NOVEMBER 2025

Equity Focus – 2026 Outlook

The Great Build-Out – Finding Value in a Capex driven World

Summary

1. **Remain overweight global equities.** The overall backdrop still supports equities as global growth is solid and financial conditions are supportive.
2. **Stay Neutral US equities** – With valuations already at elevated levels, we see no room for a further multiple expansion. **We keep our preference for sectors with a solid outlook for earnings growth, and which could benefit either from the AI CAPEX boom or AI utilization.** Non-USD denominated investors might consider FX-hedged exposure.
3. **Stay Neutral EU equities -** Earnings growth expectations might be too optimistic, and European equities are likely to remain a tale of two fates as FX headwinds should reoccur. We see little room for a further valuation re-rating. **We prefer domestically geared sectors, benefitting from efforts to increase the European autonomy.**
4. **Stay Overweight 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".
5. **Stay overweight Japan:** The new government reduces political uncertainty and sets a moderately more growth-oriented policy stance as the relationship with the US is enhancing.
6. **No change to our sector views:** The earnings season is progressing "as usual" with solid beats in the US and a more mixed picture in Europe.

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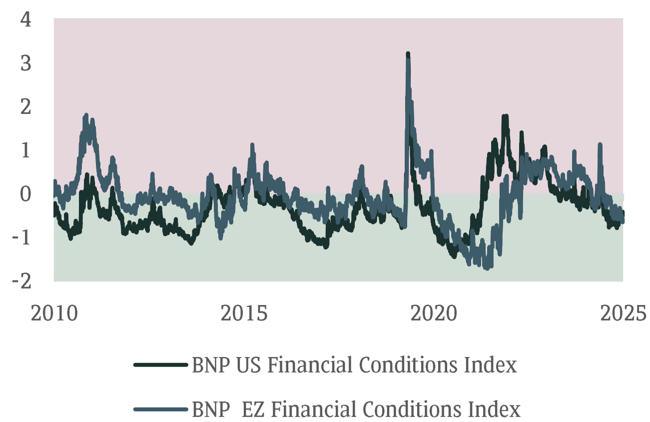
CHART 1: FINANCIAL CONDITIONS REMAIN LOOSE IN EUROPE AND THE US



Source: BNP Paribas, Bloomberg

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US Equities – Now playing the second act of AI

***"It´s very clear that AI is going to impact every industry"* (Jensen Huang, CEO of Nvidia)**

The US economy experienced a material slowdown of GDP growth in 2025, falling from 2.8% yoy growth in 2024 to 1.9% yoy for 2025 and 2026. While the job market keeps slowing (Chart 2), the overall economy is - despite the uncertainties around trade policies and record high tariff levels - still surprisingly robust (Chart 3). The good news about the weakening labor market is that it will likely keep the Fed motivated to conduct three more rate cuts until June 2026. This should keep financial conditions loose, a historically constructive backdrop for equites (Chart 4).

CAPEX is the magic potion

As demand for AI keeps booming, so are investments in AI related infrastructure. The expected spending of US hyperscalers has risen steadily over the year. And yet, the currently expected growth rate for 2026 of c. 29% yoy seems rather conservative (Charts 5 & 6). Since the largest companies continue to message that supply cannot keep pace with AI demand, we think there is the risk that the realized growth will be much closer towards the growth rates we saw in prior years.

For the time being, the market keeps rewarding companies with high capex spending (Chart 7). This is hardly a surprise given the optimistic assumptions of the Generative AI revenue potential. Bloomberg is estimating this number to reach USD 1.8T in 2032, a 30% CAGR from 2024 (Chart 8). As long as US hyperscalers can maintain the current high margins and solid Return on Asset levels (Charts 9 & 10), the market will likely postpone asking questions about the risks of rising depreciation levels for now.

Power could become a key bottleneck

As AI demands massive power, reliable ample power supply is likely to be a key factor for future growth, especially because power infrastructure bottlenecks can be slow to solve. According to estimates from Morgan Stanley, the potential shortfall in power for US data centers could amount to 49 gigawatts through 2028. This shortfall would increase the stress in the US power grid. US peak summer effective spare power generation capacity — a measure of power availability and reliability — has decreased significantly from 26% five years ago to 19%, approaching the 15% critical threshold in the power industry (Chart 11). One way of mitigating those headwinds could be the transformation of Bitcoin sites which could offer AI players fast times to power with low execution risk.

Earnings trends

After a strong Q3 earnings season, we saw solid upward revisions in earnings expectations (Chart 12). Thanks to still superior profit margins, US mega cap tech are still expected to deliver the lions share of earnings growth (Chart 13). They should also benefit from a weakening of the dollar (our 12M EUR/USD target remains USD 1.24), due to their above average non-USD revenue exposure (Chart 14).

Don´t expect further valuation upgrades

With valuations already at elevated levels, we see no room for a further multiple expansion (Chart 15). Hence, the return outlook for 2026 should follow realized earnings growth, expected in the high single to low double-digit range. **We maintain a neutral view and keep our preference for sectors with a solid outlook for earnings growth, and which could benefit either from the AI CAPEX boom or AI utilization.** Non-USD denominated investors might consider FX-hedged exposure.

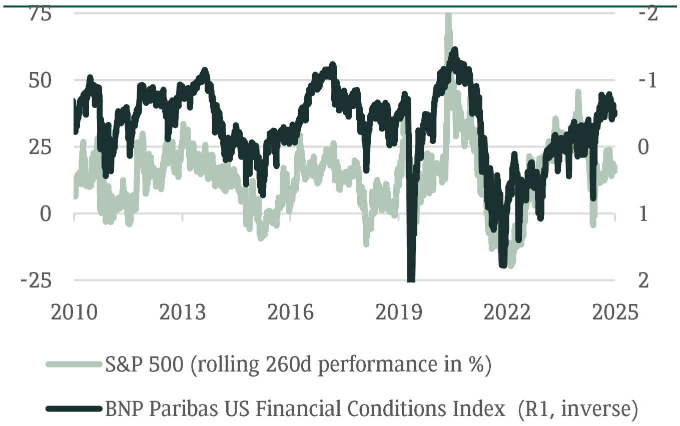
CHART 2: THE US JOB MARKET IS SLOWING AS LAYOFFS RISE AND AVAILABLE JOBS DECLINE

Source: BNP Paribas, Bloomberg

CHART 3: THE SENTIMENT AMONG BUSINESS LEADERS IS BETTER THAN AMONG CONSUMERS

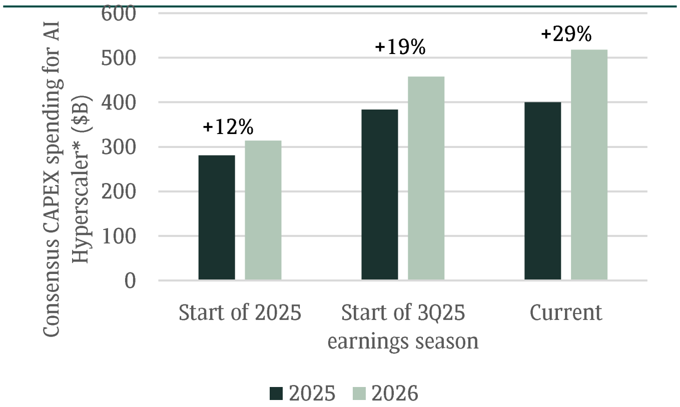
Source: BNP Paribas, Bloomberg

CHART 4: LOOSE(NING) FINANCIAL CONDITIONS HAVE HISTORICALLY BEEN SUPPORTIVE FOR EQUITIES



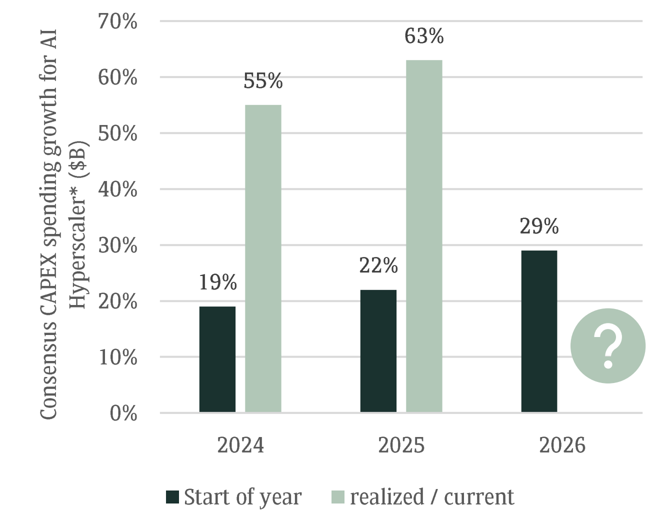
Source: BNP Paribas, Bloomberg

CHART 5: CAPEX GROWTH FOR AI HYPERSCALER HAS BEEN CONSTANTLY REVISED HIGHER...



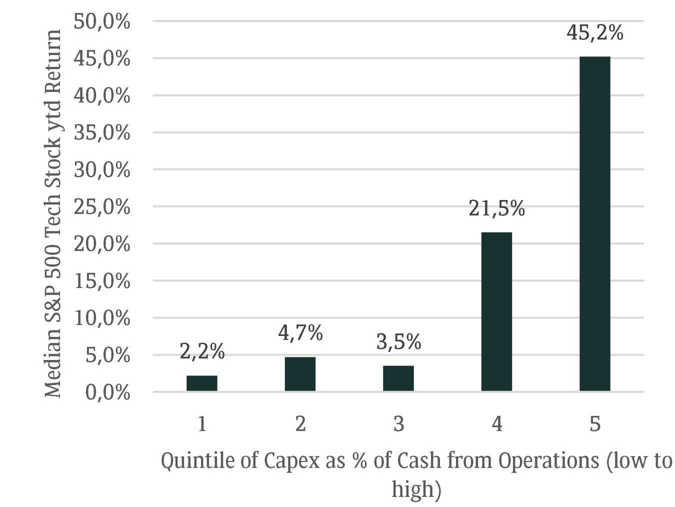
Source: BNP Paribas, Goldman Sachs

CHART 6: .....BUT IS STILL LOOKING (TOO) CONSERVATIVE



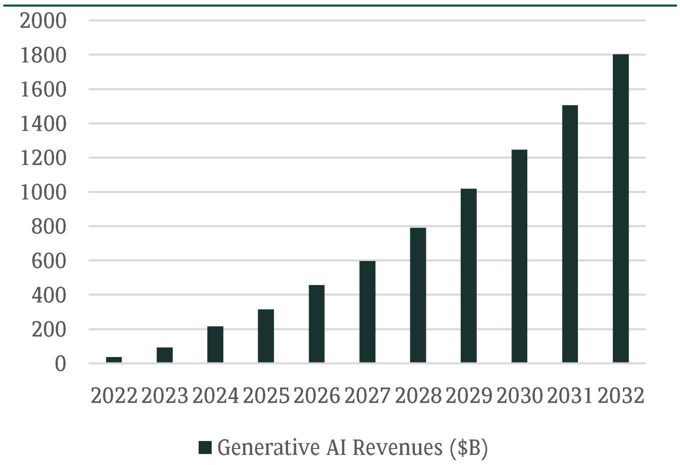
Source: BNP Paribas, Goldman Sachs

CHART 7: THE MARKET IS REWARDING TECH STOCKS WITH HIGH CAPEX SPENDINGS



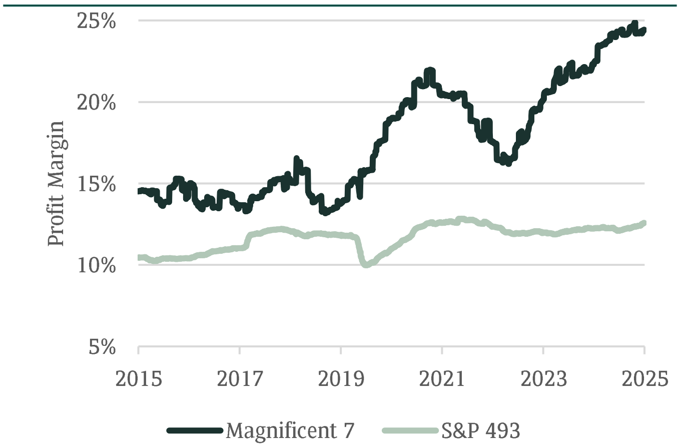
Source: BNP Paribas, Bloomberg

CHART 8: GENERATIVE AI REVENUES ARE EXPECTED TO GROW WITH A CAGR OF 30% UNTIL 2032



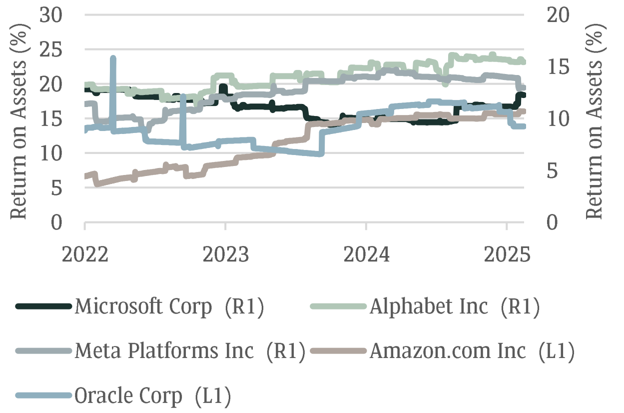
Source: BNP Paribas, Bloomberg

CHART 9: THE MARGINS OF THE MAG7 ARE STRONGLY OUTPERFORMING THE REMAINING 493 S&P 500 STOCKS



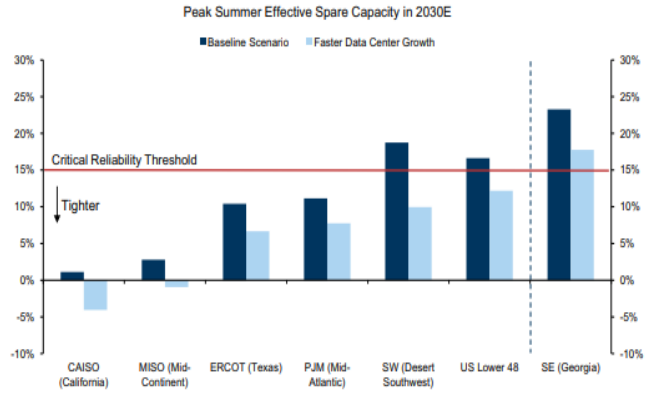
Source: BNP Paribas, Bloomberg

CHART 10: HYPERSCALER RETURN ON ASSETS ARE STILL SOLID



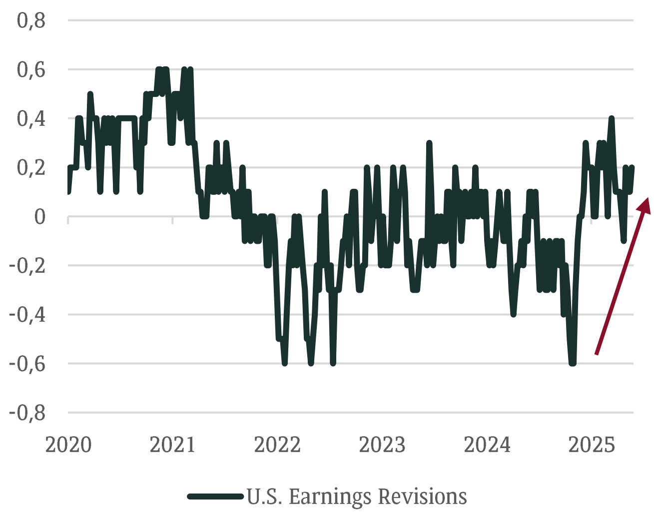
Source: BNP Paribas, Bloomberg

CHART 11: US POWER SPARE CAPACITY IS SHRINKING



Source: Goldman Sachs

CHART 12: EARNINGS REVISION RECOVERED RECENTLY

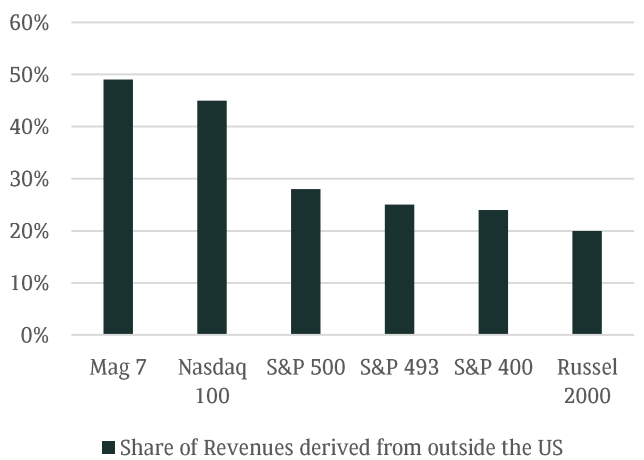


Source: BNP Paribas, Bloomberg

CHART 13: EXPECTED EARNINGS GROWTH IS DIVERGING

Source: BNP Paribas, Bloomberg

CHART 14: US TECH HAS A HIGH FOREIGN SALES EXPOSURE



Source: BNP Paribas, Bloomberg

CHART 15: VALUATIONS ARE CLOSE TO RECORD HIGHS

Source: BNP Paribas, Bloomberg

Europe – (Too) Great Expectations

***"The future generations will gain nothing if we leave them with a dilapidated infrastructure"* (Friedrich Merz)**

European equites had a strong start into the year, driven by growing optimism about higher defence spending and the German "*Zeitenwende*" on debt-funded infrastructure investments. So far, only a fraction of those impulses have found their way into European earnings. European equites are on track to finish the 4th consecutive year in a row with low to negative earnings growth. While a fair share of recent disappointing earnings growth can be attributed to the impact of a stronger Euro (Chart 17), the region has historically a poor track record for earnings delivery. Only 5 years in the previous 20 have seen net earnings upgrades through the year, with European earnings on average cut by 5.2% through the year. This year has seen a bigger than average downgrade, with STOXX 600 2025 EPS estimates down ~8% YTD (Chart 18) to reach ~0% earnings growth in Europe.

Will next year be different?

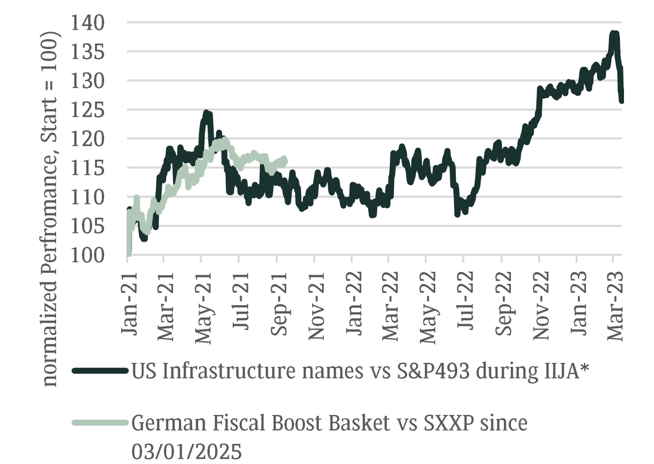
Consensus is again expecting a strong earnings recovery for Europe (+10.5% yoy). We see some risks for this outlook. Firstly, our EUR/USD target points to further FX-headwinds in 2026 (Chart 19) which increases the chances that we might see another year of divided economic fortunes between domestic and foreign centered companies. We would highlight Autos as particularly vulnerable as the projected earnings growth rate of 140% looks exceptionally optimistic. Secondly, the outlook for European exports to the US warrants some caution as FX headwinds and lower US-China tariffs imply a moderation in the competitiveness of European goods in the US. Lastly, we see the risk that German infrastructure fund spend over 2025-26 could be partially allocated to other – pre-existing – budget items (Chart 20). We still expect an above-consensus GDP growth rate for 2026 (+1.4% yoy vs +1.0% Bloomberg consensus). However, if too much of the additional spending were allocated to categories with low multipliers, this forecast would be at risk, potentially disappointing foreign investors.

Despite some execution risks on infrastructure spending, Germany keeps pushing ahead on reforms. The investment booster consists – among other tax benefits - of bonus depreciations for equipment investments and a gradual corporate tax decrease from 15% to 10% starting in 2028. Further incentives to reduce red tape or foster investments have either passed the cabinet or the coalition steering committee and are thus likely to be implemented over the next months. Those announcements are in line with an improvement in activity measures and business sentiment. (Chart 21)

What to expect in 2026?

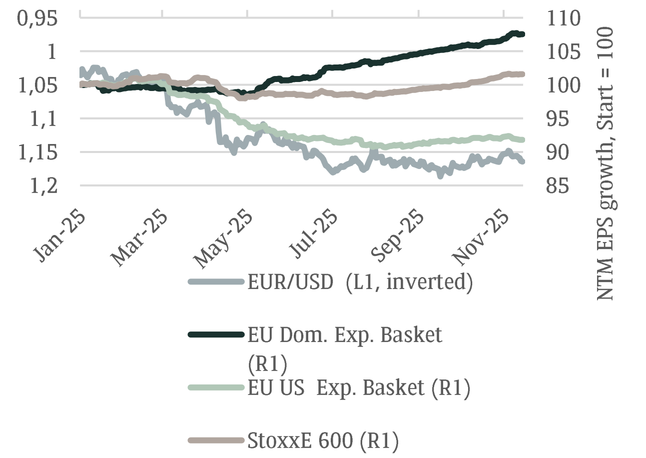
Earnings growth expectations might be too optimistic, and European equities are likely to remain a tale of two fates. Valuations have been the main driver since 2022 (Chart 22), and we see little room for a further re-rating. Thus, earnings growth and shareholder returns should be the main sources of performance. A high single-digit growth for next year main European indices performance looks realistic. In conjunction with an expected shareholder yield of ~ 5% (Chart 23), a low double digit return in local currency and a higher double digit return in USD should be achievable. **We remain neutral and prefer domestically geared sectors, benefitting from efforts to increase the European autonomy.**

CHART 16: EUROPEAN STOCKS ARE FOLLOWING THE „PROOF OF IMPLEMENTATION" PLAYBOOK FROM THE IIJA



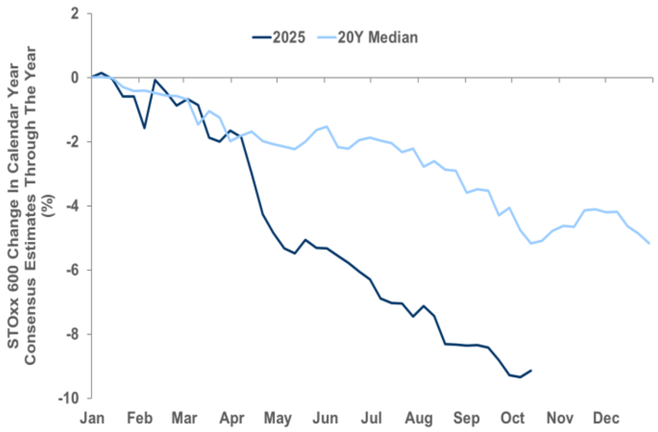
Source: BNP Paribas, Bloomberg / IIJA = Infrastructure Inv. & Jobs Act 2021

CHART 17: A DIVIDED MARKET – USD EXPOSURE AS A MAJOR DRIVER FOR EARNINGS



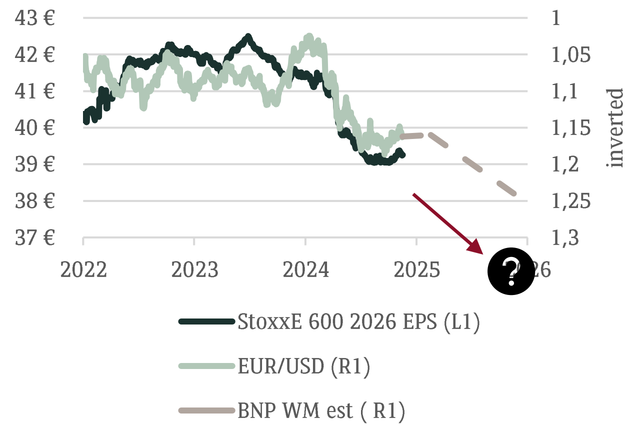
Source: BNP Paribas, Bloomberg

CHART 18: EUROPE HAS A LONG TRADITION OF EARNINGS DOWNGRADES



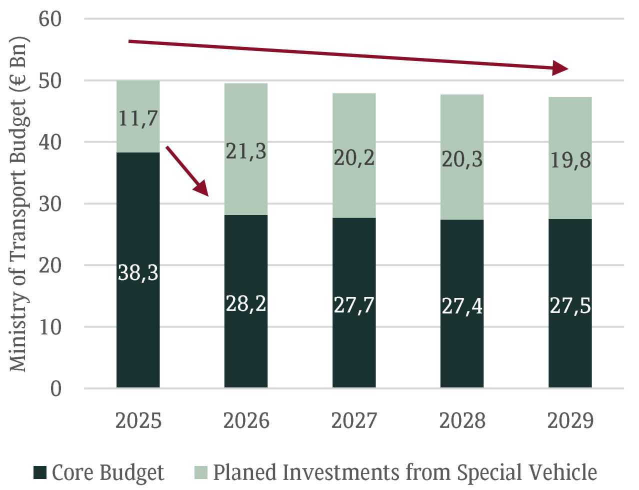
Source: Morgan Stanley

CHART 19: OUR FX OUTLOOK INDICATES FURTHER DOWNSIDE RISKS FOR EARNINGS



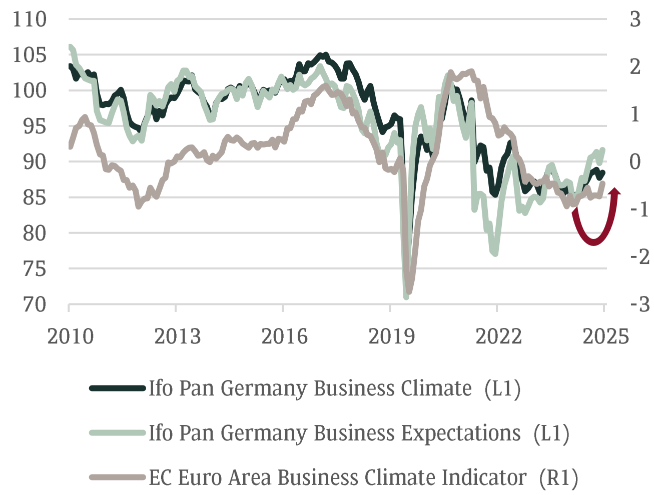
Source: BNP Paribas, Bloomberg

CHART 20: THE CURRENT BUDGET PROPOSAL INDICATES THAT NOT ALL FUNDS ARE USED FOR INFRASTRUCTURE INVESTMENTS



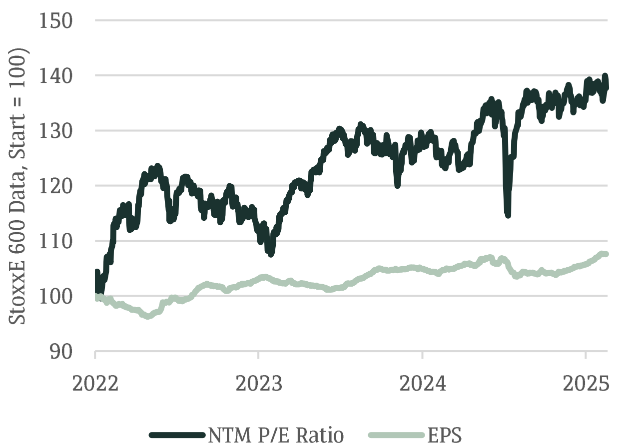
Source: BNP Paribas, German Ministry of Transport

CHART 21: THE BUSINESS CLIMATE IN GERMANY AND EUROPE IS IMPROVING



Source: BNP Paribas, Bloomberg

CHART 22: THE RECOVERY FROM THE LOWS IN LATE SEP 2022 WAS MAINLY DRIVEN BY (RISING) VALUATIONS



Source: BNP Paribas, Bloomberg

CHART 23: DESPITE THE RECENT RERATING, EUROPE STILL OFFERS AN ATTRACTIVE SHAREHOLDER YIELD

Source: BNP Paribas, Bloomberg

Emerging Markets – The beginning of a new cycle?

***"Patience is a tree whose roots are bitter, but its fruit is sweet"* (Chinese Proverb)**

Since the Great Financial Crisis, Emerging Markets (EM)have been a source of volatility but a rather poor source of return. While there have been several tradeable mini-cycles, the overall move was sideways, leading to a severe underperformance versus developed markets (DM). The ratio against developed market equities has fallen close to historic lows. As was the case in 1988 and after the dotcom crash, this time might represent a turning point (Chart 24), igniting a new secular bull market in EM equities. **We remain overweight.**

Structural tailwinds in favor of Emerging Markets

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.

We see a positive backdrop based on solid regional growth and easing financial conditions driven by a Fed which we expect to keep cutting rates. We stick to our view of three more cuts by mid-2026. We continue to expect a further dollar weakening on a structural basis (e.g. EUR/USD 12M target of USD 1.24) on the back of overvaluation, narrowing rate differentials and persistent high budget deficits US. A weaker dollar is mostly good for EM equities through direct translation and fundamental transmission channels.

China (Tech) remains a key conviction

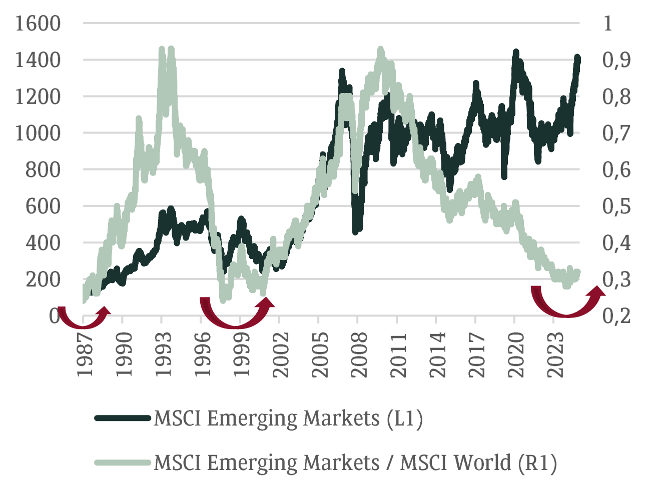
The perception that China stocks are "uninvestable" by foreign investors in recent years, has now shifted into one of the "unneglectable" markets. Many investors have reassessed their bearishness on China equities, especially after DeepSeek's breakthrough early this year, combined with a suite of other AI innovations.

In the recent Fourth Plenum, Beijing outlined the 15th Five-Year Plan with the main focus on technological self sufficiency. This has been underscored by a recent article by Vice Premier He Lifeng in the People's Daily stating "we must, at root, rely on developing new quality productive forces, and enhance the country's economic strength, scientific and technological strength, and overall national strength". China leads globally with abundant and cost-efficient renewable energy and grid infrastructure to support the rising power demand driven by the strong AI demand (Chart 27). China is also a global producer for AI-integrated humanoid robots and smart service devices. China's AI capex is estimated to reach RMB 600-700bn this year, supported by a large addressable domestic market.

The recent Trump-Xi meeting had a positive outcome with US-China agreeing on immediate reduction in fentanyl tariffs by half to 10% and a 1-year suspension of reciprocal tariffs, export controls and maritime charges. These measures will likely lower the weighted average additional US tariff on China in 2025 from 32% to 22%, which is close to the additional tariff on most of the regional peers, such as around 20% for ASEAN, 15% for Korea.

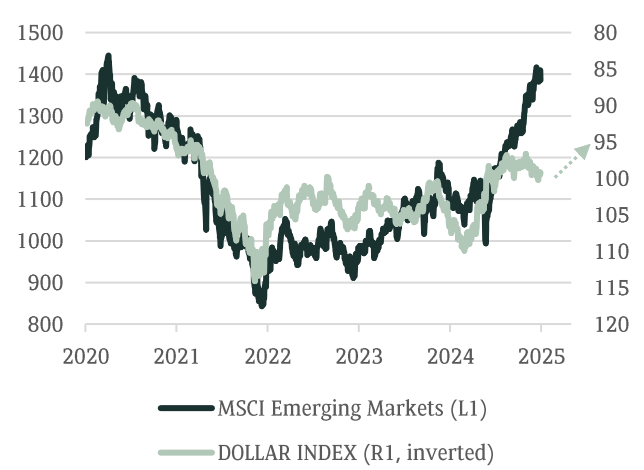
We expect earnings to recover going forward, allowing further rerating potential (Charts 28 & 29). The key drivers for improving earnings strength include a profit boost from AI capex; profit reflation from "anti-involution" campaigns and consumption stimulus, and profit enhancement from rising global market exposure given Chinese products' rising competitiveness.

CHART 24: ANOTHER TURNING POINT IN THE EM VS DM MARKET CYCLE?



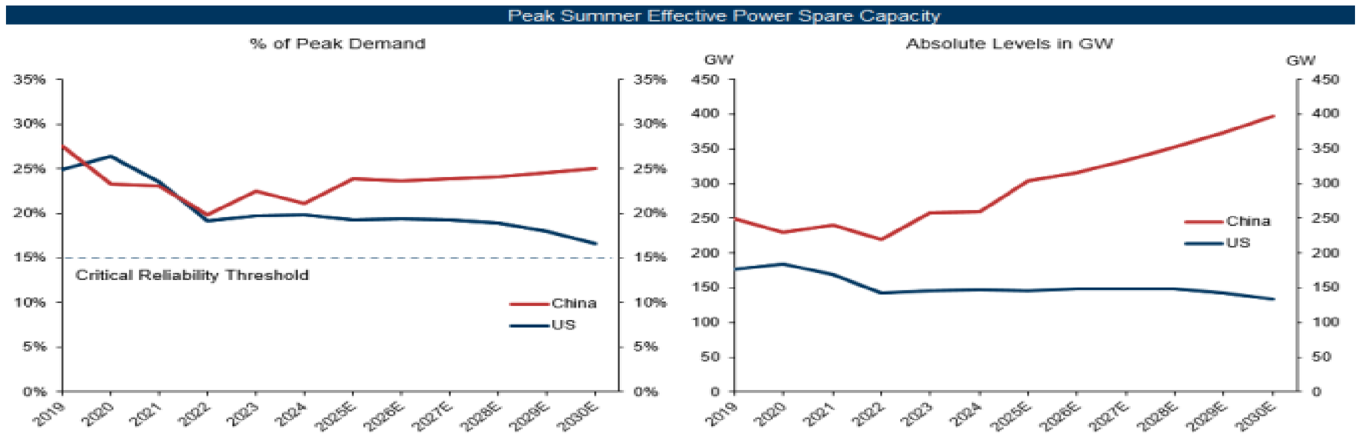
Source: BNP Paribas, Bloomberg / IIJA = Infrastructure Inv. & Jobs Act 2021

CHART 25: A WEAKER DOLLAR HAS BEEN A TAILWIND FOR EM EQUITIES



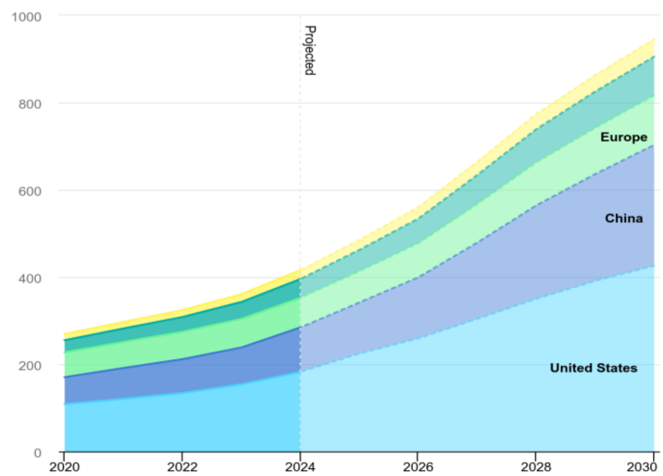
Source: BNP Paribas, Bloomberg

CHART 26: CHINA LOOKS WELL PLACED TO GROW ITS SPARE POWER CAPACITY IN ORDER TO BE ABLE TO FOSTER FUTURE DATA CENTER GROWTH



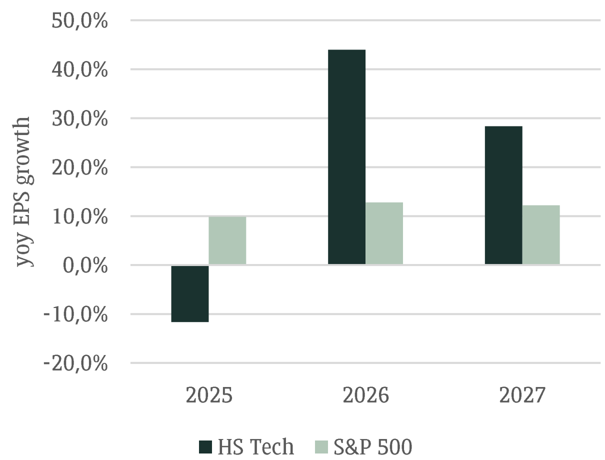
Source: Goldman Sachs

CHART 27: CHINA IS EXPECTED TO SEE THE FASTEST DATA CENTER POWER DEMAND GROWTH (170%) UNTIL 2030



Source: iea.org

CHART 28: EARNINGS IN HANG SENG TECH ARE EXPECTED TO RECOVER AND TO OUTGROW US PEERS



Source: BNP Paribas, Bloomberg

CHART 29: HIGHER EARNINGS GROWTH SHOULD LEAD TO A FURTHER RE-RATING

Source: BNP Paribas, Bloomberg

Still Big in Japan

***"I will say that this will be a relationship that will be stronger than ever before"* (D. Trump after meeting PM Takaichi)**

The appointment of Sanae Takaichi as prime minister and head of an LDP and Japan Innovation Party government reduces political uncertainty, sets a moderately more growth-oriented policy stance, and **reinforces our overweight view on Japan equities**. Overall positioning is conservative, and foreign inflows only started to recover recently (Charts 30 & 31) , indicating a supportive demand/supply balance.

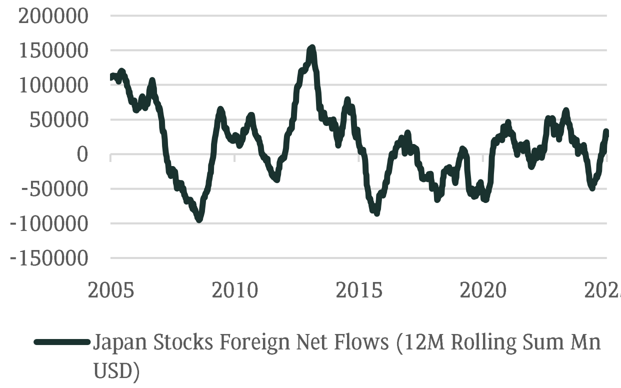
A more balanced approach

Domestically exposed stocks have been able to benefit from a stronger currency at the beginning of the year, concerns around tariffs and the outlook of a stronger domestic economy driven by successful reflation. More recently, internationally exposed names managed to recover as FX headwinds faded, the trade deal with the US and a strong performance of AI / Semiconductor names. We think there are reasons to believe that foreign exposed names could continue to do well due to a broadening out of the AI rally and a potential laggard recovery of America-exposed stocks due PM Takaichi's perceived policy focus on economic security and US-Japan cooperation (Chart 32).

What to focus on in 2026?

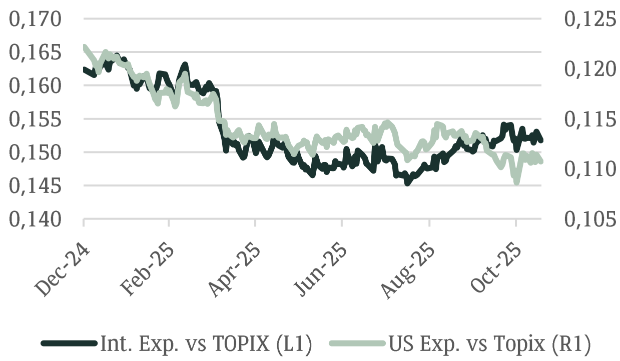
Key themes in Japan include defense and economic security including stronger ties to the US, AI beneficiaries, the ongoing corporate reform agenda (look out for improving ROEs and shareholder returns), monetary policy normalization (which benefits financials), and select domestic consumption plays (driven by wage gains and higher nominal GDP).

CHART 31:FOREIGN INFLOWS ONLY STARTED TO RECOVER BUT ARE FAR FROM PAST HIGHS



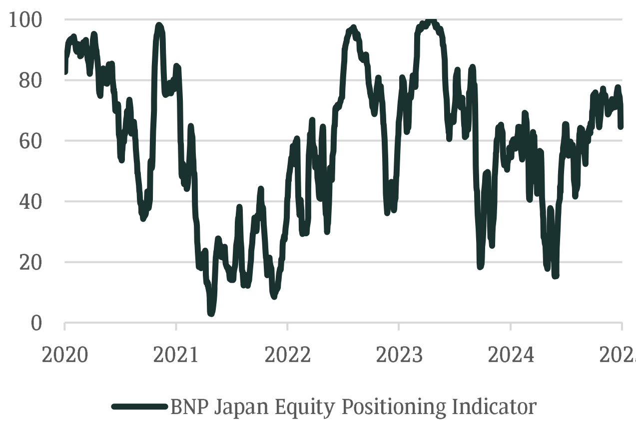
Source: BNP Paribas, Bloomberg

CHART 32: INTERNATIONAL EXPOSURE STOCKS STARTED TO RECOVER WHILE US FOCUSED STOCKS STILL LAG



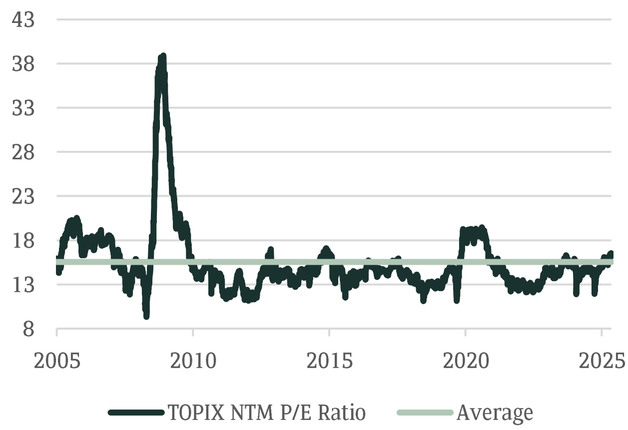
Source: BNP Paribas, Bloomberg

CHART 30: THE OVERALL POSITIOING IN JAPANESE EQUITIES DOESN´T LOOK STRECHTED



Source: BNP Paribas, Bloomberg

CHART 33: VALUATIONS ARE A WHISKER ABOVE THEIR LONG-TERM AVERAGE, OFFERING RE-RATING POTENTIAL



Source: BNP Paribas, Bloomberg

US and Europe Sector allocation & review

No change this month

US equity markets further progressed in October, with the S&P 500 recording a gain of +2.3% on the month. The earnings season, much better than expected, brought further support, particularly to the (expensive) tech industry.

The IT sector rose the most in October: +6.2%. Health care, consumer discretionary and utilities also did well. On the other hand, the worst performers were energy, consumer staples, real estate, financials and materials. We are positive on none of these sectors which all finished the month of October in the red.

Year to date, the worst performers are defensive sectors. We still think that the consumer staples sector (UW) doesn't look very attractive due to its subdued growth in aggregate.

On the other hand, **Health care (OW) continues to recover**, after the better news of some major deals having been signed between leading companies and the US administration (cf. October Equity Focus for more details). Q3 results and perspectives look solid, with new promising treatments. Utilities remain another favoured sector (OW), as a prime beneficiary of AI and electrification. Power needs are huge.

Inside technology, AI is now developing fast. Infrastructure needs are still very big, which should bring further support to the sector. Due to valuations, we recommend a high degree of selectivity. Besides, there are lingering doubts on some industries that could lose substantial business to AI (i.e. media, some software & services companies).

The main European equity indices also rose in October. The Stoxx 600 index increased by +2.5%. Utilities, basic resources and energy were top performers as investors realize power and other infrastructure needs will be enormous in the years to come to run AI and to enhance the European energy independence.

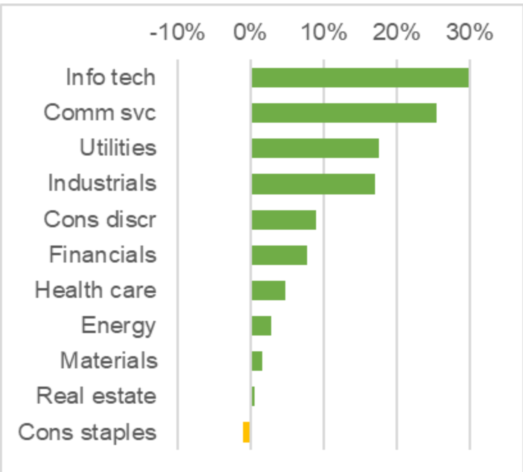
Note that inside energy, electricity infrastructure related names are doing very well (mainly Siemens Energy) whereas the more traditional oil and gas majors underperformed due to a certain oversupply brought by OPEC countries and the willingness of the US administration to maintain low prices at the pump.

Automobile, Media, Insurance, Chemicals, Travel & Leisure all finished the month in the red. We do not favour any of these sectors.

Year to date, banks are still far ahead: +49.1% in aggregate. Utilities have been strong the last few months whereas some cyclical sectors are consolidating, likely now waiting for the cyclical acceleration promised by the European infrastructure plans, especially in Germany. In the meantime, the challenging budgetary situation in certain European countries has raised questions again about the level of public works, with the possibility of new taxes coming (remember that last month, we downgraded the EU Construction & Materials sector from OW to neutral).

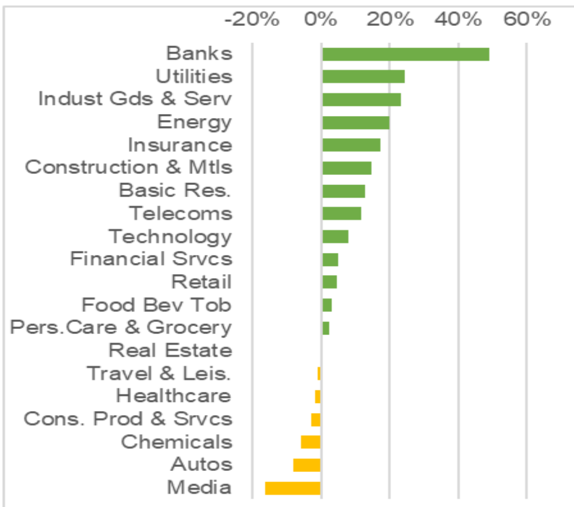
A sector rotation is currently taking place: health care is now recovering as well as some sectors sensitive to China such as consumer products & services, or basic materials. It is a rather positive signal for the market.

CHART 34 : US SECTOR PERFORMANCE YTD: IT, COMMUNICATIONS AND UTILITIES LEADING ; DEFENSIVE SECTORS LAGGING.



Source: S&P 500, 2025 performances as at 03 November 2025.

CHART 35 : EUROPE SECTOR PERFORMANCE YTD: MAINLY DOMESTICS AHEAD WHEREAS EXPORTERS ARE STILL UNDERPERFORMING.



Source: Stoxx600, 2025 performances as at 03 November 2025.

Q3-25 earnings: solid in the US, not great in Europe… « as usual »

Double digit earnings growth in the US but no growth in Europe… "as usual"

US Financials sector: the good, the bad and the ugly

Same as in previous quarters, the season got a good start thanks to the large US banks. Results were generally above expectations, with the investment banking activities now recovering. Accordingly, there are some concerns in the US regarding consumption among low-income segments and the potential for rising unemployment, but recession scenarios still look extreme (low probability). Besides, deregulation and tax cuts are supportive. Many regional banks are now merging, partly thanks to the more favourable regulatory tone. Other financials have also announced solid results in general.

However, new concerns have recently arisen due to the collapses – likely fraudulent - of First Brands and Tricolor, two US companies involved in the automobile sector. It has raised new questions on the governance and transparency of private companies. JP Morgan forecasts that other companies are likely to be in a similar precarious financial situation. Consequently, the US financial sector has struggled since September. We consider the US financial sector as fairly priced, especially considering these new uncertainties.

European Financials in a great shape

After the outstanding corporate results and stock market performances of the last few years, European banks have once again exceeded expectations. Perspectives look fine, balance sheets strong, and valuations are still cheap. M&As and further restructuring could bring additional support. Other European financials have also reported good results.

Solid Q3 financial results in general in the US

Results have been robust at many US companies, particularly in the technology sector, and the outlook remains favorable for numerous US-listed companies. Expected earnings revisions have trended upward, bucking the typical pattern of downward adjustments after Q3 releases. US Q3 earnings are now expected to grow +12 to +15% in aggregate (following the calculation method), much better than the +6% that was expected early in the season.

Stabilisation now expected in Europe before a strong recovery in 2026

In Europe, apart from financials, Q3 telecoms and technology results were strong (thanks to a limited number of companies). The automotive and energy sectors were the main drags. Overall, European Q3 earnings should post a marginally negative growth.

In 2026, double digit earnings growth is expected in many parts of the world (see chart below)

S&P 500 earnings growth is expected to reach +12% in 2025 and +14% in 2026 (current IBES consensus).

In Europe, almost no growth is expected in 2025 whereas in 2026, a strong earnings recovery (+12%) is anticipated. Key will be whether currently complicated sectors - mainly automobile, chemicals, media, staples - significantly recover next year, whereas they still face major disruptions coming from AI, China and new consumption habits.

Actually, as for earnings growth, all major markets are expected to do well in 2026.

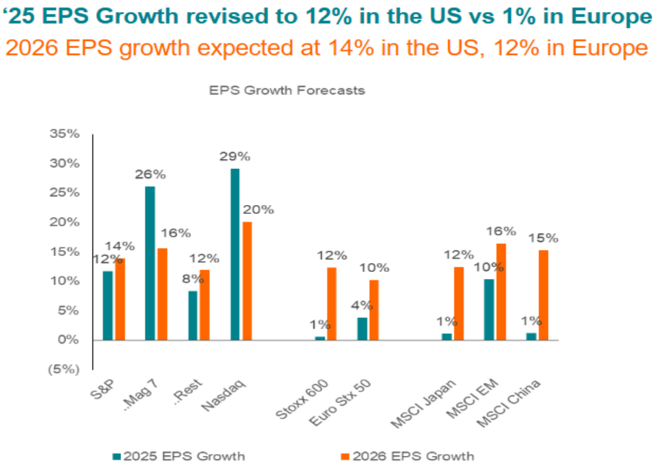
TABLE 1 : SOLID US Q3 RESULTS, PARTICULARLY FINANCIALS & TECHNOLOGY. ON THE WEAK SIDE: ENERGY (UW) AND CONSUMER STAPLES (UW).

Consensus expectations based on current constituents and diluted shares

Sector	Earnings YoY%	Sales YoY%
Consumer Discr	7.4%	7.2%
Consumer Staples	-0.2%	4.6%
Energy	-0.9%	1%
Financials	23.7%	9.4%
Health Care	4.4%	10.3%
Industrials	15.1%	6.5%
Technology	26.5%	15.4%
Materials	17.7%	-3.7%
Real Estate	5.1%	7.4%
Communic. Serv.	14.8%	8.8%
Utilities	5%	6.9%
S&P 500	14.7%	8.2%

Source: Factset, BofA, BNP Paribas

CHART 36 : MAJOR EQUITY MARKETS ARE EXPECTED TO SEE DOUBLE-DIGIT EARNINGS GROWTH IN 2026



Source: Datastream.Bloomberg. BNP Paribas Exane estimates

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Banks			X	49,07%	36,33%	**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	4,80%	-7,94%	**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	-1,95%	-14,69%	**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	23,09%	10,35%	**The sector is being hit by tariff uncertainties but (German) infrastructure spending and electrification theme are big counterweights**. Also beneficiary of defence spending, re-/ nearshoring, investments in data centers and renewable energy projects.
Utilities			X	24,53%	11,79%	**European infrastructure spending and energy independence willingness are supporting whereas (Green and AI-related) Power demand continues to grow.**
Basic Resources		X		12,64%	-0,10%	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		-5,76%	-18,50%	The sector should profit from the **infrastructure plan** in Germany as well as from some end markets revivals. **Strong competition from China, overcapacity and tariffs (+ uncertainties related) hurting**.
Construction Materials		X		14,81%	2,07%	**(German) infrastructure spending has been a key catalyst but it seems priced in now.** Rebuilding Ukraine now looks more distant. Heavy side names might benefit from US-China tariffs as they produce locally.
Cons. Products and Services		X		-2,98%	-15,72%	**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		17,20%	4,46%	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 around 12. Be selective.
Real Estate		X		0,29%	-12,45%	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		4,66%	-8,08%	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		7,88%	-4,86%	**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		11,58%	-1,16%	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			-8,27%	-21,01%	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			19,81%	7,07%	**Oversupply & new US administration policies are capping the upside in oil related. Saudi now flooding the market with more oil.**
Food, Bev and Tobacco	X			3,11%	-9,63%	**Valuations are rich 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			-16,33%	-29,07%	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			2,21%	-10,53%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Lack of upside catalysts.
Travel & Leisure	X			-0,87%	-13,61%	Lower oil prices a support but **high competition in a context of geopolitical tensions, discouraging travelling**.

Sector (S&P 500 Level 1)	View UW	View N	View OW	YTD	Out/ underperf. vs index	Our view at a glance
Health Care			X	4,82%	-11,68%	**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	17,52%	1,02%	**Growth in power demand should remain solid due to AI tailwinds & electrification.** EPS growth expectations accelerating. **Accumulate.**
Communication Services		X		25,44%	8,94%	The sector is **dominated by 2 mega tech companies trading at lower P/Es than other 'Mag-7' but having recently considerably re-rated**. The rest of the sector is not cheap either. Be selective.
Consumer Discretionary		X		9,03%	-7,47%	The sector is **dominated by 2 expensive mega tech companies, facing various issues**. However, their strong exposure to AI, automation and robotics is re-attracting interest. Other names in the sector could profit from a relatively resilient discretionary consumption in the US.
Financials		X		7,74%	-8,76%	**Profits and balance sheets quite solid but the sector looks fully priced. Deregulation a strong support now.**
Industrials		X		17,08%	0,58%	Re-shoring and US reindustrialization are supposed to be major tailwinds but lots of good news look priced in.
Information Technology		X		29,81%	13,31%	**Trading at heavy premium** vs the market. Despite rising worries of AI-related overinvestments & of possibly disappoiting ROIs to come, the market remains very enthusiastic about any new AI development. 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		1,66%	-14,84%	**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		0,49%	-16,01%	**Activity is still sluggish in residential RE.** New construction activity is muted. Commercial RE looks stressed. **Momentum is better at communications towers and at some other specialized REITs.**
Consumer Staples	X			-1,04%	-17,54%	**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			2,84%	-13,66%	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 2 : 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	995		49,45		1,51	20,13		3,34		1,84		15,61		4,97		n.a.	n.a.
MSCI World	4344		205,65		1,17	21,12		3,63		1,75		16,05		4,73		1,05	
MSCI Emerging Markets	1386		100,21		1,96	13,83		1,98		2,68		13,73		7,23		0,67	
S&P 500	6734		286,51		1,52	23,50		4,95		1,25		19,44		4,25		1,21	
S&P 500 Equal Weighted	7584		427,59		0,17	17,74		2,83		2,32		14,59		5,64		0,88	
Russell 2000	2388		94,54		2,47	25,26		1,50		2,17		4,78		3,96		1,14	
NASDAQ 100	25008		868,63		1,64	28,79		7,82		0,68		24,53		3,47		1,56	
MSCI USA Growth	32312		521,63		3,51	32,82		11,47		0,37		32,77		1,61		1,89	
MSCI USA Value	15552		237,48		-0,11	17,41		2,94		2,28		15,63		1,53		0,87	
STOXX Europe 600	572		38,09		-0,16	15,09		2,12		3,52		13,58		6,66		0,73	
STOXX Europe Mid 200	598		39,40		-1,45	15,18		1,74		3,99		11,20		6,58		0,72	
STOXX Europe Small 200	362		25,44		0,37	14,22		1,50		3,61		10,80		7,03		0,67	
DAX	23729		1510,33		-1,02	15,71		1,87		3,28		11,11		6,36		0,75	
FTSE 100	9678		701,58		3,26	13,82		2,22		3,47		14,97		7,25		0,68	
CAC 40	8133		511,38		-0,73	15,98		1,95		3,37		12,33		6,29		0,76	
FTSE MIB	43746		3640,07		-1,37	12,09		1,53		4,97		12,53		8,32		0,58	
Nikkei 225	50324		2079,51		0,81	23,98		2,52		1,66		10,33		4,13		1,13	
Hang Seng	26384		2104,78		2,98	12,62		1,35		3,10		9,81		7,98		0,60	

TABLE 3 : 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	572		38,09		-0,16	15,09		2,12		3,52		13,58		6,66		11%	1,00	
STOXXE 600 Consumer P&S	387		14,64		-4,43	26,74		3,89		2,09		14,86		3,79		9%	1,78	
STOXXE 600 Energy	137		11,04		1,95	12,38		1,62		4,77		13,56		8,06		4%	0,81	
STOXXE 600 Food, Bev and Tobacco	189		12,21		-0,69	15,48		2,60		4,09		15,79		6,46		13%	1,05	
STOXXE 600 Personal Care	165		10,57		-0,73	15,59		3,01		3,63		18,05		6,41		11%	1,08	
STOXXE 600 Chemicals	1126		63,92		-3,43	17,64		1,77		3,40		9,87		5,68		18%	1,13	
STOXXE 600 Utilities	487		33,75		-0,36	14,39		1,70		4,44		11,30		6,94		3%	0,94	
STOXXE 600 Banks	323		32,89		1,63	9,83		1,21		5,51		12,20		10,17		6%	0,64	
STOXXE 600 Real Estate	126		9,44		-0,49	13,31		0,84		4,59		9,05		7,50		17%	0,82	
STOXXE 600 Technology	828		32,30		2,34	25,68		5,11		1,23		19,78		3,90		21%	1,79	
STOXXE 600 Autom. & Parts	522		60,67		-2,61	8,61		0,66		4,08		7,02		11,62		10%	0,54	
STOXXE 600 Health Care	1111		67,97		-1,30	16,33		3,47		2,85		17,94		6,12		10%	1,15	
STOXXE 600 Financial Services	832		64,89		8,88	12,81		1,56		2,99		10,39		7,80		18%	0,83	
STOXXE 600 Insurance	486		40,72		2,01	11,91		2,25		6,68		19,42		8,38		6%	0,82	
STOXXE 600 Telcos	251		17,24		0,08	14,53		1,51		4,58		9,44		6,87		17%	0,93	
STOXXE 600 Media	393		30,49		-1,68	12,84		2,02		3,35		13,64		7,77		25%	0,86	
STOXXE 600 Ind. Goods & Services	1047		48,23		-1,82	21,77		4,02		2,20		17,05		4,61		13%	1,50	
STOXXE 600 Constrn & Materials	807		45,82		-2,45	17,64		2,39		2,71		13,07		5,68		13%	1,16	
STOXXE 600 Basic Resources	589		41,40		-1,17	14,23		1,38		3,30		9,53		7,02		6%	0,91	
STOXXE 600 Retail	448		27,00		-0,81	16,57		2,99		3,23		17,19		6,03		13%	1,14	
STOXXE 600 Travel & Leisure	260		22,81		-1,58	11,38		3,03		2,83		25,94		8,77		19%	0,84	

*BBG consensus, NOT an official BNP target price

TABLE 4 : 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	6734		286,51		1,52	23,50		4,95		1,25		19,44		4,25		16%	1,00	
S&P 500 Consumer Discretionary	1880		71,63		0,50	26,24		7,56		0,67		25,66		3,81		16%	1,19	
S&P 500 Consumer Staples	861		40,21		-0,20	21,40		6,09		2,66		27,13		4,67		13%	0,97	
S&P 500 Energy	702		41,96		0,84	16,72		1,96		3,44		11,71		5,98		12%	0,66	
S&P 500 Financials	871		53,50		0,05	16,29		2,19		1,76		13,22		6,14		13%	0,65	
S&P 500 Health Care	1767		95,73		0,18	18,46		4,57		1,79		20,08		5,42		9%	0,81	
S&P 500 Industrials	1286		52,88		-0,27	24,31		6,08		1,36		23,93		4,11		14%	1,07	
S&P 500 Information Technology	5737		186,00		2,51	30,84		11,87		0,53		34,31		3,24		18%	1,50	
S&P 500 Materials	549		28,59		-0,59	19,20		2,58		1,97		12,75		5,21		18%	0,77	
S&P 500 Real Estate	258		7,20		-0,03	35,83		2,95		3,56		8,06		2,79		16%	1,36	
S&P 500 Communication Services	419		20,09		0,95	20,86		4,46		1,13		20,53		4,79		23%	0,89	
S&P 500 Utilities	450		24,03		-0,42	18,71		2,32		2,84		12,36		5,34		11%	0,74	

*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: 17 November 2025

Our key convictions at a glance

		USA	Europe	Japan	Emerging Markets
Relative view*		Neutral	Neutral	Overweight	Overweight
What we (especially) like		Energy Infrastructure	UK European banks SMID caps	Select foreign (US) exposed larger caps, including AI beneficiaries Domestically exposed names benefiting from wage gains or GDP growth (including SMIDS) Financials	China, 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 expected 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	2.0	1.9	1.8	1.8
Japan	0.1	1.3	1.1	0.6	0.7
United Kingdom	1.1	1.3	1.4	1.0	1.2
Switzerland	1.0	1.5	1.1	1.0	1.2
Eurozone	**0.9**	**1.3**	**1.3**	**1.4**	**1.1**
Germany	-0.5	0.3	0.2	1.4	1.1
France	1.1	0.7	0.6	1.1	0.9
Italy	0.5	0.6	0.5	1.1	0.8
Emerging					
China	5.0	5.0	4.8	4.5	4.2
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 - 27/10/2025

Higher inflation expected in the US

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	3.0	2.3	1.8
United Kingdom	2.5	3.4	3.4	2.6	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	1.5
Italy	1.1	1.7	1.7	1.5	1.6
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	5.1	3.8	4.2

* Fiscal year

Source : BNP Paribas, Bloomberg - 27/10/2025

FX FORECASTS EUR

	Country		Spot 29/10/2025	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.17	Neutral	1.16	Negative	1.24
	United Kingdom	EUR / GBP	0.88	Neutral	0.87	Neutral	0.87
	Japan	EUR / JPY	177.21	Positive	168	Positive	174
	Switzerland	EUR / CHF	0.93	Neutral	0.94	Neutral	0.94
	Australia	EUR / AUD	1.76	Neutral	1.76	Negative	1.82
	New-Zealand	EUR / NZD	2.01	Positive	1.93	Negative	2.07
	Canada	EUR / CAD	1.62	Neutral	1.60	Negative	1.67
	Sweden	EUR / SEK	10.91	Neutral	11.00	Neutral	10.70
	Norway	EUR / NOK	11.62	Neutral	11.60	Positive	11.30
Asia	China	EUR / CNY	8.28	Neutral	8.24	Negative	8.80
	India	EUR / INR	102.89	Neutral	102.08	Negative	109.12
Latam	Brazil	EUR / BRL	6.24	Neutral	6.26	Negative	7.07
	Mexico	EUR / MXN	21.49	Neutral	21.34	Negative	22.32

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 29/10/2025	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.17	Neutral	1.16	Positive	1.24
	United Kingdom	GBP / USD	1.32	Neutral	1.33	Positive	1.43
	Japan	USD / JPY	151.93	Positive	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	7.10	Neutral	7.10	Neutral	7.10
	India	USD / INR	88.21	Neutral	88.00	Neutral	88.00
Latam	Brazil	USD / BRL	5.35	Neutral	5.40	Negative	5.70
	Mexico	USD / MXN	18.42	Neutral	18.40	Positive	18.00
EMEA	South Africa	USD / ZAR	17.11	Neutral	17.25	Neutral	17.00
	USD Index	DXY	99.22	Neutral	98.32	Negative	92.64

Source: BNP Paribas, LSEG

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