Global Investment Strategy

Fourth quarter 2025

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Overview

World economy

- Economic data in Europe have been better than expected in recent months, which is reflected in economists' revised growth estimates for this year.

- In the US, the data are mixed. Despite a soft labour market, economic growth, measured by gross domestic product, was solid in the third quarter, after a soft first half of the year. The economy is likely to remain somewhat subdued, but a recession is not expected.

- Although global trade statistics show some signs of the impact of US tariffs, there is no evidence of a general deterioration in trade so far.

Capital markets

- The data on the economy, inflation, monetary policy, valuations and, above all, earnings growth are supportive for the stock markets – notably also in Europe. The European and US stock markets are at the upper end of their historical ranges, which is likely to limit upside potential but does not necessarily point to an imminent correction.

- With yields expected to remain stable, medium-term maturities continue to be attractive for bond purchases.

Agenda

Western Europe: Industry recovering

The European economy has been performing slightly better than expected this year. In particular, signs of stabilisation in the industrial sector are positive for the stock markets.

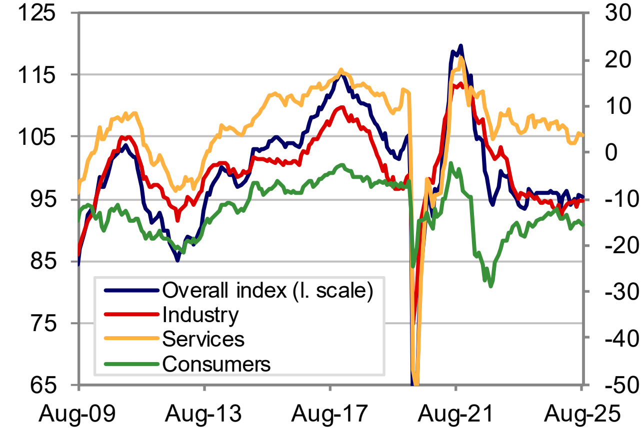
Consumer sentiment remains noticeably lower than in the pre-pandemic upswing. While weak sentiment could imply upside potential, it points to subdued economic growth for the time being.

Higher government spending in Europe, especially in Germany, is supporting the economy. While reduced uncertainty regarding US tariff policy is positive, the increased tariff level nevertheless represents an incremental burden.

European growth	3Q-2024	4Q-2024	1Q-2025	2Q-2025	Avg.
Eurozone	0.4	0.4	0.6	0.1	0.4
Switzerland	0.5	0.3	0.4	0.1	0.3
UK	0.0	0.1	0.7	0.3	0.3
Germany	0.0	0.2	0.3	-0.3	0.0
France	0.4	-0.1	0.1	0.3	0.2
Italy	0.0	0.2	0.3	-0.1	0.1
Spain	0.7	0.7	0.6	0.7	0.7
Austria	-0.1	-0.4	0.1	0.1	-0.1
Sweden	0.8	0.4	-0.2	0.5	0.4

Note: Change in gross domestic product from previous quarter, in %. Source: Eurostat, UK ONS, Statistics Sweden, SECO

Economic sentiment euro area

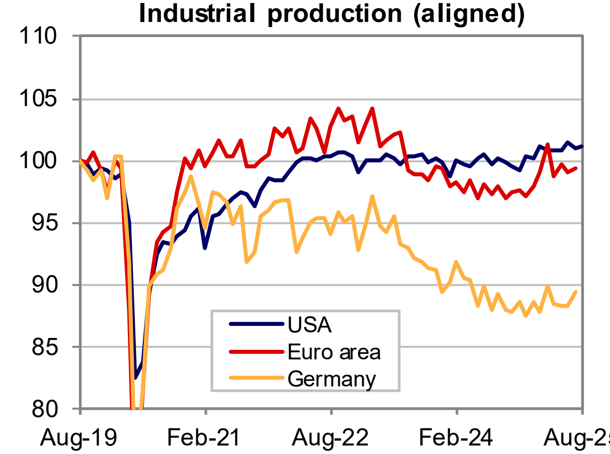


Source: European Commission

Eurozone: Purchasing managers indices

Source: S&P Global

Industrial production (aligned)



Source: Fed, Eurostat, Statist. Bundesamt

US tariffs: Current data and medium-term outlook

US customs revenues on goods imports amounted to USD 28 billion in July 2025. This number would amount to USD 337 billion for a full year and be equivalent to slightly more than 1% of US economic output (GDP). The effective tariff rate (customs revenue relative to imports) was 9.7% in July, up 7.3% from 2.4% a year earlier. The data for August (with the introduction of country-specific tariffs) and September will provide a clearer picture.

This tax increase is shouldered by US consumers, US companies and companies that export to the US. Assuming an eventually tariff rate of 15%, this would amount to 1.7% of US economic output (GDP), 2.7% of household incomes or 10% of corporate profits. This is a large drag if consumers were to face the full impact in the form of higher prices within a few months. The effects are far less drastic if they are spread over a longer period of time and shared by consumers and companies, which we consider to be a realistic baseline scenario.

In the medium term, we expect the US government's tariff policy to lead to a change in goods trade and production locations. We assume that these adjustments will be comparable in scale to the structural change that is constantly happening on a global scale. Therefore, we do not see a need to meaningfully alter our medium-term global economic scenario. In particular, the challenges facing China's economy against the backdrop of the unresolved and burdensome real estate bubble are likely to be at least as great as those resulting from US tariff policy. For Europe, especially the eurozone, subdued economic growth and weak consumer spending in particular remains the key macroeconomic issue.

We expect structural change induced by tariff policy to be slightly inflationary in the US and slightly deflationary in the rest of the world in the coming years. Consequently, we expect comparatively high nominal and real interest rates in the US but not in the rest of the world. Such an interest rate constellation tends to favour the US dollar in the medium term. Whether these tendencies will be large enough to influence capital market prices remains to be seen. A number of factors are affecting corporate profits, without US tariffs suggesting any specific conclusions in the medium term.

China: Softer after a good first half of the year

China, the world's second-largest economy after the US, will remain challenged in the coming years, as falling property prices will not only put pressure on consumer spending but also on the financial system (rising proportion of non-performing mortgages and commercial loans).

China's export economy is less affected by higher US import tariffs than expected. Nevertheless, consumption and production data point to a loss in economic momentum.

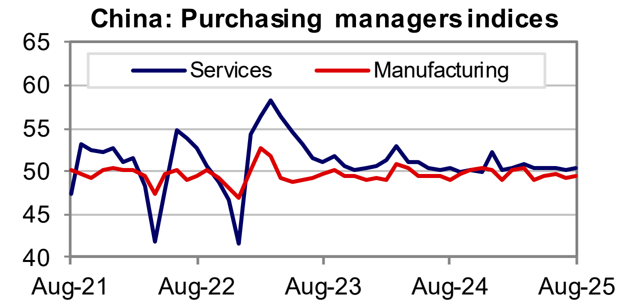
Government stimulus measures likely will continue to keep growth in line with the government's target.

China	3Q-2024	4Q-2024	1Q-2025	2Q-2025	Average
Real GDP, q.	1.3	1.6	1.2	1.1	1.3
Real GDP	4.6	5.4	5.4	5.2	5.2
Services	4.7	5.0	5.3	5.5	5.1
Industry	5.4	5.3	5.9	5.3	5.5

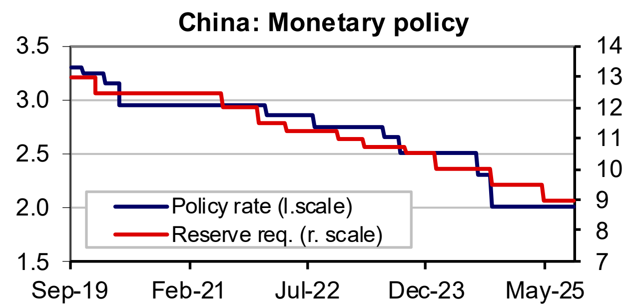
Note: Change from year ago level (%), except "q." which is from previous quarter. Source: National Bureau of Statistics of China

Source: National Bureau of Statistics

Source: Citigroup



Source: S&P Global



Source: People's Bank of China

Source: Bloomberg Intelligence

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Euro-Dollar: Fundamentals and technicals

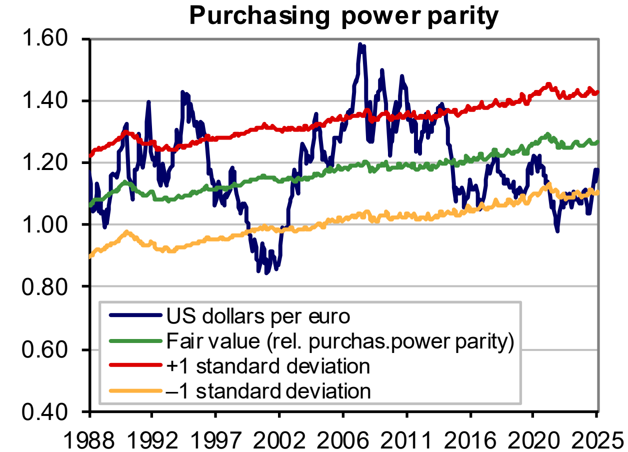
The USD/EUR indicator provides direction (e.g. for hedging purposes) on a monthly basis.

The charts show the purchasing power parity (i.e. the fair value taking into account the difference in inflation) and the interest rate differential as indicators of the USD/EUR exchange rate.

USD/EUR indicator

Date	Exch.rate	3m-MAV	Indicator
22.09.2025	1.1750	1.1617	Long EUR
29.08.2025	1.1686	1.1629	Long EUR
31.07.2025	1.1416	1.1517	Short EUR
30.06.2025	1.1787	1.1488	Long EUR
30.05.2025	1.1347	1.1164	Long EUR
30.04.2025	1.1328	1.0840	Long EUR
31.03.2025	1.0816	1.0518	Long EUR
28.02.2025	1.0376	1.0364	Long EUR
31.01.2025	1.0363	1.0431	Short EUR

Note: MAV = moving average. Source: Bloomberg BGN, ow n calcuations

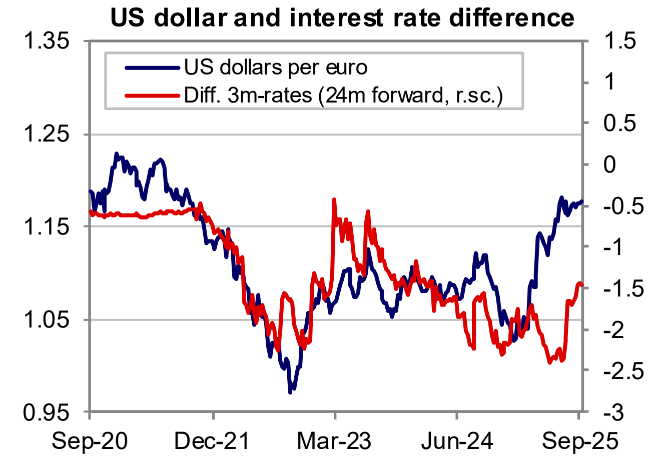


Source: BGN, national stat., own calculations

3m forward rates: Diff. vs. EUR

CCY	Forward date	Curr.	Change 1m	3m	6m	1yr
USD-EUR	Dec.25	1.64	-0.19	-0.44	0.02	0.75
	Dec.26	0.98	-0.09	-0.47	-0.31	0.11
	Dec.27	0.84	-0.07	-0.48	-0.34	-0.03
GBP-EUR	Dec.25	1.85	-0.03	-0.17	-0.11	0.45
	Dec.26	1.56	-0.03	-0.19	-0.18	0.29
	Dec.27	1.42	-0.03	-0.15	-0.11	0.28
CHF-EUR	Dec.25	-2.10	-0.02	-0.02	-0.19	-0.65
	Dec.26	-2.12	-0.08	0.01	-0.32	-0.65
	Dec.27	-2.19	-0.14	-0.01	-0.40	-0.70

Data as per 22-Sep-25. Source: ICE, CME



Source: Exchanges

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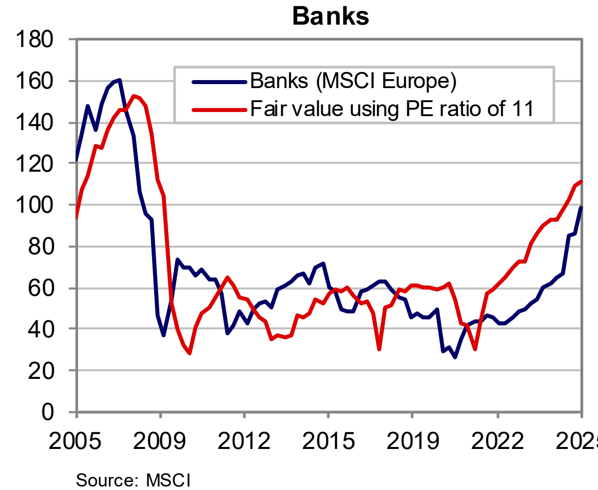
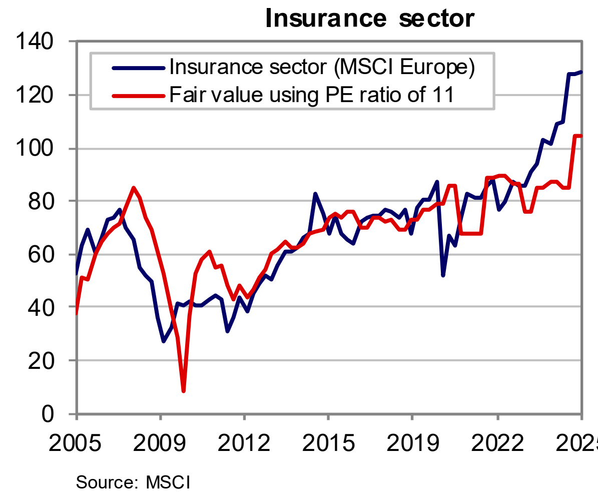
Europe: Banks and insurance companies

Profits and, consequently, the share prices of European banks did not recover in the decade following the financial crisis of 2008. Dilutive capital increases, the negative interest rate environment and write-downs weighed heavily on the sector. With the end of the negative interest rate phase in the wake of post-pandemic inflation, interest rates in the eurozone have returned to positive territory on a sustained basis. This means that the deposit and lending business is now more profitable than it was when interest rates were zero or even negative, with profit levels now structurally higher. The performance of the MSCI Europe Banks index reflects the earnings trend, with some upside left according to normal valuation levels. Nevertheless, profit and price normalization is likely to be in its final phase. It is unlikely that the banking sector will be capable of more than low single-digit profit growth in the medium term.

The profit trend in the European insurance sector was much more positive than that of banks after the financial crisis, although the MSCI Europe Insurance Index has recently outpaced profit growth.



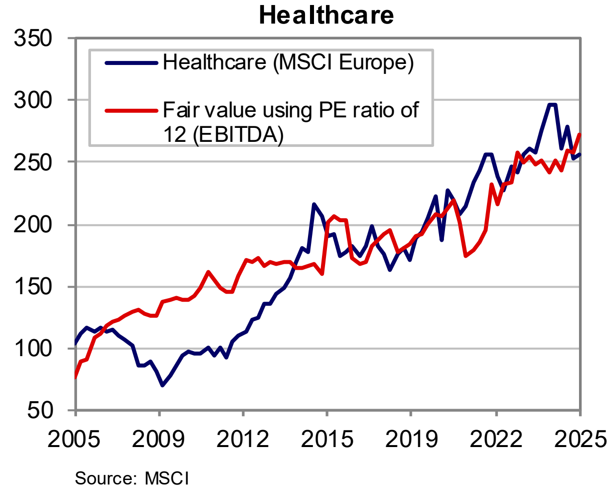


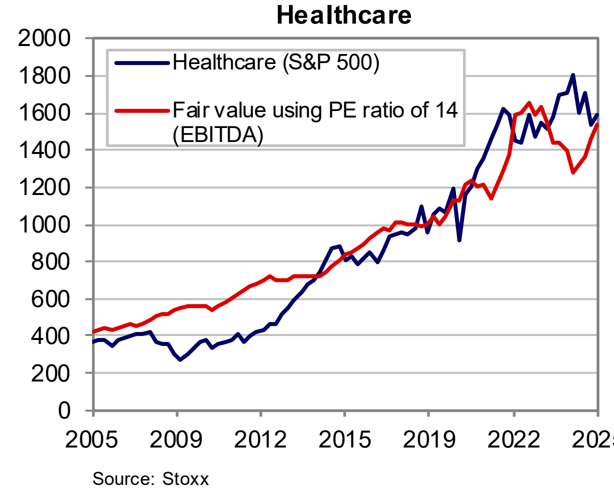
Sector trends: Consumer and healthcare

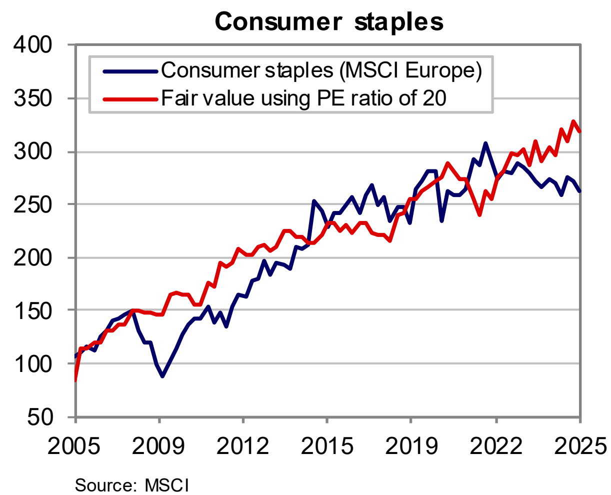
The charts show sector indices for Europe and the US and their estimated fair value based on the average historical price-earnings ratio. Normally, EBITDA (see legend) is used as an indicator of corporate earnings (if not specified in the legend, reported earnings are used).

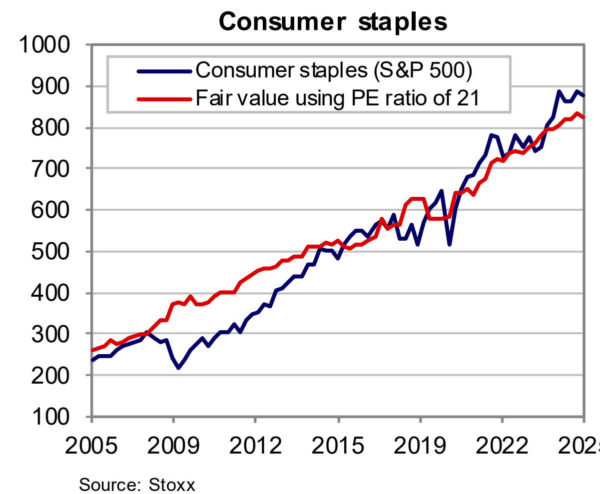
With a positive earnings trend, the healthcare sector in Europe and the US is fairly valued after this year's price setback.

Consumer staples (food, personal care products) in Europe are in a phase of valuation contraction, despite an overall positive earnings trend.









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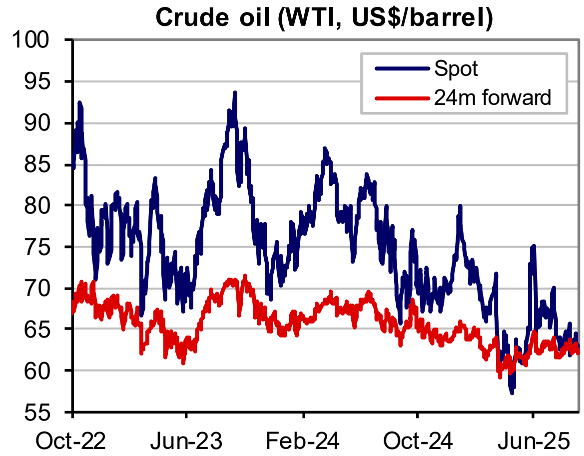
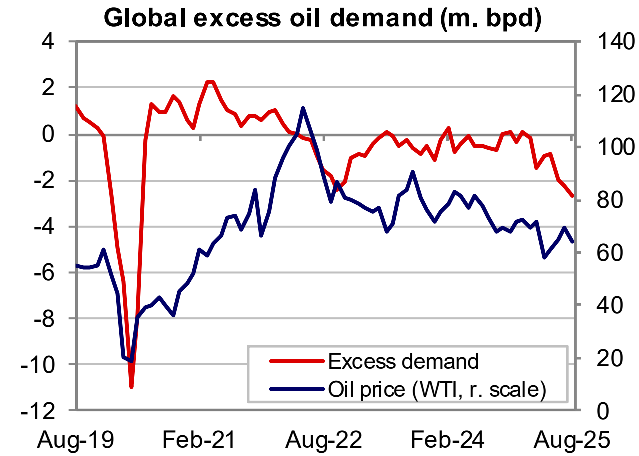
Oil markets

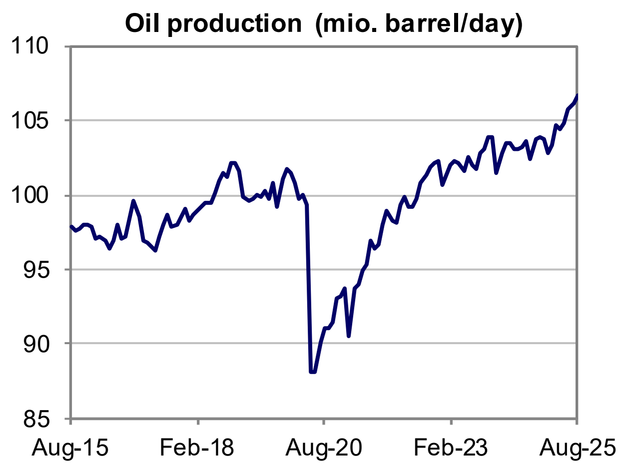
Following increased production by OPEC+, there is excess supply in the market, which argues for lower prices.



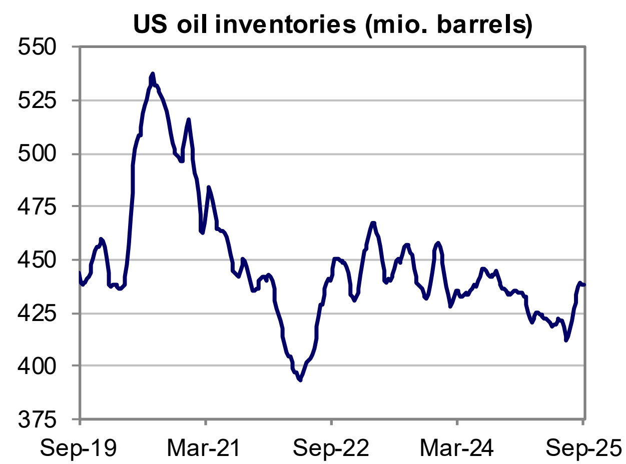
Source: NYMEX



Source: DOE, eigene Berechnungen



Source: DOE



Source: DOE

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