MONTHLY REVIEW

MACRO

October was dominated by three themes: the Middle East, French public debt and the cost of artificial intelligence (AI). Negotiations over the Strait of Hormuz failed. Oil hit its highest level since May on 23 October, after Houthi attacks in Saudi Arabia. Donald Trump said the US would not strike Iran before the 3 November midterm elections, which leaves open the risk of renewed strikes right after.

Expensive energy is fuelling inflation. In the eurozone, inflation reached 3.8% in September, the highest since September 2023, with energy driving most of the increase. Switzerland is the exception: inflation remains low (1.0%) and growth solid, so the Swiss National Bank (SNB) is on hold at 0%.

United States. The picture is mixed. September payrolls disappointed sharply, with very few jobs created and unemployment up to 4.2%. Yet GDP growth came in at 3.4%, above the 3.2% consensus. The Fed held rates, but two members wanted to raise them. Treasury Secretary Scott Bessent said another hike would not necessarily be a mistake given the strength of growth, while urging an open mind on whether the energy shock is temporary. He also reaffirmed his confidence in Fed Chair Kevin Warsh.

Eurozone. Growth was again more resilient than expected. The ECB has to balance inflation control against the risk of over-tightening, and left rates unchanged. Budget and political uncertainty, especially in France, put sovereign spreads under closer scrutiny. For now, there is no contagion from the widening of French spreads.

AI costs. The cost of AI is weighing on sentiment. Big tech is spending enormous sums, and Alphabet's results revived doubts about the return on these investments. Nearly all companies beat analyst expectations, yet their shares fell. The reason: large investors were hoping for even more. This unofficial number, known as the "bogey", has become the real bar to clear. Beating consensus is no longer enough.

- Amazon: cloud revenue is growing strongly, but less than investors had in mind.
- Intel (-28%): year-end guidance is much weaker than hoped.
- Alphabet (-12%): spending far exceeds the cash it generates.
- Microsoft: holding up, as it funds its investments from internally generated cash.

OUTLOOK

We maintain our equity exposure. AI remains a major investment driver, but not all players will benefit equally, so selectivity is now decisive. This support is also no longer unconditional, as markets become more sensitive to interest rate and inflation risks.

Equities. We stay invested in AI, but favour companies that actually monetise it: quality growth stocks with strong balance sheets, visible revenues and still-reasonable valuations, rather than the most expensive bets in the theme. We prefer quality within each sector, with a tilt towards banks and industrials, which also benefit from the investment cycle. We remain overweight US equities, where earnings growth is clearly above other regions. This overweight is deliberate but contained: geographic diversification, notably towards Europe, Switzerland and emerging markets, helps absorb volatility in tech.

Bonds. We keep our long-standing preference for high yield (HY), held for several semesters, mainly in Europe.

Risks. The main risk is the path of interest rates. Stickier inflation would trigger further rate hikes and weigh on both equity valuation multiples and credit, hitting the most expensive segments of the market hardest.

VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!

EQUITY MARKETS

The Dow Jones clearly outperformed the Nasdaq: tech is paying the cost of AI. Energy, healthcare, consumer staples and utilities led the market, while financials and real estate fell in October. Communication services came last, hurt by Alphabet (-12% in a single session). The "AI at any price" theme is cooling, as investors now question the headlong rush in capital expenditure (capex) by companies in the sector.

In Europe, performance was mixed. The SMI surged thanks to healthcare and Nestlé, while the CAC 40 declined. Eurozone banks were the big losers, reflecting tensions over French debt.

In Asia semiconductors are a drag. The Kospi is in a bear market: foreign investors are selling on fears over AI costs, a Fed rate hike and Chinese competition (CXMT). In China, the STAR 50 index, which groups technology and innovation companies listed in Shanghai, has fallen 40% since June. Chinese consumption is also suffering, which weighs on European luxury.

October performance: CAC40 0.06% (YTD -2.21%), SMI 7.09% (YTD 11.63%), Stoxx600 1.87% (YTD 9.21%), Nasdaq -5.30% (YTD 9.44%), S&P500 -0.93% (YTD 10.73%), Hang Seng -5.36% (YTD -9.11%), Topix -3.49% (YTD 16.31%).

Stoxx600 2Y



Nasdaq 100 2Y



VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!

FOREIGN EXCHANGE MARKET

The dollar was stable in October, but rate moves were choppy. The euro fell, hurt by the political crisis in Europe and by PMIs that have declined for two months. Our view is two-sided: inflation and high rates support the dollar, but any geopolitical easing would lower US yields and reduce the dollar's appeal.

EUR USD 2Y



The Swiss franc was the month's safe haven. At end-September, the euro hit its yearly high against the franc. Since then, stress on French debt has weighed on the euro, which is approaching its lowest since early July. In the short term, we see EUR/CHF trading between 0.92 and 0.94. The long-term trend for the franc remains intact.

EUR CHF 2Y



VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!

INTEREST RATES AND BOND MARKET

Central banks. All held rates in October.

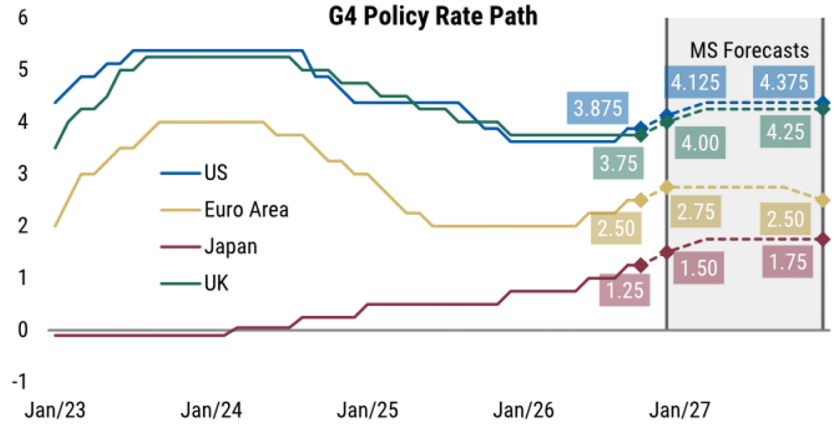
Fed (28 Oct): kept its range at 3.75%-4.00% by a 10-2 vote. Beth Hammack and Lisa Cook voted for a hike.
ECB (29 Oct): held its deposit rate at 2.50% with no forward guidance. The same day, Christine Lagarde announced she will step down as ECB President in February.
Bank of Japan (30 Oct): held its rate at 1.25% by an 8-1 vote. Hajime Takata called for 1.50%. The BoJ stated for the first time that underlying inflation has reached 2% and raised its 2027 inflation forecast to 2.6%.

The US September jobs report pushed yields lower. In Europe, the Bund returned to 3.30% in October, acting as a safe haven. France moved against the trend amid its political crisis. At end-October, the German-French yield spread stood at 155 bp, a level not seen since 2011.

Credit decoupled from sovereigns. In the US, the high-yield spread widened from 2.60% at end-August to 3.18% at end-October, while the investment-grade spread was stable. In Europe, the investment-grade spread was around 100 bp in early October, and high yield widened. Global bond spreads reached their highest since May 2025.

Markets expect central banks to raise rates in December, and see further hikes as likely beyond that date.

Forward Interest rates



Source: Federal Reserve, ECB, BoJ, BoE, Morgan Stanley Research forecasts

FR 10Y 2Y



VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!

COMMODITIES

GOLD

Gold extended its decline in October, after an already very weak September. It slid steadily through the month, with no significant rebound (which is rare), and ended about 4% lower.

Middle East tensions did not help. They mainly fuelled fears of lasting inflation, and therefore of higher rates for longer, which weighs on an asset that pays no yield. Safe-haven flows appear to have gone to the Swiss franc and to bonds of countries seen as safe.

Technically, gold broke below 4'000 at end-October, the bottom of the 4'000-4'200 zone flagged in September as a buying area. This level is major support, and its break is a bad short-term signal. A move towards 3'850 is possible. Our short-term reading is technical. The decline does not challenge the long-term uptrend.

Gold 2Y



VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!

OIL

Oil rose sharply in October (+17%). Three factors supported prices:

Iran stepped up attacks on tankers nearby, keeping pressure on supply. The Houthis struck Riyadh airport on 10 October, then other targets in Saudi Arabia. The market again feared shortages. Ukraine intensified strikes on Russian refineries in mid-October, adding further tension on supply.

The move has effects well beyond energy. Expensive oil feeds inflation, supports central banks' firmness and weighs on rate-sensitive assets.

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.

VISION ASSET MANAGEMENT
Not to be forwarded. For personal use only!