

November/December 2025

## Interest rates & bonds

Spread volatility has returned

	10-year government bond yield			Investment-grade credit spread		
	Current	Oct. 2025*	Year-to-date*	Current	Oct. 2025*	Year-to-date*
US	4.1%	-5 bps	-47 bps	76 bps	2 bps	-4 bps
Eurozone	2.6%	-7 bps	28 bps	76 bps	-3 bps	-26 bps
UK	4.4%	-28 bps	-14 bps	83 bps	-3 bps	-13 bps
CH	0.1%	-6 bps	-15 bps	77 bps	1 bps	8 bps

10-year government bond yield eurozone = DE, bps = basis points.  
\* Change as at 30 October. Source: Bloomberg

### USA

- US Treasury yields fell in October but rebounded after Powell's hawkish tone at the end of the October FOMC meeting. Credit in the investment-grade (IG) and BB rating categories outperformed credit in the B and CCC rating categories.
- As expected, the US Federal Reserve cut its policy rate by 25 bps in October. Despite the hawkish tone at the press conference, we expect another rate cut in December. For 2026, we forecast another two cuts, bringing the lower bound of the Fed funds target range to 3.0%.

### Eurozone

- Government bond yields and credit spreads moved similarly to the US last month. The yield curve flattened, and higher-rated corporate bonds performed better than lower-rated ones.
- The ECB remains in wait-and-see mode, and we still expect no further rate cuts in 2025 or 2026.

### UK

- Inflation came in below consensus forecasts, and UK 10-year government bond yields edged lower in October. UK IG spreads narrowed markedly.
- We expect the Bank of England to cut rates in December this year, followed by two more cuts in 2026.

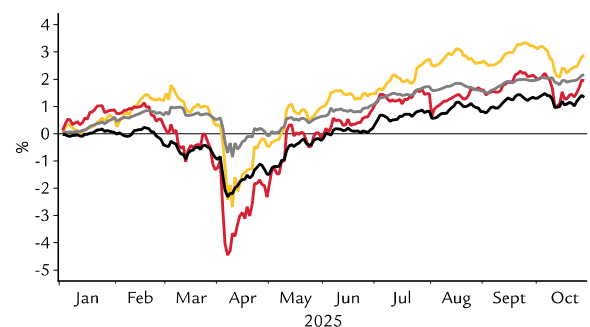
### Switzerland

- IG spreads were stable to slightly wider, and Swiss 10-year government bond yields fell in October. Inflation should stay within the SNB's target range.
- We do not expect rate cuts, as the SNB signalled a high bar for moving back into negative territory.

### Positive credit total return despite trade war fears

In October, spreads in both investment grade (IG) and high yield (HY) credit – across EUR and USD – were affected by renewed concerns over a potential escalation in the US-China trade war. The US President threatened a sharp increase in tariffs on Chinese imports, citing recent Chinese export controls on rare-earth minerals. Additional market unease stemmed from a surge in AI-related deals and partnerships, raising fears of a bubble, as well as signs of credit stress among US regional banks. However, these pressures were partially offset by the shift to a more conciliatory tone on trade and a broadly constructive Q3 earnings season. Notably, USD HY spread volatility linked to tariffs spiked three times in 2025: in April (“Liberation Day”), August (with reciprocal tariffs ranging from 10% to 50%), and most recently in October. In each instance, the asset class recovered swiftly, supported by solid fundamentals and strong technicals, as investors adopted a buy-the-dip approach. As a result, excess returns for both IG and HY – i.e., returns above those of comparable sovereign bonds – remain clearly positive year-to-date. Looking ahead to November, we maintain a neutral stance on both IG and HY in EUR and USD. On duration, we expect lower 10-year US Treasury yields but are neutral on 2-year rates. We also hold a neutral view on government bond yields in the eurozone and Switzerland.

Corporate bonds: excess returns



— US Investment Grade Index — US High Yield Index  
— Euro Investment Grade Index — Euro High Yield Index

Sources: Macrobond, Swiss Life Asset Managers. Last data point: 28.10.2025

# Equities

## Relentless rally

Regional equity markets	Oct. 2025*	Year-to-date*
USA	2.0%	16.9%
Eurozone	3.0%	21.1%
UK	4.7%	23.0%
Switzerland	2.0%	8.9%
Emerging markets	4.9%	33.8%

MSCI net total return indices in local currency.  
\* Performance as at 30 October. Source: Bloomberg

### USA

- The relentless bull market extended through October, driven by expectations of policy rate cuts and solid company earnings results so far.
- AI frontrunners have ramped up their investments significantly. OpenAI alone has concluded deals exceeding USD 1 trillion (see details in the text on the right).
- The US equity market valuation is very high, especially relative to cash flow measures. However, strong earnings and lower rates are tailwinds.

### Eurozone

- After a softer period, European stocks had roughly the same performance as US stocks in October. Some analysts have turned bullish again on European stocks.
- The earnings season has so far slightly surprised to the upside, but earnings growth compared to Q3 2024 is very low.
- Even the European market is now priced at or above historical averages.

### UK

- The UK market had a strong month, and it is the second-best market year-to-date.
- The UK market still benefits from a low valuation.

### Switzerland

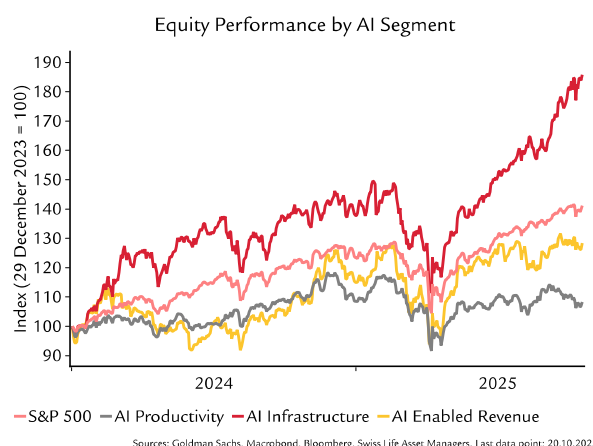
- The Swiss market underperformed in October after a weak second half.
- Announcements by Nestlé regarding a restructuring led to an increase in share prices while the results from Roche were interpreted negatively.

### Emerging markets

- Emerging Markets once again had an excellent month. Relative to the US, 2025 has been the best year for emerging market equities since 2009.
- South Korea gained almost 15% in October and India also outperformed after a very weak period. Argentina recovered as Milei's party won the elections.

### Some thoughts on the AI boom

AI stocks have surged this year, with the Goldman Sachs "AI Leader" basket up 80%, despite a sharp correction earlier in 2025. Valuations are elevated: these stocks trade at an average price-to-earnings ratio of 48, a price-to-sales ratio of 8.5 (vs. 3.4 for the S&P 500), and a free cash flow yield of just 1.1% (vs. 2.5%). However, return on equity is strong at 34%, nearly double the market average. OpenAI has announced over USD 1 trillion in investments, while projected 2025 revenues are around USD 13 billion and losses are expected to exceed USD 8 billion. These investments are increasingly circular – OpenAI buys hardware from firms like AMD, Nvidia and Broadcom, which in turn invest in OpenAI. This pattern echoes the dotcom bubble of 2000. Not all AI segments are benefiting equally. Companies focused on efficiency gains through AI, or those monetizing AI via AI-enabled technologies, have lagged – on average underperforming broader markets (see chart).



There are a lot of important questions around AI at the moment. Here are some key ones and our assessment:

1. Is the strategy to maximise available computing power optimal? *Probably not.*
2. Can US companies maintain their quasi-monopolies, or will China become an important player with DeepSeek? *China has a fair chance to play a bigger role.*
3. How likely is it that companies will make revenues with AI, given that a recent study argues 95% of AI applications are not generating revenues? *This should change, at least to some extent.*
4. Will AI mainly lead to efficiency gains or also create new business models? *Hopefully, and likely, it will do both.*

For now, we do not think that the AI boom will suddenly stop, as the US Federal Reserve is cutting rates and quarterly results remain strong.

# Currencies

## Taking a breather

	Oct. 2025*	Year-to-date*	1-month view
EUR/USD	-1.4%	11.7%	↗
EUR/CHF	-0.8%	-1.3%	→
GBP/USD	-2.2%	5.1%	↗
USD/JPY	4.2%	-2.0%	↘

\* Performance as at 30 October. Source: Bloomberg

### USA

- The USD continued to strengthen in October, gaining around 1.8% on a trade-weighted basis. The hawkish comments from Fed Chair Powell after the October Fed meeting gave the USD an additional boost towards month-end.
- We stick to our view of renewed USD weakness as the growth/inflation mix remains unfavourable for USD given the market's focus on real interest rate differentials, while political pressure on the US Federal Reserve is likely to remain high and could continue to undermine investor confidence in the USD.

### Eurozone

- The EUR was flat in October on a trade-weighted basis but weakened against most other major European currencies except GBP given the political turmoil in France.
- We reiterate our positive view on EUR/USD and our neutral view on EUR/CHF.

### UK

- GBP/USD lost further ground in October as weaker-than-expected inflation for September led the market to price in more monetary policy easing, with the market converging to our expectation of three more interest rate cuts by mid-2026.
- We reiterate our neutral view on EUR/GBP and our positive view on GBP/USD.

### Switzerland

- EUR/CHF weakened until the middle of October given the focus on political issues in Europe. In the second half of the month, the improving economic outlook in the eurozone moved back into focus.
- We remain neutral on EUR/CHF and have a negative view on USD/CHF.

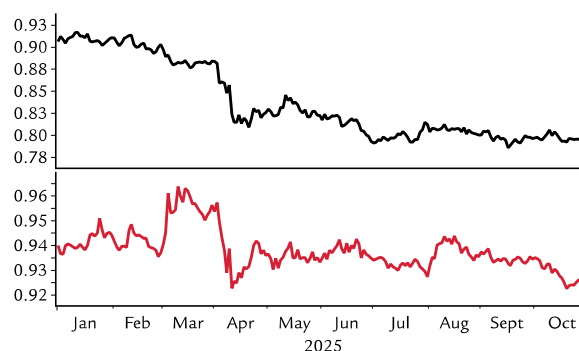
### Japan

- At the time of writing, the JPY had lost more than 3% in October on a trade-weighted basis.
- In line with our view of a weaker USD, we expect USD/JPY to move lower until year-end.

### Unwavering CHF

USD/CHF stabilised in October, while the CHF gained further against the EUR. This was an expression of EUR weakness rather than CHF strength as the political turmoil in France remained in focus. Economic data also contributed to this dynamic. The first half of October saw a deterioration in economic surprises in the eurozone, which later rebounded especially after the positive surprise in the October Purchasing Managers' Indices (PMI). Switzerland's economic picture in the meantime has deteriorated due to the "tariff gap" Switzerland is facing relative to other countries. Swiss exports to the US are subject to a 39% tariff, compared to just 15% for EU exports. Pharmaceutical products are currently exempt, which provides some relief. Looking forward, we expect low but stable growth and anchored inflation for both economies. Therefore, we do not expect any further action by either the ECB or the SNB. This explains our neutral view on EUR/CHF for November. Despite economic headwinds, the CHF's safe haven status remains intact, especially vs. the USD. Notably, following the announcement of the 39% tariff rate on Swiss exports, the CHF strengthened vs. the USD. In theory, the expected response would have been a CHF weakening due to the negative economic impact of the tariffs. In the near term, a trade deal between the US and Switzerland appears unlikely. However, Trump's anticipated visit to the World Economic Forum in Davos in January may offer an opportunity for dialogue. In the meantime, we stick to our view of further CHF strength against the USD, mostly because of real interest rate differentials and the ongoing confidence crisis (see bullets on the left).

CHF vs. USD and EUR spot rates



— USD/CHF — EUR/CHF

Sources: Macrobond, Swiss Life Asset Managers. Last data point: 30/10/2025

# Asset allocation

## Balancing growth and resilience

### Review

- Equity markets around the world surged in October, reaching several new all-time highs in major indices, even as the 2025 United States federal government shutdown entered its fourth week. The resilience of the US economy amid the shutdown and fading recession fears reinforced confidence. Equities only dipped briefly following renewed trade tensions between the USA and China.
- US government bond yields continued to decline in October but rebounded somewhat after the 29 October FOMC meeting, where US Fed Chair Powell accompanied the expected policy rate cut with hawkish commentary regarding the future rate path.
- Swiss government bond yields likewise declined and German Bund yields trended lower, although they showed some uptick towards the end of the month.
- Corporate credit spreads remained volatile but only slightly wider on balance in October, while the US dollar's earlier depreciation stalled, with the currency showing signs of modest strengthening.

### Current asset allocation views

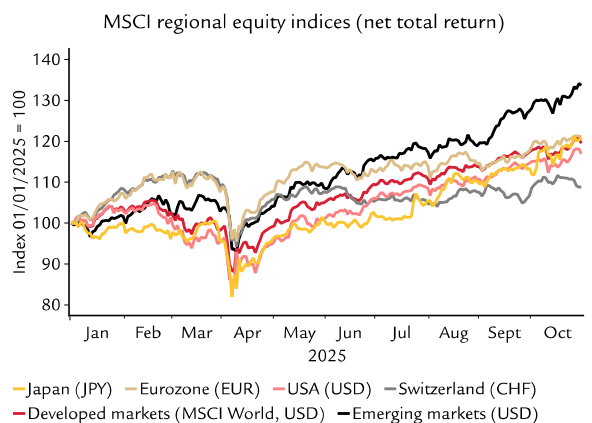
Asset class	Active weight
Global government bonds	overweight
Global investment-grade credit	underweight
Global equities	overweight

Source: Swiss Life Asset Managers

- We maintain an overweight in equities, underpinned by a robust earnings outlook and supportive monetary conditions, as the Fed has initiated its easing cycle. Within equities, we continue to favour emerging markets equities alongside US equities.
- On government bonds we remain slightly overweight. Within the asset class, we prefer US exposure over European, driven by more attractive yield dynamics and supportive monetary policy.
- Credit spreads remain near historically tight levels. While all-in yields are elevated, we continue to prefer government bonds over credit exposure. In our view, the risk-reward profile in credit remains asymmetric, offering limited upside relative to the potential downside. We maintain an underweight position in credit.
- We remain cautious on the US dollar, particularly from a Swiss franc perspective. The reason is the ongoing confidence crisis in US institutions and easier US monetary policy.

### Harnessing growth through emerging markets

Global markets are entering a phase where selective growth exposure is becoming increasingly relevant in portfolio construction. While global growth remains moderate, easing inflation and the prospect of lower US policy rates create a more supportive backdrop for risk assets. Within our multi-asset strategies, this environment favours a measured tilt toward growth-oriented segments, particularly emerging market equities, which continue to offer attractive valuations and gradually improving fundamentals.



Our current overweight in broad emerging markets reflects this constructive outlook. Many economies are benefiting from past monetary policy easing, while external conditions have become more supportive as the US dollar has weakened, global yields have moderated and risk sentiment has improved. Inflation pressures continue to ease, helped by stronger local currencies and the influx of cheaper Chinese goods, which contributes to disinflation across a range of emerging economies. At the same time, the expected negative impact of trade tariffs has proven to be relatively mild, with exports from a wide range of emerging markets continuing to post solid year-on-year growth. Within this environment, China stands out for its resilience—not only in export performance but also in achieving exceptionally strong growth in its high-tech sector. To maintain balance, these growth exposures are complemented by allocations to real assets and high-quality sovereign bonds, which provide stable income, inflation protection, and diversification. This approach reflects a multi-asset framework aimed at capturing cyclical opportunities while maintaining long-term resilience.

## Swiss Life Asset Managers



**Sven Kreitmair**  
**Portfolio Manager Fixed Income**  
sven.kreitmair@swisslife-am.com  
**in** sven\_kreitmair



**Andreas Homberger**  
**Head Quantitative Equities**  
andreas.homberger@swisslife-am.com  
**in** andreas\_homberger



**Damian Künzi**  
**Head Macroeconomic Research**  
damian.kuenzi@swisslife-am.com  
**in** damian\_künzi



**Florence Hartmann**  
**Economist Developed Markets**  
florence.hartmann@swisslife-am.com  
**in** florence\_hartmann



**Stephanie Zwick**  
**Head Multi Asset**  
stephanie.zwick@swisslife-am.com  
**in** stephanie\_zwick

**If you have any questions or if you would like to subscribe to this publication,**

please send an e-mail to: [info@swisslife-am.com](mailto:info@swisslife-am.com).

For more information visit our website at: [www.swisslife-am.com/research](http://www.swisslife-am.com/research)



**Released and approved by the Macroeconomic Research Department, Swiss Life Investment Management Holding Ltd, Zurich**

Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable, but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements.

**France:** This publication is distributed in France by Swiss Life Asset Managers France, 153 rue Saint-Honoré, F-75001 Paris to its clients and prospects. **Germany:** This publication is distributed in Germany by Swiss Life Asset Managers Deutschland GmbH, Clever Strasse 36, D-50668 Köln, Swiss Life Asset Managers Luxembourg, Niederlassung Deutschland, Darmstädter Landstraße 125, D-60598 Frankfurt am Main and BEOS AG, Kurfürstendamm 188, D-10707 Berlin. **UK:** This publication is distributed by Swiss Life Asset Managers UK Ltd., 55 Wells Street, London W1T 3PT. **Switzerland:** This publication is distributed by Swiss Life Asset Management Ltd., General-Guisan-Quai 40, CH-8022 Zürich. **Norway:** This publication is distributed by Swiss Life Asset Managers Holding AS, Haakon VII's gt 1, NO-0161 Oslo. **Italy:** This publication is distributed by Swiss Life Asset Managers Luxembourg, succursale Italia, Via San Prospero 1, I-20121 Milano. **Denmark:** This publication is distributed by Swiss Life Asset Managers Danmark, filial af Swiss Life Asset Managers Luxembourg, Luxembourg Frederiksgade 11, 1. tv, 1265 København K.