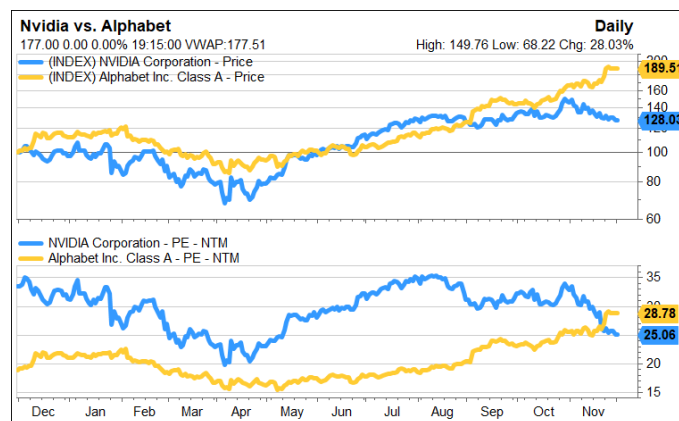


The Chart of the Week

Since July, Alphabet has significantly outperformed Nvidia on fear the OpenAI complex (incl. Oracle, CoreWeave, Softbank) is relying too much on debt to fuel its investment ambitions as ChatGPT is losing share to Gemini.



Source: Factset

What happened last week?

Global markets

A strong recovery week as retail bought the dip

Last week, global equity markets rallied strongly, supported by dovish comments from Fed officials and renewed retail investor dip-buying. The MSCI All Country World Index rose 3.6%. The US market outperformed, gaining 4.8%, led by technology: the Nasdaq 100 climbed 5.8% and the semiconductor index surged more than 10%. The MSCI Europe advanced 2.9%, trailing the US, while the weakest recovery was seen in emerging markets, with China and India down 0.3% and 0.8% respectively. Markets have not yet returned to their all-time highs, but they remain close.

US

Technology rebounded sharply, evidenced by semiconductors rising more than 10% and the Roundhill Mag7 ETF gaining 6.1%. In contrast, cybersecurity and software continued to lag. Other cyclical sectors, including Materials and Banks, performed well.

Google released Gemini 3, which was well received. Competition in large language models continues to intensify, and Google's growing competitive pressure on OpenAI weighed on the

“OpenAI complex” (Nvidia, Oracle, SoftBank) last week. A key difference between the two companies is that Google generates substantial operating cash flow, while OpenAI relies on external funding for operations and investment. Google is also becoming an alternative to Nvidia chips with its TPUs. However, the strong demand and limited supply in high-end chips implies there are enough room for both.

On the hardware side, Dell reported its fiscal 3Q. While its server business benefits from AI-related demand, Dell lacks proprietary hardware and must compete on price and service with companies like Super Micro Computer. Despite soft reported figures, Dell raised its 4Q revenue guidance to USD 31.5bn versus analysts’ expectations of USD 27.6bn, citing strong demand from Tier-2 cloud service providers and sovereign customers.

Importantly, last week’s US equity performance was not solely a tech story. Small caps surged, with the Russell 2000 up 8.5%, as investors priced in a higher likelihood of rate cuts and regulatory easing, tailwinds for sectors such as regional banks, which rose 5%. Notably, the strongest performing factor in the US was Size (i.e., small caps), ahead of Growth and Momentum.

Europe

Cyclical sectors outperformed in Europe as well, with Construction Materials up 5.1% and Banks up 4.8%. Among the largest contributors to index performance were consumer names such as L’Oréal and LVMH, as well as healthcare names including AstraZeneca and Novartis. Conversely, Aerospace & Defense came under pressure as the perceived odds of a ceasefire in Ukraine increased. From a style perspective, Value (including cyclicals such as banks) continues to outperform Growth within the region.

On the corporate front, Straumann issued a new 2026–2030 revenue growth target of around 10% CAGR. Rémy Cointreau reported a 13% organic profit contraction in 1H25, while Novo Nordisk suffered a one-day plunge following failed Phase 3 trials of Semaglutide for Alzheimer’s treatment.

Rest of the world

In China’s third-quarter earnings season, topline growth improved, though sector margins diverged. MSCI China companies posted 3Q25 revenue growth of 2% YoY, with earnings growth sustained at 4% YoY. Following earnings releases, consensus profit forecasts were revised upward, most notably for non-bank financials. Sector-wise, non-bank financials and technology delivered robust earnings growth of 81% and 42% respectively, while renewables also showed a strong 74% YoY rebound, partly due to a low base. The property sector remained the main drag on overall earnings.

Company guidance was mixed: consumer sectors stayed lukewarm, while tech remained upbeat. Most companies continue to focus on cost control and product differentiation to support profitability.

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.

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