



BANQUE
ERIC STURDZA

MONTHLY NEWSLETTER
DECEMBER 2025

SOMMAIRE

DECEMBER 2025

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1. EDITORIAL

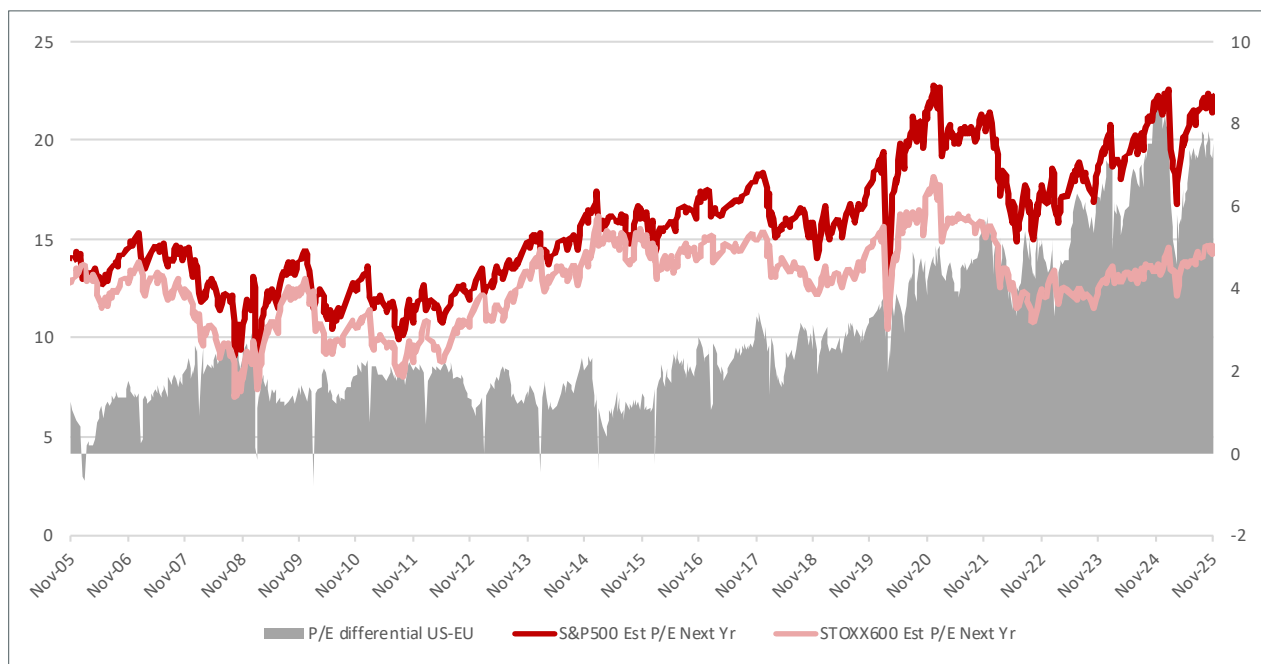
AI BUBBLE, TIME TO LOOK ELSEWHERE?

The talks of artificial intelligence bubble, the sharp fall in cryptocurrencies, the debt binge that has become almost too frequent with some major IT players (have a look at Oracle!) are fuelling the anxiety-inducing stock market news in November and are very much focused on a single theme. Nvidia's results were eagerly awaited as a litmus test that could tip the markets one way or the other. At the end of the period, the stellar figures from the largest US company reassured the markets, while in the hours that followed, the increased probability to see the Federal Reserve cutting in December contributed to a return to calm. Greenspan has not been at the helm of the Fed in a long time, but the "Greenspan Put" remains relevant: mention a rate cut and investors relax.

At the end of this volatile month, the US and European markets are posting very similar annual performances in their respective currencies (16.4% for the S&P500, 13.6% for the STOXX600). As such and as it was done earlier this year with Asian equities, one can legitimately ask himself if this situation represents a good opportunity to consider further rebalancing: more Europe to be less exposed to the tech giants, or more US to take advantage of recent declines?

More than ever, the valuation argument favours Europe, which is worth noting since Europe no longer massively underperformed the US over the past year.

G1 : EU VS US NEXT 12 MONTHS PRICE/EARNINGS RATIO (LHS) & P/E DIFFERENTIAL (RHS)



Source: Bloomberg, Banque Eric Sturdza

This graph only gives a generic message; the reality of the underlying assets is more nuanced: the technology sector is as expensive in Europe as it is in the United States, while significant discounts can be observed for Banks and Utilities. As for cyclical stocks, after a strong run on the stock market, their multiples have appreciated but remain reasonably valued compared to their US counterparts.

If we divide the market not by sector but by market capitalisation, the earnings momentum favours small & mid-caps. This is very much true both in Europe and in the US. A more detailed analysis shows that earnings growth has been flattish for European Large Caps, while small and mid-caps have seen a better earnings growth momentum. In short, the markets have rewarded large caps more (through multiple expansion), and small and mid-caps could offer better opportunities in the months ahead.

It remains to be seen what could trigger a period of self-sustained European outperformance.

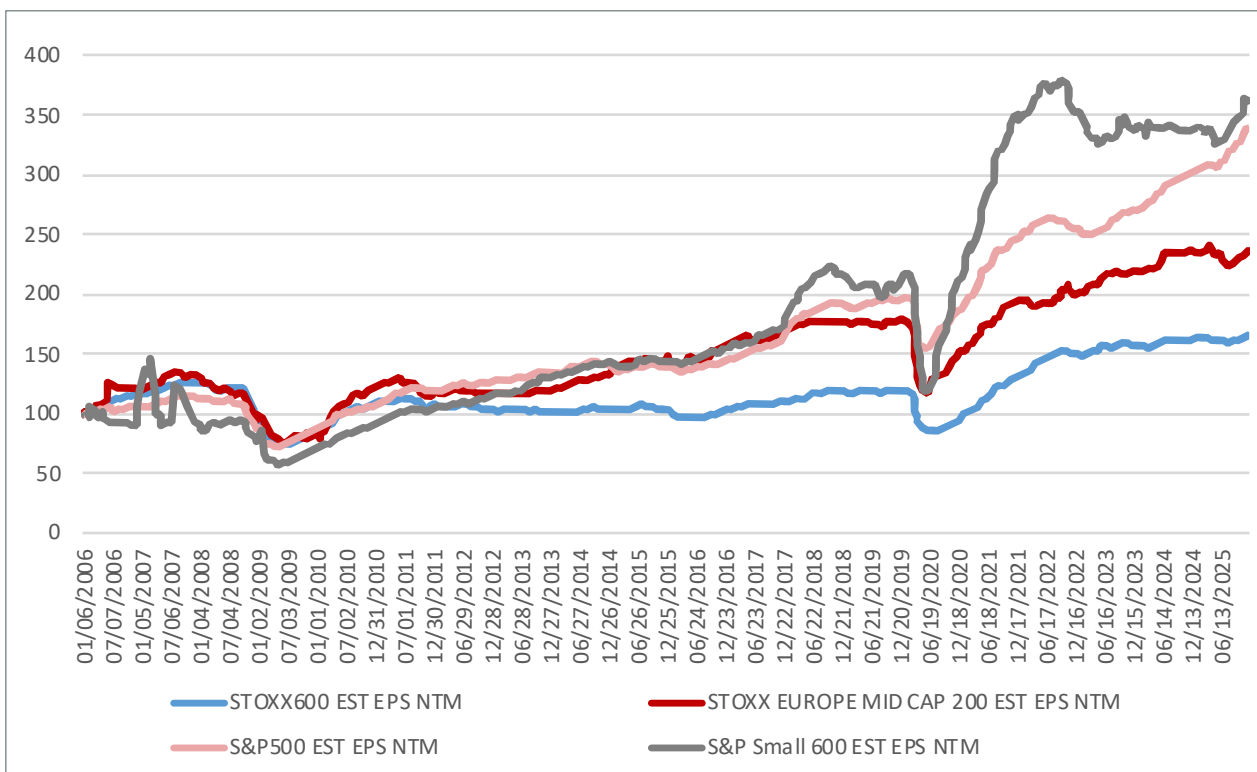
On the US side:

- More serious doubts about the valuations of AI-related stocks in the United States
- The slowdown in US consumption (the consumer confidence indicator for November was down sharply)
- The desire to limit portfolio concentration

On the European side

- German stimulus plans (after sluggish GDP growth again this year, German GDP is expected to be slightly higher in 2026 as these effect will materialize)
- Continued economic momentum in Southern Europe (2.5% growth this year in Spain!)

G2: ESTIMATED EPS FOR THE NEXT 12 MONTHS – US & EU LC VS. US & EU MID & SMALL



Source: Bloomberg, Banque Eric Sturdza, base 100 as of January 2006

The list is incomplete, but 2025 has shown that even though US/European market correlations remain significant, the dynamics of the two markets can diverge: (Europe performed strongly in the first half of the year but then lost ground until the end of the summer...) These fluctuations are likely to continue, and we believe it is more important than ever not to base allocations on the weightings of the major global indices, which remain grossly overweight in US equities and consider other investment areas such as Asia in its wide definition for its re-rating and structural growth potential but also selected investment themes in European equities with 2026 in perspective.

2. FIXED INCOME

FOMC: HAWKISH CUT OR DOVISH STATUS QUO?

AI, the best asset for long-term rates?

Recent market movements around the theme of artificial intelligence have had an immediate impact on rates. A few days after Nvidia's results were published, the question of a possible bubble in the technology sector in general and in AI in particular arose once again. If the equity markets take up this issue of concern again, the consequences for long-term rates will be almost automatic. Indeed, the only short-term reason that could justify a significant bond bull market would be a loss of confidence in the technology sector on the equity markets.

The minutes of the FOMC meeting on October 29th revealed that several members of the monetary policy committee consider it appropriate to keep rates unchanged at the end of the year. They justified a high level of uncertainty linked to persistent divisions within the FOMC. Divisions between, on the one hand, those in favour of a slowdown, as illustrated by sluggish employment figures, and, on the other hand, those who believe that 3% inflation remains the main concern.

We believe that US long-term rates would prefer a dovish status quo to a cut accompanied by hawkish comments.

Fed, one last rate cut for 2025?

At the end of November, markets estimated that there was a 79% chance that the Fed would cut rates on December 10th. By November 19th, this figure stood at just 29%. Such a turnaround is unusual enough to be noteworthy. With the probability now back close to 80%, the Fed will undoubtedly be reluctant to go against the wishes of markets, whose anxiety is palpable. Any unusual event could be enough to trigger a correction, synonymous with a year-end rally in the US bond market.

We believe that US long-term rates would prefer a dovish status quo to a cut accompanied by hawkish comments, given that if the Fed cuts rates on January 28th instead of December 10th, it would not be such a big deal after all. But the markets like to look ahead, so if a final cut in 2025 raises fears of "stable for longer", i.e. fewer cuts in 2026, the markets are likely to take it badly. On the other hand, a status quo on December 10th, opening the door to several rate cuts from the beginning of next year would be taken as good news. The last FOMC meeting of 2025 is of paramount importance because, depending on the verdict announced on December 10th, the 10-year Treasury could just as easily end the year at 3.80% as at 4.20%.

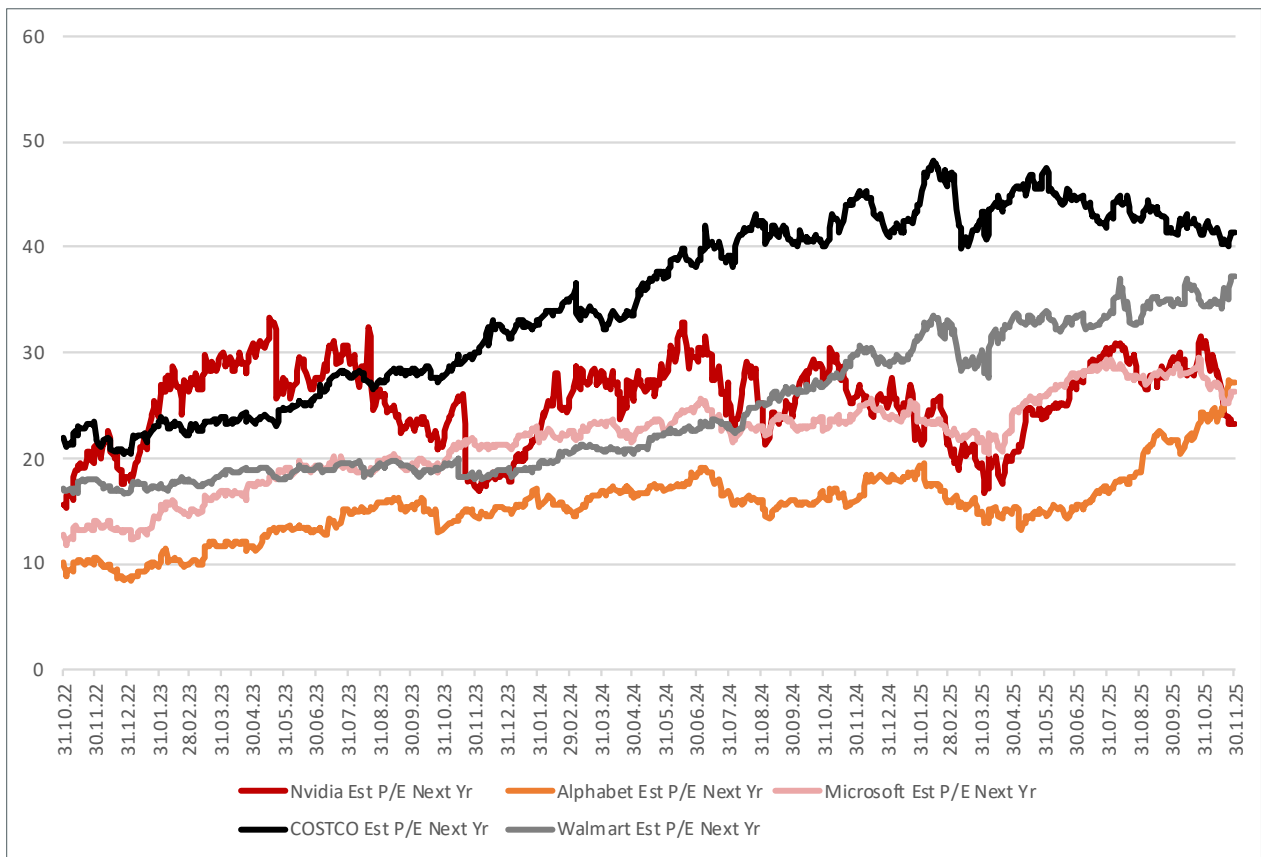
3. EQUITIES

WILL THE END OF THE YEAR BRING SANTA CLAUS OR THE GRINCH?

While equity markets coped rather well with the summer turnaround and the third-quarter earnings reports from US companies gave hope for a relatively calm end to the year, November turned out to be rather turbulent, even if the rebound at the end of the month meant that the month ended with very modest performance (0.1% for the S&P 500, -0.5% for the DAX, -2.5% for the global emerging market index).

The turmoil was caused by investor fears of a possible bubble in artificial intelligence stocks. The euphoria that prevailed just a few weeks ago has now given way to investor scepticism. The days when Oracle's share price soared after announcing a \$300 billion contract with Open AI seem long gone, and now everybody is focused on its rising CDS*. Today, it is the colossal amount of capital expenditure required for the deployment of artificial intelligence by Oracle and its peers (Microsoft, Alphabet, Am-

G3: NVIDIA, ALPHABET NTM P/E VS. WALMART, COSTCO NTM P/E



Source: Bloomberg, Banque Eric Sturdza

*CDS: Derivative instrument to protect against a potential default in exchange of a premium.

azon) that is raising questions. Underlying this are questions about the circular nature of certain transactions between AI players and the path to profitability for these investments. The US market's concentration around the Magnificent Seven and a few other AI champions did the rest, and it didn't take much more for the VIX, the S&P 500's implied volatility index, to jump mid-month. This anxious moment is also a good wake up call for investors who were prompt to forget that consolidation phases are perfectly normal even during bull markets.

The European markets broadly followed the same trend: a slight consolidation and a strong finish that almost saved the month. Looking with a bit more granularity, the lesser importance of the Artificial Intelligence theme (for once, it paid!) and the strong performance of the Swiss and Spanish markets are saving the month. The Swiss market is benefiting from dissipating uncertainties following the announced drop in US tariffs from 39% to 15%, from a sector rotation in favour of healthcare stocks and Roche's rebound that followed some important milestones on its pipeline. The balance is more mixed in Asia, where the artificial intelligence theme remains an important driver for the South Korean and Taiwanese markets. Once again, a weaker yen led to the Japanese market outperforming in local currencies.

However, this period of stress proved to be short-lived. The rising probability to see the Federal Reserve cutting in December helped on that matter. Similarly, Nvidia's quarterly results, while not dispelling all fears about AI, had the merit to show in hindsight that Artificial Intelligence was already a significant growth and profit driver for some players such as Nvidia. While the bubble question remains an important one, the strong growth enabled by AI is helping valuation levels to normalize quite rapidly. A good illustration of that is to look at the valuation multiples of Nvidia and other AI players. Albeit expensive, not only do they compare favourably to their own history but also to more "conventional" US blue chips that are far from offering the same growth prospects (see chart G3). The current period is also interesting as it highlights that selectivity is key even amongst AI players and that the bubble question is more nuanced than it appears.

In this context, we are maintaining our preference: Stay invested in the US, which remains a key player in the field of artificial intelligence, but be more selective. Use the US "underweight" exposure (relative to global indices) to finance a broader exposure to international markets, first more structurally to Asia and Japan and second more selectivity to Europe keeping in mind the year to come.

5. PERFORMANCE

EQUITIES	28.11.2025	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
US	DOW JONES	47 716	0,3%	4,8%	12,9%	12,2%	12,9%	16,2%	-6,9%	20,9%	9,7%
	S&P 500	6 849	0,1%	6,0%	15,9%	16,4%	23,3%	26,3%	-18,1%	28,7%	18,4%
	S&P500 EW	7 745	1,7%	1,6%	8,4%	9,1%	10,9%	13,8%	-11,5%	29,6%	12,8%
	NASDAQ 100	25 435	-1,6%	8,6%	19,2%	21,0%	24,9%	55,1%	-32,4%	27,5%	48,9%
	RUSSELL 2000	2 500	0,8%	5,7%	21,0%	12,1%	10,0%	16,9%	-20,5%	14,8%	19,9%
EUROPE	STOXX 600	576	0,8%	4,8%	5,1%	13,6%	6,0%	16,6%	-9,9%	25,8%	-1,4%
	FTSE 100	9 721	0,0%	5,8%	10,8%	18,9%	5,7%	7,7%	4,6%	18,4%	-11,4%
	CAC 40	8 123	0,0%	5,4%	4,8%	10,1%	-2,2%	20,1%	-6,7%	31,9%	-5,0%
	DAX	23 837	-0,5%	-0,3%	-0,7%	19,7%	18,8%	20,3%	-12,3%	15,8%	3,5%
	SPI SWISS	17 653	4,0%	4,4%	4,8%	14,1%	6,2%	6,1%	-16,5%	23,4%	3,8%
ASIA	MSCI EM	1 367	-2,5%	8,6%	18,1%	27,1%	5,1%	10,2%	-19,8%	-2,3%	18,8%
	TOPIX	3 378	1,4%	9,9%	20,6%	21,3%	17,7%	28,3%	-2,5%	12,8%	7,4%
	HANG SENG	25 859	-0,2%	3,1%	11,0%	28,9%	17,7%	-10,5%	-12,6%	-11,8%	-0,2%
	CSI 300	4 527	-2,5%	0,7%	17,9%	15,0%	14,7%	-9,1%	-19,8%	-3,5%	29,9%
FX & COMMODITIES	28.11.2025	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
CURRENCIES	EUR-USD	1,160	0,5%	-0,8%	2,2%	12,0%	-6,2%	3,1%	-5,9%	-6,9%	8,9%
	EUR-CHF	0,932	0,4%	-0,4%	-0,1%	-0,8%	1,2%	-6,1%	-4,6%	-4,0%	-0,4%
	USD-CHF	0,804	-0,1%	0,4%	-2,2%	-11,4%	7,8%	-9,0%	1,3%	3,1%	-8,4%
	USD-JPY	156,2	1,4%	6,2%	8,4%	-0,6%	11,5%	10,5%	13,9%	11,5%	-4,9%
	USD INDEX	99,46	-0,3%	1,7%	0,1%	-8,3%	7,1%	-2,1%	8,2%	7,0%	-7,3%
COMMODITIES	Gold	4239,43	5,9%	23,0%	28,9%	61,5%	27,2%	13,1%	-0,3%	-4,2%	25,0%
	Silver	56,50	16,0%	42,3%	71,3%	95,5%	21,5%	-0,7%	2,8%	-13,6%	48,7%
	WTI Crude Oil	58,55	-4,0%	-8,5%	-3,7%	-18,4%	0,1%	-10,7%	6,7%	59,1%	-21,5%
	Natural Gas	4,85	17,6%	61,8%	40,7%	33,5%	44,5%	-43,8%	20,0%	46,9%	16,0%
	Copper	11 234	3,3%	14,4%	17,7%	29,8%	2,2%	0,9%	-14,1%	25,7%	26,0%
FIXED INCOME	28.11.2025	CURRENT	1 M	3M	6M	YTD	2024	2023	2022	2021	2020
RATES	US 10 year gvt	4,01	(0,06)	(0,22)	(0,39)	(0,56)	69 bps	0 bps	237 bps	60 bps	-100 bps
	German 10 year gvt	2,69	0,06	(0,04)	0,19	0,32	34 bps	-54bps	275 bps	39 bps	-38 bps
BONDS	Global Aggregate USD hdg.	609,7	0,2%	1,7%	3,2%	5,1%	3,4%	7,1%	-11,2%	-1,4%	5,6%
	Global Aggregate EUR hdg.	220,6	0,1%	1,2%	2,0%	3,1%	1,7%	4,7%	-13,3%	-2,2%	4,2%
	Global Aggregate CHF hdg.	161,5	-0,1%	0,6%	0,9%	1,0%	-1,0%	2,5%	-13,7%	-2,5%	3,9%
	US Treasuries	2442,9	0,6%	2,1%	4,1%	6,7%	0,6%	4,1%	-12,5%	-2,3%	8,0%
	US TIPS	374,1	0,2%	1,0%	3,6%	7,4%	1,8%	3,9%	-11,9%	6,0%	11,0%
	US IG Corporates	3552,3	0,7%	2,6%	5,6%	8,0%	2,1%	8,5%	-15,8%	-1,0%	9,9%
	US High Yield	2898,1	0,6%	1,6%	5,2%	8,0%	8,2%	13,4%	-11,2%	5,3%	7,1%
	Euro Government	246,2	0,0%	1,2%	0,5%	1,3%	2,0%	7,1%	-18,2%	-3,4%	4,7%
	Euro IG Corporates	266,3	-0,2%	0,8%	1,7%	3,2%	4,7%	8,2%	-13,6%	-1,0%	2,8%
	Euro High Yield	500,1	0,2%	0,7%	2,3%	4,4%	9,1%	12,8%	-11,1%	4,2%	1,8%
EM USD Aggregate	1380,9	0,2%	3,1%	7,4%	10,6%	6,6%	9,1%	-15,3%	-1,7%	6,5%	

Source: Bloomberg, 28/11/2025

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Contributors

**Edouard Bouhyer CAIA,
CIO Banque Eric Sturdza
Marc Craquelin, Senior Advisor
Eric Vanraes, CIO ESAM &
Head of Fixed Income
Pascal Perrone,
Senior Portfolio Manager**

**Sent to press
on 30/11/2025**

Contact

Banque Eric Sturdza SA
Edouard Bouhyer
invest@banque-es.ch
www.banque-es.ch