MONTHLY REVIEW

MACRO

Equity markets extended their bullish momentum in December, posting a ninth consecutive month of gains. The month was nonetheless marked by pronounced volatility and significant dispersion across sectors and geographic regions. Investors were reassured, however, by the Fed's monetary easing and the continued resilience of the U.S. economy.

The U.S. labor market experienced a temporary shock following the longest government shutdown in history. The release of third-quarter GDP nonetheless reassured markets about the economy's capacity to grow, which remains dynamic, notably supported by the ongoing investment cycle.

In Europe, inflation remains under control. Business confidence, however, continues to be held back by persistent political and trade-related uncertainty. Positive signals have emerged regarding a potential resolution of the conflict in Ukraine, a key factor for the European outlook.

China's PMI indices improved in December, but corporate profitability contracted in 2025 and deflationary pressures remain a major structural challenge.

OUTLOOK

Over the quarter, we increased our tactical allocation to equities, with an overweight in U.S. markets. Our overall equity exposure now stands at a slight overweight versus our benchmark.

Within the fixed-income sleeve, we will maintain our current positioning, continuing to favor the high-yield segment over investment grade. High-yield bonds should offer an attractive risk/return profile in the expected rate environment, with higher carry and shorter duration.

EQUITY MARKETS

Global equities delivered another year of strong performance, with the World index up roughly 21%. Geographically, the United States once again outperformed Europe, but the gap narrowed significantly thanks to Europe's catch-up late in the year. Spain and Italy posted very strong performances, while France once again underperformed. Emerging markets also rebounded, gaining around 30% over the year. China contributed meaningfully to this dynamic, even though momentum faded in Q4. South Korea stood out in particular (+90%), supported by its exposure to semiconductor manufacturers, key beneficiaries of the AI theme.

From a sector perspective, technology once again led the rally. Financials also outperformed, particularly in Europe. The year was also marked by gains in defense-related stocks, as well as utilities exposed to electrification linked to AI. From a thematic standpoint, nuclear outperformed this year.

In commodities, the trend remains strong, with gold up roughly 60% and silver accelerating sharply (+120%) Copper and several other commodities also continued to rise.

In fixed income, overall performance in 2025 came in at around +8% in USD. In USD terms, High Yield returned +8.56% and Investment Grade +8.34%. In Europe, Investment Grade rose+2.97% and High Yield +5.14%.

December performance CAC40 0.33% (YTD 10.42%), SMI 3.38% (YTD 14.37%), Stoxx600 2.73% (YTD 16.66%), Nasdaq -0.53% (YTD 20.36%), S&P500 -0.05% (YTD 16.39%), Hang Seng -4.60% (YTD 24.30%), Topix 0.90% (YTD 22.41%).

Stoxx600 2Y

Nasdaq 100 2Y

FOREIGN EXCHANGE MARKET

Following Fed comments, the dollar weakened against the euro in December, with EUR/USD moving from 1.161 to 1.175. This move reflects market sentiment and its correlation with expectations of U.S. rate cuts. The dollar even touched 0.7860 versus the Swiss franc, a low reached several times this year.

EUR USD 1Y

After a strong euro surge up to 0.9380, the pair returned to its usual channel of recent months, around 0.93. This move was mainly driven by discussions around peace negotiations in Ukraine, a factor investor had been waiting for for some time.

EUR CHF 1Y

BOND MARKET

The Fed cut rates by 25 bps, bringing the target range for the federal funds rate to 3.5%–3.75%, marking a third consecutive quarter-point cut. This is very likely the third and final “insurance cut” before a pause. Nevertheless, Jerome Powell’s remarks revealed a slight dovish bias, not necessarily apparent at first glance, nor in the SEP or the dot plot, which revived market hopes. At the press conference, he appeared relatively confident, stating that the FOMC is in a good position to wait and observe how the economy evolves. However, he adopted a more accommodative tone than expected to justify the cut, highlighting doubts about the reliability of job-creation data and suggesting an overstatement of around 60,000 jobs per month in recent months, which would bring the net pace to around −20,000/month rather than +40,000.

On the ECB side, as expected, policy rates were left unchanged for a fourth consecutive pause, with the deposit rate at 2%, the refinancing rate at 2.15% and the lending rate at 2.4%, the last easing dating back to June 5, 2025 (−0.25 percentage point). The ECB still believes inflation should stabilize around the 2% target over the medium term, with inflation at 2.1% in November, while signaling greater uncertainty for 2026, notably due to the stickiness of services prices. It also raised its 2026 inflation forecasts, as well as those for core inflation (excluding food and energy), revised from 1.9% to 2.2%.

The Bank of England, for its part, cut its policy rate by 25 bps to 3.75%, but without consensus, as four out of nine members reportedly would have preferred to keep rates unchanged.

Finally, the Bank of Japan raised its policy rate by 25 bps to 0.75% (as unanimously expected), but the absence of a clear signal regarding the next steps weighed on markets.

US 10Y 1Y

DE 10Y 1Y

COMMODITIES

Gold is capturing attention following December's rise, with the yellow metal setting consecutive record highs. Prices broke above the symbolic threshold of USD 4,500 per ounce for the first time, confirming momentum that remains very strong. The trend continues to be supported by investors repositioning toward real assets. In this context, bullish scenarios are becoming more widespread, and market consensus increasingly points to a target of USD 5,000 per ounce by 2026.

Gold 2Y

Oil shows the opposite dynamic: the decline is extending and fits within a structurally bearish trend observed for nearly two years. Crude prices have returned to levels comparable to those seen in April, amid high price volatility. This move reflects a market that remains skewed to the downside, with a supply/demand balance perceived as durably less favorable. In other words, pressure comes both from supply judged to be abundant and from demand that is struggling to accelerate, maintaining a bearish bias.

Brent 1Y

DISCLAIMER

The information in this publication does not constitute investment advice or recommendation(s), and shall not be construed as a solicitation or an offer for sale or purchase of any products, to effect any transactions or to conclude any legal act of any kind whatsoever. The information is for internal use only however this publication may be transmitted to a client of Vision Asset Management or any third-party investor at their express request.

Nothing herein is based upon the consideration of the particular needs, investment objectives and financial situation of any specific client and do not constitute an exhaustive description of the mentioned products. Clients of Vision Asset Management or any third-party investor should not make an investment decision or any other decision solely based on this information. Before concluding a sale, purchase, transaction or any legal act of any kind whatsoever, clients of Vision Asset Management or any third-party investor should seek advice from their consultants in legal, regulatory, tax, financial, economic and accounting matters to the extent it is deemed necessary and make their investment decisions (including decisions relating to the suitability of a transaction) on the basis of their own judgement and the advice from the specialists they have sought out. Past performance is not necessarily indicative of future performance.

Unless specifically stated otherwise, all information, as well as price information is indicative only, based on information obtained from sources believed to be reliable but are not guaranteed as being accurate, exact, complete, appropriate or up to date. The information in this publication is subject to change without notice. No representation or warranty (either express or implied) is provided in relation to the accuracy, exactness, completeness, appropriateness, actuality or reliability of the information.