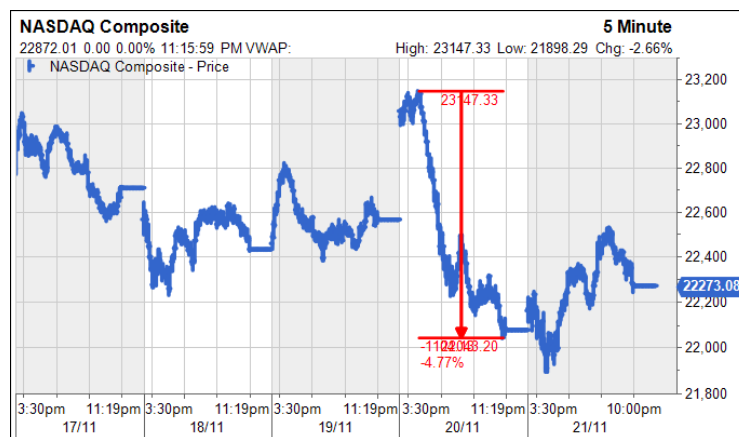


The Chart of the Week

On Thursday, Nvidia results initially boosted the NASDAQ Composite but then the index faded and finished lower on that day:



Source: Factset

What happened last week?

Global markets

Worries on AI valuation pushed volatility up

Global equity markets experienced a notable spike in volatility last week, with major indices retreating from recent highs as investors digested a mix of high-profile corporate earnings, uneven economic data, and renewed uncertainty surrounding the Federal Reserve's interest-rate outlook. Technology and consumer discretionary stocks were the weakest performers worldwide, while defensive sectors (particularly health care and consumer staples) provided relative stability, ending the week either in positive territory or with only modest declines.

Investor anxiety persisted despite Nvidia's strong results. Markets were soft early in the week, then briefly rallied on Thursday morning following Nvidia's earnings surprise, only to fade again and close lower. By week's end, the S&P 500 and Nasdaq 100 had fallen 1.9% and 3.0%, respectively.

The sharp reversal in U.S. equities on Thursday underscored how profit-taking and lingering valuation concerns, especially in the AI-heavy technology sector, continue to fuel volatility.

US

AI fatigue became evident as enthusiasm around Artificial Intelligence stocks cooled. Even though a major chipmaker, NVIDIA, delivered a strong beat-and-raise earnings report, the initial rally in its shares quickly reversed. The pullback weighed on the broader technology sector and suggested that markets are finding it harder to justify long-term expectations for AI monetization.

Economic data added to the uncertainty. The delayed Nonfarm Payrolls report showed stronger-than-expected job creation, yet the unemployment rate moved higher, creating a contradictory picture of the labor market. This ambiguity made it more difficult for investors to assess the broader economic outlook and the Federal Reserve's next steps.

Fed expectations were highly volatile throughout the week. Market skepticism early on gave way to a sharply rising probability of a December rate cut, which approached roughly 70 percent by week's end. This shift was driven by comments from influential Fed officials who hinted that there may be room for additional policy adjustment. The more dovish tone helped spark a rebound late in the week, though it was not enough to offset prior losses.

On the corporate side, Nvidia delivered another set of results comfortably ahead of expectations, with third-quarter revenue at 57 billion dollars and fourth-quarter guidance at 65 billion, both well above buy-side forecasts. The compute segment remained the primary driver with 66 percent year-over-year growth, and networking also posted solid gains. Gross margin recovered to 73.6 percent in the third quarter, with fourth-quarter guidance near 75 percent, reinforcing confidence that margins in the mid-seventies are sustainable. By contrast, Oracle's need to rely on debt to fund part of its capital expenditures has unsettled investors. The company recently raised 18 billion dollars, bringing its total debt load to 100 billion, and the stock has fallen 39 percent from its September 2025 peak.

Walmart also reported last week, delivering results ahead of expectations. Third-quarter revenue reached 179.5 billion dollars, up 5.8 percent year over year. Full-year guidance for the January fiscal year end was raised, with expected sales growth of 4.8 to 5.1 percent compared with the prior range of 3.5 to 5.5 percent.

The existing home market remains effectively frozen, with sellers unable to sell and buyers unable to buy, a dynamic that carries major implications for companies such as Home Depot and Lowe's. Home Depot reported on Tuesday, and results were soft due to the continued weakness across the entire housing ecosystem. Comparable store sales rose only 0.2 percent, leading the company to lower its full-year 2025 comparable sales outlook from prior guidance of 1 percent year-over-year growth to a projection of only slightly positive performance.

Europe

European markets also ended the week lower, though the declines were generally less pronounced than the Nasdaq's drop, reflecting a degree of regional resilience and a more defensive tilt. The FTSE 100 in the UK posted a modest decline of 1.6 percent, supported by its heavier exposure to sectors such as energy, materials, and financials, in contrast to the tech-dominated U.S. indices. Continental European markets, including Germany's DAX, down 3.3 percent, and France's CAC 40, down 2.3 percent, faced similar selling pressure driven largely by global risk-off sentiment and a deteriorating regional economic outlook, even though composite PMIs revealed some pockets of strength. Sentiment in Europe was further weighed down by

disappointing news from Novo Nordisk following the failed EVOKE study, while defense-exposed stocks struggled amid improving news flow regarding the situation in Ukraine.

Rest of the world

Asian markets, particularly Japan, experienced sharp declines. The Nikkei 225 fell 3.5 percent, led by weakness in Japanese AI-related technology names, underscoring the global nature of the correction in AI-linked stocks. Geopolitical risks and uncertainty surrounding a large domestic stimulus package further weighed on sentiment, adding complexity to the regional outlook.

Nikkei also provided an earnings review, ranking 2,300 listed companies that reported first-half results by the magnitude of year-over-year net profit changes. Overall performance leaned positive, with roughly 60 percent of companies reporting higher profits and 40 percent posting declines. The AI theme stood out as a key bright spot, providing tailwinds across several sectors. In contrast, automakers underperformed due to the pressures of U.S. tariff costs and a stronger yen.

Our view on equities

Equity asset class

POSITIVE in current environment

We remain positive on equities. Demand for AI infrastructure remains strong while a broadening of corporate earnings will help offset rich valuation multiples, particularly in the US.

After an uneven year, earnings in 2026 are expected to accelerate and broaden. Technology stocks will continue to benefit from AI-related investments, while the “old economy” is expected to slowly recover thanks to lower interest rates and deregulation in the US.

We continue to advocate diversification while maintaining our overweight position in the US and China.

Earnings

Earnings remain a tailwind for equities, supported by a strong third-quarter earnings season and expectations that growth will accelerate and broaden in 2026. Technology stocks should continue to deliver robust performance, while the “old economy” is set to recover.

Valuation

US technology stocks remain expensive, although growth and profitability provide some support while international equities are more reasonably valued. Equity risk premia remains low in both the US and Europe.

Disclaimer

This marketing document has been issued by Bank Syz Ltd. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material. This document is intended for informational purposes only and should not be construed as an offer, solicitation or recommendation for the subscription, purchase, sale or

safekeeping of any security or financial instrument or for the engagement in any other transaction, as the provision of any investment advice or service, or as a contractual document. Nothing in this document constitutes an investment, legal, tax or accounting advice or a representation that any investment or strategy is suitable or appropriate for an investor's particular and individual circumstances, nor does it constitute a personalized investment advice for any investor. This document reflects the information, opinions and comments of Bank Syz Ltd. as of the date of its publication, which are subject to change without notice. The opinions and comments of the authors in this document reflect their current views and may not coincide with those of other Syz Group entities or third parties, which may have reached different conclusions. The market valuations, terms and calculations contained herein are estimates only. The information provided comes from sources deemed reliable, but Bank Syz Ltd. does not guarantee its completeness, accuracy, reliability and actuality. Past performance gives no indication of nor guarantees current or future results. Bank Syz Ltd. accepts no liability for any loss arising from the use of this document.

Welcome to Syzerland®
