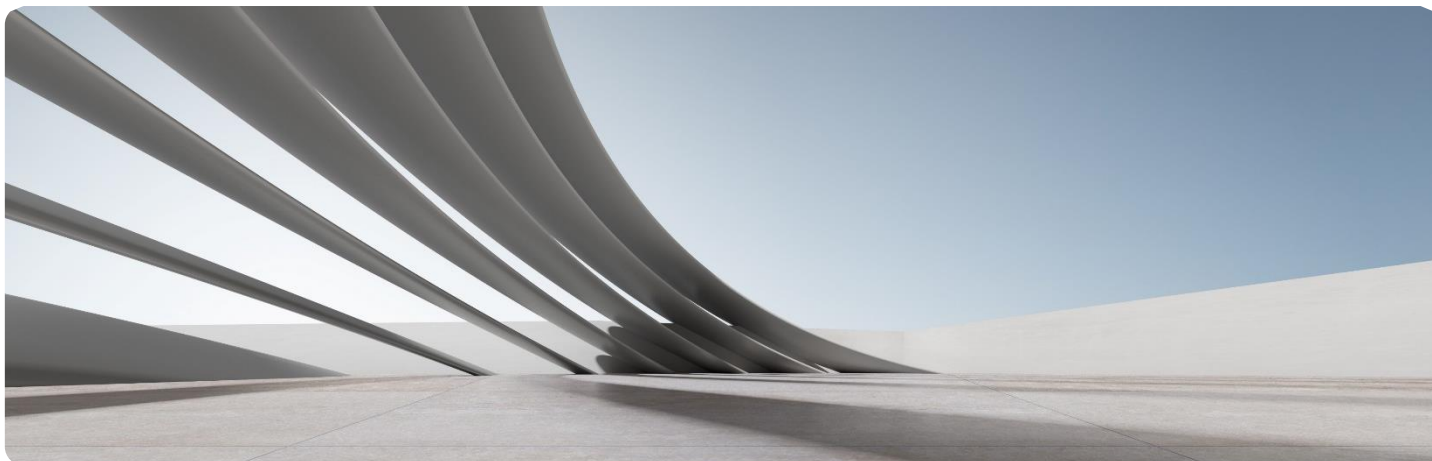


Trade anxiety makes a comeback

- Last week was extremely eventful, ending with severe risk aversion as President Trump reignited tariff war with China
- The weekend developments confirmed our view that this is more negotiating rhetoric than actual escalation
- Valuations remain rich but we do not expect strong disappointment from the just started earnings season



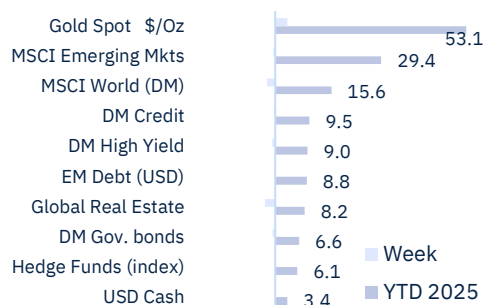
Last week started with a rally in Japan, with hopes of the return of Abenomics, a political gridlock in France, raising concerns on its budget, and continued with a series of deals in the AI ecosystem. We also saw gold crossing the \$4,000 mark like a breeze, the release of not so dovish FOMC minutes, a continuation of the US government shutdown and most importantly, a peace agreement in Gaza.

Still, the main market event was yet to come. On Friday, President Trump posted on his TruthSocial network his intention to impose a 100% tariff on China from November 1st, on top of existing levies, as well as restrictions on the export of critical software. Risk aversion spiked with US stocks instantly losing 3 to 4%, US Treasury yields rallying, the dollar interrupting its recent rebound and even a flash crash in bitcoin. Many commentators came out to predict the beginning of the big crash they were expecting for months (if not years) especially around the AI “bubble”.

While we remain concerned about valuations, which is why we turned a bit more defensive in September, we are not outright bearish. The negotiation style of President Trump is well known, and his subsequent social media post on Sunday was much more restrained, addressed to “highly respected” President Xi. With regards to an AI bubble, we haven’t seen so far, a material expansion of the Magnificent 7 valuations ratio compared to last year, as earnings actually deliver, and as market expectations are not for immediate returns on hyperscalers’ massive AI infrastructure investments.

Our investment committee decided no change last week in our positioning. Yes, we are overweight cash and gold, but only marginally underweight in DM stocks and some segments of fixed income. Our largest underweight is hedge funds as trends are hard to anticipate when social media can reverse the narrative. The week ahead and the following will be a lot about corporate earnings. Have a great week.

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



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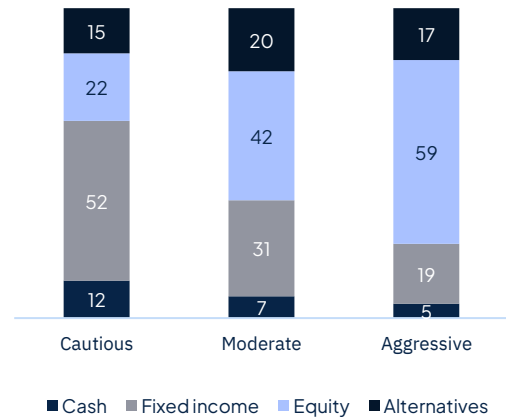
Cross-asset Update

Rallies in IT stocks and precious metals, in particular gold, characterized most of the week, an unusual combination. One more deal in the IT sector, whereby OpenAI announced it would buy billions worth of AMD's AI chips and also take a 10% stake in AMD over time, set markets on fire. AMD ended 30.5% higher broadly upgraded by analysts. It is worth noting that OpenAI recently also struck deals with Nvidia and Oracle, for investments amounting to roughly \$1tn overall including the agreement with AMD. That's hardly possible for a company that is just burning cash as of today, concerns that Wall Street of course is brushing aside for whatever carries an AI label. We must anyway acknowledge that there is much more to the sector than hype. IT investments contributed more to GDP through H2 than consumption expenditure, keeping the economy afloat and the labour market subdued at the same time. With less need for workers amidst a productivity surge, inflation remains in check, and markets celebrated. Gold (+53% YTD) was in the spotlight as well, rising for eight weeks back-to-back, though conveying a more ominous message. Central bank reserve managers have been buying the yellow metal as an alternative to the US dollar in a more fractured world, and investors joined in as well. Yearly returns well above 35% were last recorded in the 70s, the times of stagflation, the regime that tariffs in the United States will eventually be ushering in. Also, growing worries about the finances of the major DM countries have been driving purchases, in a so-called debasement trade. The two asset classes delivered contrasting messages, IT one of trust in its ability to tide over the economy, gold one of distrust towards the system. They can both be right at the same time in the sense that the AI theme is more cyclical in nature, while gold is pointing to secular issues coming to a head. IT equities and gold can continue to rise together, though not indefinitely. At some point gold will take over while marking the end of the Goldilocks scenario.

Equity and credit also provided contrasting messages. In the later stages of the business cycle – as we currently are with high valuations, ample liquidity and a tight labour market – stocks tend to accelerate higher, while the credit asset class is usually the canary in the gold mine flashing warning signs of underlying excesses. Recently some notable bankruptcies, listed private equity companies rolling over, and credit spreads widening somewhat suggest all may not be fine with the subprime consumer. For now, it seems premature to call the end of the cycle, though credit is pointing to a prudent approach being appropriate at least withing the asset class.

One must also be mindful of the political cycle. The Washington administration is enticed to pull out all the stops to ensure in 2026, the year of the midterm election to be held in early November, there will be no economic hiccups whatsoever. And in this respect, it can still act on bank deregulation and housing market affordability.

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

It is not everyday that we see a 10-bps movement in the US 10-year treasury yield. However, Trump's threat of a tariff war with China on Friday (which was promptly retracted on Sunday) precipitated a sharp rally in treasuries as risk-off trades ruled the markets. The treasury curve bull-flattened as long-end yields dropped 10bps while belly of the curve moved 11bps and the front-end stayed anchored. The volatility is captured by the MOVE index, which after dropping to a 4-year low, crossed 80. However, with the reversal and more reconciliatory stance from both sides, we can expect yields to move higher from here. The absence of top tier US Data makes political headlines impact the market more. The 30-year auction held on Thursday, cleared 0.5bps cheap to pre-auction levels. Despite the small tail, end-user demand was strong, rising to 91.3%, the most on record. Treasury has increased bill issuance month-to-date.

Credit spreads have widened and trade at their widest over the last 1-month period. Over the 3-month period, the spreads are trading slightly wider than the median except high yield which is trading at its widest point. The increasing credit risk in the market explains this trend. CCCs continue to underperform BBs within HY hinting at avoidance of risk in the segment by investors. HY is the worst performing market in the last one week while APAC aggregate was the best performing broad credit market last week.

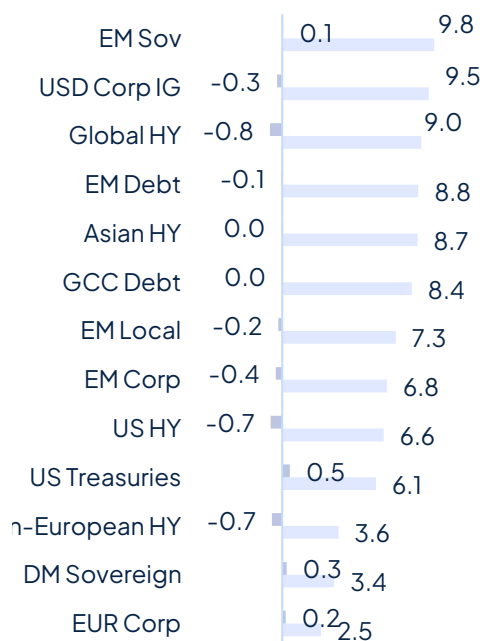
GS released both IG and HY issuance estimates for 2026. The firm assumes a gross \$1.9tn IG and \$400bn HY issuance. Adding together the \$670bn and \$135bn of net issuance across IG and HY would leave the broad USD corporate bond market growing next year by roughly 6.4%, which is only slightly faster than the rate of nominal GDP growth. Even though refinancing needs remain elevated in both the segments, the normalisation of funding costs should mean this will be well-absorbed.

So far this year, total GCC issuance has reached \$123.5 bn eclipsing the previous record set in 2024, with Saudi Arabia contributing 49% of the total. Last week we have seen multiple deals from the GCC region. DAE priced a 5-year sukuk at 4.50% for \$650 mn, while Mubadala Development Holding issued a 10-year bond at 4.652% for \$750mn. Saudi Arabia's Public Investment Fund (PIF) raised EUR 1.3bn through a dual-tranche issuance, with the 3-year priced at 2.75% and the 7-year at 3.375%. Oman tapped the market with a \$1bn long 7-year sukuk at 4.525%, the second issuance from Oman in FY25 after bank muscat last month. Kuwait International Bank sold a \$300mn Tier 2 sukuk (11NC5) at 5.535%. From Turkey, last week Vakif Katlim Bankasi raised a \$500mn through a perpetual NC5 sukuk at 8.375%.

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)



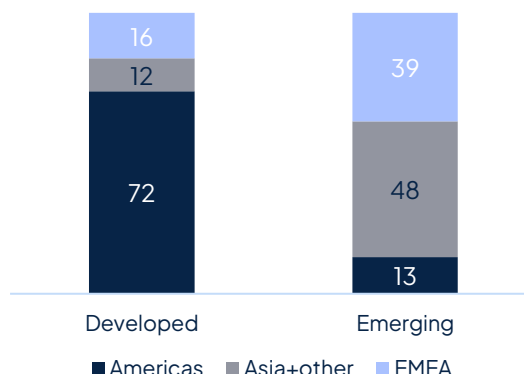
Equity Update

Global equities reversed course last week as trade tensions returned to the forefront and snapped the market's summer rhythm. The MSCI ACWI fell 2.1%, its sharpest weekly decline since April, dragged down by losses across developed and emerging markets. A sudden threat from Washington to impose a 100% tariff on Chinese goods unsettled markets and ended a stretch of optimism built on policy easing and solid earnings expectations. Risk appetite vanished and volatility spiked. In the United States, the S&P 500 slid 2.4%. The retreat began in technology, where the AI rally finally met resistance. Nvidia, AMD, and Intel, the engines of the market's 2025 surge, were hit by renewed trade risks and valuation fatigue. Banks and energy names joined the pullback, leaving only defensive pockets in healthcare and utilities showing stability. The VIX climbed above 21 as markets digested the tariff threat, a looming government shutdown, and a series of cautious remarks from Fed officials. Europe struggled to maintain its footing. The MSCI Europe slipped 1.1%, snapping a run of steady gains as export-heavy sectors came under pressure. Autos and industrials led declines, and energy stocks weakened as crude prices fell back. A ceasefire in Gaza triggered a selloff in defense names such as BAE Systems, Leonardo, and Saab, erasing part of their strong year-to-date performance. Political headlines in France and Italy added noise, though the region's growth picture stayed largely unchanged. European equities are still hovering near year highs, yet leadership has narrowed as investors crowd into defensives, energy, and consumer staples.

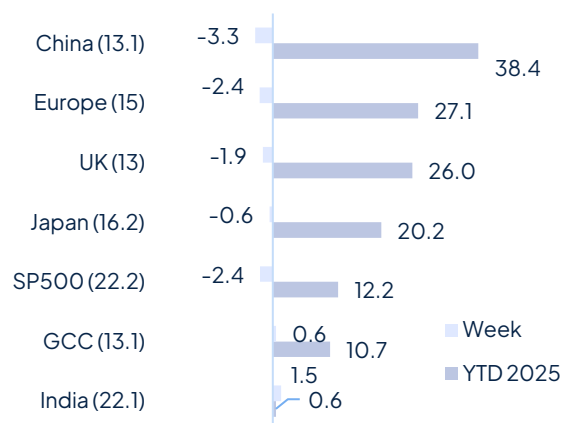
Within Asia, The MSCI China Index dropped 3.3% after Beijing's decision to tighten exports of rare earths prompted a sharp US response. The tariff threat hit Chinese technology and manufacturing stocks hardest, with the CSI 300 down 2% and the STAR 50 tumbling 5.6%. Chipmakers and battery producers faced heavy selling after regulators tightened rules on margin trading and announced new export limits on lithium materials. The biotech sector also fell as the US Senate advanced the Biosecure Act, targeting Chinese companies' access to American funding. At home, spending during Golden Week was softer than expected, reflecting consumers still cautious despite policy support. Japan stood apart from the global pattern. The TOPIX rose 2.2%, extending its record-setting run as local markets embraced the Takaichi victory and expectations for fiscal expansion. Bank and industrial shares led the charge, offsetting weakness in exporters after a volatile week for the yen. South Korea's Kospi set a fresh record as trading resumed following public holidays, powered by Samsung Electronics and SK Hynix, while India continued to draw steady foreign inflows that pushed the Nifty 50 higher for a third week.

Earnings season now takes center stage. Goldman Sachs, Citigroup, JPMorgan, and Bank of America open the US reporting calendar, with consensus expecting roughly 7% profit growth for the S&P 500. Markets will be watching for signs of resilience in margins, clarity on AI-related spending, and any hint of tariff exposure in corporate guidance. Financials are likely to post strong trading results and steady net interest income, while the technology sector faces the tougher test of sustaining its narrative after a year of extraordinary gains.

Equity Recommended Regional Positioning

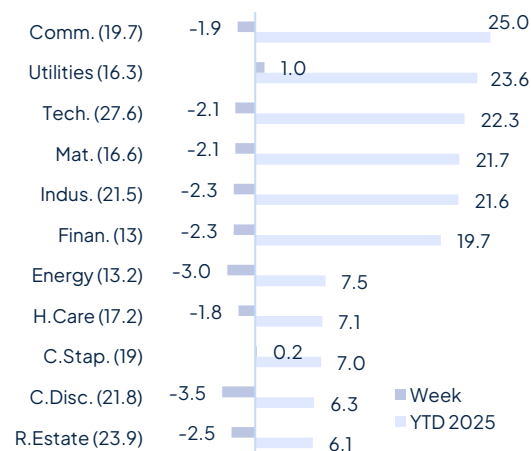


Major Indices Performance (TR, US\$), P/E in brackets



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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