

Investment View

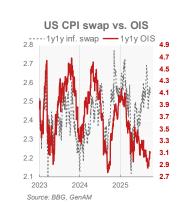
Fiscal dominance?

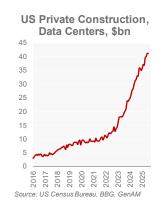
September 30, 2025



'Investment View' provides our quarterly macro & market outlook and investment recommendations

- Steady as she goes. The global economy has proved remarkably resilient to the tariff shock.
 Roaring US data centre construction and tech capex have provided some welcome support. We retain our soft landing scenario, while the US inflation bump will likely prove smaller than initially feared.
- This should allow the Fed to deliver at least three more rate cuts in this cycle. We see the ECB rate cut cycle as over for now, but will be monitoring the risk of undershooting EA inflation.
- We expect Treasury yields to stay in a range, with a bias to the downside (target 3.80-3.90% for 10year UST). Treasuries offer attractive carry and rolldown, hence are not a bad asset to own. We stay a bit more cautious with EUR duration, as the EA economy looks set to rebound into the turn of the year. French OATs are not a buying opportunity just yet: they need a stable government.
- We recommend staying long Credit and Equities, even at those tight levels of risk premia. The US soft landing, Fed cuts and the risk of 'fiscal dominance' remain generally supportive for risk assets.
 The EUR equity earnings yield is still around 7%, EUR IG yields beat cash by a large extent, and rates volatility still has room to fall.
- The USD has paused over summer; we stay bearish and expect EM markets to gain, especially local debt markets.





CONTENT

FISCAL DOMINANCE?	2
MACROECONOMIC OUTLOOK	8
GOVERNMENT BONDS	11
CREDIT	13
EM SOVEREIGN BONDS	15
CURRENCIES	17
EQUITIES	19
ASSET ALLOCATION	21
FORECASTS	22
IMPRINT	24

FISCAL DOMINANCE?

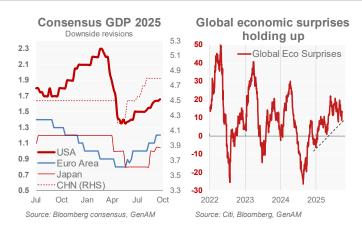
Vincent Chaigneau

- Steady as she goes. The global economy has proved remarkably resilient to the tariff shock. Roaring US data centre
 construction and tech capex have provided some welcome support. We retain our soft landing scenario, while the
 US inflation bump will likely prove smaller than initially feared.
- This should allow the Fed to deliver at least three more rate cuts in this cycle. We see the ECB rate cut cycle as over for now, but will be monitoring the risk of undershooting EA inflation.
- We expect Treasury yields to stay in a range, with a bias to the downside (target 3.80-3.90% for 10-year UST).
 Treasuries offer attractive carry and rolldown, hence are not a bad asset to own. We stay a bit more cautious with EUR duration, as the EA economy looks set to rebound into the turn of the year. French OATs are not a buying opportunity just yet: they need a stable government.
- We recommend staying long Credit and Equities, even at those tight levels of risk premia. The US soft landing, Fed
 cuts and the risk of 'fiscal dominance' remain generally supportive for risk assets. The EUR equity earnings yield
 is still around 7%, EUR IG yields beat cash by a large extent, and rates volatility still has room to fall.
- The USD has paused over summer; we stay bearish and expect EM markets to gain, especially local debt markets.

A good year for global markets, despite mediocre Euro FI performance Another year of equity dominance. Summer is over, and financial markets have stayed close to the script we envisaged three months ago (Liberation under probation). US yields have pulled back a bit as expected, but it is still a mediocre year for Euro Fixed Income, especially government bonds (total return of EuroAgg Treasury virtually flat YTD). Equities have continued their march up North, even faster than we expected (left-hand chart below). The greenback has stabilised somewhat, despite clear signs of falling investor appetite for USD risk – FX hedging has surged in both US equity and bond portfolios. In all, 2025 looks like it will be a solid year again for balanced portfolios, especially in USD (60/40 stock-bond portfolio up 13.5% YTD). With the global economy still resilient to the tariffs shock and the Fed back to its rate cutting cycle, we expect this performance to improve a bit further in the last three months of the year.







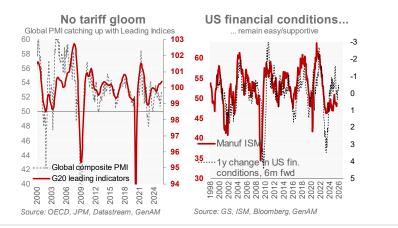
The global economy: steady as she goes

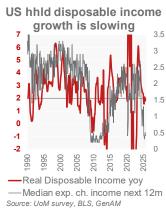
Remarkable resilience. Global growth forecasts took a hit earlier this year, especially around Liberation Day (2 April), but have now partially recovered (3rd chart

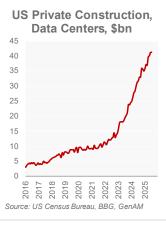
above). Indeed, global economic surprises have stayed remarkably positive throughout the year (chart 4) and the global composite PMI now seems to be catching up with leading indicators to the upside. We see the risk of a global economic setback rather limited, especially if financial conditions stay as easy as they have been (see first two charts below).

Global soft landing remains our central scenario; risks are rather symmetrical

The US economy is experiencing conflicting forces. The labour market is showing clear signs of weakness, emanating from both the supply and demand side. To be sure, not just non-garm payrolls have slowed; a broad range of indicators, including consumer and corporate surveys, speak of a softer labour market. The consumer is concerned about a further slowdown in real disposable income growth (chart 3 below). Construction has also been soft, especially in the housing area. Yet, other areas of the economy are booming, namely data centre construction, as well as investment in info processing equipment. There are legitimate questions about over-investment in this area and future return on capital, yet for now buoyant capex is offering support to the economy. The US Q3 GDP is tracking around 3% saar after already a 3.8% gain in Q2. A downshift in China growth is in the working, with fading fiscal support, persistent housing market weakness and anti-involution policies all acting as drags on activity. Still, we expect policymakers to fine tune policy support if needed, and the economy to grow by 4.6% this year, and 4.3% in 2026. Finally, with the 2025 German budget finally adopted, we expect the impact of the fiscal bazooka to increase from Q4 onwards, and the EA economic growth to pick up by the turn of the year. In all, soft landing remains our central scenario for the global economy, with growth continuing to expand at moderate 2.9%, in line with 2025 but down from last year's 3.2%. Risks are rather symmetrical, with monetary easing, an Al-productivity boost and fading trade war uncertainties supporting the bullish case, while US consumer caution, softer labour trends and a fading global capex run create downside risks.







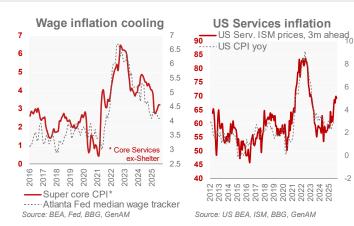
US inflation bump still coming, though a smaller one than feared initially. Euro inflation near target, with downside risks Inflation also has two sides, at least in the US. We see clear trends towards cooling underlying trends, as wage growth slows and rents follow (softening) home price inflation, with a lag. Against that, the PMI price components are clearly pointing to the upside and have been a good predictor of CPI trends historically (see two left-hand charts below). The tariffs may not have as large an impact as initially feared – as companies either partially absorb the costs or adjust their pricing policy globally – but have yet to be felt in full. In all, we continue to expect a US inflation bump into the turn of the year, but it will be smaller than initially expected. Elsewhere, China is still fighting with deflation, with the anti-involution policies expected to have only a progressive and limited impact. In the euro area, headline inflation has already converged

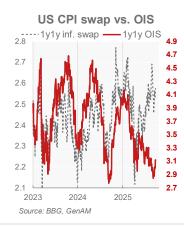
towards the 2% target, and core inflation is just about 0.3pp above that. Slower labour trends and normalising wage growth support a stable inflation outlook, with the risks skewed to the downside as Chinese export destination is quickly adjusting to the trade war, with lower exports towards the US being offset by larger exports towards the EU – a disinflationary force on this side of the Atlantic.

What impact on central banks and bond yields?

What Fed's reaction function? Graph 3 below shows the decoupling between US forward inflation (1y1y swap) and short-term nominal forward rates (1y1y OIS). Two interpretations are possible. First, the Fed must deal with an inflation bump – which they will see as transitory, even though such characterisation is infamous by now – and a labour market slowdown. The downside employment risk may appear more threatening than the inflation risk, pushing the Fed into insurance cuts. Second, the decoupling may reflect a credibility loss, as the political pressure on the Fed has surged, via consistent presidential criticism of the Chairman, the nomination of a close ally of President Trump (S. Miran) and an effort to remove board member Cook. The two interpretations have merits. We expect the Fed to deliver another 25bp cut in December (skipping the October meeting), and 50bp in 2026. The market is priced slightly more aggressively, with another 100bp of cuts from now to end 2026. The market also prices about 50% chance of another ECB cut into Spring 2026; we think the ECB is done with rate cuts for now, but the implied pricing looks reasonable, considering the downside inflation risk.

Price action suggests that either the Fed is more worried about labour than inflation, or it is getting less independent



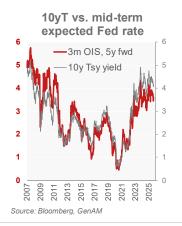




Limited downside potential in UST yields, but good carry and rolldown at the belly. We are more defensive on EUR duration.

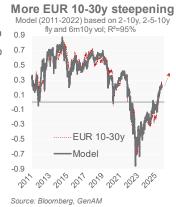
US Treasuries not a bad asset to carry. The right-hand chart above shows falling real yields over summer – partly reflecting slower growth expectations – but sticky inflation breakevens. Where does that leave us? Near 4.15%, 10-year Treasury yields are trading some 55bp above 5y3m OIS – a large spread justified by rising term premia (large public deficits and Treasury supply, falling US dollar etc.). That OIS forward rate, around 3.60%, also appears relatively high, compared to the Fed's longer run dot at 3.0%. Arguably, that 3% is the median within a broad range among Fed officials, between 2.6% and 3.9%, i.e. there is no agreement on where the equilibrium stands. Still, assuming a rather small inflation bump and some economic slowing through the turn of the year, we see Treasury yields marginally skewed to the downside. Technically, we expect any rally in 10y Treasuries to meet strong resistance around the 3.80-3.90% level and would reduce duration exposure there (baring of course an unexpected economic or financial shock). The downside potential for yields appears limited, especially in the context of the rather ambitious implied Fed pricing. Still, 10-year Treasuries offer good carry and rolldown, at about 27bp per year.

Prefer the centre of the EUR curve, and position for further 10-30yu steepening We are more prudent on EUR duration (neutral to slightly short). The ECB pricing appears fair, but we expect an improving growth momentum into the turn of the year, and the ramp up of the German fiscal bazooka. Mind that even as EUR intermediate rates have failed to pull back, they have been in a range, allowing implied volatility to fall (Graph 3 below). We expect volatility to further consolidate, which usually benefits the centre (belly) of the curve, relative to the wings. We see more steepening room at the very long end (10-30y, still not elevated by historical standards – see Graph 4 below).









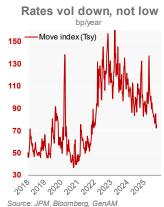
Risk premia are tight for a reason

We recommend staying long Credit and equities, even at that tight levels of risk premia Government debt no longer the perfect risk-free asset. Regular reader will know that we have defended this thesis for a long time: tight risk premia are reflecting a new paradigm where government bonds have become less attractive, rather than a financial bubble – famous last word. The steady rise in government debt, both on an absolute basis and relative to other economic agents (corporates and households), is a key factor. The 2021-22 inflation shock has also seen risk assets perform well – equities in particular, as profits surged – and there are concerns that 'fiscal dominance' (when the funding of large public deficits becomes prominent, infecting or even dictating monetary policy) may cause a repeat in the longer run. In this context we generally recommend staying long Credit and Equities, even at those tight levels of risk premia. Charts 2-4 below highlight residual opportunities, especially in EUR: the equity earnings yield is still around 7%, credit spreads are tight, but IG yields beat cash by a large extent, while rates volatility still has room to fall.



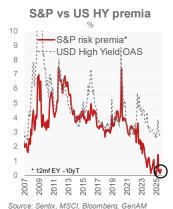






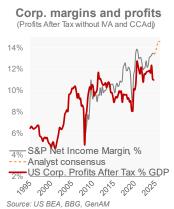
Take advantage of the low volatility in equity and credit to add selected hedges

Of course, other metrics look a bit more threatening. The US equity risk premium is barely positive on some measures (left chart below). In fact, US equities over the past ten years have largely outperformed what the earnings yield would have predicted, ten years ago. This is because profits have surged, particularly over the past five years (third chart below). We call it the roaring 2020s, with nominal GDP accelerating as inflation surged in 20021-22, and profits even more so – partly on greedflation, but also rising margins in the tech sector. Worryingly, NIPA profits have eroded this year, but S&P profits and margins have been much more resilient (chart 4 below). In all, the profit cycle looks well advanced, which imposes a degree of caution. Our overweight in Equities has increased but stays prudent, and it makes sense to take advantage of the low volatility in equity and credit to add selected hedges. Still, we keep a 'risk-on' bias in the context of a soft (not hard) economic landing, Fed rate cuts, and moderate US inflation acceleration. Equities still tend to perform well in late cycle slowdowns, and investor sentiment and positioning do not appear to be stretched (especially on the discretionary side).









The context of a weak dollar remains supportive for EM assets

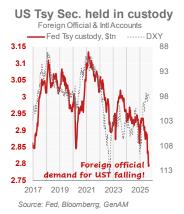
Mind the falling US bank reserves. But we look for positive triggers into the turn of the year (end of Fed QT and SLR reform)

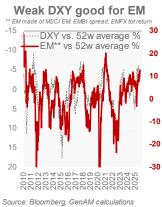
More tailwind for EM assets

US dollar still eroding. After falling significantly in the first six months of the year, the US dollar has found some stability. We still see a bias to the downside. President Trump has recorded some clear victories on the trade side, as he has managed to monetise the US global security services with the likes of the EU, Japan or South Korea. These short-term wins, however, may be accelerating the recomposition of the world order, as the Shanghai summit also suggested in early September. In the process, the dollar is losing shine as a currency reserve status. Central banks have been massive buyers of gold over since 2022, a sign of reserve reallocation. Foreign official holdings of Treasuries have been falling (first chart below). Also, the US macro context of (moderately) slowing growth and accelerating inflation, along with Fed cutes, is rather negative for the greenback. The context of a weak dollar remains supportive for EM assets generally (chart 2 below). Also EM growth has picked up relative to DM growth, which should also support the recovery of EM currencies (chart 3). We also stay positive on EM local debt, and to a lower extent hard currency debt.

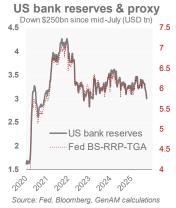
One note of caution, and hope, to finish. US liquidity, or bank reserves, have been falling over the past few months, as the Fed has proceeded with QT, while the Treasury has rebuilt its cash position at the Fed (TGA). Deteriorating liquidity tends to infect asset price performance. So far so good, but this could cap asset performance in the near term. Still, this process is now well advanced, as the TGA is close to target level, and the Fed should end QT around the turn of the year – then the liquidity

environment will become more supportive again. Another positive event is likely to come from the SLR reform, which will basically make it cheaper for US banks to own Treasuries. This will be a welcome support for the supply-demand equilibrium of the Treasury market. This may support lower yields, and more generally global asset prices.







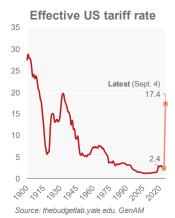


MACROECONOMIC OUTLOOK

Thomas Hempell, Guillaume Tresca, Martin Wolburg, Paolo Zanghieri

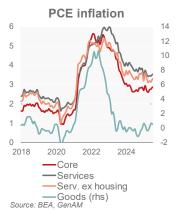
- Trade tensions keep lingering but sequential trade deals have trimmed the risk of a global trade war. The effective US tariff rate is likely to settle around current level ~17%, a seven-fold increase vs. 2024.
- The stagflationary impact is yet to be felt in the US (slowing growth, rising CPI). But overall, the global economy is weathering the headwinds with more resilience than widely feared.
- Surveys point to a gradual euro area recovery from Q4 onwards. The phasing-in of the German fiscal stimulus will be a major support, partially offset by rising political uncertainties in France.
- Easing wage growth will tame inflation rates further with a temporary undershoot of the ECB's 2% inflation target likely in 2026. The impending tariff-induced inflation spike in the US in H2 will likely prove temporary as the labour market continues to cool. China will keep struggling with entrenched deflationary forces.
- Amid the trade-off between inflation fight and labour market risks, we expect another 75bp in rate cuts by the Fed, less than priced by markets. The ECB is likely to keep rates unchanged well into 2026.

The global economy is showing striking resilience amid the lingering trade tensions Trade tensions keep lingering and burdening the global economy. The effective US tariff rate has increased seven-fold this year but seems now likely to settle around current level ~17%. And yet, the global economy is showing a striking degree of resilience. The risk of a full-blown global trade war has been greatly reduced, and this ease in uncertainties brightens the outlook for the global economy. The stagflationary tariff impact is yet to show up in a US growth slowdown even though buoyant IT investment is cushioning these headwinds. European manufacturers will need to weather the 15% US tariffs, but surveys point to a gradual euro recovery from Q4 onwards. The German fiscal stimulus and eased financial conditions are a major support, even if partially offset by political uncertainties in France. Chinese growth is about to slow as the real estate woes keep dragging on demand and fiscal support recedes.









The global disinflation trend remains structurally intact as rising labour market slack helps to ease wage growth and tame still overshooting services inflation. Mainly thanks to base effects, inflation may even mildly undershoot the ECB's 2% target next year. In the US, by contrast, the delayed impact of US tariffs will lift inflation further over the coming months. Constrained by the opposed stagflationary forces, the Fed

The global disinflation trend remains intact but mind short-term upside risks to US inflation from lagged tariff impacts

Strong upward revision of Q2 Growth on consumption and AI-related capex, but employment weakens

Two sided risk to the outlook given high reliance on Al prospects

Sticky inflation prevents a faster pace of rate accommodation

Euro area economy proved resilient over the summer half is likely to extend its cutting cycle resumed in September somewhat further, even if likely more cautiously so than priced by markets. The ECB, by contrast, is likely to stay on hold for longer after having cuts its deposit rate by 200bp from its peak.

Key risks to our outlook of overall resilient growth arise from further tariff hikes, mounting market worries about fiscal risks and a resumption of inflation pressures. Upside risks arise mainly from accelerated productivity gains from the deployment of AI and a reversal of tariffs and fast easing trade tensions.

US: strong consumption, but cracks appear in the labour market

US consumption in Q2 was revised sharply higher, raising annualised real GDP growth from 3.1% to 3.8% saar, mainly due to higher services expenditure. Although gross domestic income was revised down on weaker corporate profits, business investment – especially in Al-related equipment and intellectual property – remained strong. This suggests upward potential for our 1.7% growth forecast for 2025.

Nevertheless, vulnerabilities are emerging, as job creation slowed to 29k per month through August, down from 99k previously. Employment gains are now concentrated in non-cyclical sectors like healthcare, while manufacturing employment shrinks. Consumption is increasingly driven by wealthier households, with slower labour income growth shifting the driver of spending towards the wealth effect, posing risks to overall household demand.

Excluding AI, capital expenditure growth is weak, though: from Q4 2024 to Q2 2025, private non-residential investment rose by 2.8%, but excluding intellectual property and tech equipment, it fell by 1%. Next year, GDP is forecast to grow by 1.7%, aided by tax cuts and lower borrowing costs, though higher Treasury risk premia may dampen this. Risks are balanced: continued AI growth and labour market resilience could push growth to 2%, while weaker AI prospects may slow demand. Recession risk is moderate at 30% over 12-18 months, strong balance sheets offer some protection.

Core PCE inflation stood at 2.9%yoy in August and is expected to slightly exceed 3% yoy by year-end. Disinflation in services has stalled, and goods prices have risen less than feared, as importers absorb costs; tariffs are adding further expense. Persistent inflation has led the Federal Reserve to cut rates in September and adopt a more dovish stance, though many FOMC members maintain that rapid cuts aren't justified. We expect three further reductions mid-2026, targeting a Fed funds rate of 3.25–3.5%, about 25bp higher than current market pricing. Concerns about the Fed's independence from political pressure continue, with court decisions on the legality of president Trump's firing of Fed Governor Cook a key signpost to watch in the near term.

Euro area: strengthening activity ahead

Following a sugar-rush ahead of 'Liberation Day' at the outset of the year, the euro area economy has weathered the headwinds from US import tariffs relatively well so far. While trade unsurprisingly dampened output expansion thereafter, the need to restore inventories helped to sustain slow growth of 0.1% qoq in Q2, after 0.6% qoq before. Moreover, sentiment indicators suggest a similar growth rate for Q3.

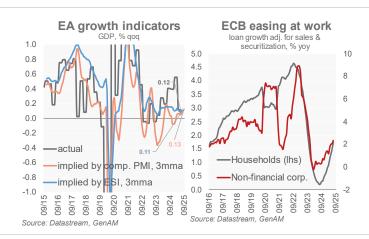
Looking ahead, the <u>EU-US trade agreement</u> foresees a basic tariff of 15% which is a bit higher than expected but removes a high of uncertainty and tail risks which will on balance support activity over the coming months. Inflation has stabilized around the 2% target which will bolster keep real income growth. And the 200 bps ECB rate

Strengthening activity ahead with German bazooka and past ECB cuts key drivers

ECB easing cycle completed

cuts by June 2025 are still easing financing conditions and spurring credit growth. Finally, towards year-end we expect the German fiscal bazooka to become increasingly effective. Even if the fiscal plans were to sacrifice part of planned investment for consumption, as currently feared, the short-term demand push will nevertheless help. New headwinds for confidence and activity, however, arose from the policy uncertainties in <u>France</u>. All in all, we continue to expect stronger activity from Q4/2025 onwards and see annual euro area growth at 1.2% in 2025 and 1.3% in 2026.

In June the ECB cut its policy rate by another 25 bps to 2.0%. At current level the key rate is in the middle of what we deem the neutral policy range (of 1.75% to 2.25%). At the September meeting President Lagarde reiterated that the ECB was "in a good place", and declared the "disinflationary cycle" closed, while again stressing the importance of data dependency and the meeting-by-meeting approach. The updated macro projections see somewhat less inflation undershooting at the outset of 2026 than before and the assessment of inflation risks by the ECB sounds balanced. All in all, given our constructive view on activity we now expect the ECB to have completed its easing cycle and to stay on hold for longer. The bar for further cuts is high and would in our scenario require the materialization of downside risks, e.g. a strong deterioration of the global economy.





China: muddling through

could lead to short-term relief in the trade war.

Following a strong start to the year with growth of 5.3% yoy in H1/25, momentum has slowed down over the summer and growth is expected to stabilise. This deceleration is mostly explained by the gradual fading of the retail sales subvention programme, a decline in government fiscal support, and the payback from the frontloading of exports. It is also possible that the anti-involution rhetoric is affecting manufacturing investment to some extent. Furthermore, the contrast between muted domestic demand and a resilient supply side remains acute.

That said, activity is weak but not dramatically so. This gradual slowdown is insufficient to prompt a significant response from policymakers. Indeed, we expect the Chinese economy to muddle through, with growth stabilising at an annualised pace of 3%. Instead, policymakers can take more targeted measures and ease monetary policy punctually. In the medium to long term, however, a meaningful economic rebound will only be possible if the housing market is fixed and domestic demand is stimulated. In this respect, attention will turn to the Fourth Plenum of the Communist Party in October, which will focus on the next five-year plan paving the way for structural reforms. Additionally, President Trump and Xi could meet by the end of the year, which

China: activity to stabilise and no major stimulus

GOVERNMENT BONDS

Florian Späte

- International government bond markets remained in calm waters in Q3. The transatlantic yield spread narrowed across all maturities.
- We expect the transatlantic yield spread to tighten further until year-end. Whereas German government bond yields are likely to rise as the economy is seen to gain momentum, softer US growth, combined with cooling underlying inflation and at least one further key rate cut by the Fed, is likely to result in slightly lower US yields.
- The outperformance of EA non-core bonds versus core bonds is likely to continue in Q4 due to the higher carry. However, uncertainties mean that French OATs should remain underweighted.

Following an eventful second quarter, the international bond markets calmed down in Q3. With volatility declining noticeably, yields on German government bonds increased moderately across all maturities compared with Q2. The yield on 10-year Bunds moved within a narrow range of between 2.55% and 2.80%. Meanwhile, mounting signs of an economic slowdown, combined with a cut in the Fed's key rate, led to a slight decline in US yields. 10-year yields fluctuated between 4.0% and 4.5%.

In our view, the fundamental situation is unlikely to change significantly in Q4. We forecast that 10-year Bund yields will continue to rise. The long-term change in the environment for EGBs has not yet been fully reflected by market participants. Germany's shift in fiscal policy will lead to a noticeable increase in Bund issuance going forward. Only recently, the German Finance Agency has revised its issuance plans for Q4 upwards. The net issuance volume will therefore total almost €90 bn in 2025. We expect this figure to rise well above €100 bn in 2026. Furthermore, the ECB's Quantitative Tightening will continue, exacerbating the situation further. Overall, we anticipate that the free float of German government bonds will increase by €200-250 bn within the next 12 months. This equates to an increase of almost 20%. This is a significant departure from the situation between 2014 and 2022, when negative key rates and Quantitative Easing supported the absorption of supply. In this respect, the reference to the current yield level, which is well above the 10-year average, is misleading. Instead, the first decade of the century should rather be used as a benchmark, when the average yield on 10-year German government bonds was above 4%.

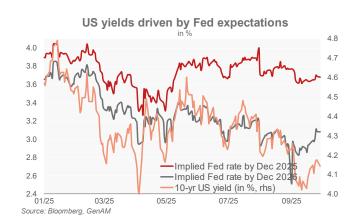
Germany's expansionary fiscal policy is expected to have a positive impact on the economy in the coming months. Following a weak summer semester, a recovery is expected, which will help the ECB to keep key rates steady. While a further ECB key rate is not ruled out in financial markets, we assume that the cycle is over and that the next key rate move will be upwards (although probably not until 2027). Accordingly, we expect the 10-year Bund yield to rise to 2.80% (2.95%) on a 3-month (12-month) horizon. Despite the movement that has already taken place, the yield curve should steepen further, as investors will demand higher compensation for duration risks given the growing government debt. According to our calculations, despite the increase since 2023, the 10-year Bund term premium remains at a moderate level of around 70 bps and does not yet fully reflect risks. Accordingly, we recommend a moderate short duration.

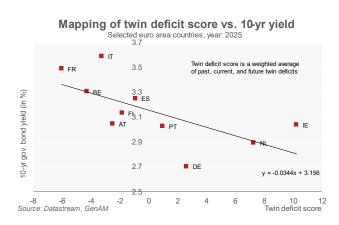
On the contrary, the US economy is slowly weakening. Although we do not expect a slide into recession, the labour market has cooled noticeably recently, and the growth rate is likely to be below potential in the coming quarters. While the inflation

Financial markets have not yet priced sufficiently the new bond market environment

EA economy gaining momentum and no further ECB key rate cut cause Bund yields to rise US yields to trend downward, but no strong rally rate is seen to temporarily rise given the US tariff policy, indicators suggest that underlying inflation is cooling. Accordingly, the Fed resumed cutting its key rate in September. We anticipate at least one additional 25 bps cut by the end of the year. If the economy cools more than expected, a further two cuts are also possible. The expected medium-term key rate level (as approximated by the 5y3m OIS rate), which correlates highly with 10-year US yields, is currently still too high at 3.6%. An expected downward movement will also have an impact on US yields.

Having said this, two factors suggest that a strong rally in the US Treasury market is unlikely. Firstly, financial markets have priced in future key rate cuts too aggressively. While we forecast a total cut of 100 bps to the trough, market expectations are somewhat more aggressive and thus have the potential to lead to disappointment. Secondly, given the attacks by the US administration, we also perceive risks to the credibility and independence of the Fed. In this environment, the recent decline in the term premium looks unsustainable. As in the EA, we expect the term premium to rise, which should dampen the downward trend in yields. Over a 3-month (12-month) horizon, we forecast 10-year US yields to reach 4.1% (4.0%).





Muddled situation in France continues to call for caution regarding OAT investments

French OATs remain in the spotlight for the time being

In addition to Bunds, OATs will likely remain in the spotlight in Q4. While several scenarios are currently possible, most imply increased political uncertainty and limited fiscal consolidation. Even a market-friendly scenario involving new elections that lead to a stable government and significant fiscal consolidation would result in uncertainty and higher OAT/Bund spreads, at least during the transition period. In this respect, we continue to advise caution regarding OATs. France has the lowest twin deficit score (a weighted average of past, current, and expected twin deficits). Unlike Italy and Spain, for example, this score has not improved in recent years, and according to our forecasts, France will remain at the bottom of the table in the coming years.

However, financial markets have now priced in France's situation. While French bonds have regularly traded at a premium in recent years, they are now fundamentally rather cheap. Consequently, we consider the risk of a significant increase in the 10-year OAT/Bund spread to exceed 100 bps to be low.

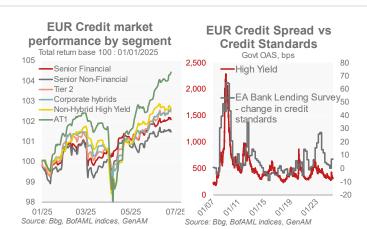
So far, the financial markets have classified the situation in France as an idiosyncratic problem specific to France, rather than a systemic problem. Spreads on other EA non-core bonds have widened only slightly. We expect this assessment to continue in Q4, meaning the higher carry should result in continued outperformance of non-core EA government bonds relative to Bunds.

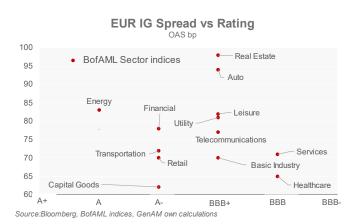
CREDIT

Elisa Belgacem

- Maintaining Long Credit Exposure into year-end: We are retaining our long investment grade and small long high
 yield positions underpinned by strong appetite for safe carry. Defaults are expected to remain under control in a
 non-recession scenario, at below 4% in Europe and below 6% in the US. Strong demand is anticipated to continue
 despite relatively tight spreads. We favour cash over CDS as volatility is expected to remain lower.
- Valuations Are Stretched—But Can Stretch Further: Both IG and HY spreads are rich relative to historical norms, yet we believe this is justified. Private sector leverage has declined post-COVID, enhancing credit quality relative to sovereigns. We therefore maintain our structural overweight in credit versus government bonds.
- Default Rates to Normalise, Not Spike: Defaults are currently aligned with long-term averages across the U.S. and Europe. While U.S. defaults have historically risen more sharply, we view EU HY as structurally more resilient underpinned by a creditor-friendly insolvency regime and a more defensive sector composition.
- Favouring EU Credit Over U.S.: Although U.S. HY has traditionally exhibited higher volatility, this pattern has reversed since the onset of the Ukraine war. With U.S. policy uncertainty rising, we expect EU HY to regain its structural spread advantage, supported by more stable fundamentals and investor positioning.

Shrinking Supply Meets Steady Demand: Record-high issuance in IG credit has marked the first half of 2025, with the surge in new deals met by robust demand. Notably, several transactions—particularly in riskier segments like subordinated



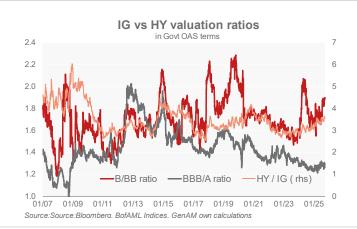


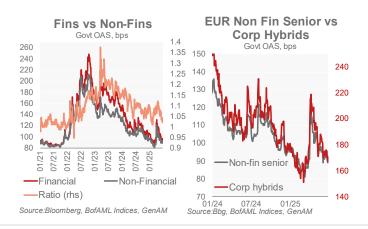
Strong inflows, driven by all-in yield considerations, are likely to compress credit spreads further in the near term. bonds—have priced inside fair value, underscoring the strength of technical support. As we approach earnings season, corporate issuers will enter blackout periods, leading to a slowdown in supply. Meanwhile, steady inflows into investment-grade credit since the start of the year suggest that technicals will remain a dominant force.

Unlimited appetite for credit

Default rates in both the U.S. and Europe are currently hovering near long-term averages, suggesting a return to more typical credit conditions. Historically, U.S. defaults have risen more sharply and reached higher levels than in Europe, where the high-yield market benefits from a more protective insolvency framework and a defensive sector mix. This structural resilience supports our view that EU HY remains comparatively safer. On the ratings front, dynamics have diverged: Europe has seen a slight downward trend, while the U.S. has experienced modest upgrades. Although rating agencies typically lag market developments, the absence of recession risk

implies limited downgrade pressure, particularly for large corporates at the IG-HY boundary. We expect ratings to remain broadly stable in the near term, reinforcing the case for quality carry in credit portfolios. Investment grade and high yield valuations remain elevated relative to historical norms, yet we believe this richness is justified. Compared to government bonds, private sector leverage has declined meaningfully since the COVID period, enhancing the relative safety of corporate credit. Moreover, while sovereign issuance is expected to trend higher amid fiscal expansion, credit supply should moderate following substantial prefunding activity in H1. This supply-demand dynamic, coupled with strong investor appetite for carry, reinforces our long-standing overweight position in credit versus government bonds.





Focusing on quality credit to balance yield and resilience

We generally position for defensive carry, within IG where we prefer BBBs versus single-As in total return terms. IG spreads should remain relatively resilient. With interest rates likely to fall on the back economic uncertainty, it makes sense to look to long-dated IG for enhanced credit returns, as we continue to expect the fallen angels risk to remains very limited despite the challenging environment

However, we believe that HY spreads are expensive but should be resilient near term, thanks the attractive all-in yield continues to attract strong demand. We believe that defaults have peaked already but, and that ratings will only marginally deteriorate, with very limited fallen-angel risks.

Neutral non-financials versus financial Financials typically have a higher beta than non-financials, but their fundamentals are currently very strong and their exposure to tariffs is lower, hence we keep a neutral stance on financials versus non-financials.

We remain long cash over CDS the latter will remain more volatile than cash, we prefer the latter in the current uncertain market environment.

Subordination risk still preferred to credit risk Similarly, we find subordinated bonds attractive relative to pure high yield, and we continue to prefer corporate hybrids to BB-rated companies and AT1s to single B-rated companies.

Overweight defensive sectors The cyclicality premium in our view isn't yet large enough to justify buying the dips. The rating agencies have continued to upgrade cyclical companies, but we believe they will reverse course shortly. Hence we have a preference for Utilities, Telcos and also Real Estate.

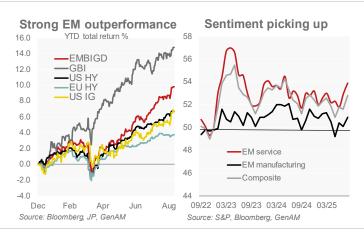
Sub-senior spreads remain tight, but in a low-growth, yield-hungry environment, they could compress further and reach new lows as investors stretch for "safe" carry.

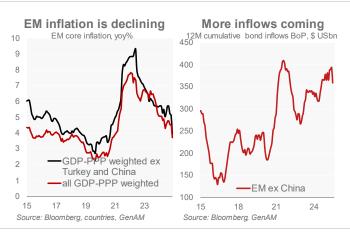
EM SOVEREIGN BONDS

Guillaume Tresca

- EM fixed income is still supported by a robust macroeconomic environment and risk appetite, and positive returns
 are expected until the end of the year. Risks are becoming more balanced, and higher volatility requires a more
 selective approach.
- EM fixed income continues to benefit from resilient EM growth, disinflation and a weaker USD. Fiscal metrics have been also improving making them more attractive than before relative to DM assets. Technicals have been supportive too, attractive renewed inflows into the asset class.
- EM local debt remains in a sweet spot and will be the best performing asset class of the decade. It is our preference
 over external debt. Valuations are reasonable and real rates are high. EM FXs benefit from better valuations and
 positioning than last quarter.
- EM external debt spreads are historically tight, but not relative to US credit. This attracts inflows that anchor spreads. We maintain our preference for EM IG over HY, focusing on relative value trades and low beta names.

The best year since 2009? EM fixed income continues to be supported by a positive macroeconomic environment and resilient risk appetite. Local debt is close to achieving its best yearly return of the decade, above 15%, while the return on external debt is exceeding 10%. We expect this positive momentum to persist until the end of the year, so we are maintaining our overweight stance. However, risks are increasingly balanced and volatility will be higher, requiring a more selective approach.





Resilient macro backdrop

Indeed, EM growth has remained resilient, and the trade war has so far had a manageable impact on EM growth. Business sentiment has even picked up across the board during the summer, and the disinflation trend continues. The weaker US dollar also enables EM central banks to pursue monetary easing, and the still-high real rates leave ample room for further easing if needed. EM external metrics have been improving since 2015, and now even EM fiscal balances are set to adjust significantly. The IMF expects EM government interest expenses to slowly converge towards those of DM countries. This 'DM-ification' of EM countries is enabling them to benefit fully from the current diversification away from USD assets.

Positive technicals

Meanwhile, EM fixed income has benefited from very positive technicals. Net issuance has remained manageable, with a bias towards IG names, while EM funds have cash on hand. There has been a renewed appetite for EM fixed income, evidenced

anecdotally by new inflows from crossover funds and growing inflows into EM-dedicated funds.

Given all these positive factors, the rally has lasted for almost nine months, so a more selective approach is now required, avoiding the highest beta names and focusing on relative value trades.

EM local debt: still the best of EM fixed Income

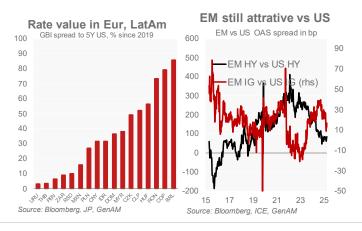
Positive on both EM FX and rates. We continue to favour local debt over external debt, and we have a positive outlook on both EM rates and EM FXs, as valuations are not excessive. EM rates will indeed benefit from a gradual slowdown in EM growth and the ongoing disinflation trend. We also have a positive view on UST rates, and a decline in these rates would also help EM rates. Furthermore, EM real rates still offer value, particularly in LatAm (Brazil, Mexico), and in CEE (Hungary). Asian countries are barely attractive. That said, as the EM monetary easing cycle matures, we recommend moving further out along the local yield curves. Regarding FX, EM FX valuations are not high and the ongoing USD weakening trend will continue to favour carry trades. As the global growth environment is becoming slightly less supportive, we will focus more on mid-yielders, since the performance of high yielders tends to be sensitive to global growth and risk appetite. We still like the TRY and the EGP, but see less value in the BRL and MXN than before, and are being selective in Asia.

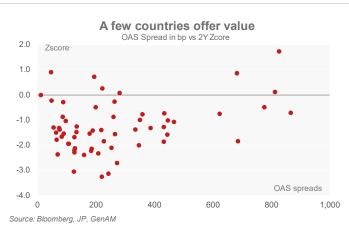
Technically, the setup has become more favourable, as the consolidation observed over the summer provides better entry points. Foreigners' share of the local market remains low, and local debt benefits from renewed inflows.

EM external debt: still supportive despite tight valuations

Tight spreads but still positive returns. We still expect positive return but primarily driven by our positive UST rate view and high carry. Indeed, spreads have been historically very tight and we only see stabilisation in the quarter ahead. We do not anticipate a widening: US growth is expected to hold up well and spreads are not so rich on a relative basis vs US credit, especially for EM IG. This relative cheapness has triggered a renewed appetite from large crossover funds, particularly in the BBB and BB segments, which provides a solid anchor. However, this benefits low-rated HY names less. We maintain our preference for IG over HY, focusing on low-beta names. We still like rising stars countries such as Morocco (which has just been upgraded by S&P), the Western Balkans and the Ivory Coast. We dislike Saudi Arabia, Peru.

Preference for EM IG over HY



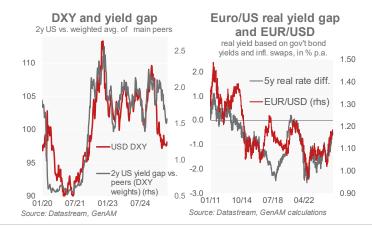


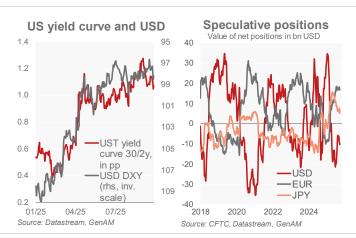
CURRENCIES

Thomas Hempell

- The US dollar's stabilisation over summer was likely a pause, not the end of its descent. Further Fed rate cuts and a shrinking US yield advantage will erode the dollar's appeal and lower the cost of hedging US dollar exposure.
- A persistently high US twin deficit and investors' diversification efforts out of the greenback will continue to weigh structurally as the administration's attacks on Fed independence continue unabatedly.
- The EUR/USD will eye 1.20 as euro area economic green shoots contrast a looming US slowdown.
- We also expect USD/JPY to decline. The yen is fundamentally very cheap, looming BoJ rate hikes contrast Fed's
 easing course and Japan's terms of trade are likely to remain more favourable. That said, fiscal and political uncertainties in Japan are weighing on the short-term outlook.
- We see moderate upside for the EUR/CHF even though uncertainties around France still benefit the franc. We anticipate EUR/GBP to trend sideways. Fiscal worries keep burdening sterling, but a significant part of these worries seem already priced.

Summer stabilisation of USD likely to prove a pause, not the end of its weakening trend Following the 10% slide in H1, the US dollar has stabilized in the summer quarter. This is likely to prove a pause, rather than the end of the greenback's weakening trend. The Fed has resumed rate cuts in September and we expect another 75bp of cumulated easing by spring 2026. Admittedly, this is about one hike less than priced by markets, but with the ECB on hold and the BoJ eyeing its next rate hike, the US yield advantage is set to shrink further to the detriment of the greenback (left chart below). And while some market models point to a discount embedded in current dollar pricing, the 5-year real yield gap is pretty aligned with current spot rates (mid-left chart) – and likely to shrink further as inflation risks are geared to the upside in the US but the downside in the euro area. The US administration is likely to erode the US dollar's appeal further amid unabated attacks on the Fed's independence, with the lawsuit against Fed governor Cook in the spotlight. Thus far, markets have not reacted much to these attacks. But unease on US bond and FX markets is evident: A steeper



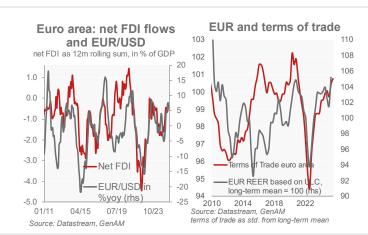


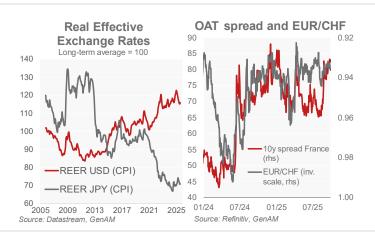
The attacks on Fed independence will keep burdening the US dollar yield curve, usually an expression of economic confidence supporting the exchange rate, has been coinciding with dollar weakness since US president Trump has taken office (mid-right charts), reflecting doubts about Fed independence. Fiscal dominance may imply too low rate cuts which raises worries about long-term inflation risks and the stability of the US dollar. We are no longer worried that short US positions are too crowded. Speculative positions have eased to levels that no longer look particularly

The EUR is set to benefit from a year-end recovery, more balanced FDI flows and favourable prices for energy imports

vulnerable to a sudden reversal (right chart). While US fund inflows have recovered over the summer, this seems to have coincided with rising hedging ratios. US policy uncertainties keep investors cautious on the USD side and we expect further diversification efforts out of USD exposure. A further decline in US rates will make the costs of hedging USD exposure even cheaper in this context.

For the EUR/USD, we anticipate more upside also from the EUR side. Euro area economic green shoots contrast the looming US slowdown and we expect the single currency area to overcome its stagnation by year end as the German fiscal stimulus kicks in and eased trade uncertainties support investment. French political risks remain a wildcard, especially by potentially dragging on French business and consumer sentiment, but as long as there is no contagion to other EGBs we anticipate only a moderate drag on EUR/USD in case French political uncertainties morph into an outright crisis. Otherwise, the improved euro area outlook should keep net FDI flows more balanced and lower energy prices the terms of trade more favourable following the severe drag in the first years after Russia's invasion of Ukraine (left charts below). We anticipate the EUR/USD to break 1.20 over the first half of 2026, with the risks tilted to an even earlier date.





USD/JPY to resume its downward trend

We also expect dollar weakness to also guide the USD/JPY lower. The yen is fundamentally very cheap (3rd chart below), looming BoJ rate hikes contrast Fed's easing course and Japan's terms of trade are likely to remain more favourable. That said, fiscal and political uncertainties in Japan are weighing on the short-term outlook.

The Swiss CHF may continue to benefit from French uncertainties over the coming weeks (right chart). But bearing a sharp intensification, we expect the euro's rising appeal amid a modest recovery to ease safe-haven flows into the franc, helping EUR/CHF to modestly rise. Note that hedging CHF exposure renders annualized benefits of around 2% such that even a sideways move in the EUR/CHF argues against leaving CHF exposure unhedged.

The UK's fiscal challenges and – compared to most peers – more stubborn inflation overshoot keep weighing on GBP. That said, GBP is already trading cheap vs. expected rates pricing and outright GBP shorts imply sizeable neg. carry of ~1.8% p.a. vs. EUR longs. We see EUR/GBP headed sideways for the coming months around current ~0.87, with balance of risks tilted to slightly weaker GBP. We thus keep a neutral stance on sterling for now.

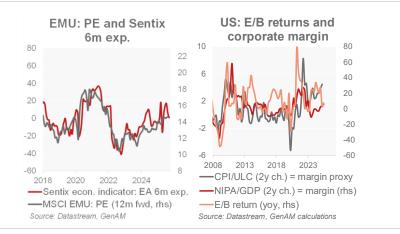
EUR/CHF is tilted to the upside even though French political worries are a drag near term

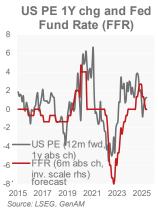
EQUITIES

Michele Morganti and Vladimir Oleinikov

- We are mild overweight (OW) equities, mostly due to still supportive financial conditions and declining policy uncertainty. Firms' balance sheets are safe and investors positioning is not yet stretched. Economic policies in the EU and China look also helpful. Our ML models continue to favour equities over bonds.
- Our EPS forecasts and ex-US valuations back decent TRs over 1 year (7% for ex-US indices), with high cash yields, especially in the EU. Still, we maintain only a mild OW due to risks: US valuation, geopolitics, high government debt, and US growth slowing more than expected. We see the SPX target in one year in the range of 6,500-7,200.
- We remain neutral on EMU vs US. However, we still prefer EMU on a twelve-month view, even more so after the
 recent underperformance. OW EU ex-EMU, Japan, MDAX & EU small, and EMs. OW (reduced) US Tech/AI & AI
 "phase 4". OW Gold miners & Uranium. Within EMs, prefer Korea, Poland, slight OW India, China & CH IT.
- EU sectors: keep a cyclical tilt due to a lingering *goldilocks* phase. OWs: Banks, Insurance, A&D, Building Products, Construction, Food Retail, Pharma, RE, Semis.

We remain constructive and OW equities. Eased tariff uncertainties represent a relief for ex-US indices as trade frameworks are much clearer now, and tail risks lower. Confidence indicators and financial conditions remain supportive, just like ex-US valuations, household & corporate balance sheets, and our ML models. EMU Sentix, IFO and PMIs underpin market multiples and decent EPS growth in '25 and '26.







Mild OW: Financial conditions, ex-US valuation and positioning to play positively along with the Fed easing cycle

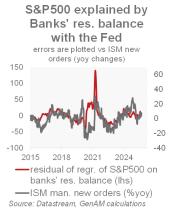
The Q2 reporting season showed stronger-than-expected US EPS growth and margins. Year-over-year EPS growth in Q2 was only slightly below Q1 (12.7% vs 13.7%), with earnings surprise at 7.6% - above the average of the last 9 quarters. EU companies posted slightly better earnings growth vs Q1 (4% vs 2.2%), with earnings surprises roughly in line with the norm.

US EPS growth (yoy) may have peaked in Q3 2025 and is expected to slow thereafter, while remaining at healthy rates. A weaker US labour market, geopolitics and the impact of tariffs warrant some caution. Meanwhile, the financing gap (cash flow capex) has turned positive again and remains much healthier than in 2000 and 2007. Financing conditions look supportive, too, as is the momentum in our margin proxies (CPI/ULC, etc). EA earnings bottomed out in Q4 2024, with yoy growth turning positive in Q2. We expect better growth ahead, thanks to normalising GDP growth, the anticipated German fiscal bazooka at the year-end, wage moderation, improved

lending conditions and a pick-up in capacity utilisation. We expect US EPS growth of 9.8% in 2025 and 8.1% in 2026, below consensus by 1% and 5%, respectively. For the EA, our expectations are lower at 3% and 7% for 2025 and 2026: in contrast to the US, we are somewhat above the consensus in 2025.

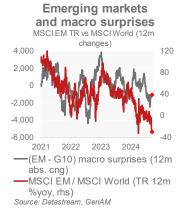
Seasonality and investor positioning should play positively along with the Fed easing cycle. Our EPS forecasts and ex-US valuations back decent TRs over 1 year, with high cash yields (including buybacks), more recently in particular for EU. Still, only mild OW due to risks: geopolitics, high US valuation and government debt, and sharper-than-expected US slowdown. Al and US IT show superior eps growth and their valuations are still far from dotcom bubble. While Tech/Al PEs may look high (30.9x), their PEG (PE adjusted for the 3-5y earnings growth) does not look exuberant (1.5x, below the SPX one, 1.7). That said, in the next future, Al companies may fail to deliver on the already optimistic expectations for capex returns. Additional sources of concern are China competition and antitrust. Accordingly, we are reducing our tactical overweight on US Tech initiated in June to a more moderate one.

We remain tactically neutral on EMU vs US. OW EMs, MDAX & EU small cap. Within EMs, prefer Korea, Poland, slight OW India, China & CH IT. Reduced OW on Japan. LT: Prefer EMU & diversify US into equally weighted SPX, Gold firms, AI phase 4 – productivity – and Uranium.









EMs: to benefit from undervaluation, improving flows, positive macro surprises, and weaker USD EM multiples trade at an 11% premium vs their norm, but the premia for US and EMU equities are larger (50% and 16%, respectively). The EM PEG looks attractive at 1.7, like the US, but below the EMU and Japan (1.9). Our composite valuation framework ranks EM at 24 vs 50 and 43 for the US and EMU. We remain OW EM equities given relatively firm macro fundamentals, weaker USD, Fed easing cycle, still low positioning, improving inflow picture and valuation. Within EMs, we favour Korea (cheapest, improving corporate governance), Poland (solid macro, ranks 5th in country scores), and keep slight OW on China and China IT (ranks 3rd in valuation), and India (tax cuts on consumption to mitigate tariff risks).

Looking at EU sectors, we became slightly more defensive while still maintaining a cyclical tilt. Our proprietary cycle barometer, driven by global leading indicators and EU CPI, still points to *goldilocks* - rising growth, falling inflation - favouring a cyclical tilt. OW: Banks, Insurance, A&D, Building Products, Construction, Food Retail, Pharma, RE, Semis. UW: Auto, Durables, Energy, Food Bev. Tob., HPP, Media, Transportation, Utilities. Mid-term investment idea: OW Uranium, Gold basket and AI Phase 4 ("increased productivity"). Maintain long Small vs Large Cap.

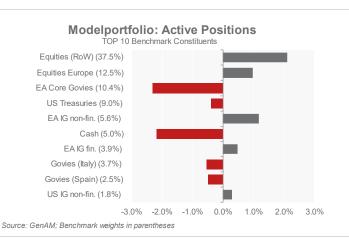
ASSET ALLOCATION

Thorsten Runde

- Recent global macro data suggest a potential US slowdown and increasing stagflation risks, while the euro area shows initial signs of recovery, helped by German fiscal measures and reduced trade uncertainty. Meanwhile, financial markets reflect elevated US equity valuations, tight euro credit spreads, and a weaker US dollar amid expectations of Fed rate cuts and ongoing fiscal deficits.
- Equity markets are supported by resilient corporate balance sheets, high cash yields, and overall constructive
 financial conditions while the outlook for core government bonds is rather cautious. That said, we deem EM Govies
 supported by resilient fundamentals, and disinflation trends. We favour IG and HY Credit mostly thanks to its carry,
 resilient fundamentals, and well-absorbed supply.
- We continued to favour Equities and HY Credit in our allocation, with slightly increased overweights (OW). We
 maintain our OW in IG Credit on carry grounds. In turn, we increase our UW in Govies given fiscal concerns and
 political risks like in France. We remain structurally bearish on the USD amid the Fed cutting rates as well as
 mounting concerns over fiscal discipline and the Fed's independence.

Over the past months, global macro data have shown a looming US slowdown with rising stagflation risks, while the euro area is revealing early signs of recovery, supported by German fiscal stimulus and easing trade uncertainties. Financial markets have seen thinner air for risk assets, with US equities at new highs, euro area credit spreads near post-GFC lows, and the US dollar weakening as expectations for Fed rate cuts and persistent twin deficits weigh on sentiment.





We recommend raising exposure to Equities and HY and maintain our OW in IG Credit due to improving macro momentum, resilient corporate fundamentals, and attractive carry. We prefer non-financials over financials as the latter have a higher exposure to political risks – particularly in France – and a higher share of subordinated bonds, which makes them more vulnerable in volatile market conditions. We increase our UW in Govies as their "risk-free" status is increasingly questioned amid rising political risks and fiscal dominance concerns. Given the diverging macro conditions and monetary policy paths we prefer a small short duration for the EA while the opposite is true for UST. We increase our OW in EM Govies due to resilient EM growth, disinflation trends, and a weakening USD. We expect the USD to weaken further as it is still considered fundamentally expensive, further Fed rate cuts are expected to come, and international diversification is increasing as the USD's safe-haven status erodes.

FORECASTS

Macro Data

Growth	2024	20	025	5 2026			
Glowiii	2024	forecast	Δ vs. cons.	forecast	Δ vs. cons.	forecast	
US	2.8	1.7	- 0.0	1.7	- 0.0	1.9	
Euro area	0.9	1.2	- 0.1	1.3	0.2	1.4	
Germany	- 0.2	0.3	0.1	1.4	0.3	1.4	
France	1.0	0.6	0.0	0.8	- 0.0	1.4	
Italy	0.7	0.4	- 0.1	0.6	- 0.1	0.5	
Non-EMU	1.0	1.2	- 0.0	1.2	0.0	1.5	
UK	0.9	1.2	0.0	1.0	0.0	1.5	
Switzerland	1.1	1.1	- 0.1	1.3	0.0	1.2	
Japan	- 0.1	0.5	- 0.6	0.4	- 0.2	0.6	
Asia ex Japan	5.0	4.8	- 0.1	4.6	0.0	4.5	
China	4.8	4.6	- 0.2	4.3	0.0	4.0	
CEE	3.4	1.9	- 0.0	2.1	- 0.1	2.1	
Latin America	1.8	2.0	0.0	1.9	0.0	2.5	
World	3.2	2.9	- 0.1	2.9	- 0.0	2.9	

Inflation	2024	20	025	20	2027	
imation	2024	forecast	Δ vs. cons.	forecast	Δ vs. cons.	forecast
US	2.9	2.9	0.1	2.6	- 0.1	2.2
Euro area	2.4	2.1	- 0.0	1.8	0.1	2.0
Germany	2.3	2.1	- 0.1	2.0	0.1	2.0
France	2.1	1.2	0.1	1.5	- 0.0	2.0
Italy	1.1	1.8	0.0	1.8	0.1	2.0
Non-EMU	2.3	2.6	0.0	1.8	- 0.3	1.8
UK	2.5	3.4	0.0	2.1	- 0.5	2.0
Switzerland	1.4	0.2	0.0	0.6	0.0	0.7
Japan	2.7	2.9	- 0.2	1.5	- 0.4	1.8
Asia ex Japan	1.8	2.0	0.7	2.1	0.3	2.2
China	0.4	0.5	0.4	1.0	0.3	1.5
CEE	19.1	14.2	1.5	9.4	0.7	7.0
Latin America	4.7	4.6	0.0	3.9	0.0	3.2
World	4.0	3.4	0.4	2.9	0.1	2.7

Regional and world aggregates revised to 2015 IMF PPP weights; Latin America Inflation excluding Argentina and Venezuela

Financial Markets

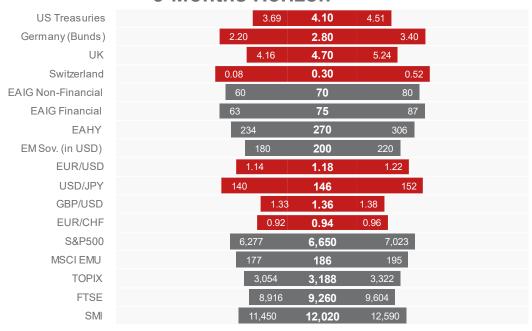
Key Rates	Current*	3M		6M		12M	
	Current	Forecast	Forward	Forecast	Forward	Forecast	Forward
US (upper bound)	4.25	4.00	3.69	3.50	3.49	3.50	3.07
Euro area	2.00	2.00	1.90	2.00	1.86	2.00	1.89
Japan	0.50	0.50	0.68	0.75	0.76	0.75	1.01
UK	4.00	4.00	3.91	3.75	3.77	3.50	3.59
Switzerland	0.00	0.00	-0.07	0.00	-0.10	0.00	-0.09
10-Year Gvt Bonds							
US Treasuries	4.17	4.10	4.21	4.05	4.26	4.00	4.36
Germany (Bunds)	2.76	2.80	2.82	2.85	2.86	2.95	2.96
Italy	3.62	3.65	3.69	3.70	3.76	3.80	3.92
Spread vs Bunds	86	85	87	85	90	85	97
France	3.58	3.65	3.63	3.70	3.69	3.85	3.83
Spread vs Bunds	83	85	81	85	83	90	87
Japan	1.65	1.70	1.74	1.75	1.81	1.80	1.92
UK	4.73	4.70	4.83	4.70	4.88	4.65	5.00
Switzerland	0.23	0.30	0.23	0.35	0.25	0.40	0.30

Credit Spreads**	Current*	3M		6M		12M	
	Guirent	Forecast	Forward	Forecast	Forward	Forecast	Forward
EA IG Non-Financial	75	70		70		70	
EA IG Financial	78	75		75		75	
EA HY	272	270		270		270	
EM Sov. (in USD)	193	200		200		200	
Forex							
EUR/USD	1.17	1.18	1.18	1.19	1.18	1.21	1.19
USD/JPY	149	146	148	144	147	140	145
EUR/JPY	175	172	174	171	173	169	172
GBP/USD	1.34	1.36	1.34	1.37	1.34	1.39	1.34
EUR/GBP	0.87	0.87	0.88	0.87	0.88	0.87	0.89
EUR/CHF	0.93	0.94	0.93	0.95	0.92	0.96	0.91
Equities							
S&P500	6,629	6,650		6,620		6,750	
MSCIEMU	186.0	186.0		187.5		191.0	
TOPIX	3,181	3,188		3,200		3,285	
FTSE	9,250	9,260		9,355		9,570	
SMI	11,928	12,020		12,200		12,585	

^{*3-}day avg. as of 26/09/25 **ICE BofA (OAS)

Forecast Intervals

3-Months Horizon



12-Months Horizon



^{*}The forecast range for the assets is predetermined by their historical volatility. The volatility calculation is based on a 5-year history of percentage changes, equally weighted in the case of the 12-month forecast and exponentially weighted in the case of the three-month forecast. The length of the bars within each asset group is proportional to the relative deviations from their mean forecasts.





Issued by: Generali Asset Management S.p.A.

Società di gestione del risparmio, Research Department

Head of Research: Vincent Chaigneau

Head of Macro & Market

Research:

Dr. Thomas Hempell, CFA

Team: Elisabeth Assmuth | Research Operations

Elisa Belgacem | Head of Cross-Asset Quant & Dev, Senior Credit Strategist

Radomír Jáč | GI CEE Chief Economist Jakub Krátký | GI CEE Financial Analyst

Michele Morganti | Head of Insurance & AM Research, Senior Equity Strategist

Vladimir Oleinikov, CFA | Senior Quantitative Analyst
Dr. Thorsten Runde | Senior Quantitative Analyst
Dr. Christoph Siepmann | Senior Economist
Dr. Florian Späte, CIIA | Senior Bond Strategist
Guillaume Tresca | Senior Emerging Market Strategist

Dr. Martin Wolburg, CIIA | Senior Economist **Paolo Zanghieri, PhD** | Senior Economist

"Edited by the Macro & Market Research Team. The team of 14 analysts based in Paris, Cologne, Trieste, Milan and Prague runs qualitative and quantitative analysis on macroeconomic and financial issues. The team translates macro and quant views into investment ideas that feed into the investment process."

This document is based on information and opinions which Generali Asset Management S.p.A. Società di gestione del risparmio has obtained from sources within and outside of the Generali Group. While such information is believed to be reliable for the purposes used herein, no representation or warranty, expressed or implied, is made that such information or opinions are accurate or complete. The information, opinions estimates and forecasts expressed in this document are as of the date of this publication and represent only the judgment of Generali Asset Management S.p.A. Società di gestione del risparmio and may be subject to any change without notification. It shall not be considered as an explicit or implicit recommendation of investment strategy osterial destination. It shall not be considered as an explicit or implicit recommendation of investment strategy osterial destination. It shall not be considered as an explicit or implicit recommendation of investment strategy osterial asset Management S.p.A. Società di gestione del risparmio in force from time to time, documents to be carefully read by the client before making any investment choice. Generali Asset Management S.p.A. Società di gestione del risparmio relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. It is recommended to look over the regulation, available on our website www.generali-am.com. Generali Asset Management S.p.A. Società di gestione del risparmio is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro Italiche.

