

DE PURY PICTET TURRETTINI

Outlook

4th Quarter 2025

October 2025

Looking Back at The Third Quarter

The third quarter of 2025 was marked by a remarkable resilience in global markets, supported by solid corporate earnings and a monetary environment that has turned more accommodative. The Federal Reserve's rate cuts helped sustain investor confidence, even against a backdrop of mixed economic signals with a slowing momentum in the U.S. labor market and continued fragility in China. Geopolitical tensions remain elevated, from the war in Ukraine to persistent uncertainty in the Middle East, maintaining a risk premium across markets. Yet, despite these headwinds, most major asset classes advanced, benefiting from moderate global growth and a weaker U.S. dollar, which allowed European equities and emerging markets to stand out this year.

The summer confirmed the resilience of the global economy, though signs of fragility remain visible. PMI indices stayed in expansionary territory, while retail sales rebounded sharply after May's dip. In the United States, however, the labor market weakened as job creations slowed, and the housing sector deteriorated further. Against this backdrop, the Federal Reserve resumed its rate-cutting cycle in September, after several months on hold, aiming to preserve growth momentum in an increasingly uncertain environment. On the geopolitical front, tensions remain high. The conflict in Ukraine remains deadlocked, while in the Middle East, occasional diplomatic signals have raised cautious hopes, though no tangible progress has yet been achieved.

From a corporate perspective, robust second-quarter results further reinforced market momentum, adding to macroeconomic support. In the U.S.,

leading indices not only recovered early-year losses but also reached new record highs each month of the summer, driven by the so-called Magnificent Seven. Artificial intelligence continues to serve as the primary engine of investment in IT infrastructure, with Oracle standing out through an order backlog nearing USD 450 billion. As seen repeatedly in recent years, a small group of stocks has accounted for a disproportionate share of index performance, a concentration that calls for prudence. The seven largest U.S. companies are now all in the technology sector, exemplifying a "winner-takes-all" dynamic in which companies offering dominant products secure near-monopoly positions at the global scale. The AI boom has also broadened beyond the big tech giants, now benefitting a wider value chain ranging from semiconductors to electrical equipment and infrastructure.

Evolution of the main markets as of September 30th, 2025

Equities	Price	Ann. Var. as of 30/09*	Quart. Var. as of 30/09*
World			
MSCI World All Countries	540.1	18.4%	7.6%
Europe			
SMI (Switzerland)	12 109.4	4.4%	1.6%
Euro Stoxx 600	558.2	10.0%	3.1%
CAC 40 (France)	7 895.9	7.0%	3.0%
DAX (Germany)	23 880.7	19.9%	-0.1%
United States			
S&P 500	6 688.5	13.7%	7.8%
Dow Jones	46 397.9	9.1%	5.2%
Nasdaq	24 680.0	17.5%	8.8%
Japan and Emerging Markets			
Nikkei 225 (Japan)	44 932.6	12.6%	11.0%
CSI 300 (China)	4 640.7	17.9%	17.9%
Hang Seng China Entr. Index	9 555.3	31.1%	10.1%
MSCI AC Asia Ex-Japan	766.0	25.1%	9.7%
MSCI Latam	673.3	43.1%	10.2%
Other Asset Classes	Price	Ann. Var. as of 30/09*	Quart. Var. as of 30/09*
Sovereign Yields			
Switzerland 10 years	0.2210	-0.11bps	-0.22bps
Germany 10 years	2.7110	0.34bps	0.10bps
France 10 years	3.5330	0.34bps	0.25bps
United States 10 years	4.1503	-0.42bps	-0.08bps
Bonds			
BB Barclays EU IG TR	203.0	1.3%	0.0%
BB Barclays EU HY TR	248.6	4.5%	1.6%
BB Barclays US IG TR	492.3	5.9%	2.1%
BB Barclays US HY TR	361.9	6.5%	2.6%
BB Barclays EM USD TR	191.8	-0.1%	1.6%
Currencies			
EUR vs. USD	1.1757	13.6%	-0.1%
EUR vs. CHF	0.9342	-0.6%	0.0%
USD vs. CHF	0.7947	12.5%	0.1%
Commodities			
Oil (WTI)	62.4	-8.9%	0.5%
Gold	3 846.1	46.6%	16.6%

*Annual Var.: from 31/12/2024 to 30/09/2025

**Quarterly Var.: from 30/06/2025 to 30/09/2025

Source: Bloomberg, PPT Calculation

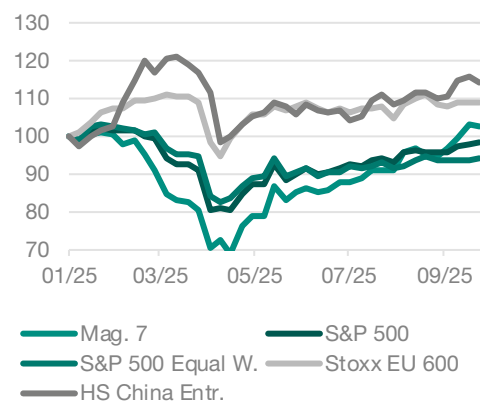
The sharp depreciation of the U.S. dollar since the start of the year has driven a clear outperformance of European equities relative to their U.S. counterparts on a currency-adjusted basis. Sector disparities are pronounced: the rebound in manufacturing indices has primarily benefited cyclical stocks—particularly banks and insurers—while quality-growth names have lagged, most notably in consumer and healthcare sectors. In Switzerland, this trend has been amplified by the strength of the franc and by the 39% tariffs imposed by the Trump administration, weighing on exporters' competitiveness. Emerging markets, meanwhile, enjoyed a very favorable quarter, supported by attractive valuations, solid earnings prospects, and the weaker dollar. Chinese domestic equities staged a notable catch-up, gaining 17% in dollar terms over the quarter, led by technology firms and internet platforms, especially providers of AI and cloud services.

Fixed income markets experienced a mixed performance. In Europe, yields rose—most visibly in France amid political uncertainty and deficit concerns, but also in Germany. By contrast, U.S. long-term rates declined on expectations of renewed Fed rate cuts and easing concerns over its independence. Risk appetite also supported credit markets over the summer. As with equities, emerging market debt benefitted from the weaker dollar and supportive conditions.

Currencies and commodities also moved in divergent directions. Gold stood out with a spectacular rally since mid-August, surging 17% to USD 3,825 per ounce. The rally was fueled by speculative flows, massive ETF purchases, and strong central bank demand. A price target of USD 4,000 now appears within reach. Unlike most commodities, gold supply remains largely inelastic to price, reinforcing its role as a scarce safe-haven asset. By contrast, China's continued weakness and subdued global demand weighed on the broader commodity complex. Additional output from OPEC+ created excess supply, pressuring oil prices. Industrial metals proved more resilient: tightness in copper and aluminum supply is expected to support prices, barring a sharp slowdown in global growth.

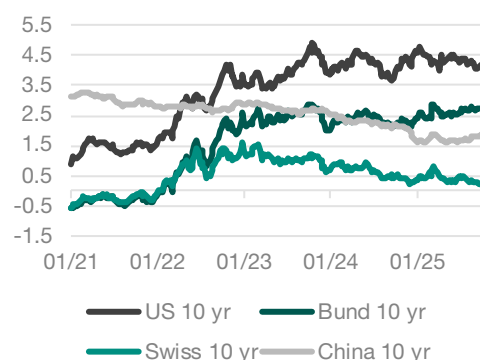
On the currency side, the dollar remains under pressure despite a still favorable rate differential. It suffers from doubts over U.S. growth momentum, a deteriorating fiscal situation, and mounting political pressures on the Fed that could ultimately weaken its independence. Against this backdrop, we expect a gradual moderation of the greenback, but not a collapse. The Swiss franc retains its safe-haven appeal, supported by exceptionally low inflation, far below that of other major economies. So far, the impact of U.S. tariffs on exports has had only a temporary effect on the Swiss currency.

Main Equity Indices incl. "Mag7"



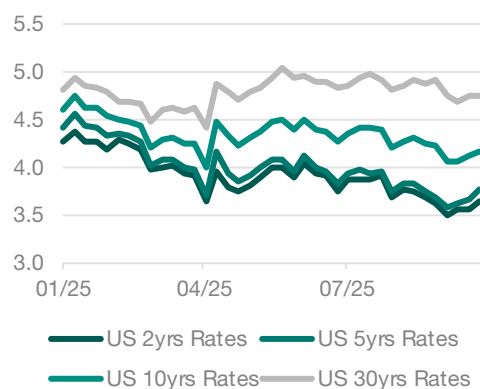
Source: Bloomberg

Evolution of Government Bond Yields



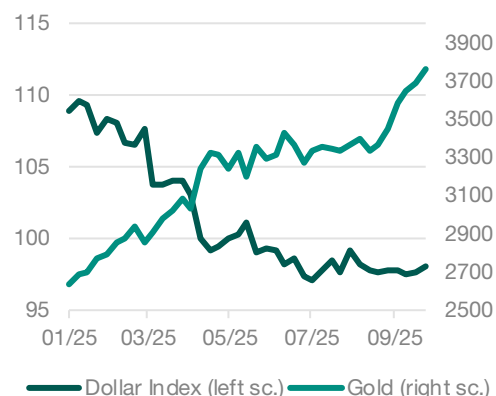
Source: Bloomberg

US Yield Curve



Source: Bloomberg

Evolution of the US Dollar and Gold



Source: Bloomberg

Outlook – Fourth Quarter 2025

World Economy – Between Resilience and Fragility

The global economy continues to show a degree of resilience, though dynamics vary significantly across regions. Europe has delivered stronger-than-expected indicators, the United States maintains robust growth but faces a weakening labor market, while China's momentum is slowing. At the global level, the effects of U.S. tariffs are beginning to be felt, though they have not yet caused a rupture in trade flows. This uneven landscape illustrates a global economy that remains in positive territory, but fragile and highly dependent on forthcoming monetary and fiscal policy decisions.

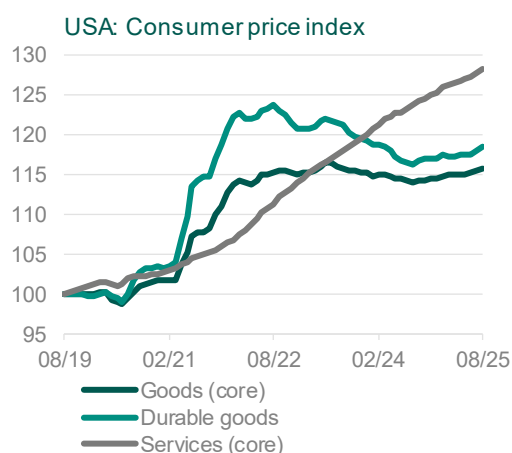
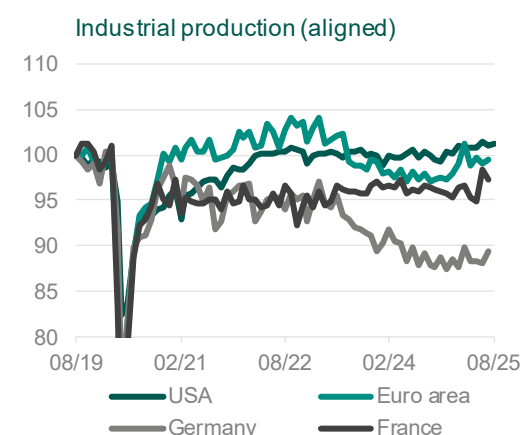
Continued European Recovery

European economic data have surprised to the upside in recent months, leading economists to revise growth forecasts upward for the year. The manufacturing Purchasing Managers' Index (PMI) has climbed out of the recessionary zone seen in mid-2024, returning to modest expansion—an encouraging signal for cyclical sectors. We expect this trend to continue. With wage pressures easing, inflation in the euro area should remain close to the ECB's target.

In the United States, the picture is more mixed. GDP growth was solid in the third quarter, following a softer first half. Leading indicators (PMIs) confirm this momentum, yet the labor market remains unusually weak for an expansionary phase, with job creation nearly flat. The risk of a slowdown could intensify if

importers begin gradually passing through higher costs linked to tariffs. While we do not see a recession as our central scenario, it remains a risk worth monitoring. Inflation rose slightly less than expected, but projections for 2026 have been revised upward. The Fed's recent rate cuts, driven more by labor market weakness than by price dynamics, together with expected fiscal easing from 2026 onward, should nevertheless provide support for the U.S. economy.

After a favorable first half, China has lost momentum. Trade data already reflect the impact of U.S. tariffs, though there is no evidence of a broader deterioration in global trade flows. Over the medium term, we do not anticipate tariffs to significantly alter the trajectory of the global economy and thus see no need for a major revision of our overall outlook.



Monetary Policy – The Fed Resumes its Rate-Cutting Cycle

In Europe, market expectations suggest that the monetary easing cycle is nearing its end, with no further rate cuts anticipated at this stage. In the United States, by contrast, the Federal Reserve resumed its rate-cutting path in September after a nine-month pause. The decision highlights the delicate balance the institution faces: inflation remains uncertain, compounded by recently raised tariffs, while the labor market weakened significantly over the summer.

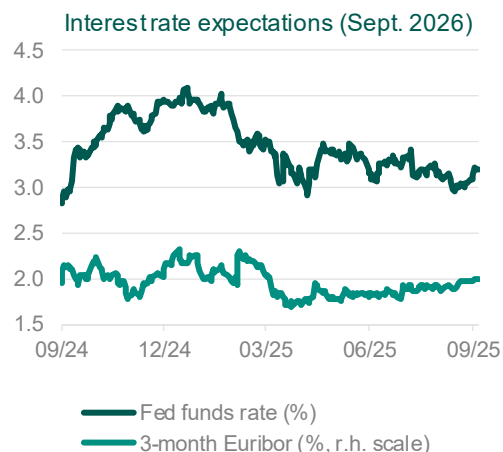
Jerome Powell opted for a preventive adjustment, describing it as a “risk management cut.” Far from signaling the start of an aggressive easing cycle, the move is intended primarily to avert an excessive slowdown in activity. Nonetheless, internal divisions within the FOMC have become increasingly visible. New member Stephan Miran, an economist close to Donald Trump, has called for five cuts by December, whereas the median projection points to just two or three. External pressures add further complexity: Donald Trump is demanding swift and substantial reductions in interest rates, while markets are pricing in five additional cuts spread over 2025 and 2026. Powell, however, has sought to temper such expectations, stressing that the path ahead will depend above all on labor market conditions and inflation trends.

History shows that the resumption of rate cuts after a pause does not produce uniform results: at times favoring bonds (1990, 2008, 2020), at others equities (1986, 1995), and almost always benefiting gold. The impact, however, depends largely on the broader economic backdrop: if the economy tips into recession, rate cuts generally fail to prevent equity market corrections. At present, we believe markets are overestimating the scale of easing to come. Our central scenario remains two additional cuts in 2025 and one in 2026.

Regional Dynamics

Europe. The European economy has proved more resilient than anticipated this year, supported by a gradual stabilization in industry. Consumption, however, remains subdued: despite a recent uptick in real spending, households remain cautious, still shaped by the pandemic and the energy price shock. Disposable income continues to exceed consumption, leaving scope for a rebound should risk perceptions improve. Fiscal policy is also playing a supportive role, particularly in Germany where public spending is accelerating. Yet uncertainties linked to U.S. trade policy persist: while the easing of escalation risks is encouraging, the still-elevated tariff levels remain an additional burden for European businesses.

Switzerland. Economic momentum in Switzerland remains robust compared with neighboring countries, underpinned by demographic factors and resilient domestic demand. However, unemployment has been rising since spring 2023, affecting all sectors. The U.S. tariffs—raised to 39% on Swiss products—pose a challenge for industry. Their macroeconomic impact is

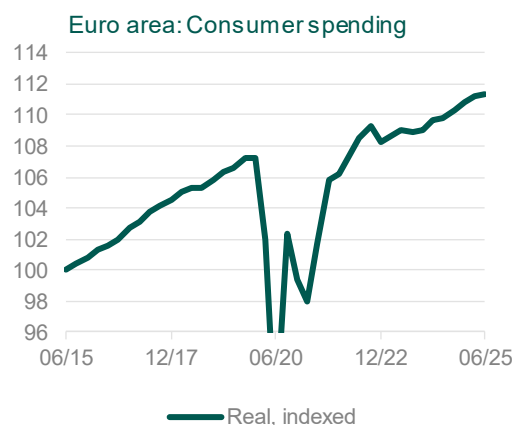


Source: CBOT, ICE

Fed Restarting Its Rate-Cutting Cycle and equity market performance S&P 500

Driver	date	-3m	+3m	+6m
Sluggish activity/ declining inflation	07/03/1986	11.4%	10.9%	10.4%
Macro slowdown and Gulf war	13/07/1990	7.3%	-12.7%	-9.9%
Slow activity/ inflation stabiliser	19/12/1995	7.5%	6.7%	12.1%
Deflationary fears	06/11/2002	-18.5%	17.1%	11.5%
Financial crisis	08/10/2008	-9.3%	-27.0%	-41.4%
Covid	03/03/2020	7.1%	-13.0%	0.3%
Today		10.7%		
Average		0.9%	-3.0%	-2.9%
Median		7.2%	-3.0%	5.3%

Source: Les Cahiers verts



Source: Eurostat

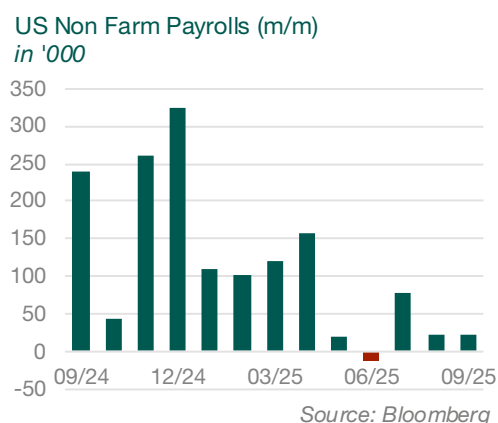
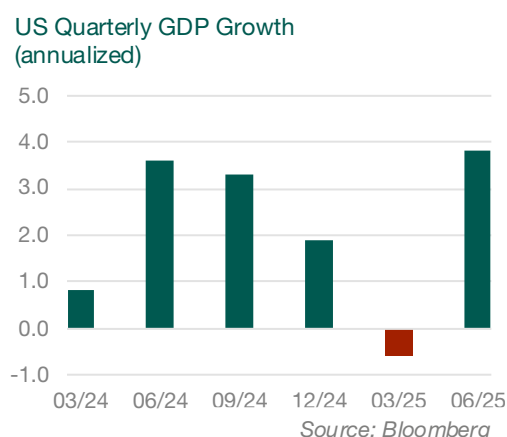
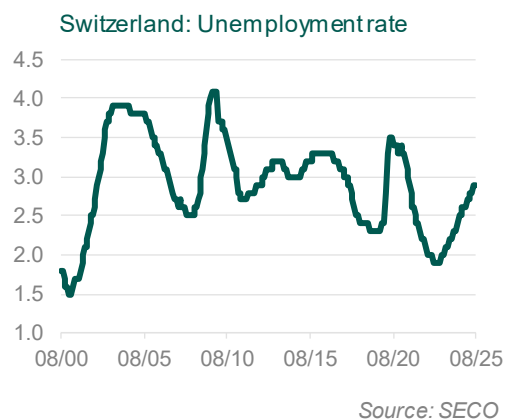
limited, however, as the exports concerned represented less than 2% of GDP in 2024 (excluding pharmaceuticals and gold). Over the longer term, individual companies will need to adapt, gradually diluting the overall effect. Meanwhile, inflation remains low in absolute terms and well below levels seen in other major industrialized economies, reinforcing Switzerland's relative stability.

United States. U.S. growth regained momentum in the second quarter, with annualized GDP rising 3.8%, driven by stronger-than-expected consumption. Over the first half of the year, expansion remained modest at 1.6%, but broadly in line with historical norms. Beneath the surface, however, the economy reveals both resilience and unevenness. The labor market, in particular, has been puzzling: job creation has been virtually flat—or even negative in the most cyclical sectors—while unemployment has edged only slightly higher, partly because many workers have exited the labor force without registering as unemployed. Adding to this weakness, businesses have become cautious, limiting new hires or refraining from replacing departures.

This apparent disconnect between growth and employment is partly explained by the boom in artificial intelligence. Investment in IT equipment accounted for 70% of total investment in the first half and nearly half of real GDP growth. Without this technological boost, the U.S. economy would have been close to stagnation. Yet this momentum comes with pressures on employment, particularly in software and customer service, while jobs less exposed to AI—such as healthcare—remain stable. The economy is thus benefitting from a productivity surge, but at the cost of rising social tensions and an increasing reliance on a single sector. The durability of this trend remains uncertain: sooner or later, questions will arise about the profitability of such massive investments in AI.

Tariffs add another layer of fragility. In July, customs duties reached USD 28 billion, which on an annualized basis represents more than 1% of GDP. If the effective rate were to average 15%, the burden would amount to 1.7% of GDP, 2.7% of household income, and 10% of corporate profits. The impact should remain tolerable if it is spread over time and shared between consumers and producers—a scenario we consider most likely. In the medium term, tariff policy is expected to accelerate reshoring and shifts in production, though without fundamentally altering global prospects.

China. After a strong first half, the Chinese economy has recently shown signs of fatigue. Exports have held up better than expected against new U.S. tariffs, but consumption and production data confirm a slowdown in domestic activity. Beijing is striving to counter this trend with targeted support measures, particularly infrastructure projects and credit easing, in order to keep growth close to its official target



Equities – Resilient Earnings Amid Rising Selectivity

Geopolitical risks remain elevated, but uncertainty around global trade is beginning to ease as U.S. tariff policy becomes clearer. While tariffs continue to complicate corporate decision-making, they should ultimately strengthen the position of companies with robust business models, durable competitive advantages, and proven pricing power. At the same time, the risk that these pressures eventually weigh on consumption cannot be ruled out. In this context, a selective approach—favoring quality and diversification—remains essential.

Solid Results Despite a Constrained Environment

Second-quarter earnings broadly exceeded expectations, underscoring companies' ability to defend margins. The postponement of certain tariff measures provided temporary relief, allowing firms to adjust supply chains and pricing strategies, but the delayed impact of tariffs will continue to cloud visibility for the coming quarters.

Technology – A Structural Growth Driver

Technology remains the primary engine of positive earnings revisions. The boom in artificial intelligence, data infrastructure, and software continues to fuel growth, particularly in the United States but also in Europe. Large U.S. groups remain in the lead thanks to their financial strength and dominant market positions, yet opportunities are also emerging in specialized areas such as cloud services, cybersecurity, and industrial automation.

Healthcare – Excessive Pessimism

The healthcare sector, particularly pharmaceuticals and medical technology, faces skepticism fueled by political debates over drug pricing and uncertainties related to reform. We believe, however, that this pessimism is excessive. Historically, high-quality companies in this space have demonstrated superior

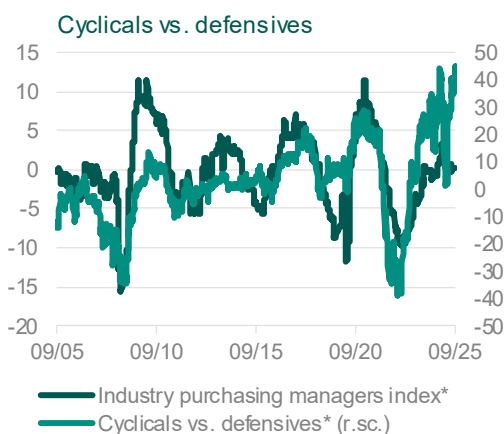
resilience during economic slowdowns, thanks to continuous innovation and the non-cyclical nature of demand. Europe, which has been more directly affected by concerns over pricing and regulation, could disproportionately benefit if these pressures ease.

Europe and Emerging Markets – Selective Opportunities

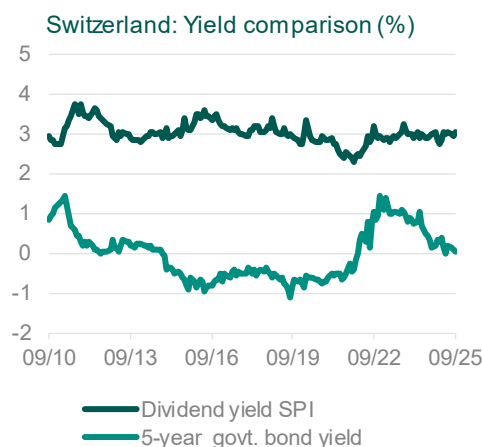
The sharp depreciation of the dollar has supported European equities, which benefited from the manufacturing rebound that lifted financials and industrials. Quality-growth stocks show potential for catch-up, while emerging markets are supported by attractive valuations, a weaker dollar, and AI-related momentum, despite lingering fragility in Chinese domestic demand.

Swiss Equities – An Attractive Yield Differential

In Switzerland, five-year government bond yields have fallen back close to zero, while the SPI has consistently delivered a dividend yield of around 3% in recent years. This spread enhances the relative appeal of Swiss equities. However, the strength of the franc and the impact of U.S. tariffs continue to weigh on exporters, making stock selection all the more critical.



*Deviation 24m-avg. Source: Bloomberg, own calc.



Source: SIX Swiss Exchange

Bonds – Stronger Support from the Fed

The Federal Reserve's pivot toward monetary easing marks a turning point for fixed income markets. A clear orientation toward multiple rate cuts has reinforced the appeal of short- and intermediate-term maturities in the U.S. and should, more broadly, support the asset class globally. In Europe, the picture is more nuanced, while emerging economies benefit from a supportive monetary and currency environment.

United States – Favoring Short and Intermediate Maturities

The Fed's September signal, following several months on hold, confirmed its determination to prevent an excessive slowdown in activity. Markets now anticipate a more extended easing cycle, under the leadership of a new chair perceived as more accommodative than Jerome Powell. In this context, short- to medium-term Treasuries remain particularly well positioned: they capture the attractive carry offered by still-elevated yields while limiting exposure to a potential rebound in inflation expectations. Long-dated bonds, by contrast, remain vulnerable to growing public financing needs and structural demand shifts, notably as Dutch pension funds adjust portfolio durations.

Europe – Limited Room for Maneuver

In the euro area, inflation continues to ease and the ECB theoretically has scope to loosen policy further. However, expansionary fiscal policies—particularly in Germany with rising defense spending—limit the likelihood of a prolonged easing cycle. The combination of moderate economic slowdown and increasing financing needs keeps upward pressure on long-term yields. Against this backdrop, short- and medium-term sovereign bonds appear to be the

most resilient segments.

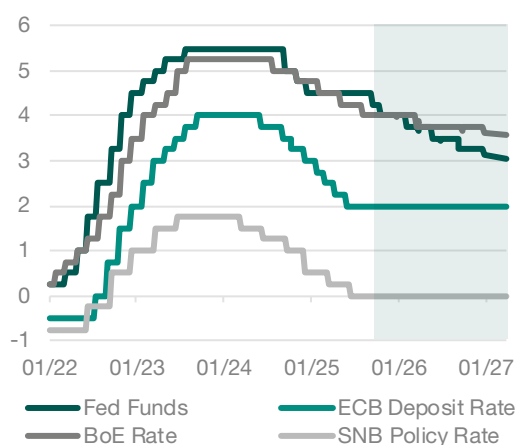
Emerging Markets – Supported by Dollar Weakness

The dollar's weakening trend is a key driver for emerging markets. Fueled by narrowing rate differentials and Washington's implicit willingness to tolerate a weaker currency, it supports emerging-market currencies and strengthens the appeal of local bonds, especially in countries offering high real yields. China, where inflation remains near zero, continues to export disinflationary pressure globally, further enhancing the relative attractiveness of emerging market fixed income assets.

Credit – Spread Tightening Warrants Caution

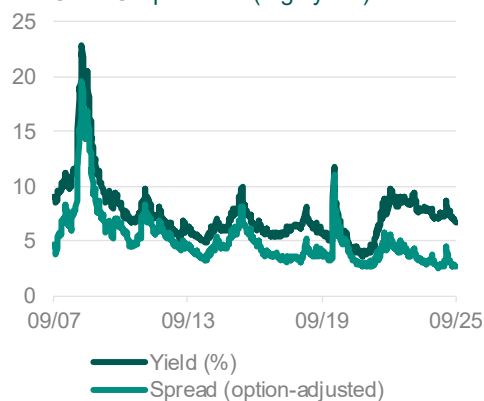
Since the announcement of U.S. tariff increases in the spring, credit spreads have paradoxically tightened significantly, reflecting optimism about the economic outlook and confidence in central banks' ability to support growth. Current levels suggest reduced recession risk, but they also leave limited room for further spread compression. While the backdrop remains constructive, valuations appear demanding. We therefore maintain a neutral stance on credit, emphasizing careful issuer selection and a preference for shorter maturities.

Evolution of Key Central Bank Rates



Source: Bloomberg

USA: Corp. bonds (high yield)



Source: Bloomberg indices

Our Positioning

At a time when markets evolve in an environment that is both supportive and uncertain, the key lies in a balanced and disciplined allocation. Global growth remains resilient despite trade tensions, inflation is converging toward more manageable levels, and central banks continue to support activity with more accommodative policies. Against this backdrop, attractive opportunities remain available to investors, though selectivity and vigilance are required in markets that are already richly valued.

Fears of a broad-based impact from U.S. tariff policy on the global economy have not materialized thus far. Our central scenario for the U.S. economy is not negative at this stage, though uncertainty remains particularly elevated as tariffs, effectively a “tax” on American companies and households, cloud visibility. The current environment, characterized by moderate growth and contained inflation (outside the United States), remains broadly supportive for equities. Corporate earnings are expected to grow by close to 10% in the U.S. this year and in Europe too next year. Fed rate cuts are also helping to sustain confidence, so long as the economy does not show signs of significant weakening.

Equity markets in Europe and the U.S. are trading near the upper end of their historical ranges, limiting further upside potential. In such market phases, we recommend remaining invested, even though such phases are not ideal for meaningfully adding to positions. It is worth noting that a major correction would require a trigger, such as significantly weaker economic data or an event that leads to a marked increase in uncertainty.

Regionally, the outlook appears slightly more favorable for European equities, supported by the anticipated weakening of the dollar. Over the medium term, however, the structural strengths of the United States remain compelling—most notably its technological leadership, particularly in artificial intelligence, which continues to drive global economic progress. The debate over a potential bubble is intensifying, as the current environment combines three ingredients typically associated with such risks: falling real rates, a major technological innovation (AI) fueling investment, and a deregulatory momentum in the U.S. That said, recent market performance is still primarily earnings-driven, with limited multiple expansion. Moreover,

while U.S. indices closed the quarter at record highs, only 60% of stocks trade above their 200-day moving average, highlighting the absence of broad-based exuberance. Some sectors—such as consumer, healthcare, and selected technology segments (notably software providers)—even present attractive valuations. More broadly, quality-growth stocks, recently overlooked, should benefit from their strong fundamentals—attractive growth prospects, solid balance sheets, and reasonable valuations—in an environment of falling rates and moderate growth.

We maintain a positive outlook on fixed income, particularly short- to medium-term maturities (2–5 years), where monetary easing by the Fed and other central banks continues to support yields. Despite tight spreads, investment-grade credit still offers additional carry in a lower-volatility environment, while selectivity remains essential in higher-risk segments, which have performed well so far but would be vulnerable if growth prospects were to deteriorate significantly.

Finally, gold retains its appeal for investors in a politically and geopolitically uncertain context, despite its sharp recent rally. Unlike most commodities, gold mining supply remains remarkably stable and relatively insensitive to price movements, conferring on it the status of an asset with an almost fixed supply—standing in contrast to the steady expansion of global liquidity since 2009. In addition, structural flows, particularly central bank purchases aimed at diversifying away from the dollar, provide durable support for demand. That said, selective profit-taking may be considered in portfolios where the position’s weighting has become too significant following the recent surge in price.

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