Market Update

Technology Reality Check

December 2025

Editorial

If we had to choose one word to describe the past month, it would be recalibration. We didn't see a crash or a boom, but rather a thoughtful pause where the market took a deep breath and reassessed its assumptions. On the macro front, the noise from the resolved US government shutdown has started to fade, allowing us to refocus on the data which remains mixed.

We witnessed a complete roundtrip in expectations of rate cut: the probability of a December cut collapsed early in the month, only to surge back to around 80% by month-end as dovish comments from Fed officials soothed markets' nerves. This oscillation has been a key driver of volatility, reminding us that while the destination (lower rates) is likely, the path there is anything but a straight line.

We will look into why a previously unstoppable sector finally hit a valuation wall despite strong fundamentals, and conversely, how a diplomatic breakthrough removed a major economic cloud over Europe. Additionally, we will examine the growing disparity in emerging markets, where the fortunes of energy importers and exporters are diverging sharply as commodity supply dynamics shift.

We hope you enjoy reading these updates and find them helpful for the month ahead.

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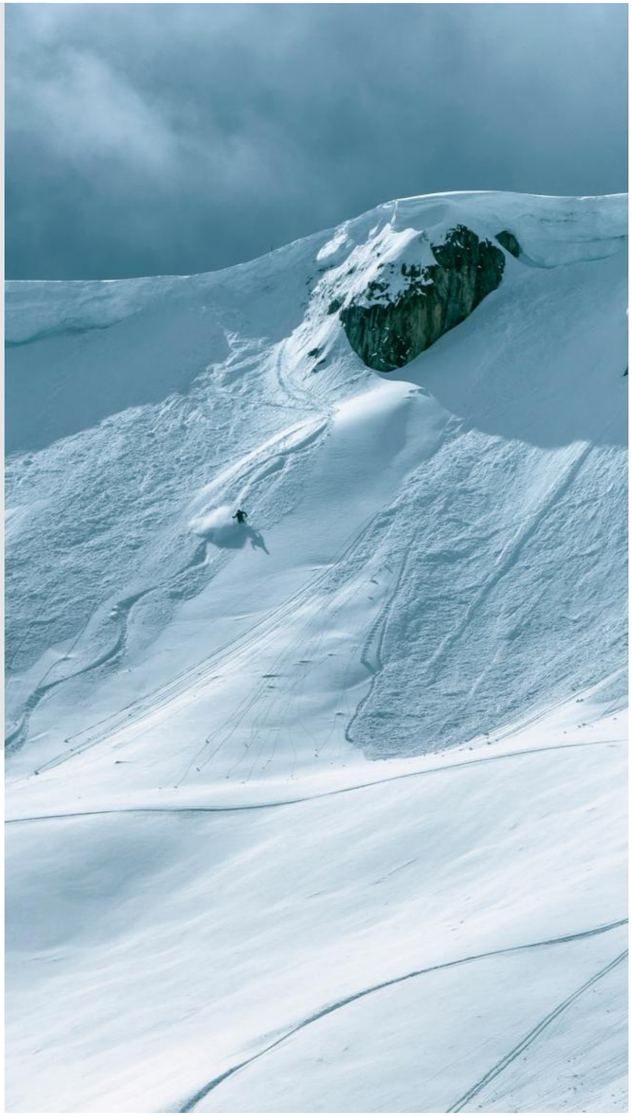


Global **Markets**

Global	Last	YTD	MTD
MSCI World	4,398.4	20.6%	0.3%
MSCI ACWI	1,005.1	21.6%	0.0%
MSCI Emerging Markets	1,366.9	30.4%	-2.4%
United States			
Dow Jones Industrial	47,716.4	13.9%	0.5%
S&P 500	6,849.1	17.8%	0.2%
NASDAQ 100	25,434.9	21.8%	-1.6%
Russell 2000	2,500.4	13.5%	1.0%
Europe			
Euro STOXX 600	576.4	17.3%	1.0%
Euro STOXX 50	5,668.2	19.4%	0.3%
DAX	23,836.8	19.7%	-0.5%
CAC 40	8,122.7	13.7%	0.1%
FTSE 100	9,720.5	23.0%	0.4%
Swiss Market Index (SMI)	12,834.0	14.2%	4.9%
Sectors (US)			
Communication Services		33.4%	4.4%
Consumer Discretionary		5.7%	-1.9%
Consumer Staples		5.6%	4.0%
Energy		8.2%	2.3%
Financials		11.5%	1.7%
Health Care		17.3%	9.4%
Industrials		21.8%	-0.9%
Materials		10.3%	3.4%
Real Estate		6.3%	1.8%
Technology		23.2%	-4.7%
Utilities		21.1%	1.7%

Commodities & Metals	Last	YTD	MTD
Gold (XAU)	4,239.4	61.5%	5.9%
Silver (XAG)	56.5	95.5%	16.0%
Copper	518.6	28.8%	1.9%
Currencies (USD)			
EUR	1.16	12.0%	0.5%
CHF	0.80	11.4%	0.1%
JPY	156.2	0.7%	-1.4%
BTC	90,915	-3.0%	-16.9%
Fixed Income			
US Treasury	2,443	6.7%	0.6%
EUR Treasury	249	1.2%	0.0%
Global Aggregate	500	7.9%	0.2%
US Corporate	3,552	8.0%	0.7%
Global EM USD	1,381	10.6%	0.2%
Global High Yield	1,844	11.0%	0.6%

Interest Rates (US)		Last month	End 2024
3 Months	3.80%	3.80%	4.31%
12 Months	3.59%	3.68%	4.14%
5 Year	3.60%	3.69%	4.38%
10 Year	4.01%	4.08%	4.57%

Price / Earnings Ratios		End 2024	End 2023
S&P 500	27.22	26.42	22.77
Euro STOXX 50	16.98	14.23	12.78
Swiss Market Index (SMI)	18.85	18.99	17.95

Data at close of 28/11/2025

Macroeconomic **Indicators**

Central Banks Targets Rates	Last	Q3 2025	Q2 2025	Q1 2025
United States	4.00%	4.25%	4.50%	4.50%
Eurozone	2.15%	2.15%	2.15%	2.65%
Switzerland	0.00%	0.00%	0.00%	0.25%
United Kingdom	4.00%	4.00%	4.25%	4.50%
Canada	2.25%	2.50%	2.75%	2.75%
Japan	0.50%	0.50%	0.50%	0.50%
China (3M SHIBOR)	1.58%	1.58%	1.63%	1.92%

Unemployment	Last	Q3 2025	Q2 2025	Q1 2025
United States	4.40%	4.40%	4.10%	4.20%
Eurozone	6.40%	6.40%	6.40%	6.40%
Switzerland	3.00%	3.00%	2.90%	2.70%
Canada	6.90%	7.10%	6.90%	6.70%
Japan	2.60%	2.60%	2.50%	2.50%
China	5.10%	5.20%	5.00%	5.20%

Producer Price Index (PPI - YoY)	Last	Q3 2025	Q2 2025	Q1 2025
United States	2.70%	2.70%	2.40%	3.20%
European Union	0.50%	0.80%	0.10%	0.30%
Switzerland	-1.70%	-1.80%	-0.70%	-0.10%
Canada	5.98%	5.65%	1.80%	4.53%
Japan	2.70%	2.80%	2.80%	4.30%
China	-2.10%	-2.30%	-3.60%	-2.50%
India	-1.21%	0.13%	-0.19%	2.25%

Core Inflation (Core CPI - YoY)	Last	Q3 2025	Q2 2025	Q1 2025
United States	3.00%	3.00%	2.90%	2.80%
Eurozone	2.40%	2.40%	2.30%	2.40%
Switzerland	0.40%	0.70%	0.60%	0.90%
Canada	2.70%	2.40%	2.60%	2.40%
Japan	1.60%	1.30%	1.60%	1.60%

Inflation (CPI - YoY)	Last	Q3 2025	Q2 2025	Q1 2025
United States	3.00%	3.00%	2.70%	2.40%
Eurozone	2.20%	2.20%	2.00%	2.20%
Switzerland	0.00%	0.20%	0.10%	0.30%
United Kingdom	3.60%	3.80%	3.60%	2.60%
Canada	2.20%	2.40%	1.90%	2.30%
Japan	3.00%	2.90%	3.30%	3.60%
China	0.20%	-0.30%	0.10%	-0.10%

Gross Domestic Product (YoY)	Last	Q3 2025	Q2 2025	Q1 2025
United States	2.10%	N/A	2.10%	2.00%
Eurozone	1.40%	N/A	1.40%	1.50%
Switzerland	0.50%	0.50%	1.30%	2.50%
Canada	1.00%	1.00%	1.00%	2.00%
Japan	3.90%	3.90%	4.90%	5.20%
China	4.80%	4.80%	5.20%	5.40%
India (Real GDP)	8.20%	8.20%	7.80%	7.38%

Purchasing Managers' Index	Last	Q3 2025	Q2 2025	Q1 2025
United States	48.2	49.1	49	49
Eurozone	52.8	51.2	50.6	50.9
Switzerland	49.7	46.3	49.6	48.9
Canada	48.4	47.7	45.6	46.3
Japan	48.7	48.6	50.1	48.4
China	49.2	49.8	49.7	50.5
India	56.6	57.7	58.4	58.1

Consumer Spending (PCE - YoY)	Last	Q3 2025	Q2 2025	Q1 2025
United States	2.91%	N/A	2.81%	2.67%

Data as of 05/12/2025
N/A: Not yet reported or Public Holiday

November **Macro News**

- The US unemployment rate ticked up to 4.4%, its highest level since 2021, as more people entered the labor force. Inflation data offered some relief, with the disinflation trend holding steady, though the market remains wary of potential price pressures from upcoming tariff implementations.

- The probability of a December Fed rate cut did a complete roundtrip, starting at 68%, crashing on resilient data, and then surging back to around 80% after dovish comments from Fed officials.

- Over in Europe, the economic engine is sputtering but not stalling. The Eurozone's flash composite PMI remained in expansion territory at 52.8, but the divergence between its two largest economies is stark. France surprised to the upside, improving by 2.2 points to nearly stabilize at 49.9, while Germany's outlook darkened, with its PMI sliding 1.8 points to 52.1.

- Switzerland signed a trade agreement with the US cutting the imposed tariff rate from 39% to 15%.

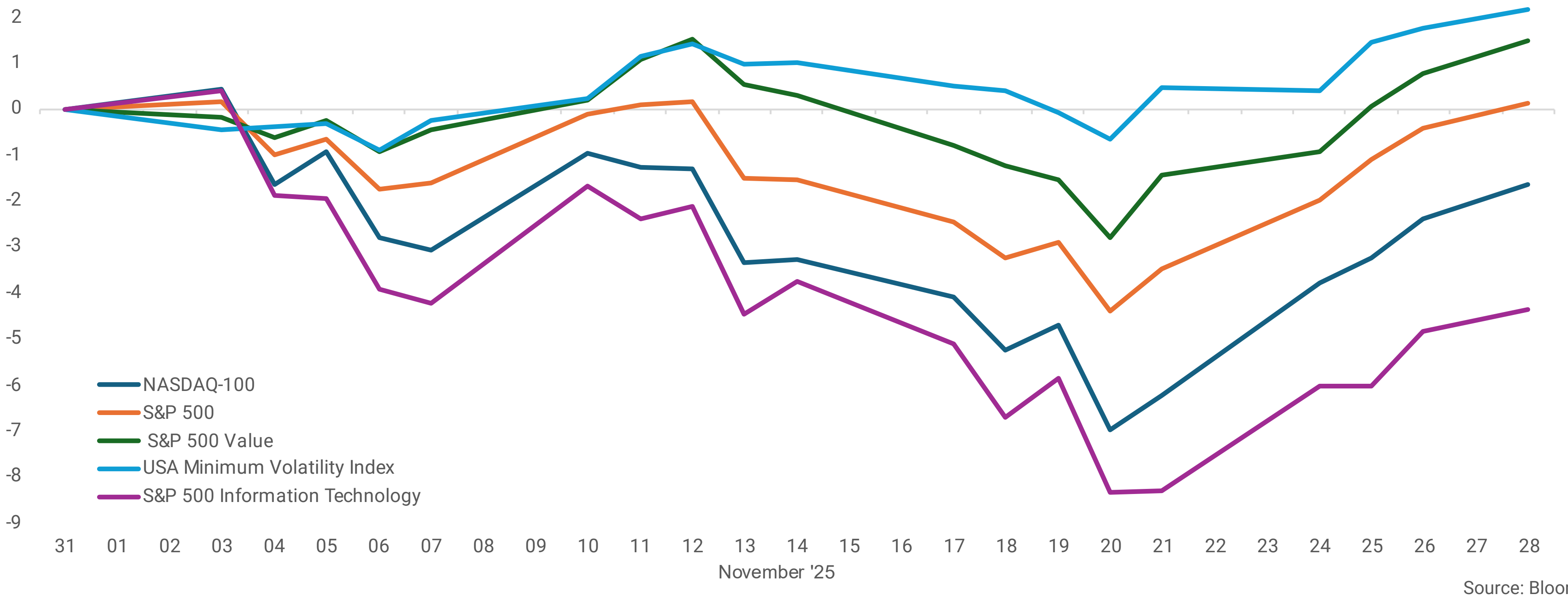
When Momentum **Meets Valuation**

After dominating market gains throughout 2025, the technology sector experienced a notable pullback in November.

This wasn't a story of deteriorating fundamentals. Companies like NVIDIA continued to deliver impressive earnings. Rather, it was a market reassessment of what had already been priced in. Markets are questioning whether the extraordinary profit growth expected from AI investments can realistically materialize, given the current valuations of tech stocks.

Think of it this way: we've been paying premium prices based on the assumption that AI will deliver outsized returns indefinitely. Then, in November, the market took a step back and asked, "When will these benefits be realized, and do current prices already reflect them?" This is a healthy recalibration, not a crisis. The NASDAQ-100, which had driven much of the year's growth, underperformed compared to broader indices and value-oriented stocks as investors moved their money out of growth stocks.

Some of those AI trades had become overcrowded, causing liquidity to deteriorate in November. However, the underlying narrative of strong earnings, solid macroeconomic conditions, and the fundamentals of AI adoption largely remained intact. Sometimes the market just needs a reminder that valuations matter.



Source: Bloomberg

Oil **Pressures**

Despite geopolitical tensions that would historically have spiked the market, oil prices remained subdued. It appears that we are heading into 2026 with a structural surplus of crude oil, meaning that more oil is being produced than the world needs at current prices.

This creates a critical problem for Emerging Markets. Many EM economies are commodity exporters, particularly in energy. Lower oil prices directly compress government revenues and foreign exchange earnings for countries like Russia, Nigeria, Mexico, and several Gulf states. At the same time, should EM currencies come under pressure, this would make imports more expensive for populations already grappling with elevated inflation; a particularly challenging scenario. However, not all emerging markets would be equally vulnerable to such stress.

Passive, broad-based emerging market indices can be misleading. While emerging markets have struggled overall, some countries and sectors have actually performed well. India, for example, benefits from lower oil prices and strong domestic growth. Meanwhile, energy exporters are struggling.

While recent market dynamics highlight meaningful differences across emerging economies, they have also reset valuations to more attractive levels. A broad EM allocation offers a diversified way to capture long-term structural growth despite short-term dispersion. In this environment, a passive approach provides efficient, balanced exposure to the asset class's recovery potential.

US - Switzerland **Tariff Agreement**

Switzerland achieved a significant diplomatic win in mid-November: an agreement with the United States that reduced previously threatened tariffs from 39% to 15%.

Switzerland faced a unique vulnerability. The country's prosperity is based on exporting precise goods, such as pharmaceuticals, machinery, luxury items, and specialized chemicals, and the United States is one of its largest markets outside the European Union.

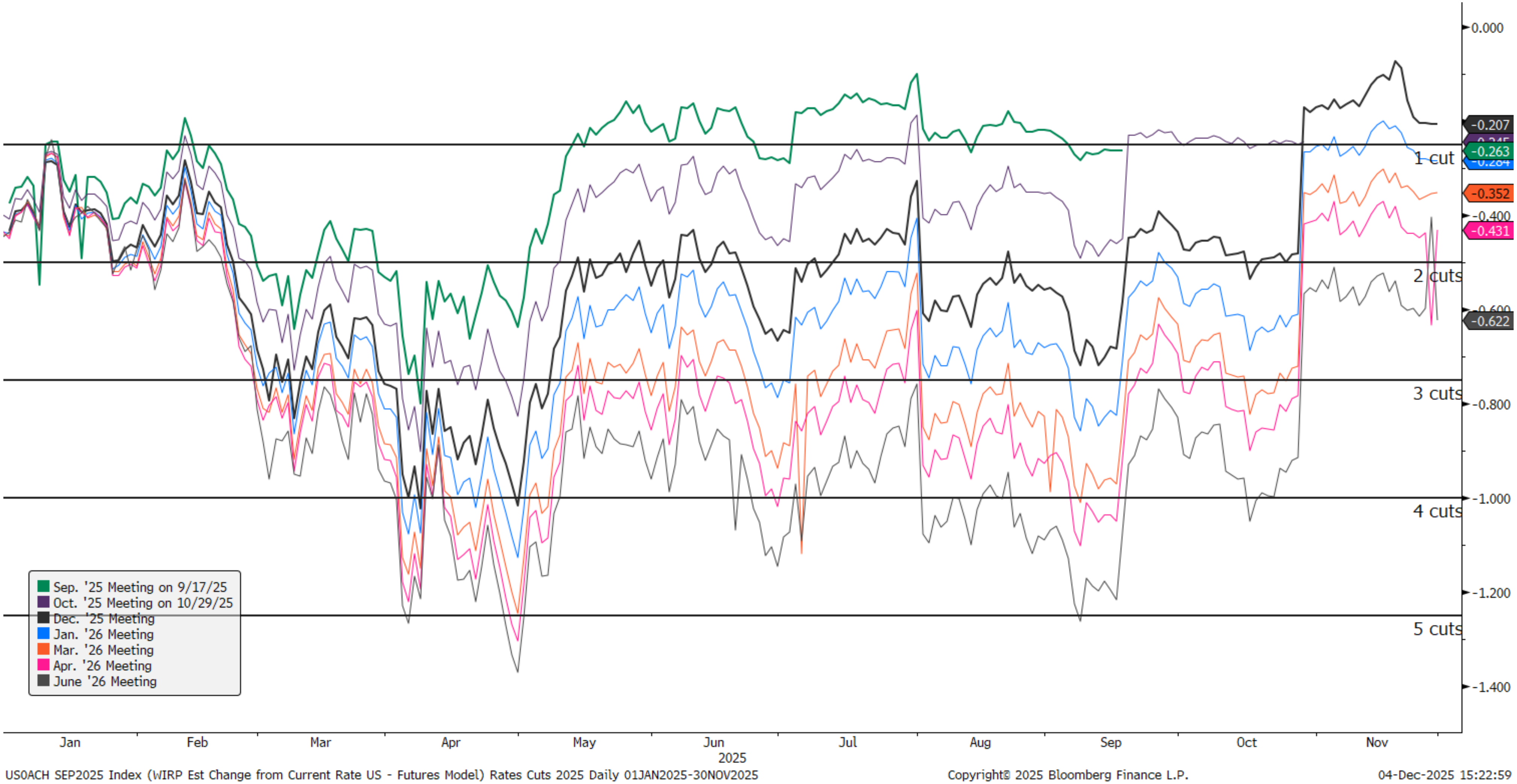
A 39% tariff would have been catastrophic for Swiss exporters, effectively pricing many of them out of the U.S. market. Beyond the direct impact on trade, such tariffs would have signaled a fundamental deterioration in Swiss-American relations, which could affect finance, technology partnerships, and investment flows. Swiss companies can now develop strategies without facing an existential threat.

This comes at a crucial time, as the strong Swiss franc has already pressured export competitiveness. Lower tariffs help offset that challenge, allowing Swiss firms to remain competitive.

Source: Keystone

Short Term Rates **Expectations**

Expectations for a December rate cut began the month on unsure footing, collapsed mid-month due to hawkish signals and a data vacuum caused by a government shutdown, and then surged back above 80% by month-end following dovish comments from key Fed officials.



Key **Investment Themes**

- Uncertainty over trades policies and the volatility spikes that can accompany disappointing market releases on top of high valuations reinforce our conviction that **diversification is a core strategy** - particularly important as geopolitical uncertainties persist, whether in the Red Sea, the Middle East, Ukraine or Taiwan.

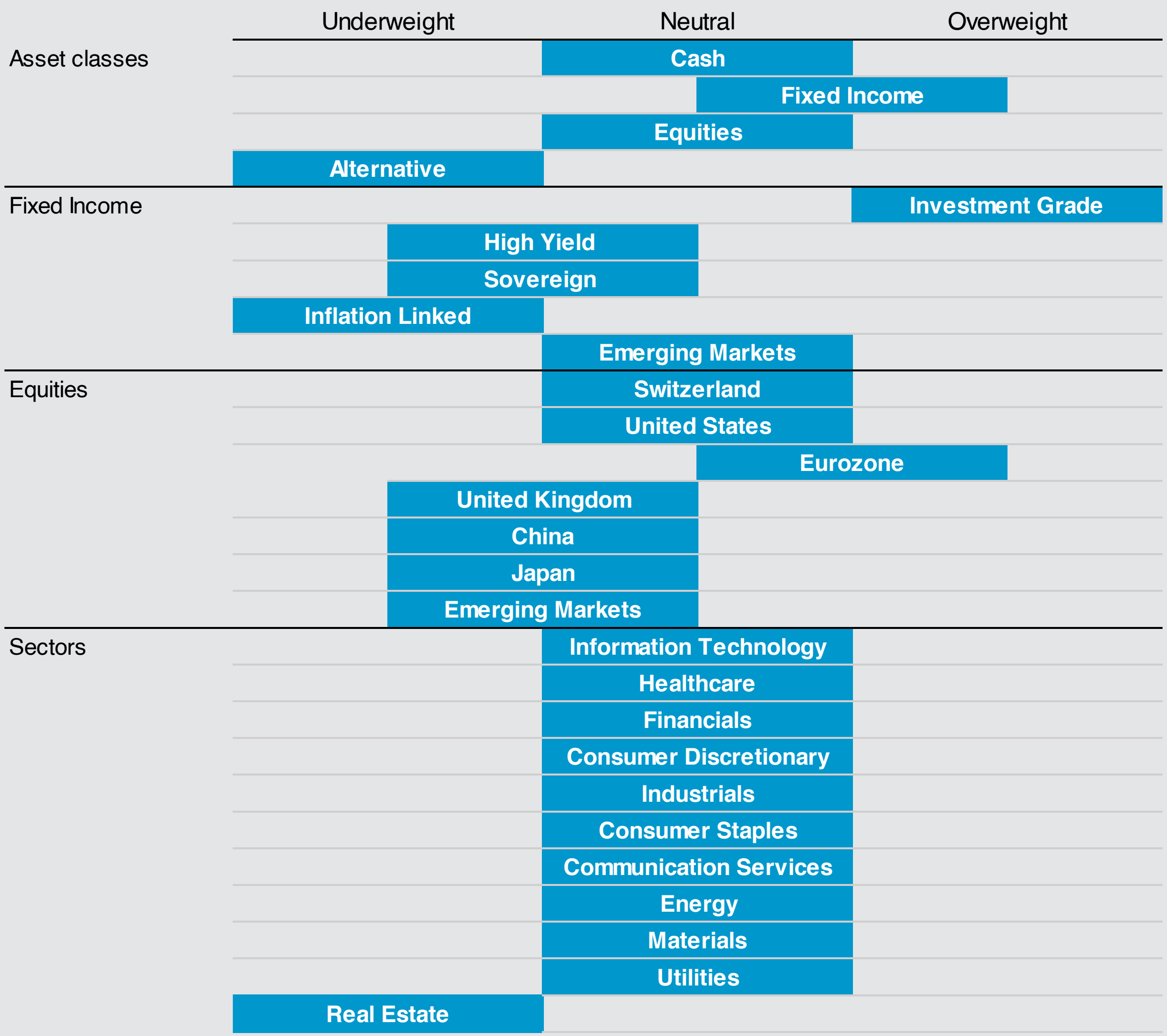
- The inflation target could well become the floor in this new economic cycle, with core inflation expected to remain above the 2% target by the end of 2025 but its trajectory is highly uncertain as it could be revived by the ongoing tariff war.

- Our recommendation is to focus on **quality stocks** with solid balance sheets and a long-term vision.

- On the **fixed-income** side, corporate bonds are facing higher interest costs overall, and potentially refinancing difficulties in the high-yield segment. Our preference at this stage of the cycle is **for higher-rated companies** rather than high yielding issuers.

- In the current interest-rate environment and within the broader policy dynamics of central banks in developed markets, our approach remains focused on carry strategies via bonds. We therefore maintain an **underweight in the alternative class**, capitalizing on the stability and predictable returns offered by bond instruments. However, we remain attentive to the opportunities offered by alternative investments, with their potential for returns uncorrelated with traditional markets.

Asset **Allocation**



Fixed-income allocation

Our selection focuses on the highest-quality issuers offering attractive risk-adjusted returns.

Equities

This context leads us to a more neutral approach to equities, where sector and regional diversification is more important than ever. We also keep a neutral stance on the United States following the ongoing turbulence caused by the new administration, with a slight bias towards Europe.

Alternative investments

In the current interest rate environment, our approach remains focused on carry strategies through bonds. We thus maintain an underweight allocation to alternative investments, capitalizing on the stability and predictable returns offered by bond instruments. Nevertheless, we remain attentive to opportunities offered by alternative assets, given their potential for returns uncorrelated with traditional markets.

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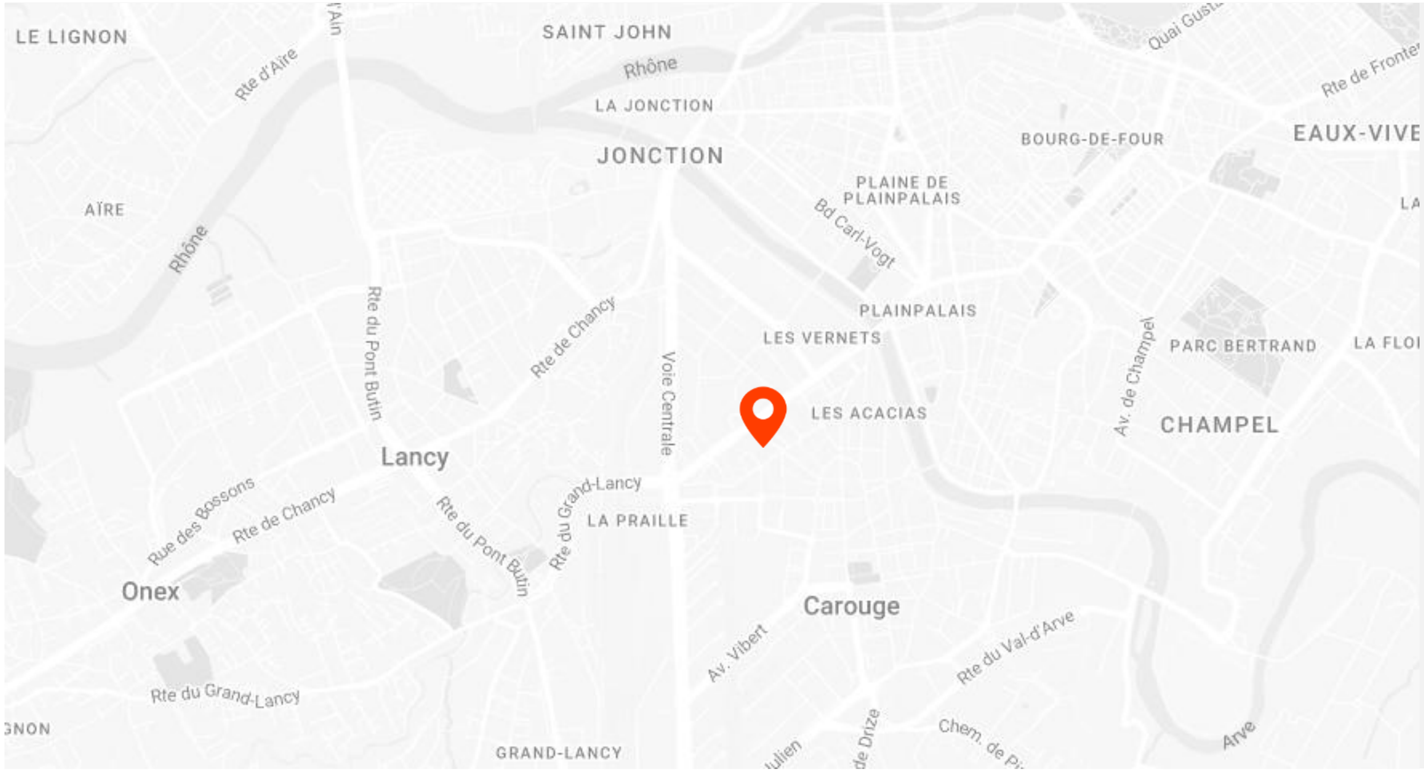
A DIFFERENT APPROACH TO WEALTH MANAGEMENT



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