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OUTLOOK 2026

The year of the Leopard

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The year of the Leopard

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SUMMARY

We no longer count the years that go by without the American recession that had been widely predicted by analysts and investors. 2025 was one such year and, in our opinion, 2026 will be yet another.
While forecasts at the end of last year were influenced by expectations that tariffs would drag the American economy into a stagflationary spiral (a scenario that never materialised, as we correctly hypothesised), the year 2025 is ending with a slowdown in the labour market, leading to cries of: "It's happening this time!" from the most inveterate Cassandras.
We still believe the American economy will once again avoid a recession in 2026, given a demand that, albeit unbalanced in terms of higher-earning consumers, remains stable; data clearly show that American business owners have rebalanced the composition of factors of production in favour of investments in artificial intelligence – which are highly productive and fiscally incentivised – to the detriment of the labour factor. Unemployment, however, did not increase alarmingly, as the Trump administration's immigration policies notably reduced the labour supply and drove businesses to retain their employees where possible.
Therefore, we believe the United States is experiencing a production revolution befitting of Giuseppe Tomasi di Lampedusa's The Leopard, aiming to meet consumption demand that remains strong, but with a different mix of factors of production.
The same revolutionary principle could apply to Eurozone and China, with one substantial difference: a precondition for the two economies to start recovering and avoid recession, as per our baseline scenario, is for Germany to implement its approved ambitious fiscal plan, and for China to continue launching reforms and stimuli to support domestic demand.
Our macro-outlook remains consistent with an inflation trend that is on track for its target both in the United States and the Eurozone, whereas we expect price dynamics in China to continue moving well below the target of the PBoC. This should be enough to support both the Federal Reserve and the European Central Bank on their path to easing financial conditions for disinflationary reasons, although more evident in the USA, due to political pressures set to grow with the upcoming midterm elections. The Chinese central bank will also play a role in cutting rates, but the keystone for emerging from the disinflationary trap remains the considerable development of fiscal stimuli or the adoption of unconventional monetary policies: the latter, we believe, is unlikely in 2026.

INTRODUCTION – ASSET ALLOCATION

BOND MARKETS – We are moderately optimistic on bond markets in 2026. We expect government bond performance to be supported by historically high yield levels, while the scope for rates to fall is very limited across all geographic areas*. In the United States in particular, solid growth, possible risks of an upswing in inflation arising from tariffs, an excessively accommodating Fed and the likely increase in the political risk premium represent factors that could negatively affect the performance. In the Eurozone, the possible acceleration of quarterly growth and an increase in the supply of government securities in Germany, albeit faced with strong demand, could push Bund yields to higher levels than those we are currently seeing.* ***BTPs performance will be broadly in line with that of the Bunds****: margins for further compression of the BTP-Bund spread are not significant.*

EQUITY MARKETS – In 2026, the outlook for global equity markets remains positive: *we expect the main benchmarks to reach new highs, mainly driven by earnings growth. As a matter of fact, rich valuations, although not extreme, limit the upside potential from multiple expansion, the main driver of the recovery in 2024.*

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Completed: December 2025

At sector level, we continue to favor cyclical sectors over defensive ones, with a more constructive stance towards Growth securities. From a regional perspective, we prefer the United States over the rest of the developed markets *due to the pre-eminence of the artificial intelligence sector, but we believe Europe and Japan will also see positive performance, supported by local fiscal stimulus plans. We maintain a constructive view also on emerging markets, given the support provided by a combination of structural and cyclical factors.*

What could alter our scenario?

Paradoxical as it may seem*, we think that the most important macro risk is an overheating of the American economy. Given the poor supply of workers, an acceleration of demand above potential could lead American companies to raise wages in the hopes of retaining workers or seeking new ones. This scenario could prove positive for the equity markets (at least in the short term), but detrimental for bonds: indeed,* the increase in the growth rate of labor costs would, in fact, fuel upward pressure on rates. *The scenario could worsen if tariffs were to be abolished and not restored quickly and/or the Trump administration decided to approve expansionary fiscal measures such as the recently aired tariff checks. In the former case, faced with higher consumption, most likely motivated by the desire to take advantage of the tariff-free window, there would be an increase in demand. At the same time, no longer burdened by duties, businesses would be offered the possibility to raise wages, albeit temporarily, without achieving benefits in terms of disinflation, since the tariffs primarily generated a very limited pressure on prices. In the latter case, on the other hand, there would be greater demand for consumption concentrated in the less affluent category, a group that until now has contributed much less to the support that consumption is providing to American growth.*

Another macro risk that would mainly affect the equity market is represented by a faster and more pervasive integration of artificial intelligence into the production system than that incorporated into our scenario: an increase in unemployment would reduce consumption, potentially even among the wealthier groups, leading to a drop in wages and dividends. In this case, faced with a suffering equity market, government bonds would come get the spotlight. The same scenario would play out if the credit market or the technology sector were to experience a sudden liquidity crisis, even if unjustified, or were the epicentre of systemic events.

Lastly, with regard to (geo)political risks*, we are monitoring relations between China and the United States, developments in the Middle East, and the fragile equilibrium in France. If the latter were to shatter and lead to President Macron's resignation, the risk is that foreign investors who are still very present on the domestic market would jump ship while waiting for the ECB to stabilise the system: excellent entry opportunities could emerge over the medium term, but volatility would be important.*

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Macro Outlook

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GROWTH & INFLATION

US – Getting blood from a stone

We expect the US economy to avoid recession in 2026. Incoming data and policy developments over the past few years remain consistent with an economy which has remained on solid footing, after having absorbed the recent headwinds stemming from trade and immigration policies pursued by the new administration.

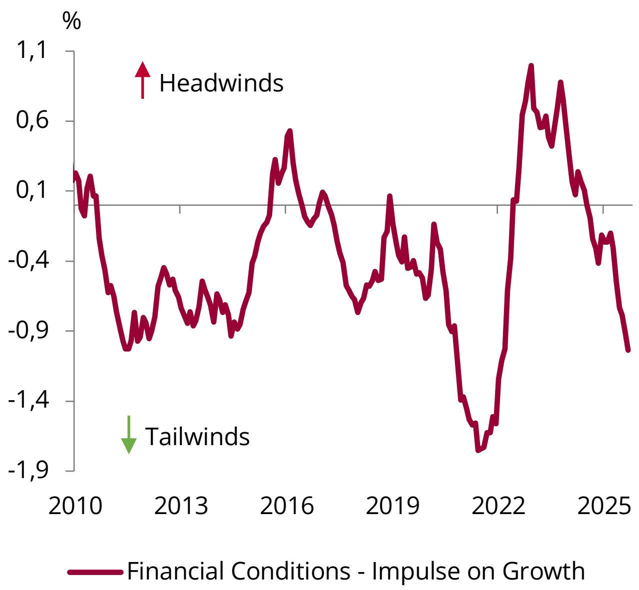
We expect the momentum of US growth to ramp up from 1Q 2026

Domestic demand data have shown signs of improvement. After experiencing significant uncertainty caused by the policies of the Trump administration, both consumer and corporate spending increased in Q2. Furthermore, indicators for Q3, such as retail sales, personal spending, and orders point to continued growth in both areas. Despite the Government shutdown period, incoming soft data and alternative indicators for Q4 corroborate our view.

Looking ahead, favourable fiscal policy, easier monetary policy and financing conditions (**Figures 1 and 2**), along with still strong household balance sheets, should continue to support private domestic demand going forward, in our view.

Figure 1

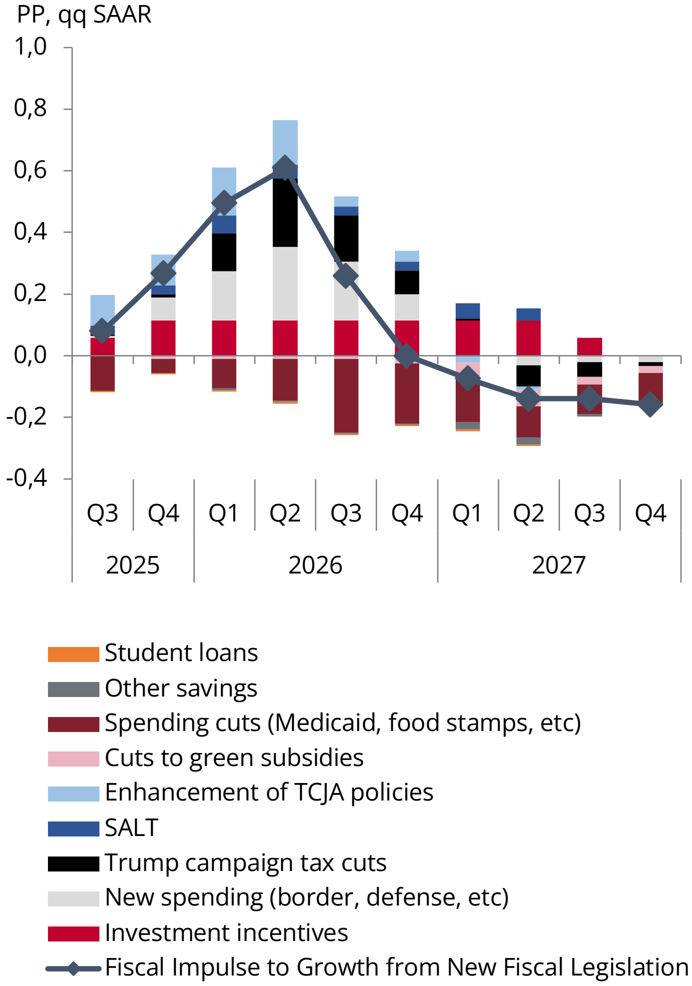
Less restrictive financial conditions will support growth



Source: Haver Analytics, Anima Research - Data as of November 2025.

Figure 2

Fiscal stimulus kicks in 2026



**Tax Cut and Jobs Act.*
Source: Haver Analytics, Anima Research - Data as of November 2025.

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JOLTS *(Job Openings and Labour Turnover Survey)* - Survey conducted by the Bureau of Labor Statistics of US businesses. It prepares useful estimates to monitor the trend in labour demand, with particular reference to job openings, hires and separations.

A low hiring, low firing equilibrium. The relatively low unemployment rate and stable JOLTS data indicates little labour market slack, explaining why modest payroll job gains can still be consistent with full employment. This is further influenced by a deceleration in the labour force due to policy-related changes in immigration.

Risks of imminent surge in unemployment remain limited. Jobless claims continue to trend in line with the past few years, while continuing claims remain well below levels seen during previous business cycle recessions. Indications from state-level data—during the period when data were not published due to the shutdown—suggest that this continues to remain in place. Meanwhile, labour hoarding persists. The vacancy-to-unemployed ratio has stayed above 1 for some time, while net hiring (hires minus firings) remains close to zero.

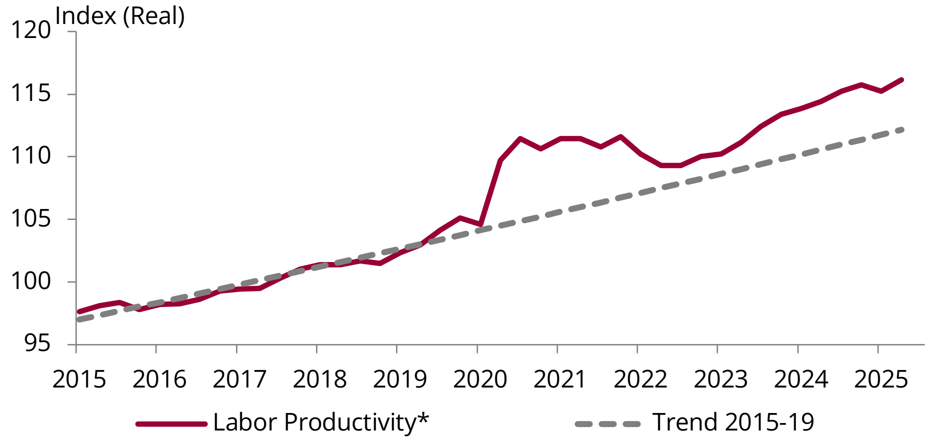
We maintain our view that the labour market is a lagging indicator. While the slowdown in hiring momentum warrants close monitoring, we do not consider it a sufficient condition to justify a fundamentally negative outlook for the US economy over our forecast horizon (through 2026).

We acknowledge that, on the surface, a less favourable hiring environment may seem discouraging. However, as discussed below, we believe that every cloud has a silver lining.

Paradigm shift within the US production. A key pillar to our constructive macro baseline through 2026 is the assumption that the US economy is undergoing a structural transformation. In a Cobb-Douglas production function framework, we believe domestic businesses are responding to the AI-driven boost in total factor productivity (TFP) by reallocating the relative weights of production inputs (**Figure 3**).

Figure 3

We expect businesses will continue to capitalize on AI-driven gains in TFP



**Real Output Per Hour of All Persons - Nonfarm Business Sector*
Source: Haver Analytics, Anima Research - Data as of November 2025.

With little room for further price increases at the consumer level, corporates appear to have opted to sharply reduce hiring (lower labour contribution) as a way to protect margins from below.

At the same time, in order to preserve output, firms appear to have capitalised on AI-driven gains in total factor productivity by ramping up investment in the artificial intelligence sector.

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Companies are reallocating resources to capital and labour, driven by tax benefits on investments and the increase in productivity arising from AI

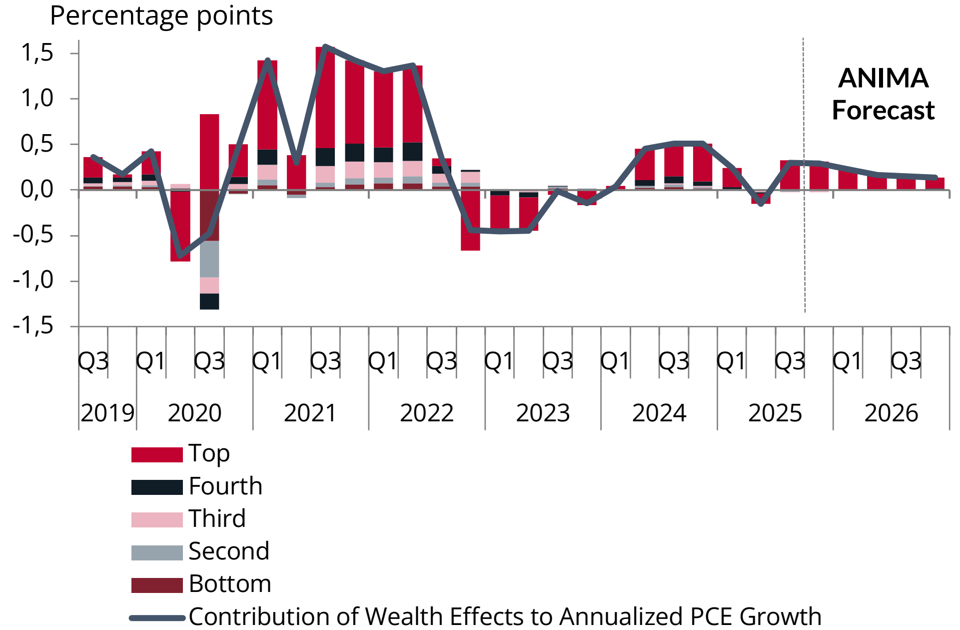
The policy environment has supported this shift in direction:

1. On the one hand, favourable tax regimes, including the CHIPS Act (2025) and the Big Beautiful Bill (2025), have facilitated the transition of businesses toward a more capital-intensive production function. The hiring slowdown fell below the pre-COVID average in 2024 is symptomatic of an economy where: 1) consumer spending remains resilient, but there is limited scope for further price increases, and 2) corporates retain strong fiscal incentives to substitute labour with investment in technology.
2. On the other hand, the 2025 trade war has exacerbated the trade-off between price increases and margin compression faced by companies, placing additional pressure on the US labour market, given the limited room or appetite among consumers and businesses to absorb the tariff shock.

Cherry on the cake. Against this backdrop, the productivity gains observed since Q1-23 suggest that the corporate bet, leveraging AI-driven improvements in total factor productivity, was well placed.

In the meanwhile, the consumer remains in the lead. Gains in the equity market continue to bolster the wealth of upper income households, which - along with lower rates - are also supportive of household spending. Indeed, the combination of significant increases in equity prices and ongoing, albeit modest, gains in house prices has boosted net worth as a share of income for the top two income quintiles over the last year. Consequently, we expect the wealth boost to consumption to be driven largely by these two top income quintiles, who together account for about 60% of aggregate consumption (**Figure 4**). This is because higher-income households devote a larger share of consumption to discretionary goods and services like travel and cars (which carry relatively strong weights in total PCE spending), and a smaller share to essentials like food, energy, shelter, and healthcare (**Figure 5**).

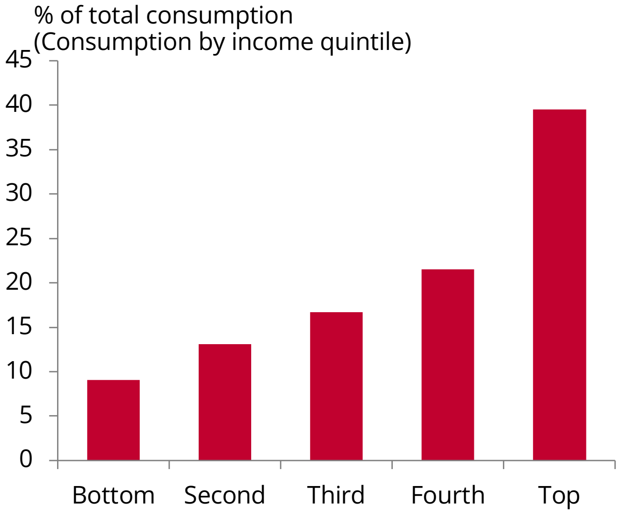
Figure 4
The wealthiest support private spending

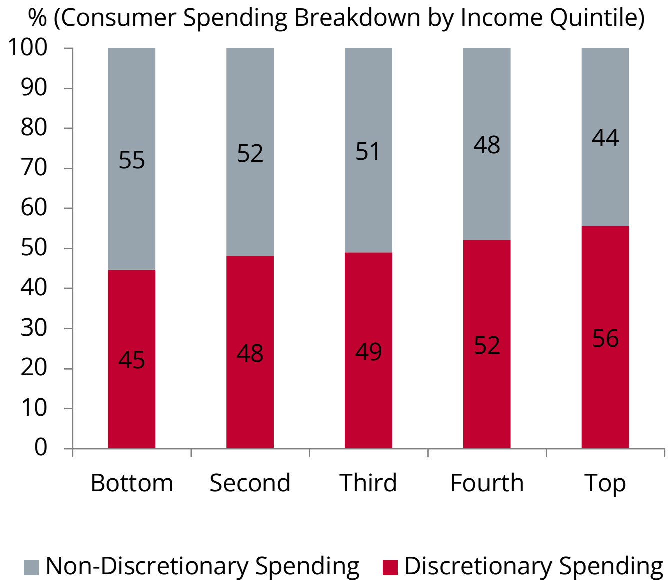


Source: Haver Analytics, Anima Research - Data as of November 2025.
We use an vector autoregressive model to estimate the time horizon in which the effects of wealth manifest on consumption. Using impulse response function parameters, we can estimate the impact of recent changes in the wealth effect (housing/wealth) on consumer spending.

Figure 5

Discretionary spending has room to remain resilient





Source: Haver Analytics, Anima Research - Data as of November 2025.

The disinflationary process is destined to stabilise, once the temporary tariff-related pressures return to normal

The easing of financial conditions is beginning to take shape. As mortgage rates moderates, we note that refinancing applications ("*refis*") are on the rise. Given that most *refis* are cash-outs (64.5% of total *refis* loans were in cash-out in Q2) and given that cash-out *refis* correlate quite well with durable goods consumption, this suggests that consumers may receive an incremental boost to durable goods spending, which may help offset the headwind from tariff-related price hikes.

Inflation-wise, we continue to expect the Fed's inflation target to be within reach by mid-2026. For several reasons:

3. The output gap is likely to remain negative throughout the forecast horizon. While growth momentum is expected to start accelerating in Q4 this year, we anticipate it will end 2026 still below potential on a quarterly basis.
3. We expect the tariff shock to be temporary. Incoming data along the goods and services price chain continue to suggest that tariff pressures are gradually easing. To us, this is consistent with businesses struggling to fully pass tariffs onto consumers.
3. We expect the services sector to remain on a disinflationary trend. That includes both housing and non-housing components, as wage growth is unlikely to re-accelerate amid balanced labour market (**Figures 6 and 7**).

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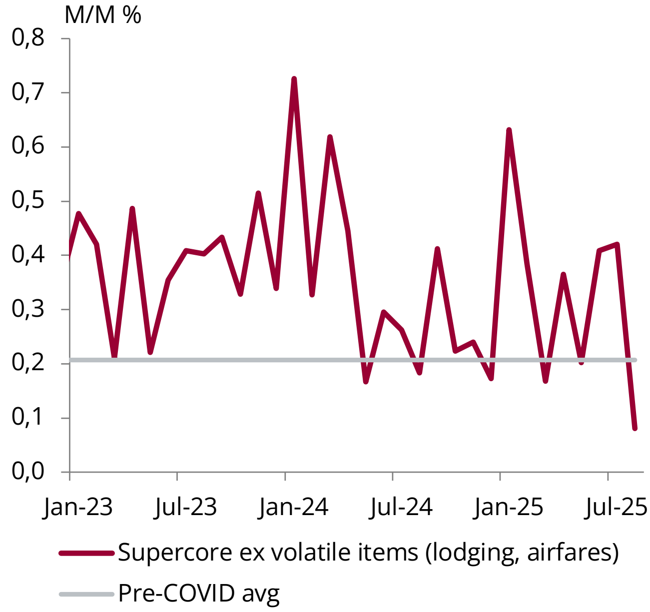
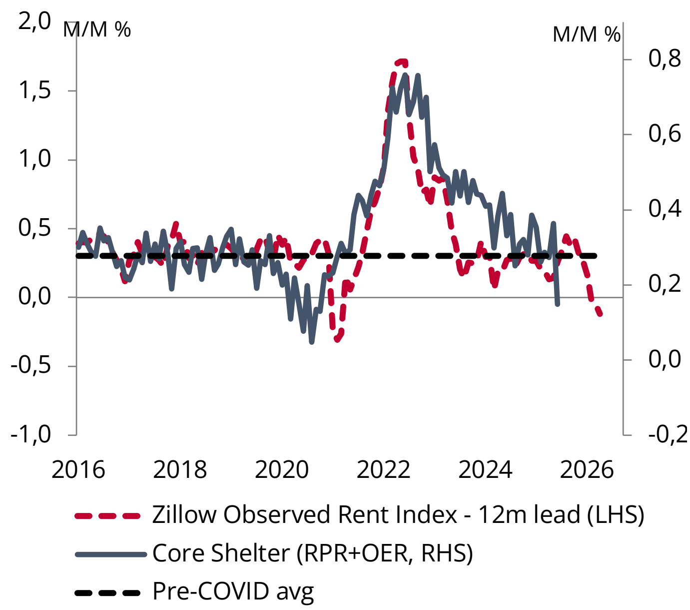
Figure 6
Core services inflation (supercore) normalized



**Core services inflation ex shelter and ex volatile items.*
Source: Haver Analytics, Anima Research - Data as of November 2025.

Figure 7
Shelter inflation continues its moderation path



Source: Haver Analytics, Anima Research - Data as of November 2025.

ANIMA baseline. On growth, we track Q3 GDP at 2.7% q/q SAAR. For Q4-25, we expect growth to decelerate to 1.6% q/q SAAR, on the back of a mild payback in equipment investments after three consecutive quarters of above-average growth. This is consistent with an annual growth rate of 1.9%. For 2026, we expect growth at 1.7% q/q SAAR in Q1-26, 1.8% in Q2-26, 2.0% in Q3-26 and 2.1% in Q4-26. This is consistent with an annual growth rate of 2.0%.

Inflation-wise, we expect core CPI at 3.1% in Q4 2025. This is consistent with an annual average core CPI of 3.0%. For H1-26 we expect core CPI to average 2.8%, and 2.4% in H2-26. This is consistent with an annual average of 2.6%. We expect the y/y rate to reach 2% at the end of Q3-26. In core PCE terms, we expect 3.0% y/y for Q3 2025 and 3.3% for Q4 2025, consistent with an annual average of 2.9%. For H1-26 we expect core PCE to average 2.6%, and 2.3% in H2-26. This is consistent with an annual average of 2.5%.

EA – Believe it until you may not

We continue to believe Germany will revive EA's growth momentum going into next year. While evidence is mixed to slightly positive at this stage, downside risks related to quality and implementation of announced spending measures and reforms remain. As incoming data suggest that fiscal and reform optimism remains largely on paper, the jury is still out, in our view. Inflation-wise, we believe the broader core downward trend is likely to remain in place as wage growth continues to ease.

Make-believe resilience. Despite facing expected challenges from increased US tariffs, payback effects, and ongoing uncertainty, preliminary GDP data for Q3 came in better than expected. EA growth expanded by 0.2% q/q, up from 0.1% in Q2 and above the 0.0% expected by consensus.

In the Eurozone, economic activity remains sluggish but should ramp back up in 2026, supported by German fiscal stimulus

However, the outcome doesn't change our view that the quality of EA growth remains poor going into year-end. This is for several reasons:

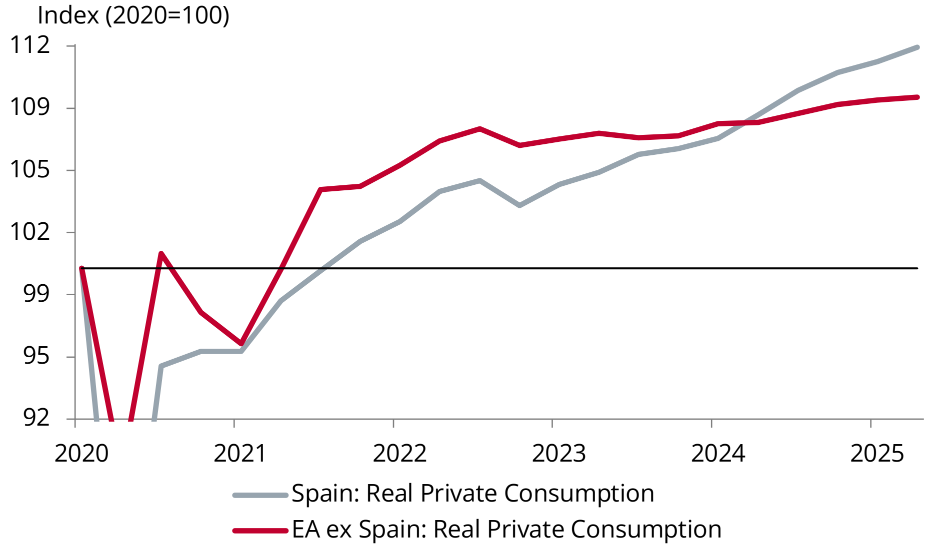
1. Most of the upside surprise came from France, where growth expanded by 0.5% q/q compared to 0.2% projected by consensus. Available data suggest that activity momentum was boosted by net trade (+3.4pp) amid surging exports. We do not expect this external support to continue; neither has foreign demand ever been the backbone of French growth, nor do we expect it to become so from here.
3. Elsewhere in the region, incoming data suggest anaemic underlying growth dynamics alongside sluggish private consumption.
3. Surveys point to modest growth. Flash PMIs for October indicate that economic activity has picked up slightly, but momentum remains close to 0.2% at best once the payback in French growth is factored in.

What to expect. Heading into 2026, we continue to expect growth momentum to improve. We forecast economic activity to expand by 0.3% for H1 2026 and 0.4% in H2 2026 (quarter-on-quarter average).

Our forecast is based on two main assumptions:

1) Spain will continue to outperform. Among the big four, Spanish migration inflows remain the highest in relative terms, supporting robust demographic growth. Productivity has proven resilient – particularly on a per-hour basis – with early signs of AI adoption emerging within the business sector. Moreover, both the supply side and the demand side appear to be well anchored. On the supply side, since the post-COVID period, Spain has seen investment growth (excluding construction) that has been more dynamic than in most of the EA. On the demand side, consumer spending since 2024 has reported an average sequential growth rate of 0.9% compared to a modest 0.3% in the rest of the EA (**Figure 8)**.

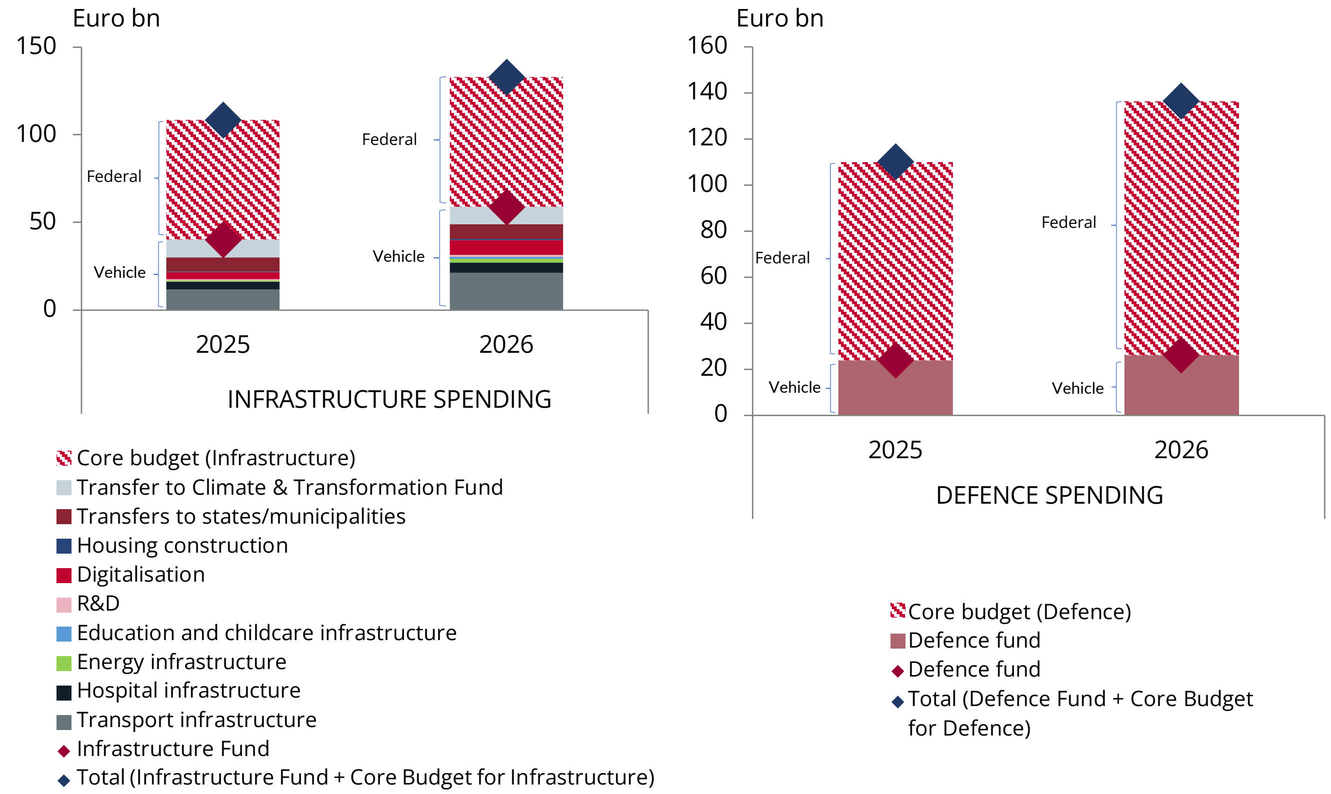
Figure 8
Spain continues to outperform



Source: Haver Analytics, Anima Research - Data as of November 2025.

2) Germany will deliver on its fiscal and reform plan (Figure 9). However, we acknowledge that some forces could jeopardise the implementation of the German package:

Figure 9
Fiscal spending kicks in 2026



Source: Haver Analytics, Anima Research - Data as of November 2025.

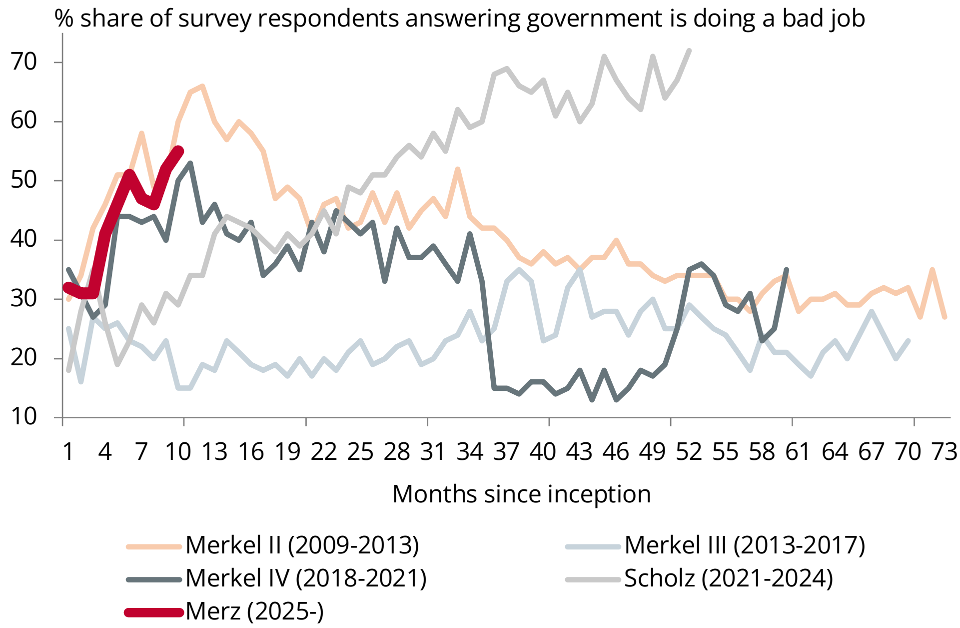
A) *Federal spending expansion is ambitious and not entirely growth-friendly.* Compared to 2024, public spending is projected to rise by c. EUR 45bn (1.0% of GDP) in 2025 and by over EUR 90bn (1.8% of GDP) in 2026. While substantial in aggregate, the size of spending with the highest multiplier is roughly half of that. Infrastructure investment and energy subsidies for businesses are set to rise by EUR25bn and EUR10bn, respectively. Meanwhile, the largest share of capex spending concerns defence (EUR 40bn) and social spending (EUR 26bn), which tends to have limited impact on growth.

B) Fiscal Implementation risks remain despite some green shoots. Both social spending and subsidies to businesses (largely electricity price subsidies) have already entered the execution phase. The upcoming military procurement acceleration law, expected this autumn, could further support the implementation of defence expenditures. However, infrastructure spending remains, in our view, the area most exposed to under-delivery risks amid evidence of significant under-spending in recent years. Unless supply-side bottlenecks are adequately addressed, slow planning, weak permitting procedures and administrative hurdles may delay the planned infrastructure and regional spending. Similarly, the EUR 10bn rise in regional investment support may not fully translate into higher general government spending.

C) *Political uncert*ainty in Germany remains high. Political disagreements and political noise could hinder the implementation of the budget plan (**Figure 10**). Austerity debates, even after the debt brake suspension, are diluting confidence. Indeed, economic policy uncertainty remain at all-time highs, well above that of peers, including France. This is likely to weigh on the implementation of supply-side reforms, which are essential to foster growth.

Figure 10

Implementation risks loom large



Source: Haver Analytics, Anima Research - Data as of November 2025.

D) Businesses and consumers appear to have little faith in the government's ability to deliver on its budget plan. The German economy seems caught in a paradox. Optimism is rising, but reality is not following. We note that while the IFO expectations index has been on an upward trend since January 2025, current conditions have remained flat. It is a split that sums up Germany's broader struggle: forward-looking sentiment is buoyed by fiscal promises, even as present activity stagnates. Meanwhile, retail sales data show that discretionary spending remains weak: in September, sales in specialised stores (including clothing and footwear) fell to -1.6% m/m from -0.6% in August, while sales for HHs furnishing also declined to -1.4% m/m from 0.0% in August.

Monitoring risks around the implementation of the plan of stimuli and reforms launched in Germany will be crucial

Keeping track of promises. To monitor the German government's ability to deliver on its ambitious fiscal plan, we have built a live fiscal stance tracker (**Figure 11**). This tool helps to navigate the execution of the German government's spending plans, as it monitors both the evolution of the fiscal stance (the change in budget balance as a % of nominal GDP) and the contribution to the fiscal stance from individual categories of expenditure (i.e. federal expenditures by function) on a monthly basis.

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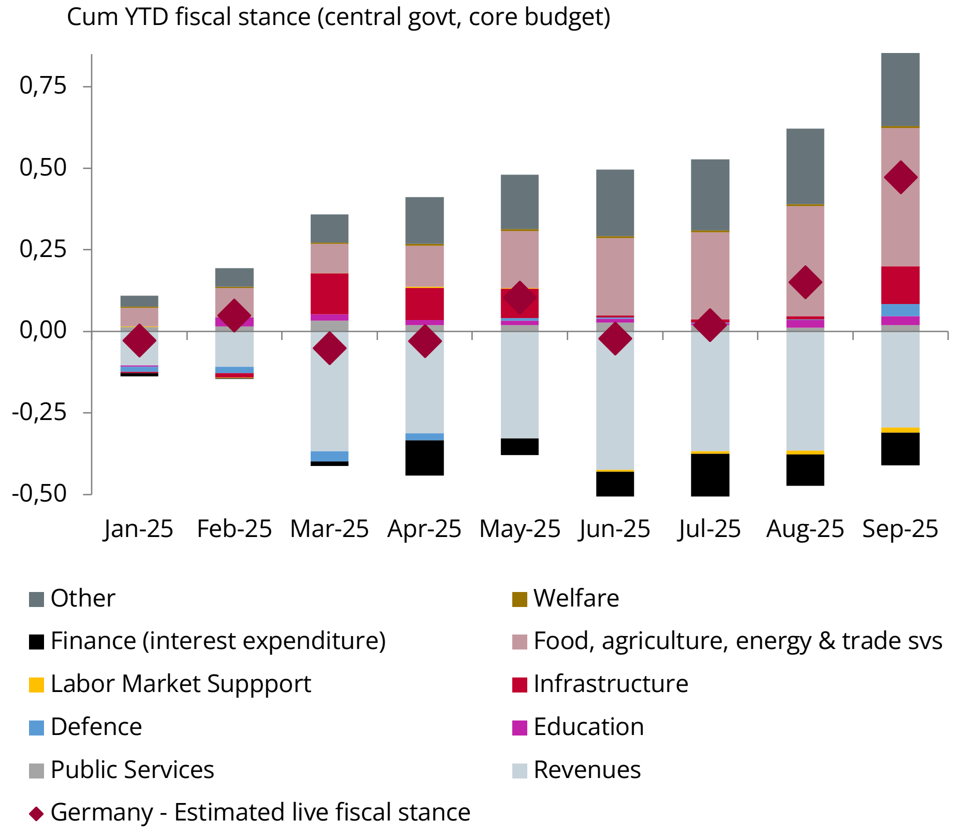
Figure 11
Signs that fiscal spending is accelerating are encouraging



Source: Haver Analytics, Anima Research - Data as of November 2025.

The stance is calculated as the delta in federal budget balances (% GDP) year over year and does not account for cyclical factors.

On track... for now. Despite the 2025 budget only being approved in September, and with limited data on the SVIK infrastructure fund, incoming numbers overall suggest the government is currently deploying core budget spending swiftly. According to our tracker, fiscal policy became 0.8 percentage points more expansionary between August and October, with positive contributions coming largely from energy subsidies, infrastructure, and defence spending. We will continue to closely monitor developments in our tracker heading into Q4, to understand how committed the German government remains to its budget plan.

Glass stays half full, for now. Against this backdrop, we maintain the view that German growth momentum will re-accelerate. However, downside risks remain. Signs that fiscal spending is accelerating are encouraging, but the quality of spending and supply-side bottlenecks cast a long shadow.

Disinflation will continue in the Eurozone, driven by service sector prices. The core index will slip below the ECB target in the second quarter.

Inflation-wise, uninterrupted disinflation. With the HICP reports for August, September and October, we do not see any signals that would significantly alter our forecast. Despite monthly volatility in the services inflation space, we believe the broader downward trend is likely to remain in place. Wage growth continues to normalise to levels consistent with price stability. Indeed, as evidenced by national accounts data, the contribution from labour costs to domestically generated inflation is moderating, and profit expansion has slowed significantly in recent quarters.

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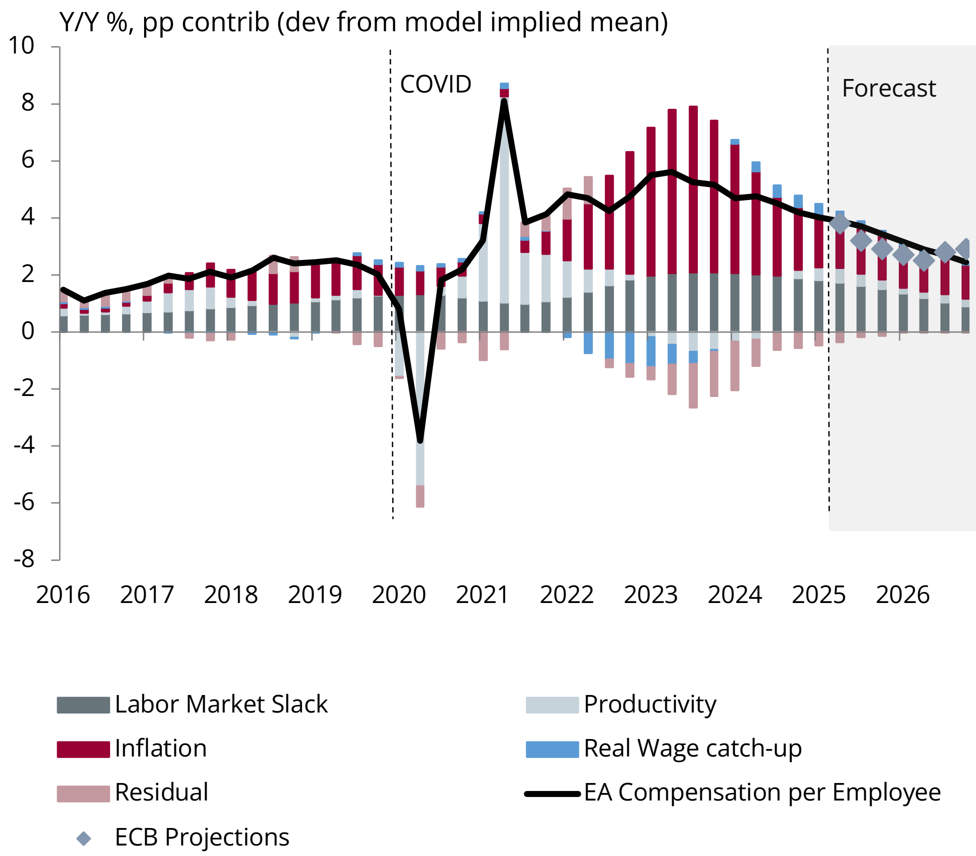
Undershooting the destination. We expect headline inflation to fall below target from December 2025 onward. The main driver of this deceleration will be energy prices, as wholesale energy market prices have dropped on average by approximately 4.6% across the curve. Consequently, this should help keep energy inflation in deflation territory throughout most of our forecast horizon, also supported by a favourable base effect. In contrast, we expect FAT inflation to remain sticky until the end of this year, based on leading indicators such as upstream food prices, PMIs and EC survey selling price expectations, before slowing down during 2026. We maintain our forecast for annual average core inflation at 2.3% for 2025 and we forecast 1.8% for 2026. We expect NEIG prices to remain in line with the pre-COVID norm. The rerouting of Chinese exports to Europe should act as a normalising force for NEIG inflation. More importantly, we expect disinflation in services to continue. Wages and profit margins are normalising (**Figures 12 and 13**), and we believe that in 2026 the annual repricing process for regulated services prices will provide a further downward push.

Figure 12

Wage growth continues to moderate



Model based on an augmented Phillips curve that relate sequential growth in compensation per employee to measures of labour market slack, inflation catch-up and other factors (including lagged wage growth, trend labour productivity per person employed). Real wage catch-up (gap to trend) measures the wage level that is justified by labour productivity.
Source: Haver Analytics, Anima Research - Data as of November 2025.

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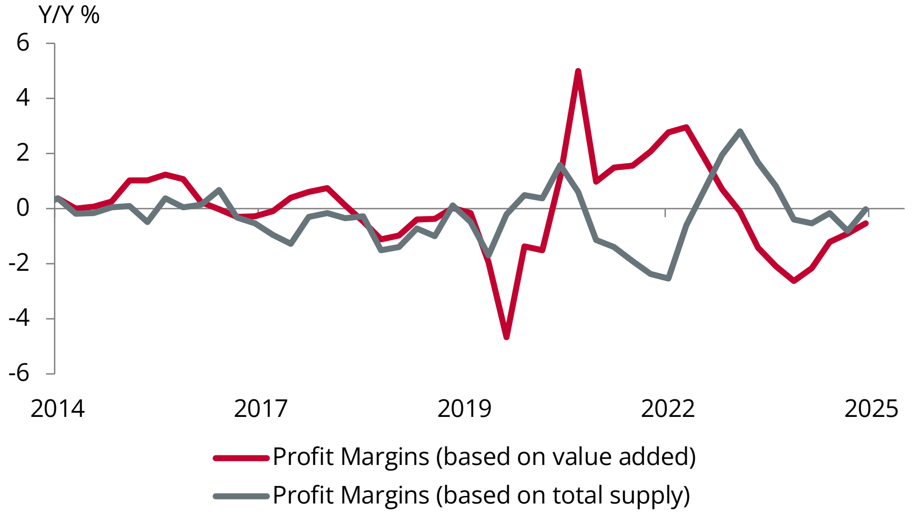
Figure 13

Profit margins have normalized



Source: Haver Analytics, Anima Research - Data as of November 2025.

ANIMA baseline. We forecast Q4-25 real GDP growth at 0.2% q/q. This results in an annual 2025 forecast of 1.4%. For 2026, we project growth of 0.3% for H1 2026 (quarter-on-quarter average) and 0.4% for H2 2026. This results in an annual 2026 forecast of 1.0%, slightly below consensus of 1.1%.

We expect EA core HICP at 2.1% in Q4 2025. Our forecast for the 2025 annual average remains at 2.3%. For 2026, we expect core inflation of 1.9% in H1 and 1.8% in H2, consistent with an annual average of 1.8%.

China – The year of the Little Dragon

Domestic demand remains feeble as we enter Q4. Box-office revenues fell by roughly 30% y/y in October, despite the extended Golden Week holiday. Moreover, export performance in October fell well short of expectations. However, high-frequency shipping data show signs of a rebound in exports in early November - consequently, the October miss in exports could be interpreted as payback after a strong September. Our long-term view remains unchanged. We continue to anticipate policy measures such as targeted subsidies and fiscal easing will provide only marginal support, sufficient to maintain growth momentum throughout 2025–26, amid structural challenges including weak consumption, deflationary pressures, and a sluggish property sector.

Deflation is expected to persist into mid-2026, though favourable base effects may mechanically lift headline inflation towards 1%, helping to stabilise prices throughout 2026.

Domestic demand in China remains anaemic, driven by the lack of consumer confidence

Consumption remains weak as we enter Q4. High-frequency indicators point to a deceleration in auto sales growth, which slowed to 6% y/y in October, down from 6.4% in September. This moderation likely reflects tighter implementation of auto trade-in subsidies at the local level. Additionally, the slowdown appears to be a natural correction following strong demand earlier in the year, when auto sales surged by 11% y/y in the first half of 2025. Meanwhile, services consumption shows no signs of recovery. Notably, box-office revenues fell by roughly 30% y/y in October, despite the extended Golden Week holiday. This weakening in consumer activity likely stems from deteriorating labour market conditions, with youth unemployment remaining elevated at around 18%.

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The export channel takes a breather. Export performance in October fell well short of expectations, contracting by 1.1% y/y after posting 8.3% growth in September. The sharp 9.4 percentage point drop in headline export growth was broad-based across major trading partners, indicating a widespread loss of momentum. Sequentially, the trend also deteriorated, with seasonally adjusted exports declining by 1.2% over the three months to October, compared with a 0.3% drop in September. Import activity mirrored this weakness, also undershooting forecasts and pointing to a softening in domestic demand.

The sharp deceleration in export growth raises concerns about the sustainability of China's current economic momentum, particularly given that external demand has played a critical role in offsetting domestic weaknesses. In the first three quarters of 2025, net exports contributed 1.5 percentage points to the overall GDP growth of 5.2%, accounting for nearly 30% of the headline figure. If export strength continues to falter, the economy could face mounting pressure from three fronts: a prolonged downturn in the property sector, subdued private consumption, and weakening external demand - posing a significant challenge to maintain stable growth.

That said, we believe it is too early to reflect this risk in our baseline. High-frequency shipping data show signs of a rebound in exports in early November – consequently, October could be interpreted as a correction after a strong September.

In 2026, the authorities will continue to calibrate the fiscal stimuli just enough to reach official growth targets, but not enough for the ongoing structural challenges

Against this backdrop, we downgrade our expectation for Q4-25 GDP growth to 4.3% y/y (vs 4.9% in the prior baseline) down from 4.8% in Q3.

Our long-term view remains unchanged. The outlook for domestic demand continues to be weak, as per our baseline. Meanwhile, despite some payback in October following a strong September, the trade channel should continue to support growth. Looking ahead, some major exporters in the auto sector have indicated that they remain upbeat about exports in 2026, thanks to the competitiveness of high-tech Chinese products. The China Passenger Car Association (CPCA) estimates that China will export10mn cars per year by 2030, up from the current 6.5mn auto exports.

Fiscal stimulus remains necessary. Over the summer, newly introduced targeted interest subsidies for households and service-sector enterprises likely provided incremental, albeit limited, support to the cooling services sector and consumer spending. Meanwhile, the "*trade-in programme*" launched last year expired in September. Overall, we continue to assess the impact of these measures as modest and insufficient to generate a meaningful acceleration in GDP growth in 2025/26. In our view, fiscal easing will continue to offer only marginal support to domestic demand, helping to sustain economic momentum amid persistent structural challenges: namely, imbalances between production and consumption, ongoing deflationary pressures, and continued weakness in the property sector. To mitigate the housing crisis and improve household sentiment, authorities may further instruct state-owned enterprises to purchase unsold housing inventories from distressed developers.

Price pressures were nearly non-existent in 2025, and will very gradually accrue in 2026

Headline CPI rose for the first time in October since July. However, we believe that the increase in the headline rate was due to the: 1) the extra-long Golden Week holiday that boosted services demand and inflation (travel, transport) and food inflation, and 2) the continued surge in gold and platinum prices. Despite the unexpected uptick in price indicators, we expect sequential deflationary pressures to intensify in Q4-25 and to remain a drag well into the first half of 2026. This outlook reflects persistently weak household demand, limited pricing power across both goods and services, and substantial excess capacity in the manufacturing sector, all of which are likely to keep inflation subdued next year. However, a favourable base effect is expected to support year-over-year price growth between Q4-25 and Q1-26, gradually lifting headline inflation towards 1% and helping to establish a floor for price levels over the remainder of 2026 (**Figure 14**).

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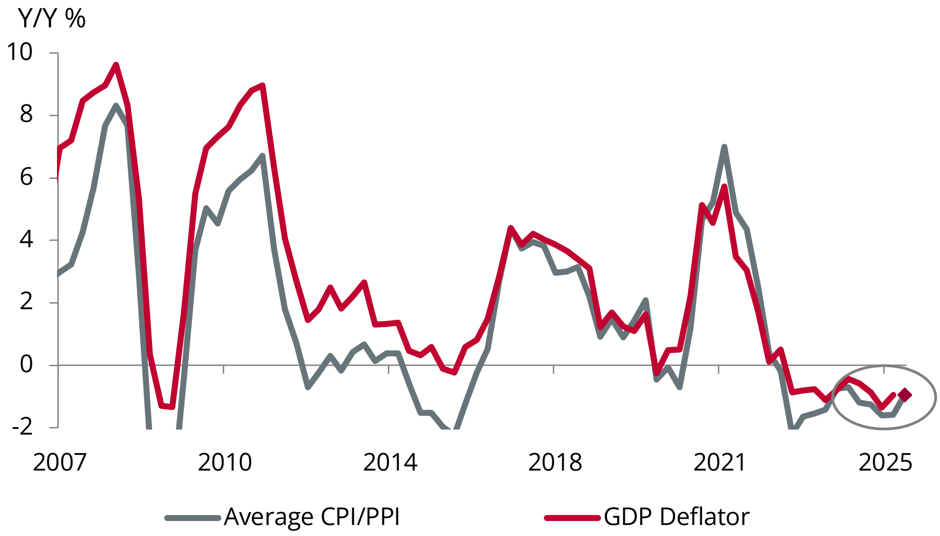
Figure 14

Downward prices pressures remain entrenched



Source: Haver Analytics, Anima Research - Data as of November 2025.

ANIMA baseline. We downgrade our expectation for Q4-25 GDP growth to 4.4% y/y (vs 4.9% in the prior baseline) down from 4.8% in Q3. We anticipate full-year 2025 GDP at 4.9%. In 2026, we continue to expect GDP to stabilize at 5%.

On inflation, we anticipate full-year CPI to settle at zero in 2025, down from +0.1% in 2024. On a sequential basis, we expect headline inflation to evolve as follows: -0.3% y/y in Q3, 0.3% in Q4 2025, and 0.8% in Q1 2026. Headline inflation is expected to recover to 0.8% next year, primarily due to favourable base effects.

MONETARY POLICY

Fed to power ahead with cuts, ECB more cautious

In 2025, both the Fed and the ECB remained in easing bias, although with different timings. The ECB concluded the rate cutting cycles that it started in mid-2024 and brought back rates to neutral territory, as growth in the euro area remained anemic, especially in core countries, while inflation, especially services inflation, came down quite sharply. On the other hand, after taking the Fed fund rates to 4.25-4.50% in December 2024, started a long pause until September. A resilient economy and the increase of the average tariffs rate to new highs led to upside risks to inflation which until September were the main reason for the Fed to keep rates on hold in restrictive territory. In September, the shift in the balance of risks and we suspect, political considerations, led the Fed to resume its rate cutting cycle. In 2026, we expect the Fed to continue leaning to the dovish side and cut rates by an additional 75-100bp, bringing the Fed fund rates slightly below neutral (2.75-3%), while we expect the ECB to deliver only one rate cut in March, bringing the depo rate to 1.75%, with the risk of delivering an additional one in case the implementation of the German fiscal package disappoints.

The official rates will drop again in the USA and the Eurozone, reaching levels close to or slightly below neutral.

FED – Back to (slightly below) neutral

We expect the Fed funds rate to decline slightly below neutral (2.75-3%) by the end of Q3 2026, in part due to a renewed disinflation trend following the tariff-related inflation peak and in part to a dovish bias within the Fed, possibly due to political interference.

After delivering 100bp of rate cuts from September to December 2024 and taking the Fed fund rates to 4.25-4.50%, the Fed remained on hold for the first nine months of 2025 for the following reasons:

1. A resilient growth performance despite headwinds from tariffs lead some FOMC members to question whether after 100bp of rates cuts the Fed's monetary policy stance was still very restrictive.
2. While progress in disinflation has continued in the first part of the year, it has partially reversed after April. This, coupled with uncertainty around tariffs-related inflation has made the Fed more cautious to cut rates further towards neutral.
3. Uncertainty linked to the economic impact of the Trump's administration policies. In addition to tariffs, the administration curb on immigration and its fiscal policy (the One Big Beautifull Bill) have made the macro-outlook even more uncertain.

Dual mandate
Two-fold objective assigned to the Federal Reserve when managing the monetary policy: maintain price stability and promote full employment.

In September, the Fed resumed its rate cut cycle somewhat surprisingly and delivered an additional rate cut at the October's meeting, taking the Fed fund rates to 4.25-4.50%. The Fed has justified the moves citing that the balance of risk surrounding the Fed's dual mandate has shifted and downside risks to the labour market have gained more prominence compared to upside risks to inflation. Against this backdrop, the Fed's monetary policy stance should move towards neutral. However, in our view, the sudden change of heart at the Fed despite a resilient economy and a labour market that has entered a new low hiring-low firing equilibrium, suggests that with the Trump's administration, political considerations are making their way into the Fed. This is also confirmed by the fact that from September, FOMC members' views on growth and inflation, as well as the monetary policy stance, have started to diverge significantly.

Going forward, we expect the Fed funds rate to decline slightly below neutral (2.75-3%) by the end of Q3 2026.

Specifically, we anticipate a 25bp rate cut between December and January, followed by three additional rates cuts in 2026 - 25bp each in March, June, and September - bringing the Fed funds rate slightly below neutral by the end of Q3 2026.

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Quantitative Tightening (QT) - A monetary policy measure designed to systematically and deliberately reduce the money supply (such as by not reinvesting repayments or by selling securities held by the central bank)

While the continuation of rate cuts will be in part justified by a renewed disinflation trend following the tariff-related inflation peak (we expect inflation to converge to target towards the end of 2026) even amid a reacceleration in growth, it will still be at least partly the result of a dovish bias within the Fed, possibly due to political interference.

In this respect, we think that for the Fed to stop cutting, economic activity would have to surprise strongly to the upside, pointing to overheating risks (not our baseline).

Meanwhile, QT will end at the beginning of December, one month earlier than we expected. While there has been no final decision on the composition of the balance sheet in the long-run, starting from December the Fed will re-invest UST redemptions at UST auctions, while it will re-invest expiring agencies and MBS in T-bills in the secondary market. The purpose is two-fold: 1) In the long-run the Fed's balance sheet will mainly consist of US Treasuries 2) The maturity of USTs held by the Fed will very gradually decline and converge to the average maturity of the US marketable debt.

ECB – On hold until further notice

We expect the ECB to deliver a rate cut in March, bringing the depo rate to 1.75% - the lower end of the neutral range - and then to remain on hold throughout the year, with risks skewed towards one more rate cut throughout the forecast horizon.

In 2025, the ECB continued the rate cutting cycle that it started in mid-2024, taking the depo rate to neutral territory (2%) by June. Anemic growth, especially in core countries, coupled with a sharp decline in services inflation, supported the easing of monetary policy stance. Since July, the ECB has remained on hold, sounding very constructive on the euro area growth and inflation outlook and arguing that monetary policy is in a "good place".

Despite a constructive bias in the Governing Council (GC) and a better-than-expected euro area GDP reading in Q3, we maintain the view that the EA economy requires further monetary support, for the following reasons:

1. The solid Q3 GDP reading was mostly due to a better-than-expected outturn in France, with net trade playing a significant role in the upside surprise.
2. Risks to the growth and inflation outlook remain tilted to the downside. In addition to the well-known downside risks - tariffs, historically high saving rates, and emerging weakness in the labour market - the increase in political uncertainty in France presents an additional risk that could weigh on euro area growth going forward.
3. The German package will only begin to lift growth from H2 2026 at best. If the implementation of the package disappoints, growth will likely fall below potential in 2026.

Against this backdrop, in 2026, we expect the ECB to deliver a rate cut in March, bringing the depo rate to 1.75% - the lower end of the neutral range - and then to remain on hold throughout the year, with risks skewed towards one more rate cut throughout the forecast horizon.

PBOC – 2026 with a dovish stance

After easing in Q2 and pausing in Q3, we expect the PBoC to keep policy unchanged through early Q4, before delivering a rate cut by year-end to lay the groundwork for solid growth in 2026.

Monetary policy is set to remain moderately dovish heading into 2026. After Q2 easing and Q3 pause, we expect the PBoC to maintain its stance through early Q4, with the next policy rate and RRR cuts likely postponed until the end of Q4 as risks to the 2025 growth target have receded. We anticipate about 40bps in rate cuts and possibly one RRR reduction to support 2026 growth on a firm foundation

ANIMAResearch

Bond Markets

ANIMA

GOVERNMENT BONDS-DEVELOPED MARKETS

Carry is king

2025 has been a good year for USTs, a decent year for BTPs and a mediocre year for Bunds. Taking 15th November prices as a reference, total return (across maturities) is almost 6% for USTs, -0.5% for Bunds and 3.5% for BTPs.

Term premium
Additional return that investors require in order to hold long-term rather than short-term bonds.

In the US, in the first part of the year, long-end yields traded in the 4-4.80% range, with market action driven on the one hand by an increase in the term premium due to the unorthodox policies of the Trump administration and on the other hand by expectations of weak economic growth due to broad tariffs imposed by the Trump administration. At the end of May, 10-year yields started to move on a downward path from a local peak of 4.60%, as downside risks to the labour market started to emerge, threatening the resilience of US growth in investors' eyes.

In EA, despite anemic growth and a sharp acceleration of the disinflation process in the services sector, Bund yields moved to a higher trading range at the beginning of March (2.50-2.80% with a peak at 2.90% vs. 2.40-2.60% in the first two months of the year), as the German government unveiled a huge fiscal stimulus package worth 20% of GDP.

Periphery-core spreads compressed further from May onwards for the following reasons:

1. Constructive sentiment in risky assets
2. Further macroeconomic convergence between periphery and core countries
3. Expectations of some further progress in the European infrastructure investment.

In recent quarters, government 10-year bond yields have remained within trading range; there was a notable steeping in global curves and an overperformance of Tresury bonds

More in detail, **these have been the main trends in rates in 2025**:

1. **Curve steepening, both in the 2s/10s and in the 10s/30s sectors**, especially in the first part of the year (**Figure 15**). This has been a common trend across developed markets, **for the following reasons**:
   - **Fiscal easing and mounting public debt.** For various reasons, fiscal policies are loosening across developed regions in a context of already high public debt following post-Covid fiscal support. The sharp increase in interest rate bills after the post-Covid inflationary episode complicates matters further.
   - **Mismatch between supply and demand for government debt.** Because of institutional changes (e.g. Dutch pension reform) or simply changing investors' preferences, demand for long and extra-long government paper has been fading across developed regions. Most debt management offices still have to adapt and shorten the duration of their debt issuance accordingly.
   - **Central banks maintaining an easing bias in a context of mounting public debt have led to an increase in term premium.** In the US, where investors have started to doubt the Fed's independence, we have seen markets pricing in a political risk premium, another factor that has kept the UST yield curve at steep levels.

Figure 15

2/10Y spread on UST and Bund curves

Source: Bloomberg, Anima Research - Data as of 14 November 2025

Breakeven (Inflation) - Difference between the yield of a conventional nominal bond and that of an inflation-indexed bond with the same maturity; it represents a measurement of implied inflation.

2. On both sides of the Atlantic, **the movement in nominal yields has mirrored the underlying movement in real yields**, while breakeven rates have been trading at roughly the same level as at the start of the year, **signaling a strong anchoring of inflation expectations, despite mounting public debt.** (Figures 16 and 17).

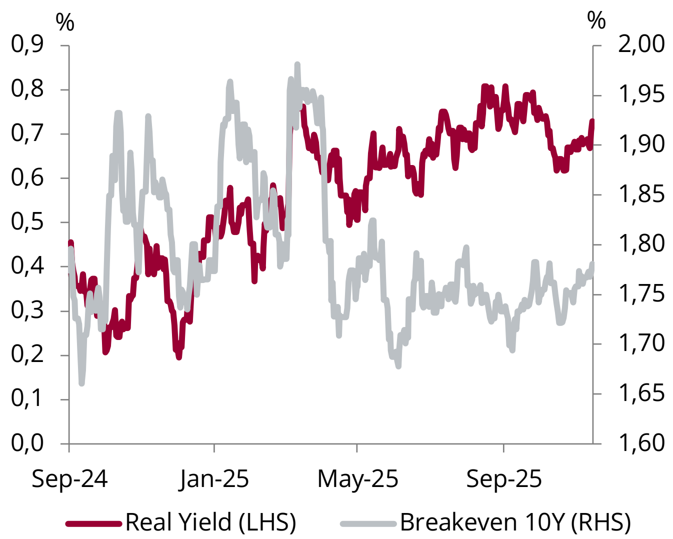
Figure 16

10Y UST real yields and breakeven

Source: Bloomberg, Anima Research - Data as of November 2025

Figure 17

10Y Bund real yields and breakeven



Source: Bloomberg, Anima Research - Data as of November 2025

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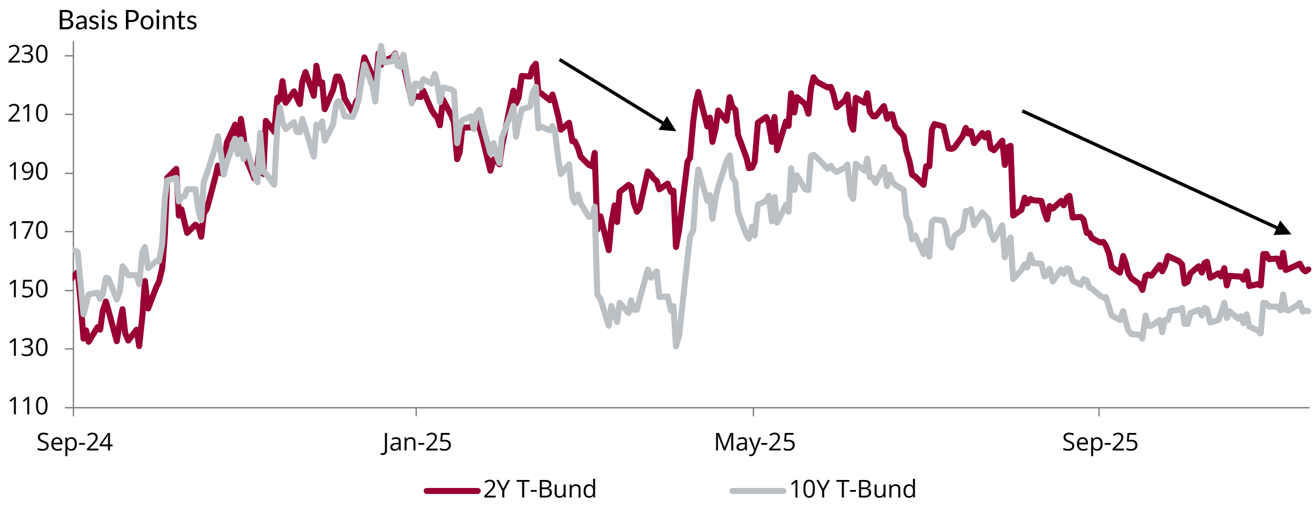
3. There has been a clear **decoupling between USTs and Bunds, with US Treasuries outperforming Bunds** (Figure 18). The trend has been more pronounced at the long end of the curve and has been concentrated in March and in the period from June to September. The driver of the movement has been expectations of a better growth performance in the EA, triggered by the approval of a historically large fiscal package in Germany, while at the same time markets started to worry about downside risks to the labour market in the US.

Figure 18
T-Bund spread in tightening mode



Source: Bloomberg, Anima Research - Data as of November 2025

In 2026, performance will be supported by the carry, with no significant margins for a drop in the rates

Carry - The return provided by a bond assuming no changes in the overall interest rate levels and risk premiums.

In 2026, we expect government bond performance to be moderately positive, and to come mainly from carry, while we do not anticipate any meaningful decline in yields that could add to the performance.

In the US, while current yield levels remain historically appealing, barring a sudden slowdown in economic momentum (which is not our baseline), **we believe there is very little room (if any) for yields to decline from current levels,** for the following reasons:

1. We expect growth to remain solid in 2026, with the economy growing close to potential.
2. Upside risks to inflation stemming from tariffs are likely to be priced in, at least during H1 2026.
3. We expect a dovish-leaning Fed to cut rates to slightly below neutral by Q3 2026. This represents a more aggressive pace of easing than warranted by our macro-outlook and could lead to a higher term premium at the long end of the curve.
4. We anticipate an increase in the political risk premium embedded in USTs.

Risks for UST yields are to the upside, if the Supreme Court were to rule tariffs under IEEPA illegal, or if President Trump decides to fight his loss of popularity with additional fiscal stimulus ahead of the midterm elections. In both scenarios, we expect the deficit to rise above 7%.

In EA, while the current level of Bund yields is at the upper end of the last three years' range, **Bund yields could increase towards the 3% level in the medium term**, due to:

- A re-acceleration in German and EA growth, mainly driven by the German fiscal package. We expect EA growth to average 0.3% q/q in H1 2026 and 0.4% q/q in H2 2026.
- A steep increase in Bund issuance. Net issuance is likely to rise from EUR 145bn in 2025 to around EUR 175bn in 2026, surpassing 3.8% of GDP. Including QT, net supply in Germany could climb towards EUR 275bn. We expect the free float of Bunds to increase from less than 60% in 2025 to 70% by the end of 2026, and to continue rising in the following years.

The upward pressure on Bunds will be partly mitigated by robust demand, especially from foreign and domestic banks.

Risks for Bund yields are balanced. On the downside, the implementation of the German fiscal package could disappoint. On the upside, there could be spillover effects from USTs if the Supreme Court were to rule tariffs under IEEPA illegal, or if President Trump decides to fight his loss of popularity with additional fiscal stimulus ahead of the midterm elections.

In terms of T-Bund spread, after a sharp tightening in 2025, we expect UST to underperform Bunds moderately, leading to a moderate re-widening of the T-Bund spread at the long end.

The BTP will copy the dynamics of the German Bund, but will maintain support for favourable fiscal trends and strong demand from investors

In 2025, BTPs managed to register a positive performance, despite their strong and positive correlation with Bunds, as the BTP-Bund spread tightened sharply starting from May. The political crisis in France supported a tightening of the BTP-OAT spread, taking it slightly into negative territory.

1. **In 2026, we expect BTP performance to be moderately positive** and to come mainly from carry, for the following reasons:
2. The strong and positive correlation with Bunds suggests an upward bias for BTP yields,
3. In the absence of a decisive improvement in the European infrastructure investment, we do not expect a further sharp tightening of periphery spreads, as the progress of macro convergence between the periphery and the core is likely to slow.
4. We expect solid demand for BTPs (due to appealing yields and a steeper curve compared with Bunds), and an improvement in the fiscal outlook to offset at least part of the upward pressure on yields.

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EURO INVESTMENT GRADE CORPORATE BONDS

Technicals still supportive, but with tight risk premia

2025 was another positive year for the credit market. On the one hand, macro and monetary policy trends have remained favourable: the European economy, similar to the global economy, proved to be much more resilient than expected to the threats posed by the worsening of American trade policy, while the disinflationary process consolidated and the ECB continued the cycle of cuts that started in 2024, restoring conditions of neutrality by the end of the first six months.

On the other hand, technical aspects continued to offer support: with medium-term government yields showing little direction, money market rates falling and stock markets appreciating strongly, the sector has seen record inflows, particularly on short-term maturity products. The risk premium over government bonds measured by the OAS (option-adjusted spread) of the ICE BofA Euro Corporate index fell by 20 basis points since the start of the year: the tightening trend that characterised the latter months of 2024 continued between January and February, before experiencing a sudden interruption during the explosion of volatility generated by Liberation Day and returning forcefully in the summer; the final months of the year were marked by a phase of consolidation. The tightening was proportional to the credit risk exposure: benchmarks representing the lower rating bands recorded the biggest movements and offered the best performance, driven by higher carry and lower exposure to rate risk (compared to levels at the start of the year, German government returns fell on short-term maturities, but rose on medium and long-term ones). Overall, **the performance since the start of the year in the Investment Grade sector came close to the yield to maturity of late 2024, which is largely in line with the current level** (Table 1).

Table 1
Year-to-date performance of Euro-denominated Corporate Bonds

	Investment Grade	AAA	AA	A	BBB	High Yield	BB	B	CCC & lower
Current spread vs Govt (OAS), bp	**81**	**50**	**53**	**73**	**93**	**283**	**186**	**380**	**1324**
OAS- YTD Change, bp	***-20***	*-10*	*-12*	*-19*	*-21*	***-28***	*-19*	*34*	*-37 (*)*
OAS – 10Y Average OAS, bp	***121***	*65*	*76*	*103*	*146*	***391***	*290*	*510*	*1182*
Yield to maturity (YTM) %	**3.2**	**3.0**	**2.8**	**3.1**	**3.3**	**5.5**	**4.6**	**6.5**	**15.5**
YTM- 10Y average, %	***1.8***	*1.4*	*1.3*	*1.6*	*2.1*	***4.9***	*3.8*	*6.1*	*13.2*
Performance YTD	**3.3%**	**1.4%**	**2.3%**	**3.1%**	**3.5%**	**4.7%**	**5.0%**	**4.9%**	**-2.5%**

(*) Data influenced by the exclusion of several distressed issues from the indices
Source: ICE BofA ML, Bloomberg, Anima Research - Data as of 12 November 2025

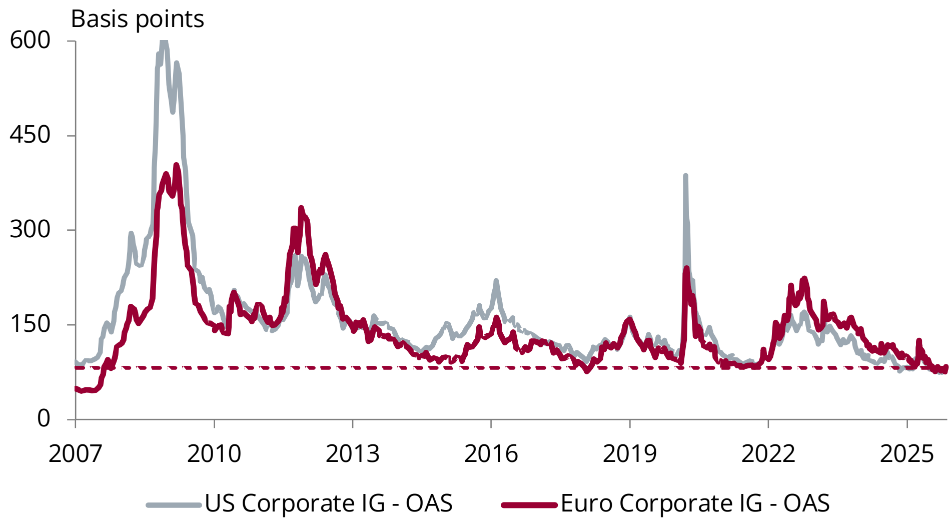
The macroeconomic and monetary policy trends, along with the fundamental and technical factors, should continue to support investment-grade bonds, but risk premia are very low

Many of the factors that supported the asset class in 2025 will continue to have a positive impact in 2026. Our central scenario foresees an improvement in the growth momentum in the Eurozone and a moderate acceleration in the USA, the convergence of core inflation towards the target on both sides of the Atlantic (albeit at different times and speeds) and a continuation of the easing cycles, with landing levels for official rates slightly below neutral.

This said, valuations are very tight: the spread over government bonds for the ICE BofA Euro Corporate index has recently matched the lowest levels since the Lehman crack (74 basis points), but in the past that level was seen at a time when the ECB was engaged in aggressive bond-buying programmes; the environment is even more extreme in the USA, where the spread vs. government bonds for the ICE BofA US Corporate index in September reached its lowest levels since 1998 (**Figure 19**). At these levels, the potential for further tightening is very limited or, at least, **the distribution of scenarios for spreads appears asymmetrical, although there are no obvious catalysts for an immediate repricing.**

Figure 19

Corporate IG in the USA and Eurozone – Historical Spread vs. Government Bonds



Source: ICE, BofA ML, Bloomberg, Anima Research - Data as of 12 November 2025

There are multiple potential risks and many derive as much from the macro and geopolitical developments as they do from the economic policies and trends on the financial markets (surge of the term premium on Treasury bonds, deterioration of the sentiment around AI). **One of the most important risks, however, is technical in nature and represented by the increased volume of new issuance:** considering the simultaneous increase in supply by governments and the tightening of the ECB's balance sheet, **phases of congestion cannot be ruled out, even merely temporary ones**. As a matter of fact, not only will refinancing needs increase in the wake of the sector's historical growth, but an acceleration in the cycle of M&As is likely, as is a general increase in the number of transactions financed with the issuance of debt, in a context of improving growth, decreasing uncertainty and stabilising funding conditions. Furthermore, the trend of shifting the onus of funding the construction of AI infrastructure to the capital markets that is unfolding in the United States could consolidate and even reach parts of the European market, which for American issuers represents a valuable source of low-cost liquidity and diversification (in 2025, the Reverse Yankee offer reached a new record, contributing 20% to the total IG supply in euro).

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We are carefully calibrating the exposure to credit and rate risk

In this context, **we remain invested, but maintain a cautious approach: we favour market segments where valuations appear more appealing, paying the utmost attention to issuer selection and monitoring downside risks.** In particular, **credit risk is preferably taken on through short and medium-term maturities**, which offer better guarantees in terms of visibility on fundamentals, **whereas exposure to the rate risk on longer term maturities is calibrated through government securities**, which are more liquid and suited to a tactical management approach.

The financial sector remains the subject of unique attention by virtue of the quality of fundamentals: the interest margin should stabilise at high levels (with the cycle of ECB cuts nearing conclusion and the medium/long-term rates stable or slightly increasing), the quality of assets is high and expectations for returns from investment banking are accelerating, while pressure on the supply side should remain stable. Nevertheless, the aforementioned approach to the calibration of credit/rate risk exposure remains in place.

EURO HIGH YIELD

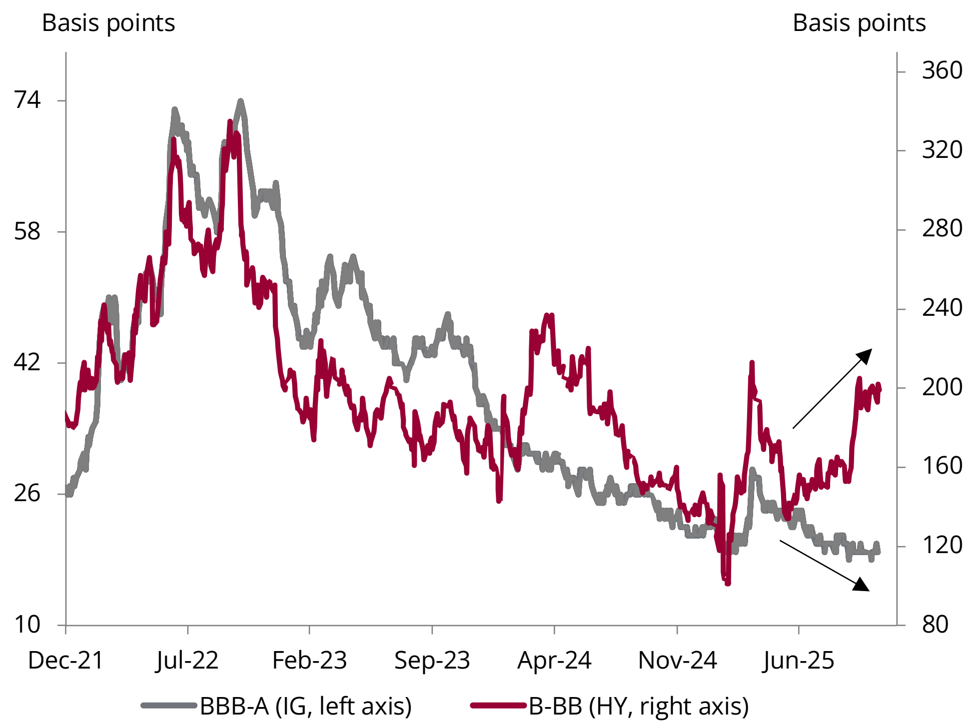
Tactical and selective approach, with increasing volatility and dispersion

The euro high-yield credit market recorded unusual dynamics in 2025, breaking off into two rather different sectors: benchmarks representing the highest quality rating bands recorded a narrowing of spreads and offered returns superior to the level of yields to maturity at the end of 2024; the more speculative segments, on the other hand, suffered, both in terms of fundamentals and market performance, with the dividing line between the two camps represented by weaker issuers in the single-B sector. The divergence characterised the entire year but became more pronounced in October, in line with several episodes of stress on the US market (bankruptcy of First Brands and Tricolor, announcements of extraordinary allocations for scams and losses on the credit portfolio by several regional banks). The YTD performance in the segment of issues with a 'CCC' rating fell into negative territory (the data on the change in the OAS in Table 1 is influenced by the exclusion from the indices of several distressed issues), but the increasing trend of dispersion and decompression of the spreads remained limited to the lower rating categories. **The result is a rather unusual combination of positive and fairly solid returns for the asset class as a whole and a widening of risk premia along the scale of ratings, of which there is no trace in the Investment Grade sector** (Figure 20).

Distressed debt – Financial instruments issued by issuers in serious economic difficulties, facing default risk.

Figure 20

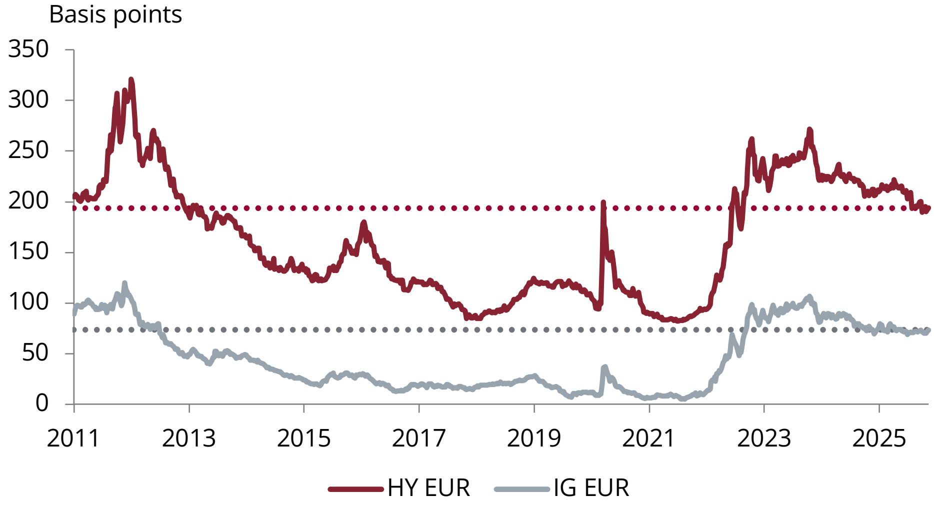
Euro Corporate, spread differentials between rating categories



Source: ICE BofA ML, Bloomberg, Anima Research - Data as of 12 November 2025

Looking to 2026, the crucial question to be answered is whether the weakness recently experienced by the more speculative segments is symptomatic of widespread issues – and therefore leading to a more significant and generalised repricing – or should be filed as an escalation of idiosyncratic risk. In theory, **the conditions for a surge in default risks do not seem to be present**, considering our expectations about the evolution of the macroeconomic landscape, the limited stock of distressed debt, the reduced refinancing needs in the next two years and the abundance of liquidity on both the public and private markets. Even investor demand seems set to remain steady, absent an escalation of risk aversion: absolute returns and the breakeven (the interest rate change that results in a capital loss equal to the carry offered) remain at historically high levels, albeit lower than in the recent past, and volatility is relatively low (**Figure 21**).

Figure 21
Euro Corporate IG and High Yield – 12-month Breakeven



Source: ICE BofA ML, Bloomberg, Anima Research - Data as of 12 November 2025
Note: Breakeven = Yield to maturity / Duration to worst

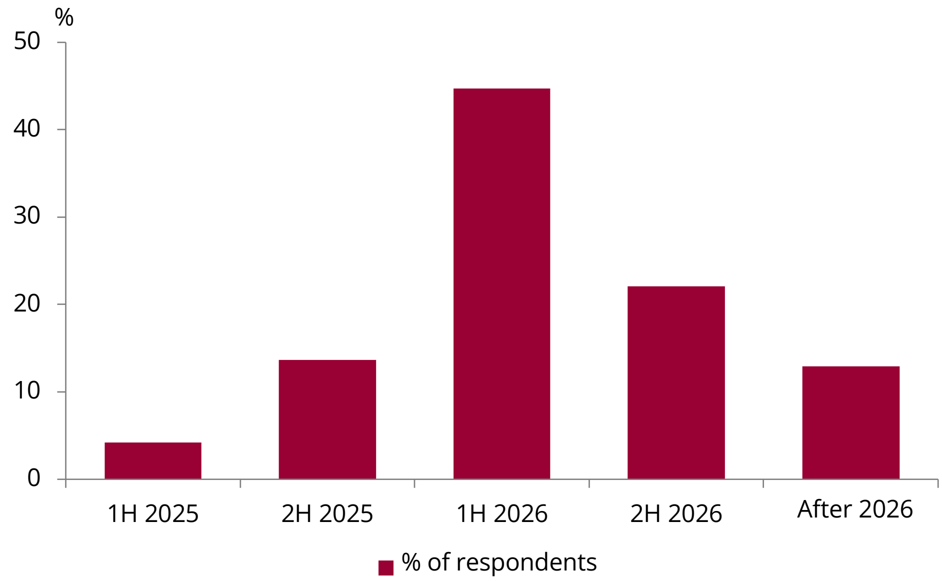
All-in yields remain historically high, but spreads offer little protection from risks

Nevertheless, **risk premia are extremely tight:** the current level of spreads is below the long-term averages and in the past was only sustainable for relatively short periods; furthermore, when excluding the 10% of issues with the highest spreads, the rate differential over government bonds falls just a few basis points above the lows recorded after the Global Financial Crisis.

If developments on the macro/fundamental front were to stay optimal, the spreads could reduce even further, driven by several of the cyclical sectors most penalised in recent quarters. However, **the risks seem asymmetrical and not adequately remunerated**: the credit cycle is biased to advance in a context of falling macroeconomic and political uncertainty and easing financial conditions, and **the very limited trading range within which spreads have been confined in recent months could even shift upwards**. Furthermore, **dispersion is set to rise**: according to a survey of specialists conducted by EY-Parthenon[1] (the strategic consulting division of Ernst & Young), debt restructurings should accelerate in the next future in Europe, recording a peak in the first half of 2026: various companies are facing difficulties due to the stagnation of the economy, the slowdown in sales and the high costs of energy and materials, especially in the automotive, manufacturing and construction sectors, and falling uncertainty could well increase the recourse to restructuring processes (**Figure 22**).

[1] *"Debt Restructurings in Europe to Peak in 2026, Banker Poll Shows", Bloomberg.com, 13 November 2025*

Figure 22
Expectations on the peak of restructurings in the Eurozone



Source: Bloomberg, EY-Parthenon. Survey of 191 sector professionals in Europe, 2025 Set
Note: Response to the question: "When do you think we'll see the largest number of restructuring cases in this cycle?"

The approach is tactical and selective; we carefully monitor risks

In this context, **2026 is shaping up to be a year in which opportunities to extract value from the sector will be more closely linked to carry accumulation than to capital appreciation**. It will be crucial to maintain a tactical approach in order to seize the opportunities arising from phases of higher volatility in government yields and/or spreads, and to **maximise the focus on issuer selection through a solid bottom-up analysis. At the moment, our approach is prudent and shows a relative preference for the sweet spot represented by issues with a 'BB' rating and short maturity of three years**. Caution in the exposure to the long portion of the curve, which cuts across all sectors, would represent a line of defence if the most important risk scenario we have identified were to materialise (an overheating of the American economy). Nevertheless, we are carefully monitoring all downside risks.

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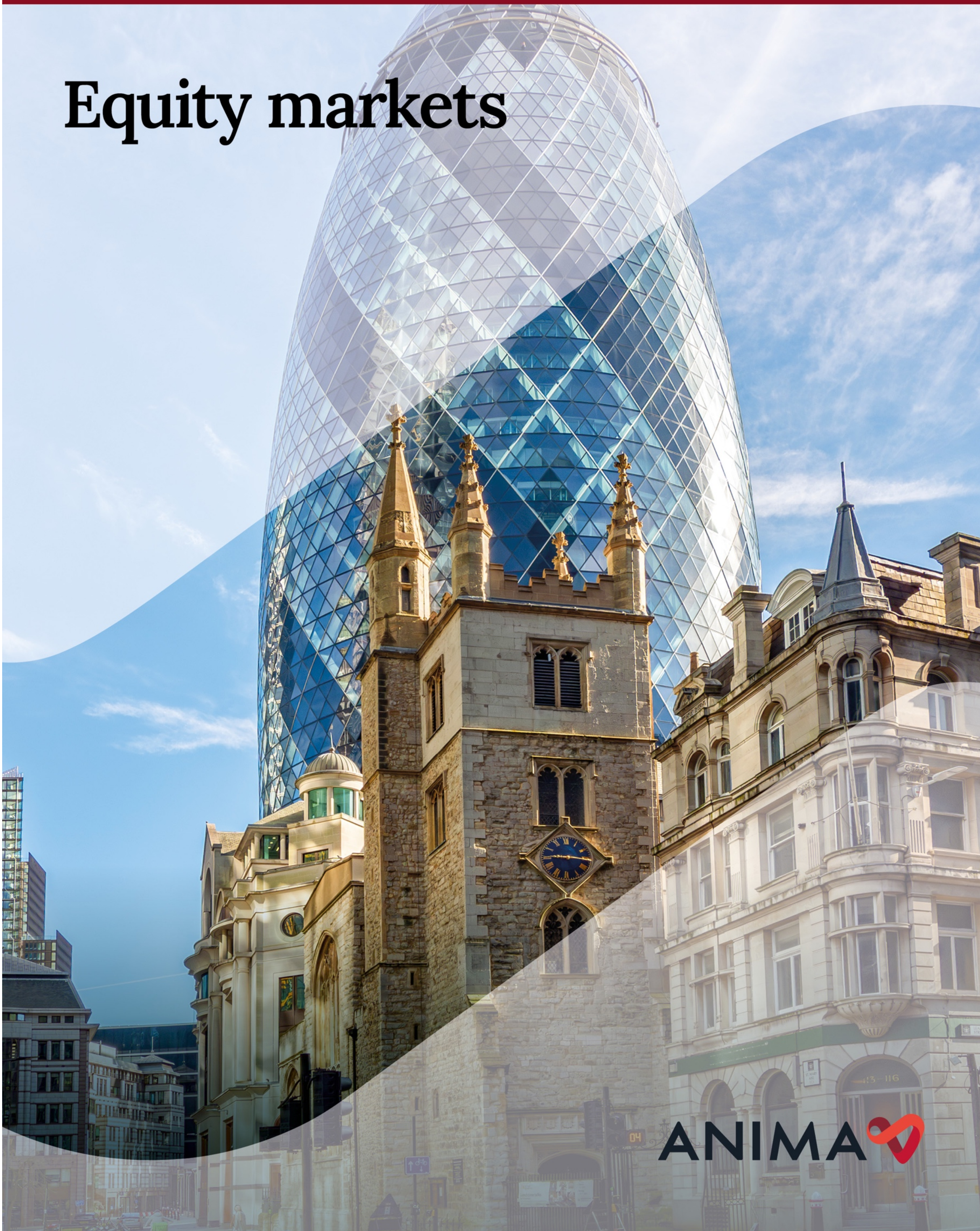
Equity markets

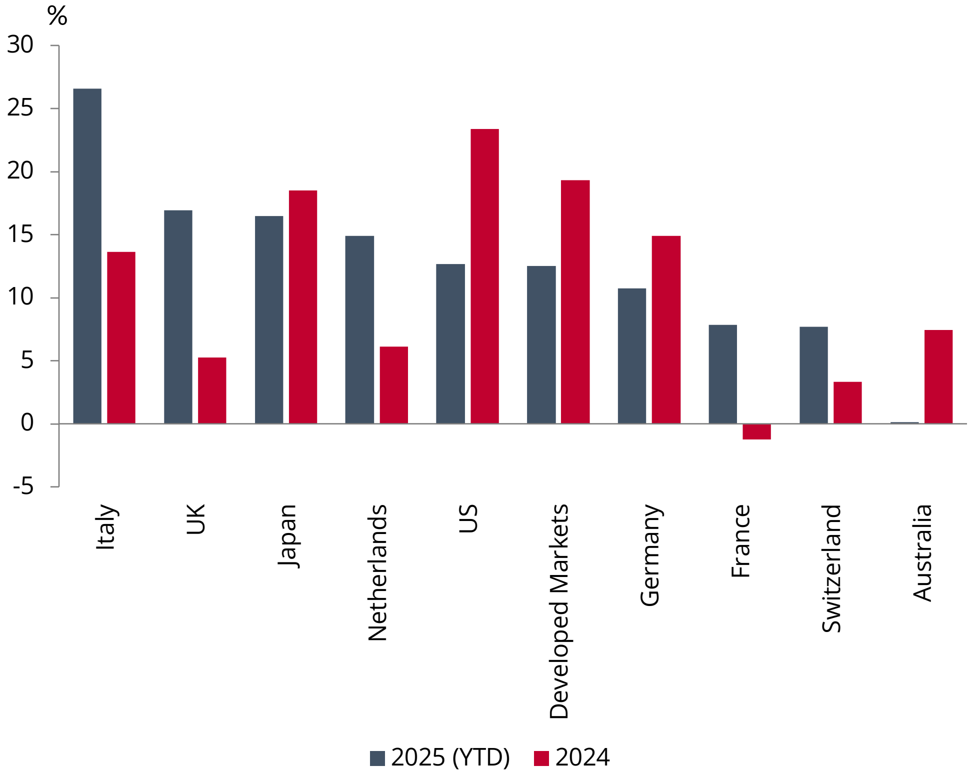


EQUITY DEVELOPED COUNTRIES

After a strong 2024, **major equity markets continued to gain even in 2025**. Italy has led with the highest performance so far, nearly twice that of the US index (**Figure 23**).

Figure 23

Developed markets performance in 2024 and 2025



Source: MSCI, Anima Research - Data as of 19th November 2025

In 2026, equity markets will be supported by growth in earnings; the margins for an expansion of the multiples are limited

We expect the global benchmark to accelerate in 2026 and reach new highs, driven mostly by EPS growth. Already rich valuations will limit gains from multiple expansion, which was the main driver of last year's rebound. From a macroeconomic perspective, the resilience of the US economy, supported by accommodative monetary and fiscal policies, suggests that the United States is likely to continue growing and avoid a recession in 2026.

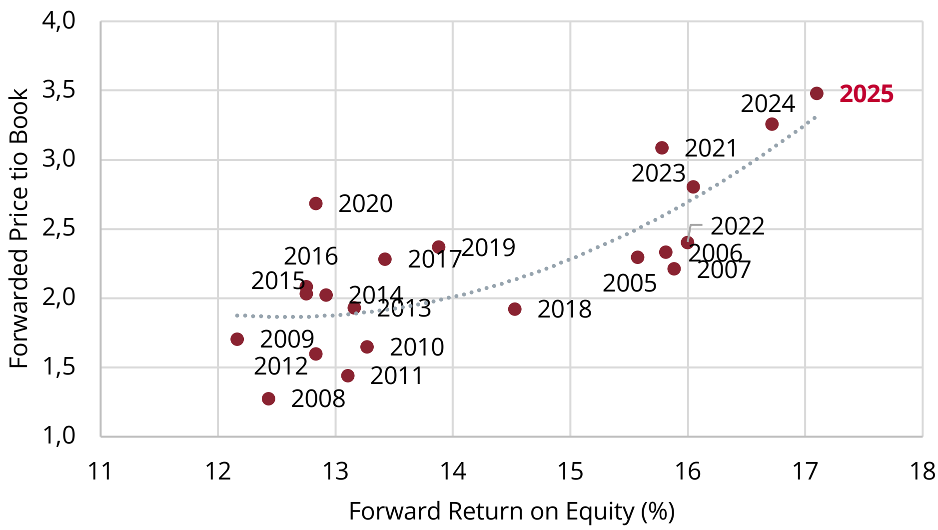
At the micro level, this scenario is expected to translate into another year of strong earnings growth. Our estimate is slightly more conservative than analysts' forecasts, which anticipate a 13% earnings growth in developed countries for both 2026 and 2027 (**Figure 24**). We anticipate further analyst downgrades ahead, which could lead to volatility in equities; however, this is unlikely to derail the stock market's upward trajectory. Historically, stock prices have risen even when earnings estimates were revised downward.

Figure 24
Expected earnings growth for 2025, 2026 and 2027

Source: MSCI, IBES, Anima Research - Data as of 14th November 2025

Valuations are at historic highs, but equities have also delivered strong profitability. The MSCI World currently trades at 3.5x forward price-to-book with a 17% return on equity, which appears fairly priced relative to its history (**Figure 25**). In this context, **the outlook for global equity markets remains positive for 2026, with any corrections seen as buying opportunities.**

Figure 25
Valuation and Profitability



Source: MSCI, IBES, Anima Research - Data as of 31st October 2025

We continue to favour cyclical sectors over defensive ones, and the United States over other developed countries

Sector-wise, considering the positive outlook, we continue to favour Cyclicals over Defensives, leaning towards Growth-oriented stocks given our expectations for US GDP growth and inflation. However, if the US economy grows more rapidly and inflation picks up, we would switch our focus to traditional Value stocks and take a more selective approach to long-duration sectors. **Geographically, we prefer the US over the rest of Developed Markets due to its predominance in the AI space**. In absolute terms, we expect both Europe and Japan to deliver positive performance supported by local fiscal stimulus plans.

The key risks to this scenario include a potential shift in the Fed's stance, which adopt a less accommodative approach in response to an acceleration in inflation, and a possible slowdown in U.S. growth, with negative repercussions for the global economy and corporate earnings dynamics. The risk of an escalation in geopolitical tensions persists, although with a lower probability compared to previous years. At the sector level, if Big Tech were to fall short of analysts' expectations, this could result in the bursting of what is commonly called the "AI bubble," leading to market destabilisation and a downward adjustment of equity valuations in the tech sectors.

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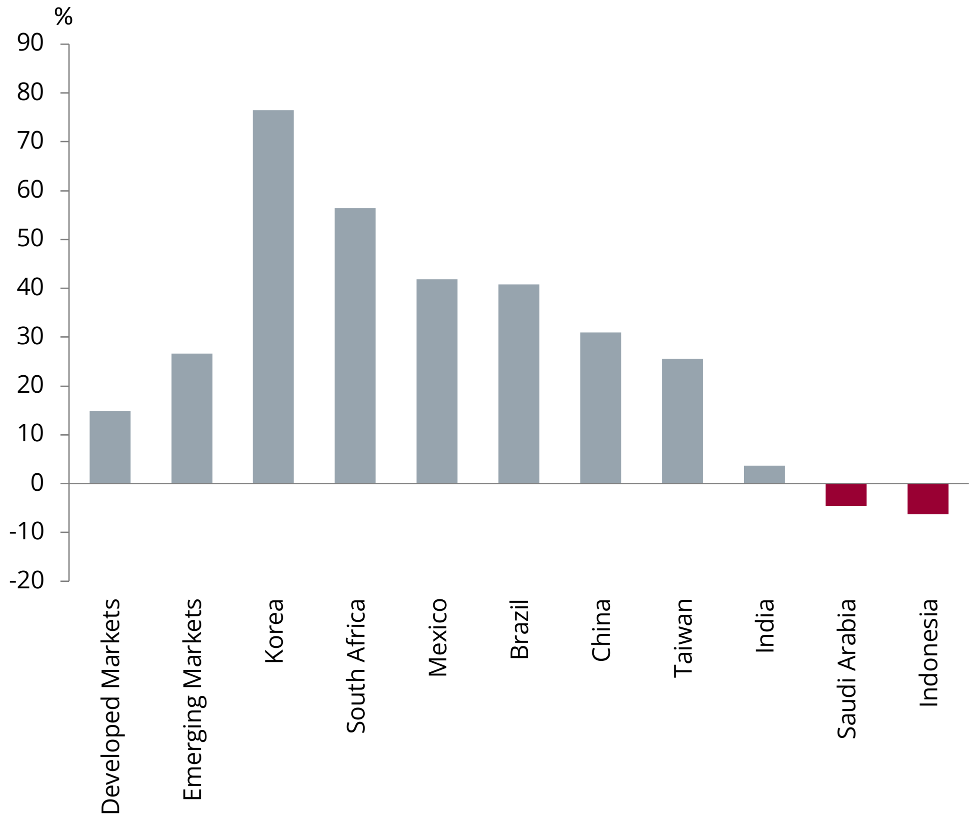
EMERGING MARKETS

In 2025, Emerging Markets outperformed Developed Markets for the first time since 2020, recording a positive performance of around 30% compared with 17% for their developed counterparts. Whilst most regions posted solid gains, the Asian component of the index stood out, with South Korea playing a key role, rising by roughly 80% thanks to its strong exposure to the semiconductor theme. China, which accounts for nearly one-third of the Emerging Markets index, also delivered a strong rebound, supported by monetary-policy easing implemented by Chinese authorities, its increasingly central role in the AI landscape, and a reduction in trade tensions with the United States (**Figure 26**).

Figure 26

Emerging Markets Performance in 2025



Source: MSCI, Anima Research - Data as of 18th November 2025

Emerging countries will still be supported by a combination of factors, including exposure to AI, improving fundamentals in Countries and attractive prices

We maintain a constructive view on Emerging Markets, supported by a combination of favourable structural and cyclical factors. On one hand, their significant weight in the artificial intelligence theme, particularly in Asia, continues to serve as a key growth catalyst (**Figure 27**). On the other hand, the emerging universe continues to benefit from improving profitability, driven especially by China, which continues to display solid fundamentals, ongoing deleveraging, and accommodative fiscal and monetary-policy measures (**Figure 28**).

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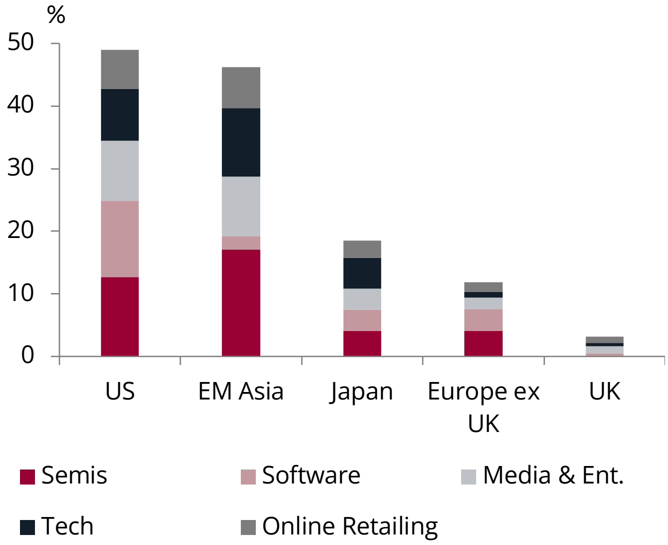
Figure 27

Market Cap Weights - AI Sectors



Source: MSCI, IBES, Anima Research - Data as of 31st October 2025

Figure 28

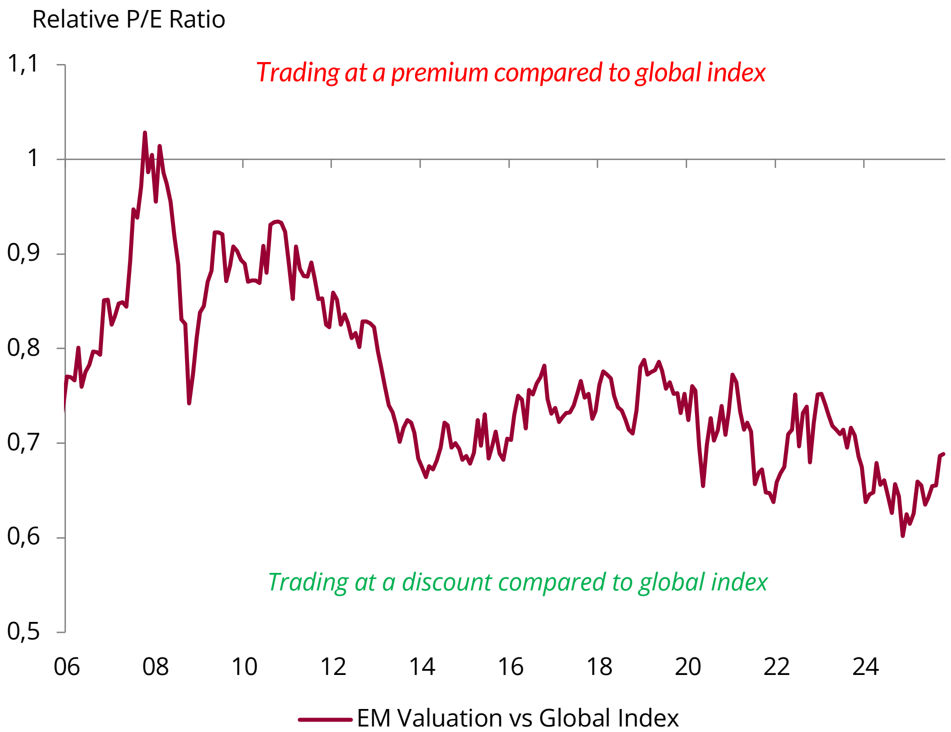
China and EM-ex China Operating Profit

Source: MSCI, IBES, Anima Research - Data as of 30 June 2025

From a valuation perspective, Emerging Markets continue to trade at a deep discount relative to Developed Markets, in a global context where several regions exhibit stretched valuations (**Figure 29**).

Figure 29

Emerging Markets - Relative valuation compared to Developed Markets



Source: MSCI, Anima Research - Data as of 31st October 2025

From a sector standpoint, we suggest increasing exposure to technology-related sectors and those most directly tied to the development of artificial intelligence, which currently represents one of the main structural growth drivers for Emerging Markets.

At a regional level, we maintain an overweight position in Emerging Asia, supported by its exposure to technology and AI-related value chains, as well as by the likely weakening of the US Dollar. Conversely, we remain cautious on Latin America and Emerging Europe, where growth potential appears more limited and political risk remains elevated.

Among the main risks for Emerging Markets, we highlight a potential slowdown in global semiconductor demand, a delay in the effectiveness of Chinese stimulus measures, and a possible tightening of US monetary policy that could interrupt the ongoing phase of dollar weakness. Lastly, geopolitical developments must be closely monitored, as any deterioration in trade relations with the US could trigger renewed market volatility, while the situation with Taiwan should continue to be carefully watched, given its potential implications not only for Emerging Markets but also for the global economy.

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ANIMAResearch

Gold

ANIMA

GOLD

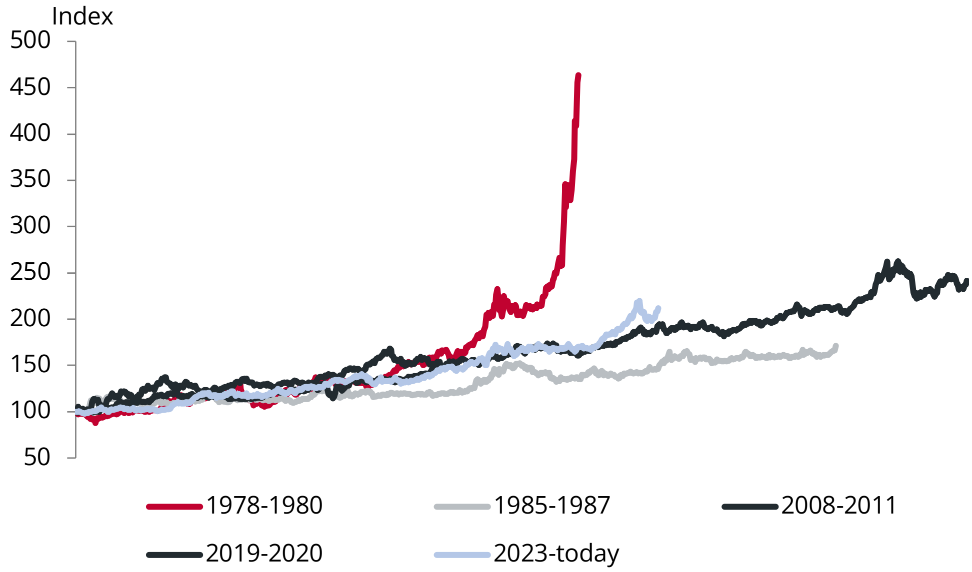
Demand remains supportive

In 2025, gold appreciated significantly, repeatedly breaking its record-highs. **The rally was mainly driven by demand for financial investments**, in the wake of persistent geopolitical tensions, macroeconomic and political uncertainty, a weak US dollar and expectations for monetary easing in the United States, culminating in the resumption of the Fed's cycle of cuts. After 12 long years of consolidation, when prices doubled from 1,000 dollars/ounce in 2008 to 2,000 dollars/ounce in 2020, just over 5 years were needed for them to double again, with constant momentum: the rise to 3,000-4,000 dollars/ounce took approximately 200 days, and from 3,300 to 4,300 dollars/ounce just over 60.

Historically speaking, the precious metal's last significant appreciation was in 1979-80, when prices nearly doubled in a context of a sharp rise in inflation in the United States, also due to oil shocks, dollar weakness and geopolitical tensions, with conflicts in the Middle East and Afghanistan fuelling demand for safe-haven assets (**Figure 30**). The current rally has again coincided with exacerbated geopolitical tensions and a weakening dollar, but, unlike in the past, it has developed with declining pressures on prices and a market of energy commodities showing no excess.

Figure 30

Previous gold rallies compared



Source: Bloomberg, Anima Research – Data as of 31st October 2025

According to data from the World Gold Council, aggregate demand for gold, including on the OTC market, has grown 1% to 3,717 tonnes, for a total value of 384 billion dollars (+41% year on year). We believe that **the purchases recorded in 2025 will also extend into 2026, driven by key player in the sector:**

- **Central Banks** | Gold demand from central banks follows multi-year cycles. Purchases tend to be concentrated in phases when traditional reserves lose their appeal, following monetary or fiscal sustainability concerns, or with the explosion of geopolitical risks. The pace of purchases saw sharp five-fold acceleration after the freezing of 300 billion dollars in Russian reserves following the invasion of Ukraine: the central banks in emerging countries made mass recourse to the precious metal,

Over-the-counter (OTC)
An expression generally used to indicate non-regulated and decentralised markets, or instruments traded on non-regulated markets.

as it is the only reserve that, if held at national level, cannot be frozen. Countries such as China, Russia, India and Türkiye have considerably increased their gold reserves, and Poland's have even quadrupled since 2018. This wide-scale increase reflects a paradigm change in reserve management, given the appetite for greater diversification of exposures and reduction in the weight of the dollar, whose role seems to be transitioning (from passive reserve of value to an active tool for managing sovereign wealth).

- **ETPs and asset managers** | Physical ETPs represent the long-term demand of western investors, whose position is characterised by low dynamism and increased sensitivity to changes in the rates. Purchases during cycles of monetary easing tend to be gradual and non-anticipatory, with flows materialising only once the rates are effectively lowered. However, in periods of recession or crisis, investments in ETPs tend to persistently and significantly surpass the theoretical level implied in rates. The momentum of ETP purchasing flows and position analyses show that various long-term investors, including sovereign funds, pension funds and asset managers, could plan to increase their exposure to gold, in order to increase the degree of strategic diversification of their portfolios.
- **Jewellery sector operators** | Represent an important component for demand, characterised by a negative correlation to prices (the volume of demand falls when prices rise). Nevertheless, empirical analysis suggests that as prices increase, the demand deriving from financial investments grows to the same extent, if not more, as the depressive effect on net demand for jewellery.

ETP (Exchange Traded Products) - Financial instruments traded on regulated markets that replicate the trend of an underlying asset (indices, commodities, currencies, etc.).

Supply bottlenecks persist: gold mining has high fixed costs, given its labour- and energy- intensive nature, and the concentration of the precious metal in the subsoil is lower than in the past. In the 1950s, the amount that could be mined from one tonne of rock was approximately 12 grams, compared to 3 grams today.

In this context, despite high uncertainty caused by sensitivity to geopolitical developments and macroeconomic conditions, we believe that the risks for gold are skewed to the upside. Any further escalation of trade or geopolitical tensions could trigger additional purchases, as well as phases of risk aversion on the financial markets, an overheating of the US economy, or a rise in inflation expectations, possibly also due to a policy by the Fed that is too accommodating. Risks would instead be on the downside if US monetary policy turns out to be more restrictive than expected, in case of faster disinflation or a lasting abatement of geopolitical tensions, not to mention a slowdown – even temporarily – of purchases by the central banks.

ANIMAResearch

Crypto

CRYPTO

A more structurally mature Market

In 2025, Bitcoin reached new all-time highs near $125,000 before retracing and consolidating around the $100,000 area. This resilience confirmed the growing role of cryptocurrencies within global portfolios, supported by a more mature ecosystem, the expansion of regulated instruments, and a more stable regulatory backdrop.

Alongside Bitcoin, altcoins-cryptocurrencies often linked to technological ecosystems with specific use cases - are also undergoing an evolutionary phase. Investors are applying greater selectivity, distinguishing projects with real applications from more speculative ones, thereby fostering a more rational and structurally sound demand profile.

The year 2025 marked an overall improvement in the crypto ecosystem, driven by three main forces:

- **Greater regulatory clarity**: In the United States, the GENIUS Act introduced clear rules for stablecoin issuers, while in Europe the MiCA framework became fully operational, harmonising requirements for platforms, custodians, and crypto service providers. The combined effect has been a substantial reduction in regulatory uncertainty.
- **A more mature institutional infrastructure**: Regulated investment vehicles, particularly physical Bitcoin ETPs, experienced strong inflows, with AUM approaching $150 billion. Professional custody, compliant trading venues, and more transparent governance have made access to cryptocurrencies increasingly compatible with institutional investment requirements.
- **Growing economic utility and real-economy integration**: Protocols such as Ethereum and Solana continue to expand into tangible applications-stablecoins, payments, gaming, digital infrastructure, and the tokenisation of financial assets (now exceeding $28 billion). At the same time, second-generation DeFi (DeFi 2.0) is showing signs of maturation, with many protocols now incorporating regulatory features, identity checks, or permissioned mechanisms, making them more suitable for institutional use.

That said, cryptocurrencies remain strongly influenced by global liquidity conditions despite the significant structural progress achieved in recent years. Their movements tend to reflect, often very quickly, changes in overall financial conditions more than those of most traditional asset classes.

For this reason, **digital assets have increasingly taken on the role of a market liquidity indicator**. Periods of abundant liquidity and improving financial conditions tend to translate into rapid recoveries in both volumes and prices, while phases of tightening are quickly mirrored in higher volatility and more disorderly market movements (**Figure 31**).

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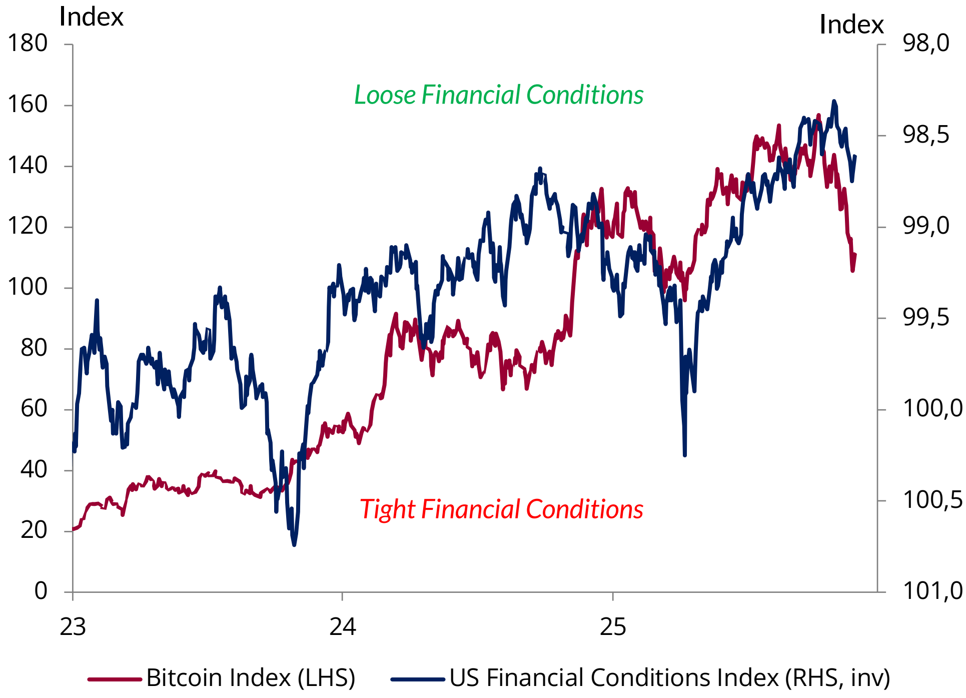
Figure 31

US Financial Conditions Index and Bitcoin Index (BBG Bitcoin Index)



Note: Bitcoin = BBG Bitcoin Index
Source: Bloomberg, Haver Analytics, Anima Research - Data as of 25 November 2025.

ANIMAResearch

Private Capital

ANIMA

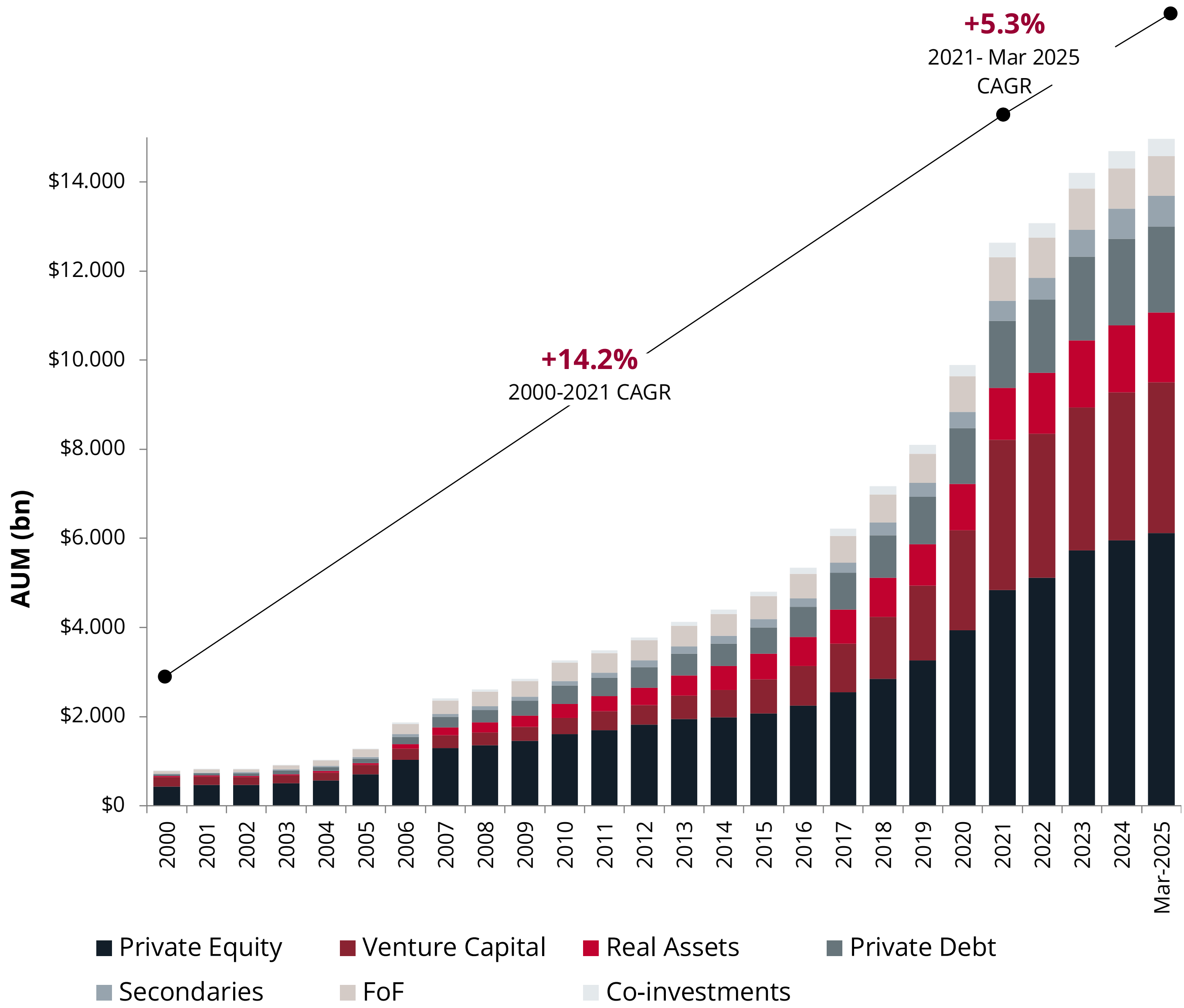
Philippe Minard
Chief Investment Officer
Anima Alternative Sgr

PRIVATE CAPITAL

A rapidly evolving market

In the last quarter of a century, private capital assets under management have grown significantly from \$783 billion globally to \$14,961 billion (**Figure 32**), with twenty years of growth until 2021 ($CAGR_{00-21}$, or compound annual growth rate, of 21%) followed by a period of stabilisation ($CAGR_{21-25}$ of 5%). **Private equity is the main private capital instrument but its weighting has fallen** over time, from more than 55% of total private capital AuM in 2000 to 41% today. On the other hand, **the weighting of private debt has grown** constantly and now accounts for 13% of the total.

Figure 32
Global Evolution of Private Capital AUM (2000 – 1Q 2025; $bn)



Source: Pitchbook, Anima Alternative

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The recent slowdown in the growth of private capital can be largely explained by the fundraising difficulties faced by several asset managers. These difficulties originate from the fact that some of the largest international institutional investors have reached their private capital allocation target at a time when distributions in their favour from private capital funds have also slowed. The coincidence of these two events dampens the willingness of investors to make new investments in the absence of distributions and to support the growth in the size of funds. In turn, the slowdown in distributions by some asset managers is affected by the difficulties in divesting investments made in 2020-2022 at high prices in a macroeconomic context that has become rather uncertain.

In this context, **investors' attention is now concentrating more than ever on the distribution to paid-in ratio**[2], namely the ability of funds not only to generate returns "on paper" but realise them concretely and distribute them promptly. In the coming years **we can expect higher fundraising by funds reserved for institutional customers provided that the volumes of distributions of returns from previous funds also grow**.

On the other hand, fundraising activities will benefit from the increasing access of non-institutional investors to this asset class. Nevertheless, for fund managers this trend involves a considerable effort to adjust to the complexity of managing less financially sophisticated customers with investment horizons that are less predefined than those of an institutional investor.

With direct reference to the **Italian market**, we note the presence of **smaller domestic players investing in small and medium-sized enterprises**, whereas large deals are mainly the prerogative of pan-European or even global funds. In the coming years**, the development of the Italian market could benefit from greater participation of large domestic institutional investors** (such as insurance companies, banks, social insurance funds and pension funds) as seen in other European countries (for example, in France), as well as the increasing access to private capital of the massive private savings sector and the integration of traditional asset managers and private capital managers.

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[2] *The ratio between the value of investments realised and the invested value.*

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Strategic core market outlook

EQUITIES (DEVELOPED MARKETS)	😊	The outlook for global equity markets remains positive: we expect the main benchmarks to hit new highs, driven mostly by EPS growth. We continue to favour Cyclicals over Defensives, leaning towards Growth-oriented stocks, and the United States over other developed countries.
EQUITIES (EMERGING MARKETS)	😊	We maintain a constructive view on emerging markets, which benefit from a combination of factors: Asia's leading role in the AI sector, improving fundamentals in China, appealing relative valuations and a still largely underweight positioning.
GOVERNMENT BONDS (DEVELOPED MARKETS)	😐	We are moderately optimistic about government bond markets in 2026; the performance will come mainly from carry, while we do not anticipate any meaningful decline in yields across all geographic areas.
EURO INVESTMENT GRADE CORPORATE BONDS	😐	The macro/fundamental backdrop and monetary policy trends are still favourable, but valuations are expensive and supply is increasing. We remain invested but keep a cautious approach, favouring market segments where risks are better rewarded.
EURO HIGH YIELD	😐	2026 is shaping up to be a year where opportunities for value extraction in the sector will be primarily driven by carry accumulation rather than capital appreciation: it will be important to keep a tactical approach, maximise the focus on issuer selection and monitor downside risks.

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