MONTHLY REVIEW

MACRO

Summer 2025 surprised with its relative resilience. The new customs tariffs have, so far, had a lighter impact than expected, which has allowed inflation to remain contained and left open the prospect of rate cuts. Inflation appears controlled, and the prospect of interest rate cuts remains viable.

The AI trend remains solid and spreads throughout the economy. Capital investments continue over time with a pace that is gradually normalizing. AI investment in the United States represents half of American GDP growth in 2025. Corporate profits remain supported by these deployments, even if the expansion pace slows in some areas. Infrastructure and computing spending remains demanding. The amounts allocated to data centers, hardware, and energy could weigh on the medium term without real product monetization. Sam Altman, co-founder of OpenAI and creator of ChatGPT, states that AI is a major, real, and transformative advancement, but that money is rushing too quickly toward everything carrying the "AI" label.

Jerome Powell adopts a more accommodating tone than expected and succeeds in his communication exercise. The central bank adjusts its approach to inflation and prepares probable rate cuts. The message convinces that this is not a concession to political pressure. Markets obtain a gradual easing trajectory and reduced policy error risk. In the United States, certain indicators show cooling. The labor market sends more balanced signals and activity slows in some areas. Household confidence retreats in August but less than anticipated and remains close to its recent average. Morale weakens without tipping into alarm, which argues for more selective consumption rather than a brutal decline.

In Europe, the cycle recovers at the margin. The eurozone manufacturing PMI passes slightly above 50 in August and returns to expansion territory for the first time since 2022. Services show a slight decline but continue to indicate a growth phase. The inflection point remains modest and industrial improvement remains fragile.

In France, the political sequence intensifies. Prime Minister François Bayrou will request a confidence vote on September 8, engaging government responsibility on a budget program targeting approximately 44 billion euros in savings in 2026.

OUTLOOK

After a solid earnings season, notably in the United States, the orientation remains positive on equities. The market remains resilient and Jerome Powell's signal opens the way for monetary easing from September, an immediate catalyst for risk assets. In the short term, momentum remains supportive: the Fed's slight pivot supports risk appetite and extends the bullish trend.

Positioning remains constructive on US equities. In Europe and Switzerland, the approach remains sectoral and selective, with a focus on pockets of quality and visibility.

Overall, the 2025 risk mapping highlights robust markets but exposed to rapid readjustment episodes in case of surprises on inflation, US trade policy, or the geopolitical context, which argues for active beta management on equities.

EQUITY MARKETS

August 2025 saw a mixed performance across global equity markets, with divergent regional and sector dynamics. The SMI advanced, supported in particular by a rebound in Nestlé's share over the month. By contrast, the CAC 40 was weighed down by political turbulence, reflecting a higher risk premium on domestic assets. In the United States, the S&P 500 and Nasdaq extended their upward trajectory, defying August's typically unfavorable seasonality on the back of a robust earnings season and a persistent pro-growth bias. Finally, earnings forecasts for the second half were revised up.

August performance: CAC40 -0.88% (YTD 4.38%), SMI 2.97% (YTD 5.06%), Stoxx600 0.74% (YTD 8.38%), Nasdaq 1.58% (YTD 11.11%), S&P500 1.91% (YTD 9.84%), Hang Seng 1.23% (YTD 25.01%),
Topix 4.49% (YTD 10.42%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

The late-August movement occurs in an environment where expectations of Fed rate cuts in September strengthened after Jerome Powell's comments, supporting the euro against the dollar. The ECB is perceived on pause after an easing phase; this monetary policy differential having contributed to EUR/USD firmness around 1.16–1.17.

EUR USD 1Y

The euro had recovered against the Swiss franc after the episode of aborted negotiations between Switzerland and the United States, but the renewed political instability in France has revived safe-haven demand and put the Swiss franc back in appreciation mode. The movement follows the underlying trend with a Swiss currency sought during uncertainty periods and a euro penalized by European budget and political debates. The dynamic remains unfavorable to the euro as long as institutional and budget visibility does not improve credibly.

EUR CHF 1Y

BOND MARKET

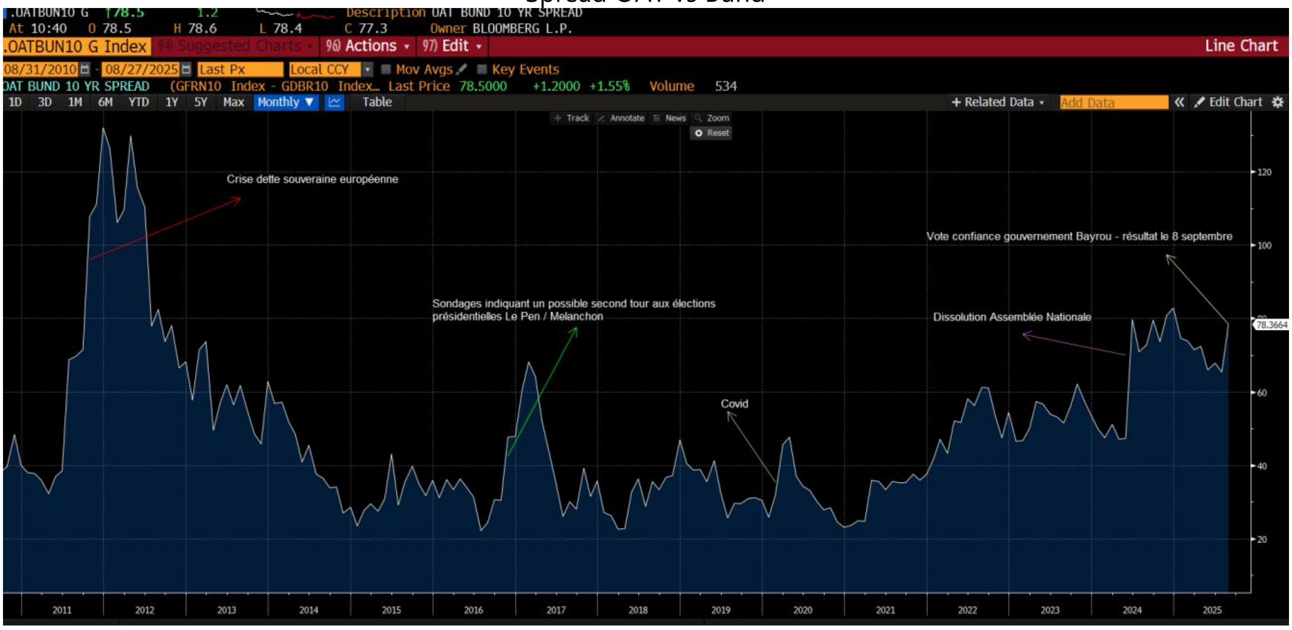
Jerome Powell finally lifted uncertainty at the Jackson Hole symposium: employment concerns justify monetary policy adjustment, the inflationary impact of customs tariffs being probably temporary. A Fed funds rate cut from September now constitutes the central scenario, with approximately 90% probability according to markets. Two data points nevertheless remain to monitor before the September 16-17 meeting: the employment report and the inflation report.

The 10-year Treasury yield evolves in a narrow range of 4.2% to 4.6% since late April. This remarkable stability reflects well-anchored long-term inflation expectations of around 2.5%. Long rates remain dictated by the market. If the market came to doubt the Fed's political independence or its anti-inflationary credibility, inflation expectations could surge and push nominal yields higher - a counterproductive effect for any administration seeking to reduce long-term borrowing costs.

The French political situation becoming even more chaotic impacts French bonds. The OAT-Bund spread widens to 80 bp, a level comparable to that observed last year after the National Assembly dissolution.

Inflows continue in Investment Grade and High Yield funds, with managers systematically buying spreads since the beginning of the year.

Spread OAT vs Bund



COMMODITIES

Gold reached a peak of more than a month, driven by dollar weakening and expectations around US monetary policy. Political tensions around the Fed reinforce the metal's appeal, considered a safe haven during uncertainty periods. The gold ounce reconnects with $3,400 and heads toward $3,500.

Gold 2Y

Investors are worried: US sanctions, which came into effect at the beginning of August, revive fears of global growth slowdown and oil demand decline. Markets anticipate the OPEC+ meeting, while major producers continue to increase their supply, which does not help prices in this context.

Brent 1Y

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