DECEMBER 2025

Equity Focus
Arrivederci, GINO

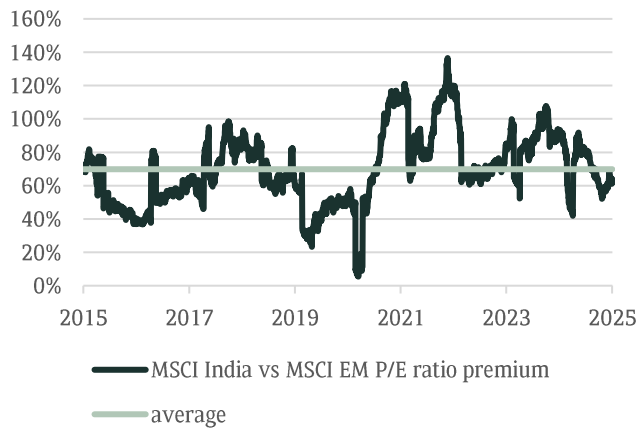
Summary

1. Arrivederci, GINO! The most common type of portfolio among equity investors is the GINO-portfolio as their allocation is Global In Name Only. We feel it´s time to wave goodbye to GINO and start rebuilding a truly global portfolio
2. What (not) to buy in Europe – We reiterate our neutral call on Europe as it will be a European equity market of two speeds: We like locally focused companies benefitting from efforts to enhance European autonomy while we keep avoiding the pockets of the market with too much US (Dollar) exposure. European SMIDs look particularly cheap.
3. Southern Momentum – Fitting our overweight call on Emerging Markets, we discuss the positive political backdrop in Latin America and why Mexican Equities are attractive again
4. Upgrading India to Overweight- India has underperformed the rest of the world this year. We expect to see India to catch up next year. There are some signals of a turnaround in economic and earnings momentum which was shown by strong Q3 results. Valuations against EM peers have normalized (Chart 1), making it a compelling case given the strong fundamental backdrop.
5. Sectors - No changes : In both the US and European regions, we consider it sound (and bullish !) to observe a certain sector rotation, with interestingly Health care and Utilities having led the last few months, while other 2025 underperforming sectors are also trying to recover.

Contents

Arrivederci, GINO	2
What (not) to buy in Europe	4
Southern Momentum	7
US & Europe Sector allocation & review	9
Healthcare, best sector in October-November	10
European and US Sectors in a nutshell	11
Valuations	12
Key Convictions, Eco & FX tables, Team	13
Disclaimer	14

CHART 1: INDIAN EQUITIES ARE LOOKING ATTRACTIVE AFTER THE DE-RATING



Source: BNP Paribas, Bloomberg

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Arrivederci, GINO!

***"This land may be profitable to those that will adventure it"* (Henry Hudson)**

Most investors are well aware that diversification is – as the famous quote goes – the only free lunch in the market. And yet, either consciously or unconsciously, the most common type of portfolio among equity investors is the GINO-portfolio as their allocation is Global In Name Only. In fact, many are likely holding portfolios that have grown highly concentrated in terms of country (US), sector (Tech), and individual stock (US Mega Cap) exposures. That reflects the evolution of the global equity market portfolio, which now could pass for a U.S. large-cap core supplemented by regional satellite allocations.

The share of US companies within global indices, based on total market capitalization, has recently hit a new record, climbing above 50% (Chart 2). Looking at the share of US equities with the MSCI World, the reading is even more extreme, reaching almost 70%. Out of every dollar invested within the MSCI World today, 25.4% go to only 7 US companies which are all tied to AI.

While this rise in dominance has been supported by superior earnings growth so far, relative profitability recently started to lag (Chart 2). Obviously, the jury is still out whether this is a change in trend or just a pause, it should be closely monitored by investors. This is even more true as valuations for the S&P 500 remain demanding (Chart 3). We remain neutral on US equities.

Nothing can last forever

We don´t see an imminent AI bubble for a variety of reasons. Firstly, price action itself is not a sufficient condition for a bubble as otherwise, European banks or defence stocks would be in a bubble as well, given that both outperformed the Magnificent 7 since 2021 (Chart 4). Secondly, bubbles are usually fueled solely by speculations about tremendous future profit potential. This is clearly not the case today as the strong earnings growth of US mega caps is showing.

With the same degree of confidence that there is no AI bubble (yet?), we simultaneously acknowledge that it is too early to call the winners in the current AI arms race. As the recent successful launch of Gemini 3 shows, market leadership is often only a snapshot (Chart 5). We thus stick to our long-held view that selectivity is key among US hyperscalers. We continue to prefer receivers of CAPEX over spenders. Keep in mind that next year is bringing another tailwind: businesses can immediately deduct capital expenses due to the OBBBA* (Chart 6).. Those areas include, among others, the data center ecosystem, energy solutions and related commodities.

A surprisingly resilient index

As we highlighted previously, *"the odds are clearly stacked against the return prospects of a market characterized by a high concentration and valuation"*. Interestingly though, the S&P500 fared reasonably well this year (+17%) despite 5 of the Mag 7 underperforming the index (Chart 7). The resilience of the US economy and ongoing rate cuts helped to broaden the move with more traditional cyclicals starting to perform (Chart 8). Our preferred way to position in the US remains the S&P100 equal weight (FX hedged for non-USD investors). Most importantly though, we feel it´s time to wave goodbye to GINO and start rebuilding a truly global portfolio. We present some potential targets on the following pages.

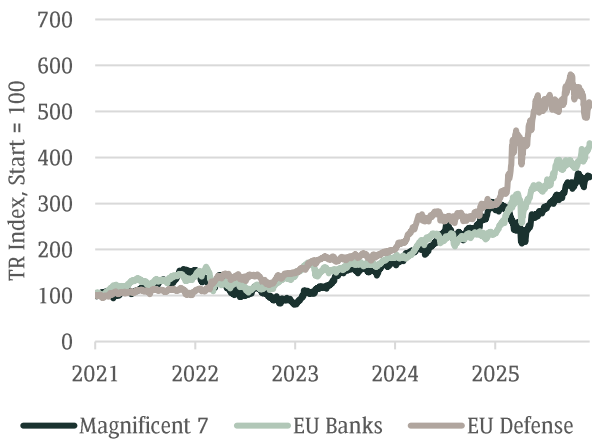
CHART 2: US EQUITIES DOMINATE THE WORLD BUT EARNINGS SUPPORT FADES

Source: BNP Paribas, Bloomberg

CHART 3: THE VALUATION OF THE S&P 500 IS CLOSE TO RECORD HIGHS

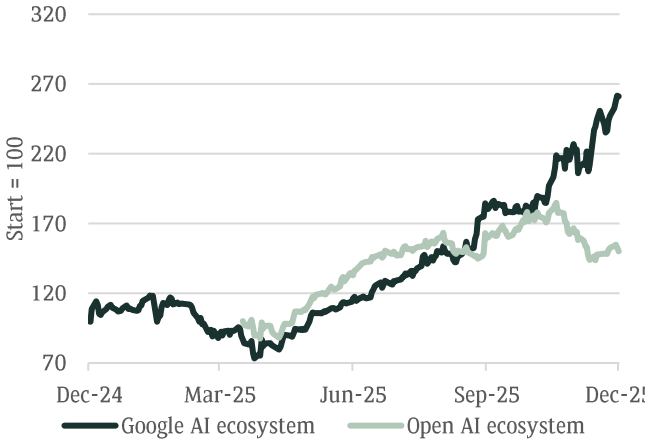
Source: BNP Paribas, Bloomberg
**OBBBA = One Big Beautiful Bill Act*

CHART 4: EU BANKS AND DEFENCE HAVE OUTPERFORMED THE MAG 7



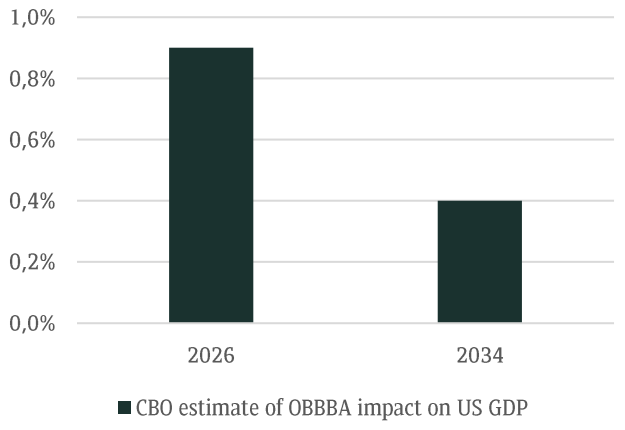
Source: BNP Paribas, Bloomberg

CHART 5: MARKET LEADERSHIP AMONG AI ECOSYSTEMS HAS CHANGED



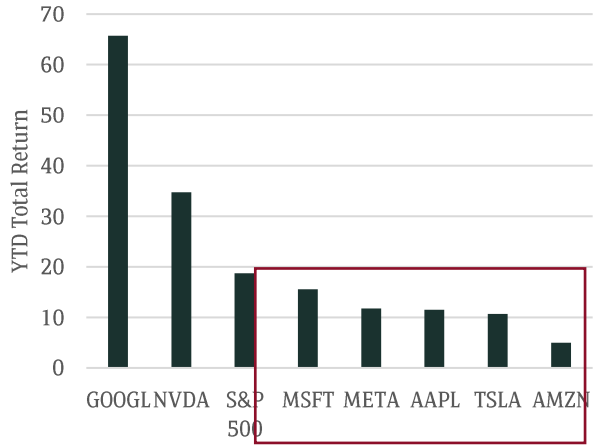
Source: BNP Paribas, Bloomberg

CHART 6: THE OBBBA COULD HAVE A MEANINGFUL IMPACT ON GDP GROWTH



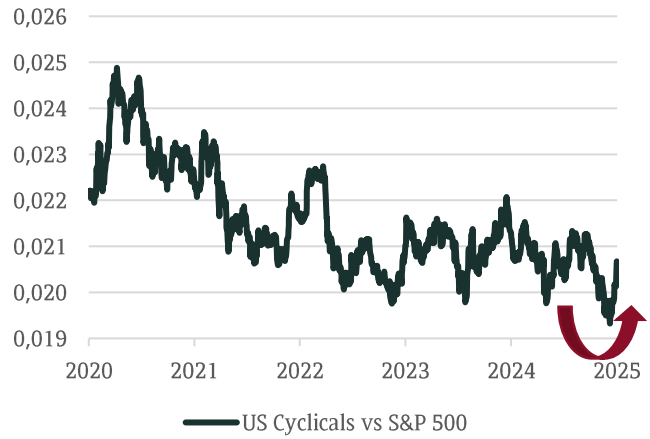
Source: BNP Paribas, CBO

CHART 7: S&P 500 IS POSTING HEALTHY GAINS DESPITE LAGGING MEGA CAPS



Source: BNP Paribas, Bloomberg

CHART 8: US CYCLICALS START TO PERFORM AS THE MOVE BROADENS



Source: BNP Paribas, Bloomberg

What (not) to buy in Europe

***"Europe will only have consciousness and strength in unity"* (Jean Monnet)**

It looks as if the „Zeitenwende" for Europe only got bigger as the transatlantic relationship seems to be at the brink of extinction. The latest U.S. National Security Strategy signals a fundamental shift in Washington's approach, confirming European concerns voiced since Vice President JD Vance's remarks in Munich earlier this year. The document frames a strong, unified European Union less as a strategic partner and more as a challenge to be managed. It even talks openly about "cultivating resistance to Europe's current trajectory within European nations". Moreover, the strategy references Europe twice as often as China—America's primary strategic competitor—underscoring the depth of this recalibration. This pivot is further highlighted by the Kremlin's endorsement of the policy, a development that raises questions about the future alignment between Europe and the USA.

It is noteworthy that this document was released after an EU fine on X social media under the Digital Services Act. The odds seem to be rising that the US will view these developments as discriminatory or targeted towards US multinationals. An outcome which increases the likelihood of Section 899 countermeasures reemerging. This represents an additional headwind to European companies with significant US (Dollar) exposure. We have already cautioned against too much optimism for European earnings growth as this cohort will face another year of FX headwinds. The perception of a higher likelihood of retaliatory measures under Section 899 would increase this effect (Chart 9). We thus reiterate our neutral call on Europe as it will be a European equity market of two speeds: We like domestically-focused companies benefitting from efforts to enhance European autonomy while we keep avoiding the pockets of the market with too much US (Dollar) exposure.

European Defence reporting for (performance) duty

The European Defence sector has demonstrated one of the most consistent seasonal performance patterns in recent years. Since Russia's full-scale invasion in 2022, 70–100% of annual returns have been concentrated in Q1, with rallies ranging from +25% to +70% per annum (Chart 10). Momentum typically begins building late in December and accelerates through the first quarter, making this period critical for positioning.

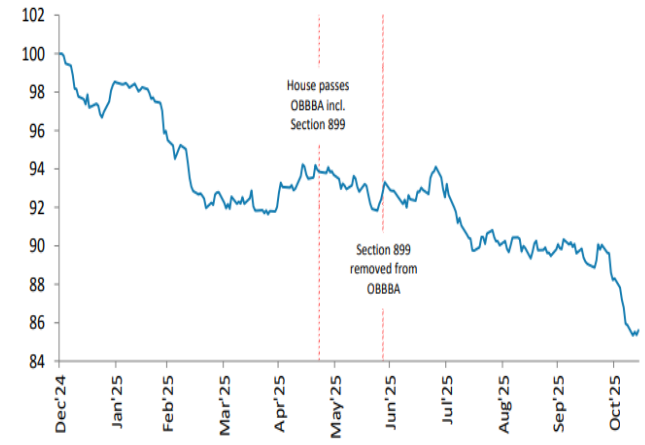
This seasonality is supported by several fundamental tailwinds. The latest U.S. National Security Strategy and related commentary underscore Europe's need to assume greater responsibility for its own defence. Reports suggest the Pentagon expects Europe to take over most of NATO's conventional capabilities by 2027.

EU leaders meet on December 18–19 to potentially approve a "reparations loan" funded by Russian frozen assets. Meanwhile, Germany is set to authorize EUR 52bn across 29 procurement contracts, signaling robust demand ahead.

Following the recent pullback, the sector trades at 24.7 N12M P/E, the bottom of its post-NATO range. Looking at the next 24 months, valuations drop to 20.5x P/E (Chart 11), which looks reasonably cheap given the structural growth outlook.

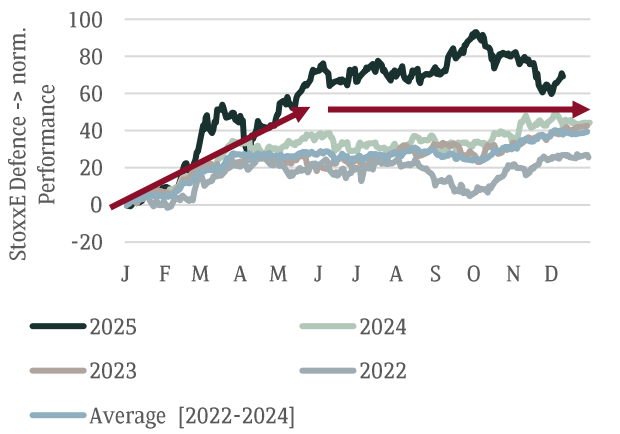
Positioning seems to be favorable, too. According to

CHART 9: TOP 50 SECTION-899 EXPOSED EU STOCKS RELATIVE TO MSCI EUROPE



Source: MSCI, Factset, Morgan Stanley Research

CHART 10: EUROPEAN DEFENCE WITH A STRONG SEASONAL TAILWIND



Source: BNP Paribas, Bloomberg

Data from Morgan Stanley, despite easing ESG restrictions, 56% of global long-only funds have zero exposure to European Defence. This leaves significant room for incremental flows. Equally interesting: 43% of investors recently polled during an analyst call indicated that they would see the sectors fair value between 15 - 20x N24M P/E Ratio (Chart 12), a level the sector approached again.

Due to this constructive backdrop, the sector starts to look attractive again. We think that any further weakness represents an attractive opportunity for investors to engage.

European Small Caps on sale

It has been another disappointing year for investors in European small and mid cap stocks. While there have been some pockets of outperformance, the broader indices underperformed large caps again this year (Chart 13). Many investors seem to struggle to build an investment case for this market segment. Given the increased focus on domestic investments in Germany and elsewhere, we think this might be a mistake as European Small and Mid Caps offer a compelling set of features which should be too good to ignore.

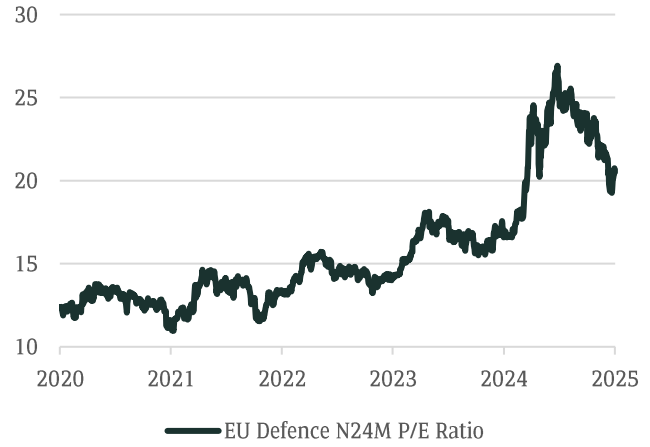
Firstly, the relative valuations of EU Small & Mid caps are at 20Y lows vs large caps (Chart 14). In absolute terms, they have only been cheaper ~ 35% of the time in the last 10Y (Chart 15), one of the few markets left screening that cheap vs their own history. This is driven by 12M forward earnings at record highs. (Chart 16).

Secondly, Small and Mid Caps offer a higher dispersion with fatter tails, especially on the upside. Even despite small caps underperforming large caps in the last decade, on average there have been 2x as many small cap stocks rising 50%+ in a year over the last 10Y (Chart 17). This makes it especially interesting for stock pickers.

Thirdly, the cohort is experiencing high M&A activities. While the activity within Large Caps is still muted, there have been a decent number of deals taking place this year in Europe again (Chart 18). Given the low valuations, we think this trend is likely to continue.

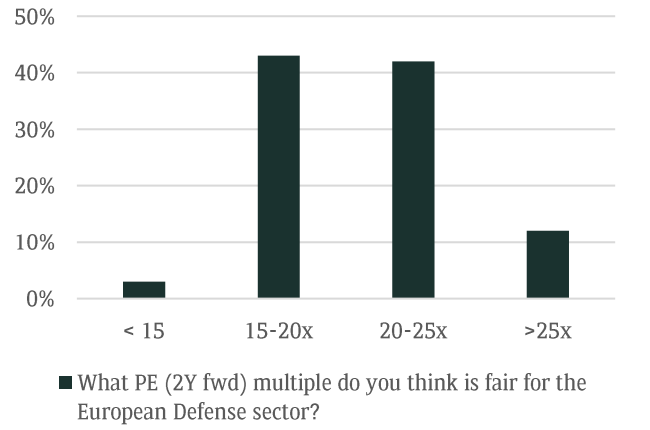
We see European Small and Mid Caps as a vital part of an allocation into European stocks, due to the reasons presented above and because they fit into our preference for more domestically geared exposure in Europe.

CHART 11: THE VALUATION OF EUROPEAN DEFENCE HAS FALLEN SIGNIFICANTLY



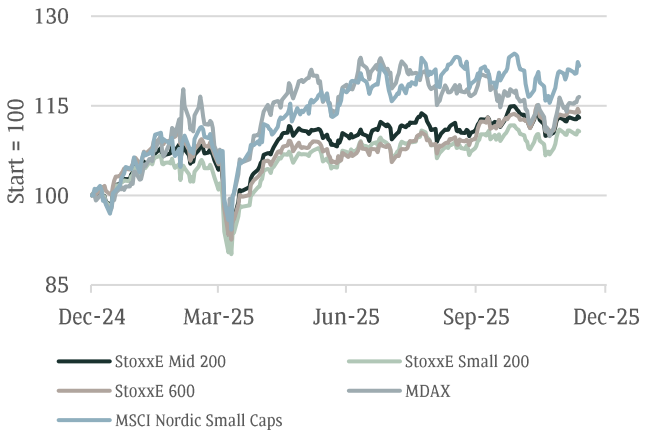
Source: BNP Paribas, Bloomberg

CHART 12: A RECENT INVESTOR POLLING ABOUT WHICH LEVEL LOOKS ATTRACTIVE



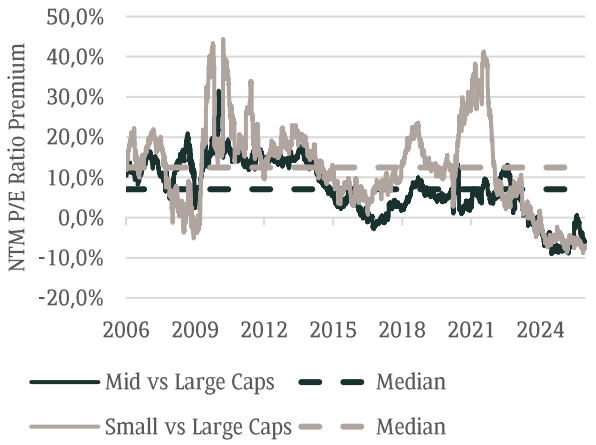
Source: BNP Paribas, Morgan Stanley

CHART 13: ON A BROADER SCALE, EU SMIDS UNDERPERFORMED YTD



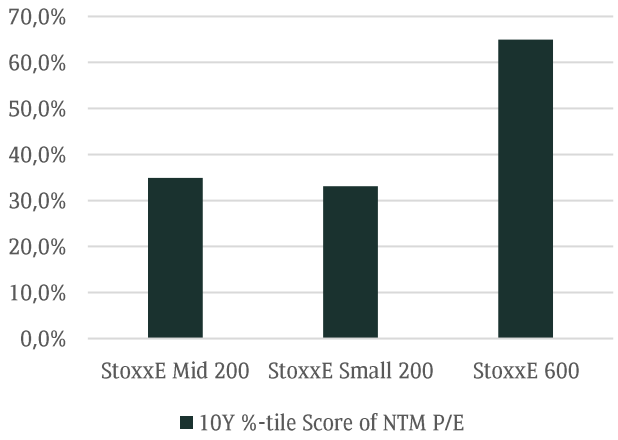
Source: BNP Paribas, Bloomberg

CHART 14: EU SMID VALUATIONS ARE AT RECORD DISCOUNTS TO LARGE CAPS



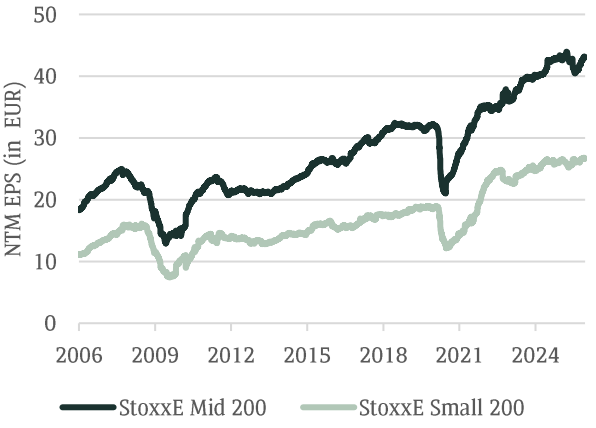
Source: BNP Paribas, Bloomberg

CHART 15: ON AN ABSOLUTE BASIS, EU SMIDS SCREEN CHEAP AS WELL



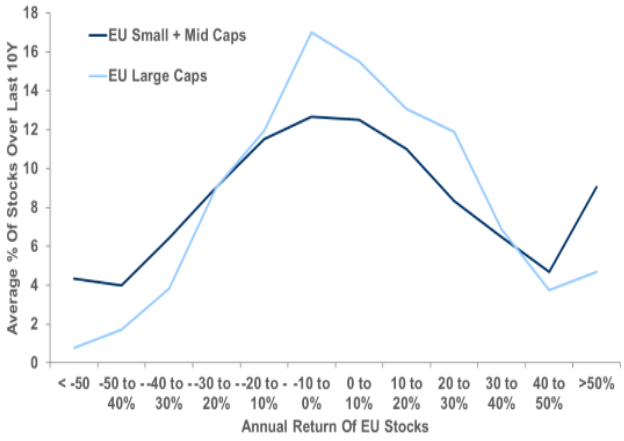
Source: BNP Paribas, Bloomberg

CHART 16: NTM SMID EPS ARE AT RECORD HIGHS



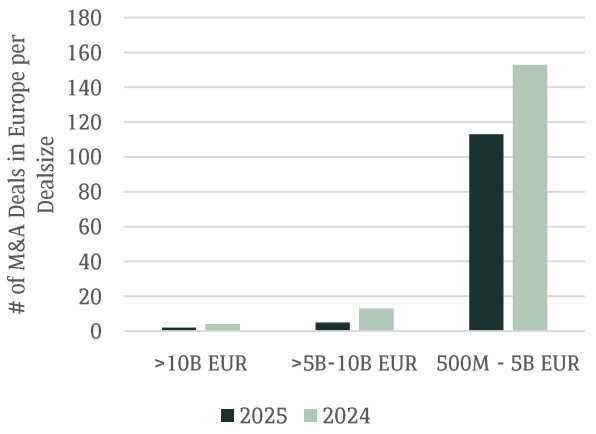
Source: BNP Paribas, Bloomberg

CHART 17: EUROPEAN SMIDS HAVE FATTER TAILS THAN THEIR LARGE CAPS PEERS



Source: BNP Paribas, Morgan Stanley

CHART 18: M&A ACTIVITY IN THE EUROPEAN SMID-SPACE REMAINS HEALTHY



Source: BNP Paribas, Bloomberg

Southern Momentum

***"If he* [Argentinian President Milei] *loses, we are not going to be generous with Argentina"* (D. Trump)**

Argentina's President Javier Milei has led his party to a landslide victory in October´s midterm elections, after defining the first two years of his presidency with radical spending cuts and free-market reforms. That´s an outcome heavily endorsed by the USA which provided substantial fiscal support and committed to deepen economic ties with the south American country.

We think this move should be understood in the wake of the new National Security Strategy, which claims "to restore American preeminence in the Western Hemisphere". As such, if Argentina is successful under Milei, a set of pro-market best practices will likely follow in the rest of the continent.

In Chile, José Antonio Kast, a far right-leaning candidate has defeated Communist contender Jeannette Jara this month. This signals the end of Chile's four-year left-wing experiment under President Gabriel Boric. Meanwhile in Peru, the frontrunner for the April 2026 election is Rafael López Aliaga, the center-right Mayor of Lima. These developments suggest that two key Andean economies may be shifting toward pro-market, center-right policies.

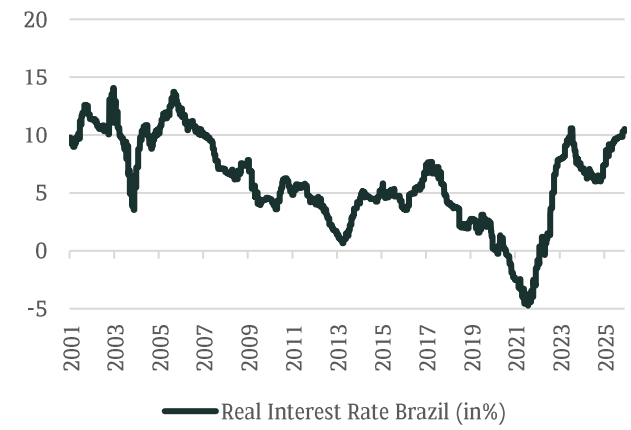
If Argentina's turnaround motivates Chile and Peru to pursue pro-market policies, Brazil could also see a shift toward a more market friendly leadership. Although the election is still eleven months away and socialist President Lula da Silva currently leads, growing momentum for reformist candidates could influence Brazil's outcome—especially if developments in Chile and Peru mirror Argentina's trajectory. This would represent a positive surprise for equity markets within the region and could provide further tailwinds beyond the exposure to commodities and falling (real) yields, the latter being especially true for Brazil, which still suffers from very high real rates (Chart 19). A weaker dollar should provide much needed room for the Brazilian central bank to cut rates. We expect the main policy rate to fall from 15% to 11% in 2027.

Viva el Mexico

Mexico enjoys a special situation among Latin American economies, benefitting from a unique set of tailwinds. The Central Bank of Mexico will continue to cut rates over the next 12 to 18 months as inflationary pressures are largely dispelled. We expect inflation to cool to 3,6% until 2027 (vs 3,8% in 2025) allowing for 3 more rate cuts. Meanwhile, GDP growth is expected to accelerate from 0,5% in 2025 to 1,7% in 2027. The combination of easy monetary and slightly tight fiscal policies will lead to marginally improving domestic demand growth over the next 12 months. The business climate might eventually respond positively to this, following a decline since 2023 (Chart 20).

Mexican equities offer significant value versus the S&P 500. The relative equity ratio is close to its 1999 bottom, and valuations screen inexpensive, both against the S&P 500 and EM peers (Charts 21 – 23). Notably, the last time a US tech bubble burst in 2000, the relative equity ratio was at the same level as today, and Mexican stock prices outperformed during the S&P 500 bear market. This time could be similar, as the Mexican bourse does not have tech stocks that could crash in the event of a global risk-off episode.

CHART 19: BRAZIL STILL SUFFERS FROM VERY HIGH REAL INTEREST RATES



Source: BNP Paribas, Bloomberg

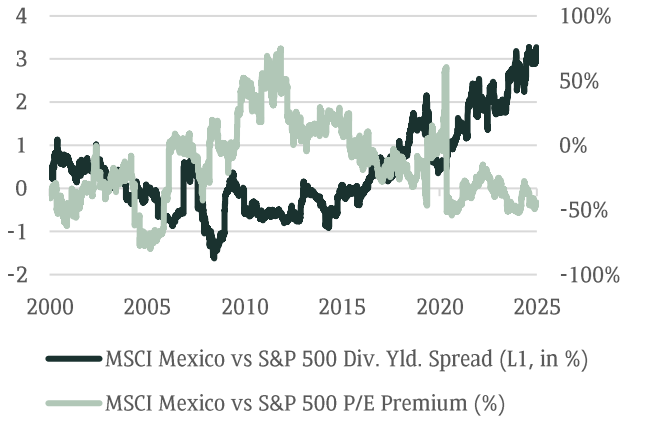
CHART 20: THE MEXICAN BUSINESS CLIMATE MIGHT EVENTUALLY IMPROVE

Source: BNP Paribas, Bloomberg

Thus, Mexico is a way to play a solid US economic growth without taking AI risk. Moreover, in a recessionary backdrop, inflation will fall faster, allowing for more rates cuts than expected, supporting equities.

Finally, the upcoming re-negotiation of the USMCA free trade agreement next year could yield some positive surprises. Should D. Trump's approval ratings keep as low as they are, especially on economic topics, the internal pressure from within his party could prevent major changes, disadvantageous to an economy, which currently is the second biggest relative winner from Trump´s tariffs.

CHART 22: MEXICAN STOCKS SCREEN ATTRACTIVE VS THE S&P 500

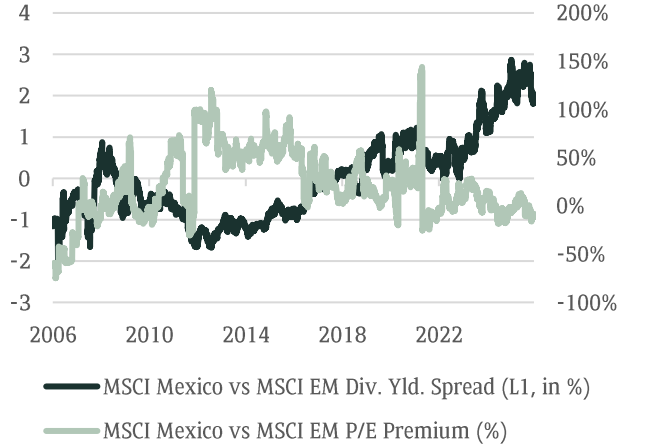


Source: BNP Paribas, Bloomberg

CHART 21: MEXICAN STOCKS ARE CLOSE TO THEIR RELATIVE RECORD LOW VS THE S&P

Source: BNP Paribas, Bloomberg

CHART 23: THE SAME IS TRUE WHEN COMPARED TO EM PEERS



Source: BNP Paribas, Bloomberg

US and Europe Sector allocation & review

No change this month

US equity markets were volatile in November after several very good months, with the S&P 500 recording an almost last-minute micro-gain of +0,1% on the month.

Next to the question whether the Fed will cut rates in December, new doubts have hit the AI sphere: Alphabet released on the 14th of November its Gemini 3 system, running on its TPU chips, a new competitor to Nvidia in some LLM applications. Pessimists say that Gemini 3 questions once again the profitability of the huge OpenAI/ ChatGPT/ GPU related capex spending plans. At contrary, optimists think that considering current bottlenecks, the new system will accelerate AI adoption and applications, which should benefit all. The jury is out. Like for many AI related questions, the full answer might take time to come.

In the meantime, Alphabet's ecosystem and its sector (Communications services), strongly outperformed in November whereas OpenAI's key related companies such as Nvidia or Microsoft (which belong to the IT sector) underperformed. **We recommend to diversify AI investments and to look at to the most obvious bottlenecks such as power and grid.**

Our key global sector recommendations remain energy infrastructure, utilities and innovative industries that should quickly profit from AI, such as the biotech industry and other innovative health care companies. The equity market is recognizing this: US Health care was the best sector in November: +9,1%.

Year to date, the worse performers are consumption-related sectors. The consumer staples sector (UW) still doesn't look attractive due to its subdued growth and rising criticism against unhealthy food providers. At best, be very selective within these sectors.

European equity indices also slightly rose in November. The Stoxx 600 index increased by +0,8%. **Health care was also the top performer, but with a more modest +5%,** compared with +9,1% in the US (Eli Lilly, a new member of the 1 trillion USD market cap's 'club', gained +25% in November!).

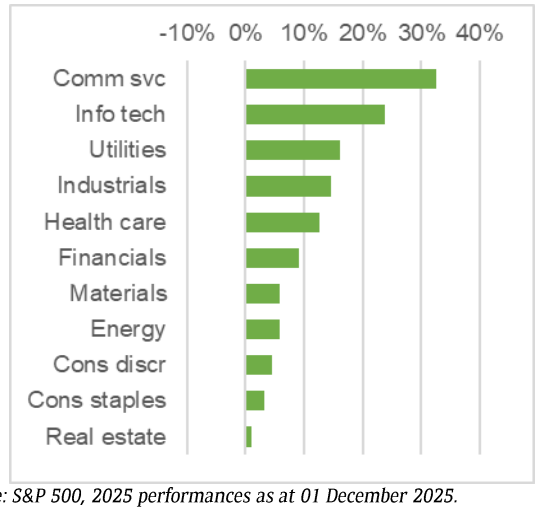
Banks, Insurance and some infrastructure related sectors did well after a consolidation in October. Utilities, basic resources and energy (mainly the equipment segment) keep rising as investors realize power and infrastructure needs will be enormous in the years to come to run AI and to enhance the European energy independence.

Industrials and Technology were the worse sectors in Europe in November. Some key results turned out to be short of expectations among industrials, particularly at key electrification related companies. There is some sort of **market frustration that infrastructure development is not happening fast enough in Europe. We believe it should accelerate in 2026, and the current pullback looks like a buying opportunity.**

Europe is lagging in AI development, and some major European SaaS (Software as a Service) companies could lose market share to AI. On top of that, other tech companies are facing challenges, for instance, in the 'traditional' analog chips business. Funds have probably left Europe to re(al)locate in US AI technology. However, several analog chips companies are now strongly rebounding.

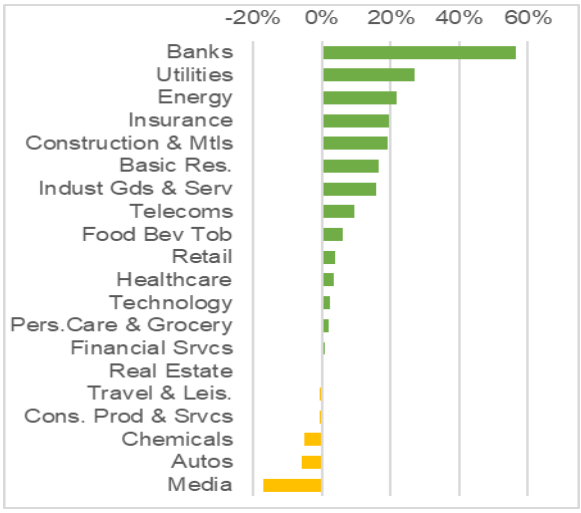
In both the US and European regions, we consider it sound (and bullish !) to observe a certain sector rotation, with interestingly Health care and Utilities having led the last few months, while other 2025 underperforming sectors are also trying to recover.

CHART 24: US SECTOR PERFORMANCE YTD: AI RELATED SECTORS LEADING; REAL ESTATE AND CONSUMPTION SECTORS LAGGING.



Source: S&P 500, 2025 performances as at 01 December 2025.

CHART 25: EU SECTOR PERFORMANCE YTD: FINANCIALS AND INFRASTRUCTURE RELATED AHEAD; SOME EXPORTERS STILL IN THE RED.



Source: Stoxx600, 2025 performances as at 01 December 2025.

Health Care (overweight)

Best sector in October-November

The beginning of 2025 was complicated for the health care sector. The new US administration spooked investors with its willingness to lower medication prices in the US, with some reshuffles at the head of key health care departments and then, with the tariffs' announcement in April.

We repeated several times that these concerns looked exaggerated to us. We nonetheless admitted that the prices of some medicines looked abusive in the US and that some prices should go down. And it has been happening for some older medicines, giving some 'political victories' to the Trump's administration. Also, some intermediaries are facing big troubles as having abused the system, cf. the legal case against UnitedHealth Group. But we did not expect a major reshuffle of the health care system as this industry is strategic and 'vital'. The US does want to perturbate its well functioning at a time competition is getting fiercer with the Chinese health care industry, whereas the US also heavily depends on supplies coming from China. Anyway, any major reshuffle would take years to be finalized and would need the US Congress' approval.

In May, we reiterated our positive views on health care as relative valuations had rarely been so attractive, even when taking into account the 2-3 percentage points hit to earnings growth that could be expected from the above policies. The market priced almost 0% earnings growth in the US. But analysts' expectations (and ours) still go for almost +10% (driven by Eli Lilly's strong results and perspectives). Europe has suffered more due to a heavier tariffs impact, the strong euro and the negative news flow from one of her bellwether, Novo Nordisk. Nonetheless, the forward earnings growth estimate is still +8,3% for the European health care sector.

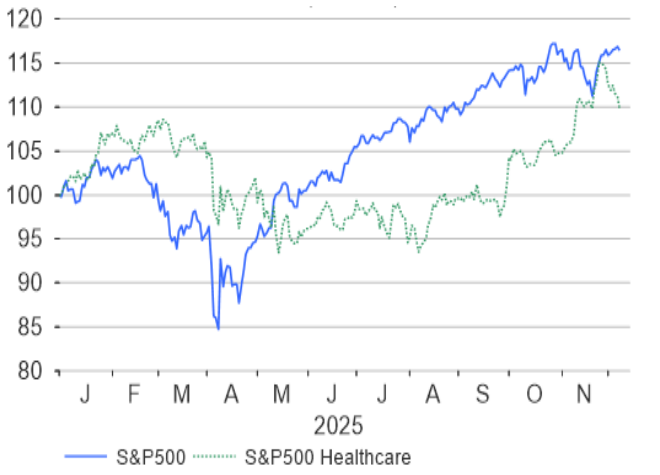
Remember as well that over the Summer, the market was still very excited by the good earnings releases and momentum in AI, so that health care remained aside.

Only late September came a major catalyst: Pfizer reached an agreement with the US administration: Essentially, the latter agreed not to impose tariffs for three years, provided that the company invests in the US (in Pfizer's case, USD 70 billion was mentioned). Additionally, the agreement includes lowering the prices of certain medicines and aligning the pricing of new therapies with those of the 'most-favored-nation' clause. This agreement is serving as a blueprint for other deals with major pharmaceutical companies. A similar deal has for instance been reached with Astra Zeneca.

Most recently, the US administration has also reached a new trade agreement with Switzerland, providing further relief to its key healthcare sector.

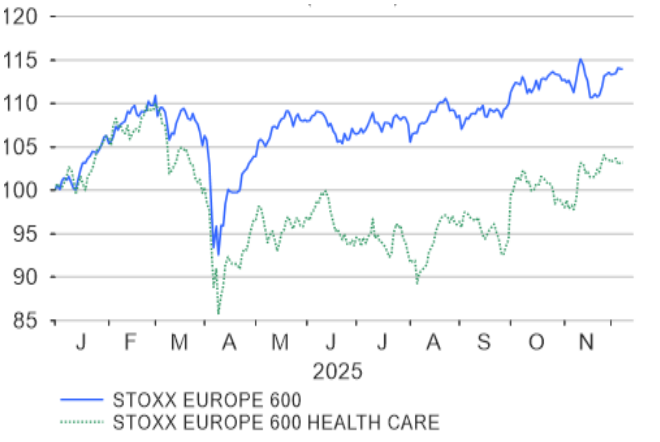
In this context, we continue to favor innovative segments, biotechnologies in particular. Moreover, a wave of M&A activity is providing additional support to this industry.

CHART 26: US HEALTH CARE INDEX - RELATIVE PERFORMANCE YTD AGAINST S&P 500 (BASE 100)



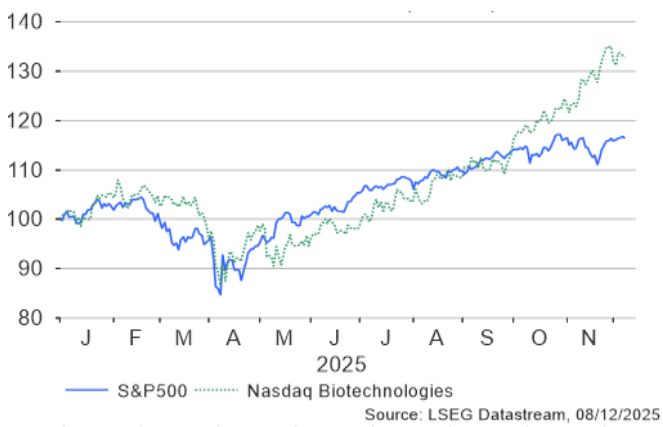
Source: LSEG Datastream, 08/12/2025

CHART 27: EU HEALTH CARE INDEX - RELATIVE PERFORMANCE YTD AGAINST STOXX 600 (BASE 100)



Source: LSEG Datastream, 08/12/2025

CHART 28: NASDAQ BIOTECH INDEX - RELATIVE PERFORMANCE YTD AGAINST S&P 500 (BASE 100)



Source: LSEG Datastream, 08/12/2025

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View UW	N	OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	56,39%	42,89%	**Attractive valuations despite great performance the last few years**. Balance sheets are solid and should withstand the current uncertainties. European infrastructures/ defense plans create new funding opportunities.
Financial Services			X	0,90%	-12,60%	**Improving capital markets activity and expected deregulation offer support,** especially to exchanges and private markets. Stay selective among asset managers due to challenges from the active to passive shift.
Health Care			X	3,60%	-9,90%	**Defensive compounder with attractive valuations.** This sector should be a key AI beneficiary: expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: weakening USD, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.**
Industrial Goods & Services			X	15,82%	2,32%	**A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/ nearshoring, and electrification although short term, there are some market frustrations that these investments are a bit slow to translate in new earnings.**
Utilities			X	26,95%	13,45%	**European infrastructure spending and energy independence willingness are supporting whereas (green and AI-related) power demand continues to grow.**
Basic Resources		X		16,52%	3,02%	The sector in Europe has the highest correlation to China due to the high revenue exposure (~ 36%). Next to **names exposed to energy transition & precious metals, look at some industrial metals now recovering.**
Chemicals		X		-5,29%	-18,79%	The sector should profit from EU **infrastructure plans**, lower energy prices, as well as from some end markets revivals. **Strong competition from China, overcapacity and tariffs (+ related uncertainties) hurting.**
Construction Materials		X		19,21%	5,71%	**(German) infrastructure spending has been a key catalyst but it seems priced in now.** Rebuilding Ukraine theme still distant. Heavy side names might benefit from US-China tariffs as they produce locally.
Cons. Products and Services		X		-0,71%	-14,21%	**Despite higher consumption in Europe, the sector suffers from tariffs and from the strong euro.** Chinese consumption still sluggish. Globally, some high end markets doing well. Be selective.
Insurance		X		19,56%	6,06%	Solid and rather defensive sector that has strongly outperformed in 2024 and in H1 2025. **Cash returns attractive but European insurance now looks fully priced** at an avg fwd P/E of about 12. Be selective.
Real Estate		X		-0,08%	-13,58%	Defensive sector potentially hit by new European expansionary budgets but **relatively insulated from the current trade war.** Logistics and data center enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		3,97%	-9,53%	The sector has now found some capital discipline allowing for cash distribution. However, tariffs now putting pressure on margins as imported goods are becoming more expensive.
Technology		X		2,20%	-11,30%	**AI exposed companies outperforming whereas some software & services are facing the risk of business loss to AI.** Subdued performance at tech/ semis related to autos, industrials and those exposed to China.
Telecommunications		X		9,37%	-4,13%	Despite weak top line growth, the industry's **falling capital intensity** driven by the fibre cycle & the sector's **free M&A option** are supporting performance.
Auto & Parts	X			-5,72%	-19,22%	Automotives still weak due to rising competition with China, high EV investment costs, excess inventories, and bad pricing. **Trade tensions have created further complications.**
Energy	X			21,79%	8,29%	Oversupply & new US administration policies are capping the upside in oil related. Saudi now flooding the market with more oil. We prefer renewables and infrastructure related names.
Food, Bev and Tobacco	X			6,23%	-7,27%	**Valuations still high compared with the rest of the market and considering the sluggish earnings growth of the sector.** Lack of upside catalysts except for its defensive profile. **Favour 'self help' stories.**
Media Price EUR	X			-16,97%	-30,47%	AI full impact on business models still unclear. **Meta Platforms another threat** as entering many (European) media businesses and grabbing more and more ads business/ market share.
Personal Care	X			1,97%	-11,53%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive.** Lack of upside catalysts.
Travel & Leisure	X			-0,51%	-14,01%	Lower oil prices a support but **high competition and capacity expansion putting pressure on margins.**

Sector (S&P 500 Level 1)	View UW	N	OW	YTD	Out/ underperf. vs index	Our view at a glance
Health Care			X	12,55%	-3,28%	**Defensive compounder with solid earnings in a structually growing market** (e.g. demographics, obesity etc). AI to bring more efficiency gains. Further deregulation could bring extra support. Negotiations with the US administration (lower drug prices, etc) look more constructive now.
Utilities			X	16,22%	0,39%	**Growth in power demand should remain solid due to AI tailwinds & electrification.** EPS growth expectations accelerating. **Accumulate.**
Communication Services		X		32,48%	16,65%	The sector is **dominated by 2 mega tech companies having recently considerably re-rated**. The rest of the sector is not cheap either. Be selective.
Consumer Discretionary		X		4,61%	-11,22%	The sector is **dominated by 2 expensive mega tech companies, facing various issues**. However, their strong exposure to AI, automation and robotics keeps attracting interest. Other names in the sector could profit from a relatively resilient discretionary consumption in the US.
Financials		X		9,14%	-6,69%	**Profits and balance sheets quite solid but the sector looks fully priced. Deregulation a strong support now.**
Industrials		X		14,65%	-1,18%	Re-shoring and US reindustrialization are supposed to be major tailwinds but lots of good news look priced in.
Information Technology		X		23,75%	7,92%	**Trading at heavy premium** vs the market. Despite rising worries of AI-related overinvestments & possibly of disappointing ROIs to come, the market remains very optimistic about AI monetisation. Strong earnings growth has been supportive. Some sub-sectors such as SaaS are however at risk of losing business to AI. Not all Mega tech names will be winners. Be selective.
Materials		X		5,93%	-9,90%	**The sector has been impacted by the US economic slowdown but medium term, it should benefit from reshoring/ reindustrialization/ lower energy prices.** We prefer stocks with exposure to precious and industrial metals as well as energy transition metals mining.
Real Estate		X		1,08%	-14,75%	**Activity is still sluggish in residential RE.** New construction activity is muted. Commercial RE stabilising. **Momentum is better at communications towers and at some other specialized REITs.**
Consumer Staples	X			3,15%	-12,68%	**The sector looks fully priced, particularly the big merchendisers and staples retailers.** Costs are rising due to tariffs. Besides, consumers may continue to "trade down" due to economic uncertainties.
Energy	X			5,81%	-10,02%	Oversupply capping oil related. We **prefer energy infrastructure names** as they benefit from bottlenecks, rising transportation and storage needs while paying attractive dividends.

Valuations

TABLE 1 : GLOBAL INDICES

			Forward														Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	vs. ACWI	5yr Z-Score
MSCI ACWI	1009		51,44		0,59	19,61		3,33		1,82		16,03		5,10		n.a.	n.a.
MSCI World	4408		213,55		0,67	20,64		3,62		1,72		16,47		4,84		1,06	
MSCI Emerging Markets	1390		100,09		-0,10	13,89		2,01		2,68		14,00		7,20		0,69	
S&P 500	6827		298,47		0,56	22,87		4,88		1,22		19,83		4,37		1,21	
S&P 500 Equal Weighted	7818		425,24		-0,27	18,38		2,94		1,92		14,60		5,44		0,93	
Russell 2000	2551		95,29		2,12	26,77		1,35		2,01		3,93		3,73		1,23	
NASDAQ 100	25197		938,47		1,46	26,85		7,47		0,68		24,81		3,72		1,50	
MSCI USA Growth	32346		545,52		-2,47	31,41		11,70		0,36		34,17		1,69		1,88	
MSCI USA Value	15976		231,98		-2,57	18,29		3,17		2,04		16,13		1,45		0,94	
STOXX Europe 600	582		37,92		-0,28	15,25		2,16		3,45		13,65		6,52		0,76	
STOXX Europe Mid 200	607		39,72		0,07	15,18		1,74		4,06		11,27		6,54		0,74	
STOXX Europe Small 200	370		25,69		-0,49	14,33		1,51		3,55		10,86		6,94		0,69	
DAX	24268		1487,90		-1,09	16,26		1,91		3,24		11,13		6,13		0,79	
FTSE 100	9709		698,10		-0,28	13,82		2,22		3,49		15,02		7,19		0,70	
CAC 40	8131		510,59		-0,14	15,80		1,95		3,37		12,20		6,28		0,77	
FTSE MIB	43952		3751,09		2,34	11,60		1,52		5,23		12,53		8,53		0,57	
Nikkei 225	50168		2191,07		5,56	22,96		2,51		1,67		10,84		4,37		1,11	
Hang Seng	25629		2151,80		-2,51	12,07		1,34		3,16		9,78		8,40		0,58	

TABLE 2 : EUROPEAN SECTORS

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Upside to 12M Target Price*	vs. SXXP	5yr Z-Score
STOXX Europe	581		37,92		-0,28	15,25		2,16		3,45		13,65		6,52		11%	1,00	
STOXX 600 Consumer P&S	394		14,53		-0,48	26,70		3,84		2,12		14,85		3,69		9%	1,75	
STOXX 600 Energy	134		10,86		-0,23	12,24		1,60		4,75		13,20		8,10		9%	0,79	
STOXX 600 Food, Bev and Tobacco	187		12,28		-1,37	15,16		2,60		4,01		15,94		6,56		15%	1,02	
STOXX 600 Personal Care	167		10,53		0,12	15,78		2,96		3,60		17,78		6,31		11%	1,08	
STOXX 600 Chemicals	1101		62,14		1,88	17,60		1,72		3,52		10,50		5,65		13%	1,11	
STOXX 600 Utilities	478		33,46		-0,43	14,22		1,67		4,53		11,33		7,00		7%	0,91	
STOXX 600 Banks	342		33,24		1,04	10,16		1,28		5,12		12,61		9,73		3%	0,66	
STOXX 600 Real Estate	122		10,21		0,43	11,94		0,77		4,63		8,99		8,35		20%	0,73	
STOXX 600 Technology	840		32,31		0,20	25,89		5,19		1,19		20,36		3,85		21%	1,79	
STOXX 600 Autom. & Parts	535		58,59		-4,02	9,10		0,67		3,90		6,50		10,95		8%	0,56	
STOXX 600 Health Care	1115		67,22		-0,54	16,65		3,51		2,80		17,99		6,03		11%	1,16	
STOXX 600 Financial Services	858		63,39		-0,75	13,42		1,60		2,94		10,66		7,39		15%	0,86	
STOXX 600 Insurance	497		40,50		-0,92	12,18		2,28		6,61		19,21		8,16		4%	0,83	
STOXX 600 Telcos	248		17,03		1,86	14,52		1,51		4,56		9,85		6,88		18%	0,92	
STOXX 600 Media	396		30,35		-0,39	12,97		1,98		3,34		13,28		7,66		24%	0,86	
STOXX 600 Ind. Goods & Services	1057		48,24		-2,27	21,83		4,04		2,19		16,91		4,56		13%	1,49	
STOXX 600 Constrn & Materials	846		46,87		-1,11	17,91		2,47		2,65		13,58		5,54		8%	1,17	
STOXX 600 Basic Resources	628		43,80		4,00	14,18		1,48		3,47		10,27		6,97		4%	0,90	
STOXX 600 Retail	473		27,53		0,70	17,16		3,17		3,13		17,75		5,81		10%	1,17	
STOXX 600 Travel & Leisure	276		22,03		-3,58	12,40		3,20		2,63		25,37		7,99		12%	0,90	

*BBG consensus, NOT an official BNP target price

TABLE 3 : US SECTORS

			Forward													Composite	
Index	Level	1yr Range	EPS	5yr Z-Score	EPS change 4 weeks (%)	PE Ratio	5yr Z-Score	PB Ratio	5yr Z-Score	Div Yield	5yr Z-Score	ROE	5yr Z-Score	Earnings Yield	5yr Z-Score	Potential Upside to 12M Target Price*	vs. S&P 500	5yr Z-Score
S&P 500	6827		298,47		0,56	22,87		4,88		1,22		19,83		4,37		16%	1,00	
S&P 500 Consumer Discretionary	1937		71,61		-0,22	26,97		7,59		0,65		24,95		3,71		12%	1,25	
S&P 500 Consumer Staples	879		40,73		0,03	21,59		6,16		2,61		28,00		4,63		11%	1,00	
S&P 500 Energy	692		41,91		0,08	16,51		1,91		3,47		11,55		6,06		14%	0,66	
S&P 500 Financials	912		53,35		-0,20	17,09		2,31		1,67		13,26		5,85		9%	0,70	
S&P 500 Health Care	1791		95,01		-0,28	18,85		4,63		1,76		20,33		5,30		10%	0,85	
S&P 500 Industrials	1323		52,59		-0,67	25,16		6,28		1,33		23,90		3,97		12%	1,13	
S&P 500 Information Technology	5646		187,81		1,50	30,06		11,60		0,53		35,31		3,33		24%	1,50	
S&P 500 Materials	568		28,58		-0,16	19,88		2,68		1,87		12,98		5,03		14%	0,81	
S&P 500 Real Estate	256		7,19		-0,27	35,65		2,93		3,56		8,12		2,81		17%	1,39	
S&P 500 Communication Services	446		20,23		0,19	22,05		4,74		0,74		20,55		4,53		17%	0,97	
S&P 500 Utilities	432		24,31		1,16	17,79		2,23		2,95		12,49		5,62		15%	0,72	

*BBG consensus, NOT an official BNP target price

Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Date: 15 December 2025

Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Relative view*		Neutral	Neutral	Overweight	Overweight
What we (especially) like		Energy Infrastructure	European banks SMID caps UK	Select foreign (US) exposed larger caps, including AI beneficiaries Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS) Financials	China, India, Singapore
What we don´t (really) like		Certain expensive US mega caps with limited exposure to AI related growth or potentially loosing business to AI (cf. certain SaaS)	Exporters		Thailand
Preferred themes & trades	Regional basis	Buybacks & Quality Dividend growth	Strategic Autonomy (with selectivity)	Governance Reform achievers	Chinese tech Chinese high dividend plays (banks, telecom)
	Global Basis	Precious and energy transition metal miners Innovation in Healthcare Utilities			

* Relative view: against your benchmark

Economic, FX forecast tables

The gap between US and EU is narrowing

BNP Paribas Forecasts

GDP Growth%	2024	2025	2025- Bloomberg Consensus	2026	2026- Bloomberg Consensus
United States	2.8	1.9	1.9	1.9	1.9
Japan	0.1	1.3	1.3	0.6	0.7
United Kingdom	1.1	1.3	1.4	1.0	1.1
Switzerland	1.0	1.5	1.2	1.0	1.2
Eurozone	**0.9**	**1.4**	**1.4**	**1.4**	**1.1**
Germany	-0.5	0.3	0.3	1.4	1.0
France	1.1	0.8	0.8	1.2	0.9
Italy	0.5	0.7	0.5	1.1	0.7
Emerging					
China	5.0	5.0	4.9	4.5	4.4
India**	6.5	6.2	6.4	6.4	6.7
Brazil	3.4	2.3	2.2	1.6	1.7

** Fiscal year

Source : BNP Paribas, Bloomberg - 24/11/2025

Less upside for US inflation

BNP Paribas Forecasts

CPI Inflation%	2024	2025	2025- Bloomberg Consensus	2026	2026- Bloomberg Consensus
United States	2.9	2.8	2.8	3.1	2.9
Japan	2.7	3.2	3.1	2.1	1.8
United Kingdom	2.5	3.4	3.4	2.7	2.5
Switzerland	1.1	0.2	0.2	0.8	0.6
Eurozone	**2.4**	**2.1**	**2.1**	**1.8**	**1.8**
Germany	2.5	2.2	2.2	1.3	2.0
France	2.3	1.0	1.0	1.2	1.4
Italy	1.1	1.7	1.7	1.5	1.5
Emerging					
China	0.2	0.0	0.0	1.0	0.8
India*	4.7	3.2	4.6	4.4	2.5
Brazil	4.4	5.0	5.0	3.8	4.2

* Fiscal year

Source : BNP Paribas, Bloomberg - 24/11/2025

FX FORECASTS EUR

	Country		Spot 26/11/2025	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	181.30	Positive	176	Neutral	184
	Switzerland	EUR / CHF	0.93	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.78	Neutral	1.76	Negative	1.82
	New-Zealand	EUR / NZD	2.04	Positive	1.93	Neutral	2.07
	Canada	EUR / CAD	1.63	Neutral	1.60	Negative	1.67
	Sweden	EUR / SEK	11.02	Neutral	11.00	Positive	10.70
	Norway	EUR / NOK	11.83	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.21	Neutral	8.24	Negative	8.80
	India	EUR / INR	103.46	Neutral	102.08	Negative	109.12
Latam	Brazil	EUR / BRL	6.21	Neutral	6.26	Negative	7.07
	Mexico	EUR / MXN	21.27	Neutral	21.34	Negative	22.32

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 26/11/2025	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	1.32	Neutral	1.33	Positive	1.43
	Japan	USD / JPY	156.43	Positive	152.00	Positive	148.00
	Switzerland	USD / CHF	0.81	Neutral	0.81	Positive	0.76
	Australia	AUD / USD	0.65	Neutral	0.66	Positive	0.68
	New-Zealand	NZD / USD	0.57	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.41	Neutral	1.38	Positive	1.35
Asia	China	USD / CNY	7.08	Neutral	7.10	Neutral	7.10
	India	USD / INR	89.27	Neutral	88.00	Neutral	88.00
Latam	Brazil	USD / BRL	5.35	Neutral	5.40	Negative	5.70
	Mexico	USD / MXN	18.35	Neutral	18.40	Neutral	18.00
EMEA	South Africa	USD / ZAR	17.11	Neutral	17.25	Neutral	17.00
	USD Index	DXY	99.60	Neutral	98.95	Negative	93.34

Source: BNP Paribas, LSEG

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