

Uninspired.

- The end of the longest US government shutdown in history didn't create a relief rally last week
- Markets are looking for reasons to take a direction, with limited data to form short-term convictions
- The week ahead will focus on Nvidia's quarterly results due out Wednesday



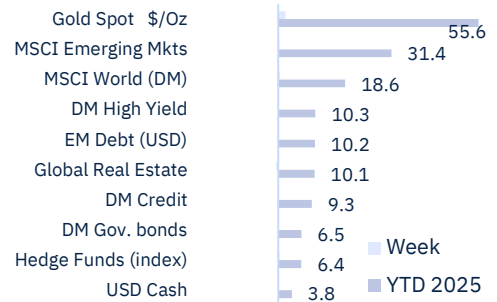
There was only one major event last week. With eight Democrats separating from the main party line, an agreement was found to fund the US government and end the current shutdown, which was starting to have very material consequences on activity, as well as on the quality and quantity of data available to market participants.

While the end of the longest shutdown in history is obviously good news, there was no euphoria. First, we don't know what the unreleased data would have looked like, and they matter, especially for the Fed as signals are a bit conflicting on the state of the US labour market. As a result, implied probability from future markets for another rate cut in December has dropped from 60% to just above 40%. Our view is that another cut will happen, even if our own level of confidence is not massive. In addition, the other massive stream of data, the corporate earnings season, is pretty much over. It was overall very solid, but not inconsistent with already high valuations. Concerns on the AI ecosystem, to that extent, didn't disappear. As a result, numbers and forward-looking guidance from Nvidia this Wednesday are of particular importance, as will be the staggered release of US official economic data.

We have more data from Asia. Activity in China continues to be soft, even if consumption seems to hold relatively well. We still expect more stimulus to come. The authorities also warned their citizens against traveling to Japan, which takes a toll, as we write this Monday morning, on Japanese retail stocks. Still, the first estimate of Q3 GDP, just released in Tokyo, shows favourable developments in terms of activity, even if the headline number is a contraction due to some one-off in real-estate investment.

Our positioning is unchanged, slightly defensive, and our three profiles are holding their solid returns of 2025, up between +12% and +18% so far expressed in US dollars.

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



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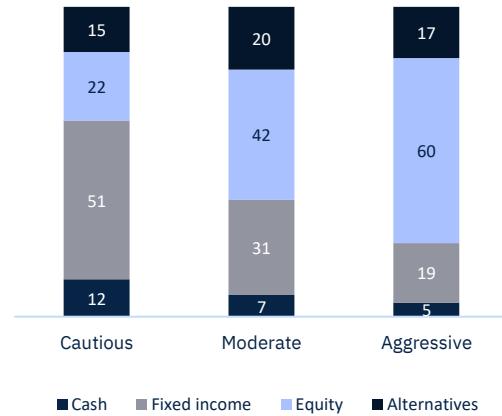
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Cross-asset Update

Market volatility remained high across the week despite positive news on the AI front. Was it about growing uncertainty about rate cuts due to lower visibility on macroeconomic data following the shutdown? After all, with delayed labor reports, that could eventually be stronger than expected once published, the Fed might be tempted to err on the side of caution in December. But we doubt that to be the only factor at play. Nowadays, plentiful private surveys help extrapolate missing data points for tier 1 reports, so we can't really say the Fed to be as blind as reported by the media. It is also likely that there is AI investment fatigue as already mentioned in this publication. The so-called hyperscalers are changing the nature of their business with continued investments in data centers, shifting from a cash-richer, lower-debt, and lower-capital-intensity profile to a cash-poorer, higher-debt, and a higher-capital-intensity one. They must invest for survival, to avoid being left behind in the AI revolution. So, they are damned if they don't invest, and they are if they do as well, as they will end up shifting their business to a more leveraged and pro-cyclical one, that markets eventually will punish given the current elevated valuations. In this respect, their interests and the ones of their shareholders are no longer fully aligned. We hold the view investors would be better off looking for opportunities across the whole AI supply chain without focusing on the hyperscalers only.

The ratio of gold to the S&P 500 has been shooting higher of late given gold outperformance year-to-date. Historically, the momentum of that ratio has moved in line with the ups and downs of inflation, ushering in higher inflation regimes with gold outperformance, or disinflationary spells with S&P 500 outperformance versus gold. So, latest market developments point to growing price pressures ahead, and this ties in with the rising tide of investments globally, from AI data centers in the United States, to infrastructure in Europe, to key industrial sectors in Japan. This will in turn require materials, boosting demand for commodities, putting upward pressures on prices. The global investment cycle will see basic-resource markets in the spotlight again, and the old economy coming back with a vengeance. Indeed, the rising ratio of gold to the S&P 500 has historically also coincided with the outperformance of value versus growth stocks. As already mentioned in the previous issue of this publication, while headlines are currently mainly focused on AI stocks, investors are advised to look to more procyclical companies to find tomorrow's new leaders.

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

The US government shutdown earned a temporary relief last week as eight democrats separated from the main party line. However, markets remained volatile based on stretched AI valuation concerns and hawkish Fed sentiments. The yield curve moved up by 5 to 7 bps. The front end of the curve saw the worst sell off as Fed December rate cut bets reduced. The 10-year yield climbed above 4.1% on Friday. The resolution of the government shutdown paves the way for the staggered release of previously delayed economic data, commencing this week. Notably, the September employment report is scheduled for publication this Thursday, although there remains a risk that the shutdown may have resulted in gaps or anomalies in the data set.

Several Fed officials have recently voiced doubts about the likelihood of a rate cut in December, with some flat out opposing the idea. It's worth noting that less than a month ago, Chair Jerome Powell himself cautioned that a December cut shouldn't be seen as a given. OIS forwards are pricing in less than a 45% probability of a 25bp cut at the December FOMC meeting, and less than a full 25bp ease by the January meeting. We, however, believe that there is more chance of a 25-bps cut in the December meeting. FOMC minutes of the October meeting are scheduled to release this Wednesday shedding light on Reserve Purchase plans and the three-way vote split. From our perspective, it's going to be tough for long-term yields to drop much from where they are now, especially considering the current valuation pressures and some technical factors in positioning.

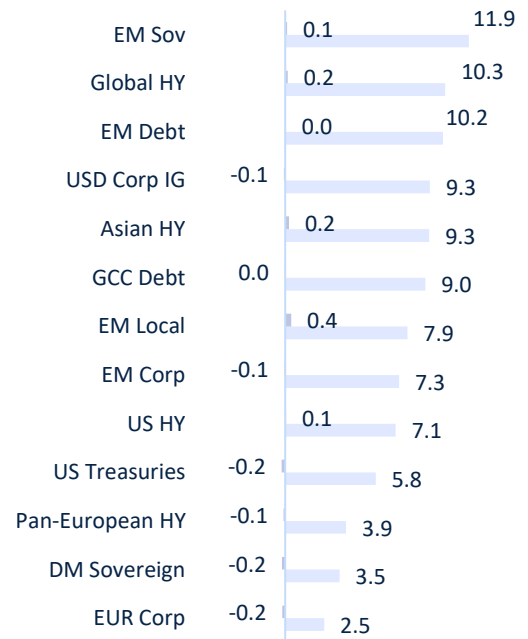
According to estimates from J.P. Morgan, investment grade (IG) issuance is expected to reach a new record in 2026, propelled by a substantial increase in capital expenditure related to artificial intelligence and heightened merger and acquisition activity. The projected gross supply for US high-grade bonds stands at \$1.81tn, exceeding the previous record of \$1.76tn set in 2020. Maturities are anticipated to remain elevated, surpassing \$1tn in both 2026 and 2027. Such dynamics could exert pressure on IG corporate spreads, which are currently trading near historically tight levels. Given these conditions, we advise exercising caution when considering exposure to technology, media, and telecommunications (TMT) credits at present valuations. Meanwhile, high yield (HY) default rates are expected to remain below 2% for the 2026 financial year.

During last week, the GCC region recorded several new issuances. DIB raised \$1bn through a 5-year senior unsecured sukuk priced at 4.57%, while MAF issued \$500mn in a 5-year subordinated bond at 5.75%. FAB also came to the market with a EUR-denominated long 5-year senior unsecured bond priced at 3.12%. From Kuwait, Kuwait Finance House raised \$850mn through an AT1 sukuk priced at 6.25%. Within Oman, National Bank of Oman priced a perpetual NC 5.5-year sukuk at 6.625%. Today, Government of Sharjah announced a mandate to issue 10.5-year senior unsecured sukuk this week. To date, total GCC issuances have surpassed \$137bn with KSA accounting for roughly 46% and UAE at 25% of the total.

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)



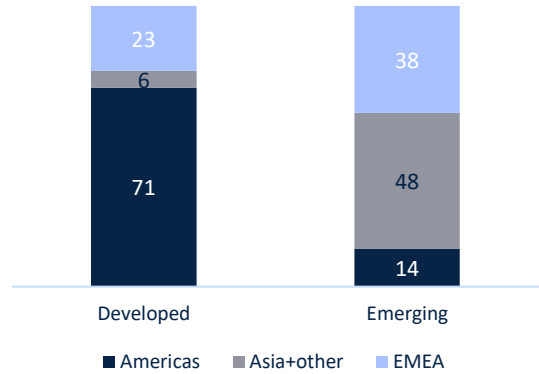
Equity Update

Global equities ended the week modestly higher after a volatile stretch, as markets balanced strong earnings against renewed doubts over the timing of U.S. rate cuts. A tech-led selloff midweek gave way to a tentative rebound, leaving the MSCI World Index up by roughly 0.4% for the period. In the U.S., the S&P 500 rose about 0.1% over the week, the Dow gained 0.3%, and the Nasdaq slipped -0.5%. Technology shares remained central to market swings as we saw rotation within the “AI trade” rather than abandoning it outright, as we saw Disney’s fiscal 4Q results captured the cross currents: EPS beat expectations, but flat revenue and ongoing weakness in linear TV led to a -4.5% share price reaction despite continued progress in streaming profitability and subscriber growth. Applied Materials reported record annual revenue and guided to another solid quarter on AI-driven demand for chipmaking equipment, yet the stock fell -1.8% as management highlighted the drag from tighter U.S. export controls on future China-related sales. Cisco’s update pointed to resilient networking and AI infrastructure spending and a constructive outlook, helping it fare better than some peers caught in the broader tech rotation, gaining almost 10%. With roughly 91% of S&P 500 companies now having reported 3Q results and about 82% beating earnings estimates, the beat rate remains well above five- and ten-year averages, and aggregate earnings growth has overshot initial expectations, reinforcing the picture of durable corporate profitability even as index-level gains have cooled.

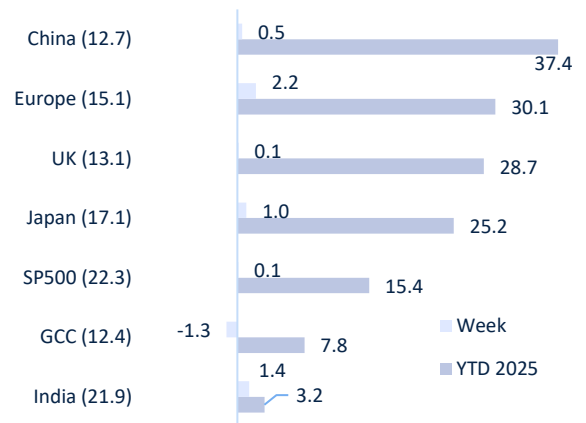
In Europe, equities advanced over the week despite a sharp pullback on Friday. The MSCI Europe Index rose close to 1.8%, supported by earlier gains that took several benchmarks to record or near-record highs before rate-cut doubts triggered profit-taking. Stock-specific news played an important role: Richemont rallied after stronger-than-expected sales, and Siemens Energy jumped on plans to resume dividends and an upgraded outlook, partly offsetting weakness in UK markets tied to fiscal concerns. Across Asia, performance was more uneven. Japan’s equity indices sold off sharply into the weekend as heavyweight technology and export names tracked Wall Street’s earlier losses, though gains earlier in the week left the overall move more contained. China provided a measure of relative stability: the MSCI China Index finished the week 0.5% higher, helped by renewed interest in state-linked financials and infrastructure, alongside fresh AI-related headlines such as new subscription services and plans for next-generation domestic chips from major internet and hardware groups. Strong earnings from Foxconn, where AI servers now account for over 40% of revenue, underlined the ongoing build-out of data center capacity and reinforced the view that AI infrastructure remains a key driver of regional technology demand.

The week ahead will see Nvidia’s November 19 earnings stand out as a key barometer for sentiment around the AI-driven growth narrative, given expectations for another significant step-up in data center revenue. Any further consolidation after this week’s choppy advance should be viewed within the context of robust year-to-date gains and solid earnings, potentially creating selective opportunities in companies with resilient cash flows, sound balance sheets, and credible long-term exposure to themes such as AI infrastructure, digital media, and industrial automation.

Equity Recommended Regional Positioning

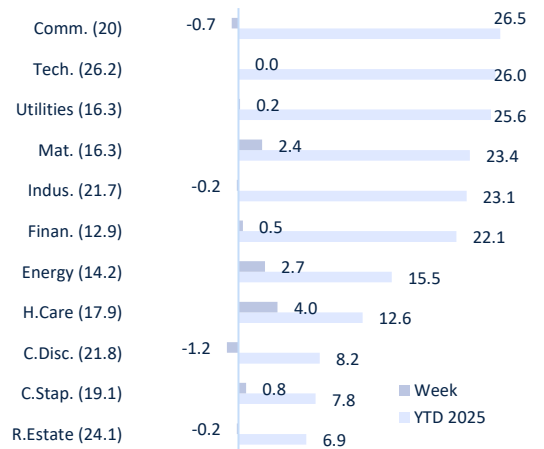


Major Indices Performance (TR, US\$), P/E in brackets



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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