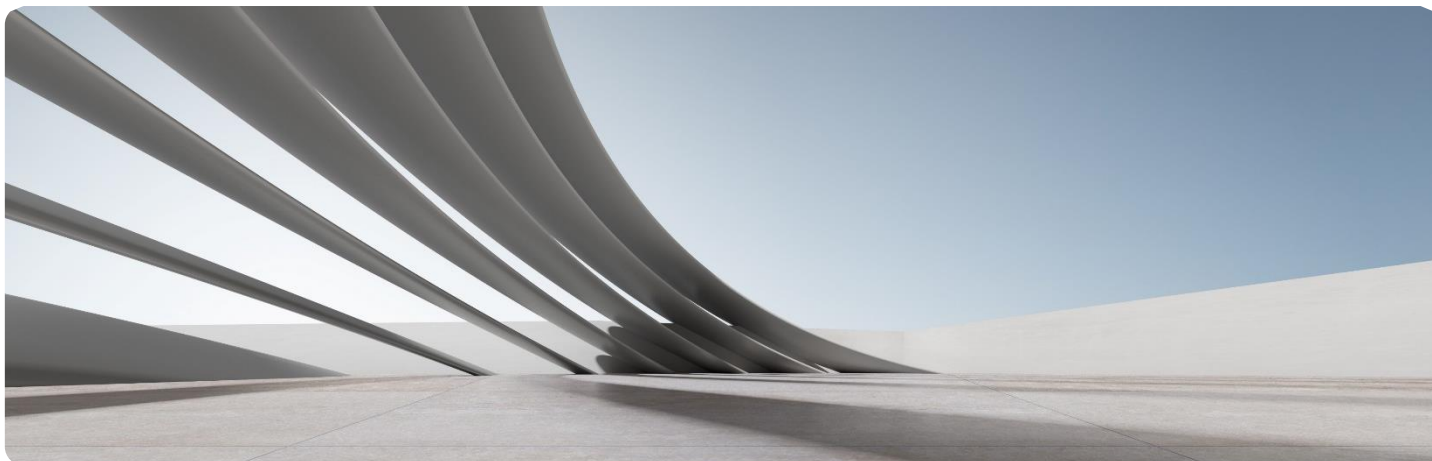


Less data, more momentum

- The US Bureau of Labor Statistics went silent last week due to government shutdown
- But all asset classes delivered positive returns, led by gold and stocks
- 2025 is on track to be a great year for investments, putting some pressure on the 2026 outlook

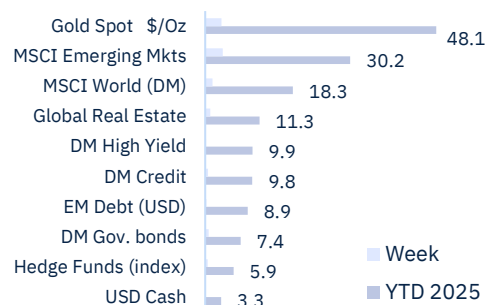


With a US partial government shutdown last week, market participants didn't get the all-important monthly NFP jobs report, a key datapoint to anticipate the Fed's next move. Still, it seems that no news was not bad news, as all asset classes delivered positive returns in dollar terms, led by gold and stocks. There was actually plenty of other data. Global PMIs confirmed the current perception of a modest slowdown which is not severe enough to threaten the current state of expansion. We didn't have the NFP job reports, but other confirmed tepid jobs openings and the lack of jobs creations. Both lead to a supportive scenario for most markets, as it justifies more rate cuts from the Fed without having to deal with an imminent recession risk. The dollar thus continued to weaken against trade-weighted counterparts, while oil prices sharply fell, another good news for global purchasing power, under the double influence of OPEC+ production hikes and a peace plan for Gaza.

2025 so far is an excellent year for investments. We are very happy with the returns of our profiles, from +11% to +17% so far. We were fortunate enough to be right on a number of calls, such as our constant overweight in gold, our preference for emerging regions in stocks or our active duration management. Still, the returns are much better than what we had initially expected, and this is starting to be a concern.

The current state of the world is not adverse to investments, but is being generously priced in by most asset classes. Momentum is strong and valuations have never been a great input for market timing anyway. They are, however, a source of vulnerability to any bad news, in a world where visibility on growth and inflation has not improved. We will hold our monthly investment committee tomorrow and have started to work on our 2026 Outlook (which we release at the beginning of the year because we always report our actual results of the previous year). We shall see. Have a great week.

Asset Classes USD % total. Return, Week and YTD 2025



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Cross-asset Update

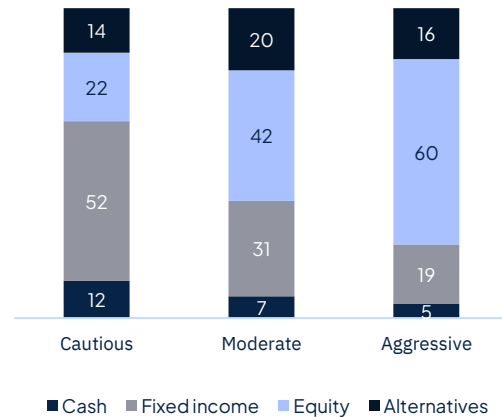
“Goldilocks” keeps coming up as a term describing the current state of the US economy, marked by growth and inflation being neither too hot nor too cold. And conditions are getting more and more extreme in this respect. Although the jobs market has continued to weaken activity has remained resilient, raising doubts as to for how long this can carry on, before the outlook is resolved into a contraction or rather a recovery. It seems it all hinges once more on AI, in particular AI investments, whose momentum is accelerating and size is such that they keep the whole of the economy afloat. Indeed, high-tech capex now accounts for over 50% of non-residential investment in the United States. On top of this, President Trump’s preferential tariffs for reindustrialization are adding fuel to the fire of rising AI capex. All of this is conducive to businesses requiring fewer workers on the heels of rising productivity. Such narrow investment trends are not showing up in manufacturing surveys that paint the picture of an ailing industrial sector, while at the same time ensure enough growth even as jobs trends deteriorate. The bottom line is that Goldilocks is being underpinned by the information technology sector, and as long as these investments keep going, so will the US and global markets.

If the Fed sticks with its historical script of following the jobs market to take decisions on rates, it is then likely to be cutting further, and maybe even deeper than the latest dot plot suggests. And yields at the longer-end of the curve, driven to quite an extent by jobs trends as well, should at best stay range bound. If we add low oil prices and a weaker dollar to the picture, the outlook seems to be one of more liquidity further supporting the current rally. Up to a point, as AI trends cannot be extrapolated forever, though it remains hard to time that point. With inflation sticky, too much of a good thing might turn out to be a bad thing, as excessive liquidity stoking price pressures would be upending the IT rally, the lifeblood of the market.

Western governments are resorting to more liquidity also to tackle fiscal uncertainty, kicking the can down the road. The newly elected LDP party leader in Japan, most likely next PM as well, is expected to expand fiscal spending while maintaining pressure on the BOJ to keep rates low. Gold is smelling increasing trouble, recording all-time highs almost daily. Investors need to be compensated for future inflation risk and allocate more money to the yellow metal versus government bonds that offer little protection against future price pressures.

While AI trends are telling us Goldilocks is intact, gold suggests it would be prudent not to extrapolate Goldilocks for too long. AI overinvestments are coming alongside underinvestments in the old economy, in particular in energy and basic resources. The AI growth frenzy will be followed by the resurgence of the old economy, and Goldilocks will be gone as muted growth and moderate inflation will be replaced by stronger growth but higher inflation.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>
DM Gov.		=	
DM Credit	<		
DM H. Yield		=	
EM Debt		=	
DM Equity		=	
EM Equity		=	
Gold			>>
Hedge Funds	<<		
Real Estate		=	

Fixed Income Update

We are three quarters into the year 2025 which we had named “Winds of Change” due to the anticipated changes in the geopolitical and macroeconomics backdrop. Tariff policies from the US have dominated other headlines. However, the impact on inflation and growth as of Q3 from these policies have been moderate. Fixed Income as an asset class has performed very well this year after some false start in the past couple of years. Various segment returns have been positive and range between 5.5% to 9.9% as of last week. Spreads have compressed and long-end yields have settled in a range. Though, risks to growth outlooks and a weak labour market could point to further downside in yields, we don't yet look at long-duration favourably.

The US Treasury yield curve steepened last week with the front-end down 6 bps while the belly of the curve dropped 5 bps. The 30-year curve went down by 3 bps. Key driver has been the US government shutdown that has put pressure on the yields. But we don't see any major changes in the policy, nor do we see any steep rate cut cycle. The debt ceiling is not a concern this time, and Fed expectations have remained stable. Considering that investor positioning remains light and the 1-year Z score of JPM treasury client survey at 0.2, we expect muted volatility in the absence of market moving data. The Move index has dropped below 70 for the first time since December 2021.

While IG spreads remain at the lower end of their last 1-month range, HY and EM Debt spreads have come off their tightens and currently trade around their medians. September is the 5th highest issuance month with more than \$210bn IG bonds priced. HY gross supply was the 3rd highest according to JPM and totalled \$59bn last month. According to S&P, monthly defaults increased to 10 in August from eight in July, aligning with the 2025 monthly average of 10. The year-to-date total stands at 81, just above the five-year average of 80. The rating agency anticipates US default rates to move sideways and European default rates to decrease from current levels supported by lower interest rates.

Last week saw notable bond activity in the MENAT region. Kuwait issued 3-, 5-, and 10-year bonds, yielding 4.0%, 4.1%, and 4.65%. Bahrain priced an 8-year sukuk at 5.875% and a 12-year bond at 6.625%. Turk Telekom raised \$600 million with 7-year bonds at 6.95%. Egypt secured \$1.5 billion from 3- and 7-year sukuk, offering 6.375% and 7.95% respectively. Five Holding Company exercised a call option at \$104.69. Today, DAE announced a 5-year senior unsecured sukuk to refinance upcoming maturities, and PIF launched a dual-tranche mandate for 3- and 7-year bonds. Vakif Katilim Bank entered the market with a perpetual NC5.5 sukuk, initial price thoughts at 8.875%–9.0%. Established in 2016, Vakif Katilim is Turkey's 13th largest bank by assets, with solid performance in line with its peers.

Fixed Income Key Convictions

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

Fixed Income Sub Asset Class Returns (US\$ TR, YTD, Last Week)

Global HY	0.2	9.9
USD Corp IG	0.6	9.8
EM Sov	0.3	9.7
EM Debt	0.2	8.9
Asian HY	0.4	8.8
GCC Debt	0.2	8.4
EM Local	0.4	7.6
US HY	0.2	7.3
EM Corp	0.0	7.2
US Treasuries	0.4	5.5
Pan-European HY	0.1	4.3
DM Sovereign	0.3	3.1
EUR Corp	0.3	2.3

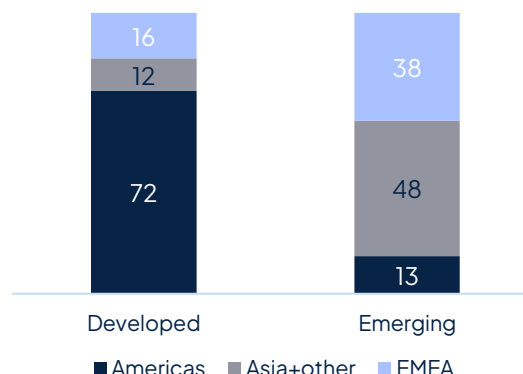
Equity Update

Global equities rose over the week, with gains broadening across regions as political developments, sector catalysts, and corporate sentiment steadied risk appetite. The MSCI ACWI advanced 1.7%, with developed markets up 1.5% and emerging markets gaining 3.6%. Equities found support as softer US labor data, including the ADP report, eased the case for an October rate cut, keeping policy expectations stable and allowing attention to return to earnings and sector fundamentals. In the US, the S&P 500 added 1.1%, reaching fresh record highs as health care and large-cap names supported performance. Health care posted its strongest week since February, lifted by optimism around President Trump's proposed drug pricing reforms, which focus on linking cost controls to broader insurance access rather than direct price caps. The approach was viewed as more favorable for pharmaceutical margins, boosting shares of Pfizer, UnitedHealth, and Eli Lilly. Technology traded mixed as momentum in mega-cap names cooled after a strong September, though stability in semiconductors and software helped the Nasdaq close higher.

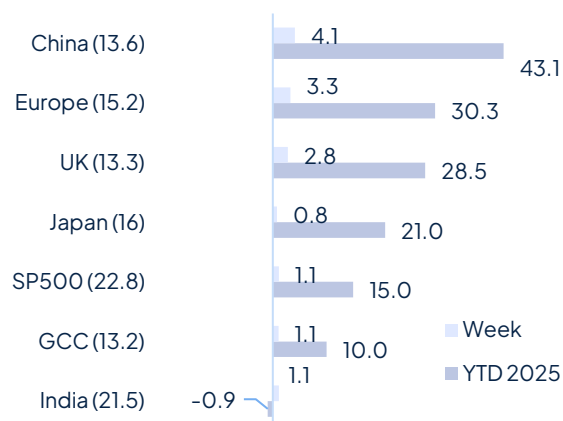
Europe outperformed, with the MSCI Europe Index up 2.9% for its best week since May. Pharmaceuticals and chipmakers led the rally. The Stoxx 600 Health Care Index climbed to a record high as AstraZeneca, Novo Nordisk, and Roche extended gains. ASML and Infineon advanced further, supported by sustained AI-related demand and improved supply visibility. Broader benchmarks followed, with the CAC 40 and DAX both up over 2%, aided by steady macro indicators and reduced political noise around Italy's budget discussions. China delivered the strongest performance, with the MSCI China Index rising 4.1% for its best week since April., Alibaba, and Xiaomi rallied on renewed AI optimism, while SMIC and Hua Hong Semiconductor gained on signs of faster domestic chip adoption. Drugmakers also rose after Beijing extended tariff exemptions on imported medicines following US negotiations, a move seen as a gesture toward further trade normalization. Mainland inflows from pension and mutual funds added to momentum, reinforcing a narrative of improving domestic participation as markets head into the final quarter. Japan lagged, with the TOPIX down 0.9%. The market consolidated after a strong September as profit-taking and yen strength weighed on sentiment. Technology shares eased as enthusiasm around AI cooled and exporters faced renewed currency headwinds. Banks and value-oriented sectors offered some offset on steady domestic demand. Political focus shifted to the leadership transition, with Sanae Takaichi elected as the new head of the Liberal Democratic Party on Saturday, a development viewed positively for policy continuity and likely to shape early trading momentum into the new week.

Markets ended the week with firm gains, led by renewed strength in health care and AI-linked technology, Europe's strongest showing in months, and China's broad rebound across internet and pharmaceutical names. Despite Japan's softer close, the overall equity backdrop improved meaningfully, defined by stronger breadth across regions and a steadier tone heading into the final stretch of the year.

Equity Recommended Regional Positioning

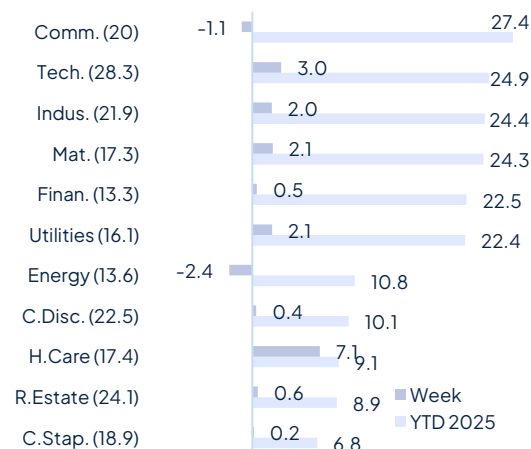


Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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