BRUELLAN PANORAMA Q4/2025

QUARTERLY OUTLOOK / OCTOBER / NOVEMBER / DECEMBER 2025

A RESILIENT CYCLE AMID TURBULENCE

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A RESILIENT CYCLE AMID TURBULENCE

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

There are plenty of reasons for investors to remain cautious as we enter the final quarter of 2025. The US labour market is showing signs of softening, the housing market remains in recession and trade tensions continue to weigh on sentiment. Still, the overall macroeconomic picture is far from bleak: global growth expectations have stabilised, consumer demand is resilient, central banks are accommodative and corporate earnings continue to be supportive on the upside. The balance of risks and opportunities argues for maintaining a constructive stance toward risk assets.

GDP expectations: stabilisation following the policy shocks
After a turbulent first half of the year, global GDP growth has stabilised. Forecasts for 2025, which started at 3.0%, were cut to 2.6% around "Liberation Day" but have since recovered to 2.8%. US projections have borne the brunt of tariffs, rising inflationary pressure and strict immigration policies. Consensus expectations for 2025 US GDP growth stood initially at 2.3%, fell to 1.4% mid-year, and have recently been revised up to 1.6% – still well below the start-of-year figures. By contrast, the eurozone and parts of Asia are showing more stable outlooks, supported by infrastructure investments and easier monetary conditions.

Leading indicators: PMI momentum is turning up
Global PMI data point to a clear improvement. The composite index rose to 52.9 in August, a 14-month high, driven by gains in both manufacturing and services. In the US, activity remains firmly in expansion, with new orders – the most forward-looking component – continuing to improve, a trend also reflected in rising small-business optimism.

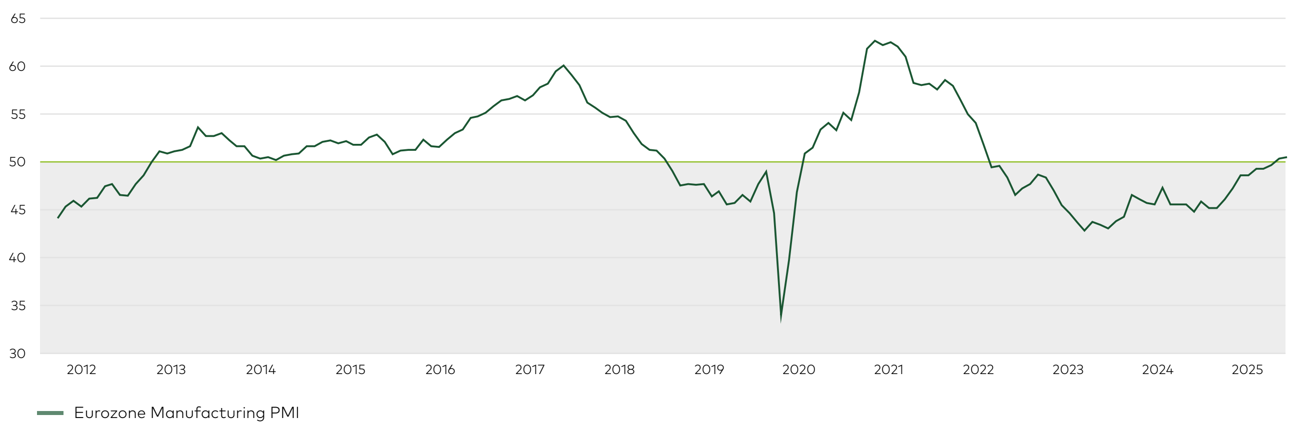
Importantly, eurozone manufacturing has finally emerged from its deepest and longest contraction in over two decades, a downturn that began in July 2022. This shift back into expansionary territory is supported by EU infrastructure programmes and the accommodative European Central Bank (ECB) stance. Switzerland is lagging but improving and, with 51% of exports going to the EU and 17% to the US, external demand should soon pull its PMI into expansionary territory as well.

Participation in the global recovery is broadening: ca. 60% of major economies are now in expansion, up from 40% at the onset of the year. Services remain firm across most regions, reinforcing the view that the global cycle is turning out more positive than many had expected.

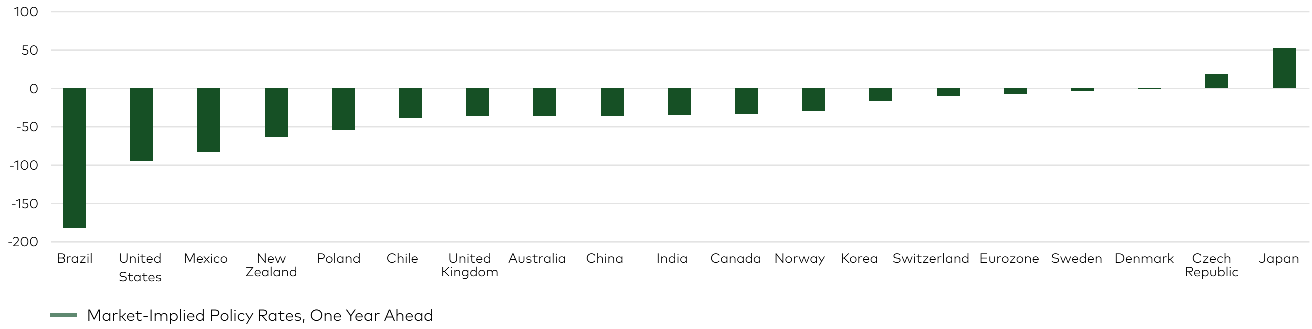
Consumption: still a key growth pillar
Despite high interest rates, persistent inflation, and a weak housing market, U.S. consumers — who account for around 68% of GDP — remain in solid financial shape. The household debt-to-GDP ratio is near its lowest level since 2007, while real disposable income continues to rise as wages growth outpace inflation. Retail sales are growing by about 3.5% year-on-year, confirming the resilience of domestic demand. We expect softer labour income as hiring cools, but Federal Reserve easing should gradually lower debt service costs and cushion consumer spending into 2026.

Inflation: a problem for Washington, not the world
Inflation is now contained in most regions, though it remains uneven globally. In the United States, consumer

After three years in recessionary territory, eurozone manufacturing activity is now expanding again



Major central banks are expected to cut rates further over the next 12 months



inflation rose from 2.4% in March to 2.7% and could soon approach 3%. In the euro area, it is contained at 2.1%, while in Asia excluding Japan it remains below 2%. Japan stands out with inflation above 3%, and China continues to export disinflation, with CPI at -0.4%.

The United States stands at the crossroads of two opposing forces. On one side, tariffs and a weaker dollar are pushing inflation higher. On the other, a slowing labor market — with job openings at their lowest level in ten months and unemployment edging up — is curbing wage growth and easing services inflation.

In our view, cost-push inflation from tariffs will dominate in the near term, keeping headline inflation elevated. Over the medium term, as slack builds up in the labour market and domestic demand cools, disinflationary forces should reassert themselves, bringing inflation gradually back towards target in 2026.

Central banks and money supply as tailwinds

Monetary policy remains broadly supportive, and the Fed is now set to join the global easing cycle. Nearly two-thirds of central banks have already eased policy, and close to 70% are expected to cut rates further over the next 12 months (by 1% for the Fed). Historically, such synchronised easing has provided a strong boost to manufacturing activity, which is particularly sensitive to interest rates.

Mid-year earnings season: a broadening participation

Second quarter earnings confirmed the resilience of corporate profitability. In the US, S&P 500 EPS grew by 12% year-on-year. Importantly, this marks the fourth consecutive quarter of improving earnings participation beyond the "Magnificent 7", with non-mega cap EPS growth reaching 9%.

In Europe, results proved more mixed: the Stoxx 600 EPS fell by 1% overall, but sectors outside of energy posted 3% growth, led by information technology, industrials, healthcare and utilities. The depreciation of the euro and tariffs weighed on results, yet domestically oriented companies and mid caps — less exposed internationally and supported by infrastructure programs — now appear particularly attractive.

In China, after two years of earnings recession, prospects are turning upward. Consumption, technology, and financials are leading the recovery, while property-related sectors remain under pressure.

From a valuation perspective, US equities remain stretched, with the S&P 500 trading at a forward price-to-earnings ratio of 22x. In contrast, European and Asian markets appear more attractive, with the Stoxx 600 and MSCI Asia ex-Japan trading at 14x forward earnings.

The equity bull market remains intact.

As we enter the final quarter of the year, the global economy continues to navigate a complex environment. The US faces a softer labour market, housing weakness and persistent tariff frictions, but these risks are offset by stabilising growth expectations, improving PMI data and resilient consumers. Inflation remains under control outside of the US, and the shift toward monetary easing provides an important cushion for cyclical activity and markets alike.

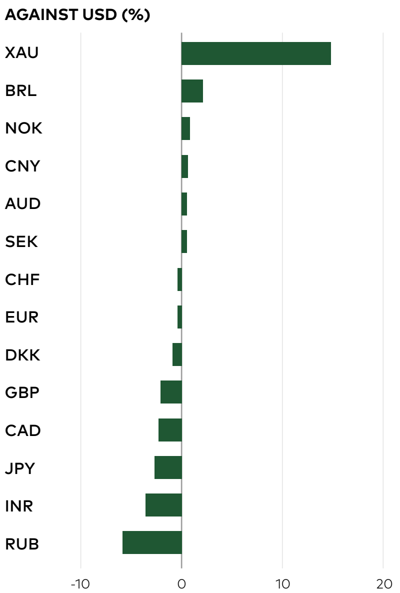
We remain optimistic on equities, emphasizing since the start of the year the importance of greater diversification. Following the significant rally of recent months, a consolidation phase is likely. However, any correction should be viewed as an opportunity within a lasting bullish trend.

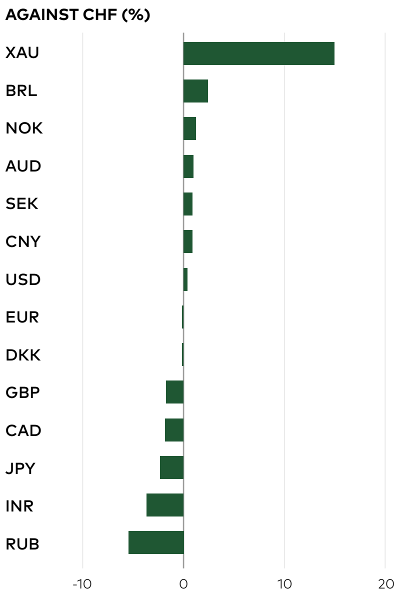
MARKETS PERFORMANCE

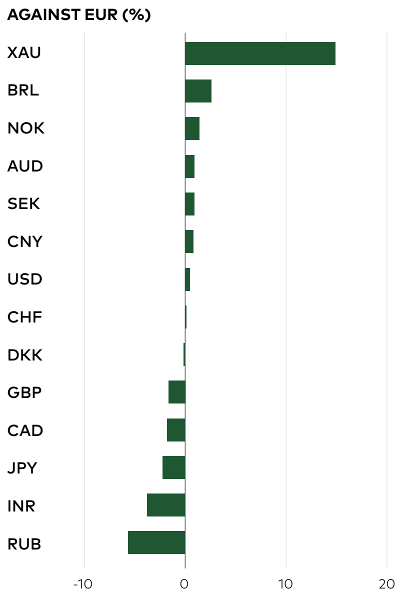
Current Economic Indicators

	Real GDP %		Inflation %		PMI	Debt % GDP	Current Account % GDP	Budget % GDP	Unemploy-ment %	Interest rates	
	2024	2025	2024	2025	Current	Current	Current	Current	Current	3 Months	10 Years
USA	2,8	1,8	3,0	2,8	52,0	97,8	-4,4	-6,3	4,2	3,9%	4,1%
Euro Area	0,9	1,3	2,4	2,1	49,8	87,4	2,1	-3,0	6,3	1,7%	2,7%
Switzerland	1,4	1,1	1,1	0,2	46,3	19,9	7,0	0,6	2,8	0,0%	0,2%
UK	1,1	1,3	2,5	3,4	46,2	101,0	-2,6	-5,4	4,7	4,0%	4,7%
Asia ex Japan	5,3	4,4	1,3	1,1	-	4,6	3,0	-6,0	4,3	4,3%	2,9%
Japon	0,1	1,0	2,7	3,0	48,5	215,9	4,9	-4,0	2,5	-	1,7%
Brazil	3,4	2,2	4,4	5,1	47,7	64,2	-3,7	-7,3	5,6	-	13,7%
Russia	4,3	1,0	8,4	8,9	48,2	18,5	2,6	-2,5	2,2	-	-
India	9,2	6,4	4,8	4,6	57,7	46,5	-0,4	-5,1	8,5	6,1%	6,5%
China	5,0	4,8	0,2	0,1	51,2	330,0	3,2	-4,8	4,0	1,5%	1,9%
World	3,1	2,9	4,2	3,6	-	-	0,6	-	7,1	-	-

Market Performance (from 30.06.2025 to 30.09.2025)
Exchange-Rates







Stock Markets / Total Return & Valuation (from 30.06.2025 to 30.09.2025)

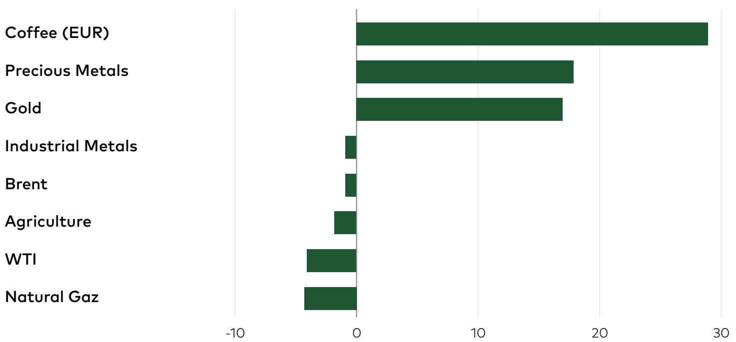
	USD	EUR	CHF	GPB	Leading PE	
					LT Median	Current
S&P 500	8,1%	8,2%	8,2%	10,2%	18,1	25,3
Eurostoxx	4,5%	4,5%	4,5%	6,4%	13,9	16,6
Swiss Perf. Index	1,2%	1,3%	1,3%	3,1%	19,3	18,8
FTSE 100	5,5%	5,6%	5,6%	7,5%	13,9	14,2
MSCI Asia Ex-Jpn	9,7%	9,7%	9,7%	11,7%	14,8	16,5
Nikkei 225	9,1%	9,2%	9,2%	11,2%	20,3	21,4
Brazil Bovespa	7,7%	7,7%	7,7%	9,7%	14,3	9,4
MSCI Russia	-	-	-	-	6,6	-
India SENSEX	-7,6%	-7,6%	-7,5%	-5,9%	21,3	22,5
China CSI 300	19,7%	19,7%	19,7%	21,9%	15,5	16,4
MSCI World	7,3%	7,3%	7,3%	9,3%	17,5	22,2

Bond Market

Sectors / Returns & Valuation (Leading PE)

	USA	Europe	World	USA		Europe		World	
				LT Median	Current	LT Median	Current	LT Median	Current
Cons discr.	8,9%	4,5%	8,1%	21,7	31,0	14,6	21,1	18,9	27,9
Cons. Staples	-3,0%	-1,6%	-2,4%	19,6	22,4	18,4	15,9	19,4	20,1
Financials	2,9%	8,1%	5,0%	14,5	18,1	11,4	11,4	13,6	15,2
Energy	4,9%	4,1%	5,4%	14,5	17,8	10,1	10,3	13,3	15,2
Industrials	4,2%	4,4%	4,4%	18,4	27,5	18,7	23,4	18,3	24,3
Technology	13,1%	2,4%	12,2%	22,6	36,3	25,9	30,6	23,4	35,7
Materials	4,1%	1,9%	8,0%	17,8	22,4	14,9	19,0	16,4	20,0
Utilities	6,7%	-0,6%	4,6%	16,9	20,3	13,9	13,7	16,8	17,4
Health Care	3,6%	1,0%	2,7%	19,7	17,9	20,3	15,2	20,3	17,2
Telecom	12,2%	-4,9%	10,5%	18,0	21,9	15,0	21,0	18,3	21,6
Real Estate	1,7%	2,1%	-4,9%	43,9	38,5	19,6	13,3	29,6	28,7

Commodities



ALLOCATION GRIDS

Global Asset Classes

	Overweight	Marketweight	Underweight	Main Drivers	Risks
Equities	●			Notwithstanding the deterioration, global economic growth is stabilising, consumption is proving resilient, central banks are easing policy and corporate earnings are helping sustain the upward trend.	Trade wars fuelling inflationary pressures and uncertainty weighing on growth remain key risks.
Bonds	●			Global bonds offer attractive yields, as the Fed joins other central banks in cutting interest rates. Pressured by the US administration, the Fed will be even more sensitive to downside economic risks.	Stickier-than-usual inflation and very expansive fiscal policies.
Gold		●		Central bank purchases and demand for gold as a hedge against uncertainty will continue to support prices.	Normalisation of the Trump administration's tariff policy and a potential peace agreement in Ukraine.
Cash			●		

Equities

	Overweight	Marketweight	Underweight	Main Drivers	Risks
US		●		Going into the final quarter of 2025, the US economy is in adjustment - rather than contraction - mode: growth is recovering from tariff shocks, the Fed is prioritising jobs over inflation and consumers remain resilient.	Valuations remain elevated, and policy uncertainty -particularly on the trade front - continues to pose risks for the market.
Europe		●		The central scenario is still constructive for European equities, buoyed by disinflation, a finally proactive fiscal policy in Germany and earnings that have ceased to disappoint.	Two major risks are identified: a shift away from the «Goldilocks» scenario in the US (overheating or slowdown) and an escalation of the trade war initiated by President Trump.
Switzerland		●		Despite the challenging economic environment, earnings growth remains well oriented for Swiss equities, particularly small- and mid-cap companies.	The 39% tariff imposed on Switzerland by the US constitutes the main short-term risk, introducing a high degree of uncertainty.
Asia Pacific ex-Japan		●		China's structural weaknesses (real estate, tariffs and a soft labour market) have stabilised but are showing little real progress. Liquidity, policy support and earnings have been the drivers of the equity market rebound.	A potential reinforcement of US tariffs.
Japan		●		Japan enters Q4 2025 with modest but steady growth, supported by resilient domestic demand and corporate capital spending, while exports face headwinds from global trade tensions.	A potential reinforcement of US tariffs. Japanese inflation has eased toward the BoJ's target but remains a source of concern.

Bonds

	Overweight	Marketweight	Underweight	Main Drivers	Risks
Developed Sovereigns	●			The Fed has resumed rate cuts after a 9-month pause. The labour market is showing signs of weakening even as economic activity remains resilient. The next Fed Chair is set to be appointed and confirmed within a few months and will likely be more dovish.	While the implementation of high US tariffs has not yet had a visible impact on US inflation, the effects could be delayed. An excessively easy monetary policy could lead to a deterioration in the Fed's credibility, in turn resulting in a sell-off of longer-maturity bonds.
Corporates (IG)	●			Investor appetite for corporate bonds remains strong. We maintain a constructive stance, favouring medium-term maturities.	An economic slowdown, a risk-off episode or a credit event could pressure corporate balance sheets, driving spreads wider and impairing total returns.
High-Yield		●		High yield credit spreads are very tight, close to a historical record, but this reflects strong investor demand for yield and a resilient economy - slowing down but set to avoid recession.	Current spreads price in a benign economic scenario. A deterioration would negatively impact the asset class.
Emerging		●		EM bonds remain supported by the weaker US dollar and the Fed's clear monetary easing bias. These conditions make for a constructive backdrop, especially regarding EM local-currency denominated bonds.	Renewed USD strength would pose meaningful headwinds, by tightening financial conditions and limiting policy space across EM economies.

Currencies

	Overweight	Marketweight	Underweight	
EUR vs USD		●		On a 12-month horizon, with the ECB expected to cut by 0–25 bps and the Fed by 100 bps, the narrowing interest rate differential should support EUR appreciation against the USD, though the EUR does appear overextended on a short-term basis.
EUR vs CHF			●	The CHF should continue to moderately appreciate against the EUR.
USD vs CHF			●	The SNB has little leeway to curb CHF appreciation, with rates at 0% and a Trump administration opposed to central banks using reserves to «manipulate» their currencies.
EUR vs GBP	●			The GBP is falling vs. EUR as faster UK disinflation points to earlier BoE cuts than the ECB, while weaker growth and external deficits add pressure.
EUR vs JPY		●		The ECB is maintaining rates in positive territory and showing caution regarding cuts, while the Bank of Japan is sticking to its ultra-loose policy and yield curve control, which should continue to support EUR appreciation against the JPY.
USD vs GBP			●	On a 12-month horizon, markets expect the Fed to cut by 100 bps versus only 25 bps for the BoE, narrowing the interest rate differential and pointing to USD depreciation against GBP.

SWITZERLAND

TOO MANY UNKNOWNS TO KEEP CALM?

ANICK BAUD / SENIOR FUND MANAGER

In the aftermath of the shocking 39% tariff announcement, Switzerland is attempting to catch its breath. This episode will nonetheless leave its mark on Swiss economic growth, given the share of the US in the country's total exports. Despite this blow, the budding recovery in Europe, alongside strong earnings momentum within listed companies, thanks to their resilience and adaptability, could partially offset the negative impact. Still, volatility is likely to dominate the stock market during coming weeks.

The tariff shock

the summer of 2025 proved a real earthquake for the Swiss economy. On 1 August, the US administration announced a massive increase in import tariffs, pushing them up to 39% on nearly half of Swiss goods exported to the US, with the notable exception of gold and pharmaceuticals. Such a level of duties puts Switzerland in a unique position among developed economies, at more than double the level applicable to the European Union or Japan.

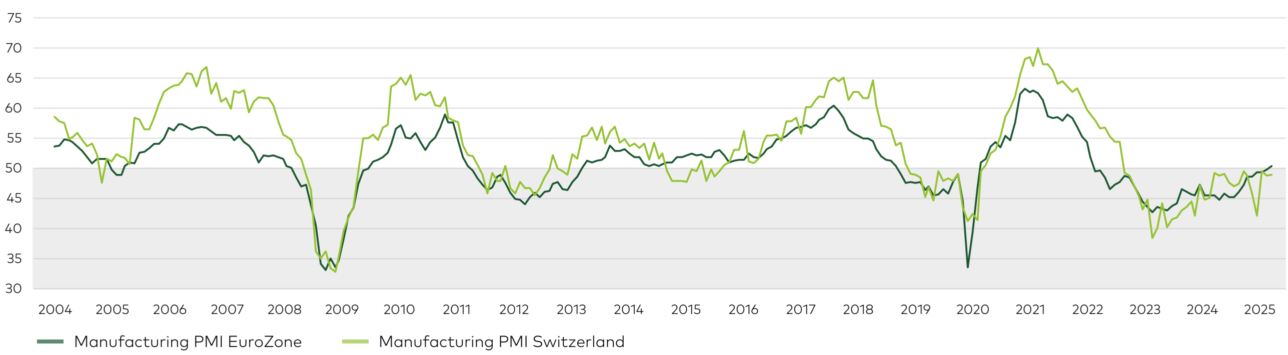
First quarter growth had, however, been exceptionally strong (+0.8%), driven by an anticipatory effect regarding US trade policy. Exporters accelerated their deliveries to the US ahead of implementation of the new tariffs, leading to an 11.5% jump in exports. During the second quarter, the situation reversed completely. Growth slowed sharply to 0.1%, and only the strength of the services sector prevented a GDP contraction. Manufacturing declined by 2.4%, while the chemical and pharmaceutical sector dropped 4.8% due to a decline in foreign sales. Significantly, the goods trade balance with the US shifted from a marked surplus to a slight deficit, a situation that had not been experienced for several years.

This has severely undermined the competitiveness of Swiss exporters. Due to the combined effect of new tariffs and recent dollar depreciation, Swiss products are now on average 50% more expensive for US consumers – an unprecedented shock. By way of comparison, when the Swiss National Bank (SNB) abandoned the EUR/CHF floor in 2015, the price of exports to the eurozone increased by 14%, causing a 6% drop in export volumes. This time round, the impact could be more profound and lasting, with some estimates suggesting a potential 25% drop in exports to the US for the most affected sectors. The first available figures confirm the scale of the phenomenon: Swiss exports to the US fell by 22% in August, bringing the US trade deficit with Switzerland to CHF 2.06 billion, its second lowest level since 2020.

Within the labour market, the immediate effects remains contained, thanks in particular to the reduced working hours scheme, which cushions job losses in the exposed sectors. However, UBS estimates that 15,000 to 20,000 full-time equivalents could be at risk should tariffs remain in place durably. Beyond the direct impact, uncertainty is already weighing on investment plans and business confidence, with the risk of a self-fulfilling slowdown in the domestic economy.

Not surprisingly, growth forecasts have been revised downwards. The consensus now expects Swiss GDP growth of 1.1% in 2025 and 1.4% in 2026, compared with 1.5% and 1.6% respectively just a few months ago. While the

The Swiss manufacturing PMI's strong correlation with that of the eurozone suggests a gradual improvement ahead



downward adjustment remains limited, it does not account for the possible introduction of a tariff on pharmaceutical exports. Measures targeting this strategic pillar would indeed have major consequences. Beyond the direct impact on growth, they could accelerate the relocation to the US of some of the production of groups such as Roche and Novartis, permanently changing the structure of the Swiss economy. Until this sword of Damocles is lifted, the pharmaceutical industry will remain a key factor of volatility for the economy and financial markets.

Faced with this shock, the Swiss government has entered into active negotiations with Washington. The aim is to obtain a reduction in tariffs, bringing them in line with those granted to the EU and Japan (15%). An agreement could be finalised by October, but the outcome remains uncertain. For now, the market remains hopeful that the current level will not be permanent, which has helped contain the panic. That said, the longer tariffs remain high, the more damaging their effects, not just on the growth and profits of exporting companies, but also on the confidence that is essential to a smooth functioning of the Swiss economy.

A glimmer of hope from Europe

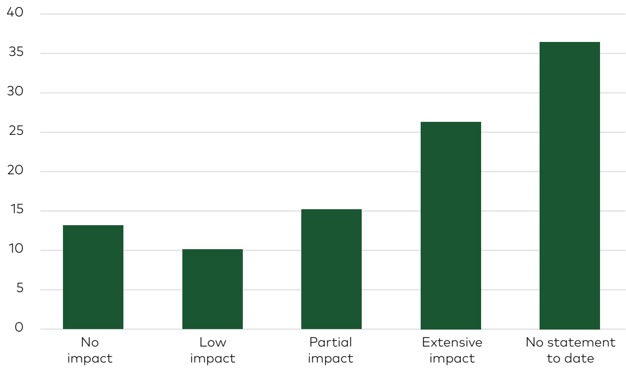
While the transatlantic context is a source of concern, Europe, which remains the leading destination for Swiss exports[1], is sending out some positive signs that could provide unexpected support for the Swiss economy. After a year marked by a technical recession in Germany in 2024, leading indicators are signalling a gradual stabilisation of the European economy. The German manufacturing PMI, which had dropped to historically low levels, began to recover during the summer of 2025, and the recent rebound in the German business climate (IFO) confirms a certain optimism that had long been absent on the other side of the Rhine. Similarly, August saw the eurozone PMI index move above the 50 growth threshold for the first time in more than three years, with the agreement reached this summer between the EU and the US helping remove some of the uncertainty. This improvement remains modest and was contradicted by the September figure (negative again), but provides hope for a gradual recovery in 2026, driven notably by major German investment programmes and more accommodative monetary conditions. The still tentative recovery in building permits across most European countries is an encouraging sign. Such progress would be particularly beneficial for Switzerland and could partially offset the negative impact of US tariffs, providing a different growth driver for Swiss exporters. The Swiss PMI index has now been in contraction territory for 32 consecutive months but, given the strong correlation with the eurozone PMI, gradual improvement could lie ahead for the manufacturing sector.

On the institutional front, negotiations between Switzerland and the EU are progressing slowly but remain crucial. Upholding a privileged access to the European market continues to be an essential condition for the long-term competitiveness of Swiss companies.

Still attractive earnings growth

Despite a turbulent macroeconomic backdrop, Swiss companies remain remarkably robust. Earnings growth estimates have logically been revised down since the beginning of the year, due to the strength of the Swiss franc and the impact of tariffs, but they are still largely positive. For the Swiss market as a whole, expected earnings growth for 2026 stands at 6% – and as high as 15% for small- and mid-cap companies. This trend reflects the resilience of many companies and their ability to pass on some of the cost increases to their customers. Of course, such ability depends largely on the sector and the competitive positioning of the respective company. A recent study conducted by Raiffeisen Bank among Swiss small- and mid-cap companies reveals that 41% consider that they will be able to pass on some or all of the customs duties, while 36% are still undecided.

A Raiffeisen Bank study shows that 41% of Swiss SMEs believe they will be able to pass on some or all of the tariffs



Source: Banque Raiffeisen

Even though the current environment remains highly uncertain and could cause a great deal of volatility through the end of the year, opportunities are available for long-term investors. With Swiss bond yields still at very low levels, equities retain a competitive edge. In addition, the quality of Swiss companies' balance sheets and earnings visibility constitute a major asset in uncertain times. Should a trade agreement with the US be reached in the coming months, the market could undergo a significant rebound, especially since earnings expectations remain solid.

1 In 2024, almost 60% of exports of Swiss goods went to the EU.

EUROPE

TWO ENGINES, ONE EUROPEAN TRAJECTORY

MALEK DAHMANI / FUND MANAGER

European equities are set to benefit from strong domestic fundamentals and the potential revival of global market drivers. Valuation remains attractive, with earnings growth forecasts nearly matching those of the US, while share buybacks could be the next catalyst for further outperformance.

Can one fly on a single engine? Technically, yes – aircrafts are designed with the ability to stay in the air when one engine is inoperative. Such a situation is, however, not sustainable over long distances or extended periods. Flying on one engine limits manoeuvrability, reduces efficiency and increases risk, making it an undesirable state for continued journey or performance.

Similarly, the European equity market is today operating largely on one strong engine: its domestic economy. This engine has provided respectable momentum and resilience amid global uncertainties. But for Europe to unlock its full potential and sustain long-term growth, it needs to restart its second engine – international markets. Only by engaging both engines simultaneously can Europe pursue a multi-year trajectory of outperformance and navigate the challenges ahead with more confidence and power.

Europe is thus entering the final quarter of 2025 with momentum firmly anchored by its domestic growth engine, and the potential for renewed strength from international markets. Macro and micro indicators confirm the resilience of Europe's domestic core: banks are reporting robust balance sheets, mid-cap companies have rebounded strongly and domestic demand is supported by Germany's decisive fiscal stimulus package. The improving European manufacturing PMI and IFO business climate readings in Germany reflect a fundamental shift toward greater business confidence, signalling a sustainable recovery in investment and consumer spending that contrasts with the lingering uncertainty of the past few years.

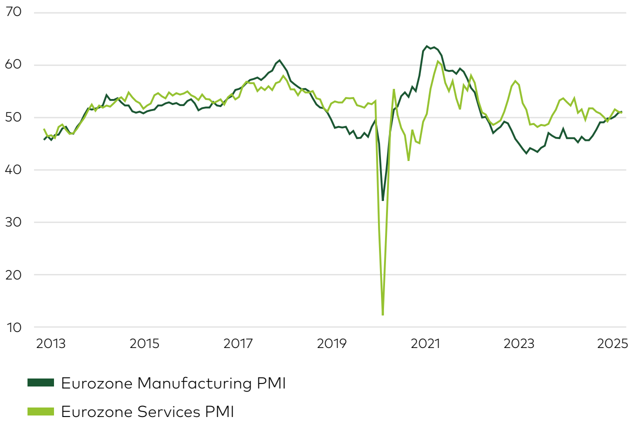
More broadly, European companies are benefiting from healthier balance sheets and improved credit conditions, allowing them to increase capital expenditures, though still cautiously compared to their US peers. The commitment to regulatory easing, particularly around ESG reporting and emissions targets, is gradually reducing the compliance burden and paving the way for better productivity growth. These structural improvements underpin the optimism around the domestic economy's ability to keep driving the stock market upwards.

Awaiting the international engine

The bigger question for this quarter pertains to Europe's international growth driver, historically linked to performance in the US and China. Both markets remain volatile and face headwinds – trade tensions, shifting monetary policies and geopolitical friction continue to inject uncertainty. That said, tentative signs of recovery in

After nearly three years of contraction, European PMI returns to expansion territory amid a turning point in German business confidence.

European Services and Manufacturing PMI



German business confidence

US business surveys and Chinese fiscal stimulus measures provide hope for a rebound that could unlock fresh growth for European exporters and multinational companies.

Should these global economic powerhouses regain momentum, Europe would simultaneously engage its two engines, catalysing a phase of synchronised growth. Such a scenario could extend and intensify the robust outperformance Europe has delivered since the 2022 equity market lows.

EPS growth, valuation discount and the buyback "wild card"

Market consensus anticipates robust EPS growth, in excess of 10%, for 2026 and 2027, a pace closely aligned with US forecasts despite European equities currently trading at a valuation discount of ca. 40%. This valuation gap, combined with strong earnings momentum, suggests a compelling asymmetry for investors.

One potential upside that could further accelerate returns is the expanded use of share buybacks in Europe. Historically underutilised compared to US counterparts, buybacks have proven to be potent tools for boosting EPS and supporting share prices. As European firms face mounting pressure to optimise capital allocation, a broader adoption of buybacks could act as a "wild card" catalyst – magnifying earnings growth and helping close the valuation gap during the coming years.

Volatility and geopolitical watchpoints

Investors should remain vigilant, however, as the landscape is not without risks. Elevated volatility is to be expected amid complex geopolitical developments and significant policy events, including upcoming US trade negotiations and EU regulatory decisions. This unpredictable global environment will likely create trading setbacks and sectoral rotations, emphasising the need for agile portfolio management.

European EPS growth expectations for 2026 and 2027 are aligning with those of the US

	EPS Growth		
	2025e	**2026e**	**2027e**
Stoxx 600	1.0%	12.2%	11.5%
S&P 500	11.2%	13.6%	13.3%

Still, the solidity of Europe's domestic economy offers a buffer, and the evolving international scenario holds promise for a gradual and sustainable uplift. How effectively these two engines – domestic resilience and international recovery – can operate in tandem will define the trajectory of European equities, as markets navigate the final quarter of 2025.

UNITED STATES
FROM TARIFF SHOCK TO FED PIVOT

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

The state of the US economy upon entering the final quarter of 2025 is one of adjustment, not contraction. The "Liberation Day" tariffs announced earlier this year temporarily weakened growth and sentiment, but activity indicators are now pointing to a gradual recovery. The Fed has shifted its focus from inflation to labour market stability, consumers are proving resilient and corporate earnings growth is extending beyond mega-cap leaders. While valuations remain stretched and policy risks – particularly on the trade front – are present, the fundamental backdrop is more constructive than headlines would suggest.

Stabilising growth following the "Liberation Day" shock
In the aftermath of the April tariff shock, US GDP growth expectations for 2025 were revised down from 2.3% at the onset of the year to a trough of 1.3% in May, before recovering to 1.6%. For 2026, the consensus now projects 1.7% growth which, while a decent pace, remains well below the 2.7% average of the past three years. This, of course, underscores the drag from higher import tariffs.

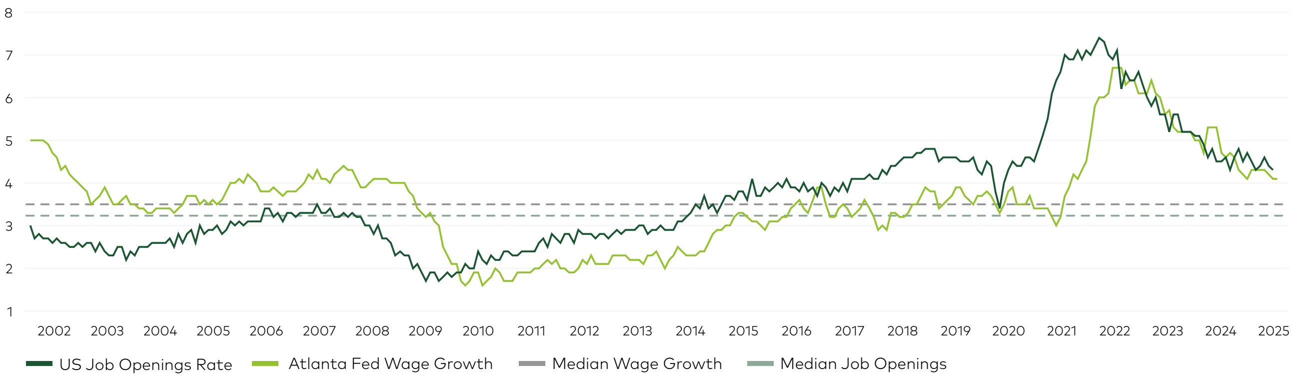
Leading indicators confirm signs of post-shock recovery. The US manufacturing PMI has moved back into expansionary territory, albeit with volatility, while the services PMI has strengthened to a level of firm expansion. Encouragingly, the most forward-looking PMI component – new orders – is improving across both manufacturing and services, pointing to a more resilient backdrop in terms of activity.

The NFIB Small Business Optimism Index, which had fallen sharply from 2022 through mid-2024, has rebounded to 100.8, close to its long-term average. Small firms generate 40-45% of GDP and account for nearly half of employment; their recovery suggests that the slowdown in domestic demand is subsiding, providing a more supportive signal for growth going into 2026.

The labour market paradox: rising claims but also high vacancies
The labour market is sending divergent signals. Jobless claims are rising, suggesting softer conditions, while job openings – although moderating – remain well above their long-term median level (4.3% vs. 3.3%). A key factor behind this paradox is reduced worker mobility: many homeowners are "locked in" by low-rate mortgages, limiting relocation and leaving unemployment pressures elevated even as firms still report hiring needs. This fragility complicates the Fed's dual mandate and has already contributed to shifting its focus from inflation to labour market stability.

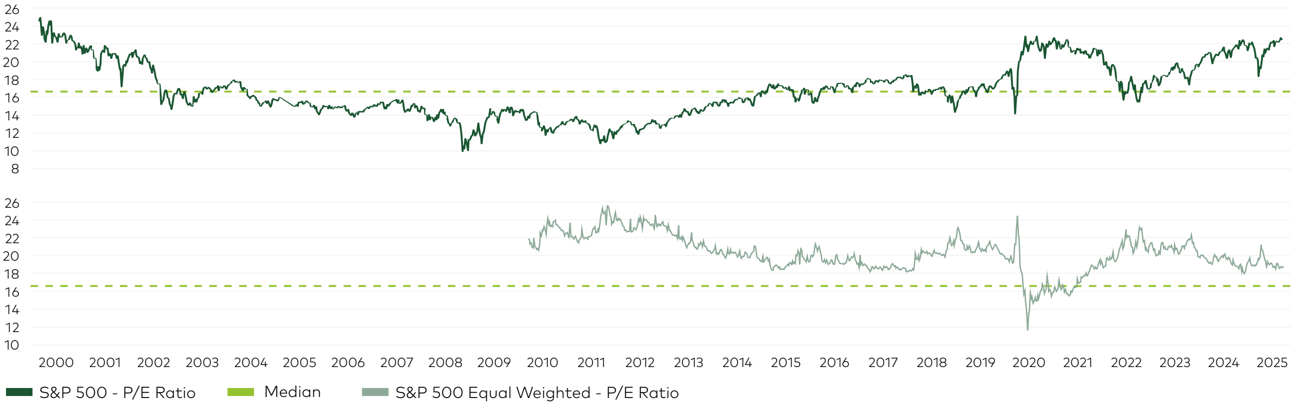
Fed policy: political tilt sharpening the dovish edge
The negative 911,000 job revision for the 12-month period through March 2025 highlighted that the slowdown began earlier and is deeper than presumed. Against this backdrop, the Fed recently cut rates by 25 bp to 4.00-4.25% and signalled further easing ahead: two more cuts in 2025 and at least two in 2026, according to the dot plot. The appointment of Stephen Miran reinforces expectations of a more dovish tilt, particularly with another Trump-aligned appointee likely next year. Markets are now pricing in ca. 100 bp of cuts over the next 12 months, reflecting belief the

Job openings and wage growth
Both indicators are moderating, yet remain well above 20-year averages.



12-month forward price/earnings ratio: S&P 500 vs. equal-weighted S&P 500

Large-cap valuations account for most of the market's premium



Fed will support employment even as tariff-related inflation risks persist. Such a lowering of rates should cushion cyclical sectors, most sensitive to financing conditions.

Consumption holding firm despite headwinds

Accounting for nearly 70% of US GDP, consumption remains a key growth pillar. Household debt-to-GDP has fallen from 98% to 69%. While inflation is eroding some purchasing power, wage growth of 4.1% against a PCE deflator of 2.9% means that real incomes are still expanding by more than 1% annually. Supported by healthier balance sheets and real wage gains, households continue to spend. Retail sales have exhibited robust momentum, rising for three straight months and delivering the strongest 90-day average gain since mid-2022.

The end of the era of Trump mega-tariffs?

Donald Trump's reliance on the International Emergency Economic Powers Act (IEEPA) to impose sweeping tariffs is now under Supreme Court review. The law was originally designed for "unusual and extraordinary threats" – not broad trade policy. The case, fast-tracked for hearings in November, could be decided by the first quarter of 2026. An invalidation would end the era of "instant mega-tariffs" and push future actions back into slower, targeted channels such as Section 232, Section 301, or safeguard measures. This would reduce the risk of sudden, across-the-board shocks but increase sector-specific vulnerabilities (metals, semiconductors, autos, pharmaceuticals) and prolong uncertainty through lengthy investigations. For markets, such an outcome would imply less systemic volatility.

Corporate earnings: broadening participation

The second quarter earnings season surprised on the upside, with S&P 500 EPS growth of 12% year-on-year. Importantly, the recovery was broad-based: 9 of the 11 sectors delivered positive growth. For the fifth straight quarter, participation beyond the "Magnificent 7" improved, confirming that profitability is no longer narrowly concentrated.

A weaker US dollar against the euro and several Asian currencies also provided a tailwind, adding roughly 1 percentage point to aggregate EPS growth. Looking ahead, despite margin pressures, management guidance remains resilient: 58% of companies upped their forecasts vs. an average of 43% historically. Consensus now points to 10% EPS growth in 2025 and 13% in 2026, underscoring earnings durability.

Valuation: the market's weak spot

Valuation remains the Achilles' heel of US equities. At 22x forward earnings, the S&P 500 is trading well above its 30-year median of 16.7x. Although valuation is no timing tool – the index reached 25.4x in 1999 before the dot-com peak – the current premium does highlight the need for earnings growth to justify stock prices. Most of this stretch is concentrated in large-cap market leaders: the equal-weighted S&P 500 trades at 17.7x, closer to historical norms.

In short, US equities remain expensive, but the market is supported by firm earnings growth – expected to exceed 10% in 2025 and 13% in 2026 – and the prospect of lower rates, which should help sustain elevated multiples.

Constructive Outlook for US Equities Despite Challenges

The US remain on a path of moderate but stable growth, supported by resilient consumption, recovering small-business sentiment and an earnings cycle that continues to broaden. The Fed's pivot toward easier policy should provide a cushion for cyclical sectors. Valuations remain the main vulnerability, but with double-digit earnings growth expected through 2026, the market retains a strong fundamental anchor. For investors, this argues in favour of maintaining a constructive stance on US equities.

ASIA

CHINA'S ROAD BACK TO INVESTABILITY

FLORIAN MARINI, CFA, CMT / CHIEF INVESTMENT OFFICER

China's structural weaknesses – real estate contraction, tariffs and a soft labour market, especially with regards to youth unemployment – have stabilised but are showing little real progress. Equity markets have nonetheless rallied strongly in 2025, with the Shanghai Shenzhen CSI and Hang Seng indices up respectively 18% and 30% in USD terms. Abundant liquidity, policy support and earnings recovery have been their main drivers. More recently, macro datapoints have surprised on the upside, suggesting that the drivers of the equity market rally are gradually shifting from flows to fundamentals.

The IMF and Standard Chartered now expect Chinese GDP growth of 4.8% in 2025, versus 4.5% previously, citing better first half momentum and firmer external demand. Surveys confirm the trend: the Caixin Manufacturing PMI returned moved back into expansionary territory in April and reached 50.4 in June, while the non-manufacturing PMI climbed to 53, its highest level since the second quarter of 2024. These figures point to a broadening recovery across industry and services.

Credit and liquidity: the cycle is turning positive

Credit dynamics are also becoming more supportive. After more than a year in contraction, China's credit impulse has now expanded for five consecutive months, reflecting improving loan demand and policy easing. Money supply growth has accelerated, with the M1 aggregate rising 5.6% year-on-year in July, the fastest pace since 2023. These improvements are usually lead a pickup in the cyclical segment of the economy, which should materialise during the coming quarters.

Consumption resilience

On the consumer side, the growth of household disposable income has exceeded 5% over the past two years, providing a foundation for resilient spending. Retail sales expanded by 3.7% year-on-year in July, a moderating pace compared to prior months, but the picture is more encouraging online: e-commerce sales surged 9.2% year-on-year, their strongest monthly growth since 2023. This resilience is also evident in airline passenger traffic, which has recently posted a new all-time high.

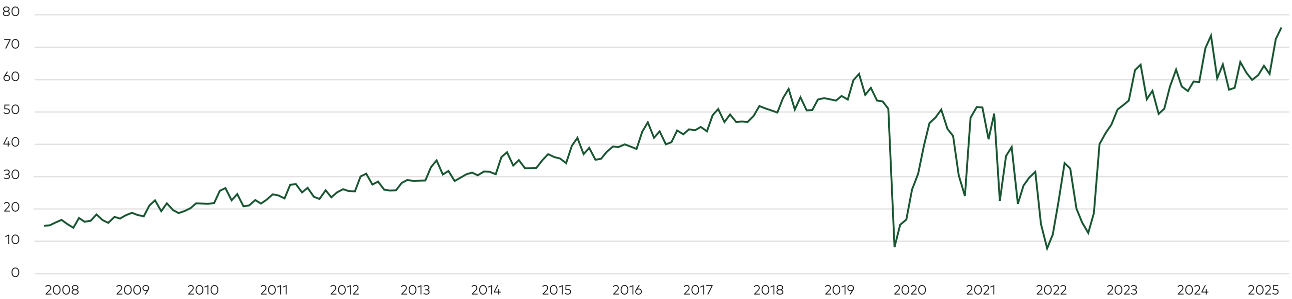
Tariffs and external pressures

China's external outlook remains pressured by the 2025 tariff shock. Average US duties on Chinese goods have surged to nearly 40%, the highest since the trade war, with few sectors able to absorb the cost. A 90-day truce with Washington expires on 10 November, leaving escalation risks elevated. Exports to the US are falling, supply chains are shifting, and margins are under strain in electronics, autos, and shipping. Yet Beijing retains leverage through its dominance in rare earths and critical minerals, a key bargaining chip in trade talks.

Inflation and policy: stabilisation, not reflation

Deflation remains a key risk for China. Consumer prices are projected to drop by 0.1% in 2025, the first episode of consumer deflation since 2009, while producer prices may experience a 3% contraction. This squeezes corporate margins and highlights fragile demand. Policymakers are responding with targeted easing: the People's Bank of China (PBOC) interest rate and cuts in reserve requirements, fiscal tools such as special bonds and subsidies, and the "anti-involution" campaign to curb destructive price wars.

Chinese airline passenger traffic (in millions per month)
An illustration of post-COVID recovery in consumer demand



MSCI China Forward EPS

After a prolonged downturn, earnings have returned to an upward trajectory

These measures may stabilise conditions but stand to fall short of delivering broad reflation.

Policy outlook: the CEWC as a catalyst

Looking ahead, the December Central Economic Work Conference (CEWC) will be the key policy event to monitor. As the government sets priorities for 2026, it could provide the platform for additional fiscal or credit stimulus, especially if growth momentum fades after the tariff truce expires. The CEWC has historically been used to recalibrate the balance between stability and support, making it a potential catalyst for policy-driven upside into early 2026.

Geopolitics: bloc dynamics intensify

Geopolitics remains a critical dimension for the Chinese outlook. The Shanghai Cooperation Organisation summit in Tianjin, where Xi Jinping, Vladimir Putin and Narendra Modi appeared hand-in-hand, underscored Beijing's ambition to position itself at the centre of an emerging multipolar order. Such alignments highlight a structural shift toward bloc dynamics, with China consolidating its role in an alternative global network capable of challenging Western influence.

Corporate earnings recovery underway but uneven

On the corporate side, there are early signs that earnings momentum is beginning to recover after two difficult years. The broad MSCI China index – which includes A, B and H shares – is showing a clear improvement in forward EPS trends. Following the earnings recession of 2022-2023, forward EPS growth resumed an upward trajectory starting mid-2024, rising at an annualised pace of over 11%. The Hang Seng index confirms this recovery, with technology stocks in particular showing accelerating EPS expectations and trading in a decidedly bullish configuration. From a sector perspective, the improvement is broadening. Communication services, consumer discretionary, technology, consumer staples, financials (where EPS has reached a new historical high) and materials are all in positive territory. In contrast, utilities, real estate, properties & construction, as well as industrials, remain in an earnings recession, underscoring the importance of sector selectivity within Chinese equity allocations.

Conclusion: from stabilisation to renewed investability

China's outlook remains mixed but is gradually improving. Structural challenges in real estate, tariffs and employment persist, while geopolitical risks – especially around US trade tensions and Taiwan – continue to weigh on sentiment. Still, the policy environment has turned more supportive, credit conditions are easing and corporate fundamentals are recovering. The government's strategic push into advanced technologies such as AI and manufacturing offers potential long-term growth drivers. With valuation still attractive and signs of earnings momentum returning, the risk-reward profile is improving. China is investable again – though best approached with selectivity and a long-term perspective.

FIXED INCOME

MANUEL STREIFF / ADVISOR

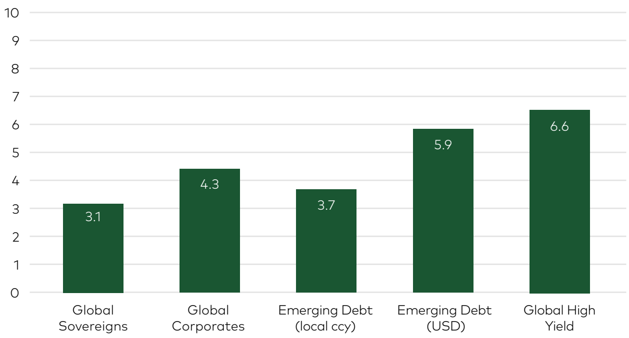
Following the acute volatility triggered by the US tariff announcements in April and the fiscal uncertainty tied to July's expansive US spending bill, market tensions have eased. Volatility has receded, though inflation remains uncomfortably sticky. While tariffs are gradually filtering through the economy, their inflationary impulse has been dampened by softer services prices. Labour market weakness is becoming more pronounced, with historical revisions revealing materially slower job creation than previously reported.

The Fed now finds itself at a policy crossroads. Inflation remains persistently above its 2% target, yet employment is clearly softening. Under pressure from the US administration and amid growing political influence over its leadership, the Fed recently initiated a new easing cycle with a 25 bp policy rate cut and signalled additional reductions into 2026.

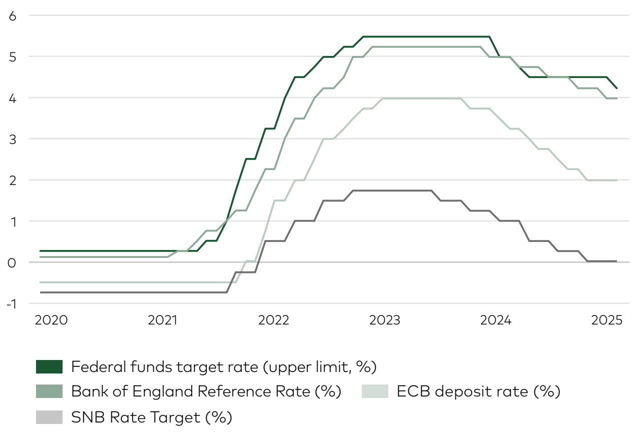
In contrast, the ECB has paused its cutting cycle, with inflation now broadly aligned with the target and sentiment stabilising. Europe is experiencing a disinflationary impulse via weaker external pricing, notably due to US tariffs and lower-cost Chinese imports.

The Fed's pivot has bolstered global risk sentiment, supporting both corporate and emerging market (EM) bonds, while exerting broad-based pressure on the US dollar.

Yield to maturity per fixed income segments: Sovereigns, Corporates, Emerging debt in local currencies, Emerging debt in USD and High Yield



Key central banks target rates

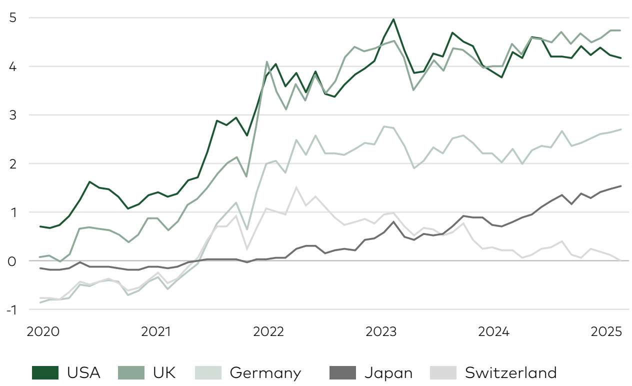


DEVELOPED MARKET SOVEREIGNS

The Fed's easing stance is constructive for Treasuries, especially in the front to intermediate maturities. We expect two further 25 bp rate cuts this year. With a shift in the Fed's composition and likely change in leadership, a more dovish policy framework – one that favours growth over inflation containment – is emerging.

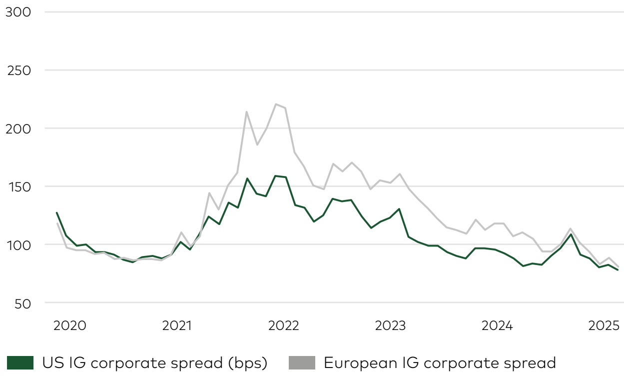
US long-end rates are likely to remain range-bound, reflecting persistent inflation and fiscal fragilities. In Europe, sovereign yields should remain capped, but long maturities face headwinds from fiscal expansion and the ongoing reallocation by the Dutch pension fund, which is shortening portfolio duration ahead of 2026.

Sovereign yield to maturity (10Y benchmarks)



Swiss yields have returned to ultra-low levels. The SNB faces renewed deflation risks amid trade headwinds and pressure from US tariffs. With currency intervention constrained by US resistance, a return to negative rates cannot be ruled out.

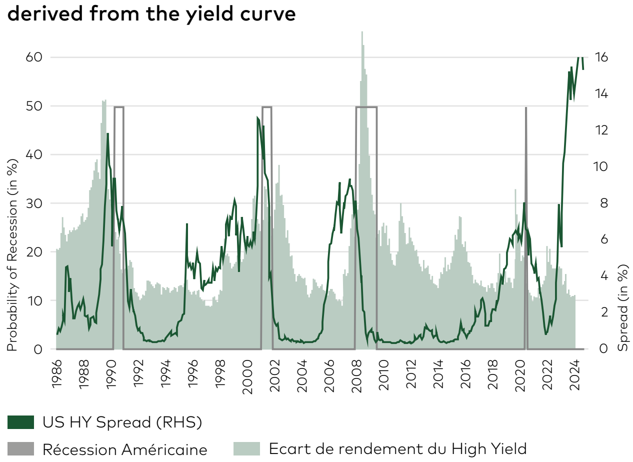
US and European Corporate Spreads (Investment Grade)



DEVELOPED MARKET CORPORATES

Credit continues to benefit from the benign macro conditions, lower recession risk, declining volatility and accommodative policy. Spreads are tightening and investor appetite remains strong amid a renewed search for yield. Primary markets are active, with new supply readily absorbed.

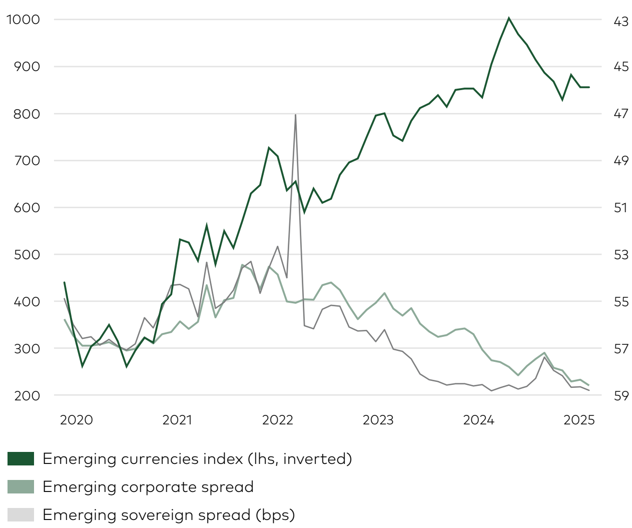
US High Yield spreads and probability of recession, as derived from the yield curve



HARD CURRENCY EMERGING MARKET DEBT

EM hard currency bonds have rallied in line with the global risk-on tone. EM central banks have moved pre-emptively to ease monetary policy, cushioning their economies from external shocks. Currencies have generally held firm, supporting investor confidence.

Emerging Spreads (corporate and sovereign) and emerging currencies index (vs. USD, inverted)

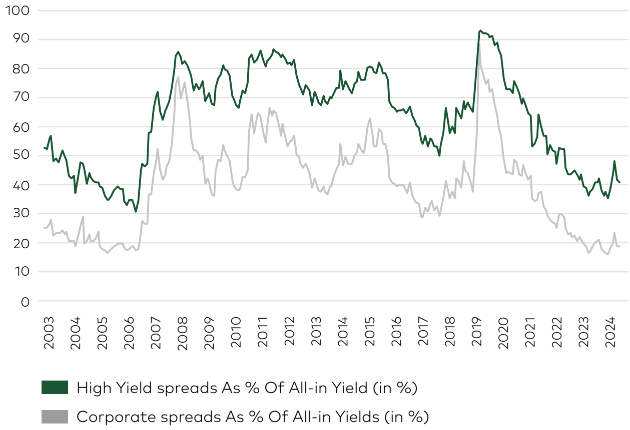


LOCAL CURRENCY EMERGING MARKET DEBT

Fed easing and a softer dollar continue to underpin local currency bonds. Policy space has widened as inflation moderates and capital outflow risks diminish. Local yields remain attractive and EM FX performance has been a strong contributor to returns.

Improved US-China relations have allowed for modest RMB appreciation. However, further upside for EM currencies may be constrained by escalating trade frictions and tariff spillovers, particularly for large EMs like Brazil, India and China.

Credit Spreads as % of all-in Yields



FIXED INCOME PROJECTION

Segments	Yeld (%)			Return View (12m horizon)
	USD	EUR	CHF	
Cash	4,09	1,85	-0,14	↘
Short-Term High-Yielding	4,83	2,63	0,32	→
10y Government Bonds	4,15	2,75	0,22	→
10y Government Inflation-Linkers	1,77	0,78	n.a.	→

Segments	Spread over Sovereigns (bps)	Return View (12m horizon)
Developed Corporates	91	→
Corporate Hybrids	176	→
Developed High Yield	336	→
Emerging Sovereigns	247	→
Emerging Corporates	240	→
Emerging Local-Currency Debt	n.s.	↗

Source: Bloomberg indices hedged in the respective currency

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