the kitchen" remark earlier in the week. That line seems to have struck a nerve.**

**Eric:**

It did — and for good reason. Dimon was referring to the private credit market, which has exploded to around \$2 trillion in size. JPMorgan took a hit from a small default — Tricolor Holdings — and Dimon's point was simple: when you see one cockroach, there are usually more.

Private credit has grown rapidly, often with limited transparency and light oversight. It's filled the gap left by traditional banks, but now, with higher rates and slowing growth, cracks are appearing. Valuations are being marked down quietly, defaults are creeping up, and liquidity is thin.

The IMF echoed this concern, warning that banks' links to private credit — about \$4.5 trillion in exposure — could become a transmission channel if the cycle turns. We're not in crisis mode, but the calm surface may be hiding a lot beneath.

So Dimon's metaphor isn't alarmist — it's cautionary. When the lights eventually come on, we may see just how crowded that kitchen really is.

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