

This commentary was written by our team and NOT outsourced to a third party. We will be giving some macro economic market updates on a weekly basis. No equity recommendations will be given in this commentary, and we encourage you to contact us if you have questions regarding our observations.



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BEACONS OF THE WEEK

The two main purposes of a Lighthouse are to serve as a navigational aid and to warn ships (Investors) of dangerous areas. It is like a traffic sign on the sea.



Punta Penna Lighthouse, Vasto, Abruzzo, Italy

This lighthouse is located off the northern coast of Italy. The lighthouse stands at 230 feet tall and is one of the worlds tallest traditional lighthouses in the world and the second tallest in Italy.



Vittoria Light, Trieste, Italy

This lighthouse is an active lighthouse that stands at 68 meters tall. The lighthouse is located near the border of Slovenia and was originally constructed in 1927.

**Feel free to send us your photos of Lighthouses to be featured in our weekly market observations. **



Another one bites the dust

Over the weekend, another huge deal was announced in the artificial intelligence industry. AMD and OpenAI have announced a significant partnership that will tie the two companies together in the long run and make AMD a key supplier to OpenAI's AI infrastructure buildout.

OpenAI will deploy 6 gigawatts worth of AMD processing units over the course of this partnership. The first gigawatt deployment will come in late 2026. As part of this deal, OpenAI received a warrant to purchase up to 160 million shares of AMD at \$0.01 per share. This is 10% of AMD's total shares outstanding. The warrants will vest as specific milestones are met. The warrants expire in 5 years.

The size of the deal suggests AMD will be OpenAI's second-largest supplier of AI chips for the company.

The deal added over \$100 billion to AMD's market capitalization on Monday morning. Shares reached their intraday record just minutes after the market opened.

AMD's management said they expect the partnership will enable the company to eventually generate tens of billions of dollars in annual revenue and over \$100 billion in total revenue from selling chips over the next couple of years.

This deal comes days after Nvidia and OpenAI announced a partnership that will help OpenAI support the buildout of 10 gigawatts of AI data center capacity.

OpenAI is currently the world's most valuable startup at \$500 billion. Last month, the firm announced a \$300 billion agreement with Oracle to purchase cloud equipment from the company.

The circularity in the AI industry continues to accelerate and, in our eyes, is a cause for concern for the overall market. We will be watching this very closely. Here is a summary of all the major infrastructure and capex announcements from technology companies in the AI industry, summarized by Goldman Sachs:

Exhibit 12: Major Announcements on AI Capex and Infrastructure Spend

Company	Announcement	Date Announced
AMZN	Investing AU\$20bn in infrastructure in Australia by 2029	6/14/2025
	\$5bn in data centers in Taiwan	6/6/2025
	AWS and HUMAIN (Saudi Arabian company) partnership to invest \$5bn in "AI Zone"	5/13/2025
	\$4bn in Chile in construction/operation of data centers	3/7/2025
GOOGL	Investing £5bn in UK investment, opening of Waltham Cross data center	9/16/2025
	Invest \$25bn across several states, plus \$3bn to hydropowerplants in PA	9/16/2025
	CTC Global partnership on growing U.S. grid	6/16/2025
META	\$1.5bn total investment in expanding Montgomery AL data center	9/23/2025
	\$600 billion on data centers and infrastructure (White House dinner comment)	9/4/2025
	Plan to spend \$65bn in 2025 to expand Llama 4	3/7/2025
MSFT	Acquired 90 acres in San Antonio, TX to expand data center hub	9/22/2025
	Committing additional \$4bn to build second data center in WI	9/18/2025
	\$30 bn into UK AI infrastructure through 2028	9/16/2025
	\$17.4bn multi-year partnership with Nebius	9/8/2025
NVDA	\$100bn investment in OpenAI and supply with data center chips	9/23/2025
	Invest \$5bn in Intel	9/18/2025
	£11 bn in UK infrastructure	9/16/2025
	Expects \$3-\$4trn in AI infrastructure spending by the end of the decade	8/27/2025
	AMZN, ORCL, MSFT, and GOOGL (top four hyperscalers) plan to spend \$600bn per year on data center	8/27/2025
	Supplying GPU hardware commitments for \$500bn Stargate project	2/26/2025
OpenAI	CoreWeave computation partnership expands to \$22.4bn (originally \$11.9bn plus \$6.5bn)	9/25/2025
	\$85bn/year over next 5 years on server rentals, \$100bn total on backup servers in 5 years (plus \$350bn through 2030)	9/19/2025
	Spending \$115bn through 2029	9/5/2025
ORCL	Leading infrastructure development for \$500bn Stargate project	1/21/2025
	\$300bn deal with OpenAI over 5 years	9/10/2025
	\$3bn in Germany and Netherlands on cloud and AI infrastructure	7/15/2025
	Leading infrastructure development for \$500bn Stargate project	1/21/2025

Source: Company data, data compiled by Goldman Sachs Global Investment Research

These are announcements for just 2025. Quite the spending (or commitment) environment we are currently in.

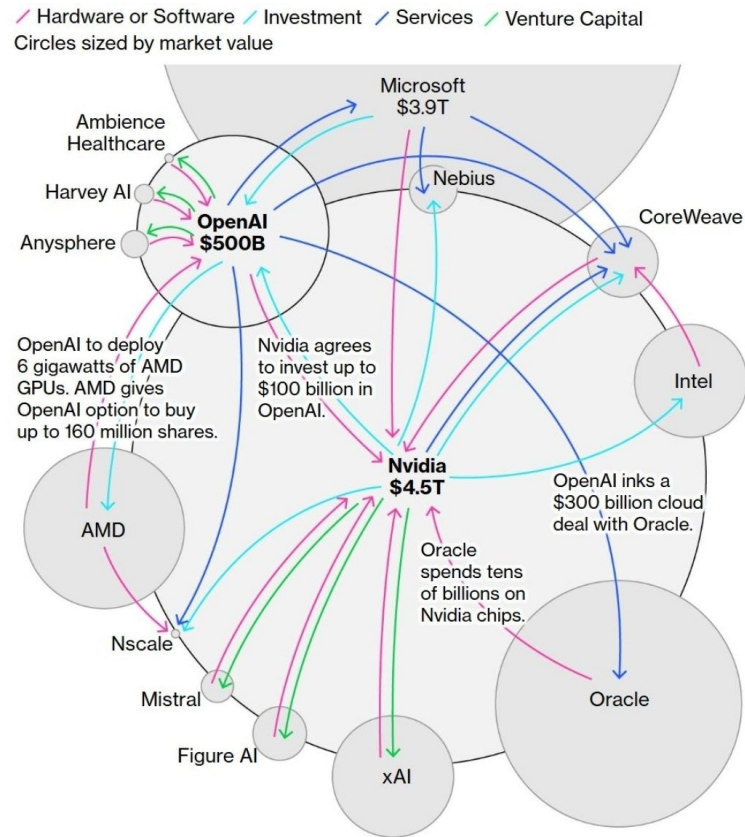
A famous fund manager summarized this deal earlier in the week and gave a different perspective on the deal. Doug Kass believes that this OpenAI – AMD deal is a backdoor way of Nvidia buying AMD slowly without breaching antitrust laws. Nvidia announced a \$100 billion investment in OpenAI last week. OpenAI does not have the capital to buy chips from AMD but could utilize Nvidia's investment to do so. Essentially, most of the money in the AI industry comes from Nvidia. Companies are throwing tens of billions at Nvidia, and Nvidia is sprinkling that money throughout the sector. This has increased Nvidia's reach without triggering antitrust laws.

This level of contrarian thinking is needed during both bull and bear markets. Following the herd often causes delayed decision-making.

Not even two days later, and Nvidia was in the news again, this time it was reported that the chipmaker would be investing in Elon Musk's AI company, xAI. According to reports, Nvidia will invest \$2 billion in the privately held AI start-up. This is another move by Nvidia to help accelerate its customers' investment in AI, including in Nvidia's products. The total raise from xAI will be \$20 billion, split between \$7.5 billion in equity and as much as \$12.5 billion in debt. This raise is double the value that was reported by CNBC just 6 weeks ago. Musk founded xAI in 2023.

This is yet another example of circularity in the industry. Nvidia is partially increasing revenue through equity stakes. These companies cannot invest as much as Nvidia hopes currently, so Nvidia and some others are helping ramp that investment up.

Here is a graphic that Bloomberg created this week that depicts the AI industry and all the overlaps between companies:



Source: Bloomberg News reporting

All roads lead through Nvidia, after all Nvidia makes up 14% of the Nasdaq-100 and 7.5% of the S&P 500.

Gold hits another record

Gold prices hit another record on Tuesday morning, surging past \$4,000/oz for the first time ever. Gold is now outperforming the Nasdaq-100 over the last five years (as of this writing), who would have thought?



Gold prices are now up over 50% in 2025, marking the precious metal's best year since 1979, when gold rallied 144% in a rally that was triggered by the Iranian revolution, the Soviet invasion of Afghanistan, and surging inflation across the Western world.

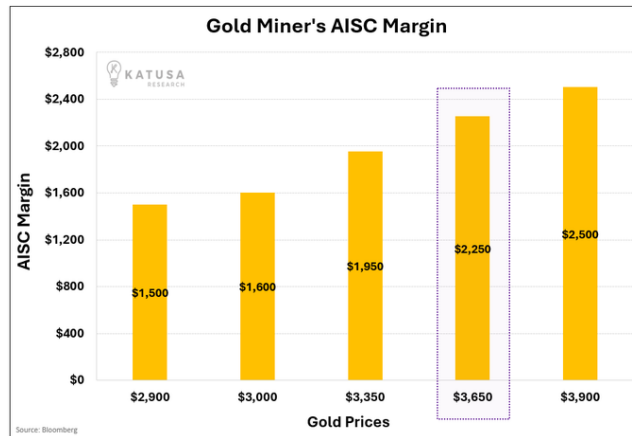
\$4,000/oz effectively means gold prices have doubled over the last two years.

This week's gold price surge was driven by uncertainty. The U.S. government remains shut down, and little optimism for a deal can be seen. It seems both sides are digging in and sticking to their guns. Other political uncertainty popped up across the Western world, where France's government collapsed, and Japan's ruling party elected Sanae Takaichi as the country's next Prime Minister. France's new government collapsed on Monday as its new Prime Minister quit after only 26 days on the job. The new Prime Minister in France led a minority government and had been under intense pressure from numerous ministers across France. France's politics have been highly unstable since July 2024, since President Macron called for a snap election in a bid to achieve a clear majority government. Instead, the elections resulted in a hung parliament divided into ideologically polarizing factions. Japan's new leader, Takaichi, is a member of the Liberal Democratic Party and will pave the way for higher spending and looser fiscal conditions. Both political events this week are reasons we hold gold. Uncertainty is everywhere in today's economy and geopolitical landscape; we think precious metals are the best hedge against that uncertainty and the volatility that comes with it.

We also think that a Federal Reserve interest rate cut at the end of October will further boost the price of gold. When interest rates decrease, bullion becomes more attractive relative to other safe-haven assets that have yields like bonds, savings accounts, and money market funds.

We also think the deterioration of the U.S. Dollar and other major currencies will continue to attract consumers and investors to gold. Central Banks and governments cannot print themselves out of this issue.

We also remind our investors that everyday gold prices move higher, margins continue to expand. Here is a chart from Katusa Research that tracks major gold miners' margins at different spot prices of gold:



Talk about free cash flow! This is a trend and theme that you do not want to miss!

We also think silver is undervalued despite its recent run. Check out this Gold to Silver ratio chart, there is a clear sign that we are seeing:



Disclaimer: MacNicol & Associates Asset Management holds shares of ETFs, Mutual Fund Trusts, and companies that mine precious metals and/or hold physical precious metals.



Peak?

The S&P launched a fresh new crypto index on Tuesday. This will allow investors to track their crypto holdings against an index that will be more widely available. The index, S&P Digital Markets 50 will combine 15 cryptocurrencies and 35 crypto-related stocks. Eligible stocks include companies spanning crypto operations, blockchain technology, and more. The index was developed by the S&P alongside Dinari, a leading provider of tokenized U.S. securities. The index will be available on the Dinari platform.

The index will only include equities with a minimum \$100 million market cap and cryptocurrencies with a minimum \$300 million market capitalization. No single asset will have a weighting over 5%. A full list of constituents is not yet available, but S&P confirmed the index would be subject to the same quarterly rebalancing and governance processes as its other indices. Some of the cryptocurrencies that will be included in the index include Bitcoin, Ethereum, Cardano, and more.

Dinari will release an investable token that tracks the new benchmark. The index token will be available to investors on the Dinari platform by the end of the year.

We think some of the largest tokens and crypto-related stocks will soar in the coming months as investors front-run this index announcement.

Dinari's CEO has noticed growing demand from investment funds and wealth managers. This product offering seeks to benefit from this trend and the friendlier approach from regulators on crypto as a whole under the Trump administration.

It is no surprise this index is being launched in 2025. Coinbase shares are up 55% this year, Bitcoin prices hit all-time highs this week, and the IPO market has been led by numerous crypto-related equities. However, crypto stocks and cryptocurrencies remain highly volatile even as the industry matures and exposure is increased. Indexing could slightly decrease this exposure for many potential investors. However, as always, volatility is part of the appeal for this industry.

We bring this up not because we are looking to invest in this index, but because this announcement flashed a signal in our heads.

These announcements in high-risk industries are not made during market lows or when investor demand is low; they are made at highs when investor demand is robust, and adoption is more widespread.

The same elevated risk levels that crypto has right now could be said for the AI industry, which we think is extremely risky right now from a risk-reward perspective. The industry is undergoing rapid innovation and data center rollouts. However, these commitments come when markets are at an all-time high and when revenue in the sector remains quite low (for the amount of investment).



A long-time core holding

As long-term investors, we often look for companies we can hold for the long term. We like companies that provide growth, stability, and hold a strong market position.

We bring this up because the firm we want to talk about has all these attributes, and we believe they will continue to do so in the future.

The firm we are talking about is TMX Group, which is a Canadian-based financial services firm that operates a variety of stock exchanges and financial markets. TMX Group is best known for operating Canada's largest two indices, the TSX and TSX-Venture. The company also runs other exchanges such as the Montreal Exchange and TSX Alpha Exchange, along with clearing, settling, and depository facilities. TMX also provides information services, technology solutions, and data products to the international financial community. The company operates globally and has over 2,000 full-time employees.

Our investment thesis for TMX Group has always revolved around the company's strong moat and long-term organic growth. The company operates in a highly regulated industry where barriers are enforced. The company also benefits from the natural expansion of the Canadian economy, as well as the expanding resource sector (many materials companies choose to list on the Canadian exchange or dual list their shares). TMX Group has also expanded beyond its domestic focus and has been expanding its international revenue through strategic acquisitions. We think these attributes will continue to allow TMX Group to grow steadily and create strong returns for shareholders. We think the company's competitive advantage minimizes the risk of holding shares during a broad market downturn. However, as the company operates in capital markets, there could be a moderate pullback during an overall market downturn due to decreased trading volumes and listings during these periods.

Through the first half of 2025, 49% of TMX Group's revenue comes from Canada, 31% from the U.S., and 20% from international markets. TMX Group has made several strategic acquisitions in international markets in recent years, which have been a major driver of revenue growth. Acquisitions in the UK, U.S., and across Europe have created new revenue channels and have created millions of dollars in annual recurring revenue. This approach, paired with TMX Group's domestic dominance and organic growth positions, positions the company well moving forward, and we think they will continue to succeed in the global capital markets industry.

TMX Group's revenue has grown at a compound annual growth rate of approximately 12.4% over the last five years, while earnings per share have grown by 8.3% over the same period. TMX has beaten revenue and earnings estimates five quarters in a row. In the company's most recent earnings release, the company reported a 15% increase in revenue, driven by strong growth in derivatives and equity trading (we expect this trend to continue as financial markets become more democratized, and consumers continue to increase their trading frequency), as well as an expansion in its global insights segment. The company's EPS jumped 21% year-over-year, reflecting operational strength despite some foreign exchange impacts. TMX Group has raised its dividend by 10% (shares currently yield 1.7%). TMX Group has increased its annual dividend for nine years in a row. The company's payout ratio and recent comments on earnings calls signal that an active share buyback program could be announced in 2026.



Management highlighted consistent and continued revenue growth and operational efficiencies in a time when global trade uncertainties continued to rise on their recent earnings call.

TMX Group's balance sheet and leverage metrics remain strong and well-managed. The company utilizes a conservative capital structure compared with its financial services peers. TMX Group also boasts a strong credit rating from numerous rating agencies. The company does not face any major liquidity constraints, and capital can continue to be returned to shareholders and support growth initiatives.

In terms of a peer analysis (TMX is often compared to diversified Canadian financial companies and capital market operators), TMX's recent reports reflect stronger revenue and earnings growth and a slightly elevated price-to-earnings ratio. The premium valuation is justified by TMX Group's robust revenue growth, strong margins, strategic acquisitions, and solid market position in the Canadian and international capital markets infrastructure.

We have been holding TMX Group for quite some time but are not actively buying the security. The security has gone on a strong run over the last 5 years and has performed in line with indices over the last year. In terms of our risk rating system, TMX Group ranks at three out of five, reflecting medium risk. Our system uses fundamental, and technical attributes as well as risk rating metrics, including volatility, to grade each security.

Disclaimer: MacNicol & Associates Asset Management holds shares of TMX Group across various client accounts. Shares have been purchased during different periods over time.

MacNicol & Associates Asset Management

October 10th, 2025