

C.I.A. NETWORK

Asset Strategy in Brief

OCTOBER 2025



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WEALTH MANAGEMENT

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Macro and market views



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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 announced German stimulus plan should boost long-term potential growth. Chinese stimulus could bring positive surprises.
	Rates	+	<ul style="list-style-type: none"> – Positive on core eurozone government bonds (intermediate maturities preferred) and on UK gilts (12-month yield target is 4.4%). – Positive on US Treasuries; prefer shorter-term (2-5 year) maturities. US Fed Funds rate target 3.75%, ECB to maintain deposit rate at 2% by end-2025 – We see the US 2-year yield at 3.6% in 12 months, 10-year yields 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 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"> – Upgrade Equities to Positive on strong liquidity and lower rates, robust growth and earnings momentum. – Favour UK, Japan, South Korea, China – Positive on Health Care and Utilities. For the EU, Positive on Banks, Industrials – Neutral on US Consumer Discretionary, 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: Positive view as EM central banks continue to make strategic purchases and Asian households remain buyers. Gold 12m target USD 4000/ounce. Increased silver 12m target of USD 50/ounce. – 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.
	FX		<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. – New EUR/USD 3-month target USD 1.16; our 12-month target has been increased to USD 1.24 (value of one EUR).

Asset Allocation

Allocation changes this month:

- ☐ **Equities:**
 - Upgrade Equities to Positive.
 - we downgrade Europe equities to Neutral
 - We upgrade US equities to Neutral
 - We have upgraded US Information Technology and US Consumer Discretionary from Underweight to Neutral.
 - In Europe, Construction Materials have been downgraded from Overweight to Neutral.
- ☐ **Bonds:**
 - For the Fed, we now expect two rate cuts this year and two next year, with a terminal rate of 3.25%.
 - We have shortened our US government bond maturity recommendation to short-term.
 - For the UK, we have raised the 10-year yield target to 4.40% from 4.20%.
 - We turn Positive on EM local debt
- ☐ **FX:**
 - EUR/USD: we have changed our 3-month target to 1.16 and our 12-month target to 1.24 (value of one EUR).
 - Adjustments to our EUR/SEK, AUD/USD, USD/INR, USD/BRL, USD/ZAR, USD/MXN targets
- ☐ **Commodities:** Since last month, we have increased our target price to USD 4,000 and returned to a Positive view on Gold. We maintain a Positive view on silver, increasing our target price to USD 50.

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	2025e	2026e		Now	3M	12M		Now	12M
US	2.0	1.8	2.8	3.2	US Fed Funds Rate	4.25	3.75	3.25	US 10Y yield %	4.15	4.25
Eurozone	1.3	1.4	2.1	1.8	ECB Deposit Rate	2.00	2.00	2.25	Euro 10Y yield %	2.71	2.75
Japan	1.3	0.6	3.2	2.5	Bank of Japan Policy Rate	0.50	0.75	1.50	UK 10Y Yield %	4.70	4.40
UK	1.3	1.0	3.5	2.7	Bank of England Base Rate	4.00	3.75	3.50	S&P 500	6688	n/a
China	5.0	4.5	0.0	1.0	China 7D reverse repo rate	1.40	1.30	1.10	Euro STOXX 50	5529	n/a
									Oil Brent USD/bbl	67	60-70
									Gold USD/oz	3833	4000

Source: BNP Paribas WM. As at 1 October 2025

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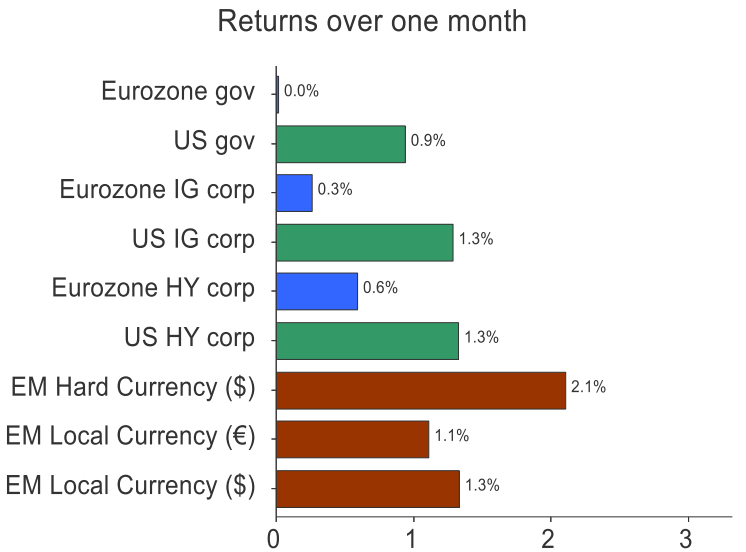
Bonds



Fixed Income at a glance

The trajectory of rates has diverged, with US long-term yields falling in September while German yields have edged higher. This reflects different central bank policies. While Fed independence has been debated, it has had no market impact. Corporate credit spreads remain at multi-year lows. This month, we shorten our maturity recommendation for US government bonds and have turned Positive on EM local debt. We continue to favour high-quality, highly liquid bonds, especially US, UK, and core EU sovereigns, along with US TIPS and EUR/UK investment grade corporate bonds.

10-year yield	29/09/2025	12-month target
US	4.15	4.25
Germany	2.71	2.75
UK	4.70	4.40



Source: LSEG Datastream, JPM and BofA indices, 24/09/2025

Central Banks

We think that the ECB has reached the end of its easing cycle and that the next move will be a hike in late 2026. In the US, we now expect two rate cuts this year (versus one previously) amid a slowdown in the labour market, followed by two additional cuts next year, with a terminal rate of 3.25%.

Corporate Investment Grade (IG) Bonds

+ We prefer EUR and UK IG (Positive view) over USD IG (Neutral view) given their better credit metrics, lower volatility, and global move for diversification away from USD assets. We prefer maturities up to 7 years in the eurozone and up to 5 years in the US.



Government Bonds

+ We maintain our US and German yield targets (4.25% and 2.75%). We raise the UK 10-year yield target to 4.40% from 4.20%, reflecting sticky inflation. We remain Positive on US, UK and German government bonds and US TIPS. We reduce US maturities to short-term, while maintaining intermediate maturities elsewhere.

Corporate High Yield (HY) Bonds

= HY spreads remain very low thanks to better index quality, limited net supply, and competition from private markets. We stay Neutral and enjoy the carry for now.

Peripheral bonds

= Peripheral countries enjoy an improved economic dynamic, with spreads tightening as a result. Political instability in France has pushed spreads wider and we expect them to remain around that level (75-80bp) over the next 12 months.

Emerging Market (EM) Bonds

+ We turn Positive from Neutral on EM local debt. **▲** An expected weaker USD is a tailwind. **=** We stay Neutral on EM hard currency amid high valuations and the risk of higher US long-term yields.

+ **-** **=** Our position for this month
▲ **▼** Evolution of our position since last month

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Currencies

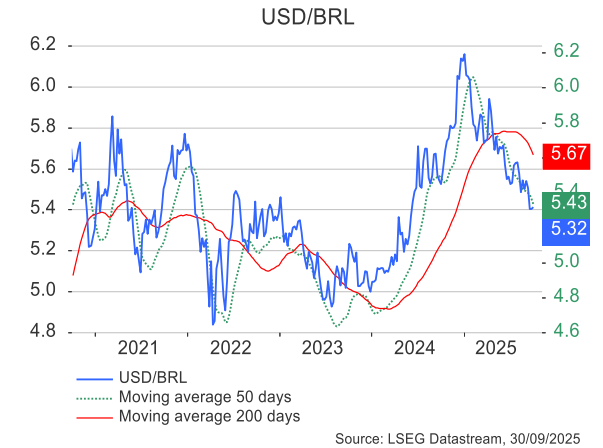
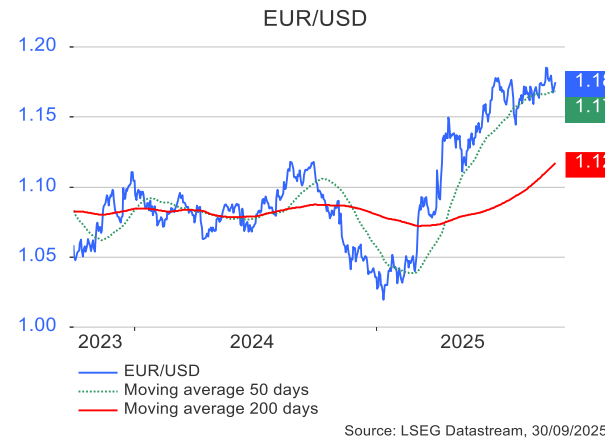


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Currencies at a glance

1. **EUR/USD:** Policy uncertainty, whether stemming from tariffs, debt sustainability, or political interference with the Fed, is expected to gradually reduce confidence in the dollar. Moreover, with the Fed continuing to cut rates, a narrowing rate differential should weigh on the currency over time. **Therefore, we have changed our 3-month target to 1.16 and our 12-month target to 1.24 (value of one EUR).**
2. **USD/BRL:** The interest rate differential should continue to increase, as the BCB is likely to start its easing cycle only by late Q1 2026, while the Fed will cut further. The 2026 election and US sanctions might continue to fuel concerns about stability in Brazil. Moreover, a weaker US economy could lead to tail risk, as Latin American currencies tend to be sensitive to slower US growth. **Therefore, we have adjusted our targets to 5.40 for 3 months and 5.70 for 12 months (value of one USD).**



>> **TARGET 12M AUD/USD: 0.68**

The RBA cut its policy rate by 25 bps to 3.6% in August. A decline in trade uncertainty, combined with an improved domestic outlook, has strengthened the currency. Moreover, a favourable interest rate differential and increasing demand for commodities are expected to further support the AUD. **Our 3-month target is still 0.66, and we are adjusting our 12-month target to 0.68 (value of one AUD).**



>> **TARGET 12M USD/JPY: 140**

The BoJ maintained its policy rate at 0.5% in July. Our base case is for the Bank of Japan to resume rate hikes later this year. Rate differentials should weigh further on USD/JPY as the Fed embarks on rate cuts. The JPY should appreciate gradually. **Our 3-month target is 145 and our 12-month target is 140 (the value of one USD).**



>> **TARGET 12M USD/ZAR: 17.00**

The SARB maintained its policy rate at 7% in September. The central bank moved away from a 4.5% to a 3.0% inflation target, which means interest rates could remain higher for longer. The ZAR should be supported by a carry trade environment, and strength in the domestic economy. **Therefore, we have changed our 3-month target to 17.25 and our 12-month target to 17 (value of one USD).**



>> **TARGET 12M USD/MXN: 18.00**

The Banxico lowered its policy rate by 25bps to 7.75% in August. The MXN could remain well-supported by broader USD weakness. In addition, carry still dominates over trade risks. The upside, however, is limited due to uncertainty over potential changes to the USMCA. **We have adjusted our 3-month target to 18.40 and maintained our 12-month target at 18 (value of one USD).**



>> **TARGET 12M EUR/SEK: 10.70**

The Riksbank cut rates by 25bps in September to 1.75%. A lower interest rate environment, combined with government measures such as tax reductions, lower VAT, and consumer support, offers a favourable outlook for the economy, which is expected to recover in 2026. **Therefore, we have maintained our 3-month target at 11 but have changed our 12-month target to 10.70 (value of one EUR).**



>> **TARGET 12M USD/INR: 88.00**

The RBI left its policy rate unchanged at 5.5% in August. The high level of US tariffs is damaging. Moreover, the INR has weakened due to portfolio outflows and weak domestic growth sentiment. An potential trade deal with the US that lowers tariffs could also provide some tailwind. **We have changed our 3-month target to 88.00 and maintained our 12-month target at 88.00 (value of one USD).**

Currencies at a glance

FX FORECASTS EUR

	Country		Spot 30/09/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.18	Neutral	1.16	Negative	1.24
	United Kingdom	EUR / GBP	0.87	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	173.53	Positive	168	Neutral	174
	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	2.02	Positive	1.93	Negative	2.07
	Canada	EUR / CAD	1.63	Positive	1.60	Negative	1.67
	Sweden	EUR / SEK	11.05	Neutral	11.00	Positive	10.70
	Norway	EUR / NOK	11.72	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.36	Neutral	8.29	Negative	8.80
	India	EUR / INR	104.33	Positive	102.08	Negative	109.12
Latam	Brazil	EUR / BRL	6.26	Neutral	6.26	Negative	7.07
	Mexico	EUR / MXN	21.54	Neutral	21.34	Negative	22.32

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 30/09/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.18	Neutral	1.16	Positive	1.24
	United Kingdom	GBP / USD	1.35	Neutral	1.33	Positive	1.43
	Japan	USD / JPY	147.69	Neutral	145.00	Positive	140.00
	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	0.58	Positive	0.60	Positive	0.60
	Canada	USD / CAD	1.39	Neutral	1.38	Positive	1.35
Asia	China	USD / CNY	7.12	Neutral	7.15	Neutral	7.10
	India	USD / INR	88.79	Neutral	88.00	Neutral	88.00
Latam	Brazil	USD / BRL	5.33	Neutral	5.40	Negative	5.70
	Mexico	USD / MXN	18.33	Neutral	18.40	Neutral	18.00
EMEA	South Africa	USD / ZAR	17.25	Neutral	17.25	Neutral	17.00
	USD Index	DXY	97.78	Neutral	98.32	Negative	92.64

Source: BNP Paribas, LSEG

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Equities



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Upgrading equities to overweight

This is about momentum...

- It is hard not to be impressed by the momentum with which global stock markets keep rising. The US is marking its 28th record high this year and, markets such as China, Japan, EM and even Europe are breaking out to the upside as well. The move is driven by a surprisingly resilient US economy, solid earnings and easy monetary positioning. It feels like the equity train has reached escape velocity. **Hence, we upgrade our view on equities to overweight.**
-and not about (long-term) fundamentals.** Does this mean our concerns regarding the potential impact on tariffs or AI overspending have disappeared? No, they have not. We remain sceptical and still wonder if AI can produce the expected productivity gains that will force the implementation rate required for these investments to yield enough return to justify the valuations. But we believe that these concerns are not for the near term. It will take time before the winners and losers from AI become apparent.
- Don't fight the Fed!** What matters is an economy that seems to be denying the gravity of tariffs and a slowing labour market while the Fed embarked for further rate cuts. We now expect two rate cuts in 2025 and again in 2026. This should add further fuel to a market that is already enjoying easy financial conditions. Rate cuts outside a recession have historically been a strong force pulling equities higher.

Main recommendations



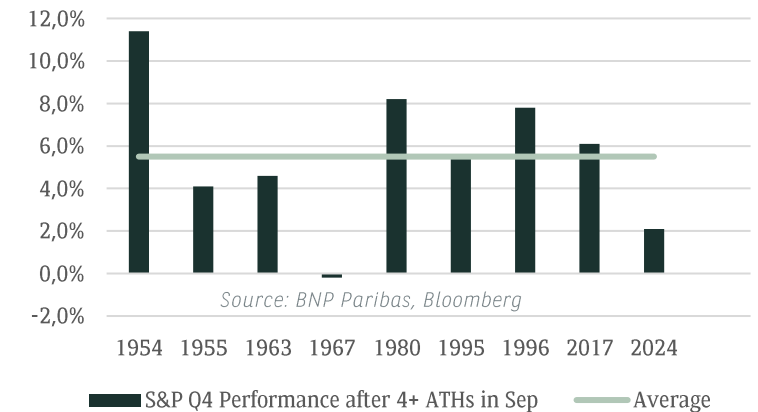
We upgrade US equities to Neutral. Due to our dollar view, adding FX-hedged exposure might be worth considering.

Since we don't think Europe can outperform going forward, **we downgrade Europe to Neutral.** Within Europe, however, we retain our current preferences and continue to prefer exposure to the European autonomy theme, domestic exposure (especially SMIDs) and certain sectors like banks.

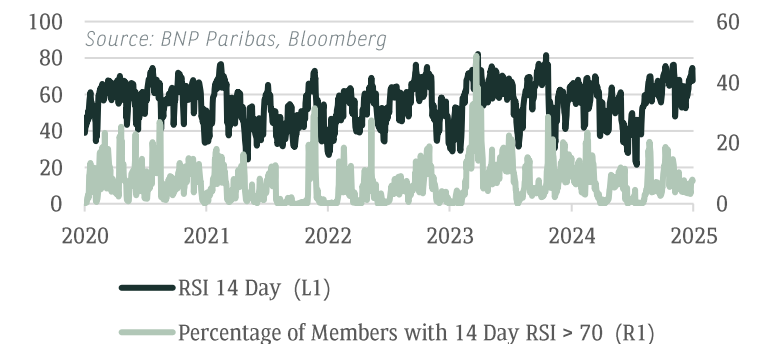
Emerging Markets enjoy healthy tailwinds. We reiterate our overweight call on emerging markets. Looking forward, we think the EM equity rally can extend until year-end as macro tailwinds from Fed rate cuts and a weak dollar continue. Positioning and flow trends remain supportive amid ongoing strong demand for diversification and positive Q4 performance seasonality.

Big in Japan. We also reiterate our Overweight call on Japanese equities. We see the following factors to continue supporting the market: a constructive global economy, a recovery in the Japanese economy driven by external and internal forces (e.g. wage growth), solid corporate earnings and ongoing corporate reforms.

Strong September = Strong year end?



The market is not as overbought as it looks



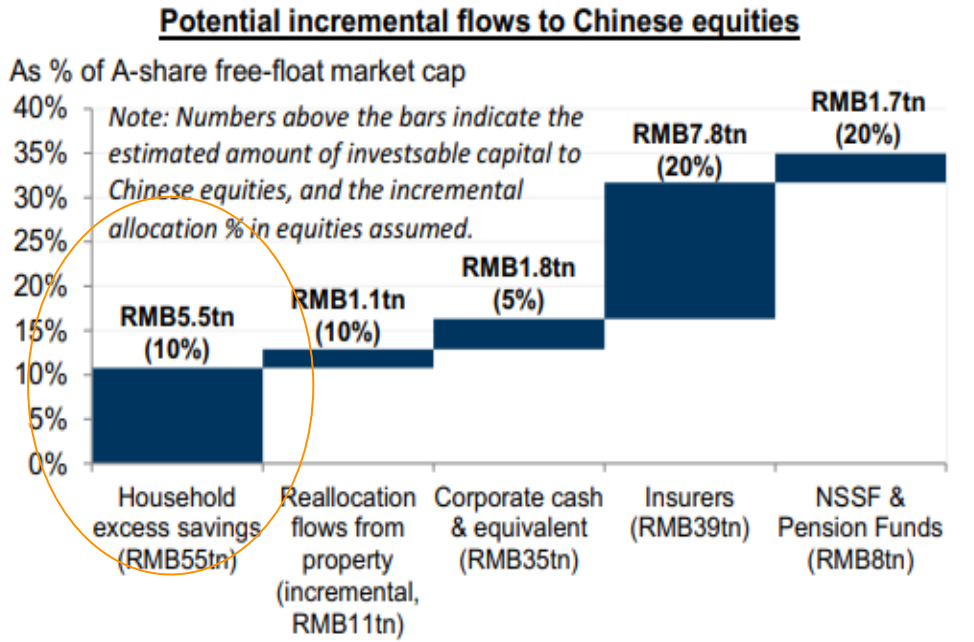
Asian Equities view

ASIA COUNTRY PREFERENCE		
+	=	-
COUNTRY		
China Singapore South Korea	Taiwan India Indonesia	Thailand

- **China A-share markets** consolidated while **Hong Kong/H-shares markets** outperformed in September. There is still room for further 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 AI/tech localisation theme and the “anti-involution” campaign to regulate food delivery platforms (implying earnings bottoming out). We continue to like China tech sector and high dividend stocks in the HK/China financial and China telecom sectors.
- **Indian equities** have underperformed YTD, driven by disappointing corporate earnings, lacklustre domestic consumption, higher valuations, adverse tariff outcomes, a weakening currency and foreign investor outflows. However, the silver lining is that policymakers’ focus on reviving the domestic growth engine has been visible — first with tax cuts in the budget, then monetary policy easing, and now with GST cuts. In the near term, we still expect India to underperform until there are signs of turnaround in nominal GDP growth (which has slowed from 10.8% y/y in Q1 to 8.8% in Q3 this year) and bottoming out of earnings growth.

We maintain our Overweight stance on Hong Kong/China equities

Potential long-term asset reallocation inflows to equities are significant



Source: Goldman Sachs, BNP Paribas Wealth Management, as at 29 August 2025

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Commodities

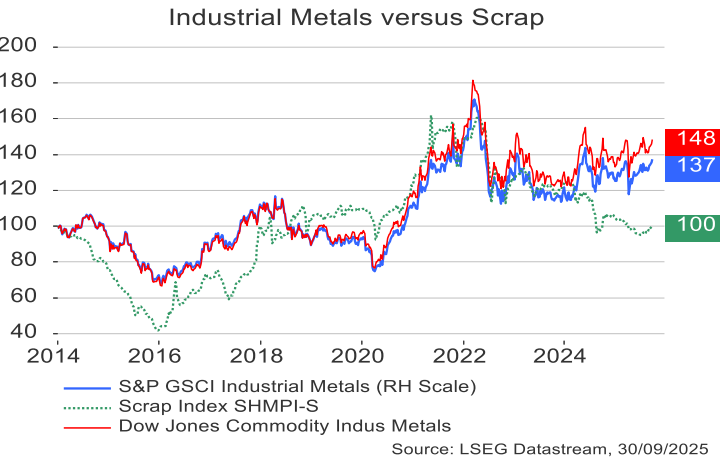


Commodities at a glance

Industrial metals performed relatively well in September, extending their year-to-date gains: copper (+14%), tin (+18%), aluminum (+5%), and iron ore (+2%, recovering from earlier losses). The copper price has been supported recently by supply disruptions, including the outage of Freeport's Grasberg copper mine (Indonesia) due to a mudflow. It could take 6 months to restore production at this large copper mine (3% of global production).

BASE METALS

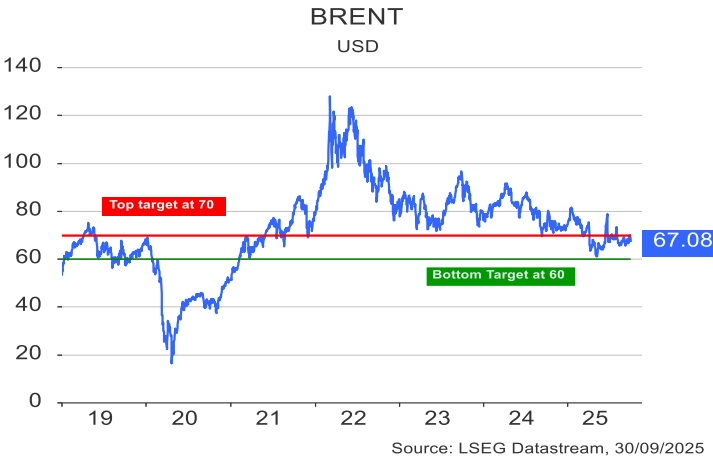
+ We maintain our Positive view, as we expect that growing demand for infrastructure and energy transition will outpace expected supply growth. For copper (LME), we have a 12-month target range of USD 11,000-12,000.



Oil prices remained relatively stable recently, despite OPEC's fast production cuts unwinding and global oversupply. Prices are supported by the fear that Russian exports could be disrupted by additional sanctions and/or Ukrainian attacks on Russian oil installations.

OIL

- We maintain our Negative view with a target range of USD 60-70, in view of OPEC+ production hikes, substantial non-OPEC supply growth, combined with limited demand growth.

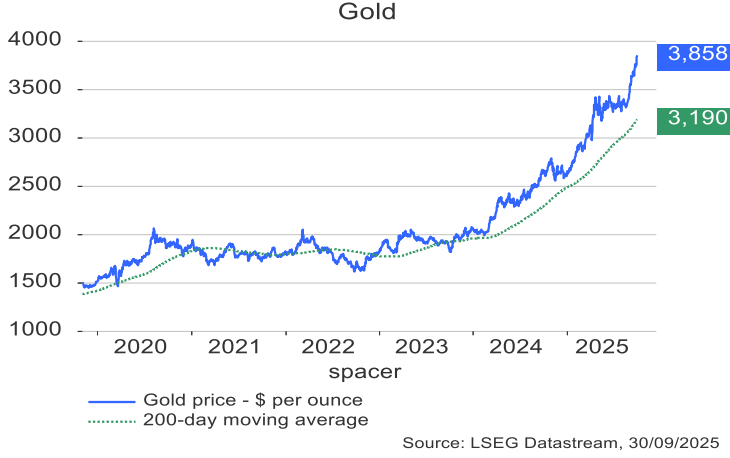


Gold and other precious metals prices further rallied in September, with gold at new record highs, supported by the Fed rate cut and ongoing flight to safe-haven investments in view of rising military tensions at NATO's eastern borders. Gold is up +45% YTD, silver +52%, and platinum +62%.

GOLD

+ We remain Positive on precious metals, with a target of USD 4000 for gold and USD 50 for silver.

We think gold will remain supported by Fed rate cuts, de-dollarisation, central bank buying, and an ongoing safe-haven investment appetite in view of high geopolitical and financial uncertainties..



06

Alternative Investments



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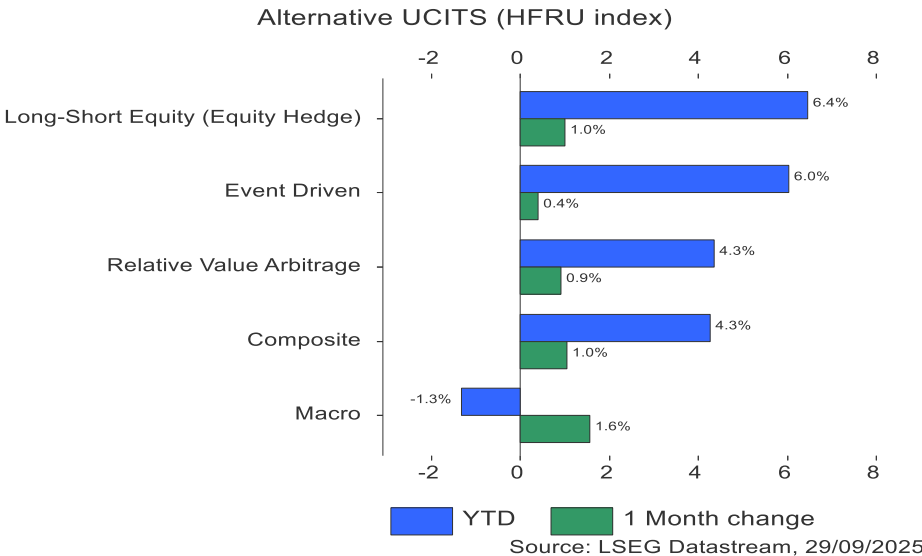


Alternative Investments

The past month was positive for the asset class.

Positive opinion on Macro, Long-Short equity and Relative Value.

Since January, performance has been positive overall, with the exception of Macro. Long-Short Equity and Event Driven have been the best performers, while Macro still has a negative performance.



Global Macro

+ **Positive:** despite the unpredictability of the Trump administration, nimble macro managers have taken advantage of some clear outcomes, such as a weaker dollar and curve steepening. Only macro managers are uniquely equipped to trade risk assets, either long or short.

Event Driven

= **Neutral:** initial, erratic Trump policies have put a damper on corporate actions in Q1 2025. By the end of Q2, the deal volume started rebounding, following relative clarity on tariffs. European deal activity has been more promising. Trump has appointed new antitrust regulators, creating a "friendlier" regulatory environment to trigger corporate deals, and few M&A deals are now being challenged.

Long/Short Equity

+ **Positive:** equity dispersion is high between expensive and cheap stocks: long and short stock picking opportunities. A higher level of single-stock volatility, particularly from tariff changes, is positive for Equity Long/Short active trading.

Relative Value

+ **Positive:** dispersion between strong and weak credits may rise as companies face "higher for longer" interest rates and funding costs. Convertible bond arbitrage benefits from increased issuance, single stock volatility, and refinancing/liability management. Government bond relative value arbitrage benefits from diverging monetary policies and inflation between geographies.



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