Good news supports all asset classes – except for gold

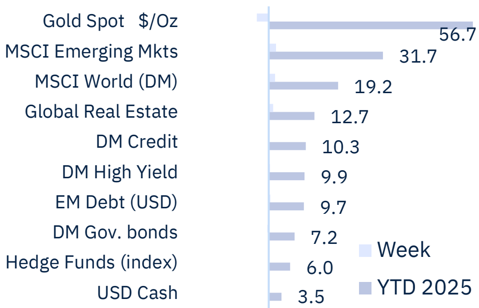
- **Last week brought good news on the economy, US inflation, earnings, and finally trade**
- **All major asset classes benefitted, except gold which saw significant profit taking**
- **Our positioning is unchanged. We remain overweight gold despite the risk of more turbulence in the short term.**

A wind of positivity blew on the investment landscape last week. It started with robust Q3 growth in China and continued with a strong start to the corporate reporting season, where earnings per share beat consensus forecast by 7%. October flash PMIs were also on the bright side, from Europe to the US. The working week ended with an even better news: the US finally released (with a delay linked to the government shutdown) the September CPI inflation report, where both headline and core measures came in slightly lower than expected. A bad inflation number would have been the only reason for the Fed not to cut interest rates this week, and markets appreciated. But that was not all. On Sunday, US and China top negotiators indicated a preliminary agreement on trade, just before President Trump Asia tour and his meeting with President Xi next Thursday. All major asset classes did well, starting with global stocks. US Treasury yields rose slightly at the longer-end of the curve, but it was compensated by the shorter-end cementing expectations for more easing to come. Oil prices jumped 7%: supply should be constrained by fresh sanctions on Russia, while demand should be supported by good news on the economy.

The only exception was gold, down -3% over the week and now almost 10% below its recent peak. Of course, gold is not your typical cyclical asset, quite the opposite as it thrives with uncertainty, falling interest rates and questions on trust in the global financial system. This natural behaviour was amplified by the fact that just a few days ago gold was up over +60% year-to-date. Good news triggered profit taking as investors may also with to fund more cyclical exposure. We would definitely not exclude more potential downside in the short-term, but we stay overweight. Long-term drivers are intact, and our profiles are thriving, up between +12% and +19% in 2025.

The week ahead will be about US tech earnings and central bank meetings (Fed, ECB, BoJ especially).

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



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Cross-asset Update

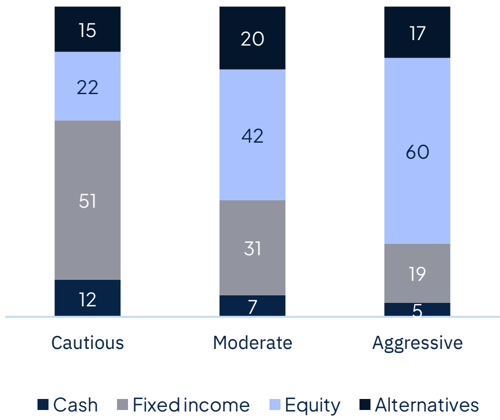
There are two major forthcoming events that basically have a 100% probability of playing out as consensus expects, that is a Fed cut at the October FOMC meeting and President Trump and President Xi making a deal when they meet this Thursday. The US labour market has slowed down enough, and inflation is still as well behaved as to allow Jay Powell to go for one more cut without looking as though he is yielding under pressure from Washington. And, although Trump and Xi might not yet be striking a deal on the sidelines of the APEC meeting just in order to play it tough, eventually they will be enticed to come to terms with each other. While Beijing asserted claim to global reach by imposing a trade ban on goods containing even only a small fraction of rare earths manufactured in China, America is considering bans on critical software and still has the upper hand on chips. The two superpowers have a deeply entangled trade relation that cannot be easily undone the official rhetoric notwithstanding. Both events should to an extent be baked in the price, though expectations of more cuts and further normalisation of US-China relations can drive further market upside.

What is going under the radar while actually being even more relevant is the growth of money supply in China, in particular the so-called M1, that is confined to currency and deposits. China's M1 is an important contributor to global liquidity that now is peaking in the Western countries and so is being held up by Beijing's looser policies.

The focus in China is now on staving off deflation by reducing excess capacity, stoking demand in the private sector, and controlling risks in real estate. These measures are showing up in the country's M1. With about a nine-month lag Chinese liquidity shows up is the global gauge, and it has been rising since late last year, while currently growing more pervasively. The bottom line is that even as US equity valuations look stretched and the AI trade quite extended, China can come to the rescue and limit downside. The positive fiscal impact of President Trump's One Big Beautiful Bill and more Fed rate cuts in 2026 should then provide support for US equities to continue their bull run.

On the side, gold had its own almost vertical bull run to then correct forcefully last week leaving everyone wondering whether this is the end of it. And no, it is not, in our view. A fractured world where China wants to anchor its global trade to gold and the Western countries are running massive deficits still offers plenty of upside for the yellow metal. Usually, gold reverses course sharply and takes a while to resume an uptrend, and this time should be no exception. Pullbacks below $4,000/oz should be seen as buying opportunities, with central banks not done buying gold and common investors only slowly catching up to the notion of owning some of it in their portfolios.

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

Last week started with a risk-off tone on account of trade tensions and heightened credit concerns in the US. Bank of England Governor Andrew Bailey cautioned about the similarities between the $1.7 trillion surge in private credit and the subprime debt crisis, announcing that the Bank has commenced industry consultations to explore stress testing within the private credit market. A wave of safe-haven buying pushed benchmark yields to their lowest levels in months with the 10-year dropping as low as 3.94% on Wednesday. However, the markets calmed down as good news emerged on the trade front with President Trump and President Xi scheduled to meet this week with a framework for a deal announced on Sunday. The 10-year yield is back above 4%.

On Friday, CPI inflation figures came in softer than anticipated. Headline CPI increased by 0.3% month-on-month easing from August's 0.4%, while core inflation undershot expectations at 0.2% month-on-month. Core goods inflation remained stable at 1.5% year-on-year, and core services moderated slightly to 3.5% from the previous 3.6%. US PMI data released the same day highlighted an ongoing divergence between robust output and weakening employment, which is likely to be resolved by a slowdown in growth. Consistent disinflationary trends should create scope for the Federal Reserve to implement a 25-basis point rate cut this week, scheduled for 29 November. Fed could also announce the end of QT. Treasury is scheduled to announce its quarterly financing estimates on Monday. JPM assumes the tariff revenue to be around $350bn. This combined with earlier end to the QT by Fed would mean the private funding needs should be lower than estimated and no coupon auction size increases till Q3 next year.

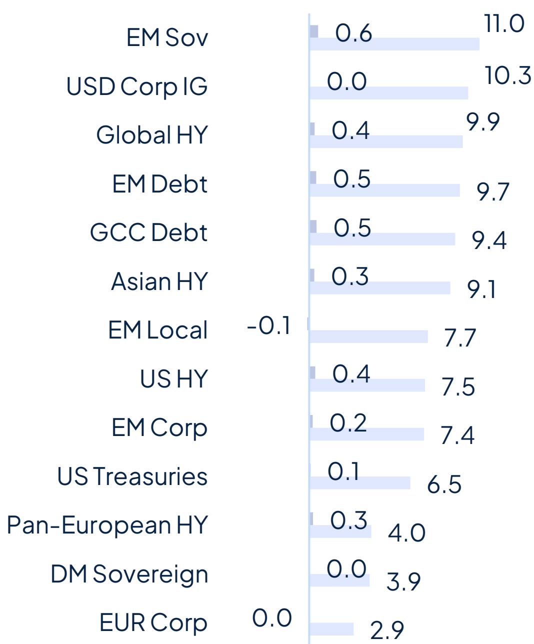
IG issuance has been slow in October with around $40bn priced so far which could be attributed to earnings season blackouts and huge issuance volumes in September. November should see issuance go back to normal. According to analysts, November has been the best month for spread compression historically, however, with spreads having rallied significantly this year, we expect more a of a sideways movement.

Last week, a Turkish court dismissed a case that could have toppled the leader of the CHP. The verdict offered some relief to investors, with stocks and bonds rallying while the lira trimmed losses. But the political risk in the country for foreign investors remains elevated with the government now bringing in espionage charges against the arrested Istanbul mayor Imamoglu. On Thursday, Turkish central bank cut one week repo rates by 100 bps to 39.5%. The MPC also lowered the Central Bank overnight lending rate from 43.50% to 42.50%. The central bank did sound caution on the upside inflation risks.

Fixed Income Key Convictions

DEVELOPED MARKETS
Neutral DM FI
Neutral 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)



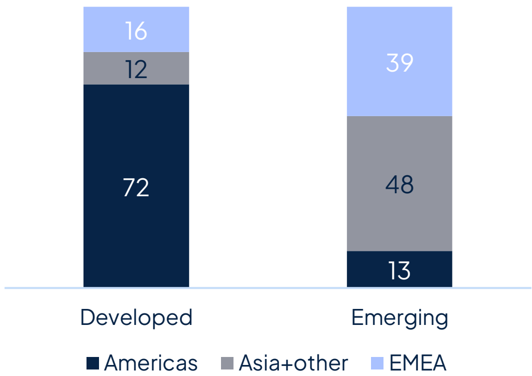
Equity Update

Global equities rallied last week as a decisive shift in sentiment drove broad gains across the major markets. The MSCI ACWI rose 1.8%, with developed markets up 1.8% and emerging markets advancing 2.1%. The rally was led by technology and cyclical sectors as softer U.S. inflation data reinforced expectations for easier policy and improved risk appetite. The mood strengthened late in the week after Washington and Beijing announced a new framework for cooperation, which added to the rebound already underway in Asia. The S&P 500 climbed 1.9% to a new record high, marking its strongest week since August. Gains were concentrated in large-cap technology, communication services, and financials. Earnings were the main driver, with about one third of the index now reported and profits running nearly 8% above expectations. Tesla fell after weak margins and continued price discounting in its vehicle business, while Netflix dropped sharply after a $619 million tax charge in Brazil. Industrial names held firm, led by General Electric and Caterpillar, while energy outperformed on renewed strength in oil-related equities. IBM added to the upbeat tone with progress in quantum computing, and AMD rallied on firm AI-related orders.

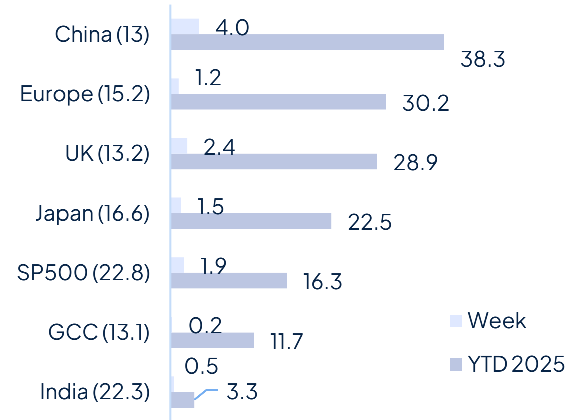
In Europe, The MSCI Europe rose 1.5%, led by financials, consumer discretionary, and industrials. LVMH, Kering, and Richemont advanced after solid updates that highlighted steady luxury demand in Asia, and Volvo Car rallied after strong quarterly results. SAP lagged after cutting its cloud revenue forecast, weighing on software names. Asia delivered the strongest equity performance globally. The MSCI China surged 4.0% as Beijing's fourth plenum concluded with a new five-year plan focused on industrial renewal and technological independence. The announcement of a cooperation framework between the United States and China added to optimism and helped extend a powerful rebound in technology and defense shares. Chipmakers and software developers led the advance, supported by renewed state commitments to AI investment. Hong Kong-listed tech heavyweights, including Tencent and Alibaba, gained sharply. Japan's TOPIX rose 3.1%, driven by semiconductor exporters and steady foreign inflows following Prime Minister Sanae Takaichi's cabinet formation. Intel's improved guidance fueled strength in the regional supply chain, lifting Advantest, Ibiden, and Tokyo Electron. Across the region, buying momentum broadened beyond technology to include autos and consumer names, as sentiment improved on expectations of sustained policy support and steady global demand. Emerging markets outside Asia posted smaller gains but continued to benefit from firm risk appetite. Indian equities edged higher, while Taiwan and South Korea outperformed on strong semiconductor momentum. Latin America was mixed, with Brazil under pressure from weaker domestic earnings.

Last week's advance marked the first synchronized global equity rally in several months, driven by resilient earnings and broadening participation across sectors and regions. The coming days will keep the spotlight on corporate results, with key reports due from Apple, Amazon, Alphabet, Microsoft, Meta, Exxon, and Chevron in the US. The tone of these results will determine whether the recent momentum extends into November or begins to consolidate after a strong month-end run.

Equity Recommended Regional Positioning

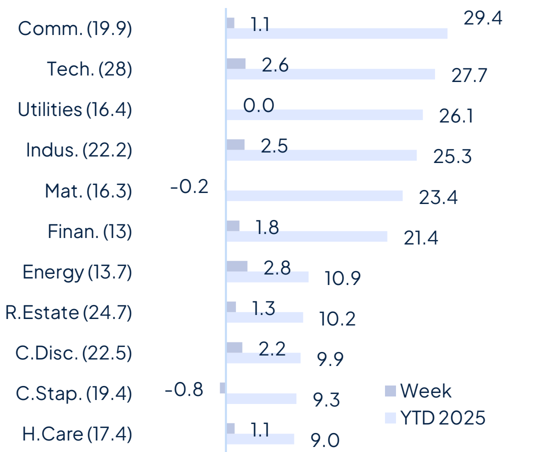


Major Indices Performance (TR, US$), P/E in brackets



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$.

بنك الإمارات دبي الوطني
Emirates NBD

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