MONTHLY REVIEW

MACRO

The Federal Reserve, deeply divided, cut interest rates for the second consecutive time by 25 basis points, bringing them down to a range of 3.75%–4.00%. The move, widely anticipated by financial markets, was marked by an unusual detail: two of the twelve voting members opposed the decision. It comes amid rising risks to employment in recent months. However, Chairman Jerome Powell cautioned that another rate cut in December was not guaranteed, reflecting ongoing divisions within the committee over the outlook for jobs and inflation.

The central bank also announced it will end its quantitative tightening program as of December 1. By resuming asset purchases, it is injecting liquidity back into the financial system, providing support for economic activity. On the geopolitical front, the long-awaited meeting between President Donald Trump and Chinese President Xi Jinping took place in South Korea and led to a tentative truce in trade tensions. Both countries made concessions: Washington halved tariffs on fentanyl-related goods from 20% to 10% and eased restrictions on artificial intelligence chips, while Beijing agreed to resume soybean imports and suspend for a year its export controls on rare earth materials.

In Europe, political risk remains a key concern, especially in France. The Lecornu government's stability looks fragile amid repeated censure threats. Budget talks have taken center stage again as S&P downgraded France's credit rating from AA– to A+, and Moody's changed its outlook from "stable" to "negative" without adjusting the rating itself.

In Japan, Sanae Takaichi has been appointed Prime Minister. A conservative and strong supporter of "Abenomics," she advocates fiscal stimulus and an accommodative monetary stance to revive growth—an approach that equity markets received favorably.

OUTLOOK

After mid-October volatility triggered once again by President Trump's comments on trade with China, markets showed remarkable resilience. The Fed's latest signal paves the way for further monetary easing, while the enthusiasm surrounding artificial intelligence continues to act as a powerful catalyst for risk assets, particularly U.S. tech stocks.

Following a cautious start to October, we maintain a positive outlook heading into year-end.

Overall, markets remain solid but exposed to swift corrections should trade or geopolitical tensions flare up again. This backdrop argues for active and selective equity management.

EQUITY MARKETS

Equity markets extended their gains in October, with large-cap and growth stocks leading the way. Sector-wise, for the first time this year, healthcare outperformed globally—a lagging sector with further upside potential. Utilities stayed well-supported around electricity themes, and AI-related stocks continued to rise. In contrast, financials fell amid renewed pressure on U.S. regional banks, energy names were hit by weaker oil prices, and telecoms pulled back after a strong start to the year.

October performance: CAC40 10.03% (YTD 2.85%), SMI 5.46% (YTD 1.03%), Stoxx600 12.66% (YTD 2.46%), Nasdaq 22.86% (YTD 4.77%), S&P500 16.30% (YTD 2.27%), Hang Seng 30.40% (YTD -3.53%),
Topix 19.64% (YTD 6.19%).

Stoxx600 2Y

Nasdaq 100 2Y

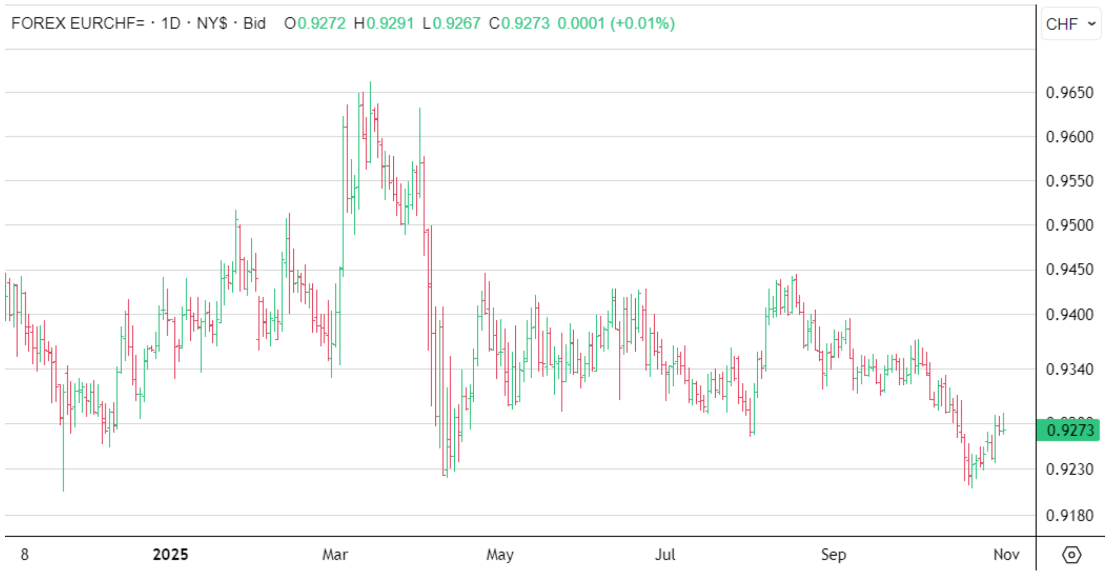
FOREIGN EXCHANGE MARKET

The dollar is rebounding after the Fed's comments, which came across as more hawkish than expected. Consolidation continues within the 1.16–1.17 range.

EUR USD 1Y

The euro is also firming against the Swiss franc, supported by stronger macroeconomic data from the euro area. Still, there's little excitement, with the pair holding around 0.93.

EUR CHF 1Y



BOND MARKET

Long-term yields rose in Japan, the U.K., and France, but eased in the U.S. despite high fiscal deficits.

In the United States, corporate bond spreads hit multi-decade lows. The spread on investment-grade debt fell to 0.74%, its narrowest level since 1998. Inflation slowed slightly in September to 3% from 2.9%, with core inflation edging down from 3.1% to 3%. Service inflation remains high at 3.6%, and tariffs are estimated to have added about 0.5 percentage points to PCE inflation.

In Europe, inflation rose to 2.2% in September from 2% in August, pointing to rate stability ahead. Bond issuance in September reached a record €200 billion.

US 10Y 1Y

DE 10Y 1Y

COMMODITIES

Gold prices fell sharply after reaching more than twice their 1980 peak. The metal's rally reflected growing efforts by emerging economies to reduce reliance on the dollar after the freezing of Russian reserves, as well as concerns about global debt levels. Gold now accounts for 20% of central bank reserves worldwide, compared with 16% for the euro, and the upward trend remains intact.

Gold 2Y

Oil prices came under renewed pressure after China and India decided to stop buying Russian crude. Together, they had accounted for nearly 80% of Russia's 5 million barrels per day of exports—2.2 mb/d for China and 1.5 mb/d for India. Still, the price surge has been contained by ample spare capacity globally. OPEC will raise output again in November by 137,000 barrels per day.

Brent 1Y

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