

C.I.A. NETWORK

Asset Strategy in Brief

December 2025



BNP PARIBAS
WEALTH MANAGEMENT

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Macro and market views



Macro and Market Views

	Macro		<ul style="list-style-type: none"> The key question in the US: how will tariffs impact the US consumer, and inflation? The first signs of tariff impacts are now being seen. We expect a further slowing of domestic consumption to occur in H2, even though Q2 growth was 3.8%. In the eurozone, consumer confidence is being supported by lower ECB rates. The German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises.
	Fixed Income	=	<ul style="list-style-type: none"> Positive on UK gilts (12-month yield target is 4.4%). Neutral on eurozone sovereigns and US Treasuries post rally; prefer shorter-term (2-5 year) maturities. US Fed Funds rate target 3.75%, ECB to maintain deposit rate at 2% to end-2025. We see the US 2-year yield at 3.6% in 12 months, and the 10-year yield at 4.25%. Our 12-month target on the German 10-year bund yield is 2.75%.
	Credit	+	<ul style="list-style-type: none"> We stay Positive on Credit given solid corporate balance sheets and cash flows, strong technicals, high carry and low volatility. We prefer intermediate maturities in the eurozone and in the US. We continue to like EUR IG corporate bonds, and we stay Positive on UK IG corporates (offering a 5.3% average yield).
	Equities	+	<ul style="list-style-type: none"> Positive on Equities owing to strong liquidity and lower rates, robust growth and earnings momentum. Favour the UK, Japan, China, Brazil. Neutral on the eurozone and the US. We have upgraded India to Overweight. Positive on Health Care and Utilities. In the EU, we are Positive on Banks and Industrials. Neutral on US Consumer Discretionary and Technology.
	Real Estate	=	<ul style="list-style-type: none"> Demand for European real estate continued to improve in Q2 2025, with investment volumes rebounding and rental yields now more attractive at 4.3%-5.0% for prime European commercial property segments. Residential property prices are also rising in Spain, Italy, Germany and the Netherlands. Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth.
	Commodities	=/+ /-	<ul style="list-style-type: none"> Gold: Neutral since record surge in gold price, doubling since early 2024. We have slightly increased our 12-month target for gold to USD 4,500 and for silver to USD 60. Positive view on strategic industrial metals, such as copper, aluminium and tin. Negative stance on Oil, price range for Brent crude oil of USD 60-70 on weaker global oil demand, potentially higher non-OPEC oil & gas supply and an expected reduction of OPEC+ production quota cuts in 2025.
	Currencies		<ul style="list-style-type: none"> The prospect of weaker US growth, a lower Fed Funds rate and capital flows from the US back to Europe/Middle East/Asia could lead to a weaker US dollar. EUR/USD 3-month target USD 1.16; 12-month target USD 1.24 (value of one EUR).



Asset Allocation

Allocation changes this month:

- ☐ **Equities:** We have upgraded India to Overweight.
- ☐ **Bonds:** No change
- ☐ **FX:**
 - Since last month, we have adjusted our USD/JPY targets. Our 3-month target is 152 and our 12-month target is 148 (value of one USD). This suggests less upside for the Yen.
- ☐ **Commodities:**
 - We have slightly increased our 12-month target for gold to USD 4,500 and for silver to USD 60.
 - We have increased our 12-month target for copper (LME) to USD 13,000.
- ☐ **Alternative Investments:** No change

Outlook Summary					
	Very underweight	Underweight	Neutral	Overweight	Very Overweight
Equities				+	
Government Bonds			=		
Corporate Credit				+	
Real Estate			=		
Alternatives				+	
Cash		-			

Key macro & market forecasts

	GDP Growth %			Inflation %			Central Bank Rates %				Key market forecasts		
	2025e	2026e	2027e	2025e	2026e	2027e		Now	3M	12M		Now	12M
US	1.9	1.9	1.8	2.8	3.1	2.6	US Fed Funds Rate	4.00	3.75	3.25	US 10Y yield %	4.10	4.25
Eurozone	1.4	1.5	1.6	2.1	1.9	2.1	ECB Deposit Rate	2.00	2.00	2.25	Euro 10Y yield %	2.75	2.75
Japan	1.4	0.7	0.8	3.2	2.1	2.6	Bank of Japan Policy Rate	0.50	0.75	1.25	UK 10Y Yield %	4.48	4.40
UK	1.4	1.1	1.3	3.4	2.6	2.2	Bank of England Base Rate	4.00	3.50	3.50	S&P 500	6812	n/a
China	5.0	4.7	4.5	-0.1	0.9	1.0	China 7D reverse repo rate	1.40	1.20	1.10	Euro STOXX 50	5667	n/a
											Oil Brent USD/bbl	63	60-70
											Gold USD/oz	4237	4500

Source: BNP Paribas WM. As at 2 December 2025

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Fixed Income

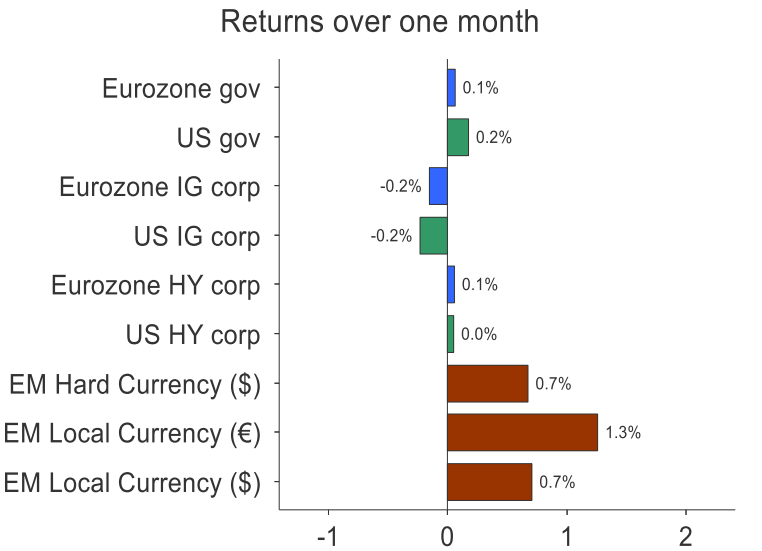


Fixed Income at a glance

The Fed’s policy expectations remained front and centre in November. Market pricing was quite volatile given the conflicted views of policymakers. The credit market became more nervous again when tech giants issued jumbo bonds to finance massive Capex in AI. Yet most deals were oversubscribed, and the credit market held up well.

We are Neutral on US and eurozone government bonds, expecting modestly higher bond yields. We prefer UK bonds, both sovereign and corporate. We also favour US TIPS, euro investment grade corporate bonds and emerging market local currency bonds.

10-year yield	25/11/2025	12-month target
US	4.10	4.25
Germany	2.75	2.75
UK	4.48	4.40



Source: LSEG Datastream, JPM and BofA indices, 25/11/2025

Central Banks

In the US, we expect a 25 bps cut in Dec as the Fed focuses on the labour market slowdown. We anticipate two more rate cuts in 2026 (March and June), so a terminal rate of 3.25%. We expect no change in the near-term from the ECB, and a hike in late 2026 at the earliest.

Corporate Investment Grade (IG) Bonds

Technicals are at risk of deterioration in USD IG given the massive increase of bond supply from Tech giants. We are Neutral on USD IG and prefer EUR and UK IG (Positive view).



Government Bonds

We expect modestly higher long-term bond yield in the US and Germany. We stay Neutral on US/German government bonds, favouring maturities of less than five years. We prefer US TIPS and UK gilts.

Corporate High Yield (HY) Bonds

Spreads have widened modestly, especially in the US, but remain close to historical lows. Companies' fundamentals could deteriorate slightly, from a solid base, due to higher expected leverage.

Peripheral bonds

Periphery spreads are tight. Italy has been upgraded by all major rating agencies. Its high debt limits and somewhat low economic growth prevent another upgrade in the near term. We stay Neutral on periphery debt thanks to relatively high carry.

Emerging Market (EM) Bonds

We are Positive on emerging market local debt, anticipating appreciation of EM currencies and continued rate cuts by EM central banks. We remain Neutral on EM hard currency, considering its high valuations and the risk of higher US long-term yields.

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03

Currencies

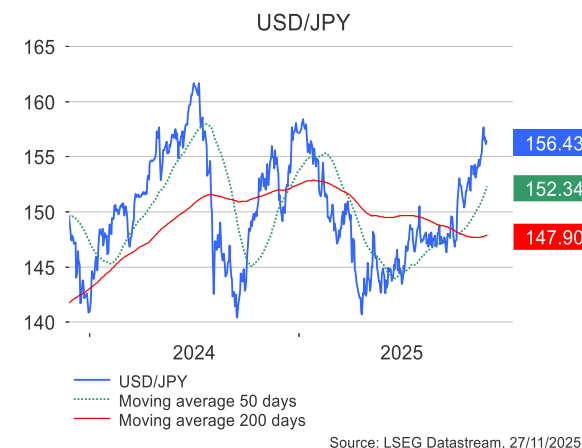
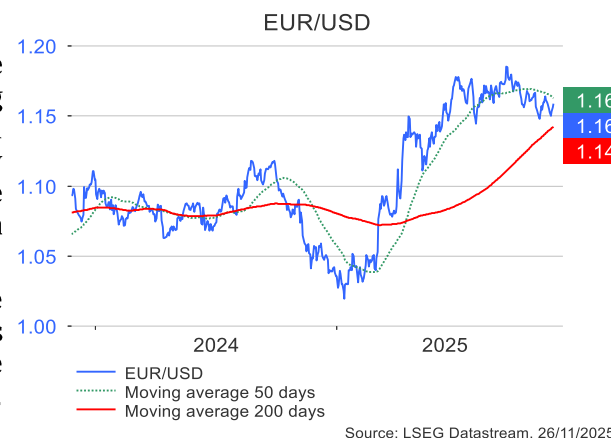


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Currencies at a glance

1. **EUR/USD:** The USD's movements have been mainly driven by the repricing of Fed rate expectations. We still assume that further softening in US labour market data and falling inflation pressures should prompt the Fed to deliver more rate cuts. This should weigh on the dollar. Meanwhile, the eurozone's growth outlook is improving, underpinned by consistent upside data surprises, which may support near-term EUR strength. The movement should be gradual. **Therefore, our 3-month target is 1.16 and our 12-month target is 1.24 (value of one EUR). We thus expect the USD to weaken.**
2. **USD/JPY:** We see less potential for a rebound in the JPY after the recent comments of the new prime minister. Higher uncertainty about Japan's fiscal outlook and a more cautious Bank of Japan regarding rate hikes limit the upside for the yen. We still see some scope for yen appreciation next year as the Fed cuts rates and the BoJ is expected to hike rates. **Our 3-month target is 152 and our 12-month target is 148 (value of one USD).**



>> TARGET 12M EUR/CHF: 0.94

The SNB Bank held its policy rate at 0.0%. We see scope for the euro to be supported by improving growth prospects in the euro area, following recent fiscal shifts. The SNB is unlikely to resist currency weakness in this context. At the same time, continued demand for defensive currencies should limit any downside for the CHF. **We maintain our 3- and 12-month EUR/CHF targets at 0.94 (value of one EUR).**



>> TARGET 12M AUD/USD: 0.68

The RBA kept the policy rate unchanged at 3.6% in November. Equity market performance, favourable interest rate differentials, and stronger commodity demand are expected to provide further tailwinds for the AUD. **Our 3-month AUD/USD target is 0.66 and our 12-month target is 0.68 (value of one AUD).**



>> TARGET 12M USD/CNY: 7.10

The PBoC left the policy rate unchanged in November. The PBoC has been gradually setting the USD/CNY fixing lower. This approach suggests a preference to maintain relative currency stability against the USD, while allowing for a gradual and moderate RMB appreciation over time. **Our 3- and 12-month targets are 7.10 (value of one USD).**



>> TARGET 12M EUR/GBP: 0.87

The BoE kept its policy rate unchanged at 4% in November. The GBP will probably stay weak against the EUR. Inflation and wage data have eased recently. We continue to see scope for further BoE easing, narrowing policy-rate differentials between the BoE and ECB. Moreover, we expect fiscal policy to remain a source of vulnerability for the GBP. **We maintain our 3- and 12-month EUR/GBP target at 0.87 (value of one EUR).**



>> TARGET 12M EUR/SEK: 10.70

The Riksbank kept its policy rate at 1.75% in November. The recovery is expected to gain momentum in 2026, underpinned by expansionary fiscal measures and targeted household support. Combined with a lower interest rate environment, these policies should support a more favorable medium-term growth trajectory. **Our 3-month target is 11 and our 12-month target is 10.7 (value of one EUR).**



>> TARGET 12M USD/MXN: 18

Banxico lowered its policy rate by 25 bps to 7.25% in November. The peso should remain resilient due to FX carry trade demand, but underperform EM peers due to weaker remittances, narrower rate differentials, US exposure, and USMCA risks. **Our 3-month USD/MXN target is 18.4 and our 12-month target is 18 (value of one USD).**



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Currencies at a glance

FX FORECASTS EUR

	Country		Spot 01/12/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.16	Neutral	1.16	Negative	1.24
	United Kingdom	EUR / GBP	0.88	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	180.38	Positive	176	Neutral	184
	Switzerland	EUR / CHF	0.93	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.77	Neutral	1.76	Negative	1.82
	New-Zealand	EUR / NZD	2.03	Positive	1.93	Negative	2.07
	Canada	EUR / CAD	1.62	Neutral	1.60	Negative	1.67
	Sweden	EUR / SEK	10.96	Neutral	11.00	Positive	10.70
	Norway	EUR / NOK	11.76	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.23	Neutral	8.24	Negative	8.80
	India	EUR / INR	104.16	Neutral	102.08	Negative	109.12
Latam	Brazil	EUR / BRL	6.22	Neutral	6.26	Negative	7.07
	Mexico	EUR / MXN	21.24	Neutral	21.34	Negative	22.32

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 01/12/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.16	Neutral	1.16	Positive	1.24
	United Kingdom	GBP / USD	1.33	Neutral	1.33	Positive	1.43
	Japan	USD / JPY	155.10	Neutral	152.00	Positive	148.00
	Switzerland	USD / CHF	0.80	Neutral	0.81	Positive	0.76
	Australia	AUD / USD	0.66	Neutral	0.66	Positive	0.68
	New-Zealand	NZD / USD	0.57	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.40	Neutral	1.38	Positive	1.35
Asia	China	USD / CNY	7.07	Neutral	7.10	Neutral	7.10
	India	USD / INR	89.56	Neutral	88.00	Neutral	88.00
Latam	Brazil	USD / BRL	5.35	Neutral	5.40	Negative	5.70
	Mexico	USD / MXN	18.26	Neutral	18.40	Neutral	18.00
EMEA	South Africa	USD / ZAR	17.07	Neutral	17.25	Neutral	17.00
	USD Index	DX	99.41	Neutral	98.95	Negative	93.34

Source: BNP Paribas, LSEG

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Equities



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Santa (rally) is coming to town?

Just a bump in the road?

- **The recent jump in volatility** has already calmed down as the odds for a December rate cut are increasing. Seasonality is another tailwind, as historically, it is very rare for the yearly high to occur in October. Since 1950, this has only been the case 6 times. We don't think this year will be the seventh.
- **Clash of Clans** - Recent very positive news flow around Gemini 3.0 has caused a sharp rise in dispersion within the AI complex. Currently, "Team OpenAI" is facing some pressure. We see a chance for a reacceleration of the Capex arms race which would benefit our preferred AI Ecosystem chain play.
- **Stay Overweight on EM equities** - The prospect of steady economic growth, lower rates, and a softer dollar is a favorable backdrop for EM equities in general and Asian equities in particular. China (Tech) remains a key conviction as the perception about China stocks among international investors is changing from "uninvestable" to "unneglectable".



The key risk for equities in general is a US recession, which should cause earnings growth to turn negative in most of the major markets. A stagflationary episode in the US, causing the Fed to hike rates, represents some sort of Black Swan Event!

Main recommendations



Stay Neutral US equities - With valuations already at elevated levels, we see no room for a further multiple expansion. Non-USD-denominated investors might consider FX-hedged exposure.



Stay Neutral EU equities - Earnings-growth expectations might be too optimistic, and European equities are likely to remain a tale of two outcomes as FX headwinds re-emerge. We see little room for a further valuation re-rating.



We remain overweight on global equities - The overall backdrop still supports equities as global growth is solid while financial conditions remain supportive.

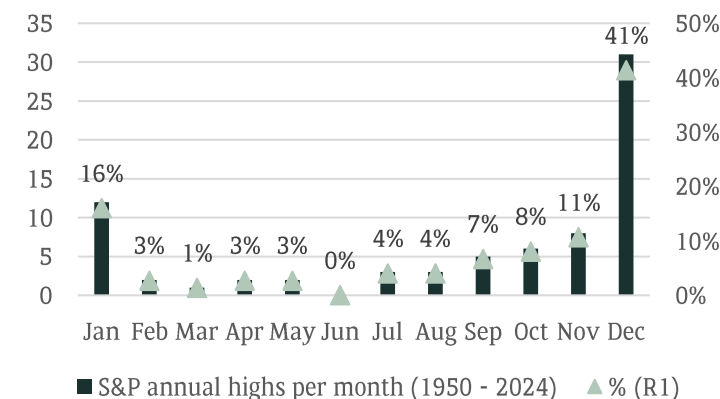


In this context, the healthcare sector has been the standout performer so far in November, a sector we have strongly advocated, particularly the more innovative segments such as biotechnology. We have identified these segments as undervalued, even when taking into account the risks associated with the new US healthcare policies, including tariffs and potential price reductions for certain medications. Furthermore, several promising R&D projects, as well as significant M&A deals, are providing additional support.

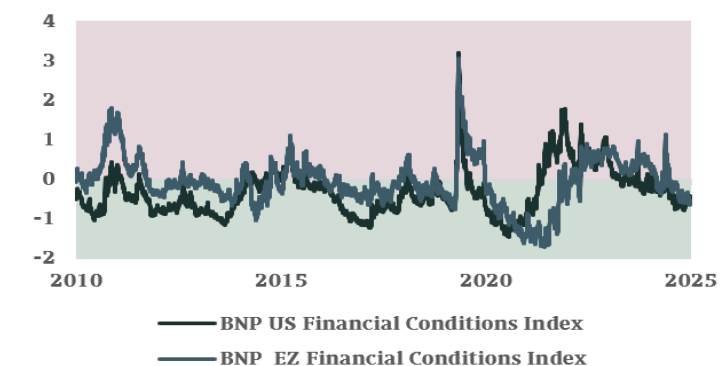


We have upgraded India from Neutral to Overweight due to supportive fiscal and monetary policies.

The market rarely peaks in October



Financial Conditions are still supportive



Source: BNP Paribas, Bloomberg



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Asian Equities view

ASIA COUNTRY PREFERENCE



COUNTRY

China

▲ India

Singapore

South Korea

Taiwan

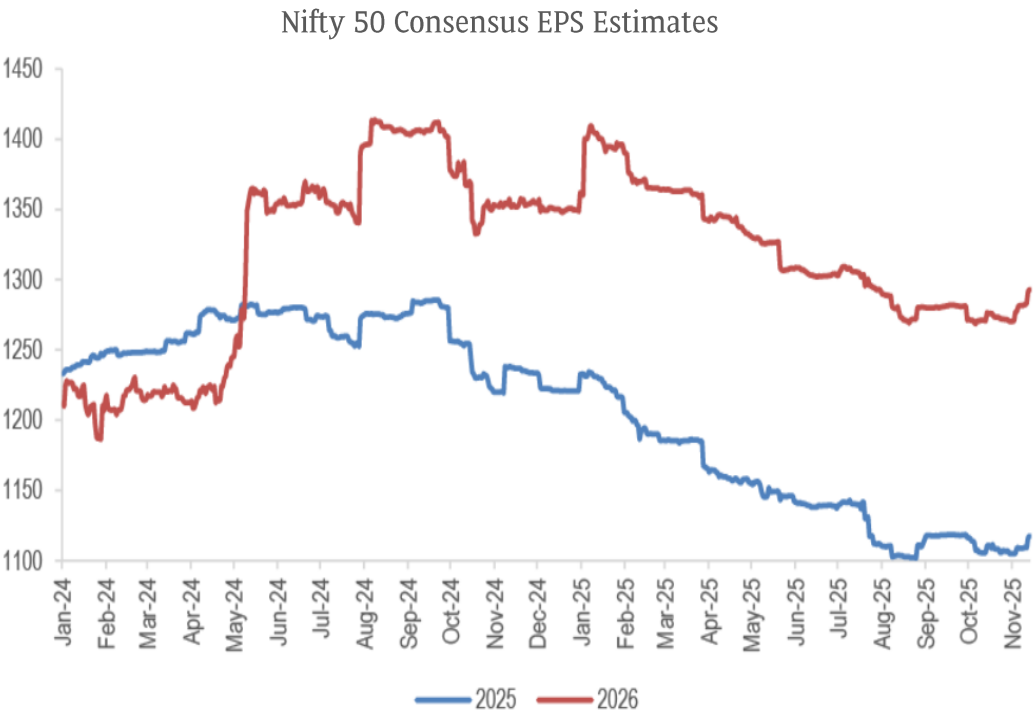
Indonesia

Thailand

- **We remain positive on China A-shares and Hong Kong/China H-shares.** Two consecutive down months provide a better opportunity for entry. A possible near-term catalyst could be fresh policy signals for 2026 at China's Central Economic Work Conference in December. There is still room for more upside, as i) Southbound inflows to Hong Kong continue and domestic A-shares' retail participation typically increases following strong performance; ii) more savings could potentially flow into equity markets; iii) valuations remain reasonable, and iv) AI optimism continues amid the AI/tech localisation theme and the "anti-involution" campaign to regulate food delivery platforms (implying earnings bottoming out). We continue to like the China tech sector and high dividend stocks in the HK/China financial and China telecom sectors.
- **Upgrade India to Overweight:** fiscal and monetary policies are now supportive of sentiment, growth, and earnings. Ongoing regulatory reforms are also improving the ease of doing business. Meanwhile, consumption continues to accelerate while the Capex story is evolving beyond traditional infrastructure. Earnings in India could grow by 12.5% over the next year. Even as valuations remain at a premium, the gap with EM has compressed to below the long-term average. A trade resolution between US and India could trigger a re-rating in the near term.

Upgrade India to Overweight

India: Nifty 50 EPS trajectory shows an uptick



Source: Bloomberg, JP Morgan, as at 26 November 2025



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Commodities



Commodities at a glance

Following their strong rally until October and a consolidation between mid-October and the end of November, precious metals recently resumed an upward trend, supported by increased expectations of Fed rate cuts and new geopolitical tensions surrounding Venezuela.

Industrial metals continue to rise, with a strong YTD performance for copper (+28%) and tin (+35%), followed by aluminium (+12%) and zinc (+10%). Iron ore and nickel remain lagging (only flat). Prices are supported by growing demand for energy transition, infrastructure and technological applications, combined with supply disruptions. Chinese dominance and supply controls have boosted prices for rare earth metals.

Oil prices: despite geopolitical tensions and sanctions, the oil price trend remains downwards, due to rising overproduction.

PRECIOUS METALS

=

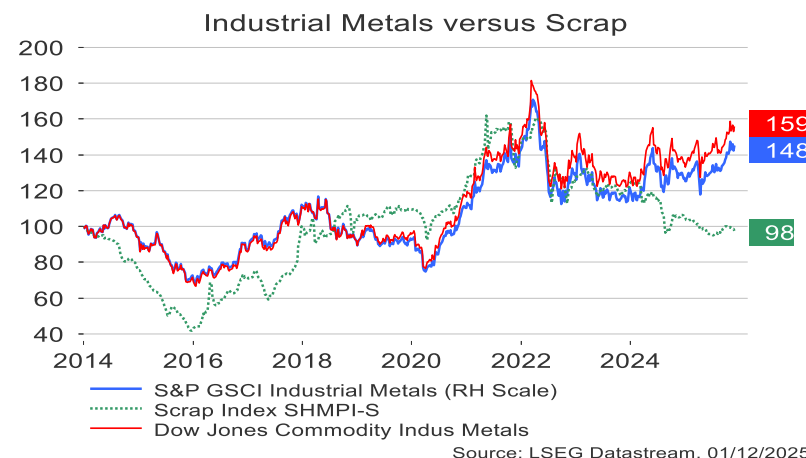
We maintain our Neutral view on precious metals in the short term after the huge year-to-date rally. Longer term, we think precious metals will remain supported by the flight to real assets/safe-haven investments in the context of de-dollarisation and high geopolitical and financial uncertainties. **We slightly increase our 12-month target for gold to USD 4,500 and for silver to USD 60.**



INDUSTRIAL METALS

+

We maintain our Positive view, as we expect the growing demand for infrastructure and energy transition to outpace expected supply growth. We have increased our 12-month target for copper (LME) to USD 13,000.



OIL

—

We maintain our Negative view for the next 3 to 6 months, with the Brent price likely to fall below USD 60, before returning to the USD 60-70 range by the end of 2026. We expect oversupply in the coming months due to OPEC+ production hikes, substantial non-OPEC supply growth, combined with limited demand growth.



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Our position for this month
Evolution of our position from last month

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Alternative Investments



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Alternative Investments

Last month, all strategies recorded a negative performance.

This year, performance has been positive overall, except for Macro. Long-Short Equity and Event Driven have been the best performers, while Macro still posts a negative performance.

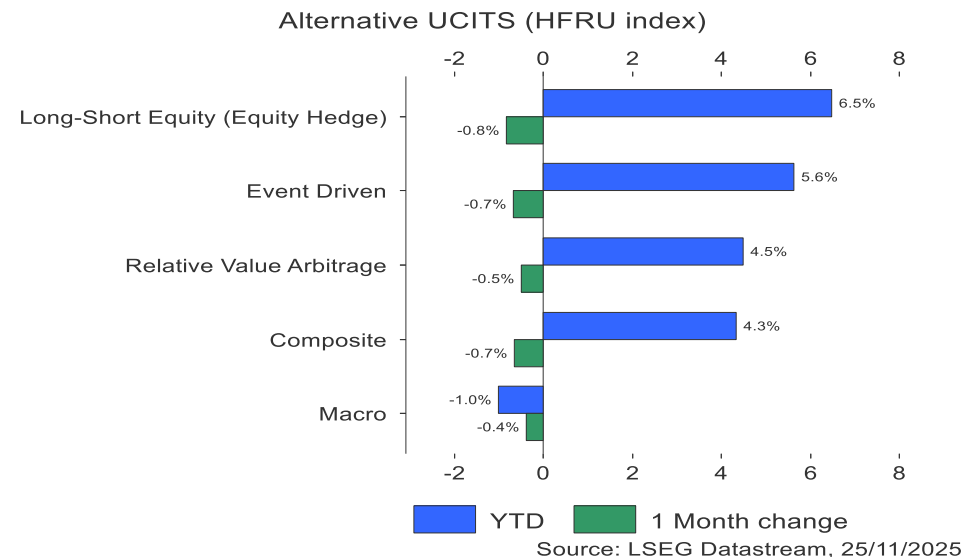
Positive opinion on Macro, Event Driven and Long-Short Equity.

Global Macro

- +** **Positive.** Despite global uncertainty, nimble macro managers have taken advantage of some clear outcomes (weaker dollar, curve steepening, etc.). Only macro managers are uniquely equipped to trade risk assets either long or short. Strategies mostly using futures & derivatives: provide “cash + alpha” returns, reducing the opportunity cost of holding cash.

Event Driven

- +** **Positive.** By the end of Q2, the deal volume started rebounding following relative clarity on tariffs. The value of announced US M&A is up 29% year-on-year, and the number of announced M&A transactions by 8% year-on-year. European corporate activity has been quite promising also. Under Trump’s “deal friendlier” appointed regulators, few M&A deals are now being challenged. The average IPO this year has returned 30% on its first day of trading.



Long/Short Equity

- +** **Positive.** Equity dispersion is high, between expensive and cheap stock: long and short stock-picking opportunities. Higher level of single stock volatility, resulting from tariff changes in particular, is positive for equity long-short active trading.

Relative Value

- =** **Neutral.** Corporate credit dispersion remains muted under well-bid-for credit markets in the search for yield, and with lower interest rates benefitting most issuers, including weaker ones, as long as the economy does not decelerate too much. Convertible bond arbitrage benefits from increased issuance, single stock volatility, and refinancing/liability management. Government bond relative value arbitrage benefits from diverging monetary policies & debt burden stress.



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