



Vontobel

Investors' Outlook

A bowl of tricky treats

November 2025
For US, Canadian and Latin American Clients

3 Editorial

4 Investment strategy

Through the fog

6 Market highlights

More tricks and treats in 2026?

8 Asset classes in focus

12 Forecasts

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A bowl of tricky treats



Dr. Pascal Köppel
Chief Investment Officer,
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Dear readers,

We have seen positive performance in many risk assets. Despite occasional volatility, risk assets have kept climbing. Although some of the shine has come off gold, as prices have retreated from their all-time highs, medium-term supportive demand factors and elevated investor uncertainty remain supportive factors in our view.

Nonetheless, investors were still a bit jittery ahead of Halloween. US regional banks briefly spooked the markets after Zions Bancorp and Western Alliance Bancorp disclosed bad loans tied to funds that invest in distressed real estate loans. Coupled with the recent bankruptcies of subprime lender Tricolor Holdings and auto supplier First Brands Group, the banking sector declined amid concerns about more potential hidden credit troubles lurking in the shadows.

Macroeconomic developments also contributed to the suspense. Japan has now joined the global stimulus story, with new Prime Minister Sanae Takaichi's early rhetoric pointing to more government spending. This would add yet another major economy to the list of governments providing fiscal support. In China, quarterly gross domestic product growth slowed to 4.8 percent, slightly better than the 4.7 percent expected, however its year-to-date growth of 5.2 percent keeps Beijing on track for its 5.0 percent target for the year.

Many investors have been wondering about an AI bubble. We believe it's worth flicking through the 1990s playbook. Equity multiples peaked near 100-times earnings ahead of the dotcom bubble¹ and we're nowhere near that today. Beyond that, most of the high-flyer internet companies were not profitable. This compares with today's tech titans, which are not only making huge profits but also have little debt. Therefore, before we talk of bubbles, we would likely first need to start seeing activity such as leveraged buyouts, corporate share issuance or oversized buybacks. Early signs, like the US Securities and Exchange Commission's review of a proposed five-times-leveraged NASDAQ product², suggest that retail investors are interested in taking on leverage. But it's still early days.

Some headlines can haunt markets while we believe diversification remains an important approach and we aim to help our clients explore a variety of opportunities suited to their goals.

¹ Period of speculative stock market growth in the late 1990s as investors poured money into internet-based companies that were often new, unprofitable and overvalued. The bubble burst between 2000 and 2001.

² Source: Reuters article, published October 17, 2025. [reuters.com/legal/government/sec-says-unclear-if-proposed-3x-5x-leveraged-etfs-would-be-approved-2025-10-16/](https://www.reuters.com/legal/government/sec-says-unclear-if-proposed-3x-5x-leveraged-etfs-would-be-approved-2025-10-16/)

4 Investment strategy



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Through the fog

October started with a US government shutdown, its 20th since 1976. So far, it does not appear to be a major burden for financial markets. However, investors and macro analysts have less data available to judge how US economic momentum is evolving. The Bureau of Labor Statistics, the Bureau of Economic Analysis and the Census Bureau have all paused data collection and publication.

Market participants turned to alternative sources to gauge the state of the economy and found a mixed picture. Private payroll data from ADP suggested that roughly 32,000 jobs were lost in September, while credit card and other high-frequency spending data signaled weaker consumer activity. The conjecture among investors was that the once-hot labor market has cooled and that companies are cautious on hiring, even though widespread layoffs have yet to show up in the data.

The lack of official data did not deter the US Federal Reserve (Fed) from cutting interest rates, with policymakers expressing concerns about the labor market. While

opinions differ on whether another cut will occur this year, markets currently anticipate the possibility of an additional 25-basis-point reduction at the December 9–10 session. Powell noted at the press conference that this December cut is not a foregone conclusion.

We have seen some pockets of market volatility during October. Examples of this are the 2.7 percent MSCI World index setback from peak to trough in the first half of October and the 10 percent decline in the price of gold in the second half of the month. The trade weighted dollar improved somewhat in October. Investors may well be re-viewing their positioning and perhaps locking in some of the gains made on positions that have performed well this year. These include the overweights in equities and gold, and the underweight in the US dollar. In that sense, these can possibly be seen as short-term adjustments. Overall, the Vontobel SFA Investment Committee has chosen to keep its current asset allocation unchanged. Details can be found on page 5.

	UNDERWEIGHT		NEUTRAL	OVERWEIGHT		
	significantly	slightly		slightly	significantly	
1 Liquidity	→					We are keeping a lower allocation to liquid assets. Based on current market conditions, we believe fixed income investments may offer a more favorable risk-adjusted return potential than cash.
2 Bonds					→	We believe the outlook for high-quality fixed income is constructive, with support offered by current market conditions, including a moderately upward-sloping yield curve and positive real yields. Our current positioning within fixed income continues to emphasize investment-grade credit. Our strategy remains focused on higher-quality issuers, with a reduced allocation to high-yield bonds, reflecting a cautious approach to market conditions. In our opinion, companies with weaker balance sheets and a greater reliance on external borrowing may face challenges if the economic outlook were to deteriorate. Based on our analysis, current valuations, as suggested by the spreads between high-yield and investment-grade securities, may not fully reflect potential risks.
3 Equities			→			The near-term outlook for economic growth remains uncertain in light of the potential additional weakening in the US labor market. Even so, global policy easing and support from AI investments represent positive developments. Given this balance of risks, we find a neutral stance on equities to be appropriate. Regionally, we continue to favor a relative overweight in Swiss over UK equities. We believe the impact on Swiss equities of the US tariffs should be limited, given that many of the companies produce goods for the US market domestically. The equities in the Swiss Leaders Index (SLI) are largely global companies that sell goods in the US, of which a relatively high proportion is produced in the US itself. Additionally, Swiss companies are positioned to potentially participate in our view in any cyclical improvement in the European economy. The Swiss franc has historically shown resilience during periods of global uncertainty, a scenario that has also been observed this year.
4 Commodities / Gold			→			Our positive view on gold remains unchanged. Gold performed strongly in recent years, and while past performance is not indicative of future results, ongoing macroeconomic and geopolitical factors continue to provide support in our assessment.

More tricks and treats in 2026?

“Trick or treat?” is the classic Halloween refrain, and investors came up against positive and negative surprises in 2025. This could very well be the playbook for 2026 too.



—
Dr. Pieter Jansen
Chief Investment Strategist,
Vontobel SFA

As we look into 2026, what might await us in terms of economic growth, inflation and monetary policy? Our outlook for global growth is constructive, for which there are several reasons. First, most of the world's central banks remain in a rate-cutting cycle. This includes the arguably most influential Federal Reserve Bank, which still has significant ground to cover before reaching “neutral” territory. According to the Fed's own projections, a neutral policy rate is around three percent, implying that roughly five additional rate cuts would be required to reach that level. Since monetary policy typically affects the “real” economy with a lag, we expect the positive impact of past (and forthcoming) rate cuts to carry through well into 2026 depending on economic developments. A look at US commercial bank loans and leases reveals that many banks have stepped up lending, driven by lower interest rates and expectations of regulatory easing (after Trump appointed Fed member Michelle W. Bowman as the Vice Chair for Supervision of the Board of Governors of the Federal Reserve System, Bowman has pledged to overhaul US banking rules).

Second, on the fiscal side, we believe political leaders around the globe will need to step up and implement more pro-growth policies, but use deficits only in those countries with sustainable debt dynamics measures. Europe is a good example of this with spending and growth initiatives on both a regional (European Commission) and

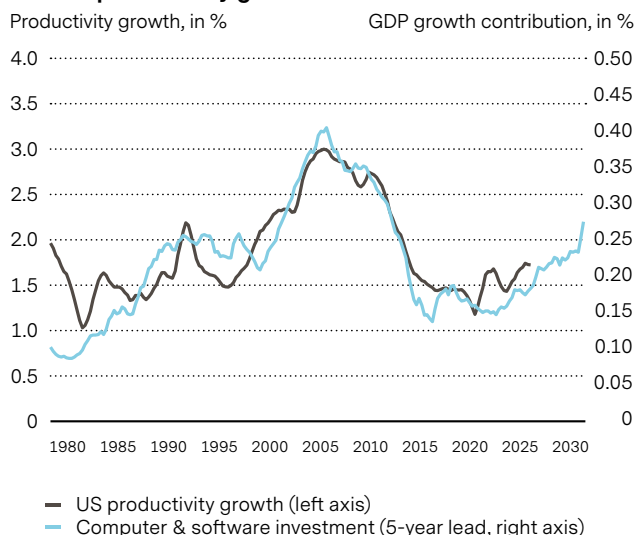
country level (Germany). Fiscal spending is a global trend. According to International Monetary Fund (IMF) estimates, fiscal deficits are expected to remain large next year, with increases projected in several countries (e.g., Germany, China, India). Whether this is good or bad really differs on a country level. Some countries, like Germany and European Nordic states, are at a good starting point with low debt levels. Spending does not put the debt ratio on an unsustainable path in these countries and could be (if spent wisely) a catalyst for growth. This is more complicated for other countries that are not at such a favorable stage. These include France, the UK, Japan and the US, among others. We are more concerned here about how debt levels are developing. In our opinion, investors have become more aware of these differences in fiscal sustainability between countries. The bond market may ultimately enforce discipline.

Cyclical versus structural

US growth has moderated gradually for a few years now. This has generally been a positive development, having removed some of the extreme tightness in the labor markets. However, businesses are showing some signs of fatigue when it comes to hiring. There is not much hiring but not much firing either. Outside of AI, businesses are cautious regarding capital expenditure, according to the NFIB small business survey, which could lead to sub-trend growth. While we currently see limited signs pointing to a near-term recession, we acknowledge that risks remain on both sides of the growth outlook.

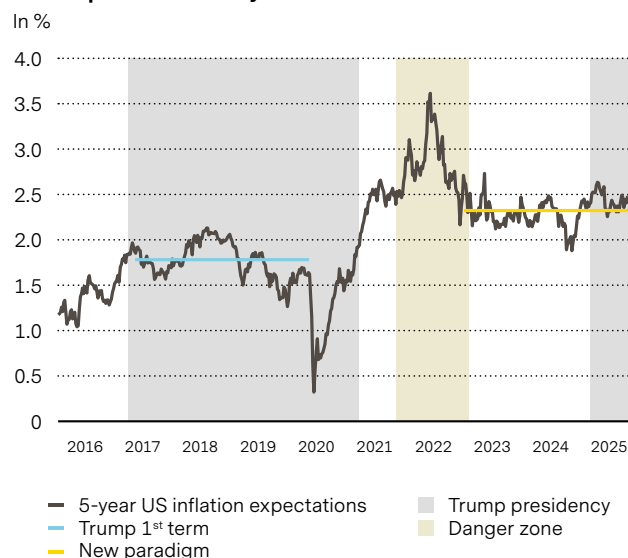
Cyclically, growth may turn out to be below trend although the trend level may very well increase. We see potential for higher productivity, driven by the broader adoption of artificial intelligence (AI) (see chart 1). The 1990s serve as a reminder of how technological advancements can boost economic growth without triggering significant inflation. During that period, the adoption of computers, the internet, and other digital tools enhanced productivity across industries, enabling faster communication, greater automation, and improved efficiency. Higher productivity allowed businesses to pay higher wages without raising prices.

Chart 1: Technology investment used to have a good lead on productivity growth



Source: LSEG, Vontobel; as of October 24, 2025.

Chart 2: Room for political experiments without severe consequences is likely limited



Source: LSEG, Vontobel; as of October 24, 2025.

We expect inflation to moderate towards trend, mainly due to the softening US labor market, while increased productivity may also contribute to a more moderate inflation environment. The higher tariffs may drive up inflation somewhat for now. However, the latest Fed Beige Book report showed increasing price sensitivity among consumers, which may make it difficult to pass through higher input costs. We also anticipate that a weaker US dollar will probably lead to higher prices for imported goods in the US. On a long-term horizon, market-implied inflation expectations remain quite well anchored (see chart 2).

The risks for 2026

There are many potential hurdles for 2026, especially in the geopolitical space. Nonetheless, there can also be opportunities, such as renegotiated global trade relations. We must question whether investors will turn their focus from trade war risks in 2025 more to trade deals in 2026? Or will we return to another round of tariffs? A resolution to the Russia-Ukraine war would be positive for investor sentiment, especially for European investments. A solution would not change the need to rebuild Europe's defense capabilities. That said, a resolution may prove fragile and temporary.

Another concern is the potential for deteriorating credit quality. This brings to mind, for example, the recent bankruptcy saga involving auto parts supplier First Brands and auto lender Tricolor, which prompted JPMorgan Chase CEO Jamie Dimon to warn of "more cockroaches" in the US economy³. Fiscal policy, in general, is a worry in some countries. In case of a more significant setback to economic growth, some countries have only limited fiscal ability to support growth in those scenarios.

³ Source: CNN article, published October 16, 2025. edition.cnn.com/2025/10/16/business/jamie-dimon-us-economy-cockroaches

Tone over trend as data goes dark



—
Philipp Wartmann
Senior Investment Adviser,
Vontobel SFA

With the US government shutdown blacking out official economic data, markets are flying without their usual compass. The steady flow of jobs, spending, prices and output numbers has gone quiet or publication has been delayed, and sentiment surveys and anecdotes are left to fill the gap. In this vacuum, tone beats trend. Investors are parsing every Fed speech, corporate earnings call and credit-card tracker for direction. Perception becomes a market force of its own.

After the Fed's October 25-basis-point rate cut amid signs of a softening US labor market, the future path is uncertain. Some Fed members, like Christopher Waller, favor small, cautious steps of 25 basis points, before pausing to reassess. He sees steady growth, a softening jobs picture and inflation inching closer to target. Others, like Stephen Miran, favor faster moves, arguing that policy remains too tight and trade tensions add downside risk. Miran voted for a 50bp rate cut at the October meeting while Jeffrey Schmid actually voted for keeping the interest rate level unchanged.

The cuts priced in next year by the markets are deeper than the Fed is signaling (see chart 1), even though labor data shows little additional softening. Still, we believe

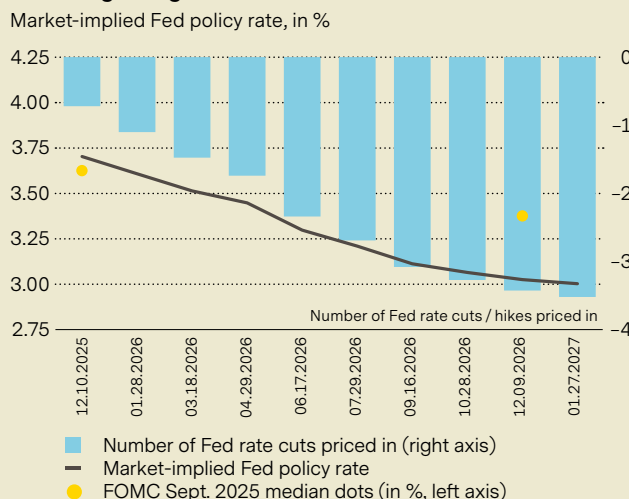
this is not the moment to rebuild bearish positions, as sensitivity to credit quality and ongoing trade tensions remain high.

Attractive opportunities in European fixed income

The differences in policy rates and divergent growth outlooks between the US and Europe have opened up new opportunities. Following a solid performance in the previous quarter, particularly in US investment grade (IG) fixed income, we currently find relative value in European credit markets, where fundamentals appear robust compared to the US, though investment outcomes depend on market and economic conditions. We continue to expect solid rating upgrade to downgrade ratios, strong interest coverage ratios for the IG market and historically high all-in yields, despite tighter credit spreads. Demand for EU credit remains strong despite the political turmoil in France, with net inflows of USD 58 billion in EU IG funds year-to-date until October 24.

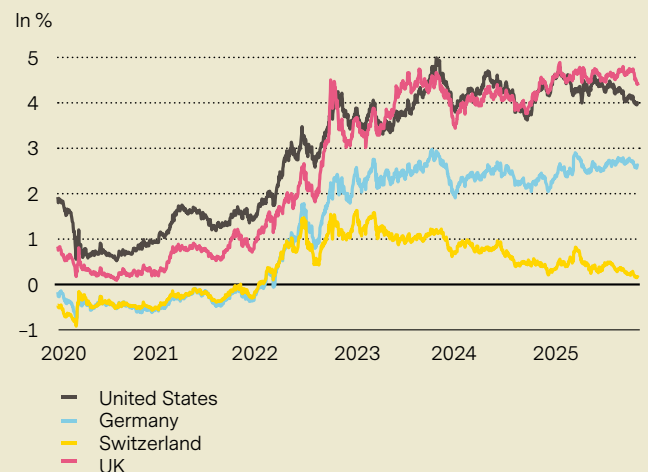
We have a positive outlook on European fixed income, particularly German bunds and investment grade credit in general. Despite the fiscal stimulus in Germany, debt levels remain low and the debt dynamics remain on a sustainable path. Lower yields are also supported by inflation around the ECB target and supportive monetary policy. The UK also offers relatively attractive yields as the Bank of England still holds on to high interest rates. Additionally, rate cuts have not really been priced in for the remainder of this and next year. We think this will ultimately follow when inflation moderates again, which may support the bond market. Given our expectation that inflation will slow in a weaker growth environment, we anticipate further easing from the European Central Bank (ECB).

Chart 1: What markets are pricing and what the Fed is signaling



Source: Bloomberg, Vontobel SFA, October 30th 2025

Chart 2: 10 year government bond yields



Source: Bloomberg, Vontobel SFA, October 28th 2025

AI spending boom or bubble?



—
Susanne Knorr
Head Managed Solutions,
Vontobel SFA

Bears and bulls have found themselves locked in heated debates over the surge in AI-related investments, the lofty valuations of companies exposed to this trend and the self-sustaining ecosystem forming around it. Many now wonder whether we're riding the next great bubble.

While few doubt AI's long-term transformative potential overall, many acknowledge the possibility of setbacks along the way. US equity performance has been driven mainly by a handful of large US tech companies with exposure to AI. Anticipation of future earnings potential has pushed price earnings ratios to high levels, making the US equity market appear expensive versus other markets.

The AI revolution is also having a real and measurable economic impact. The demand for power has become a critical constraint. For example, recent contracts signed by OpenAI, the owner of ChatGPT, represent electricity commitments of 17 gigawatts⁴. That equates to roughly the capacity of 17 nuclear power plants⁵. This has stoked concerns that the combination of valuations, circular investment flows and the growing demand for power is creating a self-reinforcing vortex that keeps growing in scale, but with very little insight into how the companies will monetize the returns from these investments.

The impact of AI-driven investments appear to be contributing to US real GDP growth via capex growth (see chart 2). With annual GDP close to USD 30 trillion, AI-related spending now contributes more than one percent to quarterly growth. In other words, AI has become a key engine of the US economy. But does that make it a bubble? Comparing current conditions to past bubbles paints a more nuanced picture. Some signals point to a growing risk of overheating, while others indicate that the current environment differs substantially from previous speculative episodes. Lower leverage, fewer unprofitable IPOs, more reasonable relative valuations and strong earnings contributions from AI leaders to the S&P 500 Index point to a more balanced, sustainable setup that is consistent with early adoption phases of past disruptive technologies. Based on current market indicators, we do not see clear evidence of an AI-related bubble, though elevated valuations warrant ongoing vigilance.

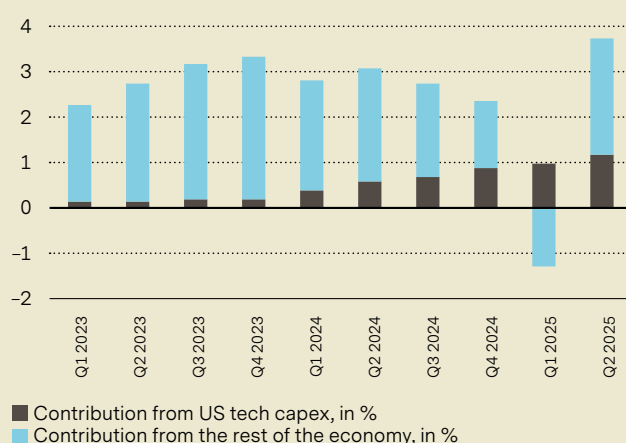
Large-cap AI-tech companies offer potential for sustained earnings growth, as is reflected in analyst forecasts. However, they harbor the risk of increased concentration, which can make the overall portfolio vulnerable against potential disappointments. Chart 2 shows that the IT sector currently represents nearly 35 percent of the MSCI USA. Diversification to other indices, such as the MSCI Euro Area or MSCI Switzerland, can lower the technology concentration. The Swiss equity benchmark, in particular, does not have much IT in its universe.

⁴ Source: [computing.co.uk/news/2025/ai/sam-altman-s-planned-ai-datacentres-will-consume-more-power-than-entire-countries](https://www.computing.co.uk/news/2025/ai/sam-altman-s-planned-ai-datacentres-will-consume-more-power-than-entire-countries)

⁵ Source: [energy.gov/ne/articles/infographic-how-much-power-does-nuclear-reactor-produce](https://www.energy.gov/ne/articles/infographic-how-much-power-does-nuclear-reactor-produce)

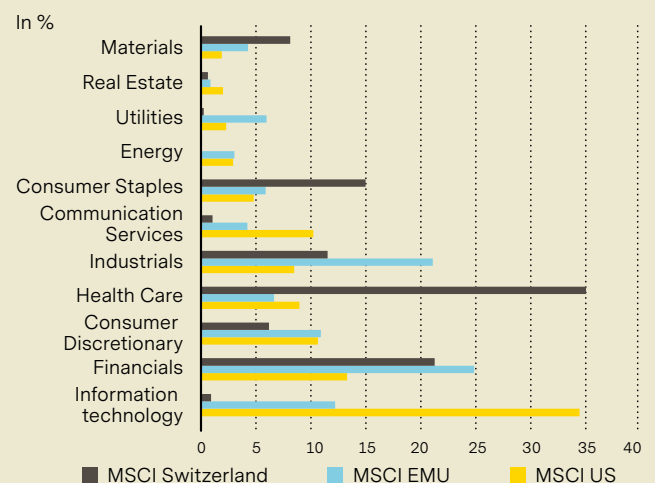
Chart 1: How tech and AI investments are driving US quarterly GDP growth

US quarterly real GDP growth, in %



Source: Bloomberg, Vontobel; as of October 23, 2025.

Chart 2: Sector allocation in MSCI indices



Source: StatSer (Statistic Services), Leusden, the Netherlands; as of 3Q 2025.

Gold fright



—
Christoph Windlin
Deputy Head
Investment Management,
Vontobel SFA

Gold corrected by about 10 percent up to the end of October, having peaked at around USD 4,326 per ounce mid-month. Despite the sizeable correction, gold still rose overall over October (see chart 1).

Given the significant rally in the gold price since its 2022 low (+170 percent to the peak), a correction of the magnitude seen in October is probably not that strange. Investor surveys and positioning data indicated that speculative positioning may have been stretched before the market move. In that sense, the correction may also prove to be a healthy correction in positioning.

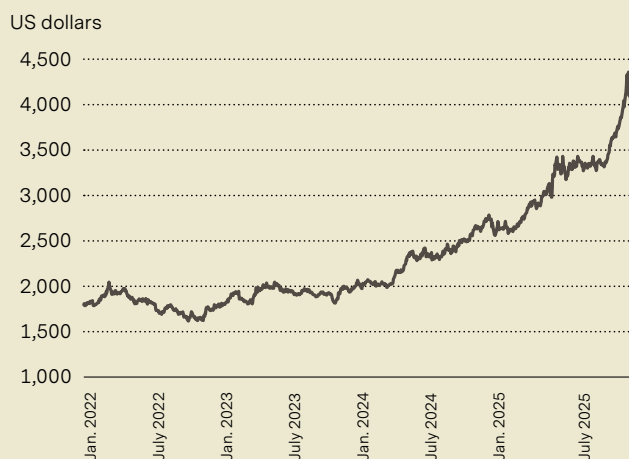
Fundamentally, gold remains well supported in our view, especially on a medium-term horizon. Surveys indicate that gold may be a key beneficiary of diversification out of dollar assets, for instance in international central bank reserves. Allocation among institutional investors remains strategically low with a significant percentage not having any allocation to gold⁶. This suggests the demand for gold could remain intact.

Gold as a diversifier

Historically, gold has provided protection against equity market sell-offs. Although equities and gold rose in 2025, we have still seen a negative correlation (based on weekly returns) between the two assets this year, which appears to have intensified recently (see chart 2). In the first 44 weeks of 2025, gold diverged from the MSCI USA in 24 of those weeks. Looking ahead, we continue to view gold as a potential diversifier for equity exposure and, within our internal positioning, maintain a tactical overweight. This reflects our current market assessment and is not a recommendation for all investors.

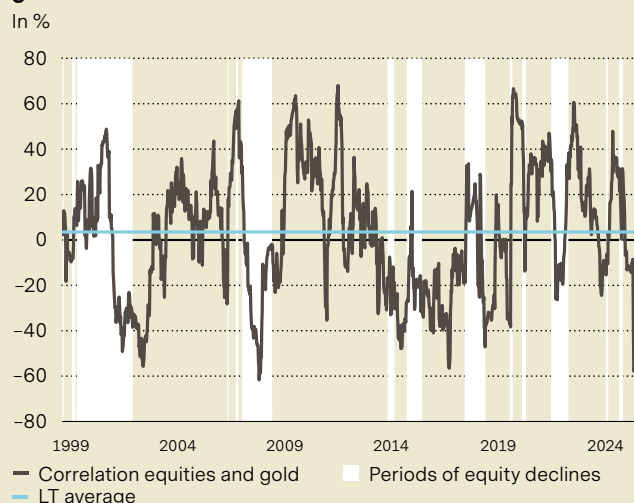
⁶ BofA global fund manager survey October 2025

Chart 1: Gold price (per troy ounce in USD)



Source: Bloomberg, Vontobel SFA, October 28th 2025

Chart 2: 6 month rolling correlation of weekly equity and gold returns



Source: Bloomberg, Vontobel SFA, October 24th 2025

No frights for the US dollar and the Swiss franc casts its spell



—
Dr. Pieter Jansen
Chief Investment Strategist,
Vontobel SFA

The US government shutdown that began on October 1 has had minimal impact on the US dollar so far. That said, prolonged disruptions could lead to a slowdown in GDP growth and consumer spending. Consistent with past shutdowns, such as 2018–2019, the dollar remained largely unaffected. However, an extended shutdown could lead to more pronounced effects if it has economic consequences.

October has been a positive month for the US dollar. Investor positioning surveys, like the BofA global fund manager survey, state that while remaining one of the largest underweights, overall positioning has been trimmed slightly. The trade-weighted US dollar has weakened by just over 8 percent since the start of the year. Having said that, the greenback was overvalued then on the basis of purchasing power parity. This overvaluation has in our view now been largely corrected. Chart 1 shows that the current level is close to the long-term average.

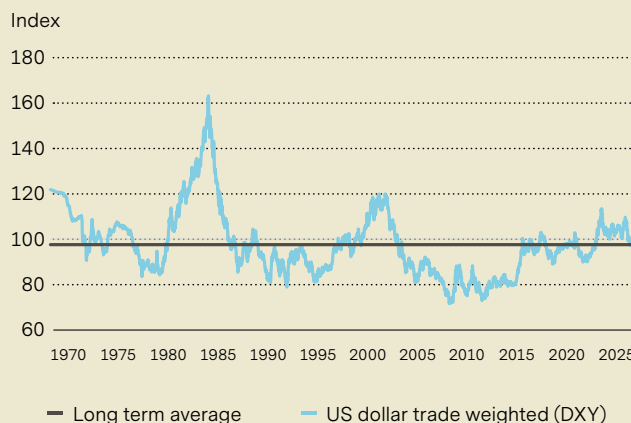
The US dollar may still experience headwinds in the medium term, driven by a potential de-dollarization trend and investors looking to diversify (in the US and outside of the US).

Record gains for the Swiss franc

The Swiss franc has shown strong performance in 2025 and structural factors such as fiscal health, (relatively) low levels of government debt, and external surpluses, could continue to support it, though future performance is uncertain. Looking at calendar-year performance since 1971 for the Swiss franc against the dollar (CHF/USD), 1974 saw the strongest appreciation of the Swiss franc (see chart 2). However, 2025 is shaping up to be one of its best in recent memory, with the Swiss franc gaining significant ground against the US dollar. If the current momentum continues, this could be a year of potentially unprecedented gains for the franc. Ongoing global uncertainties, including trade tensions and geopolitical risks, as well as Switzerland's stable economic fundamentals, such as low unemployment and political stability, have bolstered demand for the franc as a safe-haven currency.

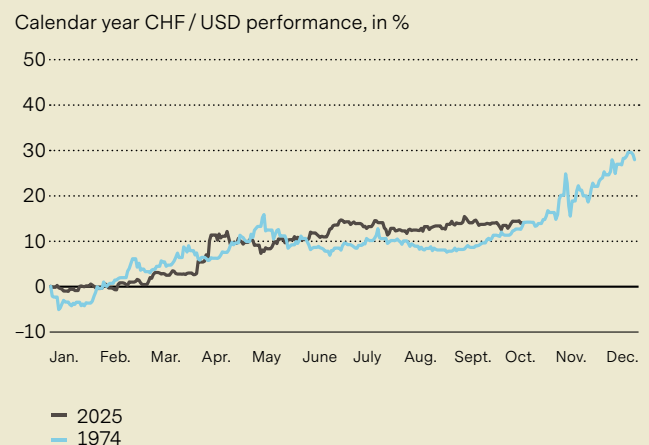
We believe the Swiss franc's appeal remains strong, especially as structural drivers like fiscal health and debt dynamics, together with external factors such as its financial and trade links to the rest of the world, become more relevant for G-10 currencies. Currencies of countries with solid fiscal positions, manageable debt and external surpluses may have potential to outperform in our view.

Chart 1: US dollar



Source: Bloomberg, Vontobel SFA, October 28th 2025

Chart 2: The Swiss franc delivers its strongest start since the 1970s



Source: LSEG, Vontobel; as of October 22, 2025.

12 Forecasts

Economy and financial markets 2024 – 2026

The following list shows the actual values, exchange rates, and prices from 2024, as well as consensus forecasts for 2025 and 2026 for gross domestic product (GDP), inflation/inflationary expectations, key central bank interest rates, 10-year government bonds, exchange rates, and commodities.

			2025	2026	
GDP (IN %)	2024¹	CURRENT²	CONSENSUS	CONSENSUS	
Global (G20)	3.0	3.3	2.4	2.5	
Eurozone	0.9	1.3	1.3	1.1	
USA	2.8	2.1	1.9	1.8	
Japan	0.1	1.7	1.1	0.7	
UK	0.9	1.4	1.4	1.2	
Switzerland	1.4	1.3	1.1	1.2	
Australia	1.0	1.8	1.8	2.2	
China	5.0	4.8	4.9	4.3	
INFLATION	2024³	CURRENT⁴	2025 CONSENSUS	2026 CONSENSUS	VONTOBEL VIEW IN 2025⁵
Eurozone	2.4	2.1	2.1	1.8	↓
USA	3.0	3.0	2.8	2.9	↓
Switzerland	1.1	0.1	0.2	0.6	→
KEY INTEREST RATES (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS⁵
EUR (deposit rate)	3.00	2.00	1.93	1.95	→
USD (Fed funds rate, upper bound)	4.50	4.00	3.61	3.26	→
CHF	0.50	0.00	-0.03	0.00	→
GOVERNMENT BOND YIELDS, 10 YEARS (IN %)	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS⁵
EUR (Germany)	2.37	2.65	2.85	2.97	↓
USD	4.57	4.09	4.10	4.07	→
CHF	0.33	0.12	0.42	0.59	→
FOREIGN EXCHANGE RATES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS⁵
CHF per EUR	0.94	0.93	0.94	0.96	↑
CHF per USD	0.91	0.81	0.80	0.81	↓
USD per EUR	1.04	1.15	1.19	1.21	↑
COMMODITIES	2024	CURRENT	CONSENSUS IN 3 MONTHS	CONSENSUS IN 12 MONTHS	VONTOBEL VIEW IN 12 MONTHS⁵
Brent crude oil, USD per barrel	75	65	62	63	↑
Gold, USD per troy ounce	2,625	3,963	3,800	3,925	→
Copper, USD per metric ton	8,768	10,664	9,935	10,250	→

Note: Views are as of November 5, 2025. Forecasts are based on current market conditions and assumptions and are subject to change without further notice. They do not guarantee future results.

¹ Subject to revisions (e.g., potential revisions to 4Q data)

² Latest available quarter

³ Subject to revisions

⁴ Latest available month, G20 data only quarterly

⁵ ↑ above consensus, → in line with consensus, ↓ below consensus

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