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Global Asset Allocation Perspectives

November 2025



ASSET RETURNS – Key Takeaways from Q3 2025



2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Q3 '25
Growth 3.5%	Small cap 13.3%	MSCI EM 37.8%	Global Agg -1.2%	Growth 34.1%	Growth 34.2%	Global REITs 32.6%	Cmdty 16.1%	Growth 37.3%	Growth 26.2%	MSCI EM 28.2%	MSCI EM 11.0%
Global REITS 0.6%	Value 13.2%	Growth 28.5%	Global REITS -4.9%	DM Equities 28.4%	MSCI EM 18.7%	Cmdty 27.1%	Value -5.8%	DM Equities 24.4%	DM Equities 19.2%	Growth 18.0%	Small cap 8.6%
Small cap 0.1%	Cmdty 11.8%	Small cap 23.2%	Growth -6.4%	Small cap 26.8%	DM Equities 16.5%	Value 22.8%	Global Agg -16.3 %	Small cap 16.3%	Value 12.3%	DM Equities 17.8%	Growth 8.6%
DM Equities -0.3%	MSCI EM 11.6%	DM Equities 23.1%	DM Equities -8.2%	Global REITs 24.4%	Small cap 16.5%	DM Equities 22.4%	DM Equities -17.7%	Value 12.4%	Small cap 8.6%	Value 17.5%	DM Equities 7.4%
Global Agg -3.2%	DM Equities 8.2%	Value 18.0%	Value -10.1%	Value 22.7%	Global Agg 9.2%	Growth 21.4%	Small cap -18.4%	Global REITs 10.9%	MSCI EM 8.1%	Small cap 17.0%	Value 6.0%
Value -4.1%	Global REITS 6.5%	Global REITS 8.0%	Cmdty -11.3%	MSCI EM 18.9%	Value -0.4%	Small cap 16.2%	MSCI EM -19.7%	MSCI EM 10.3%	Cmdty 5.4%	Cmdty 9.4%	Global REITS 4.4%
MSCI EM -14.6%	Growth 3.2%	Global Agg 7.4%	Small cap -13.5%	Cmdty 7.7%	Cmdty -3.1%	MSCI EM -2.2%	Global REITs -23.7%	Global Agg 5.7%	Global REITs 2.8%	Global REITs 9.3%	Cmdty 3.7%
Cmdty -24.7%	Global Agg 2.1%	Cmdty 1.7%	MSCI EM -14.2%	Global Agg 6.8%	Global REITs -10.4%	Global Agg -4.7%	Growth -29.1%	Cmdty -7.9%	Global Agg -1.7%	Global Agg 7.9%	Global Agg 0.6%

- While Trump’s tariff policy and the so-called “liberation day” were the dominant themes in Q2, attention in Q3 shifted to the US Federal Reserve and the trajectory of global interest rates. Monetary policy guidance moved toward a more accommodative stance, aiming to support growth rather than respond to recession risks.
- The old saying “sell in May and go away” would have missed a strong summer rally, and investors who stayed the course were rewarded. Q3 2025 delivered positive returns across most major asset classes, supported by:
 - optimism around resilient US economic growth,
 - persistent AI-driven market enthusiasm, and
 - solid corporate earnings, though sentiment remained tempered by political and policy uncertainties.
- Performance varied by region, with European indices lagging their US peers after significant outperformance in Q1 (i/ the EU defence stimulus plan and German infrastructure programme, and ii/ outflows from the US amid Trump’s unpredictable policies). With EUR/USD broadly flat, performance was driven mainly by fundamentals. Equity gains remained concentrated in the US tech sector, with the “Mag 7” up around 70%, supported by an increasingly circular and debt-financed AI ecosystem.
- With the Fed resuming its cutting cycle in September after almost a year on hold, and amid signs of a softening labour market, fixed income was supported by declining sovereign yields and tighter credit spreads.

Source: JP Morgan

ASSET RETURNS – Insights from Q4 2025? (1)



Returns - Oct. 2025

Equities	MtD	YtD	Bonds	MtD	YtD
MSCI World (USD)	1,90%	18,40%	Global Agg. USD	0,80%	4,87%
MSCI Emerging (USD)	4,10%	30,30%	Global Agg. EUR	0,60%	3,03%
S&P 500 (USD)	2,30%	16,30%	US Corporate	0,40%	7,30%
Nasdaq (USD)	4,70%	23,10%	US High Yield	0,20%	7,40%
Russel (USD)	1,80%	11,20%	EU Corporate	0,70%	2,80%
Stoxx 600 (EUR)	2,50%	12,70%	EU High Yield	0,08%	4,73%
Eurostoxx 50 (EUR)	2,40%	15,60%			
FTSE 100 (GBP)	3,90%	18,90%	Commodities	MtD	YtD
Nikkei (JPY)	16,60%	31,40%	Gold	3,73%	52,40%
			WTI	-2,20%	-14,9
Hang Seng (HKD)	-3,50%	29,30%	Forex	MtD	YtD
Bovespa (BRL)	2,30%	24,30%	EURUSD	-1,70%	11,42%
			USDJPY	4,10%	-2,04%

Source: Heritage Wealth



Source: C. Bilello

- Going into Q4, political uncertainties remained at the forefront:
 - ongoing US–China trade frictions with a last-minute truce extension,
 - the French political deadlock, and
 - the US government shutdown since October 1st, which left markets without key US data and a Fed effectively “flying in the fog.”

Notably, the US Senate approved a deal on November 10th to end the shutdown.
- In October, volatility stayed moderate, with a few spikes driven by idiosyncratic risks that were quickly reversed..
- Equity markets continued to rise for a seventh consecutive month, reaching new highs, supported by expectations of sustained US economic strength, the ongoing monetary easing cycle (second rate cut), resilient earnings, and AI-driven momentum. Since the April 2025 lows, the MSCI World Index has rebounded 34% and MSCI Emerging Markets 44%. US equities slightly underperformed other regions, while emerging markets outperformed developed markets, except for China.
- Fixed income benefited from declining core yields (the US 10-year drifted 5bps lower to 4.09% and the German 10-year fell 7bps to 2.64%) and tighter credit spreads amid lighter issuance and very strong demand. Credit indices posted positive returns, with higher-quality credit outperforming high-beta segments.
- While gold reached new highs, warning signs emerged in private credit following bankruptcies and fraud allegations involving First Brands, Tricolor, and Cantor. JP Morgan CEO Jamie Dimon warned that more “cockroaches” could surface after these private-credit failures, adding pressure to the credit market.

ASSET RETURNS – Insights from Q4 2025? (2)



Returns - As of November 11th, 2025					
Equities			Bonds		
	MtD	YtD		MtD	YtD
MSCI World (USD)	0,36%	20,68%	Global Agg. USD	-0,04%	4,82%
MSCI Emerging (USD)	0,12%	33,72%	Global Agg. EUR	-0,10%	2,93%
S&P 500 (USD)	0,13%	17,65%	US Corporate	-0,16%	7,20%
Nasdaq (USD)	-1,24%	22,24%	US High Yield	-0,02%	7,37%
Russel (USD)	-0,82%	11,45%	EU Corporate	-0,16%	2,63%
Stoxx 600 (EUR)	1,17%	20,49%	EU High Yield	-0,03%	4,70%
Eurostoxx 50 (EUR)	1,49%	17,95%			
FTSE 100 (GBP)	1,97%	24,91%	Commodities		
Nikkei (JPY)	-2,99%	29,78%		MtD	YtD
			Gold	3,02%	57,13%
			WTI	-0,23%	-15,17
Hang Seng (HKD)	3,14%	37,57%	Forex		
Bovespa (BRL)	5,49%	31,15%		MtD	YtD
			EURUSD	0,49%	11,99%
			USDJPY	-0,41%	1,67%

Source: Heritage Wealth

- At the end of October, active managers held their highest equity exposure since July 2024. What happened back then? In November, they began reducing exposure again, bringing equity allocations back to the 35% level seen in April.
- Global markets pulled back as renewed caution spread across sectors. Major US technology stocks declined as investors questioned stretched AI valuations, despite solid Q3 results.
- Supported by rising expectations of Fed rate cuts and signs of a resolution to the US government shutdown, gold prices continued to advance.
- The risk-off tone in equities led to wider spreads and softer credit markets. A wave of AI-related bond issuance also raised concerns over a potential supply glut, weighing on investor sentiment. Sovereign core yields were largely stable in the US and edged slightly higher in Europe.



Source: C. Bilello

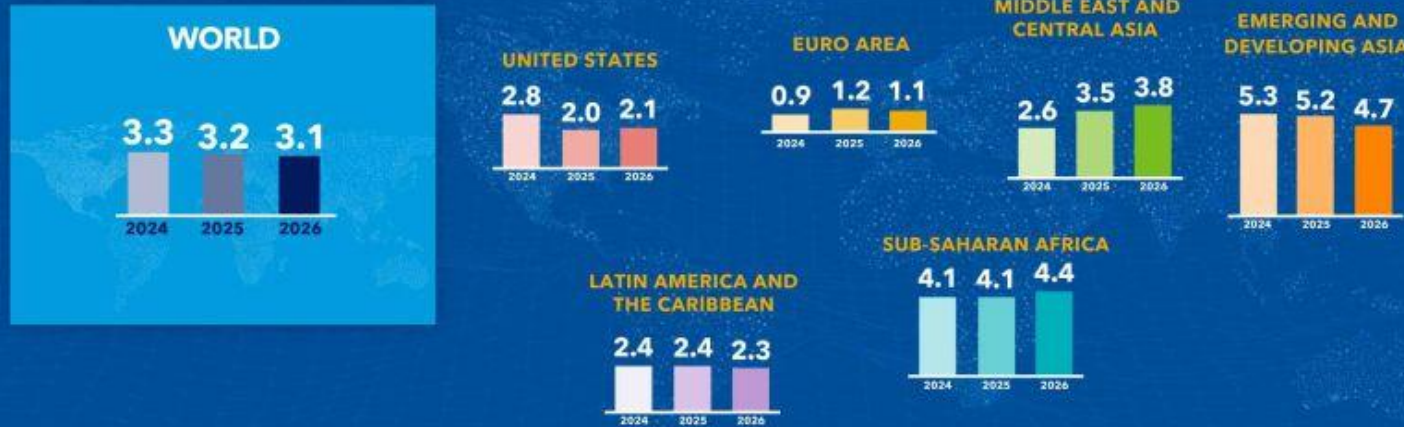
MACRO OVERVIEW – IMF Update (Oct. 2025)



WORLD ECONOMIC OUTLOOK OCTOBER 2025

GROWTH PROJECTIONS BY REGION

(REAL GDP GROWTH, PERCENT CHANGE)



Source: IMF, Oct. 2025

- According to the IMF's October 2025 publication, "the global economy is adjusting to a landscape reshaped by new policy measures. Some extremes of higher tariffs were tempered, thanks to subsequent deals and resets."
- But the overall environment remains volatile, and temporary factors that supported activity in the first half of 2025 — such as front-loading — are fading."

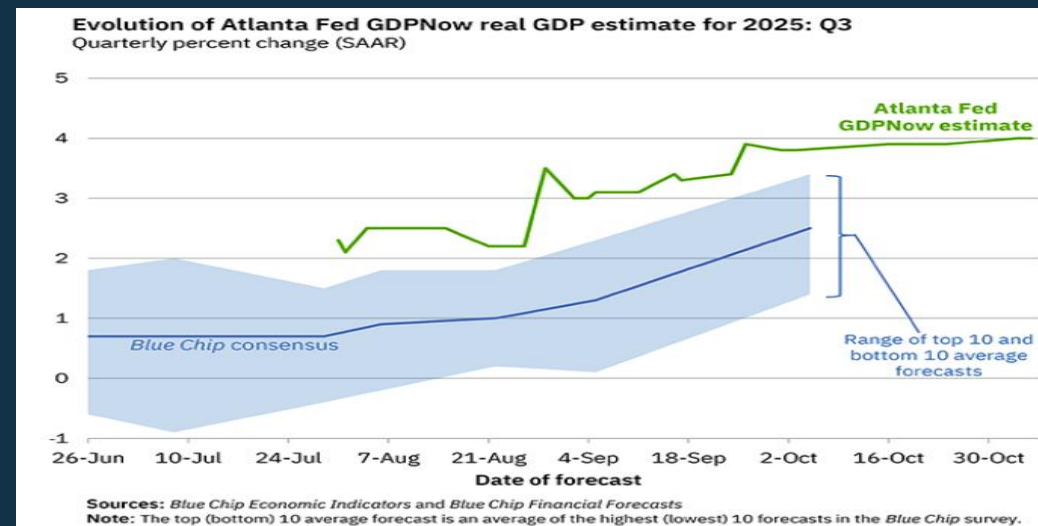
MACRO OVERVIEW – United States (1)



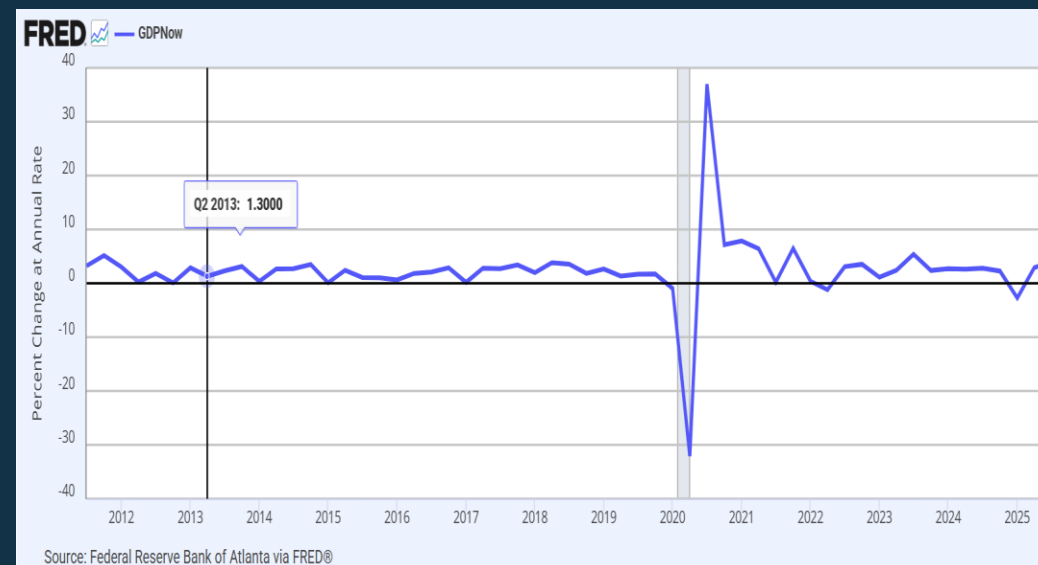
- The US economy in Q3 2025 proved to be resilient with decent GDP growth expectations, despite trade headwinds. Nevertheless, some signs of strain in the labor market remained and some inflationary pressures continued. The Fed faces a slowing economy and labour market alongside sticky inflation and the passthrough of US tariffs. Is a stagflationary environment gaining ground?

GDP Growth and Economic Activity

- US GDP growth for Q3 2025, initially scheduled for October 30th, has been delayed due to the government shutdown. According to the Fed of Atlanta and Fed of St. Louis, the GDPNow model estimate for real GDP growth in Q3 2025 is around 4% (respectively 4% and 3.92%), indicating a continuation of strong economic momentum driven mainly by decent consumer spending (solid credit card transactions), business investment and a rebound in international trade, despite Trump's tariffs. Nevertheless, different parts of the economy are recovering at different rates (K-shaped economy). AI-related investment currently accounts for almost all capex growth over recent quarters.
- This follows an upwardly revised annualized GDP growth rate of 3.8% in Q2 2025.
- Consumer confidence (University of Michigan), however, eased to a six-month low due to uncertainty around government policy and labor-market pressures. The halt in federal activity is partly responsible for this slide.
- The latest ISM data paints a mixed picture, with a decline in manufacturing and expansion in services.



Source: Federal Reserve Bank of Atlanta



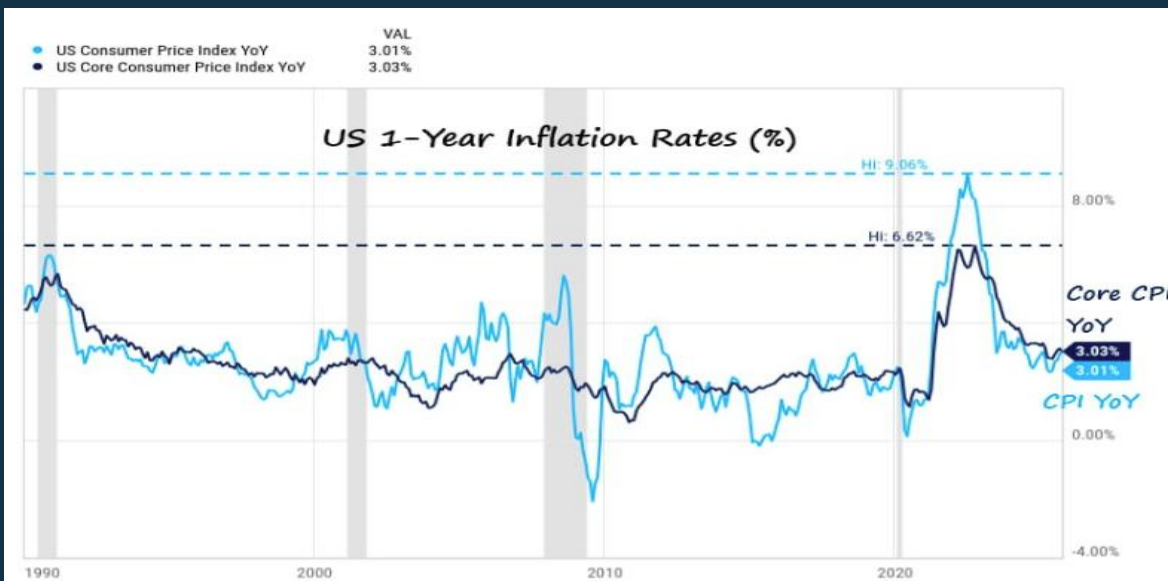
Source: Federal Reserve Bank of St Louis

MACRO OVERVIEW – United States (2)

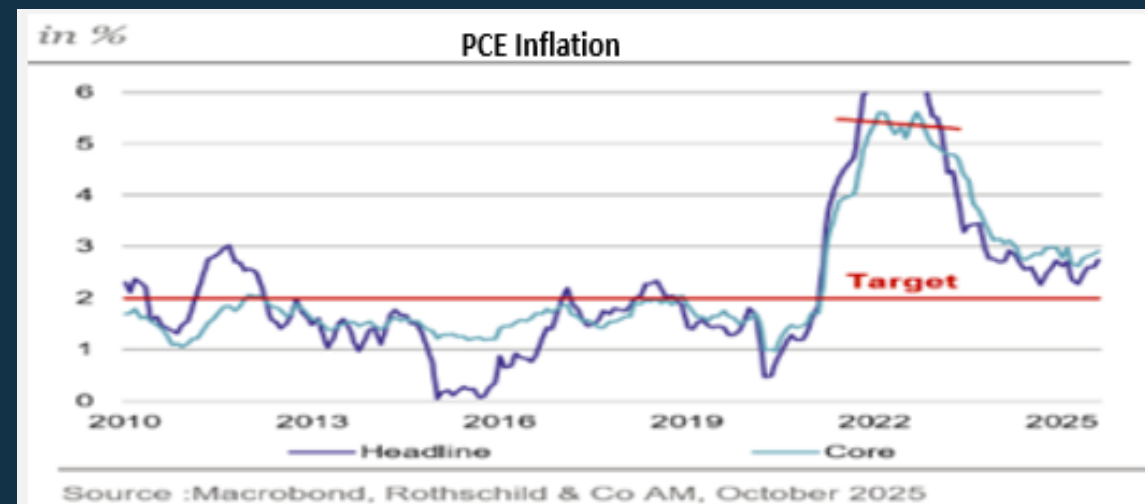


Inflation and Prices

- Inflation remained elevated, with CPI rising 3.01% YoY in September 2025, the highest level in 16 months. While rents continued to cool, inflation in other services stayed firm, supported by strong demand. Core goods inflation increased from 0.1% MoM in April to 1.5% MoM in September due to tariffs.
- The Core PCE index rose to 2.91% in August, driven mainly by higher gasoline and energy costs, while food inflation eased. The Fed's preferred inflation gauge remains above the 2% target, and inflation is considered "sticky" around the 3% level.



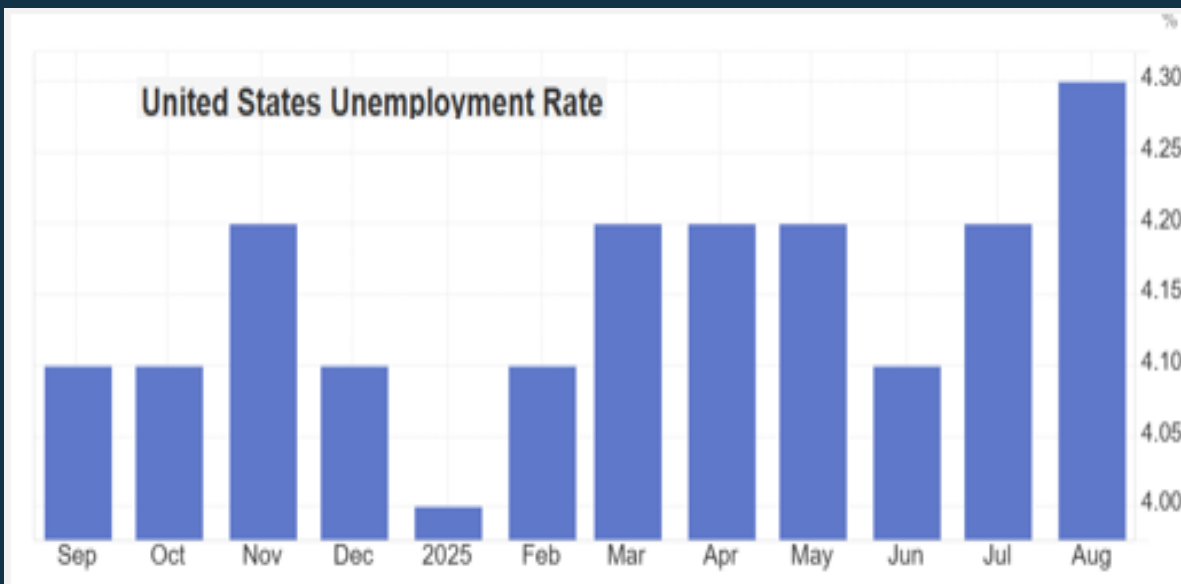
Source: C. Bilello



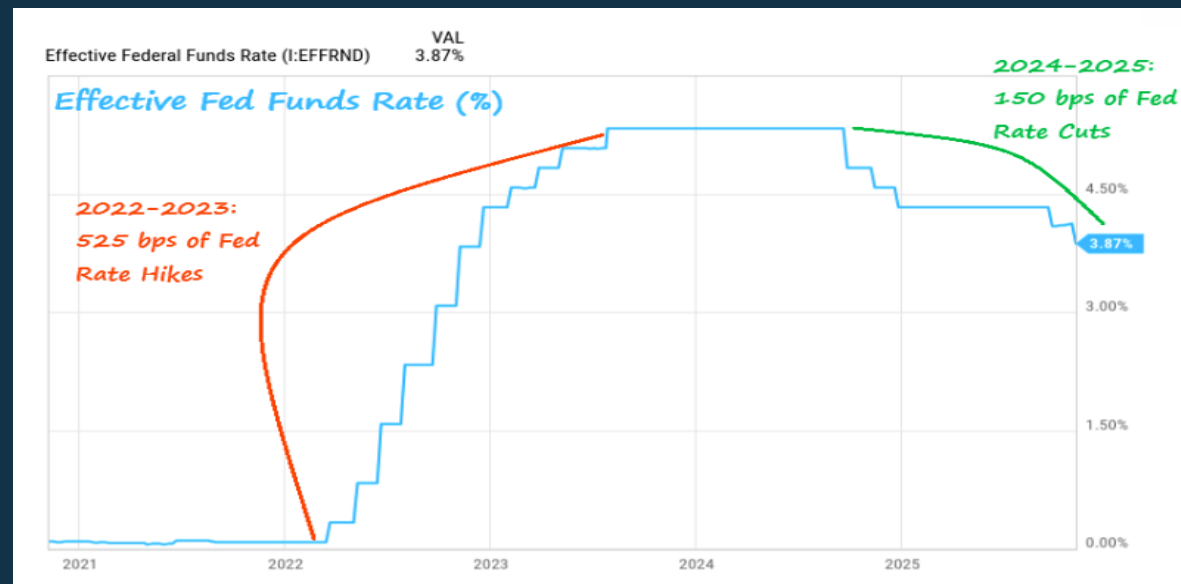
Source: Rothschild & Co AM

- **Labor Market**
- Labour-market indicators softened. Although the unemployment rate remained low at 4.3%, job growth continued to slow. Nowcasts point to a further rise to 4.4% in the unemployment rate, with early signs of job destruction. Layoffs accelerated in October, with US employers announcing 153k cuts — the highest level since 2003 — led by the technology and warehouse sectors.
- Goldman Sachs economists identified five key drivers behind the sharp slowdown in job creation: waning immigration flows, reduced government hiring and spending, increasing adoption of artificial intelligence, higher tariff-related costs and trade instability, and broader macroeconomic headwinds.

MACRO OVERVIEW – United States (3)



Source: Tradingeconomics.com



Source: C. Bilello

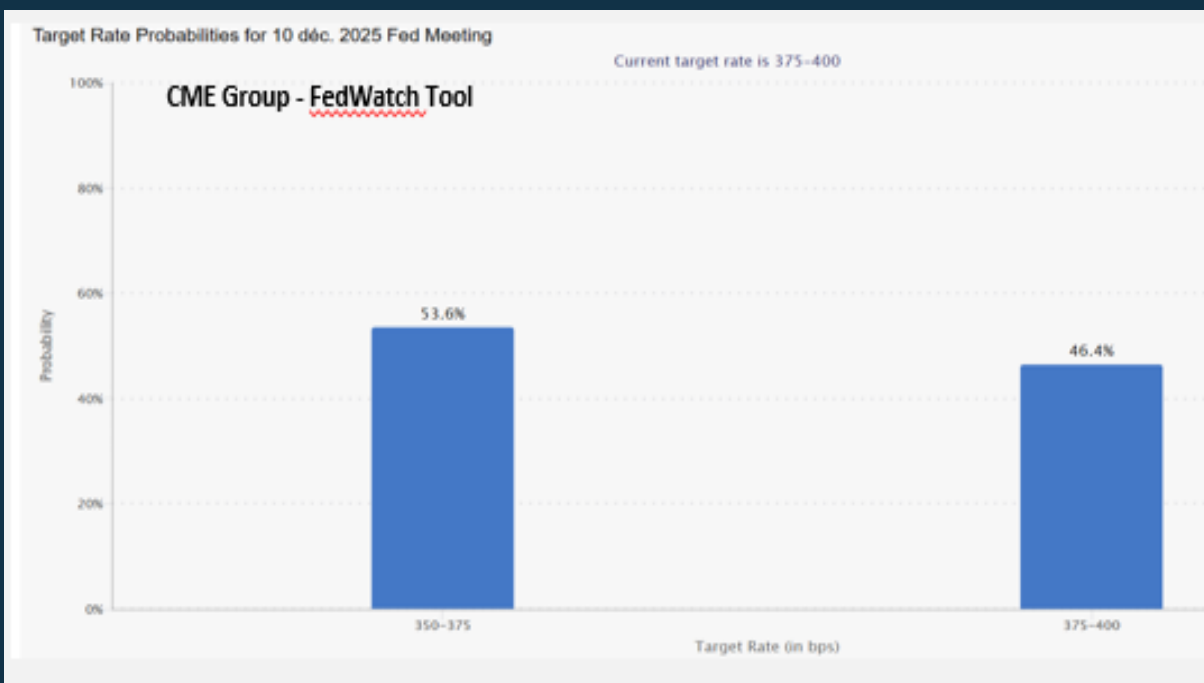
Monetary Policy

- The Fed cut rates by 25bps in both September and October (to 3.75%–4%), aiming to prevent further weakening in the labour market. This brings the total amount of easing to 150bps since September 2024. However, Chair Powell cautioned that a December cut is not a foregone conclusion and announced the end of Quantitative Tightening
- The Fed's balance sheet is now at its lowest level since April 2020, down \$2.4 trillion from its peak in April 2022. That's a 26.7% decline, the largest on record. Despite this more hawkish stance, market still expects further cuts.

MACRO OVERVIEW – United States (4)



- Downside risks to the labor market are likely to prevail. Such a context could lead the the FED to cut rates by 25bps again in December (3,50%-3,75%) and potentially another one next year, bringing the terminal rate at 325%-3.50%.
- Political pressure may lead to more cuts. Timing and rate path will depend on the extent to which tariffs are passed on to consumers and on the speed of deceleration of services inflation. Market participants are currently pricing 1 more cut in December and 3 more rate cuts in 2026



Source: CME Group

Risks

- Downside risks include higher layoffs, which could undermine consumer spending..
- Upside risks involve
 - i. a productivity boost and stronger growth driven by AI, and
 - ii. higher inflation due to greater tariff pass-through

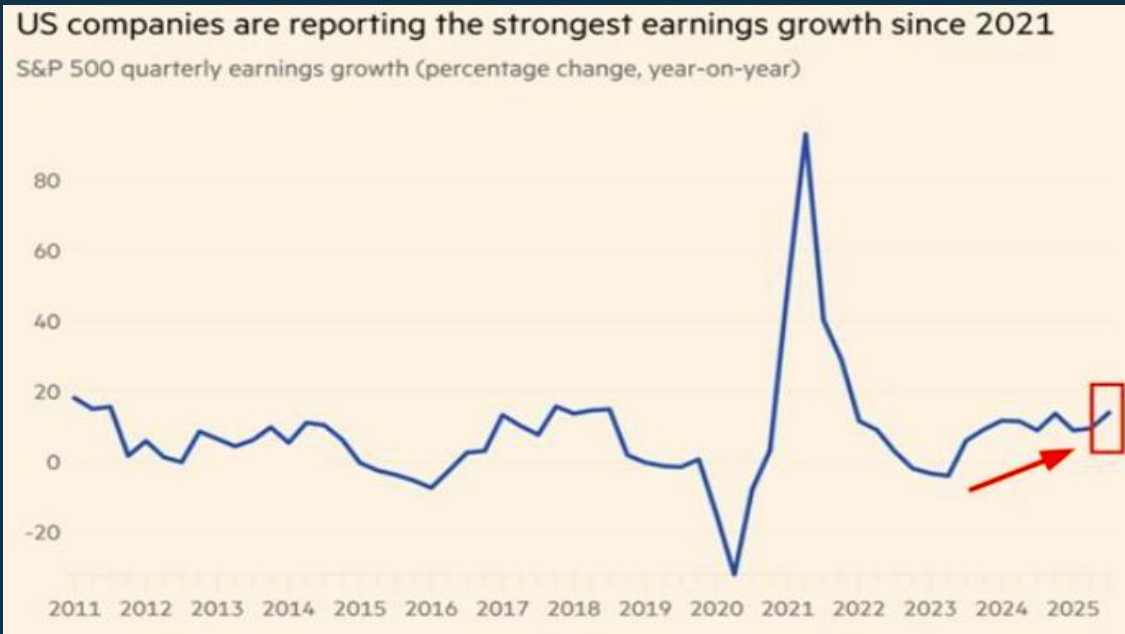
In brief

- US economic activity remained strong through Q3, although visibility is clouded by delays in official data. The economy appears highly contrasted, with indicators pointing to a slowdown (labour market, consumption, certain corporate earnings) but not a recession.
- The inflationary impact of tariffs continues to prove more moderate than initially expected. This should allow the Fed to cut rates by another 25bps in December.
- What about the risk of stagflation? As the labour market continues to soften and concerns over wage growth persist, a slowdown in consumption will be the key variable affecting growth. CPI is expected to remain above the Fed's 2% target in the near term and may even pick up in the coming months.
- With new Fed leadership likely to lean more dovish, risks are skewed toward additional cuts.
- Markets are also awaiting the Supreme Court's decision on the legality of Trump's tariffs, which the lower court ruled invalid. A ruling may take months.

MACRO OVERVIEW – United States (5)



Earnings



Source: Deutsche Bank

- Q3 reporting season had initially been expected to be soft because of tariffs.
- Q3 earnings have instead been very strong in the US, with all 11 S&P 500 sectors beating expectations. S&P 500 quarterly earnings growth reached +18% YoY in Q3 2025, the highest since Q3 2021.
- Earnings revisions have been strongest in the US but were also positive in Europe (supported by Financials, while the automotive sector showed some weakness) and in emerging markets (the AI trade boosted semiconductor companies such as Samsung Electronics, SK Hynix, and TSMC, which all delivered strong results).
- Looking more closely, 6 of the 11 S&P 500 sectors reported positive average EPS growth in Q3, a notable improvement from just two sectors in Q2.
- Additionally, median profit growth in the Russell 3000 index rose to +11% YoY, the highest since Q3 2021 and up from +6% in Q2.
- On the tech front, Microsoft (revenues +18% YoY, net income +12% YoY) and Alphabet (revenues +16% YoY, net income +33% YoY) reported robust results driven mainly by cloud businesses. Amazon (revenues +13% YoY, net income +38% YoY) impressed with stronger cloud growth and better margin execution. Apple posted revenue growth of +8% YoY and net income growth of +92% YoY. Data-centre operators continued to increase capex plans, benefiting AI-related semiconductor and hardware companies globally.
- For Q4, S&P 500 earnings are expected to grow 6% year-on-year, while STOXX 600 earnings are forecast to rise 8%.

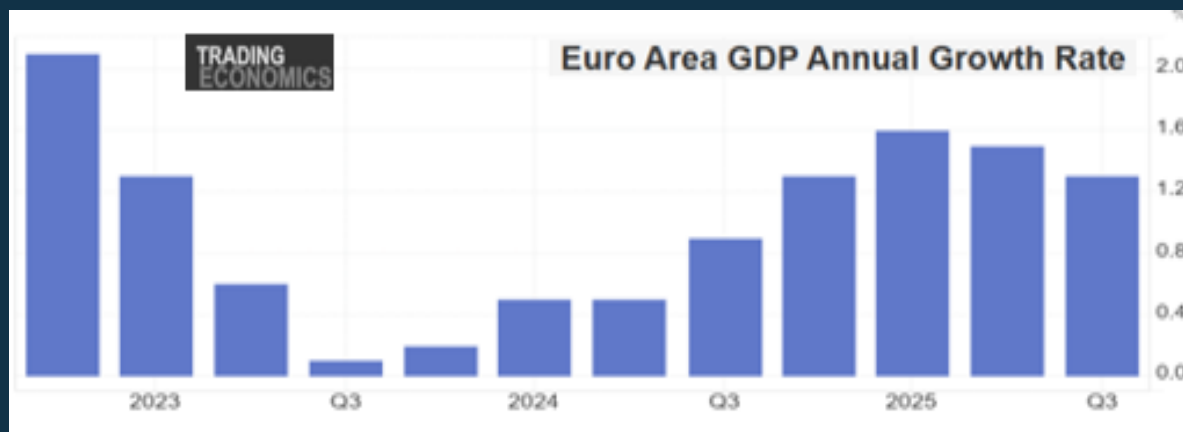
MACRO OVERVIEW – Euro Area (1)



- The Euro Area showed unexpected economic resilience in Q3 after months of sluggish momentum. Inflation rose modestly but remained close to the European Central Bank's 2% target, while the labour market stayed resilient but began to show early signs of softening.

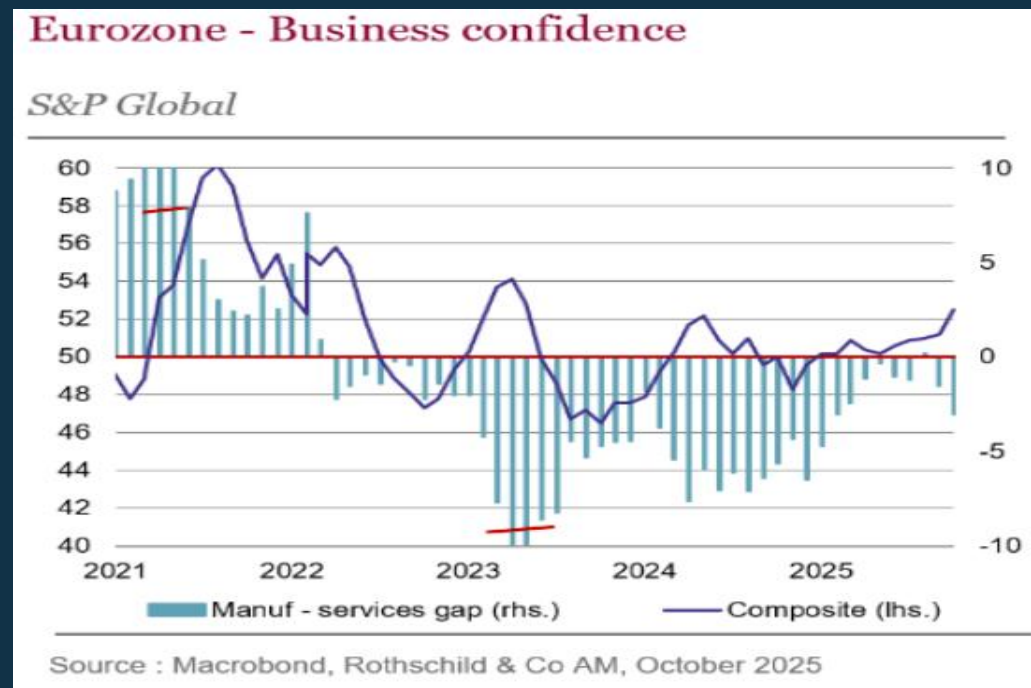
GDP Growth and Economic Activity

- The latest data point to a further strengthening of activity: Euro Area GDP expanded 1.3% YoY in Q3 2025 (+0.2% QoQ), and EU GDP grew by 1.5% YoY (+0.3% QoQ). The recovery, however, shows wide disparities across member states, with Portugal, Spain, and France (despite political instability) leading the bloc (+0.8% QoQ, +0.6% QoQ, and +0.5% QoQ respectively). Falling exports due to higher US trade tariffs weighed on Germany and Italy, both of which stagnated in Q3 and dragged on overall growth. The broader EU performed slightly better, expanding by 0.3% QoQ and 1.5% YoY.



Source: Tradingeconomics.com

- The Composite PMI rose to 52.5 in October — a 2.5-year high — signalling expansion. Germany contributed significantly, with its PMI reaching its highest level since May 2023, driven by optimism around its fiscal stimulus plan (higher defence and infrastructure spending). However,
 - i. the speed of implementation of this plan remains uncertain, and
 - ii. external headwinds — including trade diversion from China and currency appreciation — continue to weigh on German competitiveness.



Source : Macrobond, Rothschild & Co AM, October 2025

Source: Rothschild & Co AM

MACRO OVERVIEW – Euro Area (2)



- Looking more closely, the services sector contributed the most to the positive momentum. Manufacturing PMIs showed a mixed picture across Europe, with Southern Europe outperforming while Germany and France lagged. Export orders declined for a fourth consecutive month, reflecting weak global demand and lingering cost pressures.
- Business confidence for the year ahead fell for the second consecutive month amid persistent weak demand and ongoing economic uncertainty. Retail sales declined for a third month in September.
- In Q4, increased German fiscal spending is expected to begin taking effect and support demand. Indicators such as the IFO, ZEW, and ISI point to improving cyclical momentum.



Source: Tradingeconomics.com

Inflation and Prices

- Eurozone inflation edged down to 2.1% in October (from 2.2% in September), as higher prices for food and industrial goods were offset by another decline in energy costs (-0.2% MoM and -1% YoY). Services inflation rose slightly from the previous month, while core inflation remained unchanged at 2.4%.
- Christine Lagarde noted that the inflation outlook is more uncertain than usual, largely due to the impact of higher US tariffs on global supply chains. ECB economists expect inflation to fall further in 2026 to below the 2% target and average around 1.7%, before rising to 1.9% in 2027.

Monetary Policy

- The ECB left its key policy rate unchanged at the October meeting.
- The impact of the crisis in France and ongoing semiconductor shortages will partly offset the support expected from fiscal spending and monetary easing.
- Markets still see room for some easing. With the ECB remaining committed to its price-stability mandate, we expect it to pause for the remainder of the year. Remaining highly data-dependent, the ECB could deliver two cuts in the first half of 2026.

MACRO OVERVIEW – Euro Area (3)

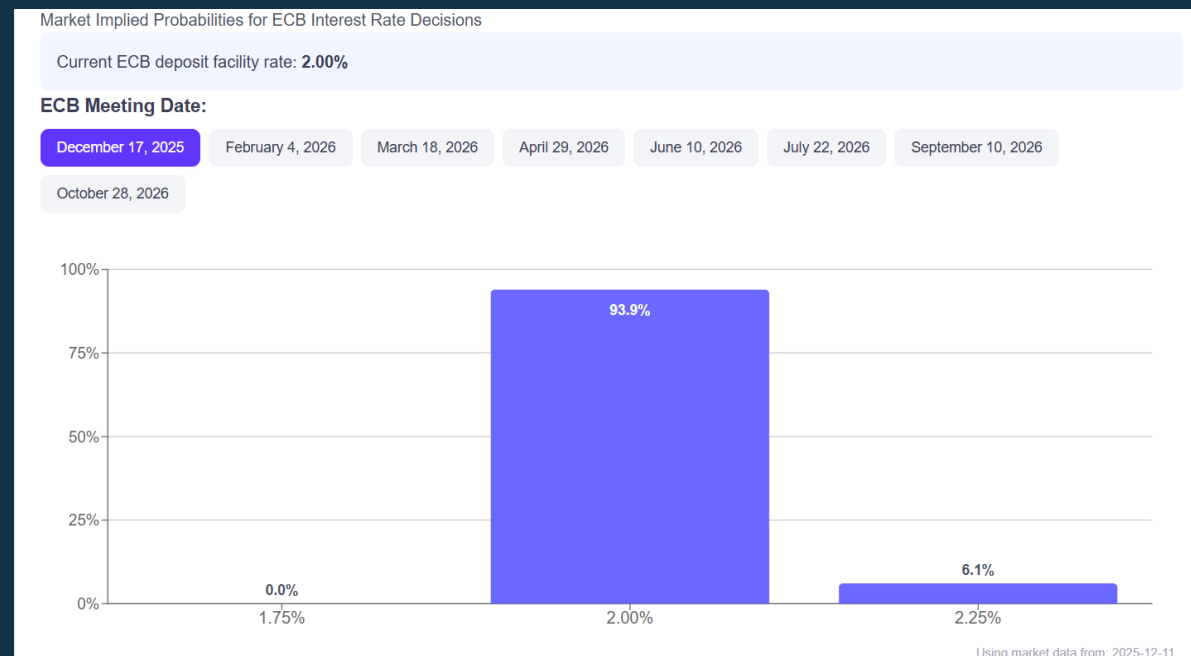


Risks

- US tariffs
- Tighter financial conditions in a context of loss of confidence in French debt sustainability
- The German fiscal plan delivering less than expected
- Rising US inflation adding term premia to long-dated US yields, which would affect long-end yields in Europe and pose challenges for governments with high debt and fiscal deficits

In brief

- The Euro Area appears to be moving toward a recovery as the year turns, supported by reduced trade uncertainty, improved financial conditions, and the gradual implementation of the German stimulus package.
- The disinflation trend remains intact. While the ECB stays highly data-dependent, the easing cycle seems close to its end, with inflation and GDP growth largely aligned with the ECB's macro outlook. The ECB is expected to cut rates less than the Fed.
- However, an appreciating EUR/USD combined with US tariffs would weigh on EU exports and growth. The ECB will therefore remain cautious and data-driven.
- Fiscal and political issues within Europe could create headwinds for the euro.



Source: cb-watch.eu

MACRO OVERVIEW – Japan (1)



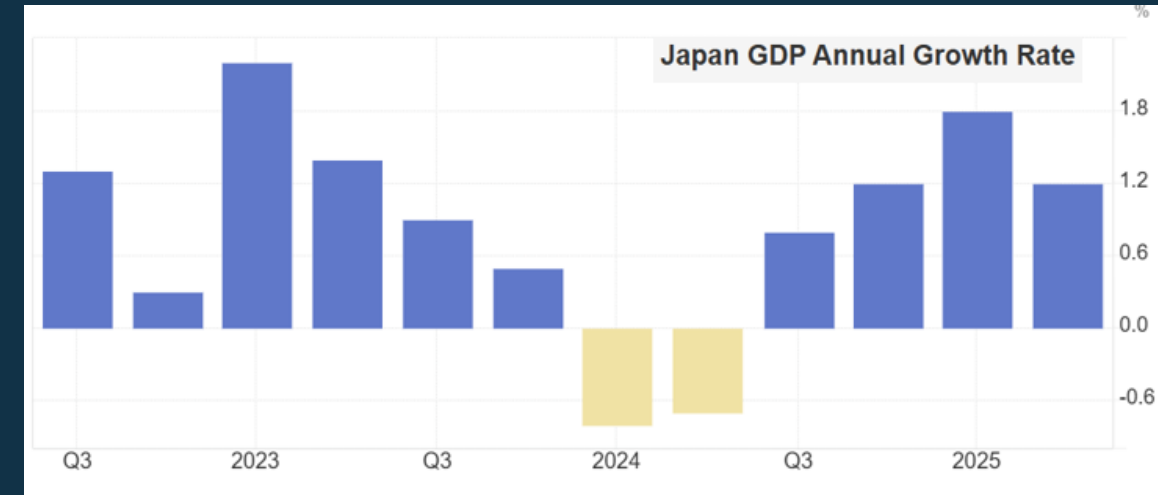
- Low growth, high inflation, higher government spending while policy rates remain low.

GDP Growth and Economic Activity

- Q3 GDP is scheduled for release on November 16th. Japan's GDP expanded 0.5% QoQ in Q2, driven largely by an upward revision in private consumption.
- The new prime minister, Sanae Takaichi, was appointed on October 21st. She has already announced an expansive fiscal stimulus package worth nearly JPY 14 trillion, prioritising
 - i. inflation countermeasures to support household income and
 - ii. investment in growth industries and national security.
- However, the newly formed LDP–JIP coalition remains a minority and will require cooperation from the opposition to pass a supplementary budget by year-end and the FY2026 main budget by March. Improved relations with the US could help reduce tariff pressure.
- According to the BOJ Tankan survey, business sentiment remains robust, with capex plans revised upward, indicating limited impact of US tariffs on corporate investment.

Inflation and Prices

- In September, core CPI rose 3% YoY (down from 3.3% the previous month), helped by a slowdown in rice and durable goods prices. Inflation remains sticky and well above the BOJ's 2% target. As food-price effects wane, inflation is expected to decelerate.



Source: Tradingeconomics.com



Source: Tradingeconomics.com

MACRO OVERVIEW – Japan (2)

- The downside to inflation could be limited by upcoming wage negotiations, with the new Prime Minister seeking to maintain the country's wage momentum. Last year, average wage gains reached 5.25% for 2025.
- The yen's depreciation since the LDP election could also re-accelerate inflation.

Monetary Policy

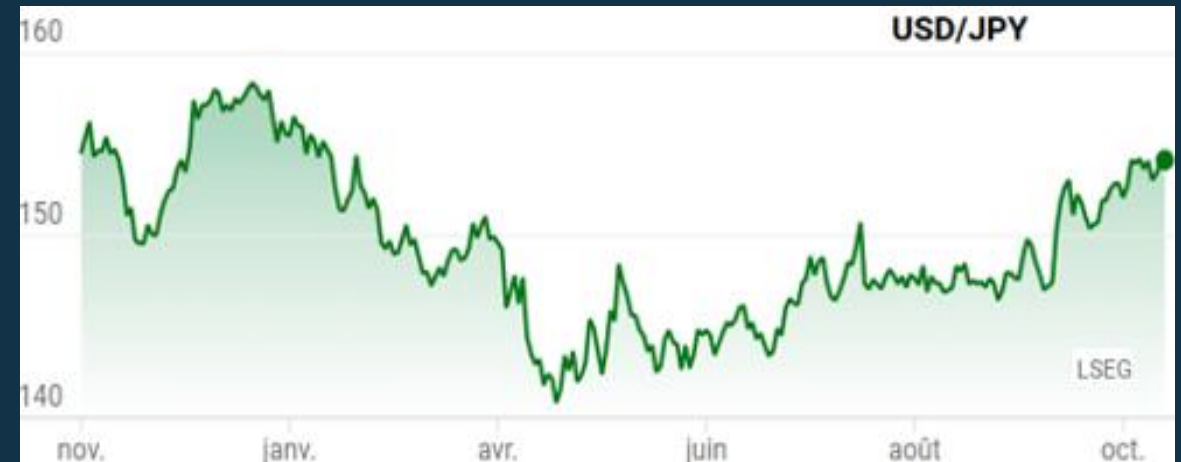
- The BOJ kept rates on hold at 0.5% in October amid uncertainty over the full impact of US trade tariffs on Japan.
- The new Prime Minister is advocating a looser monetary stance, which may complicate the BOJ's path toward tightening. The BOJ is expected to hike in January to 0.75%, with a likely final hike in mid-2026 to 1%.

Currency

- Yen weakness is structural and has helped prevent a potential Japanese government default, with the debt-to-GDP ratio at 236% and debt servicing representing 9% of public spending.
- After years of money creation (QE and yield-curve control), the BOJ has become the dominant buyer of JGBs, holding roughly 50% of outstanding bonds. JGB auction coverage ratios are very low, and yields are at record highs. As the BOJ creates more yen to absorb issuance, the currency continues to depreciate.

In brief

- Business sentiment remains robust, capex plans are being revised upward, but inflation remains sticky. Domestic political uncertainty persists.



Source: LSEG

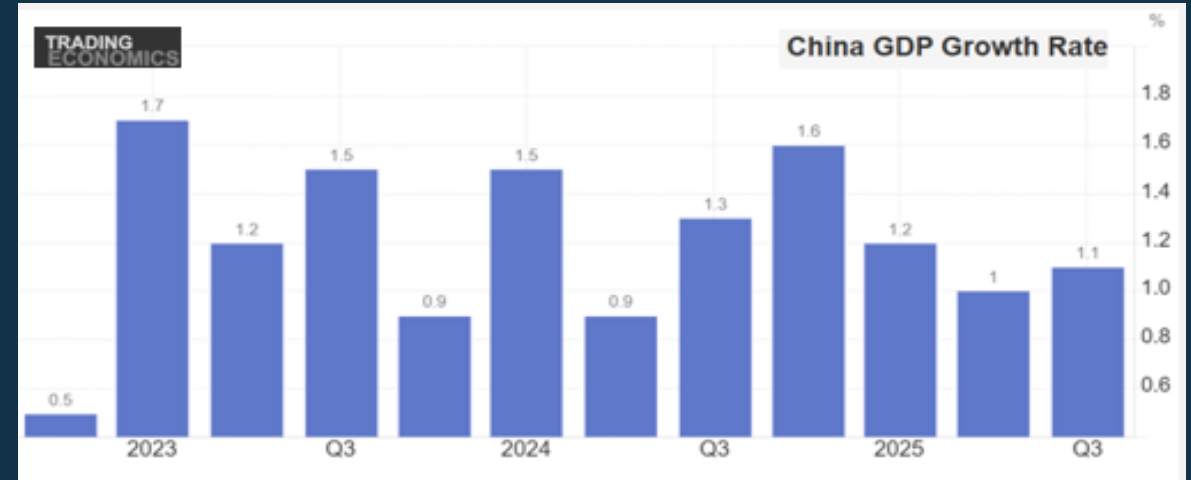
MACRO OVERVIEW – China (1)



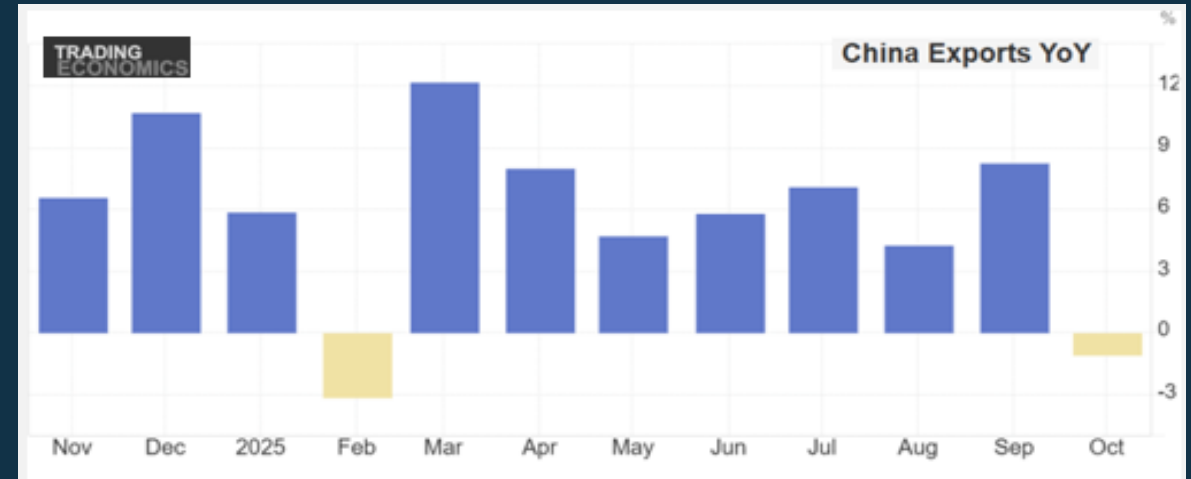
- While the world's second-largest economy slowed to its weakest pace in a year, China remains on track to meet its full-year growth target. However, risks are rising due to weak consumption, the property-market downturn, and ongoing global trade tensions, although the recent meeting and trade agreement between Presidents Trump and Xi may help ease concerns over further trade-war escalation and provide some marginal support to sentiment.
- Uncertainty over relations with Taiwan continues to linger.

GDP Growth and Economic Activity

- In Q3 2025, China's economy grew 4.8% YoY (1.1% QoQ after a strong Q2), marking its slowest pace in a year but remaining close to the government's "around 5%" annual growth target.
- Domestic demand stayed subdued due to persistent weaknesses in the property sector and cautious consumer sentiment, while exports and high-tech manufacturing helped provide some resilience. However, Chinese exports unexpectedly fell in October, with shipments to the US dropping 25%.
- Industrial production remains robust, supported by resilient exports. Although exports to the US have declined, this has been more than offset by demand from the rest of the world. Retail sales growth remains soft as the government's subsidy programme continues to fade.
- Fixed-asset investment is still contracting, with property investment falling sharply—by nearly 14%—highlighting cautious investor sentiment and constraining household consumption.



Source: Tradingeconomics.com



Source: Tradingeconomics.com

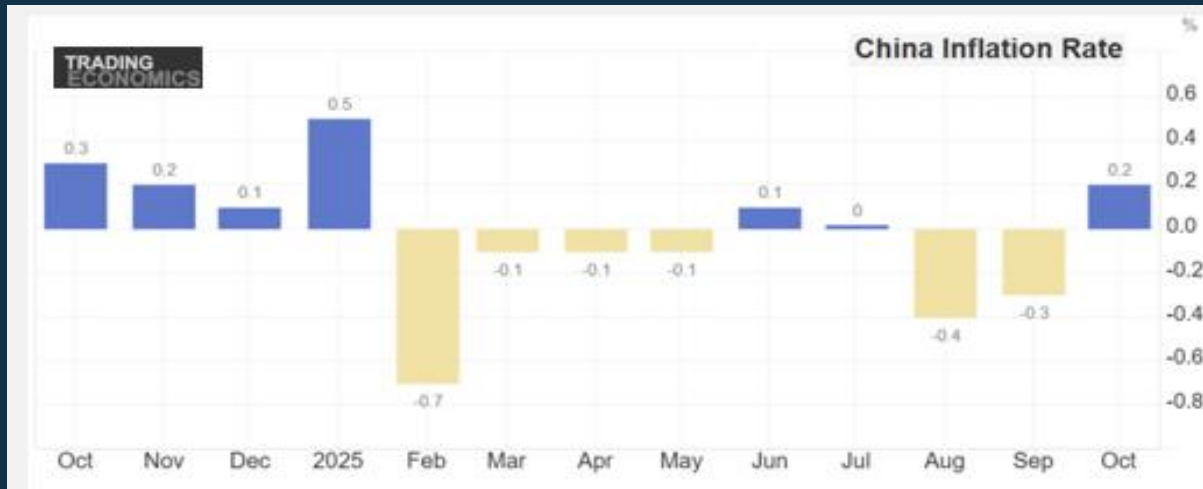
MACRO OVERVIEW – China (2)



- It is worth noting that the policy priorities of the 15th Five-Year Plan (2026–2030) made no reference to the housing market, instead emphasising the need to strengthen the domestic market and accelerate the new economic model by modernising industries and enhancing technological self-sufficiency.

Inflation and Prices

- Disinflationary pressures persist, although the October CPI figure turned positive due to base effects. Core inflation rose by 0.9%.
- For the third consecutive year, PPI remains in deflation, falling 2.9% YoY.



Source: Tradingeconomics.com

In brief

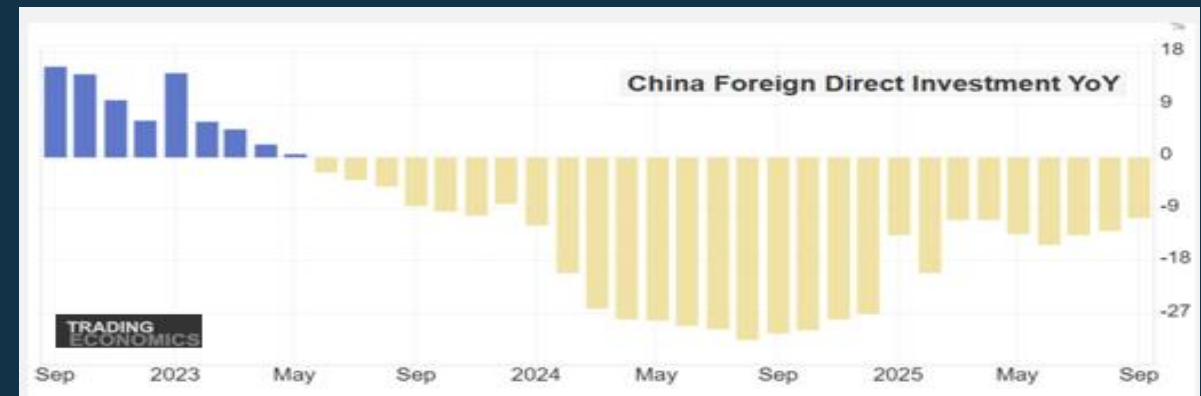
- Chinese growth continues to rely heavily on exports, while domestic consumption is supported by stable employment and real incomes. Monetary policy remains highly accommodative, offsetting the drag from the property-market slump.

Monetary Policy

- The PBoC continued to inject liquidity into the economy and introduced several supportive measures:
 - interest rate cuts,
 - A reduction in the reserve requirement ratio, and
 - open-market operations

Currency

- CNY depreciation: Trump's trade policy disrupted the valuation of the US dollar and, through spillover effects, the renminbi, which is pegged to a currency basket dominated by the USD, EUR, and JPY. The weakening of the USD did not occur proportionally against the basket currencies (it weakened more against the euro and yen). As a result, China benefited from a more competitive currency.



Source: Tradingeconomics.com

MACRO OVERVIEW – Emerging Countries (1)



- Emerging-market economies delivered strong performance in Q3 2025, outpacing developed markets with double-digit equity returns, especially in North Asia and Latin America. Robust demand for AI-related stocks, a weaker US dollar, and the Fed's rate cut provided important tailwinds, with China, Taiwan, and Korea benefiting the most. Some markets, notably India and Brazil, faced headwinds from US tariffs and political uncertainty, leading to relative underperformance.

India

- Following strong April–June 2025 GDP data, the RBI revised its FY26 growth forecast up to 6.6% YoY (from 6.5%). With US tariffs in place, China has shifted toward new trading partners, including India.
- The central bank expects FY26 CPI to moderate to 2.6% (from 3.1% in August and 3.7% in June). September CPI came in at 1.5% YoY, and October CPI is expected to fall below 0.50% according to a Reuters poll, driven by food-price disinflation.
- The current 50% US tariff has put pressure on the rupee, prompting RBI intervention to contain excessive volatility.

Asia-8 (ex Japan, China and India)

- With US tariffs, China has increasingly turned toward new partners in Asia and continued integrating supply chains across the Global South.

CEEMEA

- Some signs of slowing are evident, particularly in Central and Eastern Europe, where the automotive sector is under pressure.

- Geopolitical constraints have weighed on demand, although inflation dynamics are improving. Fiscal risks remain a focus in CEE.
- Turkey's gradual disinflation is supported by currency strength and modest demand, although persistent inflation poses upside risks to the easing cycle.
- South Africa's outlook remains positive, supported by progress toward anchoring inflation at 3%, stronger-than-expected GDP growth, and ongoing structural reforms.
- Inflation and interest rates continue to decline in Egypt, underpinning renewed investor confidence.

GCC

- Higher oil production and strength in the non-oil sector continue to support growth. Reform momentum and fiscal prudence reinforce a constructive outlook.

Latin America

- Brazil is experiencing a slowdown as softer agricultural output and monetary drag offset fiscal stimulus. The current-account deficit is its worst in a decade, only partially offset by an improvement in FDI. Core inflation continues to moderate.
- Mexico's Q3 growth indicates a likely softening of activity in H2. Tax-related inflation pressures should lead the central bank to pause in Q1 2026. Fiscal consolidation is expected to slow in 2026, while the current account remains near balance as an improved trade balance offsets weaker remittances.
- The Andean economies held up better in Q3. External imbalances are manageable and financing conditions remain supportive, but risks warrant vigilance in Chile and Colombia.

MACRO OVERVIEW – Emerging Countries (2) – IMF Update



World Economic Outlook Growth Projections

(Real GDP, annual percent change)	PROJECTIONS		
	2024	2025	2026
Emerging Market and Developing Economies	4.3	4.2	4.0
Emerging and Developing Asia	5.3	5.2	4.7
China	5.0	4.8	4.2
India	6.5	6.6	6.2
Emerging and Developing Europe	3.5	1.8	2.2
Russia	4.3	0.6	1.0
Latin America and the Caribbean	2.4	2.4	2.3
Brazil	3.4	2.4	1.9
Mexico	1.4	1.0	1.5
Middle East and Central Asia	2.6	3.5	3.8
Saudi Arabia	2.0	4.0	4.0
Sub-Saharan Africa	4.1	4.1	4.4
Nigeria	4.1	3.9	4.2
South Africa	0.5	1.1	1.2
Memorandum			
Emerging Market and Middle-Income Economies	4.3	4.1	3.9
Low-Income Developing Countries	4.2	4.4	5.0

Source: IMF, Oct. 2025

- According to the IMF's October 2025 publication, "Emerging markets have shown remarkable resilience to risk-off shocks in recent years.
- While favorable external conditions contributed to this resilience, improvements in policy frameworks played a critical role in bolstering the capacity of emerging markets to withstand risk-off shocks.
- Improvements in monetary and fiscal policy implementation and credibility have reduced reliance on foreign-exchange interventions, with central banks less sensitive to fiscal interference and exerting greater influence over domestic borrowing conditions.
- Looking ahead, countries with robust frameworks face easier policy trade-offs and are better positioned to navigate risk-off episodes.
- In contrast, economies with weaker frameworks risk de-anchoring inflation expectations and experiencing larger output losses if monetary tightening is delayed, especially when persistent price pressures emerge. In these settings, costly foreign-exchange interventions offer only temporary relief and are less necessary when policy frameworks are sound."

ASSET CLASS POSITIONING (1)



Market Context

- Although we expect some divergence in monetary-policy paths, major central banks are likely to continue supporting their economies if needed.

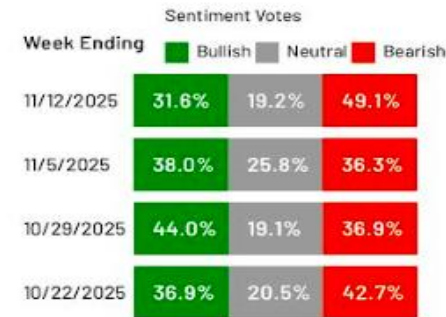
Major Risks

- Equities valuation are extreme, especially in the US (equity multiples are indeed elevated from a historic perspective),
- Concentration are extreme (10 equities represent 40% of the S&P 500),
- Passive management exceeds active management, amplifying the phenomena of concentration and overvaluation.

Such a backdrop implies lower expected returns for 2026 and higher probability of significant losses.

- November's market pullback can be seen as a healthy pause after the strong equity rally since April. Is it enough? A reversion toward the average seems inevitable, but the timing is difficult to predict. Potential catalysts could be macroeconomic (a US slowdown, higher US interest rates) or exogenous and therefore unpredictable.
- While AI enthusiasm has cooled slightly, the context differs significantly from the past IT bubble, where expectations were built on hypothetical cash flows from highly leveraged companies. Today, fundamentals remain solid, supporting expectations of strong US tech earnings and resilient economic growth.

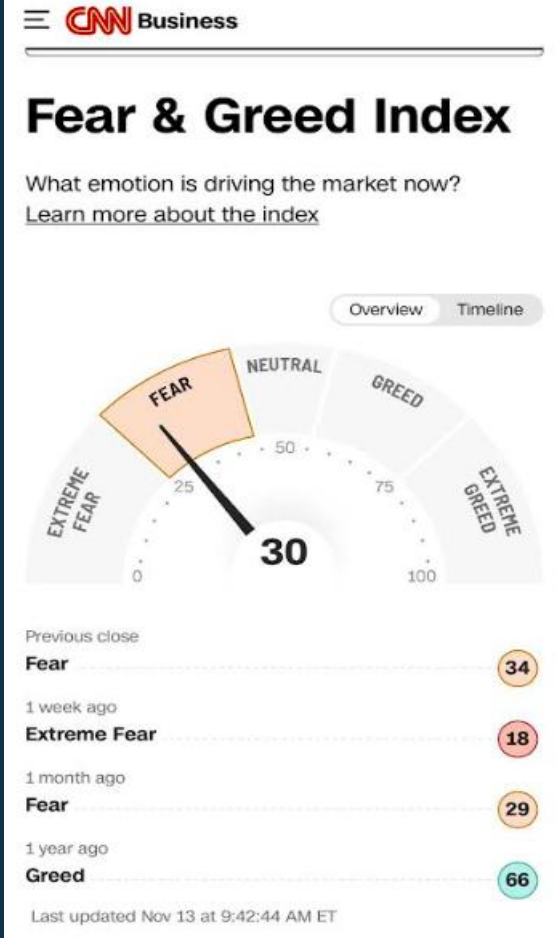
What Direction Do AAIL Members Feel The Stock Market Will Be In The Next 6 Months?



Historical View

Historical Averages	37.5%	31.5%	31.0%
1-Year Bullish High:	48.3%	Week Ending 12/4/2024	
1-Year Neutral High:	34.0%	Week Ending 1/15/2025	
1-Year Bearish High:	61.9%	Week Ending 4/2/2025	

Source: aail.com



Source: cnn.com

ASSET CLASS POSITIONING (2)



Equity Score

Category	Key Points	Assessment
MACRO	Data confirm a continuation of the global economic activity. While services sector continued to drive growth, global manufacturing is improving. In the US, private data painted a solid growth recently. Risk: i/ the labor market is weakening, ii/ inflation is sticky, iii/ the debt burden. The Eurozone is on the path of a gradual recovery and inflation is expected to remain muted. Risk: i/ political instability in France, ii/ US tariffs, iii/ weakening of the german coalition. In China, the trade truce with the US is positive but the country continues to face a challenging situation with i/ continuing deflation pressure and ii/ property market.	POSITIVE
VALUATIONS	US equities—especially mega caps—display extreme valuations compared to historical norms, though comparisons are challenging. International equities appear more reasonably valued.	NEUTRAL
LIQUIDITY	Liquidity remains supportive globally: end of QT and likely rate cuts in the US; ECB ready to act if needed; China continues injecting liquidity.	POSITIVE
EARNINGS	Q4 earnings expectations: S&P 500 +6% YoY and STOXX 600 +8% YoY.	POSITIVE
TECHNICALS	Sentiment remains largely bearish, and year-end seasonality is often associated with weaker market breadth.	NEUTRAL

Source: Heritage Wealth

- At first glance, the global environment still appears supportive for markets, with:
 - a gradually improving global macro backdrop,
 - expensive valuations but fundamentally solid mega-caps,
 - decent earnings and broadly stable expectations,
 - sufficient liquidity, and
 - negative sentiment that already reflects caution.

However, trees do not grow to the sky. Stay invested but remain selective, prioritising quality in an environment that is still cash-rich. Favour:

- a strategy that lowers overall portfolio risk to account for extreme equity valuations,
- greater diversification to capture remaining late-cycle opportunities (such as sectors benefiting from productivity gains and global growth),
- managing both downside risks (valuations, concentration) and upside risks (AI-driven gains; if AI continues on its current path with financial amplification, we may see a highly pro-cyclical mix — Fed + fiscal easing — along with renewed M&A and IPO cycles),
- hedging inflation risks (pro-cyclical policy mix, protectionism, energy costs, fragmentation) and currency-debasement risks (USD and CNY).

In this context, it is not the time to materially increase risk. Still, elevated valuations mean that periods of market volatility could offer opportunities to add risk selectively in more stable, high-quality segments.

ASSET CLASS POSITIONING (3)



	--	-	=	+	++	Snapshot of Views
EQUITIES						Global GDP and profit growth should broaden out, benefiting emerging markets where valuations are more attractive.
US			●			AI enthusiasm continues to support the market, but high valuations—especially in megacaps—create vulnerabilities. Prefer equal-weighted indices, value stocks, and mid-caps. Banks benefit from lower credit costs and deregulation. Volatility may be elevated.
Euro Area			●			Better outlook for 2026 supported by fiscal stimulus and ECB policy. Prefer value and mid-caps. France remains a source of uncertainty, while Germany benefits from fiscal and defence spending.
Japan				●		Attractive valuations supported by corporate reforms and improving governance.
Emerging Markets				●		Weak USD, attractive valuations, and favourable demographics support EM equities. China's discounts vs global peers remain a tailwind despite structural challenges.
CREDIT						Valuation considerations favour Europe: fundamentals remain stronger and recent US bankruptcies highlight credit stress risks.
Investment Grade				●		Spreads are globally tight but IG still offers solid fundamentals (healthy balance sheets) and supportive technicals. Prefer Europe over the US.
High Yield		●				Carry remains elevated, but idiosyncratic risk is rising. Prefer subordinated IG over pure HY exposure.
Emerging Market Credit				●		Attractive valuations and solid fundamentals. Credit selection is essential; prefer IG over HY. Mining and utilities offer opportunities.
GOVERNMENT BONDS						Risks from inflation and elevated debt call for a cautious duration stance (5–7 years). EM local-currency debt benefits from lower inflation and stronger growth.
US Treasuries		●				Inflation risks and fiscal concerns may keep yields elevated.
Euro Core (Bunds)		●				German fiscal support and higher issuance keep pressure on yields. Prefer peripherals over core.
Japanese Treasuries		●				Yields drifting higher due to more expansionary fiscal policy and sticky inflation. Risk premium not compelling enough.
EM Local Currency					●	High real yields and solid fundamentals support the asset class. Weak USD should help carry trades. Prefer moderate exposure due to crowded positioning risks.
Inflation-Linked Bonds				●		Attractive valuations for US TIPS in a still uncertain inflation environment.

ASSET CLASS POSITIONING (4)



	--	-	=	+	++	Snapshot of Views
CASH & CURRENCIES						The end of US-dollar dominance is supportive for EM currencies.
US Dollar		●				Further Fed easing, end of QT, political noise, and slower US growth weigh on USD. Diversification flows from global investors add pressure.
Euro			●			Improved European macro backdrop and fading political risks support EUR. Expect EUR strength vs USD.
Japanese Yen		●				Fiscal dominance and very cheap valuation are supportive, but capital-repatriation flows keep USD/JPY skewed slightly downward into 2026.
EM FX				●		Attractive carry; global trade could trigger volatility but long-term valuation is supportive.
OTHERS						Inflation risks encourage diversification into stabilisers and volatility-hedging strategies.
Gold				●		Supported by declining real rates and geopolitical demand. Consider gold as a portfolio stabiliser.
Hedge Funds					●	Useful volatility diversifiers.
Private Equity			●			US policy uncertainty (tariffs) weighs on outlook; selective opportunities remain.
Bitcoin		●				Highly sensitive to sentiment; potential range ~82,000/85,000.

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