

The name of the American President is becoming less prominent in the economic news, a sign of a certain appeasement in the financial markets and the international climate. Yet his decisions continue to shape the global balance of power. In the meantime, stock markets continue to march ahead, fascinated by the as yet undefined potential of new technologies.

As Keynes reminded us: "Markets can remain irrational longer than you can remain solvent". This is the difficulty of analyzing the current era: distinguishing between a genuine growth dynamic and an irrationality that could sooner or later add up.

Opposites attract

For the first time in 2025, the FED lowered its key interest rates by 25 basis points (0.25%) to 4.00/4.25%.

In his press release, Jerome Powell noted that "inflation risks are on the upside, and employment risks are on the downside". Unsurprisingly, this rate cut is in line with a clear preference for supporting economic growth, as the relative data are on a slight downward slope, but not alarmingly, yet. The level of US employment offers a high basis for comparison: low unemployment but low participation rate. The Fed's cut is therefore pre-emptive, designed to bolster a situation that structural changes (declining immigrant workforce, low company turnover) could weaken.

Inflation, for its part, continues to defy the expectations of tariff detractors, having yet to materialize into a sharp rise in consumer prices. While the fall in the dollar has effectively absorbed part of this effect, US PMI surveys indicate that companies have a weak pricing power (ability to pass on price rises to customers); this effect will need to be monitored during the next quarterly earnings season, as it is likely to translate into lower margins. The real litmus test will be companies' ability to deliver tangible productivity gains, thanks to effective implementation of artificial intelligence.



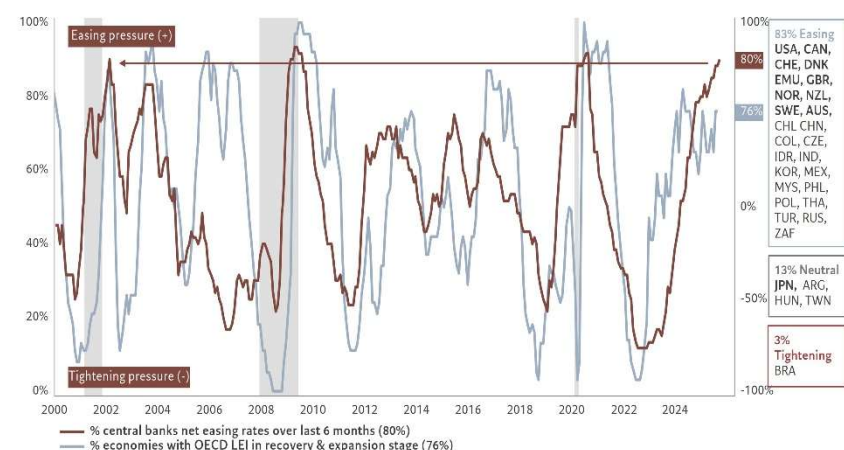
The market appreciates these rate cuts for two reasons: they act as an economic stimulus, and they reduce the attractiveness of money-market funds, which total some \$7.3 trillion and could be redirected into equity markets, offering major additional support.

This momentum is set to continue, with further rate cuts already announced, amplifying both the above-mentioned effects. (Note that, among the voting members of the FOMC, two of Trump's new appointees did not vote for a cut of more than

25bps, reassuring us that the FED's independence from the US President has been preserved).

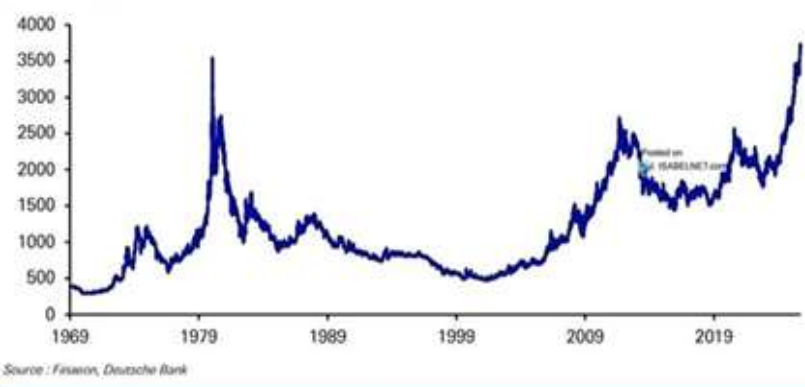
The market remains catalyzed by the diptych: rate cut = bull market; weary of the negativism (or caution) of the rhetoric specific to the economic slowdown.

The ECB, for its part, has left its key rates unchanged, satisfied with stable inflation close to 2%, and economic growth which, although weak at 1.2% for 2025 and 1% for 2026^e, has the merit of existing...



Gold's rise since the start of the year (along with other precious metals such as silver and platinum) tells a different story to that of the equity markets. Traditionally considered the ultimate safe-haven asset, gold has risen by 45% since January 2025, following a 25% increase in 2024. Although the fall in the dollar favours the purchase of the yellow metal by players outside the US (as gold is quoted in \$, its currency cost decreases with the fall in the USD), this progression is catalysed by other levers.

Figure 1: Gold prices in real terms (2025 USD/oz) are at a record high - that's a big contrast to the height of the dot com bubble, when gold prices were hovering around multi-decade lows in real terms



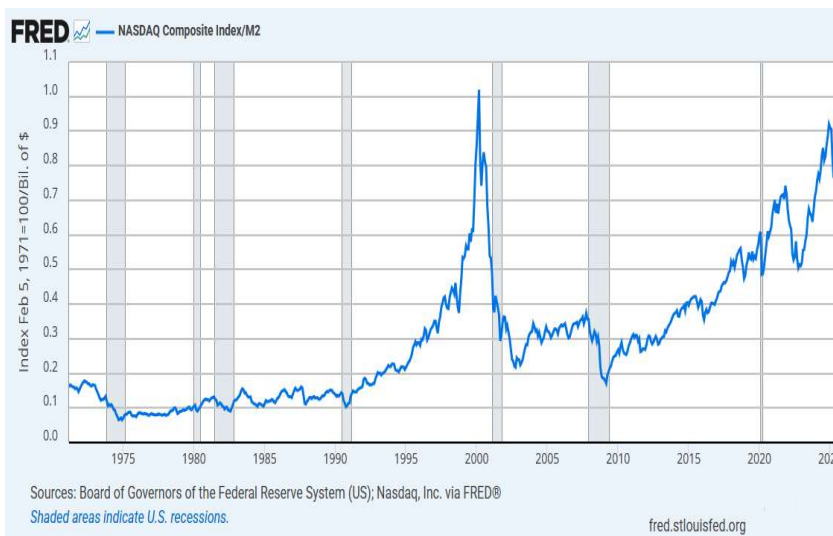
The most remarkable change in stockholding comes from central banks, particularly in emerging countries, whose stock has doubled since the end of 2021 to 17% of the total, driven largely by countries such as Turkey, China, India, Russia and Poland.

Last time gold prices soared was in the late 70s, following the end of the Bretton Woods Agreement and the convertibility of gold into dollars. This was followed by a period of high inflation and a marked economic slowdown (stagflation), both of which echo the current expectations of some investors.

This stagflation scenario is not our central scenario. In fact, the growth trajectory in the US is stable/revised upwards (Q2 at +3.8% vs +3.3%, Miran¹ expects 3% at H2). With regard to inflation, we remain attentive to

¹ <https://www.cnbc.com/2025/09/19/miran-says-he-doesnt-see-tariffs-causing-inflation-putting-him-in-minority-on-fed-committee.html>

developments: while companies undeniably have the capacity to absorb this impact, other factors could reduce inflationary pressures (outflows of immigrants reducing pressure on housing, etc.).



The massive influx of money has altered the perception of risk among a large number of investors (both institutional and retail), catalyzing a large proportion of "bets" on technology assets; opposite, the Nasdaq relative to US money supply (M2).

This level is obviously worrying, as the spectre of the internet bubble of the 2000s obviously instils doubt.

The provocative nature of this chart is intended to challenge, not panic. Since

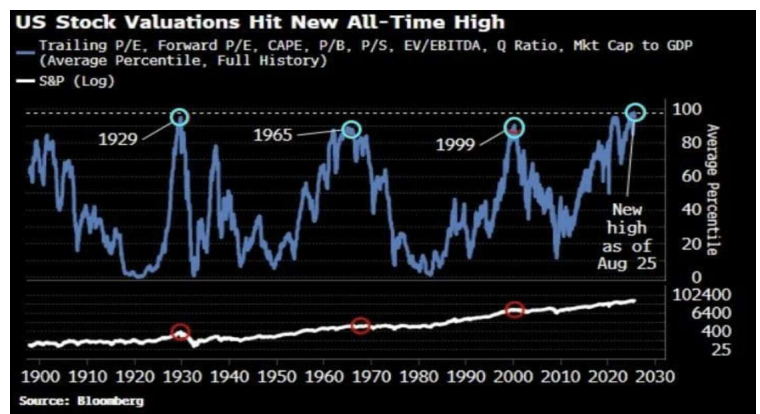
2008, money creation has favoured risky investments, particularly in companies with high future potential, accentuating bubble phenomena.

Artificial intelligence, which accounts for 65% of the Nasdaq, is attracting massive investment flows. Yet productivity gains are slow to materialize: In September, Accenture announced that it had laid off 11,000 employees for "obsolete skills", a far cry from the industrial revolution it had announced. If widespread, these job cuts could put the brakes on US growth.

The need for diversification

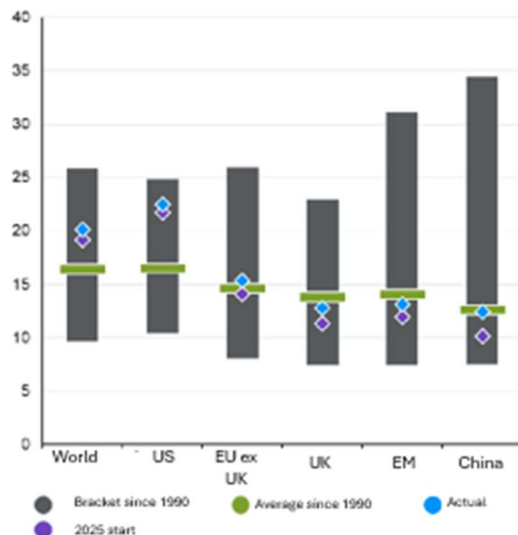
For once, although technology, particularly in the US, remains a promising driver of performance over the long term, reversals to the mean are to be expected. The 1929 crisis, the dotcom bubble, the 2008 financial crisis, covid, Trump's election...the volatility of technology indices can send even the bravest investor reeling.

The good news is that, as was the case in 1965, excessive market valuation does not necessarily mean an immediate major shock.



The yin and yang of investing is the risk/reward diptych. We try not to forget the first part of the equation. The current focus on US equities, at record valuations, calls for caution. We need to look for value in neglected areas or industries, offering greater diversification potential.

Forward PE ratio multiple



Source : JP Morgan

Indeed, the Chinese have ¥160 trn of savings available, the majority of which is invested in bank deposits. The real question is whether these flows will be invested or consumed, and in what proportion between the domestic market, the international market, or a mixture of the two. While household confidence is, since the fall of Evergrande and Country Garden, at historically low levels, Chinese tech, whether domestic or international, is experiencing strong growth in its wide geographical zone of influence. Although Trump's tariffs are aimed primarily at this economy, it has to be said that they have still not had the desired effect (eg: KWEB at its highest since 2022).

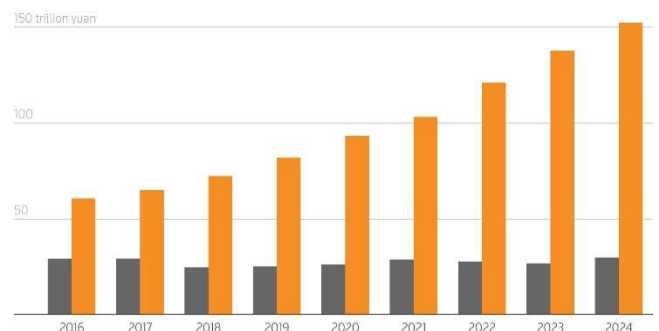
We note that only the US is largely at the top of its valuation range since 1990. Europe has been in slight contrast since the start of the year, with the region's return to favour against a backdrop of growing awareness of the need for defence sovereignty, involving aerospace, industrial and financial stocks; in contrast to luxury goods, which are struggling to rediscover the Asian catalysts that made them great.

China is now at a turning point, with an economy that seems at last to have digested the after-effects of the real estate crisis. While we have been structural buyers of the region since mid-2024, against a backdrop of historically low valuations and support from the PBOC with weekly announcements, the strong rally in Chinese indices, which has nothing to envy the rise in US indices, continues to offer, in our view, high diversification potential with significant additional growth drivers.

Chinese people prefer to keep their money in the bank

Household savings jump as worries about the Chinese economy grow.

● Wealth management products ● Household deposit



Note: Wealth management products (WMP) are investment instruments sold to retail clients, with portfolios that include bonds, equities, futures and other assets, which typically offer higher yields than bank deposits, but carry more risk. The difference in growth relative to bank deposits shows households' risk aversion and tighter WMP regulations.

Source: Fitch Ratings | May 26, 2025 | REUTERS

Cryptocurrencies

bertrilabrun créé avec TradingView.com, Sept 30, 2025 14:58 UTC+2

Bitcoin / Dollar - 10 - Bitstamp O114.359 H114.842 B112.714 C113.059 -1.320 (-1.15%)



TradingView

The *alt-season*, known as the season of outperformance for alternative *coins*, seems to be taking shape. Although Bitcoin has reached an all-time high of around \$120k, Ether is up 67% this quarter, Chainlink 60% and Avalanche 64%. It's interesting to note, however, that while Bitcoin and Ethereum both exceeded their all-time highs in the third quarter, most other cryptocurrencies are still a long way from their respective all-time highs.

The two key events to watch for in order to justify a rally will be, as with equities, massive buying

flows against a backdrop of falling interest rates, and fundamental advances on the actual use of blockchain in global exchanges.

Pocket performance

The S&P rose by 7.79% in the third quarter, taking its annual performance to 13.72%. Performance in euros was entirely currency-adjusted, with the dollar down 12%. The Stoxx600 is up 11.8% year-to-date. The Nasdaq Composite is up more than 17%, demonstrating the strength of investors' appetite for technology companies.

The performance of the equity portfolio was +10.2% since the start of the year, and +6% over the quarter, slightly weaker than the major indices, reflecting our desire to diversify in order to reduce the US technology underpinning, which we consider risky. The Space theme gained 20% over the period, helped by the remarkable performance of RocketLab and AST. The quantum computer theme returned 21%, driven largely by IONQ's capital market day, which lent credibility to this theme by unveiling a clear roadmap; *pure plays* in the IT sector thus gained between 80 and 120% over the quarter.

Exposure to China also contributed, with an increase of around 20%. The detractors from performance were India, down around 7% against a backdrop of trade tensions with the US; the S&P consumer staples, whose defensive momentum is not on the agenda; and finally the Stoxx utilities, down 1%, having suffered from the rise in European long rates after yet another French political crisis.

On the bond markets, the anticipated cut in US key rates, combined with the continued robustness of the economy in a context of inflation that remains under control, leaves the downward trajectory of long rates unchanged. The FED remains in the driver's seat, and rate cuts are set to continue until the end of the year, given the institution's strong support.

In Europe, the political situation in France is logically pushing up long yields, as the situation seems so intractable. French long rates have officially surpassed the levels of their Italian and Greek counterparts...Rates are struggling to return to their levels of the beginning of the year, impacted (upwards) by Trump's arrival in power and his statements calling on the old continent to take its destiny (in the face of Russia) in hand.

The performance of the bond portfolio, although heavily weighted towards short-term *investment-grade* maturities, has remained neutral since the start of the year, albeit up by around 1% over the quarter, offsetting the negative performance of the marginal long portion of the portfolio, as well as that of the portion not hedged against the currency effect (around 20%).

Performance	Equities	Bonds	Crypto	Cash
2023	20,2%	10,3%	122,0%	3,5%
2024	20,6%	7,1%	90,0%	3,9%
YTD 2025	10,2%	-0,1%	-8,2%	1,8%
Annualized	18,6%	6.2%	63,6%	3,35%

Conclusion

Over the long term, the stock market delivers an average annual return of 10%. Since 2020, it has done much better, averaging +14.4%, and close to +20% since 2022. This discrepancy reflects a profound distortion, fuelled by the concentration of indices, the AI boom and the support of central banks. How far? The current frenzy is promoting business models that are sometimes loss-making, with "technological sovereignty" as the only argument. Yet, while artificial intelligence may fascinate, worry and raise questions, it has yet to prove its concrete impact on company results to justify such valuations.

Charlie Munger, vice-president of *Berkshire Hathaway*, summed it up with his caustic humor: "It's not supposed to be easy. Anyone who thinks it's easy is stupid. A maxim to ponder at a time when many companies are now claiming to be AI in the same way as yesterday's "blockchain" was invoked. More than ever, humility, discipline and diversification remain the best weapons in the face of markets that have never lost their ability to thwart certainties.

Completed on 01/10/2025

Bertil Aubrun