PKB

The House View

Investment Strategy

November 2025 (21.11.2025)

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Market Overview

Market Overview

Rising volatility and fading reference points are creating market "disorientation," amid doubts on U.S. growth, tech valuations and Fed policy. The correction appears healthy: upcoming macro data, supportive seasonality and fiscal momentum should restore stability, with emerging markets in focus for 2026.

One of the most well-known risks for pilots is spatial disorientation, which occurs during night flights or in conditions of poor visibility, when the visual horizon disappears and the reliability of human perception deteriorates. Without external reference points, the vestibular system is unable to correctly interpret three-dimensional movements: a pilot may sense nonexistent attitudes or accelerations and, if not guided strictly by the instruments, can execute incorrect manoeuvres. Standard procedure, in fact, requires following cockpit data faithfully in order to neutralize the sensory illusions that become particularly treacherous in such conditions.

A useful parallel for the current state of financial markets is precisely that of spatial disorientation. In recent weeks we have seen a rise in volatility, with some indices posting declines of more than 5% from their recent highs. Markets are navigating a phase in which traditional reference points appear blurred: is the U.S. economy truly slowing? Are elevated valuations in the technology sector fully justified? Will the Federal Reserve deliver additional cuts? Will companies be able to defend margins in a normalizing environment? This cluster of questions is fueling widespread uncertainty and contributing to a mood materially less stable than usual.

Disorientation is being amplified by both familiar and extraordinary factors. Investors are accustomed to the scarcity of corporate news in the transition periods between earnings seasons, a phase that typically coincides in Q4 with attempts to anticipate holiday-season spending trends. They are, however, less accustomed to questioning the valuations of the companies that dominate major benchmark indices and, above all, rarely forced to operate with limited visibility on key macroeconomic data. The prolonged absence of reliable statistics—due to the government shutdown in the United States—has removed yet another anchor from a market already inherently sensitive to the flow of information.

In our view, the nervousness observed is entirely understandable in light of this backdrop, but we expect stability to return in the coming weeks as the missing reference points are progressively restored. We regard the recent movement as a healthy correction, consistent with typical market dynamics following extended upside phases. Initial signs of renewed anchoring came from Nvidia's earnings: results exceeded expectations ($57.0bn in revenue versus $55.2bn estimated) and guidance for the current quarter was even stronger ($65bn versus $61.9bn expected). The company also indicated that revenues may surpass its previous targets over the coming quarters, effectively postponing recurring debates over the sector's speculative nature.

Additional support should come by year-end from the resumption of U.S. macroeconomic data releases, with particular focus on employment and inflation. The optimal scenario for markets remains one of a moderate cooling in the labor market—enough to sustain the Federal Reserve's more accommodative stance without prompting concerns about structural weakness. Seasonality, historically favorable in the final part of the year, may also contribute, alongside the recognition that expansionary fiscal policies, infrastructure spending, defense outlays, and investment tied to the energy and technology transitions will continue to provide meaningful support to global growth into 2026.

Against this backdrop, emerging markets deserve close attention, as they increasingly consolidate their position as a credible opportunity (also) for 2026. Newly reshaped trade routes following Donald Trump's return, structurally higher growth relative to developed economies, China's deflationary influence, and still-attractive valuations form a combination of factors that argues for considering these markets with growing interest in the period ahead.

Sascha Kever
Chief Investment Officer

Tactical Asset Allocation

Asset	Change	- -	-	=	+	+ +
Cash				○		
Bonds				○		
World					●	
Government			●			
Corporate				●		
Emerging Markets	↑				●	
TIPS			●			
Convertibles				●		
High Yield				●		
Equities				○		
US					●	
Europe				●		
Switzerland				●		
Emerging Markets	↑				●	
Japan				●		
Value	↑			●		
Momentum	↓		●			
Commodities				○		
Gold				●		
Forex Outlook						
Euro / Dollar				●		
Euro / Swiss Franc				●		

Equity Market Overview

Equity Market Overview

Over the past month, global stock markets have corrected after months of gains. The US has been subject to high volatility, with tech under pressure from the Fed and AI valuations. Europe has been mixed, Japan moderately positive but fragile, and emerging markets recovering slightly thanks to Brazil and Korea.

Over the past month, global stock markets have experienced a period of marked volatility and correction after months of solid appreciation.

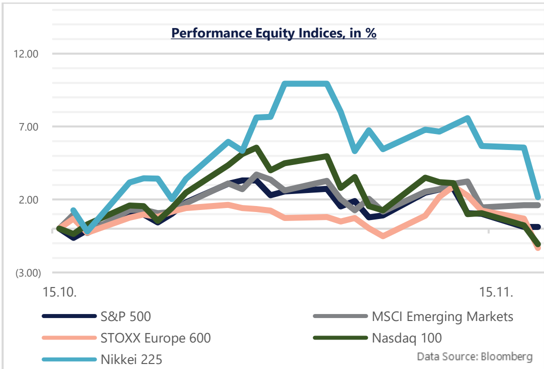
Starting with the US, the stock market has maintained substantial gains since the beginning of the year, with the S&P 500 up 13.5% and the Nasdaq up 17.5% through mid-November, despite a sharp correction in the last two weeks. October's performance had been positive, with the S&P 500 gaining 2.3%, driven by particularly robust corporate earnings and optimistic expectations about Fed policy. However, November saw a sharp reversal of the trend. The Nasdaq index had one of its worst weeks of the year, losing about 4% since the beginning of the month, the biggest drop since last April after Trump's tariff announcements. Volatility, as measured by the VIX, rose to over 23, signaling a shift from positive sentiment to conditions of extreme fear. Technology, which had dominated most of the year with gains of nearly 30% since the beginning of January, was hit hard by recent pressures. These fluctuations were driven by two main issues: the debate over Fed policy and uncertainty surrounding artificial intelligence valuations. Regarding the first point, the 25 bps rate cut in September had buoyed enthusiasm for the stock market; however, expectations for a further cut in December fell dramatically, with growing expectations that the Fed would remain on hold. Persistent inflation (at 3%, one point above the Fed's 2% target) prompted several central bank officials to strike a more cautious tone regarding future cuts. On the second point, concerns centered on the uncertain profitability of massive investments in data centers and the possibility that capital expenditures were depressing corporate margins in the short term.

Moving on to Europe, European stock markets posted mixed performances, with France and Germany down, Switzerland flat, and Spain and Italy up. At the sector level, energy, utilities, and banking stocks continued to perform well, with the Euro Stoxx Banks index up nearly 3.5%, despite volatility linked to bond yields. In contrast, industrial and defense stocks posted negative performances.

As for Japan, the market has performed moderately well over the past month, with the Nikkei 225 index up just over 2%. This performance has been positively influenced by optimism surrounding Takaichi's leadership, fiscal stimulus plans, and improved corporate governance. However, recent weak macro data and geopolitical tensions with China have made the year's gains fragile in the short term.

Finally, emerging markets posted slightly positive performance over the last month, with the MSCI Emerging Markets Index up 1.7%, thanks to the contribution of markets such as Brazil and Korea, both of which posted returns of over 10% in USD thanks to the contribution of the financial and technology sectors, respectively.

Diego Bossio



Bond Market Overview

Bond Market Overview

Since the second half of October, the bond market has returned to more orderly trading, aided by the economic slowdown and the cautious stance of central banks. The Fed and the ECB have guided the curves, while euro credit has remained stable.

From mid-October to date, financial markets have shown cautious optimism, balanced by growing prudence, particularly in the euro area bond market and its credit component. The environment has been characterized by the perception of more careful and calibrated monetary policies on the part of the major central banks.

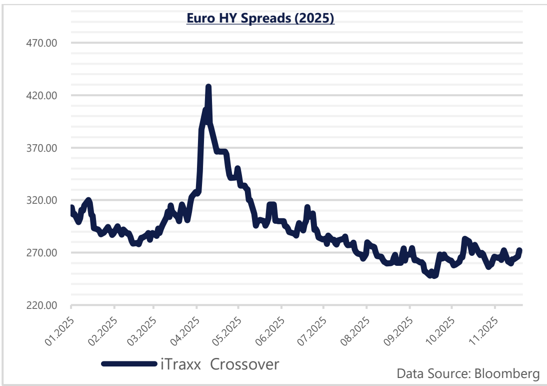
In the United States, the Fed remained the main driver of movements in the bond market. At its meeting in late October, the central bank decided to cut interest rates by 25bp, bringing the target range to 3.75–4.00%, and at the same time announced the end of its balance sheet reduction program. This decision marked a significant shift from the previous phase of restrictive monetary policy, signaling a more accommodative but cautious approach to investors.

Powell's press conference played a particularly important role, as he adopted a cautious and pragmatic tone. While acknowledging the progress made on inflation and the need to support a slowing economy, Powell made it clear that a further rate cut at the December meeting cannot be taken for granted. He insisted that monetary policy does not follow a predetermined path and that the Committee will have to rely on available data, while acknowledging that the scarcity of public data following the shutdown makes analysis more complex. The image he conjured up had an immediate effect on market expectations, prompting operators to revise downwards the probability of a new cut in the very short term.

In Europe, the ECB's approach has been more measured than that of the Fed, reflecting the specific characteristics of the euro area's macroeconomic environment. At its meeting at the end of October, the ECB decided to keep its key interest rates unchanged, emphasizing that inflation, although gradually declining, continues to show signs of persistence, particularly in relation to labor costs and energy prices. This approach had the effect of stabilizing short-term yields, providing operators with a more predictable frame of reference and limiting volatility on the short end of the curve. The long end, although fluctuating within a narrow range, benefited from a return of demand for Bunds and other core securities as defensive instruments, in a global context characterized by economic uncertainty.

Turning to credit, euro spreads remained broadly constructive overall, despite a more uncertain environment in recent sessions. Both investment grade and high yield ended the month largely unchanged: the initial compression was offset by the widening seen in the last week, triggered by a return to risk-off sentiment that affected all risky assets. This movement reflects a market that is still supported by solid fundamentals and selective flows, but sensitive to changes in global sentiment. In particular, the high yield segment is more responsive to risk aversion shocks, while maintaining spread levels consistent with a stable macro-financial environment.

Andrea Latini



Key Market Indicators

Key Market Indicators

		Curncy	%1M	%YTD	%1YR	20.11.2025
Bond Markets						
Bond Markets						
Bloomberg Intermediate US Govt/Credit TR Index Value Unhedged	U.S. Bond Market	USD	-0.20	6.32	6.51	2'480.60
Bloomberg Euro-Aggregate 1-10 Year TR Index Value Unhedged EUR	European Bond Market	EUR	-0.25	2.61	3.12	238.83
Swiss Bond Index SBI AAA-BBB 1-10 Total Return	Swiss Bond Market	CHF	-0.11	1.07	1.99	134.02
Money Market						
FTSE 3-Month US Dollar Eurodeposit LCL	U.S. Money Market	USD	0.34	3.89	4.43	199.81
FTSE 3-Month Euro Eurodeposit LCL	European Money Market	EUR	0.16	2.05	2.41	161.22
FTSE 3-Month Switzerland Franc Eurodeposit LCL	Swiss Money Market	CHF	-0.01	0.05	0.11	115.33
High Yield Markets						
Bloomberg Global High Yield Total Return Index Value Unhedge	Global High Yield Market	USD	0.40	10.15	10.23	1'830.49
Bloomberg Intermediate US High Yield Total Return Unhedged USD	U.S. High Yield Market	USD	-0.21	6.90	7.02	2'499.85
Bloomberg Pan-European High Yield (Euro) TR Index Value Unhedged EUR	European High Yield Market	EUR	0.08	4.35	5.22	406.82
Equity Markets						
MSCI ACWI Index	World Equities	USD	-1.86	16.15	15.26	977.21
S&P 500 INDEX	U.S. Equities	USD	-1.38	12.93	12.25	6'642.16
NASDAQ Composite Index	U.S. Technology Equities	USD	-1.85	16.85	18.97	22'564.23
EURO STOXX 50 Price EUR	European Equities	EUR	-1.53	14.25	18.27	5'593.76
FTSE MIB Index	Italian Equities	EUR	1.51	25.87	29.51	43'031.58
Swiss Market Index	Swiss Equities	CHF	-0.68	8.18	8.75	12'549.28
Nikkei 225	Japanese Equities	JPY	1.30	24.89	29.91	49'823.94
MSCI Emerging Markets Index	Emerging Market Equities	USD	-1.66	26.48	24.36	1'360.31
Other Assets						
Bloomberg Commodity Index	Global Commodities	USD	1.30	10.33	10.62	108.96
Gold Spot $/Oz	Gold	USD	-6.10	55.86	54.32	4'090.47
Crude Oil, WTI Generic	Oil	USD	4.36	-16.30	-12.84	60.03
US Dollar Index Spot Rate	Dollar Index	USD	1.79	-7.50	-5.94	100.35
Bloomberg Euro Index	Euro Index	EUR	-0.07	7.02	5.90	926.89
Chicago Board Options Exchange Volatility Index	Volatility	USD	13.22	18.96	20.28	20.64
Chart and Table Data source: Bloomberg, PKB Private Bank, elaborated with MS Excel					*Data at*	*2025-11-20*

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Source of data in graphs: Bloomberg

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