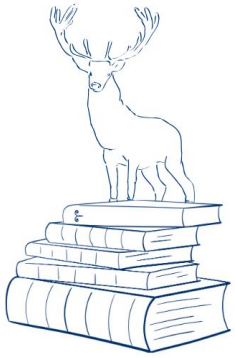


FINANCE JOURNAL
UNIVERSITY OF SOUTHAMPTON

University of Southampton Finance Journal

Issue No. 4
25 November 2025

1. Weekly Roundup — November 25, 2025

Zaki Bawany - Macro and Strategy Editor, Head of Trading

Market Overview

- Over the past two weeks, global equity markets delivered a mixed performance as investors weighed stronger macro data, a heavy data calendar, and high-profile earnings, including NVIDIA's quarterly results.
- NVIDIA released another strong earnings report, beating expectations on revenue, data-centre demand, and forward guidance. However, the broader market reaction was cautious: the initial rally faded as investors questioned how much AI-driven growth was already priced into megacap valuations.
- The muted response contributed to weakness across the U.S. tech sector, adding to the S&P 500's decline of roughly 2.4% over the period.
- European equities outperformed modestly, supported by improving inflation trends, defensive rotation, and reduced dependence on U.S. growth stocks.
- Treasury yields drifted toward 4.3% as the Federal Reserve maintained a cautious, data-dependent tone.
- Gold held steady near $2,380 per ounce, while Brent crude consolidated around $88 per barrel.
- Overall tone: cautiously constructive, with stable macro data but persistent sensitivity to policy rhetoric and valuation risk.

Political & Policy Developments

- Progress toward resolving the U.S. government funding standoff helped ease volatility in Treasury markets.
- Federal Reserve officials reiterated a patient stance, acknowledging disinflation progress while signalling no urgency to cut rates.
- The Bank of England held rates at 5.25%, pointing to early signs of wage cooling alongside still-elevated services inflation.
- Eurozone policymakers maintained a steady message ahead of key GDP and CPI releases, highlighting continued disinflation across the bloc.
- U.S.–China trade discussions resumed at working level, raising the possibility of incremental tariff relief during 2026.
- A developing U.S.–Saudi strategic arrangement drew market attention, centred around security commitments, expanded defence cooperation, and energy coordination. Mar-

kets viewed the discussions as a potential stabilising force for Middle East risk premia and longer-term oil supply security.

- In the UK, attention shifted to the upcoming Budget, with investors watching for the balance between fiscal consolidation and pre-election support.

IPOs & Capital Markets

- NVIDIA's earnings dominated equity-market attention, reinforcing strong AI infrastructure demand but underscoring how sensitive investors have become to stretched valuations.
- The cautious post-earnings reaction weighed on semiconductor peers and contributed to a broader rotation away from expensive megacap growth towards defensives and cyclicals.
- Global equity issuance remained moderate, with selective demand for AI, climate-tech, and semiconductor names.
- Corporates continued to accelerate fixed-income issuance to pre-fund ahead of potential rate cuts in 2026.
- U.S. equity fund outflows were partially offset by renewed inflows into European ETFs, signalling a gradual regional rotation.

UK & European Markets

- European equities outperformed the U.S., supported by improving inflation dynamics, a weaker dollar, and steady earnings from energy, healthcare, and financials.
- The FTSE 100 remained near record levels as investors rotated into more defensive UK names.
- Sterling strengthened modestly as labour-market data indicated slowing but stable wage growth, tempering expectations for imminent BoE easing.
- German and French indices benefited from resilient corporate results and reduced geopolitical risk perceptions.
- European tech names showed limited follow-through from NVIDIA's earnings, reflecting investor preference for domestically oriented defensives and industrials.

Commodities & Supply Chains

- Oil prices remained stable around $88 per barrel as OPEC+ maintained output discipline and markets assessed the implications of ongoing U.S.–Saudi discussions for longer-term supply security.
- Gold stayed supported by policy uncertainty, elevated valuations in some equity segments, and persistent geopolitical risks.

- Industrial metals strengthened on expectations of firmer Chinese demand following targeted stimulus measures.
- Supply-chain localisation and reshoring continued across defence, clean-energy, and critical-minerals industries as governments sought to reduce strategic dependencies.
- ASEAN agricultural trade recovered, offsetting weaker flows between the U.S. and China.

Crypto Markets

- Bitcoin traded within a narrow range around $59,000 to $62,000, supported by steady institutional ETF inflows despite subdued retail participation.
- Ethereum held near $2,800 as investors focused on staking dynamics and the timeline for the Deneb upgrade.
- Solana saw renewed interest, with strong on-chain activity and growing developer engagement helping support price resilience relative to broader market consolidation.
- AI-linked tokens experienced brief volatility around NVIDIA's results but failed to sustain momentum as equity-market enthusiasm for AI cooled.
- Overall, crypto markets remained relatively resilient despite ongoing regulatory uncertainty, with institutional participation acting as an anchor for larger assets.

Volatility & Macro Sentiment

- The VIX remained near the mid-teens, indicating contained volatility expectations despite significant earnings and macro data releases.
- Market reaction to NVIDIA's report highlighted pervasive valuation concerns and contributed to a more cautious tone across growth equities.
- Liquidity conditions remained thin as funds trimmed leverage into year-end and reduced exposure to crowded trades.
- Positioning continued to rotate towards industrials, energy, and large-cap defensives, with investors seeking lower-multiple sectors less exposed to earnings disappointments.
- Macro sentiment remained cautiously optimistic: steady growth and ongoing disinflation were balanced against policy uncertainty and valuation risks.

Key Takeaways

- NVIDIA's strong earnings underlined the durability of AI demand but did not translate into a sustained tech rally, signalling stretched valuations and investor fatigue in megacap growth.

- The emerging U.S.–Saudi strategic framework was viewed as a potential stabiliser for Middle East risk and long-term energy security.
- Rotation towards Europe and selected emerging markets gained traction as relative valuations improved and disinflation continued.
- Commodities and gold continued to act as strategic hedges amid policy uncertainty and geopolitical risk.
- Crypto markets showed structural resilience, supported by institutional flows into Bitcoin, Ethereum, and increasingly Solana.
- Overall tone: guarded optimism, with markets supported by a soft-landing narrative but constrained by elevated valuations and policy ambiguity.

Infinite Growth or Infinite Illusion? The AI Circular Investment Loop Driving the 2025 Tech Boom

November 25 2025

Amirreza Babaei

2. Infinite Growth or Infinite Illusion? The AI Circular Investment Loop Driving the 2025 Tech Boom

Since 2023, artificial intelligence (AI) has driven one of the most powerful equity rallies in market history. AI companies are now central to corporate strategies, national policy, and investor portfolios. Behind this meteoric rise, however, lies an intricate financial mechanism that has remained relatively obscure: the circular investment loop. In this arrangement, AI firms simultaneously act as funders, suppliers, and customers to one another — a structure that can inflate both revenue and valuations, but also increase systemic fragility.

This article examines how circular capital flows are shaping the AI industry's economics. Using real examples, recent data, and historical context, we unpack how companies like Nvidia, OpenAI, AMD, Oracle, and others are interlinked through investment and procurement. We assess whether this represents an efficient ecosystem or a self-reinforcing speculative cycle — and what that means for the future of AI.

What Is the Circular AI Investment Loop, and Why Does It Matter?

Over the past two years, Nvidia has become the most valuable chipmaker in history. OpenAI is at the center of trillion-dollar infrastructure plans. AMD, Oracle, and Microsoft have seen market capitalizations swell as they support or supply AI development. Yet much of this growth may not be rooted in external demand. Instead, many of these firms are involved in tightly linked funding arrangements where one company's capital becomes another's customer revenue.

This phenomenon — the circular investment loop — raises pressing questions. Are these

firms generating sustainable value by meeting real-world demand, or are they locked in a feedback cycle of self-reinforcing investment? What happens if any link in the chain falters? Understanding these dynamics is critical for investors, policymakers, and anyone trying to distinguish durable innovation from financial reflexivity.

What Are Circular Investment Loops?

Circular investment loops occur when companies invest in or financially back others who in turn buy their products, services, or equity. In this model, capital circulates between a limited number of players. While it can accelerate growth in emerging sectors, it also risks distorting financial indicators like revenue and profit — making it difficult to gauge true demand.

In the AI space, these loops are not merely theoretical. Nvidia, for instance, has committed to investing $100 billion into OpenAI — money that OpenAI then plans to use to build data centers filled with Nvidia's own GPUs. Oracle has signed massive contracts to host OpenAI's AI workloads, while purchasing Nvidia chips to support that infrastructure. AMD offered OpenAI significant equity exposure in exchange for chip commitments. Each firm benefits from the others' expansion, but much of the capital involved is internally sourced. These relationships can inflate valuations and revenue reports while masking how much of the demand is truly organic.

Case Study 1: Nvidia and OpenAI

One of the most notable examples of a circular deal is Nvidia's investment pledge to OpenAI. As Bloomberg reported in 2025, Nvidia offered up to $100 billion in financing to OpenAI to accelerate AI data center deployment. These funds are not grants — they are investments expected to yield commercial returns. OpenAI, in turn, has committed to purchasing vast quantities of Nvidia's GPUs to populate those data centers.

This creates a self-contained economic loop: Nvidia provides OpenAI with capital, and OpenAI returns that capital as revenue through product purchases. Nvidia then books revenue growth, boosting its stock price, and justifying further investment. This dynamic mirrors classic examples of reflexivity in financial markets, as described by George Soros — where perception influences fundamentals and vice versa.

Case Study 2: AMD and OpenAI

AMD's involvement with OpenAI adds a new dimension to this pattern. In late 2025, OpenAI entered a landmark agreement to source chips from AMD, receiving in exchange the right to acquire up to 10% of AMD's shares through equity warrants. The deal was valued at an estimated $90 billion in chip purchases over a multi-year period.

This arrangement allowed AMD to boost its long-term order pipeline and investor narrative, while giving OpenAI an upside stake in its supplier's performance. Investors responded enthusiastically, sending AMD's stock up over 30% following the announcement. But once

again, the underlying transaction is circular: OpenAI commits to large-scale purchases, and AMD reciprocates with equity rights, making both companies more financially exposed to one another.

Case Study 3: Oracle and OpenAI

Oracle has positioned itself as a major AI infrastructure provider. In 2025, OpenAI signed a contract with Oracle to host workloads worth an estimated $300 billion over a decade. To fulfill this deal, Oracle committed to purchasing tens of billions of dollars' worth of Nvidia GPUs, integrating them into its cloud offering. This closes another circle: Nvidia benefits from the Oracle-OpenAI deal, OpenAI benefits from Nvidia's performance, and Oracle becomes financially dependent on both.

The cumulative effect is a complex financial braid where each firm's capital structure supports others in the network. OpenAI gains compute capacity and strategic partnerships. Oracle boosts its enterprise cloud credentials. Nvidia sees explosive revenue growth. But if any one of these firms reduces spending, it could impact the others — amplifying volatility.

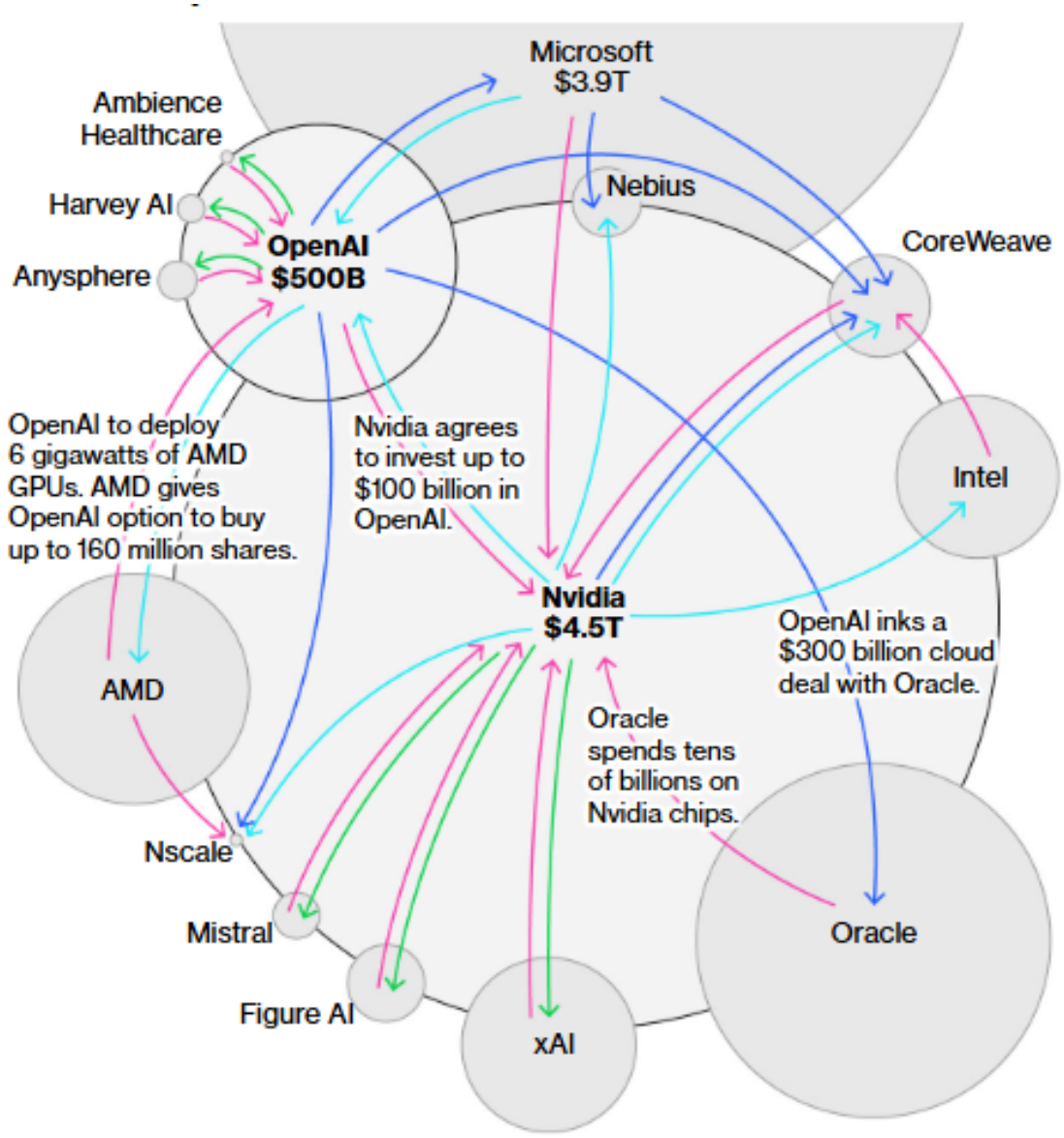
Case Study 4: CoreWeave and Nvidia

CoreWeave, a rising AI cloud provider, has also been drawn into this loop. Nvidia initially backed CoreWeave in early-stage investments. Later, CoreWeave committed to deploying hundreds of thousands of Nvidia GPUs, while Nvidia signed a $6.3 billion deal to rent compute capacity from CoreWeave — essentially guaranteeing demand for its own hardware.

The strategy is not inherently malicious. It helps startups build scale quickly. But in aggregate, these commitments can artificially inflate demand signals. CoreWeave's valuation surged following these deals, and Nvidia's financials strengthened — even though much of the economic activity came from internally funded cycles.

Visualizing the AI Circular Ecosystem

To illustrate the complexity of these relationships, consider the diagram published by Bloomberg in October 2025:



This graphic shows companies interconnected through investment and procurement agreements. Arrows indicate the flow of capital, products, and equity. At the center is OpenAI, surrounded by Nvidia, Oracle, AMD, CoreWeave, and others. The pattern reveals how a relatively small number of firms are supporting each other's growth in ways that can be self-reinforcing.

Another way to observe the impact of these loops is through public market performance: Both Nvidia and AMD saw sharp share price increases following AI-related deal announcements. Nvidia rose from a $580B valuation in early 2023 to over $4.5T in late 2025.

Capital Expenditure vs Revenue Generation

While enthusiasm around AI has fueled massive investments, actual AI product revenue has not kept pace. A report by Capital Group estimated that global capital expenditure on AI infrastructure reached $612B in 2024 and could exceed $730B by the end of 2025, while AI generated revenue stood at only $89B in 2024.

Year	AI Infrastructure Spending	Realized AI Revenue
2023	$320B	$46B
2024	$612B	$89B
2025 (est.)	$730B	$117B

AI Infrastructure Spending vs. Realized AI Revenue

This disconnect between spending and returns is reminiscent of the early 2000s telecom bubble, when firms overbuilt fiber networks in anticipation of demand that never fully arrived.

Historical Analogies: The Dot-Com and Telecom Bubbles

The AI circular investment model draws uncomfortable parallels to prior bubbles. During the dot-com boom, internet startups bought services from one another to inflate their revenues and attract investment. In the telecom sector, hardware vendors like Cisco provided financing to carriers, who then used the loans to buy more Cisco equipment.

In both cases, financial engineering replaced organic demand. Once external funding slowed, companies lacked the cash flow to sustain operations. Stock prices collapsed. The telecom bubble alone wiped out over $1.5 trillion in equity value. AI's current feedback loop — where infrastructure is being built ahead of proven customer demand — may follow a similar trajectory if adoption stalls.

Risk Assessment

The primary concern with circular investment is systemic risk. Because so much capital is shared across a few dominant players, a shock to one (e.g., a regulatory challenge to OpenAI, a chip shortage for Nvidia, or rising rates affecting Oracle's debt) can reverberate across the ecosystem. The opacity of deal terms — many of which are private or subject to nondisclosure — also obscures the true scale of exposure.

Investor analysts have raised flags about overconcentration, inflated valuations, and a lack of clear end-user demand. If AI adoption fails to meet projections, these loops may unravel,

just as they did in earlier tech cycles.

Conclusion: A Technological Revolution or Financial Reflexivity?

The circular investment loop at the heart of today's AI economy reveals both the promise and peril of technological revolutions. These financial structures enable rapid scaling and coordination, but also risk creating illusions of demand and value. For long-term sustainability, the AI sector must shift from internal capital circulation to external value creation.

The AI revolution is real — but its financial underpinnings must be scrutinized. Investors, policymakers, and founders should pay close attention to whether revenue is flowing from real customers or from strategic counterparties. Only then can we know whether we're building an intelligent economy or inflating a bubble with no brain.

Buying distressed Ultra-large capitalization equities: A low-effort systematic investment strategy

November 25 2025

Thomas Amara - Editor-in-Chief, Head of Investing

3. Buying distressed Ultra-large cap equities

The goal of this project is to test and analyze the value and viability of a systematic strategy based on the purchase of distressed ultra-large capitalization equities. While the merits of passive investing have been extensively documented and widely popularized through the advent of low-cost, low-risk exchange-traded funds (ETFs), the question remains whether systematic, rules-based contrarian strategies applied to the most resilient firms can deliver superior outcomes, as a tool in a larger more diversified portfolio allocation strategy. In particular, this research investigates whether such an approach justifies the added effort and risk relative to a purely passive allocation.

The strategy under consideration relies on a simple yet powerful heuristic: acquiring shares of the largest European firms once their prices have fallen substantially from prior peaks. The theoretical rationale is grounded in both behavioral finance, which suggests that investors often overreact to temporary shocks, and the economic resilience of systemically important corporations, which are more likely to recover from crises than their mid- and small-cap counterparts. In this sense, the approach is designed to capture value created by temporary mispricings in highly visible, highly liquid equities.

Several features make this strategy attractive in principle. First, it is low effort relative to most active investment approaches: it relies on transparent signals (drawdowns from prior highs) and requires infrequent execution. Second, it is gradual in its deployment of capital: positions are only initiated when pre-defined distress conditions are met, rather than through continuous turnover. Third, its theoretical soundness stems from a combination of contrarian logic and the implicit "too big to fail" nature of ultra-large caps, which benefit from structural advantages in survival and eventual recovery. Furthermore, this research also analyzes whether the performance of the strategy comes from its systematic, trend-reversing nature or simply the purchase of companies with good financial indicators at a good price.

Yet, the strategy also raises important questions: Does it meaningfully outperform broad

market indices such as the Euro Stoxx 600 or global benchmarks like the S&P 500, once biases are accounted for? Is the additional idiosyncratic risk of concentrated equity purchases adequately compensated by higher risk-adjusted returns? And critically, is the incremental complexity over a passive ETF allocation worth the effort for investors seeking long-term capital growth?

This article seeks to provide an answer to these questions by formally defining the strategy, analyzing its historical performance, identifying potential biases (such as survivorship and look-ahead), and proposing robustness tests. In doing so, it aims to clarify whether distressed large-cap equity purchases represent a viable enhancement to passive investing or whether their apparent success is largely an artifact of biased backtesting.

A Drawdown-Based Contrarian Strategy in European Blue-Chip Equities

1. Strategy Definition

We define a contrarian investment strategy based on large drawdowns in the share prices of the largest European corporations by market capitalization. The core intuition is that mega-cap firms, owing to their systemic importance, established market position, and access to capital markets, are less likely to default and more likely to eventually recover following episodes of market distress.

Formally, let $P_{i,t}$ denote the price of stock i at time t. The rolling maximum over a lookback horizon L (e.g., 10 years $\approx$ 2520 trading days) is defined as

$$H_{i,t} = \max\{P_{i,s} : t - L \leq s \leq t\}.$$

The relative drawdown from the rolling peak is then

$$D_{i,t} = \frac{P_{i,t}}{H_{i,t}} - 1.$$

A buy signal is generated when

$$D_{i,t} \leq \theta,$$

where θ is a threshold parameter, typically set at -0.40, corresponding to a 40% decline from the 10-year high. Upon signal activation, a fixed investment amount C (e.g., €1000) is allocated to stock i, resulting in

$$Q_{i,t} = \frac{C}{P_{i,t}}$$

shares purchased and held until the end of the sample horizon. Only one entry per stock is permitted under the baseline specification.

The aggregate portfolio value at time t is

$$V_t = \sum_{i \in \mathcal{U}} Q_{i,\tau_i} \cdot P_{i,t},$$

where τ_i is the entry date for stock i, and $\mathcal{U}$ denotes the investment universe (e.g., top 50 European firms by market capitalization at a reference date).

Theoretical Justification

The central premise of this strategy is rooted in the observation that financial markets are prone to systematic overreactions in the presence of negative shocks. Under the assumptions of the Gaussian paradigm, as illustrated by the Galton board Galton (1889), the likelihood of extreme deviations from the mean diminishes rapidly as outcomes move further into the tails. This implies that events such as a 40% drawdown should be virtually negligible in frequency.

However, a robust body of evidence, beginning with Mandelbrot (1963), has demonstrated that empirical return distributions exhibit leptokurtosis and fat tails, which significantly increase the probability of extreme market outcomes. This renders rare, catastrophic declines integral features of financial markets. The existence of fat tails implies that large drawdowns are not only possible but also recurrent, particularly during systemic crises, volatility clustering, or liquidity shocks.

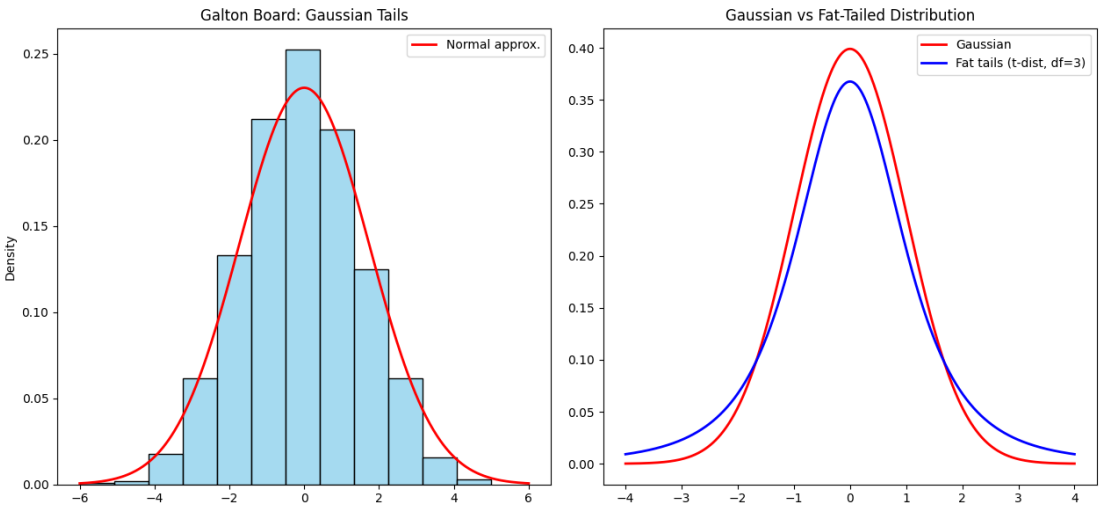


Figure 3.1: Gaussian Vs. Fat-tailed distribution

Behavioral finance provides a complementary lens to this statistical foundation. Debondt (1985) document that investors tend to overreact to short-term negative news, leading to

long-term reversals as prices eventually converge back to fundamentals. This *overreaction hypothesis* aligns with the operationalization of our strategy, which imposes a deterministic threshold (e.g., −40% from a rolling high) as a proxy for "extreme" mispricing. The underlying mechanism is that during distress episodes, noise trading, herding, and forced liquidations amplify declines beyond levels justified by fundamentals, creating systematic opportunities for contrarian entries.

This approach is theoretically consistent with the tradition of value investing (Graham, 1934). Empirical work by Fama (1992, 1993) formalized this intuition in the cross-section of expected returns, showing that value firms—typically characterized by temporarily depressed valuations—earn superior forward returns relative to growth firms. Our framework extends this principle to ultra-large-cap equities, whose size and market dominance imply resilience and survival capacity even in the face of extreme downturns. This is a critical consideration: while small-cap value firms may disappear in crises, large-cap firms often retain access to financing, state support, and long-term investor trust, in a "too big to fail" logic, making them natural candidates for mean reversion-based strategies.

Furthermore, this design indirectly exploits the *limits of arbitrage* Shleifer (1997). Professional investors often cannot commit capital during crises due to redemption risk or leverage constraints, leaving mispricings uncorrected until after panic subsides. This structural inefficiency opens a window for systematic contrarian strategies that deploy capital precisely when others are unable or unwilling to do so.

In portfolio-theoretic terms, such a strategy represents a dynamic contrarian tilt that selectively increases exposure during volatility-induced dislocations. Unlike passive investing, which allocates continuously, this method uses volatility and distress as entry signals, thereby concentrating capital in high-expected-return states. Formally, the expected excess return conditional on distress can be expressed as:

$$E\big[R_{i,t+H} \,\big|\, R_{i,t} \leq -\theta\big] \;>\; E\big[R_{m,t+H}\big], \tag{1}$$

where $R_{i,t}$ denotes firm i's return at time t, θ is the deterministic distress threshold (e.g., 40% decline), and $R_{m,t+H}$ is the benchmark market return over horizon H. This inequality captures the essence of contrarian value strategies: conditional excess returns arise due to temporary dislocations that revert over time.

Results and execution

Biased execution on European Equities

The following tables and graph demonstrate the example transactions and performance of a portfolio undergoing the following strategy: buying €1000 worth of the top 50 current largest European companies when they reach a 40% drawdown from their previous 10-year high. The portfolio voluntarily demonstrates biases, such as look-ahead bias and survivorship bias in order to demonstrate flawed methodology undertaken in certain financial media arguing that a similar buy the dip strategy results in 19% annual returns.

Table 1: Portfolio Performance Summary: Buy and hold €1000 when current top 50 biggest European firm drops 40% off 5-year peak since 2000. No re-entry.

Ticker	Entry Date	Entry Price (€)	Shares	Position Size (€)	Current Price	Current Value	PnL (€)	PnL (%)	Days Held
SAF.PA	2009-10-05	9.64	103.74	1,000	287.20	29,793.06	28,793.06	2,879.31	5,789
TT	2009-10-05	14.76	67.73	1,000	428.07	28,994.60	27,994.60	2,799.46	5,789
ASML.AS	2009-10-05	21.73	46.02	1,000	627.00	28,853.86	27,853.86	2,785.39	5,789
ETN	2009-10-05	18.38	54.40	1,000	360.11	19,588.88	18,588.88	1,858.89	5,789
AIR.PA	2011-08-08	16.34	61.21	1,000	175.80	10,760.43	9,760.43	976.04	5,117
MUV2.DE	2009-10-05	54.15	18.47	1,000	567.00	10,471.68	9,471.68	947.17	5,789
SAP.DE	2009-10-05	25.97	38.50	1,000	249.35	9,600.01	8,600.01	860.00	5,789
JCI	2009-10-05	11.03	90.63	1,000	105.71	9,580.79	8,580.79	858.08	5,789
ALV.DE	2009-10-05	38.69	25.85	1,000	363.90	9,406.73	8,406.73	840.67	5,789
SU.PA	2011-11-23	24.89	40.18	1,000	218.65	8,785.64	7,785.64	778.56	5,010
SIE.DE	2009-10-05	30.29	33.02	1,000	228.05	7,529.89	6,529.89	652.99	5,789
VOLV-B.ST	2009-10-05	40.41	24.75	1,000	287.90	7,124.13	6,124.13	612.41	5,789
DTE.DE	2009-10-05	4.42	226.13	1,000	29.96	6,774.99	5,774.99	577.50	5,789
CS.PA	2010-02-05	6.22	160.86	1,000	41.62	6,695.02	5,695.02	569.50	5,666
DG.PA	2011-09-13	19.17	52.17	1,000	124.90	6,516.11	5,516.11	551.61	5,081
CRH	2009-10-27	16.79	59.55	1,000	107.42	6,396.50	5,396.50	539.65	5,767
BMW.DE	2010-02-12	14.71	68.00	1,000	86.58	5,887.22	4,887.22	488.72	5,659
ENEL.MI	2010-05-07	1.51	660.46	1,000	7.81	5,159.50	4,159.50	415.95	5,575
ISP.MI	2009-10-05	1.12	892.51	1,000	5.32	4,752.61	3,752.61	375.26	5,789
IBE.MC	2009-10-05	3.34	299.82	1,000	15.62	4,684.71	3,684.71	368.47	5,789
MDT	2010-08-24	21.74	46.00	1,000	92.74	4,266.42	3,266.42	326.64	5,466
INGA.AS	2009-10-05	4.90	204.13	1,000	20.76	4,237.83	3,237.83	323.78	5,789
BBVA.MC	2010-02-04	4.15	240.71	1,000	16.06	3,865.80	2,865.80	286.58	5,667
NVO	2016-11-03	14.60	68.51	1,000	49.87	3,416.47	2,416.47	241.65	3,203
BNP.PA	2009-11-03	24.43	40.93	1,000	81.55	3,338.18	2,338.18	233.82	5,760
TTE	2010-05-06	19.51	51.24	1,000	60.99	3,125.29	2,125.29	212.53	5,576
ITX.MC	2020-03-16	17.91	55.82	1,000	42.22	2,356.72	1,356.72	135.67	1,974
RMS.PA	2022-06-14	961.57	1.04	1,000	2,037.00	2,118.41	1,118.41	111.84	1,154
SAN	2010-05-04	4.69	213.03	1,000	9.32	1,985.45	985.45	98.55	5,578
CDI.PA	2020-03-12	266.50	3.75	1,000	440.00	1,651.05	651.05	65.10	1,978
UCG.MI	2009-10-05	55.02	18.17	1,000	67.35	1,224.05	224.05	22.40	5,789
DBK.DE	2009-10-05	29.74	33.62	1,000	31.15	1,047.39	47.39	4.74	5,789
MC.PA	2025-04-07	499.99	2.00	1,000	458.00	916.02	-83.98	-8.40	126

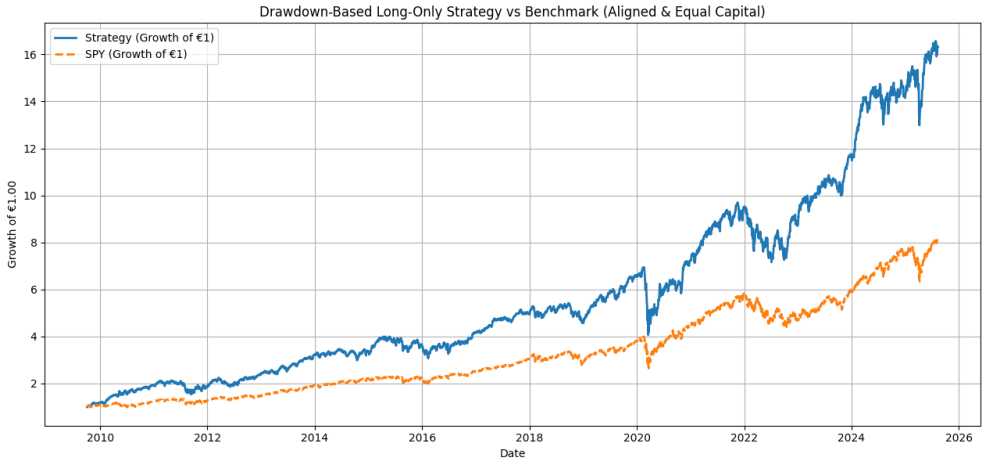


Figure 3.2: Strategy 1 performance against SPY

Table 2: Strategy vs Benchmark Metrics (aligned to first buy, equal capital)

	Annualized Return	Volatility	Sharpe Ratio	Max Drawdown	Total Return
Strategy	0.1909	0.2032	0.9620	-0.4141	15.3066
SPY	0.1403	0.1713	0.8525	-0.3372	7.1455

Total Invested:	€33 000.00
Current Value:	€538 117.51
Total PnL:	€505 117.51 (1530.66%)
Number of Positions:	33
Average Holding Period:	5060.0 days

While the strategy consisting in investing €1000 in the stocks of the top 50 biggest European companies in market cap can be shown to exhibit high returns with relatively low effort required, there is an important fundamental bias existing in the methodology used in certain financial media. Here, survivor bias is clearly at play. The very composition of the portfolio limited to firms that currently occupy the top tier in terms of market capitalization implicitly selects for entities that have already demonstrated resilience and substantial post-crisis recovery. Consequently, historical performance evaluations of such a portfolio are artificially inflated, as they omit companies that have either declined in value or ceased to exist. This exclusion systematically overstates the attainable returns for an investor employing the strategy in real time, thereby undermining the validity of any backward-looking profitability assessment.

Removing survivorship and look-ahead bias using the top equities from the year 2000

Table 3: Executed Orders: invest €1000 in Top 50 largest European companies in the year 2000 after 40% drawdown

Ticker	Entry Date	Entry Price (€)	Shares	Position Size (€)	Current Price	Current Value	PnL (€)	PnL (%)	Days Held
AIR.PA	2011-08-08	16.34	61.21	1,000	175.80	10,760.43	9,760.43	976.04	5,117
MUV2.DE	2009-10-09	55.61	17.98	1,000	567.00	10,195.36	9,195.36	919.54	5,785
SAP.DE	2009-10-09	27.07	36.94	1,000	249.35	9,211.61	8,211.61	821.16	5,785
ALV.DE	2009-10-09	40.69	24.57	1,000	363.90	8,942.72	7,942.72	794.27	5,785
SIE.DE	2009-10-09	32.38	30.88	1,000	228.05	7,042.55	6,042.55	604.25	5,785
VOLV-B.ST	2009-10-09	41.23	24.25	1,000	287.90	6,982.21	5,982.21	598.22	5,785
DTE.DE	2009-10-09	4.45	224.56	1,000	29.96	6,727.74	5,727.74	572.77	5,785
CS.PA	2010-02-05	6.22	160.86	1,000	41.62	6,695.02	5,695.02	569.50	5,666
ZURN.SW	2009-10-09	96.28	10.39	1,000	571.20	5,932.63	4,932.63	493.26	5,785
BMW.DE	2010-02-12	14.71	68.00	1,000	86.58	5,887.22	4,887.22	488.72	5,659
ENEL.MI	2010-05-07	1.51	660.46	1,000	7.81	5,159.50	4,159.50	415.95	5,575
IBE.MC	2009-10-09	3.35	298.68	1,000	15.62	4,666.80	3,666.80	366.68	5,785
ABBN.SW	2009-10-09	11.88	84.19	1,000	53.26	4,484.21	3,484.21	348.42	5,785
MBG.DE	2009-10-09	12.09	82.69	1,000	51.72	4,276.71	3,276.71	327.67	5,785
INGA.AS	2009-10-09	5.52	181.19	1,000	20.76	3,761.48	2,761.48	276.15	5,785
G.MI	2009-10-09	9.15	109.30	1,000	33.48	3,659.27	2,659.27	265.93	5,785
BNP.PA	2009-11-03	24.43	40.93	1,000	81.55	3,338.18	2,338.18	233.82	5,760
ROG.SW	2011-08-09	77.16	12.96	1,000	246.30	3,192.16	2,192.16	219.22	5,116
SAN.MC	2011-08-04	2.86	349.05	1,000	8.00	2,792.40	1,792.40	179.24	5,121
UBSG.SW	2009-10-09	11.53	86.73	1,000	31.91	2,767.66	1,767.66	176.77	5,785
ENI.MI	2011-08-08	5.42	184.50	1,000	14.77	2,725.84	1,725.84	172.58	5,117
TTE.PA	2020-03-09	22.19	45.06	1,000	52.52	2,366.69	1,366.69	136.67	1,981
VOW3.DE	2009-10-16	42.80	23.36	1,000	96.76	2,260.51	1,260.51	126.05	5,778
PHIA.AS	2009-10-09	10.19	98.17	1,000	23.00	2,257.92	1,257.92	125.79	5,785
GLE.PA	2009-10-09	26.40	37.88	1,000	57.58	2,180.97	1,180.97	118.10	5,785
REP.MC	2010-05-07	6.19	161.63	1,000	13.18	2,129.42	1,129.42	112.94	5,575
PRU.L	2009-10-09	521.94	1.92	1,000	968.80	1,856.17	856.17	85.62	5,785
HSBA.L	2011-08-10	512.44	1.95	1,000	949.40	1,852.72	852.72	85.27	5,115
SHEL.L	2015-12-11	1,446.29	0.69	1,000	2,644.15	1,828.23	828.23	82.82	3,531
BN.PA	2020-10-28	39.69	25.20	1,000	70.86	1,785.52	785.52	78.55	1,748
ERIC-B.ST	2009-10-09	44.30	22.57	1,000	72.72	1,641.44	641.44	64.14	5,785
LLOY.L	2009-10-09	62.32	16.05	1,000	82.44	1,322.76	322.76	32.28	5,785
BAS.DE	2020-02-28	36.47	27.42	1,000	44.75	1,227.02	227.02	22.70	1,991
GSK.L	2009-10-09	1,240.29	0.81	1,000	1,403.84	1,131.86	131.86	13.19	5,785
TSCO.L	2014-03-20	369.31	2.71	1,000	411.50	1,114.23	114.23	11.42	4,162
TEF.MC	2012-05-18	4.32	231.61	1,000	4.70	1,087.86	87.86	8.79	4,833
BARC.L	2009-10-09	346.80	2.88	1,000	371.00	1,069.77	69.77	6.98	5,785
BP.L	2010-06-08	405.56	2.47	1,000	423.42	1,044.02	44.02	4.40	5,543
DBK.DE	2009-10-09	31.27	31.98	1,000	31.15	996.17	-3.83	-0.38	5,785
MC.PA	2025-04-07	499.99	2.00	1,000	458.00	916.02	-83.98	-8.40	126
DGE.L	2024-07-30	2,417.20	0.41	1,000	2,059.00	851.81	-148.19	-14.82	377
CA.PA	2009-10-09	18.33	54.55	1,000	12.70	693.00	-307.00	-30.70	5,785
VOD.L	2009-10-09	136.50	7.33	1,000	85.78	628.41	-371.59	-37.16	5,785

Continued on next page

Table 3 – continued from previous page

Ticker	Entry Date	Entry Price (€)	Shares	Position Size (€)	Current Price	Current Value	PnL (€)	PnL (%)	Days Held
NOKIA.HE	2009-10-09	6.27	159.49	1,000	3.53	563.30	-436.70	-43.67	5,785
BAYN.DE	2018-08-16	62.35	16.04	1,000	25.71	412.34	-587.66	-58.77	2,552

Total Invested	€45,000.00	
Current Value	€285,787.27	
Total PnL	€240,787.27	(535.08%)
Number of Positions	45	
Average Holding Period	5006.3 days	

Table 4: Strategy for Euopean equities vs Benchmark Metrics (aligned to first buy, equal capital)

	Annualized Return	Volatility	Sharpe Ratio	Max Drawdown	Total Return
Strategy (EU)	0.1236	0.1941	0.6979	−0.3916	5.3534
SPY	0.1391	0.1725	0.8420	−0.3372	6.8994
Euro Stoxx 600	0.0525	0.1658	0.3920	−0.3555	1.2525
MSCI World	0.0842	0.1529	0.6058	−0.3421	2.6086
MSCI Europe	0.0562	0.2287	0.3542	−0.4137	1.3819

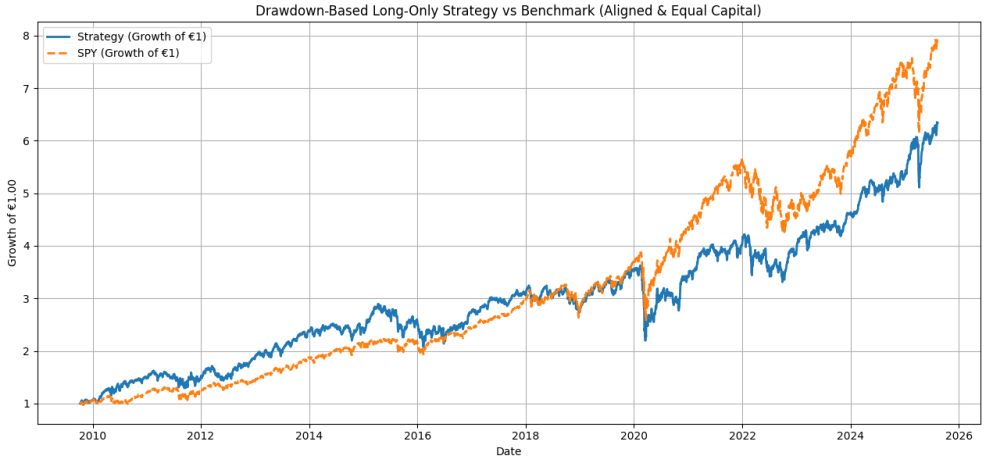


Figure 3.3: Strategy 1 performance with 50 biggest European firms in the year 2000 against SPY

When compared with its unbiased execution, for which the 50 biggest European equities in the year 2000 were chosen, the peformance of the strategy significantly decreases, but remains good. The choice of the year 2000 was partly to simulate the effects of the explosion

of a speculative bubble on the strategy. Here, we see that despite the bursting of the dot-com bubble, and the large destruction of targeted value it represents, the strategy performs well. This is despite the absence of a dynamic universe.

During the studied period however, the strategy, when tested using a methodolgy reducing survivorship bias, underperforms the S&P 500, which demonstrated exceptional returns in the studied period, and amply outperformed other valued geographic ETFs.

A geographic bias is presented in using such a benchmark however, as the American equity market, as well as the American economy as a whole, has largely dominated its European counterparts. Indeed, when compared to the Euro STOXX 600 or MSCI Europe, the strategy performs well and amply outperforms them in all major metrics.

To avoid this geographic bias and in order to achieve a performance review of the strategy on a global scale, it is necessary to analyze the strategy in different geographic samples.

Table 5: Performance Metrics: Year 2000 Top 50 Equities of geographic zone: Strategy vs. geographic index

	Annualized Return	**Volatility**	**Sharpe Ratio**	**Max Drawdown**	**Total Return**
Strategy: US	0.1452	0.1783	0.8498	-0.3054	7.2405
SPY (US)	0.1368	0.1734	0.8268	-0.3372	6.3558
Strategy: EU	0.1236	0.1941	0.6979	-0.3916	5.3534
Euro Stoxx 600 (EU)	0.0525	0.1658	0.3920	-0.3555	1.2525
Strategy: World	0.1404	0.1702	0.8575	-0.3059	6.7208
MSCI World	0.0842	0.1529	0.6058	-0.3421	2.6086

Strategy Returns distribution

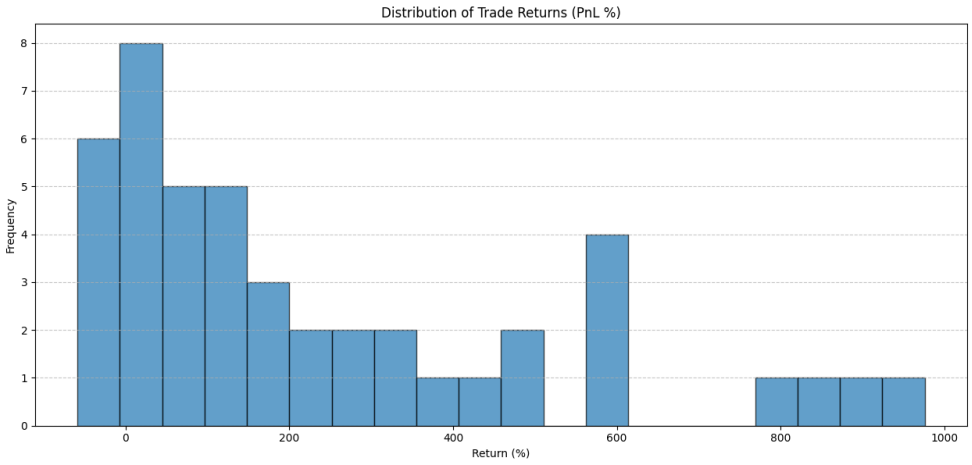


Figure 3.4: Returns distribution for strategy applied on Top 50 European Equities

A consistent trend seen in the execution of the strategy is that most investments tend to make a profit. Only 6 out of 45 positions in Europe result in a loss. This tends to confirm the initial mostly temporary nature of drawdowns of the biggest equities. Like in the return distributions of composite indexes, the returns are fueled by that of outliers.

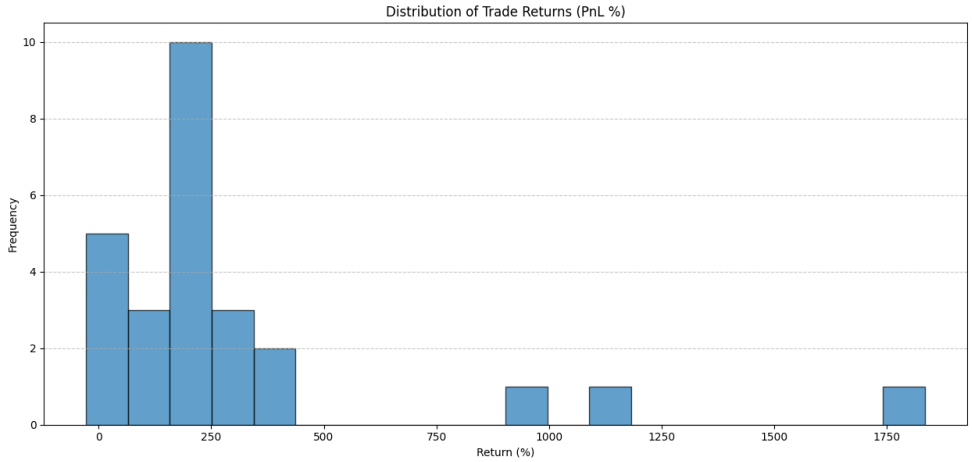


Figure 3.5: Returns distribution for strategy applied on Top 50 US Equities

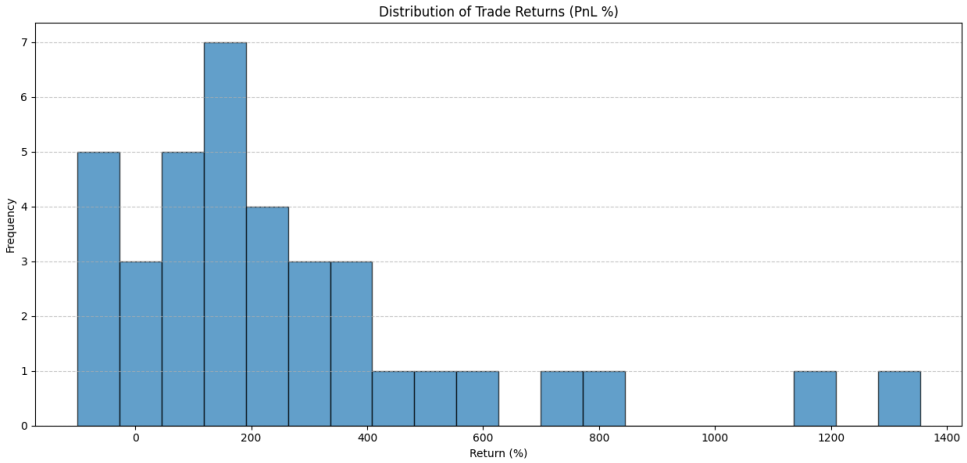


Figure 3.6: Returns distribution for strategy applied on Top 50 Equities in the World

3.1. Performance under different Drawdown Thresholds

Table 6: Executed Orders: invest €1000 in Top 50 largest U.S. companies after 50% drawdown

Ticker	Entry Date	Entry Price (€)	Shares	Position Size (€)	Current Price	Current Value	PnL (€)	PnL (%)	Days Held
HD	2010-01-08	19.91	50.22	1,000	385.34	19,352.95	18,352.95	1835.30	5,694
ORCL	2010-05-20	18.15	55.09	1,000	252.68	13,919.14	12,919.14	1291.91	5,562
GE	2010-01-08	57.73	17.32	1,000	275.20	4,767.11	3,767.11	376.71	5,694
MRK	2010-05-20	18.24	54.83	1,000	80.03	4,387.89	3,387.89	338.79	5,562
CSCO	2010-01-08	16.14	61.96	1,000	70.67	4,378.96	3,378.96	337.90	5,694
TWX	2010-01-08	22.83	43.80	1,000	98.77	4,326.11	3,326.11	332.61	5,694
XOM	2020-03-12	28.79	34.73	1,000	104.85	3,641.55	2,641.55	264.15	1,978
HPQ	2011-08-19	7.08	141.30	1,000	25.51	3,604.52	2,604.52	260.45	5,106
BAC	2010-01-08	13.08	76.44	1,000	45.90	3,508.93	2,508.93	250.89	5,694
C	2010-01-08	26.80	37.32	1,000	92.31	3,444.82	2,444.82	244.48	5,694
GD	2020-03-23	93.54	10.69	1,000	314.93	3,366.86	2,366.86	236.69	1,967
BMY	2010-05-20	13.74	72.77	1,000	45.93	3,342.40	2,342.40	234.24	5,562
WFC	2020-03-12	23.68	42.23	1,000	77.59	3,277.00	2,277.00	227.70	1,978
DD	2011-10-03	21.23	47.09	1,000	69.53	3,274.40	2,274.40	227.44	5,061
MO	2020-03-23	20.12	49.70	1,000	65.67	3,263.56	2,263.56	226.36	1,967
EXC	2010-05-06	16.20	61.71	1,000	44.71	2,759.15	1,759.15	175.91	5,576
PFE	2010-02-04	9.15	109.26	1,000	24.58	2,685.54	1,685.54	168.55	5,667
MMM	2020-03-23	80.09	12.49	1,000	154.60	1,930.39	930.39	93.04	1,967
F	2010-01-08	6.08	164.42	1,000	11.14	1,831.59	831.59	83.16	5,694
INTC	2010-01-08	13.49	74.15	1,000	20.65	1,531.10	531.10	53.11	5,694
BA	2020-03-11	189.08	5.29	1,000	225.96	1,195.05	195.05	19.50	1,979
DIS	2022-06-10	97.77	10.23	1,000	112.55	1,151.17	151.17	15.12	1,158
SLB	2010-06-01	35.84	27.91	1,000	32.11	896.13	-103.87	-10.39	5,550

Total Invested	€23,000.00	
Current Value	€275,529.43	
Total PnL	€252,529.43	(1097.95%)
Number of Positions	23	
Average Holding Period	4443.1 days	

Discussion

The past results of this systematic contrarian investing strategy demonstrate its relevance and utility. While being relatively low-effort, the strategy achieves satisfactory returns on the long-term and picks few "losing" stocks, meaning most ultra-large cap equities bounce back from extreme drawdowns to deliver decent returns, confirming the method's main assumptions. Across all examined geographic zones, in environments where the fundamental underpinnings of the approach are most plausible, the strategy consistently outperforms a passive allocation to the regional index ETF.

The strategy, however, is not a universal recipe for buying cheap assets. Its utility lies in supplementing passive investing with a rules-based, opportunistic exposure to systemic champions during crises, precisely when other investors are forced to retreat.

It is also important to note that the strategy requires strong patience and the ability to stomach multi-year illiquidity and sharp drawdowns. It is also crucial to acknowledge that the strategy should only be treated as part of a larger portfolio allocation strategy, as Over-reliance on contrarian tactics would come at the expense of holding exceptional quality or growth companies that drive long-term portfolio performance.

For the sake of diversification and optimizing the opportunities put forth by the market in its different phases, it would be important to couple such a strategy by investing in other good companies at reasonable valuations, even if not in crisis.

Furthermore, it is important to note that the data for this article were approximations, due to limited access to data. The companies in the sample were approximated to be the biggest by market capitalization in the year 2000. Any variations in sample companies could make results vary, and therefore change its performance. This is not investment advice.

How unethical behaviours affect investor trust and stock prices

November 25 2025

Debottam Das

4. Introduction

Unethical behaviour is defined as any action that violates moral principles, professional standards or company policies and is often harmful or unfair. In this given context of the topic we try to analyse unethical behaviour with respect to finance and its socio economic impact. The foundation of Capital Markets is Investors Trust as they rely on accurate information, transparent corporate governance and ethically fair market conduct to make informed decisions. When unethical behaviour such as insider trading,financial misreporting or manipulative short-selling occur they compromise the integrity of the market, increasing volatility upon distorted price discovery closer to intrinsic value. And finally it erodes confidence in the financial institution and & listed firms.

In this article, we take 3 different cases across 3 different countries and times to interpret the repercussions of unethical behaviour in the real world.

Case 1: US 2008 Global Financial Crisis Case 2: Spain 2014 Gowex Scam Case 3: India 2023 Hindenburg- Adani Report

Ethical Foundation in Financial Market

Financial Markets functions on principles of trust, transparency & accountability. Investors assumes that the market operates on these basic principles:

A. Integrity- Avoiding deception, fraud & self dealing.Regulatory institutions to take actions against fraud and manipulation.

B.Transparency- All financial statements reflect economic reality, this principle dictates opennesses about operations & associated risks and fees to allow participants to make informed decisions.

C.Fairness- All concerned parties and participants have equal access to all relevant information.This includes to treat all clients or parties receive equal consideration irrespective of their status or position.

Overview

With context to above Cases mentioned above our objective is to establish a common trend of behavioural change in the market pattern trends affected due to the unethical behaviour its socio economic impact and loss on the capital market.

Case I: The US 2008 Financial Crash

Background: Started by the collapse of the US housing bubble and excessive subprime mortgage lending.Banks bundled risky loans into complex financial products and rating agencies marked these products as safe, while misleading investors worldwide. Financial institutions like Lehman Brothers collapsed when the default rose to its peak resulting in a massive global recession. Nature of Unethical behaviour: Systematic Misreporting and its consequences.

Until the 2008 crash, several unethical practices were common in the US Financial system:

1.Financial mis-reporting & suppression of risk factors : Major banks repackaged subprime mortgages into complex securities called Collateralized Debt Obligations (CDOs), manipulating their quality and risk profiles.

2.Credit-rating manipulations: Institutions which were entrusted for fair credit ratings indulged in morphed credit ratings, the risk securities marked as "AAA" which was the safest was actually a combination of more risky securities.

3. Insider Trading & Regulatory capture: Some of the high level executives and traders acted on privileged information shorting their own institutions and clients assets before the crisis started unfolding.

The behavioural reflection of individual greed and institutional moral hazard under the belief the Government bailouts would actually cushion the financial failures.

Impact on Investors:

Trust once lost takes years to rebuild, specifically with context to the financial markets. As the housing bubble collapsed investors discovered massive scales of underlying hidden risks :

I. Collapse in investors trust: Credit ratings and financial statements were no longer reliable indicators of the value of a security.

II.Shift from risky assets: Investors who indulged in risky assets started withdrawing from bond and equity markets leading to a global liquidity crisis.

III. Systematic contagion: The effects of perceived bias led to the belief that all financial institutions indulge in unethical practices and are opaque in nature led to loss in institutional trust who were not involved in collusion.

The estimated loss was in trillions of dollars resulting from the massive US subprime mortgage scandal- IMF,OECD figures suggest that the loss was around $30 trillion USD in value

in the stock market- a clear indication of not only economic fundamentals but also moral failures within the financial industry.

Case 2 : The Gowex Madrid Scam, 2014

Background: Gowex a Spanish tech firm claimed to offer free wifi in cities like Madrid & New York. The company reported strong growth and profits gaining a €1.4 billion market valuation. But in the year 2014- a Gotham City Research revealed that over 90% of the Gowex revenue generation was false and majorly fabricated. The CEO Jenaro García admitted falsifying accounts, eventually the company filed for bankruptcy. The scam exposed the regulatory authorities of Spain putting questions on the credibility of MAB(Mercado Alternativo Bursátil (Alternative Stock Market))

Nature of Unethical behaviour: False Financial Reporting & its consequences

Founded in 1999 Gowex S.A. was a Spanish telecommunication company and it was listed in the Spain's Alternative Investment Market MAB. By 2013 Gowex was celebrated as Spain's top tech success story. But the reality was far from the truth that was masked under financial betrayal to the investors.

In July 2014, an independent research firm called Gotham city research unearthed the true financial valuation to be false which finally led to the bankruptcy. The findings suggested the following:

1. 90% of Gowex's reported revenue was false. Extreme manipulation of the financial report to over inflate the true intrinsic value of equity and market cap of the company.

2. The company's Wifi hotspots were vastly overstated- many partnerships did not even exist. Operational falsification to justify the company valuation putting investors in the dark to give a false sense of hope.

3.Gowex's business model was completely unsustainable and the profits were entirely invented through excessive accounting manipulation.

Impact on Investors:

July 6,2014: CEO Jenaro García admitted publicly on Twitter that he had falsified financial accounts for at least four years and resigned. The company's share price collapsed from over €20 per share to €0.17, a 99% loss. Gowex shares were suspended from trading on MAB.

I. Stock price and investor losses were high. The Investors lost millions of Euros because of the scam, the small cap market of Spain took a heavy hit as other small cap firms faced heavy sell offs. International investors questioned the accounting standards of the Spanish MAB.

II. Deception of Stakeholder and Auditor negligence. Misleading investors and the general public about operations and performance by the company was highly unethical and the unexpected part was the auditory bodies failed to interpret and intercept the misleading financial statements and operational falsifications.

III. Loss of Trust in Spain, while the country was recovering from the Eurozone crisis, investors became skeptical of small tech firms, delayed listing and reduced investments from venture capitals.

Though the Spanish National Securities Commissions began reforms and stricter audit regulations in the corporate governance section an estimated $\tilde{1}$.4 billion euros was already recorded and the damage in the market was done.

Case 3: Hindenburg- Adani Report India,2023

Background: Adani Group is an Indian multinational conglomerate, headquartered in Ahmedabad. Founded by Gautam Adani in 1988 as a commodity trading business, the Group's businesses include sea and airport management, electricity generation and transmission, mining, natural gas, food, weapons, and infrastructure.

US based short-seller Hindenburg Research accused Adani group of stock manipulation and accounting fraud. The report was released just before Adani's major public share offering causing a massive panic in the Indian investor sentiment.The allegations were denied by the Group and a latter extensive investigation by SEBI(Securities Exchange Board of India) and India's Supreme court found no conclusive evidence, but the estimated damage was considered to be around US $100 billion in the market of the listed firms for Adani group.

Nature of Unethical behaviour: Unverified claims to manipulate market sentiment & its consequences

This case raises a different ethical dilemma across the Investors- potential unethical widespread misinformation can also give rise to unnecessary market disturbance and create panic amongst investor sentiments for a particular company. Short-selling is legitimate when based on truthful analysis but releasing speculative or misleading reports to trigger panic selling violates the fairness of the market.

I. Investor's trust in Adani's governance dropped sharply leading to fall of share prices in Adani's Port & Enterprises by 50-70%.

II. Reputational damage persisted, once doubt enters the market -investors ask for high risk premium or make an exit completely. This demonstrates trust in financial markets is fragile; it can be eroded by genuine misconduct or perceived unethical behaviour- the result is always a loss or high risk premium for retention of investor trust.

III. To withhold highest integrity as an independent research firm is also an important factor as unethically publishing unverified statements in the name of research can hamper reputation not only institutions but can also hamper market sentiments.

Impact on Investors:

Reuters(India),Sep 2025: SEBI dismisses allegations against Adani by Hindenburg group. While the Adanai Group exclusively denied wrong doing- the group did suffer a US $150 billion dollar sell-off.

1.The regulatory as per the investigation did not find any ethical violations like insider trading or stock price manipulation from the group.

2.Market destabilization of an emerging economy can attract negative views among the International investors leading to distrust because of negative or false or unverified sources on big conglomerates.

3.Market recovery takes a certain time, while this might lead to cost on capital opportunity for investors and tracing the real source of inconsistency can create diversions among the genuine research firms creating a potential risk in the overall market.

5. Comparative Analysis of the 3 cases and impact on Stock prices & Investor Sentiment:

While it is highly evident that market volatility is quite a common phenomena- it is interesting to note that different roots of noise can cause fall or rise in equities. The share price may fluctuate based on different available information, sometimes reliable/unreliable- the market sentiment always ends with human behaviour which we commonly refer to as behavioral trends amongst the finance enthusiasts. With context to the above 3 cases we find the common trends highly imperative irrespective of time period, country , investor sentiment and stock prices.

Though the literature we choose to make comparisons across time and countries is limited to 3 case studies, it is highly evident across the reports and published articles from Forbes, Reuters, Bloomberg and other highly recognized sources about the investor trends and shift in market sentiment. In the table below we try to gauge majorly 3 aspects namely - Impact, Investor sentiment and stock price.

Aspect	US 2008 Financial Crisis	Madrid 2014 Gowex Scam	IND 2023 Adani Report
Impact Type	Global—affected banks and investors worldwide	Company-specific but caused major loss of confidence in Spain's MAB (alternative market cap)	Corporate/group level scandal with spillover effects across Indian equities
Investor Sentiment	Panic and systemic distrust; flight to safety (Gold, Treasuries)	Raised questions about the integrity and efficiency of MAB and regulatory oversight	Uncertainty about intrinsic values; hesitation among retail and institutional investors
Stock Price Impact	Major financial stocks (Lehman, Citigroup, etc.) lost up to 80%; global indices dropped ~40%	Gowex shares collapsed 99%; price fell from ~20 euros to 0.17 euros within days before suspension	Estimated $100B in losses in 3 weeks; some stocks declined up to 70%

Comparison of Market and Sentiment Impacts Across Major Financial Scandals

6. Conclusion

Finally when we compare 2008,2014 & 2023 incidents across US,Spain and India one thing that comes straight across is that unethical behaviour whether by - Financial institutions, Corporations or Market Analysts- it undermines the very basic foundation of Investors trust, which eventually reflects on the behavioral market trends leading to a drop in Share prices and shift in alternative strategies to hedge the risk.

The 2008 US crash demonstrates threats of systematic deception, while 2014 Gowex scam teaches us how fragile regulatory bodies and manipulation of financial reports can lead to loss of equity value close to zero & finally the 2023 Adani Hindenburg report exposes detrimental effects of information misuse can manipulate sentiment for short term gains. Closer inspection revealed for all the three case studies the immediate outcome was - massive drop in stock price and market distrust, negative credibility on institution's reputational values. In such instances it takes years to rebuild investor trust and market reliability on the firms and institutions. While the markets do recover financially it holds reputational scars of unethical behaviour which takes much longer time to heal.

7. What to look out for this Week

Zaki Bawany - Macro and Strategy Editor, Head of Trading

Macro and Policy Calendar

- 25 November – U.S. Producer Price Index (PPI)
  Producer inflation is expected to remain subdued, consistent with softening goods inflation and easing supply-chain pressures. Market focus is on whether input-cost disinflation continues feeding through into core CPI and inflation expectations.
- 25 November – U.S. Retail Sales (month-on-month)
  Retail sales are projected to show a modest rebound as holiday-season spending begins. Investors will look to this release for an early read on fourth-quarter consumption resilience and its contribution to U.S. growth.
- 25 November – Australia CPI (year-on-year)
  Australian inflation is expected to ease further, driven by softer goods prices and stabilising services inflation. Market focus is on the implications for Reserve Bank of Australia policy and the likelihood of an extended pause into early 2026.
- 25 November – Reserve Bank of New Zealand Interest Rate Decision
  The RBNZ is expected to keep rates unchanged, citing slowing inflation but still-firm housing and wage dynamics. Markets will watch for any shift in language that points toward an easing bias for mid-2026.
- 26 November – UK Budget (Autumn Statement)
  The UK government will publish updated fiscal plans, tax measures, and growth forecasts. Market attention will centre on the balance between fiscal consolidation and pre-election support, gilt issuance and borrowing projections, and the implications for Bank of England policy. Sector-specific measures affecting households, business investment, and key industries will be closely watched.
- 27 November – Tokyo CPI (year-on-year)
  Tokyo CPI, a leading indicator for nationwide Japanese inflation, is forecast to continue moderating. The release will inform expectations around Bank of Japan policy normalisation and potential adjustments to yield-curve control.
- 28 November – Swiss GDP (quarter-on-quarter)
  Swiss quarterly GDP is expected to remain subdued amid weaker exports and cautious domestic demand. The data will shape expectations for Swiss National Bank guidance on inflation risks and the strength of the franc.
- 28 November – Germany CPI (year-on-year)
  German inflation is projected to decline further as energy base effects ease and goods prices stabilise. The release will provide an important signal on the Eurozone disinflation trajectory ahead of the December ECB meeting.

- 28 November – Canada GDP
  Canadian growth is expected to remain weak as higher borrowing costs weigh on consumers and housing activity. Markets will look to the data for clues on the timing and pace of potential Bank of Canada rate cuts in 2026.

Corporate Events and Earnings Highlights

- Over the next two weeks, markets will digest late-season updates from global retailers, logistics companies, and industrials, providing insight into holiday demand, freight conditions, and inventory trends.
- U.S. tech and AI-linked names may offer additional guidance as investors recalibrate expectations following NVIDIA's earnings, with particular focus on capex plans and cloud-related AI spend.
- European and UK corporates will refine year-end guidance, with UK-exposed businesses paying close attention to Budget measures affecting household income, business taxation, and investment incentives.

Commodities and Geopolitics

- Oil prices are expected to remain range-bound as OPEC+ production discipline is weighed against mixed global demand indicators and a still-fragile macro outlook.
- Gold could find support if the upcoming inflation data reinforce the global disinflation trend and real yields begin to edge lower.
- Industrial metals will take their cue from Asia-Pacific demand signals, with Australia CPI and Tokyo CPI acting as important proxies for regional growth momentum.
- The evolving U.S.–Saudi strategic discussions continue to shape expectations for long-term energy security and investment in Gulf production capacity.
- The Russia–Ukraine conflict and ongoing tensions in the Middle East remain key geopolitical drivers for energy and agricultural markets, although markets have partially adapted to these risks.
- Markets will also monitor any incremental progress in U.S.–China economic dialogue, particularly around trade and technology restrictions.

Crypto and Digital Assets Outlook

- Bitcoin is expected to trade within recent ranges, with institutional flows and changes in real yields remaining the primary drivers.
- Ethereum will continue to track U.S. rate expectations and liquidity conditions, with investor focus on scaling progress and the broader roadmap around Deneb and subsequent upgrades.

- Solana may remain relatively resilient, supported by high network activity, growing developer momentum, and its positioning as a leading alternative layer-1 ecosystem.
- AI-linked and thematic tokens are likely to experience episodic volatility but will remain sensitive to broader tech-sector risk appetite and funding conditions.
- Overall, crypto performance is likely to stay closely tied to macro data, real-yield moves, and broader risk sentiment into month-end.

Key Watchpoints for Investors

- Whether U.S. PPI, retail sales, and subsequent CPI releases align with a continued disinflation narrative and soft-landing expectations.
- The implications of Australia CPI and the RBNZ decision for early-2026 policy direction in Asia-Pacific markets.
- Tokyo CPI as a leading indicator for Bank of Japan policy risk and potential adjustments to yield-curve control.
- Germany CPI and Swiss GDP as confirmation of Eurozone disinflation and weak but stable growth conditions.
- Canada GDP as a key input into expectations for the Bank of Canada's policy path.
- The UK Budget on 26 November, including fiscal stance, gilt issuance trajectory, household income measures, business incentives, and the knock-on effects for Bank of England expectations.

Overall Outlook

- Markets head into late November with improved visibility on inflation but continued uncertainty over the durability of global growth.
- The UK Budget on 26 November introduces a significant domestic policy variable: a cautious, fiscally tight Budget would support disinflation and fiscal credibility but could weigh on near-term growth, while a more supportive stance might lift consumption and business sentiment at the risk of complicating the BoE's inflation trajectory.
- The base case remains one of moderate disinflation, steady central-bank policy, and cautiously constructive risk appetite.
- Upside risks include stronger-than-expected consumer data, faster disinflation across major economies, and constructive fiscal and trade signals.
- Downside risks include sticky inflation in any of the major releases, weaker growth prints, or a Budget surprise that unsettles gilt markets and UK assets.
- Overall tone: cautiously positive, with key inflation, growth, and fiscal events over the next two weeks likely to guide positioning into early December.