



Investment Research

Global Outlook

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MARKETS REVIEW

Macro Outlook

United States:

From April's dip to November, US equities advanced on balance, led by mega-cap tech and AI spending: as the Nasdaq outperformed, small caps lagged. As of Nov 29, the S&P 500 returned about 16.5% YTD.

The Fed has shifted from holding rates steady to making small cuts as inflation eased and labour-market conditions gradually softened. High borrowing costs helped slow price growth but also dampened spending and investment, also hit by economic and geopolitical uncertainty. After keeping rates stable through midyear, this fall saw two rate cuts for a current rate in the range of 3.75-4%. Geopolitical and economic uncertainty is an important factor holding back the economy, and the recent government shutdown has prevented economic data collection, processing and release.

The rumours of a cooling job market, alongside increasing concerns of an overvalued tech sector and unsustainable Capex from mega-cap tech companies pose a risk for a market correction, which some see as overdue from the recent rally. Mega-cap tech companies are increasingly using debt to cover the costs of new data centres, which is a shift from using strong earnings and balance sheets to finance them.

Canada:

Canada's economy is currently navigating a difficult period as growth has been slowing down, particularly impacted by trade tensions with the US and weaker business investment, despite inflation easing and going down toward the Bank of Canada's 2% target. According to their projections from October 2025, CPI inflation is expected to stay around 2% in the near term.

Economic growth remains low, as real GDP is projected to average around 1.4% in 2026-2027, after a particularly difficult second half of 2025. Exports have also suffered, mainly due to uncertainty related to US tariffs. It therefore appears that household spending remains the main driver of growth there, supported primarily by lower rates.

The labour market has also appeared to weaken, as the unemployment rate has climbed to around 7.1%, which is the highest level since 2016 (excluding pandemic), and wage growth has also slowed significantly going down to 3% according to the Bank of Canada. On the interest rates side, the BoC has cut its policy rate by 25 basis points in late 2025, going down to 2.25%, though this appears to be their final move at least for now unless conditions seriously deteriorate. In the downside case, that is in case of continued trade disruptions or a projected reduction in growth, further easing could turn necessary. However, if households keep spending and consumer demand does not decrease, Canada could stabilize or even build momentum into 2026.

United Kingdom:

After two difficult quarters, the UK economy progressed in Q3 2025, with GDP increasing by 0.3% QoQ. Inflation has kept declining but remains above BoE's target, as CPI averaged 3.2% in Q3, while services inflation stayed above 5%. The labour market situation does not seem to improve, with unemployment rising to 4.7%, a level that had not been reached since 2021, therefore raising concerns about the labour market. Business investment also worsened, falling 1.4% YoY, reflecting the weak productivity and the overall uncertainty of the market. Monetary policy has appeared more favourable. After initiating its easing cycle mid-2025 with two rate cuts, the Bank of England has held rates steady in the second semester, visibly waiting for clear evidence of wage growth.

Financial markets have, however, overcome the difficulties at the macro level, with the FTSE 250 up 17% year-to-date, supported by expectations of further 2026 rate cuts and better liquidity conditions. However, gilts (sterling-denominated UK sovereign bonds) are still volatile due to the overall uncertainty. The main challenges ahead of the UK will be both the persistent inflation and the lack of productivity. On the better side, rising real incomes should support the recovery of the economy into early 2026 though big challenges remain to be tackled.

Euro Area:

The Euro area continues to face a slow recovery as geopolitical uncertainty remains, and external trade tensions keep weighing on exports and investments. Growth is expected to remain low, with Euro area GDP projected to expand by 1.4% in 2025 and about 1.2% in 2026. Inflation, however, keeps decreasing at a consistent pace, with headline inflation converging toward the ECB target, at around 2.1% in 2025. Core inflation, on the other hand, is expected to average slightly above 2% before gradually converging.

Domestic demand is also recovering progressively, as unemployment remains particularly low at around 6%, supporting consumption through stable wages and better real incomes. The ECB is expected to act cautiously, despite probable rate reductions to come. Downside risks include a sharper global slowdown and renewed energy volatility, while a faster recovery in household spending could lift growth above current projections.

China:

While the recent trade de-escalation has brought the effective US tariff rate on China down to 45%, US tariffs, combined with mediocre CPI and negative PPI have cooled GDP growth in Q3 2025 to 4.8%, losing the H1 2025 growth momentum. Export figures in H1 2025 rose by 6.1% YoY, but only due to exporters rushing out shipments before tariffs hit.

By October, exports fell as momentum died down. Domestic demand remains fragile, and real estate investment plunged 13.9% YoY in the first three quarters. In response to weak price pressures and growth risks, the PBOC eased policy in H1 2025, holding rates steady in the second half of the year over capital outflow concerns. Despite the slowing economy, the Chinese stock market has had a robust year: the CSI 300 rallied 30.4% since the Liberation Day dip. Much like in the US, this growth is driven by the tech sector and AI enthusiasm.

The recent dynamics in the US-China trade war show how both sides have been overconfident in the leverage they hold on to one another, and Beijing has shown signs of shifting from a policy of “proportional retaliation” to asymmetric attacks.

Japan:

Japan's outlook remains mixed, with activity moderating after a period of increased consumption. Recent quarters have shown a bit of a contraction, and GDP growth for 2025 is projected to be no higher than 1.1%, before decreasing to around 0.5-0.7% in 2026. Domestic demand remains strong, though consumer sentiment has been impacted due to rising living costs. Business investment seems to remain steady but still sensitive to global trends.

Inflation recently exceeded Japanese usual norms but is projected to ease at around 2.4% in 2025. Wage growth remains central to the Bank of Japan as sustained real wage growth is needed before any more tightening. For now, the BoJ is expected to normalize its policy only gradually, keeping rates low.

Emerging Markets:

Emerging markets showed resilience despite a slowing global economy and US trade tensions: the IMF's fall estimates held EM GDP growth around 4.2% in 2025. India led major EM economies, outperforming forecasts with 7.8% YoY GDP growth in Q2 2025, while inflation remained stable. A decreased federal funds rate and a weakened yet stabilizing US dollar benefited EM bonds, which also enjoyed a significant increase in hard currency inflows. EM equities had a strong year: by the end of Q3, the MSCI EM Index was up about +27.5% YTD. African equities and sovereign bonds especially benefited from strong commodity prices, like those of gold and copper: in USD terms, Kenyan, Nigerian, Moroccan and South African primary equity indexes all rose more than 40%, while the Ghana Stock Exchange CI more than doubled in value and the Zambian LuSE index rose by more than 80%.

EM equities, bonds and currencies are expected to benefit from the current US economic environment, especially as a soft landing is likely. A weak USD, lowered US treasury bond yields (with the possibility of further rate cuts depending on post-government shutdown data), strong commodities and increased investor appetite in the region make a Goldilocks scenario possible, if not likely.

France's tax system under strain

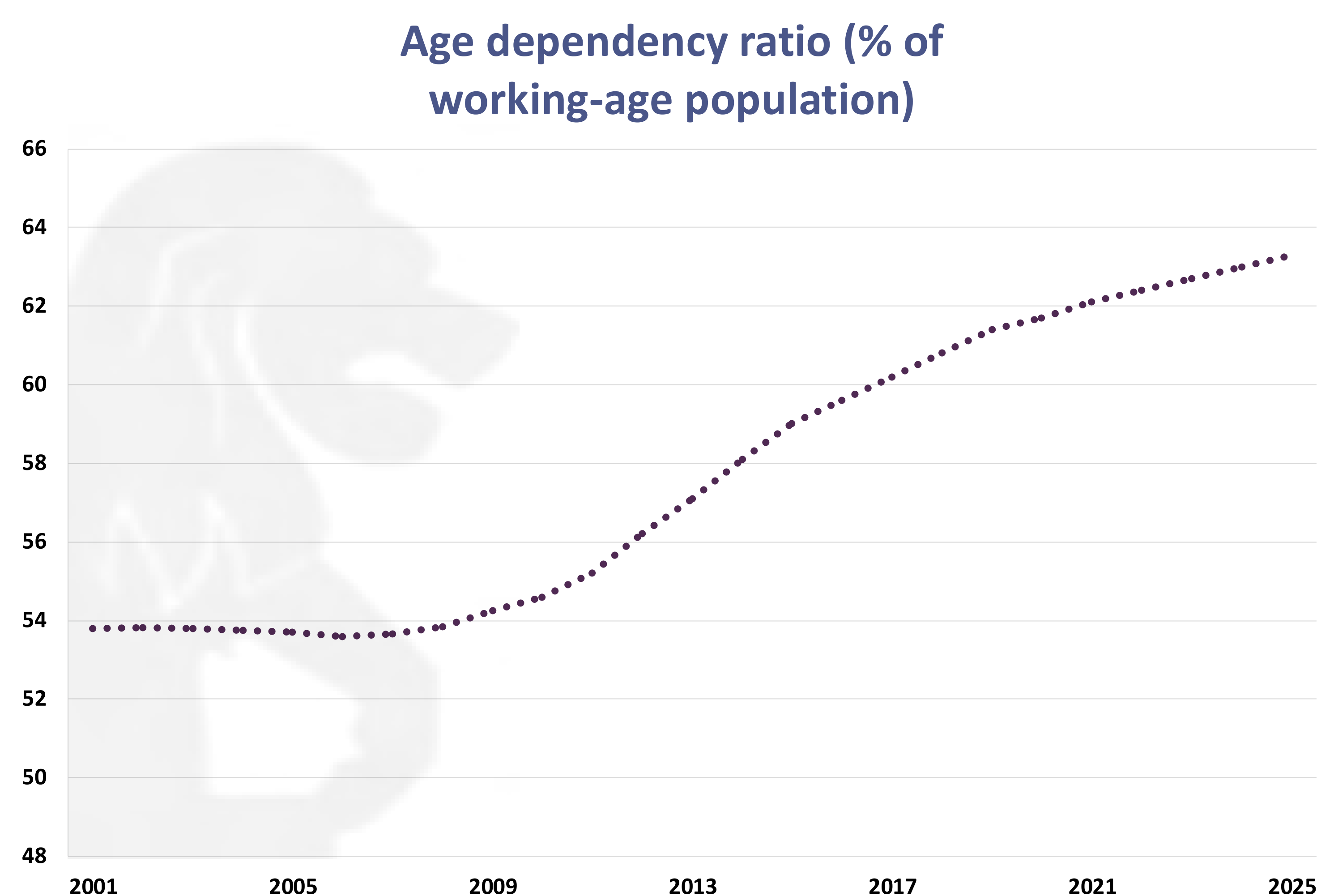
France is confronted with a growing political and economic crisis. Fiscal policymaking has become fragmented due to the collapse of successive governments and the lack of a stable parliamentary majority. With a €10 billion VAT shortfall, one of France's biggest sources of money for the state, and a deficit still exceeding 5% of GDP, revenues continue to underperform despite the emergency measures introduced by the Finance Act for 2025, which included surcharges on high incomes and multinational corporations. In the face of this instability, the government has endorsed economist Gabriel Zucman's proposal for a 2% yearly tax on the worldwide assets of households with more than \$100 million. Though presented as an effort to promote "tax justice", the initiative has provoked sharp opposition from President Macron's centrist bloc and business leaders, who view it as an ideological move from left parties that risks undermining investment and entrepreneurship.

Figures like Bernard Arnault and major tech founders have warned the measure could force asset sales or capital flight. While supporters argue it could restore fairness and broaden the tax base, critics stress it is largely symbolic and politically driven, unlikely to resolve France's immediate fiscal shortfall. The political class is still split between proponents of austerity and populist tax reformers, and investor confidence is eroding; widespread strikes and the "Block Everything" movement opposing tax increases and cuts, social tensions are high.

France's fiscal consolidation challenge

France is confronting a fiscal crisis that combines the highest public spending in the OECD, a rapidly aging population, and a political system seemingly incapable of decisive reform. As of Q3 2025, general government expenditure stands at 57.1 % of GDP, the public debt-to-GDP ratio has reached 114.1 %, and the structural deficit remains above 5 % despite repeated promises of consolidation. This is a logical endpoint of a social model built on generous redistribution and rigid entitlements. France is caught in a vice where further taxation is politically and economically exhausted.

Demographic ageing is inexorable (rising dependency ratio since 2006, pushing the pay-as-you-go pension system and long-term care costs, the two biggest contributors to spending) and debt dynamics have turned adverse.



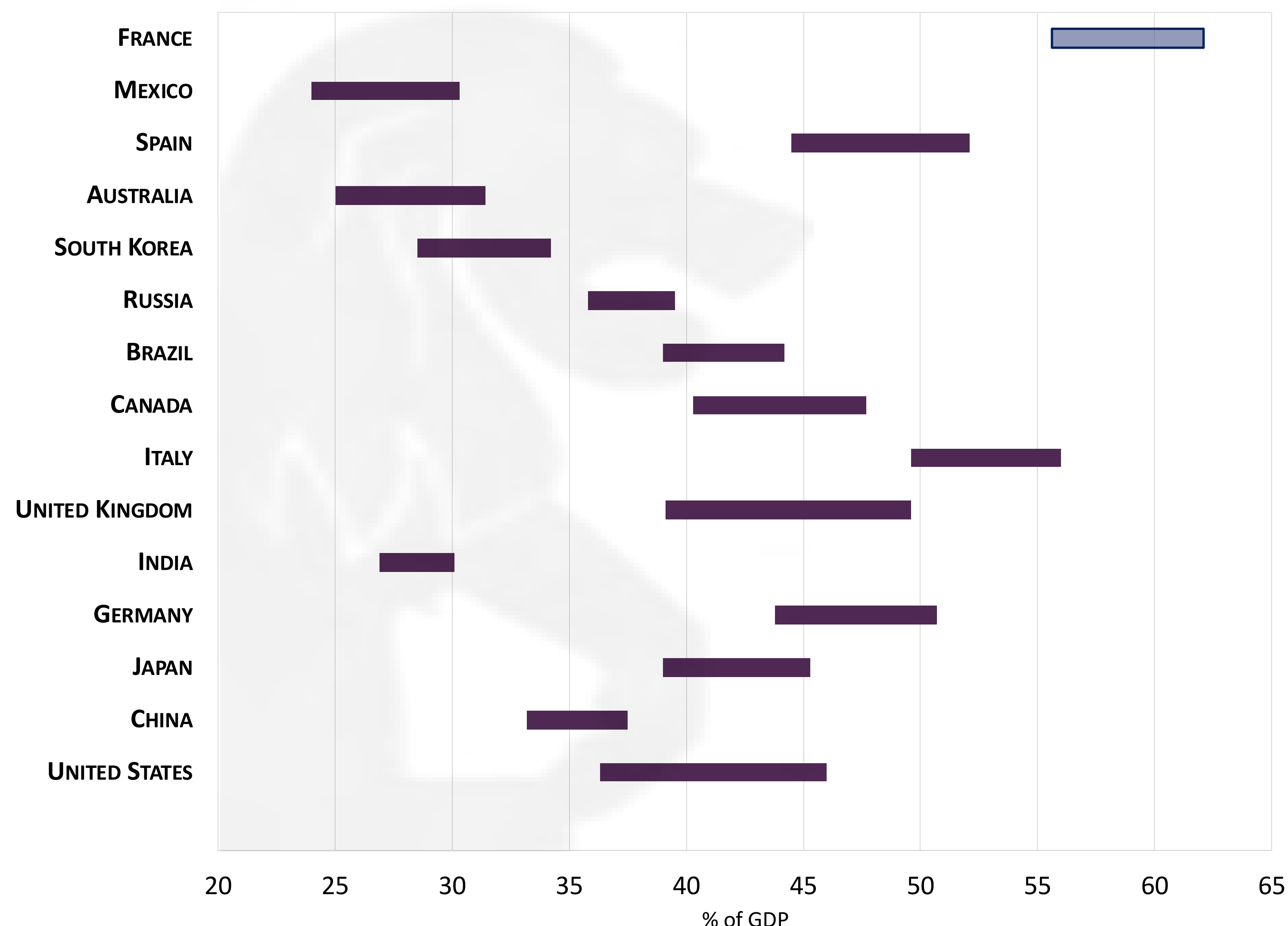
Unlike the 2010 sovereign debt crisis, France's problem is rooted in its structural primary spending. Successive governments have relied on optimistic growth assumptions and one-off revenues (windfall taxes, asset sales, EU funds) rather than tackling the expenditure base. The 2025 budget's €50 bn consolidation package, the largest in decades, still leaves the structural deficit at 4.7% of GDP, and political fragmentation makes deeper reform improbable before the 2027 presidential election.

The necessary reforms imply political suicide and the rise of extreme parties. To stabilise France's public debt below 120% of GDP by the early 2030s even if economic growth remains modest (around 1.8–2% nominal) and borrowing rates stay at 3–3.5%, the country must permanently reduce its structural deficit by roughly 4–5% of GDP, the equivalent of €110–140 billion a year in today's money; which is more than the defence and education departments' budgets.

With interest rates now higher than nominal growth, every year of inaction adds about 1.5% of GDP to the debt ratio, closing that gap and creating room for renewed fiscal credibility requires bringing public spending from its current 57% of GDP down to around 51/52%.

Europe's fiscal fault lines: France and Netherlands

Government Spending as % of GDP: 2015-2024



Netherlands pension reform

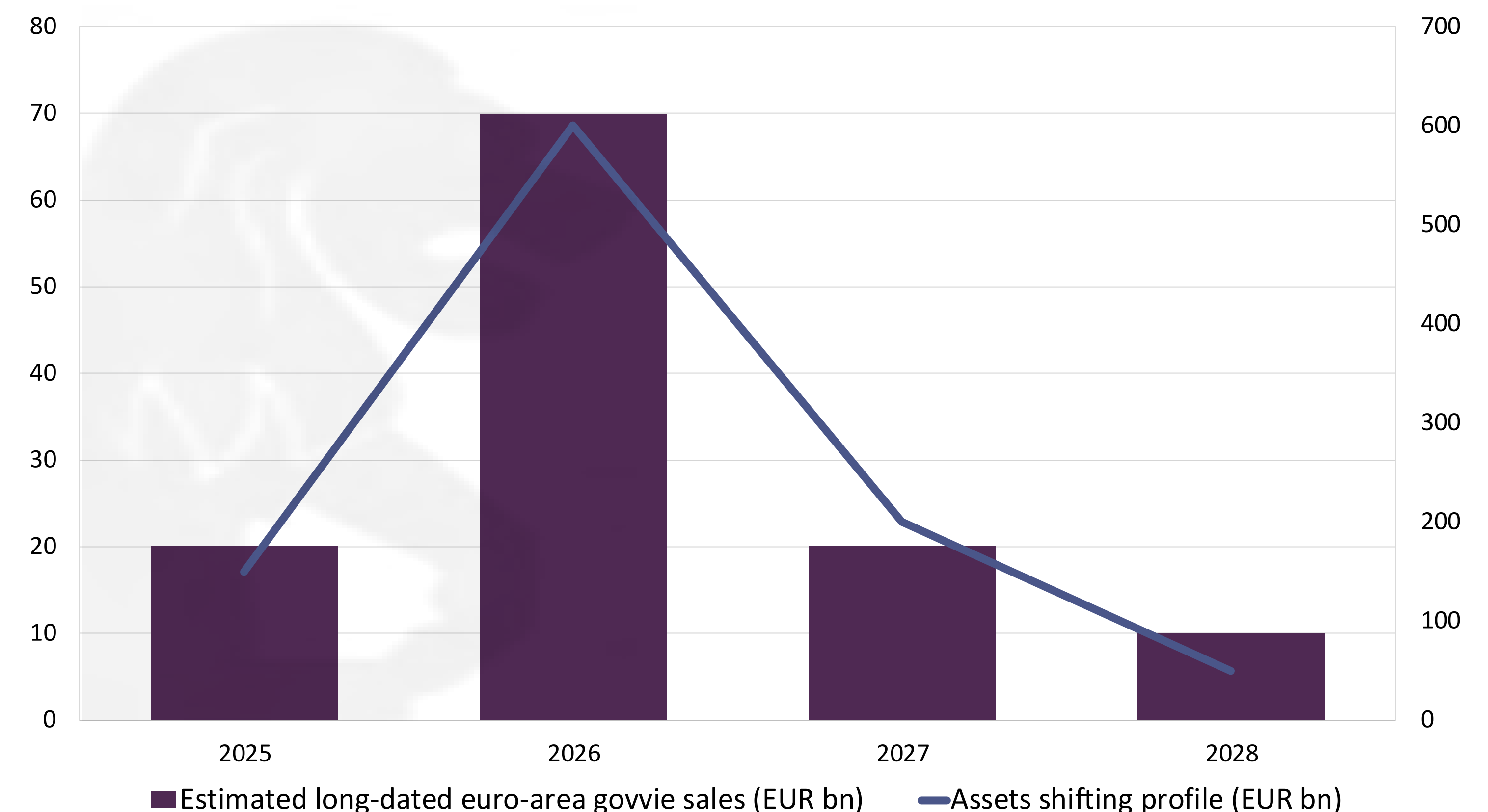
Long-term savings management in the Netherlands has undergone a significant shift under the Future of Pensions Act (WTP). Defined-benefit plans, where the pension promise is fixed, are being replaced by defined-contribution plans, where the amount received depends on investment performance.

Each person will have their own “bucket” of assets. This lowers the risk carried by pension funds and makes it clearer for employees how contributions translate into future income. With major players like PFZW aiming for 2026 and ABP for 2027, all funds must switch by January 1, 2028. Over time, the system should be more sustainable and slightly positive for euro-area stability and Dutch public finances. The biggest market impact is expected in bond markets. Under old rules, funds needed many very long-dated government bonds and interest-rate swaps to match their commitments; under the new rules, this requirement is lower.

Analysts estimate that €100–125 billion of long-dated euro-area government bonds may be sold between 2025 and 2028, with a strong wave around early 2026 when roughly €600 billion of assets may shift investment profile. This could push long-term yields higher relative to short-term ones (“steeper curves”) and create volatility in Dutch bonds, OATs and Bunds, especially as governments continue to borrow heavily.

Dutch funds have already begun adjusting their hedges, suggesting a gradual transition rather than a sudden shock, but markets and the ECB will watch key dates closely.

Long-end supply and asset transition



The reform will also change how Dutch pension savings are invested. With less pressure to lock in very long, fixed payouts, funds may hold more global equities, private assets and real assets, supporting demand for riskier investments over the medium term. The downside is that pension outcomes will be more closely linked to market performance, which could affect household confidence in a downturn.

If implementation goes smoothly and members understand the changes, the reform should make the system safer and reinforce the Netherlands' role as a major institutional investor in the euro area, while shifting some volatility away from public finances and toward the long end of European bond markets.

Political background

South Korea entered 2025 amid political upheaval following President Yoon's impeachment and the subsequent election of President Lee Jae Myung. While the transition initially caused volatility in USD/KRW, with the won briefly weakening toward KRW 1,450 per USD, the new administration's early focus on stability, diplomacy, and market reforms has helped calm investor concerns. President Lee's policy stance prioritizes corporate governance reform and improved foreign relations, aiming to restore confidence after a turbulent political year.

Key macroeconomic data

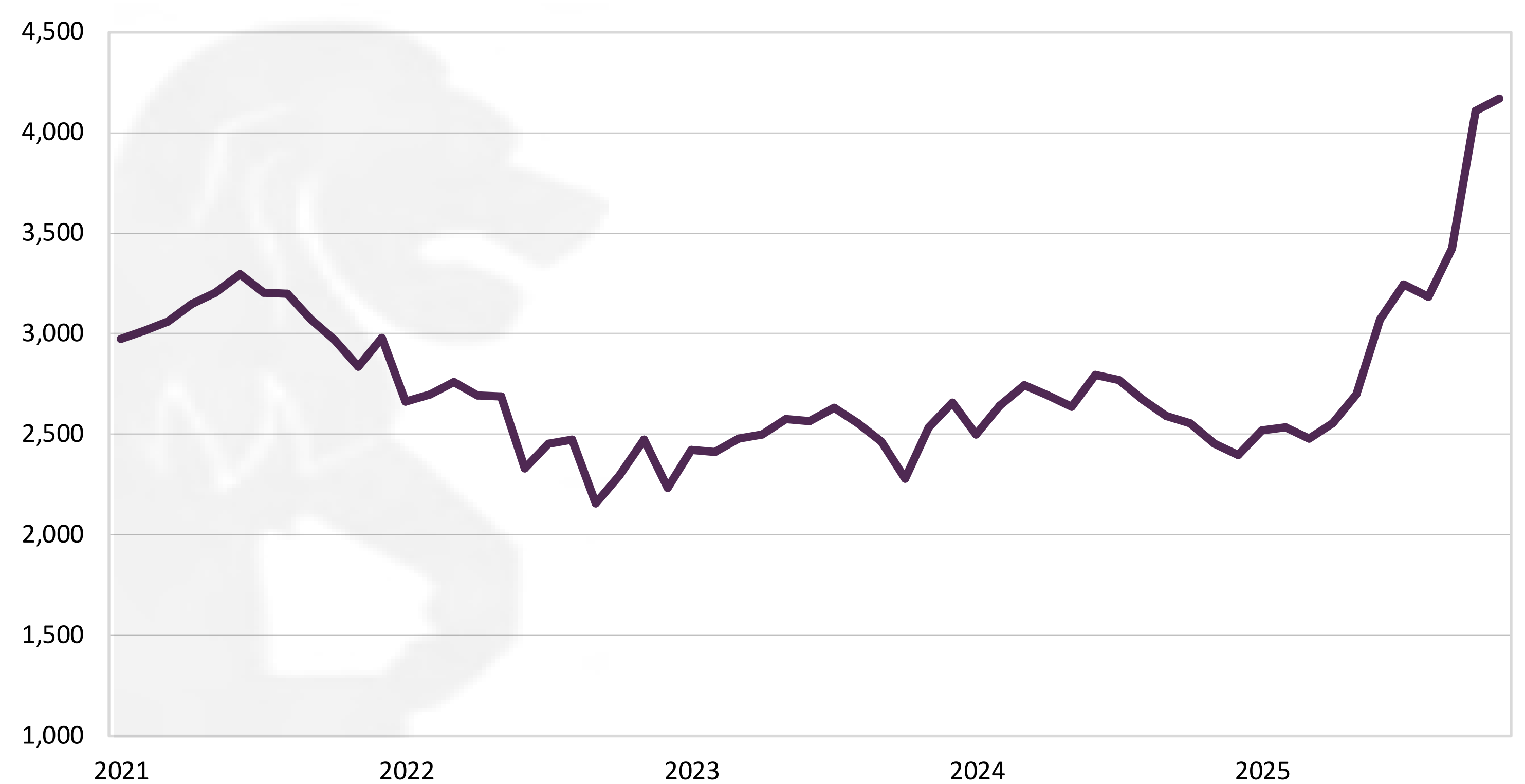
South Korea's macro-outlook remains subdued. After growing 2.0% in 2024, growth is expected to slow to 1.0–1.4% in 2025 before recovering to around 1.8% in 2026, reflecting weak exports, softer Chinese demand, and muted domestic consumption. Industrial activity has picked up thanks to a semiconductor rebound, though broader investment remains soft. Inflation has eased into the low-2% range, enabling the Bank of Korea to adopt a more neutral stance, even as a weaker won adds some import-cost pressure. Fiscal policy has turned supportive, with higher public investment aimed at lifting medium-term growth.

Equities

Despite weak macro data, Korean equities have delivered one of the strongest performances globally. The KOSPI surpassed 4,000 for the first time in history, driven by a powerful rally in semiconductors and AI-linked sectors. Foreign inflows returned after years of outflows, with substantial buying in Samsung Electronics and SK Hynix amid optimism around the memory-chip upcycle and Korea's central role in AI hardware.

Corporate governance reforms and improving shareholder-return policies supported valuations, although profit-taking in early November caused a temporary pullback. Even so, Korean equities remain structurally well-positioned if earnings continue to strengthen.

KOSPI Index



US and China geopolitical tension

The global environment remains challenging. Renewed US tariffs, tighter tech export controls, and heightened military activity around Taiwan have increased uncertainty for Korea's export dependent economy. As China and the US remain Korea's two largest trading partners, accounting for roughly 35% and 20% of exports respectively, Seoul continues its strategic balancing act: aligning with US security objectives while carefully avoiding moves that could trigger economic retaliation from Beijing. Semiconductor related policy risks remain elevated as both superpowers intensify competition in AI and advanced manufacturing.

Key challenges ahead

South Korea faces three major challenges: currency volatility, weak growth, and heightened geopolitical risks. The won's recent weakness has helped exporters but weighed on foreign investor returns, making FX stability a key priority without constraining monetary flexibility. Meanwhile, stagnant growth below 1% highlights structural weaknesses such as aging demographics, productivity constraints, and overdependence on a narrow set of export sectors. At the same time, Seoul must carefully balance US trade pressures with China's economic influence while safeguarding supply chains and maintaining competitiveness. The outlook remains cautiously constructive: Korea's technological strength and policy reforms provide support, but managing US and China tensions and stabilizing the won will be crucial to sustaining investor confidence into 2026.

Legal mechanisms behind the US Shutdown

Contrary to Europe, the United States does not have the figure of a “unified budget,” but rather a set of independent laws that grant federal agencies the legal authority to spend money for specific areas during a single fiscal year. These are called appropriation or funding bills, and they determine all discretionary spending by the U.S. government.

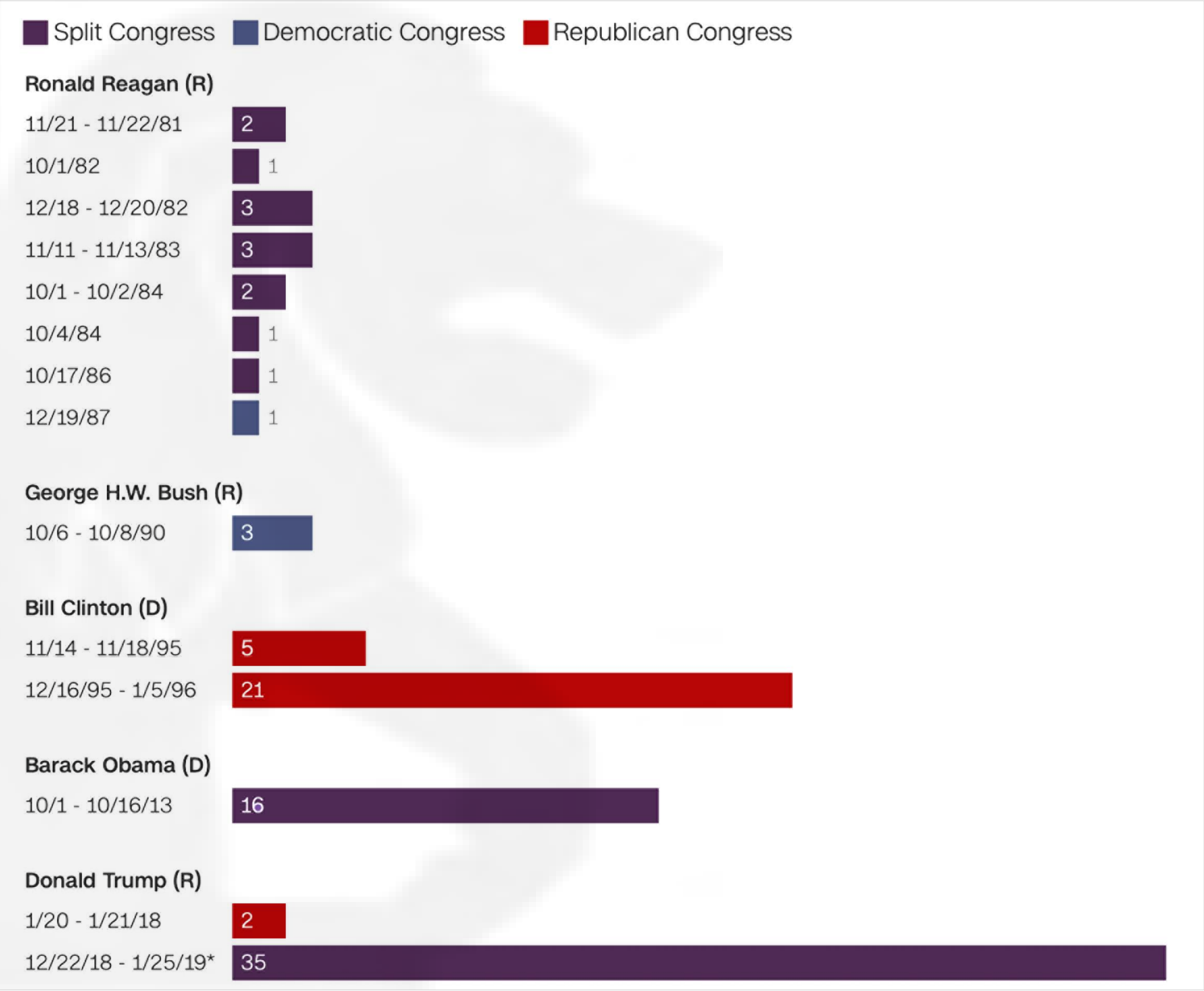
The process begins when the President submits a Budget Request, which is not binding but signals the administration’s priorities. The House of Representatives and the Senate then each draft their own Budget Resolutions, which propose expenditure ceilings, revenue targets, deficit projections, and policy priorities. Were the resolutions to differ, a Conference Committee is created to reconcile them in a Conference Report. The unified Congressional Budget Resolution, setting the final expenditure limit (the 302(a) allocations) is then passed to the House and Senate Appropriations Committees, which each divide the total allowed expenditure and draft twelve appropriations bills covering major policy areas such as defence, agriculture, commerce, and education.

Once drafted, each appropriations bill must be passed in both the House and the Senate. They can be approved separately, a few bills at once (a minibus), or all together (an omnibus). If their versions differ, a second Conference Committee reconciles them into a final version before it is sent to the President for signature. This second stage is particularly decisive, as failure to reach agreement here prevents the enactment of appropriations laws and can lead to a government shutdown under the Antideficiency Act. According to this 19th-century law, federal agencies cannot spend money, pay employees, or operate without congressional approval. If none (or only some) of the twelve funding bills are enacted by September 30, the end of the fiscal year, the affected agencies lose spending authority, and the government enters a full or partial shutdown. In that case the Office of Management and Budget (OMB) would issue guidance as to which “non-essential” programs and employees would have to be temporarily ceased in an unpaid leave, although mandatory spending programs like Social Security, Medicare, and interest payments on the debt would continue.

When Congress fails to approve regular appropriations on time, it may pass a Continuing Resolution (CR), a temporary funding measure that extends spending at the previous year’s levels for a limited period. CRs maintain government operations and prevent a shutdown, but they also restrict new projects and create planning uncertainty for agencies.

A clean CR simply continues funding at existing levels with no policy changes, while a charged (or loaded) CR includes additional provisions or “anomalies,” such as new spending priorities, program adjustments, or policy riders, making it politically more contentious. Because both appropriations bills and CRs are considered ordinary legislation, they are subject to the Senate filibuster, a procedural rule that allows a minority of senators to block or delay most measures by extending debate indefinitely. Under Senate Rule XXII, ending debate requires 60 votes (three-fifths of the Senate). As a result, even if a simple majority supports a funding bill, failure to secure 60 votes to invoke cloture can prevent its passage. This rule often forces bipartisan compromise but can also prolong or trigger government shutdowns when negotiations break down. The current shutdown stems from the breakdown of this very process. In September 2025, the House of Representatives, controlled by Republicans, and the Senate, held by Democrats, failed to agree on a short-term Continuing Resolution (CR) before the September 30 funding deadline. The House passed a seven-week “clean” CR with tighter spending limits and no healthcare expansions, while the Senate advanced a four-week “charged” CR demanding a permanent extension of the Affordable Care Act (ACA) subsidies expiring at the end of 2025, reversing the recent Medicaid eligibility changes, restore funding for public broadcasting, and increase congressional security budgets. Because the Senate’s version included partisan policy provisions, it lacked the 60 votes required to overcome the filibuster under Rule XXII, while Democrats simultaneously blocked the House bill. With neither chamber able to reconcile their versions or pass any of the twelve appropriations bills, Congress missed the deadline, triggering a lapse in appropriations and forcing the government into its current shutdown.

Duration of federal government shutdown, in days, by president



Feasible legal alternatives

To resolve a lapse in appropriations, Congress and the Executive Branch have several potential courses of action, though each carries different political and procedural constraints. The most straightforward solution is for both chambers to approve a new Continuing Resolution (CR), either “clean” or “loaded,” extending funding for a set period while negotiations on the full-year appropriations continue. Alternatively, lawmakers may pursue passage of one or more of the twelve regular appropriations bills, possibly grouped into “minibuses” or combined into a comprehensive omnibus package. Should negotiations stall, a bipartisan compromise may be brokered in a Conference Committee or through leadership-level talks, producing a reconciled bill acceptable to both parties.

Procedurally, the Senate filibuster remains a key barrier, as ending debate requires 60 votes under Rule XXII. However, the chamber could choose to suspend or modify the filibuster, the so-called “nuclear option”, allowing funding measures to pass by a simple majority, though this would represent a major institutional shift. President Donald Trump has openly expressed his preference for this option, portraying the preservation of the filibuster as a sign of weakness that hampers the party’s image and prevents them from advancing their agenda.

In the House of Representatives, moderate members could invoke a discharge petition, a rarely used procedural instrument that enables a bipartisan majority of 218 members to bypass the Speaker’s control of the agenda and bring a funding bill directly to the floor. The process is deliberately slow, requiring a 30-legislative-day waiting period after a bill has been introduced, but it can serve as an effective pressure mechanism in moments of extended gridlock, as demonstrated during the 2019 shutdown. The President also retains limited emergency and reprogramming authority under Title 31 of the U.S. Code, which allows the temporary transfer of unobligated or unallocated funds within the same agency or account to cover essential expenses. However, these powers are strictly circumscribed by statute and cannot create new budget authority or override the Antideficiency Act. As such, they may help sustain critical operations temporarily but cannot end a shutdown.

This debate intensifies after a Republican backdrop in the off-year elections that many analysts view as a sign that much of the public blames the GOP for the shutdown’s continuation. Reflecting these concerns, Senator John Thune, Republican of South Dakota and the majority leader, has withdrawn a plan to allow votes on targeted funding bills, such as measures to pay federal workers or extend nutrition benefits, fearing that doing so would give Democrats political cover while still refusing to approve a full funding package.

Meanwhile, operational and economic pressure escalate. On November 5, the Federal Aviation Administration reported extensive flight delays and cancellations as unpaid air traffic controllers called in absent, disrupting travel nationwide and evoking parallels with the 2019 shutdown. Simultaneously, the suspension of federal nutrition benefits on the same day has affected about 42 million Americans, forcing the Department of Agriculture to draw on its \$4.65 billion contingency fund to cover roughly half of November’s SNAP payments after federal judges ordered the agency to maintain benefits “to the maximum extent practicable”.

Economic impact

According to estimates by the Congressional Budget Office, if the shutdown extends for eight weeks, it could cut fourth-quarter GDP growth by up to two percentage points, followed by an expected rebound early next year. Roughly 1.9 million federal workers are either furloughed or working without pay, including 600,000 deemed essential, while unemployment could rise by 0.4 percentage points if furloughed workers are counted as temporarily laid off. The Council of Economic Advisers calculates that the shutdown is draining \$15 billion of GDP each week, while EY-Parthenon places the weekly loss closer to \$7 billion, equivalent to a 0.1 percent drop in quarterly growth per week of closure.

The short-term fallout is visible across federal operations: safety-net programs such as WIC are running out of funds, Head Start programs awaiting renewals have been suspended, and routine services at the Social Security Administration and Medicare offices face severe delays. Airports are experiencing longer lines as unpaid TSA and air-traffic control staff report rising absenteeism. The administration has also paused billions in infrastructure and climate-related projects, targeting opposition-led cities, which further dampens local investment and employment. Beyond the immediate loss of output, the shutdown threatens to distort data collection vital for policymakers. With the Bureau of Labor Statistics and other agencies closed, critical reports on jobs, inflation, and production are not being released, leaving markets and the Federal Reserve effectively “data-blind.” It will take weeks after operations resume to rebuild the statistical base, complicating monetary policy decisions like December’s FOMC meeting, which markets may now price in with greater uncertainty. Waller on Fed data.

In the meantime, the Fed must rely on the few governmental indicators still available during the shutdown, notably its own Beige Book, which compiles qualitative evidence from regional banks, the H.8 report on commercial-bank assets and liabilities, and fiscal data from the Treasury Department on spending, revenues, and borrowing

A handful of indicators from the Department of Labor will also continue to be released, including the weekly initial and continuing jobless claims, as well as two Bureau of Labor Statistics reports not tied to the main employment survey, the JOLTS data on job openings and quits, and the Usual Weekly Earnings of Wage and Salary Workers. These provide partial but timely signals on labour-market tightness and wage dynamics ahead of the Fed’s December meeting. Still, the absence of the broader BLS, Census, and BEA datasets leaves policymakers with a fragmented view of the economy, heightening the risk of misreading underlying trends and forcing greater caution in weighing the case for a year-end rate cut.

The longer the impasse continues, the greater the risk of lasting labour-market disruption as furloughed employees seek private-sector work, reducing future government capacity. Some within the administration view this as an “opportunity to permanently shrink government,” but analysts caution that such attrition would weaken key institutions. Repeated shutdowns also undermine fiscal credibility, blurring the line between budgetary gridlock and debt-ceiling brinkmanship and raising doubts about U.S. fiscal governance

Conclusions

Even as the shutdown has now been temporarily ended by the continuing resolution signed on the 12th of November, prolonging current funding until 30th of January 2026, it is uncertain if it is completely resolved. Even if a budget is negotiated in the time before the continuing resolution runs out, the impact of the longest government shutdown in US history will continue to weigh on the outlook of the American economy.

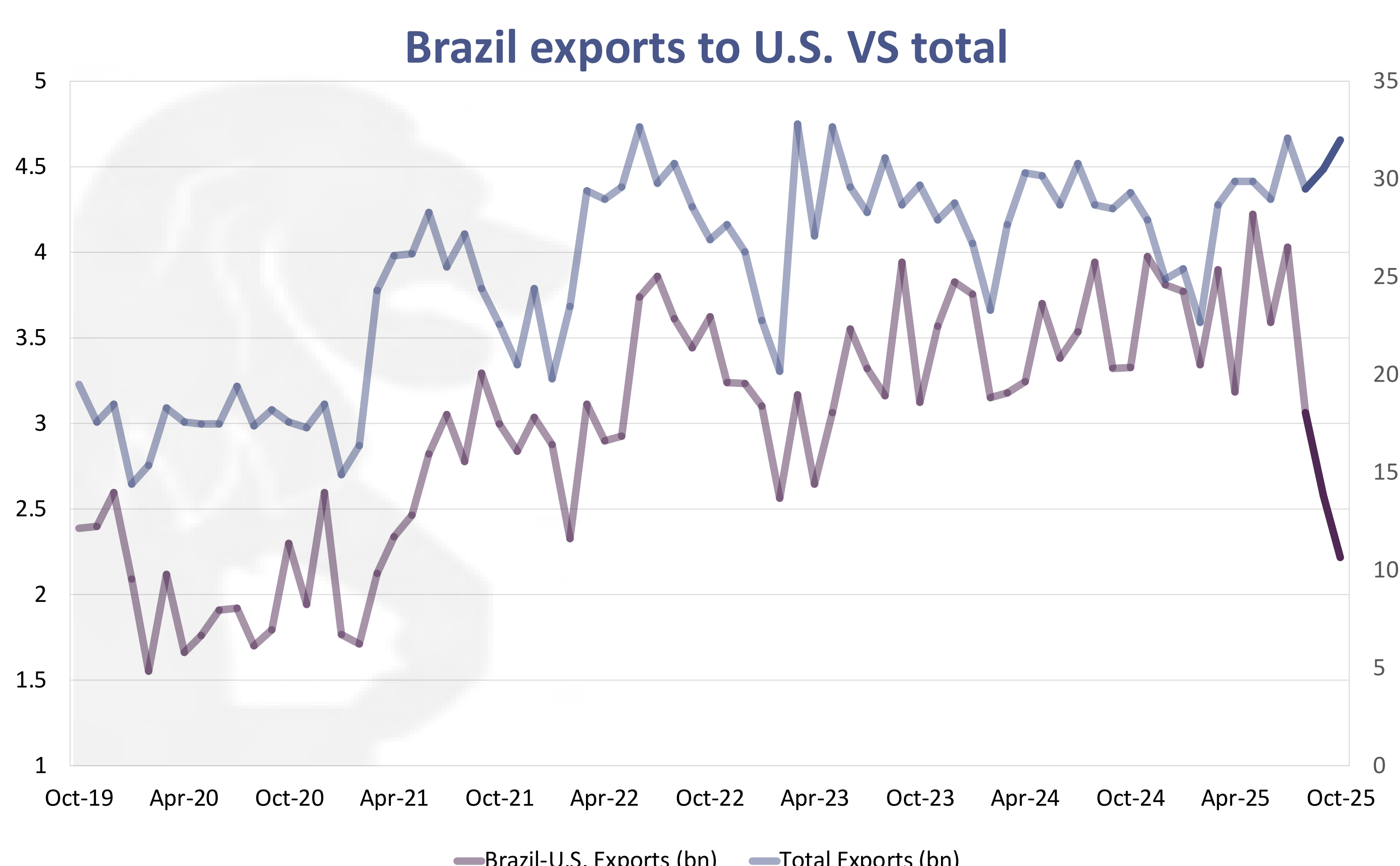
As economist Michael Strain phrased it, “This episode is yet another reason for investors and foreign leaders to be increasingly concerned about the stability of the US government and yet another crack in the dam of US global economic and geopolitical leadership.”

South America and the renewed US protectionism

2025 has seen the Trump administration revive U.S. protectionism via sweeping tariffs across the board, including countries in South America that have long been attached to the U.S. via trade and capital flows. The region has undergone major adjustments, both from an economic and political standpoint thanks to the aggressive tariff measures targeting key exports.

The region's largest economy, Brazil, has been directly hit by a 50% tariff on a wide variety of goods, including key agricultural products such as meat and coffee, despite the U.S. running a circa \$6.8bn trade surplus in 2024. The new rate follows what was originally announced as 10% during April's "Liberation Day" and is in part justified by the "unfair treatment" of Trump ally Jair Bolsonaro, who is facing charges after plotting to overturn his election loss in 2022. The senate has voted to overturn the tariffs on Brazil, but due to the September vote to block all legislation that challenges the president's tariffs until March 2026, the solution is unlikely to lie within the senate.

However, president Lula is in active talks with President Trump, but after the talk in Malaysia at the end of October, little advancements have been made, it remains to be seen how the trade between the two countries develops. As a result, Brazil has shifted towards other trade partners, mainly China, and potentially the EU with the resurfacing of the EU-Mercosur deal talks.



Another turbulent economy has been Argentina, both from a political and economic standpoint, which culminated in the recent \$40bn bailout package from the Trump administration. However, on a positive note, Argentina and Trump ally Milei have been able to dodge the majority of tariffs, with a baseline rate of only 10%, with some higher product-specific rates. Recently, Trump also quadrupled the beef tariff quota to 80,000 metric tons in an attempt to reduce the prices of this key Argentine export. The road ahead of Argentina is still very unclear, as falling inflation and Milei's fiscal measures are not enough to convince investors.

Overall, most South American countries are expected to see GDP growth cooldown in 2026, and despite some economies showing positive signs, the region is mostly characterized by lower domestic demand and cooling labor markets. To add on top, tariffs are causing structural changes to trade routes, leaving many with very uncertain outlooks on the future of trade, and by continuation, economic development. Despite inflation falling across the board, it is expected to remain above point targets, thus restricting monetary policy easing. It remains to be seen how South America can recover and reorganize its trade in a post-U.S. dependent world, and making any accurate prediction in the long-run remains an impossibility.

Canada's trade diversification under US Tariffs

Alongside South America, another key region affected in 2025 has been Canada, which has faced growing pressure in its economic relationship with the United States, its largest trading partner. A series of aggressive U.S. tariff increases on softwood lumber, aluminum, steel and automotive goods disrupted historical cross-border trade.

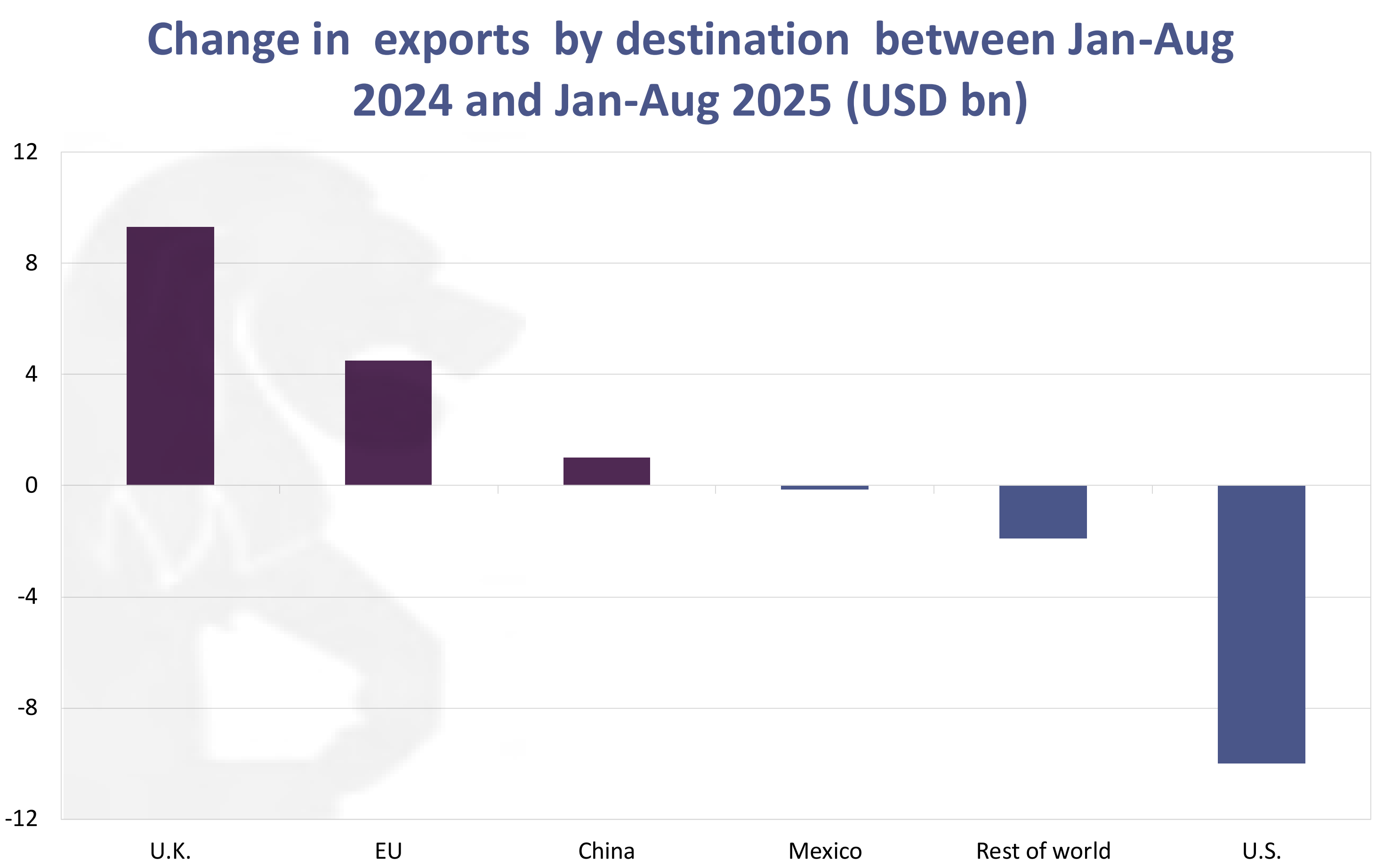
Lumber duties raised to 35%, while tariffs on steel and aluminum reached 50%, severely affecting Canadian producers. The automotive industry, closely tied to U.S. supply chains, was hit by a 25% import duty on vehicles and parts, leading several manufacturers to pause or cancel investments in Canada.

Trade fragmentation and adjustment in the Americas

These measures reversed progress made under the USMCA and raised concerns about the stability of North American economic integration. In response, Canada turned to both defensive and forward-looking strategies. The government launched formal complaints through USMCA dispute resolution system and provided emergency support to key industries. Steel producers received targeted relief and investment in green production methods. The dairy sector, under pressure from increased foreign access through USMCA, CPTPP and CETA, received direct compensation and modernization funds. The auto industry, while impacted by US tariffs, continued to move forward on battery and investments with public subsidies, keeping Canada in the broader transition toward electric mobility.

At the same time, Canada expanded its global trade strategy. New agreements and outreach in the Indo-Pacific, especially a finalized deal with Indonesia and advanced talks with ASEAN, marked a shift toward trade diversification. In addition to this, we should mention trade with Europe under CETA, with overall growth exceeding 60% since the agreement’s provisional entry into force. The entry of the United Kingdom into the CPTPP further widened Canada’s access to both Pacific and European markets.

Despite these challenges, Canada maintained cooperation with the U.S. on areas such as critical mineral supply chains and joint trade action against China. Still, the unpredictability of U.S. policy prompted Canada to search diversified and rules-based trade relationships.



These trade shifts unfolded against a backdrop of currency volatility. The U.S. dollar weakened in 2025 due to Federal Reserve rate cuts and a political push to support exports. While this made U.S. goods more competitive, it also drove up import prices and inflation. For Canada, the weaker dollar complicated trade with the U.S. and added costs to imported inputs.

ASSET CLASSES PREFERENCES

OVERVIEW

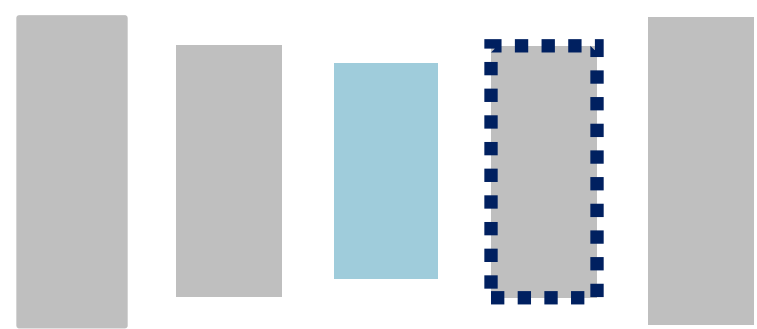
	STRATEGIC VIEW	TACTICAL VIEW	COMMENTS
FIXED INCOME			Global fixed income is supported by easing monetary policy and resilient growth but offset by tariff and fiscal concerns. Decreasing short-term yields and expectations for further rate cuts are constructive for US bonds, while volatility at the long end, driven by questions over US fiscal stability, limits conviction. In Europe, stable inflation and moderate growth should keep yields broadly range-bound, though fiscal pressures and pension-related shifts remain a risk. Credit markets are resilient, but rich IG valuations leave little room for further spread tightening, and HY spreads look vulnerable to weaker growth or renewed inflation. Emerging markets still benefit from lower US yields, improved hard-currency inflows and a softer USD, but remain sensitive to global risk sentiment and policy uncertainty. Overall, given this mix of support and vulnerabilities, we see global fixed income delivering moderate returns.
GLOBAL EQUITIES			We retain a pro-risk stance on global equities, underpinned by a constructive outlook for 2026 as disinflation progresses, the Fed moves gradually to easier policy, and the earnings cycle remains robust. We are not preparing for an impending "AI bubble burst" and think that the current AI capex super-cycle is still a potential driver of profits. We maintain an underweight in the UK due to weaker growth and policy constraints, and we lean toward the U.S., Japan, and a few emerging markets (particularly India and MENA). While maintaining neutral positions on energy, telecoms, staples, and consumer discretionary, we favor the information technology, financial, healthcare, and high-quality industrial sectors.
COMMODITIES			Geopolitical instability, renewed tariffs and recurring supply-chain frictions create a broadly supportive backdrop for commodities, particularly for traditional safe-haven assets. The latter stand to benefit from episodes of weaker confidence in U.S. assets and in the dollar, while other parts of the complex are likely to be affected both directly, through higher import costs, and indirectly, through shifts in trade routes and trading partnerships. These dynamics point to a more volatile but generally constructive environment for the asset class, with pricing increasingly driven by politics, security of supply and strategic investment rather than purely cyclical demand.
EURO			The euro faces a broadly balanced but mildly supportive backdrop. Modest euro area growth and inflation near target allow the ECB to keep real policy rates positive while the Fed moves further into its cutting cycle, gradually narrowing U.S.–euro rate differentials and providing some support to the currency. A structural current-account surplus and broadly fair-to-cheap valuation are offset by weak trend growth and recurring political and fiscal noise, suggesting only a modest upside bias for EUR/USD and largely range-bound trading versus sterling. Against the broader G10, the euro sits between high-beta commodity currencies and classic safe havens such as JPY and CHF, acting more as a stabiliser than a strong directional bet. Overall, we see the euro as fairly valued with limited trend, performing relatively better in episodes of gradual dollar weakness than in outright risk-off shocks.

ASSET CLASS BREAKDOWN

6 to 12-month tactical views on selected assets vs. global asset classes, by level of conviction

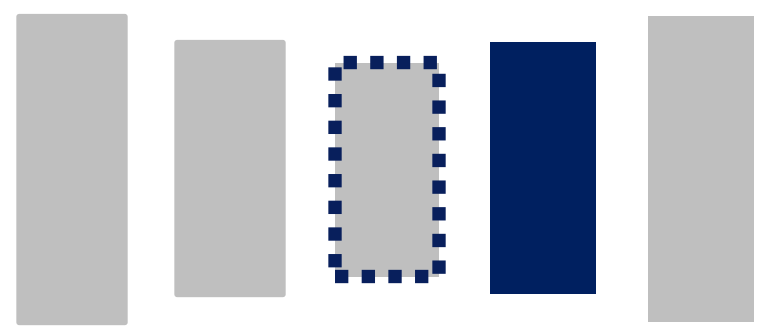
FIXED INCOME		
US Treasuries Short duration		The Fed has cut rates twice since September, totalling 50 basis points, to support a weak labour market, with the highest unemployment rate since 2021, and a structurally challenged housing market. Further cuts are expected in the coming months if no effect is observed. The front end of the yield curve now has significant appeal because correlations with risk assets have improved, making them more effective hedges. Nevertheless, returns could flatten if rate cuts are delayed, inflation reaccelerates or tariff tensions increase. As the Fed’s easing bias persists, short-term yields are likely to fall further, benefiting prices of shorter-duration bonds while maintaining flexibility amid ongoing policy and inflation uncertainty.
US Treasuries Long duration		Although offering yearly high yields as of November, long bonds have been volatile and show inconsistency in their reliability to act as a hedge against equity. While correlation has improved since “Liberation Day”, the long end of the yield curve remains sensitive to structural factors, including significant US fiscal deficits, surpassing 38 trillion USD and large government debt issuance. These dynamics suggest that while long-term Treasuries provide compelling income and potential upside if rates decline, they also carry elevated duration and volatility risk. The performance of long US bonds hinges on the Fed’s policy trajectory, fiscal discipline, and investors’ confidence in the government’s ability to manage its growing debt burden.
Euro Area Government Bonds Long Duration		Near-term forces, including a stronger euro, weaker export demand, and additional imports from countries with excess capacity, should help anchor inflation for now. Yet several factors pose potential headwinds for the long end of the curve: a possible pause in the US cutting cycle, the Dutch pension reform’s structural steepening pressure on European fixed income, rising defence-related spending commitments, and broader fiscal concerns across the region. Recent downgrades of French sovereign debt following the reversal of the Macron pension reform, together with Belgium’s ongoing budget stalemate, have driven asset-swap levels to new highs and keep pushing their spreads versus peripheral issuers to historic lows.
Euro Area Government Bonds Short Duration		The ECB noted stable inflation near their target rate with headline YoY HICP figure for the month of October at 2.1%, down 1 p.p. from September. Growth remains resilient with Q3 GDP +1.3% YoY supported by strong labour markets; investment into infrastructure, defence, and AI; and prior rate cuts. The ECB has repeatedly expressed their willingness to keep the deposit rate at 2%, and OIS markets only expect a 50bp hike by 2029-30. Schatz at 1.99% look consistent with market pricing of the ECB but could be vulnerable to a dovish twist from the ECB or a continuation of the rate-cutting cycle in the US.
Global IG Credit		IG spreads across the world are at historical lows, with the ICE BofA US Corporate Credit index reaching decade-low numbers, for example. This has been mainly fuelled by strong earnings and corporate fundamentals, and as a result, we see little room for capital appreciation in the near term. Although trade uncertainty has fallen over the past few months, and economic outlooks are more positive than initially expected, the recent US government shutdown and uncertainty over the long-term effects of tariffs do justify the demand for high-quality corporate credit.

Global HY Credit



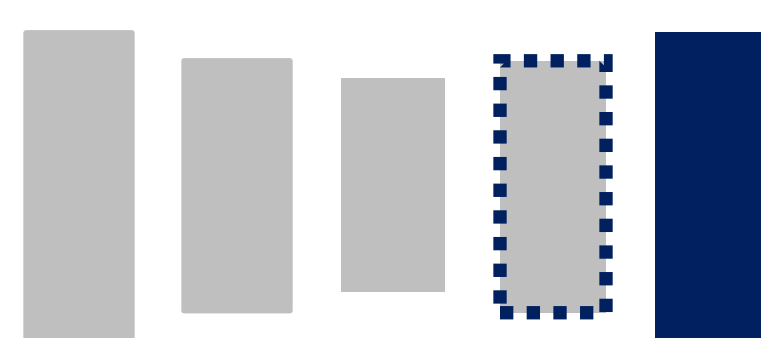
Similarly to global investment-grade spreads, high-yield spreads have been very tight across the markets and show more downside rather than upside potential from a capital appreciation standpoint. Strong earnings are overshadowed by elevated leverage and HY default rates, which have been on the rise over the past year. Furthermore, we may see potential widening of spreads in the case of further economic downturn fears or inflationary pressures. We still prefer US HY due to higher carry but remain cautious with the asset class given fundamentals and economic uncertainty in the near term.

EM Government Bonds



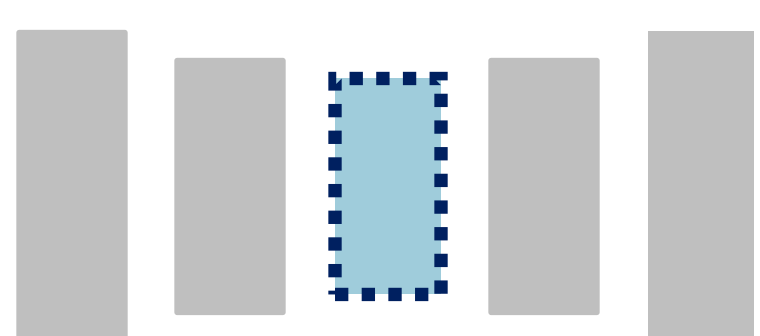
With the recent decrease in US Treasury bond yields due to two recent 25 bps interest rate cuts from the Fed, and with a weaker yet stabilizing USD, the US economic environment has provided a tailwind for EM bonds. African sovereign bonds have especially benefited from strong commodities and a weaker USD, with most African dollar debts now trading at yields of less than 10%. Due to a shallow CPI, negative PPI and trade tensions, Chinese GDP growth slowed, expanding in Q3 2025. Overall, Chinese 10-year bond yields slightly increased from April’s bottom. Improving hard currency inflows into EMD show how investors are increasingly turning to EM to diversify their portfolio, as some are beginning to question US exceptionalism. With a US soft landing in sight and possible further Fed rate cuts, EM bonds could enjoy a Goldilocks scenario.

United States



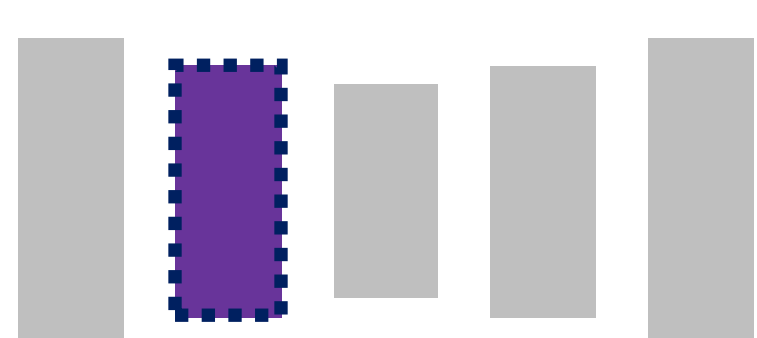
U.S. equities trade at the peak of an AI capex supercycle, with hyperscalers set to spend record and rising amounts in 2025, reinforcing a self-sustaining earnings loop; although capex now absorbs 60–70% of cash flow, we see this as front-loaded strategic investment rather than clear excess. With the S&P 500 on 22x forward P/E, AI growth decelerating but still positive, and power bottlenecks, tariff headwinds and enterprise deferrals (25% of spend pushed to 2027) in view, we think these frictions will generate volatility but mainly create entry points rather than signal an “earnings bubble”. Volatility under Trump has coincided with outperformance of defensives (healthcare, utilities) and domestic cyclicals, and with falling Fed rates supporting investment and risk appetite, we maintain a strong positive stance on AI-exposed U.S. equities

Europe



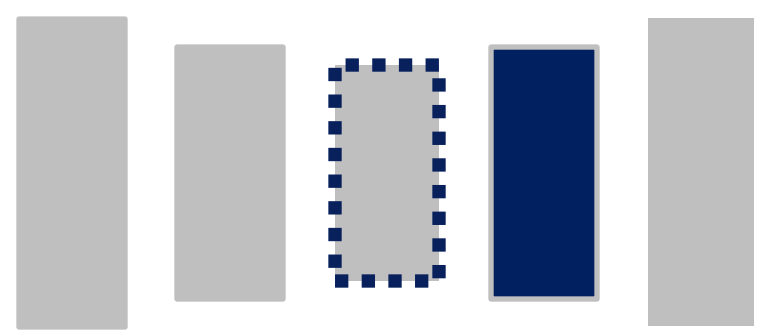
Economic activity in the euro area is stabilizing after a decent first half of the year, supported by easing inflation and higher business confidence. Despite political tensions and uncertainty, their impact on trade and investment has remained relatively under control so far. Lower inflation, declining toward the ECB's 2% target, impacted positively domestic demand, balancing fiscal tightening in some member states. Although interest rates remain high, we could expect rate cuts in 2026 to support growth and domestic demand. Overall, growth is projected to improve, supported by lower price pressures and an improving global investment environment. However, political uncertainty will be a key factor in European development in the coming months.

United Kingdom



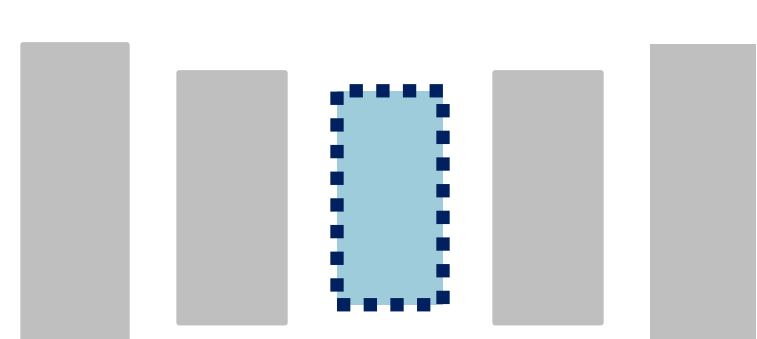
Growth is expected to remain modest at around 1.3% in 2025, while inflation stays elevated at 3.4%. This constrains the Bank of England, which is maintaining rates at 4% amid rising unemployment. Simultaneously, tight fiscal space limits the government’s ability to address mounting economic and labour market challenges. With limited domestic policy flexibility and heightened exposure to global shocks, particularly from the U.S. and China, the UK risks being a passive participant in broader economic developments, with few levers to assert its position.

Japan



Japan’s domestic fundamentals remain supportive with wage growth at 30-year highs, corporate governance reforms, and strong global demand for semiconductors and financials, underpinning confidence and a Nikkei 225 rally. However, U.S. tariffs (24% on autos, 10% universal) and BOJ tightening pose downsides, potentially dragging GDP by 0.8%, cutting export earnings 5-7%, and a strengthening yen, eroding competitiveness and triggering carry trade volatility. Earning’s growth, amongst Nikkei 225 contributors, c.4-6%. Overall, positive market direction and improved U.S./Japan relations lay a positive trajectory for the region.

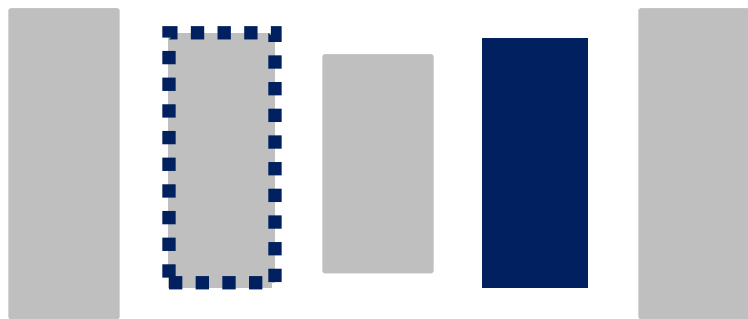
China



The recent equity rally, driven by AI and tech, highlights innovation potential, but structural risks remain. A weakening housing market, falling fixed-asset investment, and soft retail sales continue to weigh on the outlook. Beijing’s pivot toward high-tech sectors like semiconductors and pharmaceuticals supports longer-term growth, even if the 5% target may prove difficult to achieve. In the near term, however, market momentum may fade as U.S.-China tensions resurface, and deflationary pressures persist, while a narrow leadership of policy-favoured AI and hardware names leaves the market vulnerable to sharp factor rotations if sentiment on industrial policy or export controls shifts.

EQUITIES - REGIONS

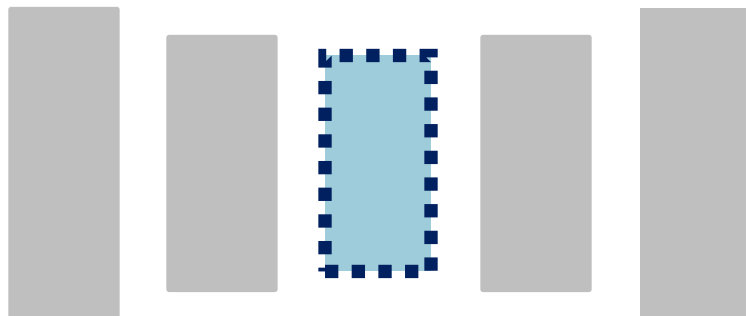
Emerging Markets
(excl. China)



In comparison to earlier in 2025, the macro environment has somewhat improved. In fact, in October, the Feds lowered interest rates by 25 basis points, following the same action in September, made it easier for emerging nations to obtain external financing. Emerging markets appear to be a good opportunity as they grow at a faster rate than advanced economies (about 4% vs. 1.5%). With improved growth in FY25–26 and stable policies, India continues to be a bright spot. As a result of increased non-oil activity and investment inflows, the IMF also upgraded 2025 MENA growth, led by Saudi Arabia and Egypt. However, regional instability and OPEC+ supply moves continue to pose risks. In addition, the US tariffs continue to cause tensions, not allowing us to go for a super-overweight stance.

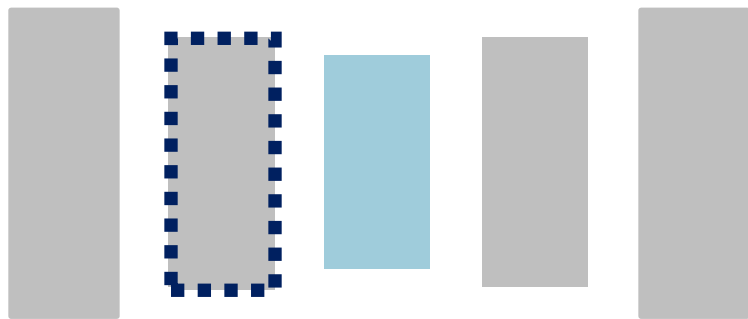
EQUITIES - SECTORS

Telecom



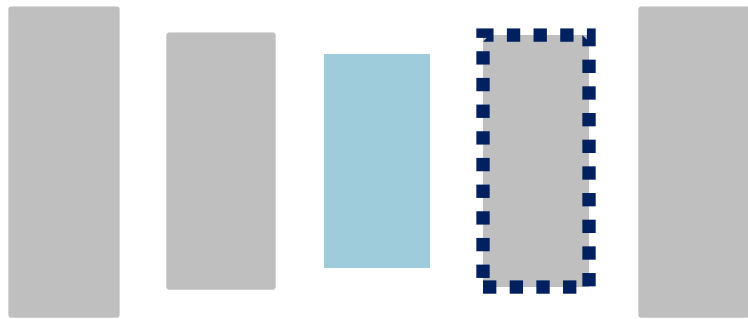
While economically resilient, the industry is in a phase of consolidation and steady demand. European providers are targeting cost efficiencies and lobbying for market consolidation and AI-related subsidies. North American operators are performing well, with improved earnings guidance, while emerging markets benefit from growing 4G/5G adoption. The sector remains stable with few near-term catalysts. However, AI-driven data growth may accelerate 6G investment plans, potentially reshaping medium-term capex priorities.

Consumer
Discretionary



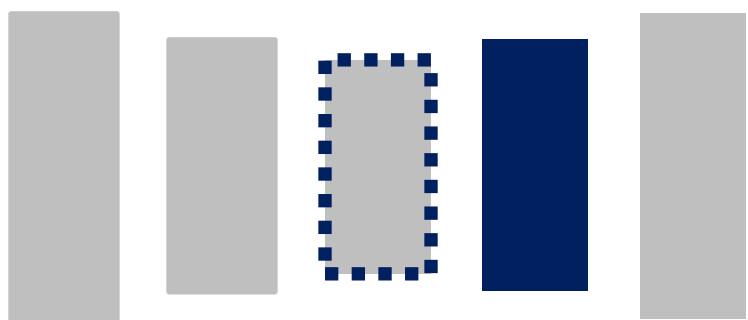
Global consumer discretionary is stuck between a supply-rich but demand-poor environment. AI and process innovation drive unprecedented margin expansion - Amazon logistics cost per unit down 18% since 2023, LVMH unsold inventory slashed 30% via AI forecasting since 2022, Tesla’s unboxed manufacturing targeting 50% cost cuts by 2027. Consumer wallets remain in shock, McKinsey reveals 75% of consumers are experiencing spending constraints, tariff passthroughs could worsen price inflation and reduce discretionary demand.

Consumer
Staples



The sector has shown steady performance, supported by resilient demand mainly due to the essential nature of consumer staples. Lower inflation and decent wage growth appear to be key factors in helping sustain household spending on essentials, while easing input costs have provided some margin of relief. However, growth remains moderate and appears hindered mainly due to private labels becoming stronger competitors to national brands as their power increases.

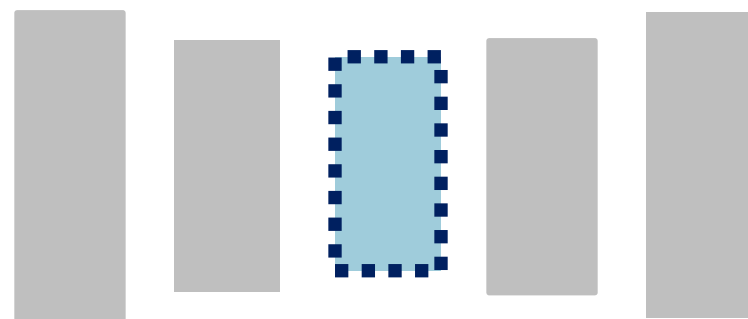
Industrials



The sector is supported by strong structural tailwinds from reshoring, as global companies are increasingly relocating or expanding manufactures closer to their country of origin, therefore reducing supply-chain risk and allowing them to benefit from policy incentives. Companies are also improving cost efficiency and productivity through AI and advanced technologies, opening the way for higher margins. Combined with supportive policies and a stabilizing cost environment, industrials seem well positioned in the near future. Lastly, increasing military spending everywhere around the world will certainly boost industrials and potential earnings better than expected, as we have seen with Thales and Siemens.

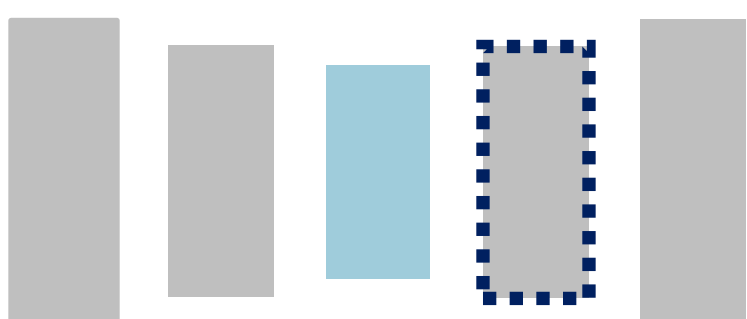
EQUITIES - SECTORS

Energy



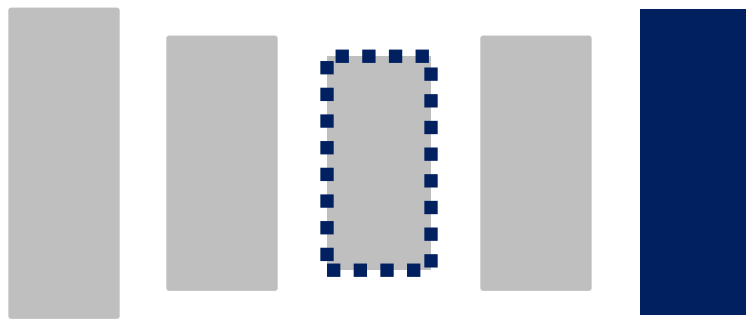
Due to the risk of oversupply, oil prices are expected to remain within a small range as OPEC+ gradually boosts production and global demand only slightly increases. Long-term contracts that yield more consistent revenue and the gradual growth of U.S. LNG export capacity have contributed to the improvement of gas markets. However, U.S. trade rulings on solar imports from Southeast Asia have increased costs and volatility, creating new uncertainty for clean energy supply chains. Record production has kept large oil companies like Exxon, Chevron, and Shell comparatively strong, while smaller producers continue to be more vulnerable to price fluctuations and declining demand. At the same time, the rapid build-out of AI data centres is adding a new source of structural electricity demand, supporting investment in gas-fired generation and grid infrastructure and potentially slowing the pace at which weaker hydrocarbon producers face demand headwinds.

Information Technology



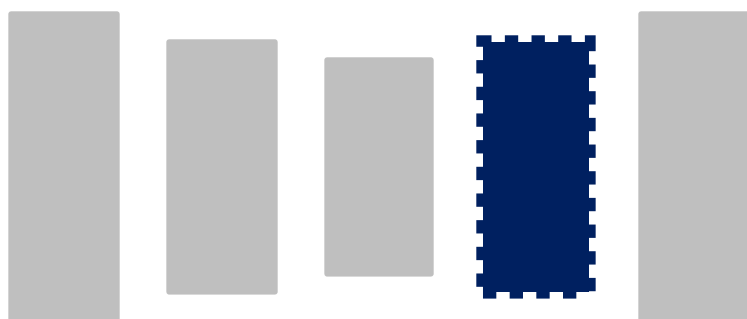
Macroeconomic conditions are broadly supportive, with stabilising interest rates and recovering IT budgets, especially in AI and digital infrastructure. Semiconductor firms are experiencing strong demand, particularly for next-generation AI chips, while easing component costs and targeted government subsidies (e.g., CHIPS Acts) further support the sector. Improved capital discipline, rising M&A activity, and renewed interest from venture and sovereign investors all contribute to a constructive outlook. While geopolitical risks persist, current fundamentals and policy tailwinds favour continued strength.

Financials



The Fed's recent rate cut, and slower balance-sheet tightening are lowering funding costs. However, even though most institutions still have substantial capital and liquidity, credit risks are marginally increasing, particularly in consumer loans and office real estate. Investment banking and asset management are getting better as markets stabilize (M&A and IPO activity have started to recover bringing more advisory and fee income), and we believe that this outweighs the potential credit risks. Overall, financials are doing better thanks to lower rates and improved deal activity.

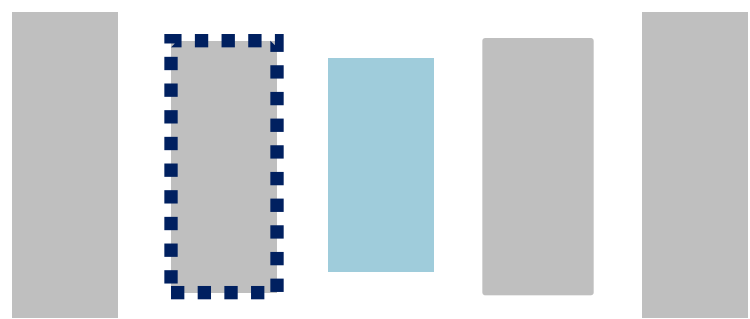
Healthcare



The global healthcare sector is underpinned by non-discretionary demand, demographic inevitability and technological acceleration. The MSCI World Health Care index has delivered sub-par growth year-to-date, characterised by lower beta and positive projected earnings. U.S. dominance (around 70% of index weight) reflects not only market-cap concentration but a deepening competitive moat driven by GLP-1 therapies, antibody–drug conjugates (ADCs) and AI-enabled R&D compression, while Europe and Japan provide diversified, high-margin exposure to diagnostics and med-tech. The sector appears poised to shift from a “value” profile toward “growth”, a transition long hypothesised and now increasingly supported by technology and policy developments in the United States.

CURRENCIES

Japanese Yen

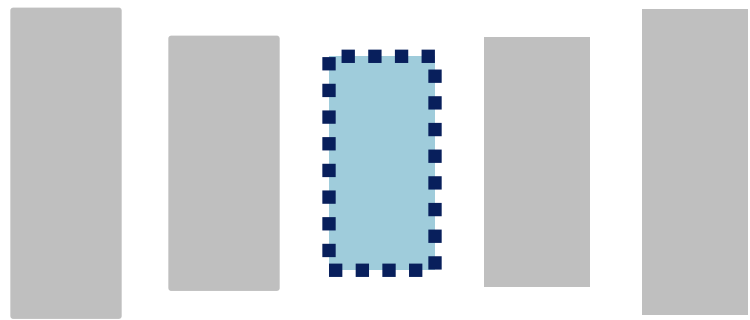


The Japanese yen faces competing forces over the next 6–12 months. Persistent interest rate differentials and the Bank of Japan’s cautious approach to policy normalisation continue to cap upside, but these headwinds are increasingly balanced by valuation support and Japan’s solid external position.

While inflation has stayed above the 2% target and wage growth has accelerated for a second consecutive year, monetary policy has only shifted gradually, leaving policy rates well below those of the U.S. Federal Reserve and the European Central Bank. This gap still encourages capital outflows and yen-funded carry trades, keeping the currency vulnerable during periods of risk-on sentiment.

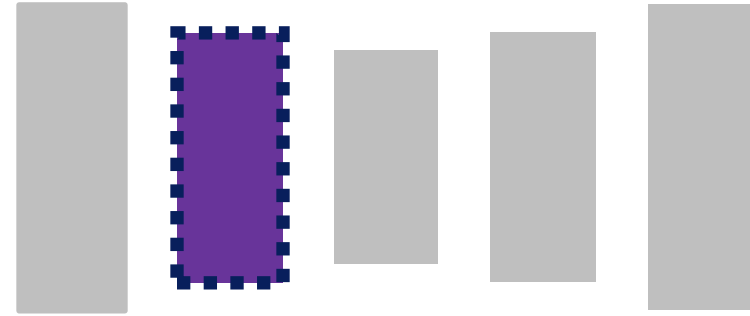
At the same time, Japan’s current account surplus and strong external income flows provide a fundamental anchor for the yen. In 2025, sizeable outward investment flows have contributed to yen weakness, with USD/JPY trading in the mid-150s and EUR/JPY at elevated levels, but this also leaves positioning and valuation increasingly asymmetric. Potential currency intervention, a partial unwinding of carry trades or a faster-than-expected narrowing of global rate differentials could all trigger episodes of yen strength. Overall, we see a more two-way environment ahead, with bouts of volatility around policy signals rather than a simple continuation of the previous one-way weakening trend.

GBP



Sterling faces a cautious backdrop: domestic growth is soft and inflation has eased but remains above target. The Bank of England kept Bank Rate at 4.0% at its November meeting and signalled a gradual, data-dependent path to easing. As real-rate support fades, the currency’s carry advantage has narrowed. GBP is expected to hold up better against the USD if U.S. yields continue to normalize, while broadly balanced growth and policy settings argue for range-bound trading versus the euro. Key risks skew both ways: a sharper U.S. slowdown (GBP-positive via weaker USD) or a renewed UK inflation pulse that delays BoE easing (GBP-negative via higher rate volatility).

USD



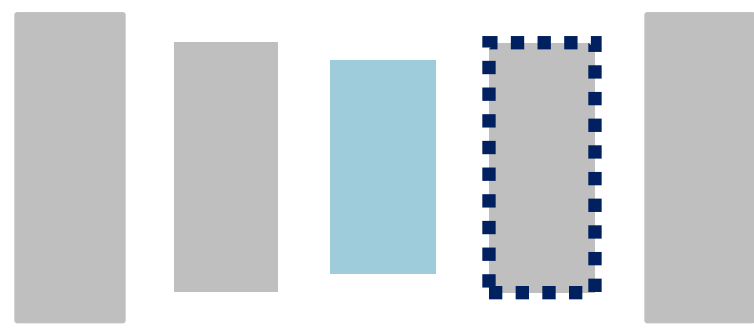
The USD has continued its downward trend, pressured by escalating trade tensions following President Trump’s return to the White House and renewed uncertainty over global tariff policies. The USD has fallen about 11% in the first half of the year, its biggest drop in more than 50 years, bringing an end to a long period of strength.

The decline has been driven by rising trade tensions under President Trump and growing uncertainty around future tariff policies. Markets increasingly believe the administration prefers a weaker dollar to boost US manufacturing and improve the trade balance, which has reduced confidence in the dollar’s safe-haven appeal. The policy backdrop has also fuelled a renewed debate about the dollar’s long-term role as the dominant global reserve currency. While a sudden loss of reserve-currency status is unlikely, the discussion adds another layer of uncertainty for investors.

Looking ahead, the outlook for the dollar remains moderately bearish. Softer US growth data, a more interventionist trade stance, and the risk of tariff-driven inflation all complicate the Federal Reserve’s path. If economic activity weakens further, markets may price in additional rate cuts, which would likely put more downward pressure on the currency. However, a temporary rise in inflation could stabilise the dollar by reducing expectations of rapid easing. Overall, the dollar is expected to stay weak in the short to medium term, although a sharper than expected slowdown in Europe or China could revive safe-haven demand and limit further downside.

COMMODITIES

Natural gas

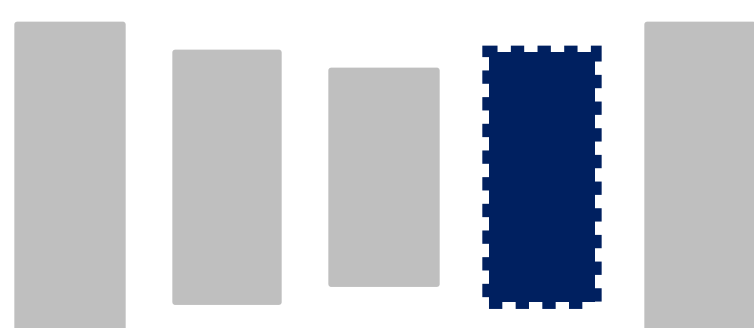


Global natural gas supply is expected to remain robust in the coming months, led by a wave of new LNG projects in the United States, Canada and Qatar. On balance, however, expanding LNG capacity and strong output from key producers are improving the supply outlook, easing the tightness seen over the past two years, for example the collapse of Russian pipeline deliveries to Europe.

In 2025, global natural gas demand is expected to have a growth of just 1-1.5% due to economic uncertainty. Regional trends vary: Europe saw a modest recovery in gas usage and in Asia, demand softened. In the U.S., while warmer winter forecasts point to a slight decline, power sector demand remains supportive. Mild winter forecasts and strong storage levels in the U.S. and Europe are helping stabilize the natural gas market. Europe has largely replaced Russian pipeline gas with LNG, though geopolitical tensions still pose risks.

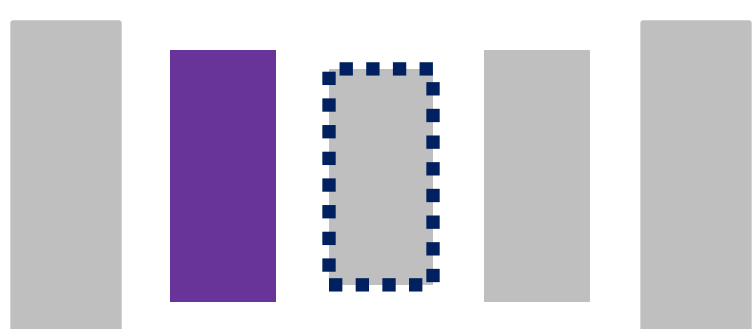
LNG supply is expanding, especially from the U.S., Qatar, and Canada. While tight supply is raising prices in Asia short-term, new capacity coming online by late 2026 could ease prices. The market remains balanced but vulnerable to shocks.

Gold



The gold market has extended its historic rally, recently breaking above the USD 4,200 level amid a sharp short squeeze rather than any clear fundamental catalyst. The move comes at a time of heightened uncertainty, with the imminent release of delayed US macroeconomic data expected to re-anchor the market’s macro narrative following the reopening of the federal government. In the near term, stronger US labour data may weigh on the precious metal by prompting a temporary hawkish repricing of rate cut expectations, while weaker prints would reinforce the Fed’s dovish reaction function and support prices. Broader market sentiment has also benefited from the recent pullback in US Treasury yields and expectations that central banks and consumers will continue to accumulate gold on price dips. Despite the possibility of short-term volatility, the medium-term outlook remains constructive and persistent macroeconomic uncertainty suggests that gold is likely to maintain its upward trajectory.

Oil



Global balances have shifted into surplus as OPEC+ unwound parts of earlier cuts while non-OPEC supply (led by the U.S., Brazil and Guyana) continued to expand. Inventories have rebuilt to multi-year highs and the forward curve has repeatedly slipped into contango, eroding carry and signalling ample prompt availability. Demand growth remains subdued and increasingly shaped by efficiency gains, leaving crude more exposed to cyclical softness than to episodic geopolitics; recent price spikes tied to sanctions and disruptions have faded quickly in the absence of sustained draws or a durable return to backwardation.

Looking ahead, baseline agency projections point to a persistent surplus into 2026 if supply discipline does not tighten and demand remains soft. The late-November OPEC+ meeting is therefore pivotal: the market assumes a defended floor near the low-\$60s and stands ready to price deeper restraint, but policy cohesion is uneven and U.S. supply elasticity remains high. With inventories elevated, contango recurring, and upside dependent on credible, coordinated cuts or a material disruption, risks are skewed lower.

Underweight

Neutral

Overweight

Previous view

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