MONTHLY REVIEW

MACRO

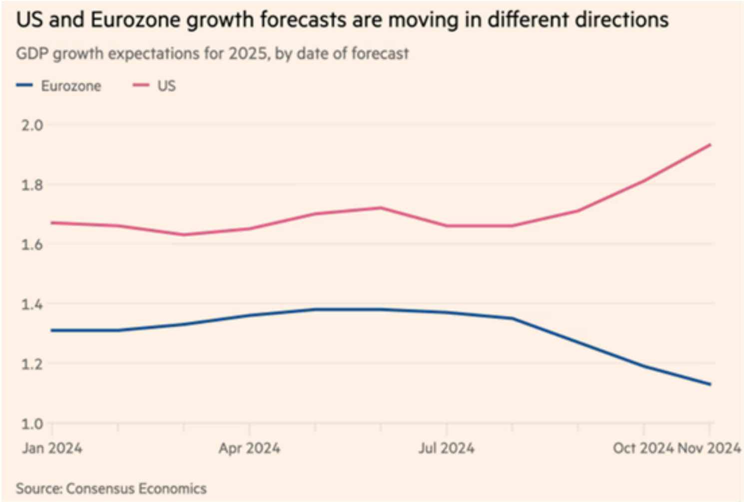
November saw a major political event: the U.S. presidential election on November 5, where Donald Trump became the 47th President of the United States. With the Republican Party already in control of the Senate, they also gained an absolute majority in the House of Representatives, strengthening their control over Congress. This "trifecta" sets the stage for at least two years of solid Republican dominance. Financial markets quickly reacted to this new political situation. U.S. stocks and the dollar rose sharply, driven by optimism about Trump’s economic plans. His agenda focuses on tax cuts to stimulate growth, immigration policies to reduce migration, and protectionist measures like tariffs on imported goods to boost the U.S. economy. However, the post-election rally led to mixed results in the markets. While U.S. stocks and the dollar surged, European stocks, emerging market stocks, and bonds struggled. This reflects concerns over the expected tariffs and rising interest rates.

In Europe, the composite index fell back into recession for the second time in three months. The service sector has now joined the manufacturing sector, which has been stuck in recession for 20 months. Despite this, economic activity in most of the Eurozone remains positive, except for its two largest economies, France and Germany. Both countries seem to be stuck in political gridlock, making the economic slowdown worse.

OUTLOOK

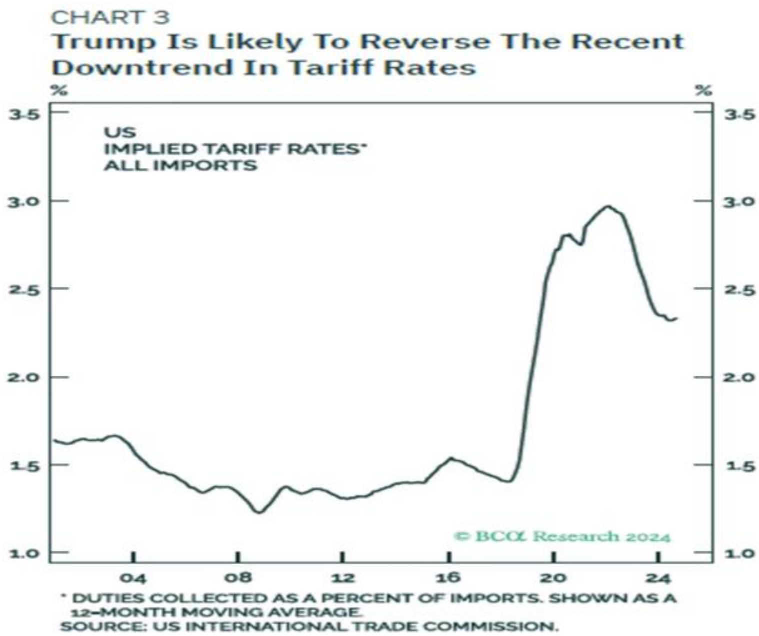
We remain optimistic about equities. As noted in June, geographical dynamics are shifting, especially after Trump’s election. He takes office with a strong and resilient U.S. economy, and as his policies unfold, the positive trend for U.S. stocks could continue—if he follows through on his promises. Markets will evaluate his measures based on their tangible outcomes.

In contrast, Europe faces deeper structural challenges. Without a unified response to trade tariff threats, the gap between U.S. and European equities may widen even further. The data clearly highlights this disparity: the price-to-earnings (P/E) ratio of the U.S. market is 30, while Europe’s is just 16. The relative performance of U.S. stocks compared to global equities has reached a 75-year high. Analysts have long pointed out Europe’s lag, and forecasts show little improvement. Economic growth projections show a clear difference: 2% for the U.S. versus just 1% for Europe. Furthermore, political challenges in France and Germany seem deeply rooted, deepening the structural divide.



In a low-interest-rate environment, we favor high-yield corporate bonds. Despite relatively narrow credit spreads, these bonds still offer attractive returns. Many companies are in strong cash positions, which strengthens their ability to meet payment obligations.

While tax cuts could boost economic activity, they may also significantly widen the U.S. budget deficit and increase inflationary pressures. Additionally, aggressive trade policies disrupt global supply chains and raise the cost of imported goods, further fueling inflation. However, Trump seems aware of the impact inflation had on the Democrats' recent defeat and is likely to focus on preventing it from undermining his economic and political goals.



EQUITY MARKETS

The divergence between markets first became apparent geographically. In November, U.S. markets rose by 5%, while Europe recorded a modest increase of only 0.4%. The standout performer was the Russell 2000 index, tracking small-cap U.S. stocks, with an impressive gain of 10.8%. Sectoral performances also reflected these disparities. U.S. financial stocks surged by 11% over the month, whereas their European counterparts declined by 1%. The semiconductor sector experienced a 1% drop, and the pharmaceutical sector underperformed, partly due to the appointment of Robert F. Kennedy Jr.

November performance: CAC40 -2.35% (YTD -4.08%), SMI -1.70% (YTD 5.62%), Stoxx600 -0.13% (YTD 6.53%), Nasdaq100 4.48% (YTD 24.39%), S&P500 5.30% (YTD 26.47%), Hang Seng -5.28% (YTD 13.94%),
Topix 1.38% (YTD 13.28%).

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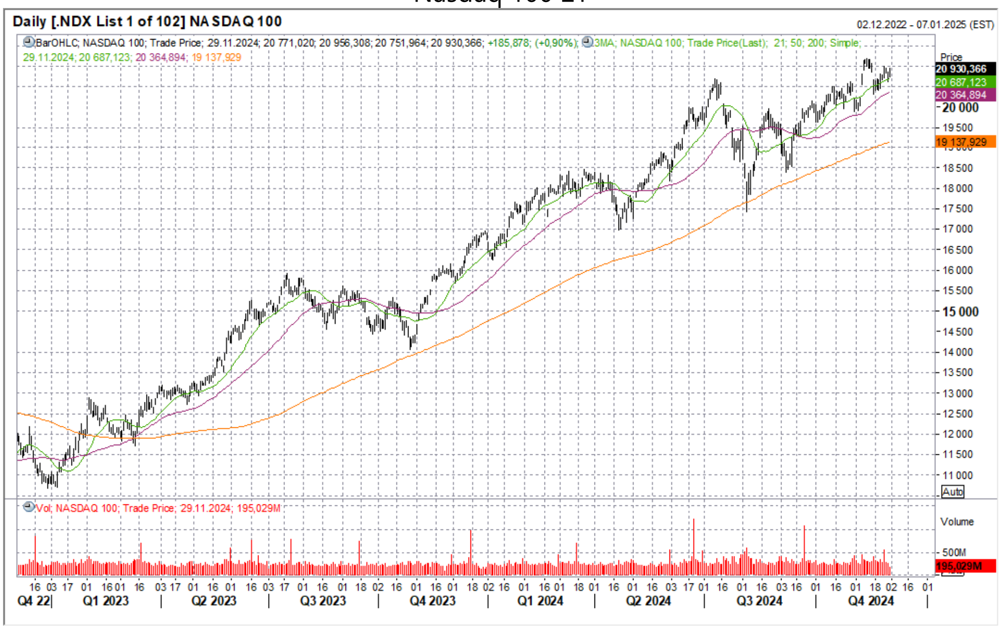
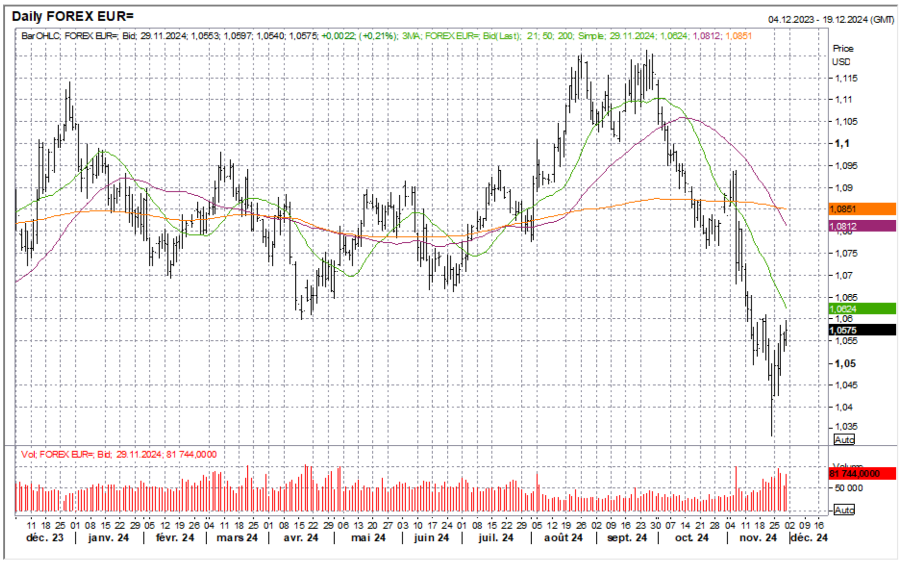


FOREIGN EXCHANGE MARKET

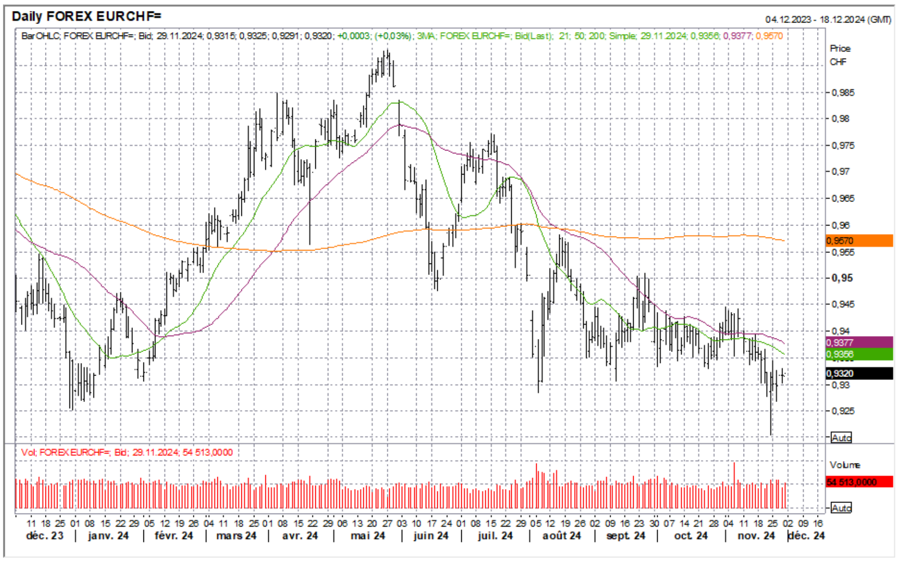
The recent strength of the U.S. dollar can be attributed to Donald Trump's victory, accompanied by his commitments to raise import tariffs and lower corporate taxes. At the same time, the European Central Bank, like the Federal Reserve, is focusing on economic outlooks still shaped by persistent disinflation. Recent signals, however, have not been encouraging. As noted in our August commentary, the dollar currently maintains a relative advantage. Nevertheless, it remains historically and relatively expensive against a basket of currencies, though its appeal is improving in the current economic and political context.

EUR USD 1Y



Geopolitical risks, which remain extremely high, along with persistent concerns about the trajectory of the European economy, contribute to a negative environment. These factors heavily weigh on the euro, limiting any significant rebound attempts. Meanwhile, the new President of the Swiss National Bank (SNB), Mr. Schlegel, stated in mid-November during his inaugural speech that negative interest rates could not be ruled out. This stance is expected to curb, to some extent, the appreciation of the Swiss franc.

EUR CHF 1Y



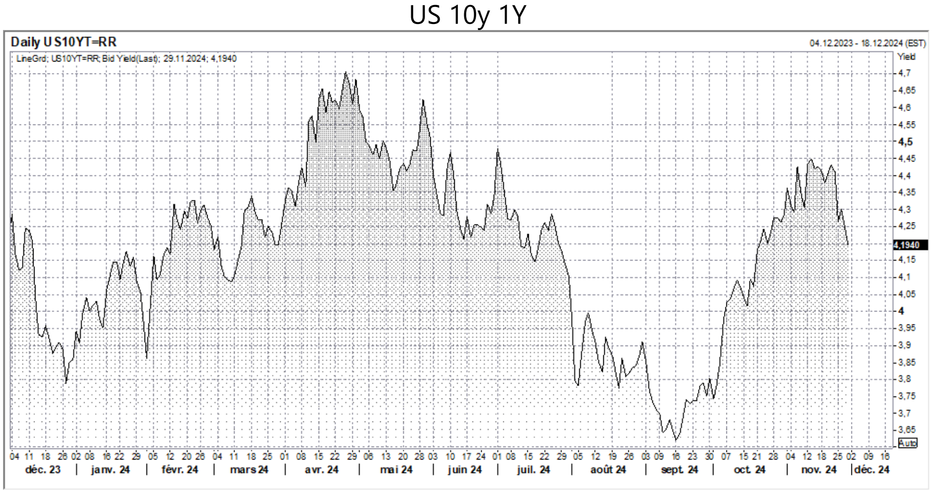
BOND MARKET

Interest rates continued to rise throughout November, supported by Donald Trump's victory and his deficit-driven, inflationary economic program. However, a trend reversal occurred at the end of the month. Government bonds regained their status as safe-haven assets, driven by the ongoing escalation of the conflict in Ukraine and rising tensions in the Middle East. Adding to this tense geopolitical context was the announcement of Scott Bessent's appointment as Treasury Secretary, a move seen as favorable to a potential reduction in interest rates.

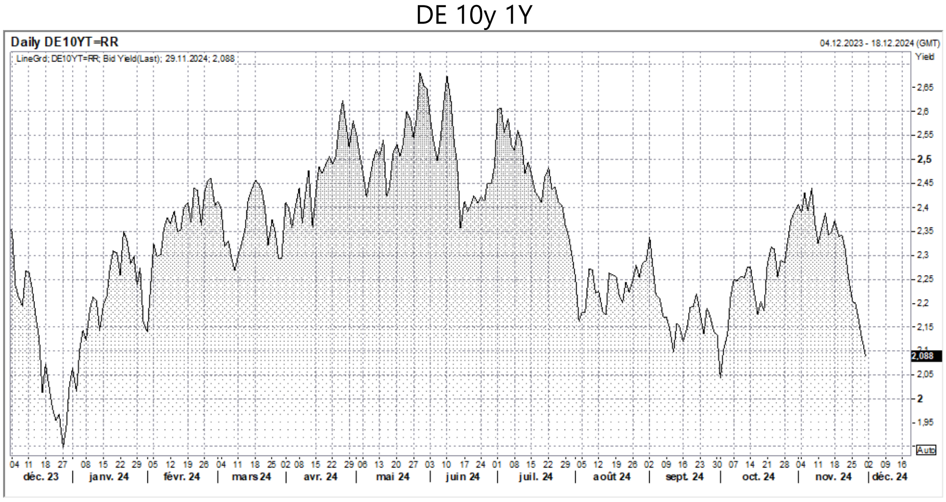
In Europe, government bonds also benefited from this trend, supported by ongoing concerns about growth in 2025. The latest European PMI indices showed widespread contraction. The end of the month was also marked by confusion surrounding the French budget vote, disrupted by the threat of censure from the National Rally, which could lead to the annulment of the budget.

On the inflation front, November's figures did not raise major concerns. Current data does not seem to challenge the monetary easing path adopted by central banks. The year-end in the rates markets will be shaped by the upcoming meetings of the Federal Reserve and the European Central Bank, which will present their new forecasts for 2025.

US 10y 1Y



DE 10y 1Y



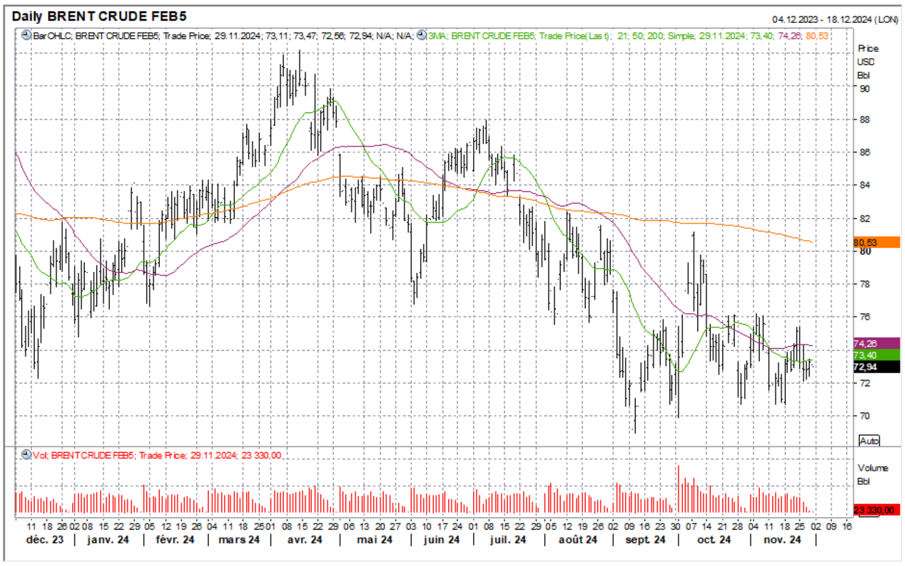
COMMODITIES

At the beginning of the month, gold prices halted their rally under the pressure of a stronger U.S. dollar and profit-taking. However, the asset rebounded as geopolitical tensions in Ukraine worsened. Currently, gold appears to have veered off its upward trajectory, primarily due to the dollar's strength, which dampens purchases by major emerging economies. The asset could stabilize around $2,700 in the coming weeks but is likely to remain volatile in response to geopolitical developments and new economic data. Nonetheless, its long-term trend seems intact, particularly in a context of significant geopolitical upheavals.

Gold 2Y

Amid geopolitical tensions and divergent strategies, the oil market is navigating through unprecedented volatility. International conflicts, notably in the Middle East and Ukraine, are intensifying uncertainties, disrupting supply, and impacting demand forecasts. Additionally, policy divergences between major producers, such as OPEC and the United States, further complicate the market outlook. This dynamic has led to pronounced price fluctuations, with significant weekly variations, making short-term predictions particularly challenging.

Brent 1Y



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