GENERALI INVESTMENTS

Market Compass

November 2025

MARKET OUTLOOK

- Markets remain constrictive despite global uncertainties, including US/China trade frictions, the French political deadlock, a prolonged US shutdown and a resulting lack of official US data.
- The risk of setbacks has increased, following a 36% rally in global equities since April's 'Liberation Day' trough, led by soaring US tech stocks. But a resilient economy and further Fed rate cuts should keep risk assets underpinned for now.
- We retain a cautious stance on EUR fixed income duration given our expectation of Euro Area (EA) economic recovery around the turn of the year. We still favour EUR IG Credit as risk premia remain resilient and demand solid.
- We expect the EUR/USD to resume its upward trend before long as yield differentials are narrowing.

Edited by

MACRO & MARKET RESEARCH TEAM

A team of 13 analysts based in Paris, Cologne, 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.

US

- (!) Government shutdown is stopping the publication of key economic data…
- (−) …and, if prolonged, could reduce demand in Q4 and keep uncertainty high
- (+) Survey data point to a stabilisation in economic activity
- (−) Better news on labour market and economic uncertainty may prevent a rate cut in December

EUROZONE

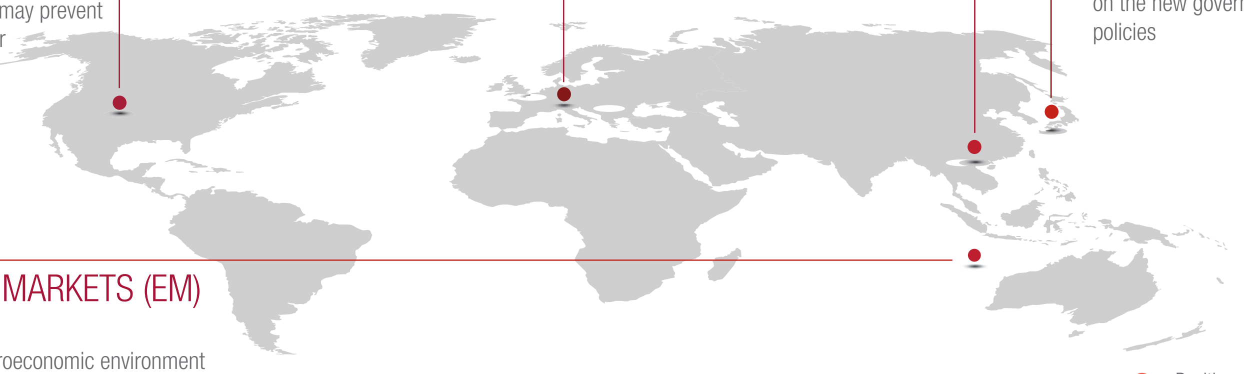
- (+) Q3 growth (0.2% qoq) above expectation
- (+) Improving sentiment in October
- (−) Inflation temporarily above target again
- (!) ECB to stay at 2.0%

CHINA

- (+) GDP growth in line with target
- (+) China-US one year truce should support sentiment
- (−) Disappointing internal demand and weak housing sector

JAPAN

- (+) New PM Takahici in favour of tax-cuts based expansionary fiscal policy
- (−) Inflation remains high and could accelerate given the strong wage dynamics…
- (+) …but the BoJ will remain cautious on rate rises given the uncertainty on the global economy and on the new government's policies



EMERGING MARKETS (EM)

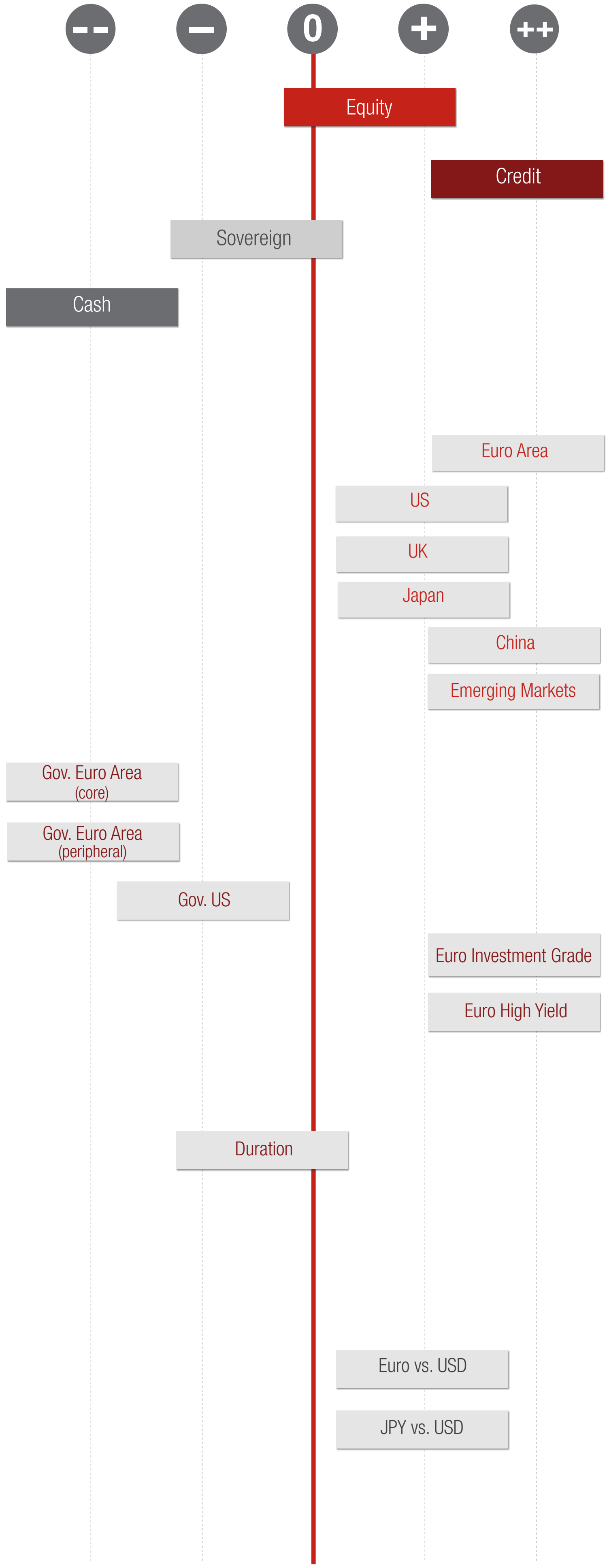
- (+) Resilient macroeconomic environment
- (+) Easing of trade war concerns supports sentiment
- (+) Positive portfolio inflows and seasonality

(+) Positive
(−) Negative
(!) Topics to watch

Your Partner for Progress.

DIRECTION OF TRAVEL

- Reduced the overweight (OW) in equity as risk of volatility increases
- Keep OW in EUR IG credit on good fundamentals
- Small underweight (UW) in EUR fixed income: risks to bund yields are titled to the upside
- Keep strong UW cash



Equity

- The macro and quant equity picture remains broadly positive (supportive global macro surprises and leading indicators for margins), despite less appealing valuations vs one month ago. We maintain our cautious OW on equities and our preference for cyclical sectors. We are now neutral on US tech and start a small OW EA vs US.

Bonds

- Bund yields could rise moderately given better growth and high 2026 bond supply. US yields may dip slightly, but downside is limited.
- Non-core EA government bond spreads have tightened as France calms and volatility drops. We stay generally positive but cautious on OATs.

Duration

- Limited EA short duration.

Currencies

- We expect further Fed easing to cap the dollar's recent bounce and expect the EUR to be strengthened by an ensuing EA recovery and eased French political risks.
- Worries about fiscal dominance under new PM Takaichi continue to burden the JPY, but much of this seems priced in.

TOPICS TO WATCH

- Two way political risk: escalation in trade tensions (notably US/China) but also chances of partial reversal of US tariffs.
- Synchronized sell-off in US Treasuries and USD on rising US policy risk.
- Risk of AI bubble burst amid stretched valuations and earnings expectations.
- French political and fiscal worries with risks of contagion and renewed concerns about EMU integrity.

Probability: High ⟷ Low

Impact: High ⟷ Low

GLOSSARY

GOVERNMENT BONDS AS AN EDGE AGAINST DOWNTURNS?

Government bonds prices have an inverse correlation with interest rates. In a recession, central banks tend to cut interest rates to stimulate the economy. This increases the value of fixed-rate bonds already issued, because they offer higher coupons compared to new bonds.

Find out more:
www.generali-investments.com