



BANQUE
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MONTHLY NEWSLETTER
NOVEMBER 2025

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1. EDITORIAL

FINANCIAL MARKETS, SUPER BOWL OR DAMP SQUIB?

As always, the answer to this question depends on where you find yourself. A French investor who sees successive governments' survival times shrinking and discussions on the pension system dragging on indefinitely will find it hard to be optimistic. A spectacular jewellery theft at the Louvre (albeit unrelated to the markets and with no effect on French interest rates) is likely to seal their judgement: quite a terrible period...

On the other side of the Atlantic, investors are experiencing a very different atmosphere. As the earnings season progresses, it is very likely that results will be good: 80% of US companies that have reported their results have beaten estimates in terms

of revenue and profit. However, this month has not been without its hiccups: on the 10th of October, the S&P500 bullish run of recent months was interrupted by a sharp decline of around 3%. The woes of two mid-sized banks, Zions Bancorp and Western Alliance, brought back bad memories, and Jamie Dimon, the iconic CEO of JP Morgan, attempted to dampen the more optimistic souls by making an anxiety-inducing comparison: when you see one cockroach, there are usually several more out of sight...

However enthusiasm quickly returned and the bulls regained control. The most insatiable among them will soon have access to a 5x leveraged ETF. The fact that the SEC (the US market regulator) has au-

T1 : VALUATION & MARKET CAP OF LARGEST TMT STOCKS TODAY VS. TECH BUBBLE

	Market Cap	NTM P/E
MICROSOFT CORP	601,0	69
CISCO SYSTEMS INC	355,1	101
INTEL CORP	275,0	32
LUCENT TECHNOLOGIES INC.	235,7	49
IBM CORP	192,5	28
TIME WARNER INC.	168,2	217
AT&T INC.	166,3	22
AT&T CORP.	162,4	24
ORACLE CORP.	159,5	90
WORLDCOM INC.	149,7	30
Median	180,3	41

	Market Cap	NTM P/E
NVIDIA CORP	4 921,0	30
MICROSOFT CORP	3 849,0	31
APPLE INC	3 995,0	32
ALPHABET INC.	3 397,0	25
AMAZON.COM INC.	2 611,0	32
META PLATFORMS INC.	1 635,0	21
BROADCOM INC	1 746,0	38
TESLA INC	1 518,0	197
VISA INC	671,1	26
NETFLIX INC	474,1	33
Median	2 178,5	31

Source : Bloomberg, BES, december 1999 – october 2025

thorised such a risky tool for all types of investors may come as a surprise and adds fuel to the fire for the Cassandras, who see many similarities between the current period and the internet bubble of the 2000s. And certainly, these periods in which the desire to win is too strong often end painfully.

The Cassandras, predicting the imminent arrival of a black swan base their conclusion on two key arguments. The first is that the hundreds of billions invested in AI are producing and will continue to produce very little financial return. To put it simply, Open AI raises huge amounts of capital for every dollar of revenue, which is then invested in a chain of other players. Among them, Oracle and Nvidia will reap profits, but at the same time, most players in the chain will incur much greater losses.

The second argument put forward by the “bears” is simply one of valuation, of market overpricing. It is also worth considering. The above table compares the multiples of the largest technology and telecoms stocks in the S&P500 index in dec. 1999 with the current multiples.

First observation: the companies have a much larger scale now and the US market is now much more concentrated than at the end of 1999, meaning that the top stocks will be even more decisive. If we focus on the top five, their valuations are very high but do not reflect some of the excesses of the past. We must go down to seventh place with Tesla to find a forward P/E* in double digits. It is curious to note that, despite the strong rise in US markets, the valuations of the index’s top stocks are now close to or lower than those of five years ago (five years ago, NVIDIA’s forward P/E ratio was 75 times, Amazon’s was 70 times, while Microsoft’s and Apple’s were close to their current levels, etc.).

Will the vast amounts of money poured into AI ultimately produce “real” financial results? The question remains open. If we had to venture a prediction, it seems likely that there will be many losses along the way... These excessive investments are probably the source of future market fragility, but the valuations of the tech heavyweights are “only” very high, and in the United States, the Super Bowl atmosphere is likely to continue for some time.

** Forward PE: earnings multiple calculated on earnings for the year ahead (2026) rather than the current year.*

2. FIXED INCOME

BETWEEN CONCERN AND RELIEF

Inflation is less frightening

US inflation at 3% is considered a relief, given that the Fed's target is 2%. But since the end of August, the markets have viewed employment figures, a true barometer of economic health, as the main source of concern. In this context, the Fed had no alternative but to proceed with a further 25 basis point rate cut. Quantitative tightening is set to end on the 1st December. It began in 2022 and has reduced the size of the central bank's balance sheet by \$2 trillion. This is an additional accommodative measure. Jerome Powell stressed that a further rate cut in December is not a foregone conclusion, leaving a rather hawkish impression that has slightly destabilised the markets.

Dovish Fed versus neutral ECB

The US central bank's monetary policy is becoming accommodative despite persistently high inflation and mounting concerns. Political and geopolitical uncertainties are back, against a backdrop of trade war over tariffs. Then there is the government shutdown, which while not good in itself, also deprives us of economic statistics and leads us to doubt the reliability of those that are published. When we see the "*real employment figures*", once they have been adjusted for errors due to the shutdown, they will probably reveal an even worse situation, and the risk of recession will rise again. Add to this the fact that Wall Street is treading water and the return to the forefront of concerns about US regional banks does little to encourage calm. As for the ECB, it has opted for a status quo, justified by stable inflation, which nevertheless requires a certain degree of vigilance. In this uncertain environ-

ment, which should prompt it to consider a more accommodative policy, the German 10-year Bund at 2.6% seems attractive. The more daring will prefer a French 10-year bond, now rated A+, trading at 3.4%.

A 10-year bond logically at 4%

US long-term rates are likely to remain at their current level, with little risk of sharp increases. Nor are they likely to ease significantly, as a 10-year rate of around 4% seems entirely appropriate in the current environment. As for credit, if the objective is to generate short-term capital gains, it is best to refrain from investing. On the other hand, carry trades, although less attractive given current spread levels, can still have a place in a portfolio. There is likely to be demand for bonds at the beginning of next year, as the money market rate will probably rise to 3.5% by the end of the year, compared with 4.5% a year ago. Very short-term investments, which we have dubbed "*fleeting pleasures*", will become less and less attractive. This is especially true with inflation stable at 3%, as a real rate of 0.5% is hardly anything to write home about!

3. EQUITIES

A TWO-SPEED MARKET...

After a prosperous summer period, global equity markets ended October up 2.4%, but with rising sessions against a backdrop of robust quarterly earnings reports alternating with periods of consolidation, sometimes abrupt.

The major US indices, the S&P 500 and Nasdaq 100, continued to be driven by the theme of artificial intelligence (AI). The most emblematic example remains the chip manufacturer Nvidia, which became the first company to exceed USD 5 trillion in market capitalisation. The proliferation of circular deals between the major players in AI is also dizzying and remains a source of concern: Nvidia is investing in OpenAI, which is signing with

Oracle, who will have to buy Nvidia chips to honour their commitment... October also marks the start of the earnings season. With just over 60% of companies having reported, the initial figures are encouraging, at least on the surface: 80% of companies reported above expectations, with results averaging 4.5% higher than expected. Overall, S&P 500 companies posted an 11.1% year-on-year increase in earnings per share. However, the detailed results are more mixed and reflect a two-speed market: Technology EPS, buoyed by the AI frenzy, rose 23.7%, while Discretionary Consumer EPS rose a more modest 8.5% and avoided ending up in the red thanks to Amazon – another AI champion – which had an excellent quarter thanks to its cloud business.

T2: SUMMARY OF S&P 500 RESULTS – Q3 2025

Sector (BICS)	Reported		Earnings Surprise				Earnings Growth			
			+	=	-	%	+	=	-	%
S&P500	319	499	263	12	43	4,96%	240	8	71	11,15%
Materials	15	26	11	1	3	3,30%	11	1	3	13,99%
Industrials	58	73	50	1	7	1,43%	46	0	12	10,45%
Consumer Staples	21	37	19	2	0	4,06%	12	1	8	0,57%
Energy	12	23	10	1	1	4,93%	8	0	4	-1,76%
Technology	29	63	24	1	4	8,20%	24	2	3	23,70%
Consumer Discretionary	31	49	22	1	8	16,12%	15	0	16	8,67%
Communications	14	27	9	1	4	-10,25%	8	1	5	-6,90%
Financials	63	79	53	1	8	7,58%	60	1	2	22,77%
Health Care	36	60	33	1	2	10,16%	25	1	10	8,57%
Utilities	15	31	12	0	3	6,71%	11	0	4	13,35%
Real Estate	25	31	20	2	3	4,34%	20	1	4	7,88%

Source: Bloomberg, Banque Eric Sturdza, 03/11/25

European markets are not to be outdone and are following the global uptrend, with the STOXX 600 up 2.5%, slightly outperforming the United States. On this side of the Atlantic, it is less the AI theme than the stabilisation of the EUR/USD exchange rate and quarterly results that are driving this rebound. Even in Europe, earnings reports show some heterogeneity. An “old sector” such as automotive remains under pressure, while luxury stocks, which were under pressure at the beginning of the year, are showing signs of stabilisation. Financials and a few tech stocks on the Old Continent continue to play a major role.

Once again, the equity markets are showing that macro is one thing, but micro is altogether another.

The strong performance of the US and European markets is striking given the political context in which it is taking place. In the United States, the shutdown has now lasted just over 30 days and is estimated to cost 0.1% of GDP per week. In Europe, the situation is similar and hardly more enviable, with political instability taking hold in France and budget negotiations looking set to be turbulent... Once again, the equity markets are showing that macro is one thing, but micro is altogether another.

To try to infer a link between politics and equity markets, we need to look to Japan. The overthrowing of the Ishida government had ushered in a period of instability that ended with the appointment of Sanae Takaichi, the first woman to become Prime Minister. Here too, the relation between her appointment and the rebound in the Japanese market (Topix +6.2%) is not as clear-cut as it seems. The explanation is more likely to be found in the weakening of the JPY in connection with certain highly populist fiscal measures and a platform in the spirit of Shinzo Abe’s “three arrows” that advocate for the continued weakening of the JPY in a country where the Bank of Japan remains under political influence.

With a significant dichotomy between the macro/political environment and the equity markets, we are maintaining our investment choices: we are maintaining our investments in the US, which remains a key player in the field of artificial intelligence, but we are also being more selective given the high valuations, concentration risk and bubble risk associated with the AI CAPEX theme. At the same time, we continue to favour the wider Asian region, which also has no shortage of leaders in the technology sector, but with more reasonable valuations and attractive macro dynamics.

5. PERFORMANCE

EQUITIES	31.10.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
US	DOW JONES	47 563	2,5%	7,8%	17,0%	11,8%	12,9%	16,2%	-6,9%	20,9%	9,7%
	S&P 500	6 840	2,3%	7,9%	22,8%	16,3%	23,3%	26,3%	-18,1%	28,7%	18,4%
	S&P500 EW	7 613	-1,0%	2,4%	11,0%	7,2%	10,9%	13,8%	-11,5%	29,6%	12,8%
	RUSSELL 2000	2 479	1,8%	12,1%	26,2%	11,2%	10,0%	16,9%	-20,5%	14,8%	19,9%
EUROPE	STOXX 600	572	2,5%	4,7%	8,4%	12,7%	6,0%	16,6%	-9,9%	25,8%	-1,4%
	FTSE 100	9 717	3,9%	6,4%	14,4%	18,9%	5,7%	7,7%	4,6%	18,4%	-11,4%
	CAC 40	8 121	2,9%	4,5%	6,9%	10,0%	-2,2%	20,1%	-6,7%	31,9%	-5,0%
	DAX	23 958	0,3%	-0,4%	6,5%	20,3%	18,8%	20,3%	-12,3%	15,8%	3,5%
ASIA	SPI SWISS	16 982	1,4%	2,8%	3,1%	9,8%	6,2%	6,1%	-16,5%	23,4%	3,8%
	MSCI EM	1 402	4,1%	12,7%	25,9%	30,3%	5,1%	10,2%	-19,8%	-2,3%	18,8%
	TOPIX	3 332	6,2%	13,2%	24,9%	19,6%	17,7%	28,3%	-2,5%	12,8%	7,4%
	HANG SENG	25 907	-3,5%	4,6%	17,1%	29,1%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
COMMODITIES	CSI 300	4 641	0,0%	13,9%	23,1%	17,9%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
FX & COMMODITIES	31.10.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
CURRENCIES	EUR-USD	1,154	-1,7%	1,1%	1,8%	11,4%	-6,2%	3,1%	-5,9%	-6,9%	8,9%
	EUR-CHF	0,928	-0,7%	0,1%	-0,8%	-1,3%	1,2%	-6,1%	-4,6%	-4,0%	-0,4%
	USD-CHF	0,805	1,0%	-0,9%	-2,6%	-11,3%	7,8%	-9,0%	1,3%	3,1%	-8,4%
	USD-JPY	154,0	4,1%	2,1%	7,6%	-2,0%	11,5%	10,5%	13,9%	11,5%	-4,9%
	USD INDEX	99,80	2,1%	-0,2%	0,3%	-8,0%	7,1%	-2,1%	8,2%	7,0%	-7,3%
COMMODITIES	Gold	4002,92	3,7%	21,7%	21,7%	52,5%	27,2%	13,1%	-0,3%	-4,2%	25,0%
	Silver	48,69	4,4%	32,6%	49,3%	68,5%	21,5%	-0,7%	2,8%	-13,6%	48,7%
	WTI Crude Oil	60,98	-2,2%	-12,0%	4,8%	-15,0%	0,1%	-10,7%	6,7%	59,1%	-21,5%
	Natural Gas	4,12	24,9%	32,8%	24,0%	13,5%	44,5%	-43,8%	20,0%	46,9%	16,0%
	Copper	10873,06	6,3%	13,7%	19,2%	25,7%	2,2%	0,9%	-14,1%	25,7%	26,0%
FIXED INCOME	31.10.25	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
RATES	US 10 year gvt	4,08	(0,07)	(0,30)	(0,08)	(0,49)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2,63	(0,08)	(0,06)	0,19	0,27	34 bps	-54bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	608,5	0,8%	2,1%	2,6%	4,9%	3,4%	7,1%	-11,2%	-1,4%	5,6%
	US Treasuries	2427,9	0,6%	2,5%	2,4%	6,0%	0,6%	4,1%	-12,5%	-2,3%	8,0%
	US TIPS	373,4	0,4%	2,3%	2,8%	7,2%	1,8%	3,9%	-11,9%	6,0%	11,0%
	US IG Corporates	3529,2	0,4%	2,9%	4,9%	7,3%	2,1%	8,5%	-15,8%	-1,0%	9,9%
	US High Yield	2881,4	0,2%	2,2%	6,3%	7,4%	8,2%	13,4%	-11,2%	5,3%	7,1%
	Euro Government	246,3	0,9%	0,9%	0,6%	1,3%	2,0%	7,1%	-18,2%	-3,4%	4,7%
	Euro IG Corporates	266,9	0,7%	1,1%	2,5%	3,5%	4,7%	8,2%	-13,6%	-1,0%	2,8%
	Euro High Yield	499,3	0,1%	0,8%	3,6%	4,2%	9,1%	12,8%	-11,1%	4,2%	1,8%
	EM USD Aggregate	1377,6	1,7%	4,2%	7,9%	10,4%	6,6%	9,1%	-15,3%	-1,7%	6,5%

Source: Bloomberg, 31/10/25

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**Sent to press
on 31/10/2025**

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