



BANQUE  
ERIC STURDZA

QUARTERLY OUTLOOK  
4<sup>TH</sup> QUARTER 2025

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# 1. EDITORIAL

## AN ELECTRIFYING SEQUENCE!

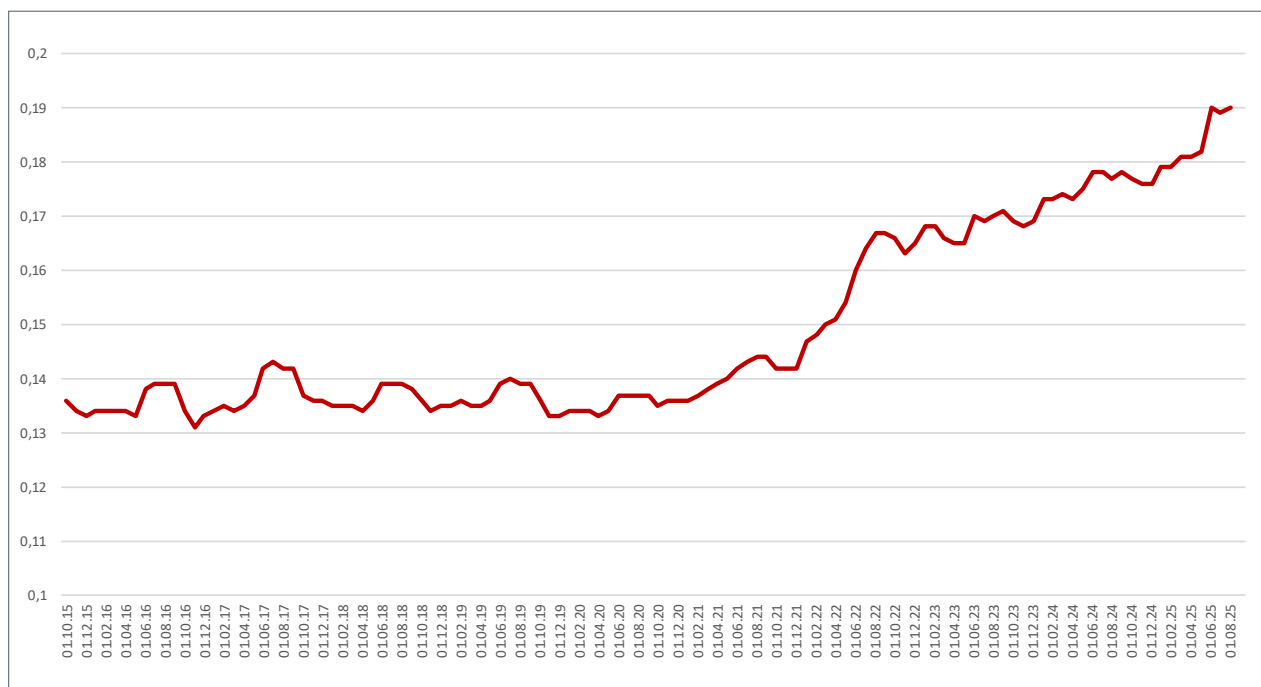
***“The difference between God and Larry Ellison? God doesn’t think he’s Larry Ellison.”***  
**This quip about the founder of Oracle was used as the title of a famous biography published in 1997.**

Almost 30 years later, Larry Ellison, the “old-timer” of the technology sector, has shown that the octogenarian is still sprightly and capable of setting records. In mid-September, during a memorable trading session, Oracle’s management announced that it had signed a USD310 billion contract with Open AI. Oracle’s share price rose nearly 40% during the session, and its founder’s fortune grew by nearly USD100 billion. For the man who had sometimes been considered a “has-been” in technology, the day must have been all the more satisfying.

Once the initial shock had passed, it became clear that the markets were being rather generous: this spectacular contract is not expected to generate any profit before 2030 and will require colossal investments. We are talking here about turnover, not profit. By adding more than \$300 billion to Oracle’s market capitalisation, it seems to us that investors are jumping the gun a little.

A few days before this sensational announcement in the technology sector, another piece of stock market news caught our attention: the merger between two mining companies, Anglo-American and Teck Resources. Both companies operate copper mines, in Chile in particular, and their merger should generate significant synergies. The combined entity is currently valued at around \$50 billion and will be named Anglo-Teck.

G1 : AVERAGE ELECTRICITY PRICES IN US CITIES IN USD PER KWH



Source: St Louis Federal Reserve, Banque Eric Sturdza, 2015-2025

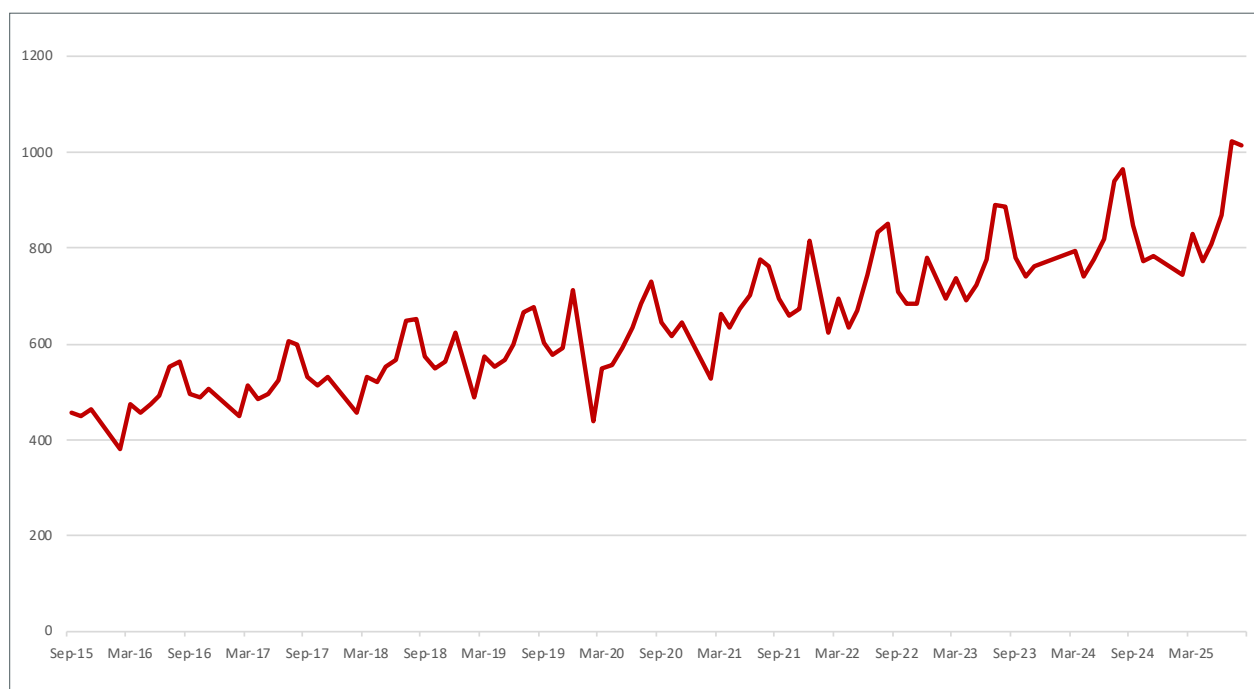
What is the link between these two new stock market listings? To fulfil its contract, Oracle (together with all other AI players) will desperately need Anglo Teck and its competitors. Electrical infrastructure in the United States is often outdated and at the limit of its capacity. Power outages in 2025 were twice as frequent as in 2015. Initial estimates for the contract signed by Oracle suggest that the infrastructure will consume 4.5 gigawatts (roughly equivalent to the consumption of a city of 5 million inhabitants). The electricity grid, already on the verge of saturation, will need serious upgrades to meet the future needs of AI. The rapid rise in electricity prices in the United States already reflects an imbalance between supply and demand, an imbalance that can only grow.

This acceleration in electricity demand is not limited to the United States; it is even more visible in China, where more electricity infrastructure and many more power stations will also be needed.

Unsurprisingly, we clearly want to maintain exposure to artificial intelligence, but the sector valuations and recent stock market moves call for caution. A study published by MIT concluded that 95% of AI investments made to date have not resulted in any tangible revenues. As with previous major innovations, there will be many candidates and few winners.

**Warren Buffett liked to point out that during the gold rush, sellers of shovels and pickaxes often made their fortunes faster than many of the gold prospectors. The same may be true today with AI. The champions of AI are currently highly valued, while the players who will make tomorrow's AI possible (particularly those capable of transforming electrical infrastructure and producing more electricity) are valued much lower. It is surely time to allocate more capital to them.**

## G2: TOTAL ENERGY CONSUMPTION – ELECTRICITY IN CHINA



Source: Bloomberg, Banque Eric Sturdza, 2015-2025

## 2. FIXED INCOME

### YOU COULDN'T GET ANY MORE DOVISH THAN THIS!

#### Central banks: differing objectives, different situations

The ECB and the SNB kept their key interest rates unchanged in September. While it is easy to understand why our national SNB did not want to take the plunge into negative rates, the ECB's halt is more difficult to justify. At the same time, the Fed finally did what almost everyone expected it to do, especially after Jerome Powell's near-U-turn in Jackson Hole last month. The markets now expect three or four rate cuts over the next twelve months.

It is clear today that keeping long-term rates at a reasonable level is the unanimous position within the Trump administration (particularly the Treasury Department) and the Fed. The battle to succeed Jerome Powell is on, with contenders vying to appear as the ideal choice to Donald Trump by proposing monetary policies that are each more accommodative than the last. Stephen Miran is the perfect example of a new member of the Washington institution's Board of Governors who advocates a resolutely aggressive policy in the face of the returning slowdown. With the PCE figures published at the end of September in line with expectations, the risk of inflation now seems to be taking a back seat.

#### After the 5-year, it's time for the 7-year

In our institutional fixed income mandates, we shifted from being bullish on long-term rates to neutral at the start of the summer, becoming slightly more constructive on duration after the Jackson Hole symposium in August. The aim was not to implement an aggressive strategy by significantly increasing duration, but rather to return to it by adding homeopathic doses. We therefore began tentatively by adding 5-year bonds, which we believed then (and still believe now) to represent the ideal point on the curve, with a rate decline profile almost like that of 2-year bonds but with a duration almost three times higher.

We have temporarily stopped buying 5-year bonds in favour of 7-year bonds, convinced that the bidding war among the doves vying to succeed Jay Powell will trigger a relaxation in long-term rates, even if only very slight. However, our conviction was not strong enough to take the decision (and the risk) to add 10-year bonds to the portfolios at rates barely above 4%. We therefore opted for the 7-year, half-way between 5 and 10 years, with definite downside potential and a still reasonable duration. If bond market trends were to go our way, the next step would be (will be) to get down to business by investing in genuine long-term rates. With 90 days to go until 2026, we need to invest or remain sufficiently invested while exercising a good deal of caution in the face of numerous uncertainties, which is theoretically incompatible. We can only hope that this fourth quarter just beginning, will be less chaotic than that of 2024.

### 3. EQUITIES

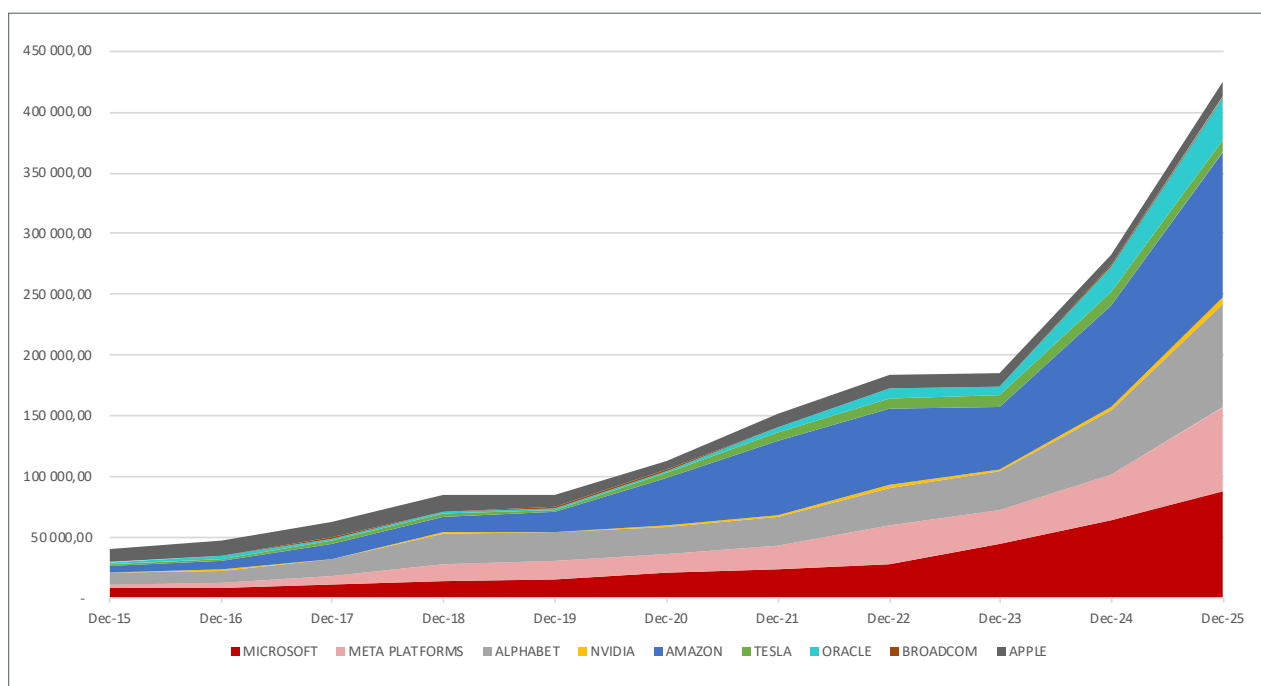
## RATE CUTS AND THE AI CAPEX BUBBLE, MARKETS ARE HEATING UP

**While September is traditionally a weaker month on the stock markets, September 2025 proved the statistics wrong by turning out to be a good month for global equity markets, with the leading index of global blue chips gaining 2.6% over the month.**

Global equity markets were broadly buoyed by strong momentum. In the United States, the S&P 500 and Nasdaq posted one of their best Septembers in 15 years (up 3.1% and 5.1% respectively), with a series of record highs, particularly in technology stocks and those linked to artificial intelligence. Oracle is a typical example of this: after a mixed half-yearly report, the company saw its share price jump by nearly 40% during trading on the announcement of a USD 300 billion increase in its

backlog. The enthusiasm is also linked to Oracle's new clients, led by Open AI, the parent company of Chat GPT, and IT infrastructure relating to artificial intelligence. While the figure is dizzying, they are projected for 2030 and will require Oracle to substantially increase its capital expenditure in the meantime (USD 27 billion over the last four quarters, already four times the amount spent in its 2024 fiscal year), which also explains the issuance of USD 15 billion in new debt a few days after the announcement. With over USD 400 billion in capital expenditure committed by the Magnificent Seven, Broadcom and Oracle for the current year, it is an arms race in Artificial Intelligence and the entry ticket is becoming increasingly expensive. While this capex race is not a problem for some of the players, such as Microsoft and Alpha-

G3: THE MAGNIFICENT SEVEN + BROADCOM AND ORACLE – CAPEX IN USD BLN



Source: Bloomberg, Banque Eric Sturdza, 2015-2025

bet, who are highly profitable and worth billions, it does raise questions given the currently unprofitable business models of pure AI players such as Open AI and Anthropic, for whom this infrastructure and data centres are being built. While it is tempting to draw a parallel with the investment bubble of the 2000s, the situation remains very different: today's listed players (with a few exceptions) are experiencing strong growth but remain highly profitable. It is also worth remembering that when bubbles form, the final stages are where the strongest gains are recorded, so exiting too early can prove costly to investors.

Beyond the theme of artificial intelligence, the Fed's rate cuts, which have given hope to highly indebted companies, have also marked a resurgence of interest and a tentative opening of the US market to other segments: the rebound in small caps (Russell 2000 +3.0%) after a strong August is a clear example of this. Although the US market's concentration on a handful of stocks makes this broadening of leadership difficult for investors to interpret, it is nevertheless positive. While investors had expressed some doubts at the beginning of the year about the leadership of the US equity market, these have been largely dispelled, and capital flows are returning to the US market. In short, US exceptionalism remains the norm for the domestic equity market.

It must be said that concurrently European stocks, which had benefited greatly at the beginning of the year from renewed interest by global investors, are now treading water, hampered as they are by the strength of the euro and tariff uncertainty. The absence of European champions in the key areas of digital technology, as well as their weak stock market representation (compared to the United States), largely explain Europe's stock market downgrade. This is an issue not shared by Asian stocks.

As in the United States, the technology sector remains at the heart of Asia's appeal, whether it be the semiconductor value chain in Taiwan and South Korea, or the Chinese ecosystem comprising Chinese rivals to the Amazons, Alphabets and Metas of the world, as well as leaders in the field of artificial intelligence that have little to envy their American counterparts. For the past year, China has remained committed to a stimulus policy, both monetary (lowering key interest rates) and fiscal, with the objectives of stabilising Chinese growth, asserting Chinese leadership in several key sectors and shifting growth towards a consumption model. While some results are encouraging, such as the affirmation of Chinese leadership in sectors such as electric vehicles and, increasingly, technology, the difficulty of orchestrating a sustainable shift towards a consumption-based model and channelling Chinese savings into the stock markets suggest that support policies will continue. The Fed's more accommodative policy and improved financial conditions should also provide support for emerging countries in the region and their local stock markets.

**In this environment, we are maintaining our strategy: we are keeping our investments in the US, a key player in sectors such as technology, but we are also maintaining a certain vigilance with regard to high valuations, concentration risk and the bubble linked to AI investment. At the same time, we continue to favour Asia (excluding Japan), which also has no shortage of technology leaders while offering more attractive valuations and interesting macro dynamics.**

# 5. PERFORMANCE

EQUITIES	29.09.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
WORLD	MSCI WORLD	46 316	1,7%	7,8%	12,0%	8,9%	12,9%	16,2%	-6,9%	20,9%	9,7%
	MSCI EAFE	6 661	3,1%	10,2%	19,0%	13,3%	23,3%	26,3%	-18,1%	28,7%	18,4%
	MSCI WORLD GROWTH	7 673	0,6%	5,7%	11,0%	8,1%	10,9%	13,8%	-11,5%	29,6%	12,8%
	MSCI WORLD VALUE	24 611	5,1%	12,3%	25,6%	17,1%	24,9%	55,1%	-32,4%	27,5%	48,9%
US	DOW JONES	2 435	2,9%	13,8%	20,2%	9,2%	10,0%	16,9%	-20,5%	14,8%	19,9%
	S&P 500	556	1,0%	1,0%	2,6%	9,4%	6,0%	16,6%	-9,9%	25,8%	-1,4%
	S&P500 EW	9 300	1,2%	4,7%	8,9%	13,8%	5,7%	7,7%	4,6%	18,4%	-11,4%
	NASDAQ 100	7 881	2,3%	1,5%	-1,4%	6,8%	-2,2%	20,1%	-6,7%	31,9%	-5,0%
	RUSSELL 2000	23 745	-0,7%	-0,1%	4,7%	19,3%	18,8%	20,3%	-12,3%	15,8%	3,5%
EUROPE	STOXX 600	15 316	2,5%	8,7%	19,6%	32,1%	14,8%	28,1%	-2,0%	10,5%	-12,7%
	FTSE 100	16 632	-1,6%	-2,2%	-2,4%	7,5%	6,2%	6,1%	-16,5%	23,4%	3,8%
	CAC 40	1 340	6,5%	11,4%	20,6%	24,6%	5,1%	10,2%	-19,8%	-2,3%	18,8%
	DAX	3 132	1,8%	12,5%	16,2%	12,4%	17,7%	28,3%	-2,5%	12,8%	7,4%
ASIA	SPI SWISS	26 623	6,2%	10,8%	12,8%	32,7%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
	MSCI EM	4 620	2,7%	18,7%	17,6%	17,4%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
	TOPIX	3 075	4,5%	9,8%	14,7%	10,4%	17,7%	28,3%	-2,5%	12,8%	7,4%
	HANG SENG	25 078	1,2%	7,7%	9,3%	25,0%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
	CSI 300	4 497	10,3%	17,1%	15,6%	14,3%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
FX & COMMODITIES	29.09.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
CURRENCIES	EUR-USD	1,173	0,4%	1,3%	7,8%	13,3%	-6,2%	3,1%	-5,9%	-6,9%	8,9%
	EUR-CHF	0,935	-0,1%	-0,4%	-2,6%	-0,6%	1,2%	-6,1%	-4,6%	-4,0%	-0,4%
	USD-CHF	0,797	-0,5%	-1,7%	-9,7%	-12,2%	7,8%	-9,0%	1,3%	3,1%	-8,4%
	USD-JPY	147,7	0,4%	2,9%	-0,4%	-6,1%	11,5%	10,5%	13,9%	11,5%	-4,9%
	USD INDEX	97,55	-0,2%	-0,4%	-5,9%	-10,1%	7,1%	-2,1%	8,2%	7,0%	-7,3%
COMMODITIES	Gold	3643,14	5,7%	7,6%	24,1%	38,8%	27,2%	13,1%	-0,3%	-4,2%	25,0%
	Silver	42,19	6,2%	16,1%	26,9%	46,0%	21,5%	-0,7%	2,8%	-13,6%	48,7%
	WTI Crude Oil	62,69	-2,1%	-7,9%	-7,4%	-12,6%	0,1%	-10,7%	6,7%	59,1%	-21,5%
	Natural Gas	2,94	-1,9%	-15,8%	-28,0%	-19,0%	44,5%	-43,8%	20,0%	46,9%	16,0%
	Copper	9994,08	1,8%	2,1%	2,5%	15,5%	2,2%	0,9%	-14,1%	25,7%	26,0%
FIXED INCOME	29.09.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
RATES	US 10 year gvt	4,14	(0,09)	(0,22)	(0,17)	(0,43)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2,71	(0,02)	0,23	(0,17)	0,34	34 bps	-54bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	603,8	0,7%	1,7%	3,6%	4,1%	3,4%	7,1%	-11,2%	-1,4%	5,6%
	US Treasuries	2413,5	0,9%	2,4%	3,2%	5,4%	0,6%	4,1%	-12,5%	-2,3%	8,0%
	US TIPS	372,1	0,4%	3,3%	4,1%	6,9%	1,8%	3,9%	-11,9%	6,0%	11,0%
	US IG Corporates	3517,9	1,6%	3,7%	5,3%	6,9%	2,1%	8,5%	-15,8%	-1,0%	9,9%
	US High Yield	2876,9	0,8%	3,8%	5,8%	7,2%	8,2%	13,4%	-11,2%	5,3%	7,1%
	Euro Government	244,2	0,4%	-0,6%	2,6%	0,4%	2,0%	7,1%	-18,2%	-3,4%	4,7%
	Euro IG Corporates	265,0	0,4%	0,9%	3,2%	2,7%	4,7%	8,2%	-13,6%	-1,0%	2,8%
	Euro High Yield	499,0	0,4%	1,7%	3,4%	4,2%	9,1%	12,8%	-11,1%	4,2%	1,8%
	EM USD Aggregate	1356,1	1,2%	4,5%	6,2%	8,6%	6,6%	9,1%	-15,3%	-1,7%	6,5%

Source: Bloomberg, 29/09/25

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