

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – November 2025

Government shutdown

Market Outlook The Corporate View *Closing 2025*



WHAT
ESSENTIAL
SERVICES WILL
CONTINUE TO
FUNCTION?

The press
conferences to
blame the other
side, and
Bloomberg's
apocalyptic
headlines

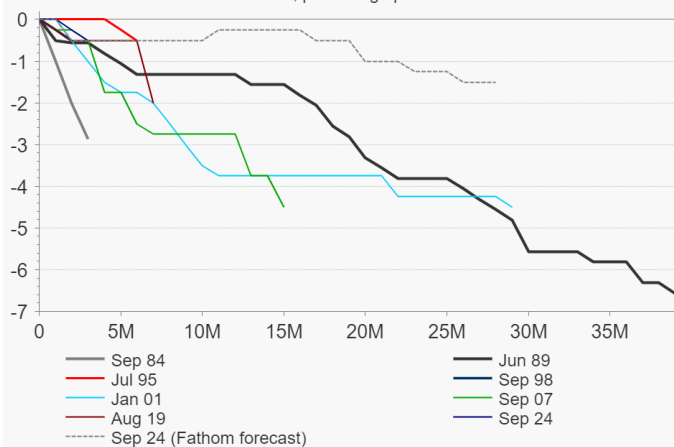


EXECUTIVE
SUMMARY

CHARTS OF THE MONTH

Speed of Fed easing cycles

Cumulative cut since first rate cut, percentage points



EQUITIES

Page 2

	Performance Last 30 days	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Indices					
USA - S&P 500	-0,5%	14,3%	6.720	6.890	2,5%
Europe - Stoxx Europe 600	-1,2%	11,7%	567	576	1,6%
SPAIN - IBEX 35	2,3%	38,3%	16.031	15.400	-3,9%
MEXICO - MXSE IPC	3,6%	27,4%	63.093	62.400	-1,1%
BRAZIL - BOVESPA	7,9%	27,5%	153.339	144.000	-6,1%
JAPAN TOPIX	2,0%	18,5%	3.299	3.302	0,1%
China SSE Comp. A share	3,0%	19,3%	4.191	3.952	-5,7%
CHINA - SHENZEN COMPOSITE	0,0%	28,7%	2.519	2.368	-6,0%
INDIA - SENSEX	1,8%	6,5%	83.222	85.500	2,7%
VIETNAM - VN Index	-5,8%	26,2%	1.599	1.517	-5,1%
MSCI EM ASIA (in USD)	1,7%	29,7%	774	779	0,5%

FIXED INCOME GOVIES CORE, PERIPHERAL & CREDIT (DM)

	Performance Last 30 days	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Indices					
US Treasury 10 year Govie	0,5%	7,6%	4,11	4,25	3,0%
UK 10 year Gilt	2,4%	4,7%	4,46	4,75	2,1%
German 10 year BUND	0,3%	-0,5%	2,67	2,80	1,6%
Japanese 10 year Govie	0,3%	-3,8%	1,67	1,75	1,1%
Spain - 10yr Gov bond	0,5%	1,6%	3,18	3,45	1,0%
Italy - 10yr Gov bond	0,9%	3,7%	3,42	3,65	1,6%
Portugal - 10yr Gov bond	0,6%	0,8%	3,02	3,30	0,8%
Ireland - 10yr Gov bond	0,5%	0,1%	2,88	3,20	0,4%
Greece - 10yr Gov bond	0,5%	1,7%	3,28	3,70	-0,1%
Credit EUR IG - Itraxx Europe	0,2%	2,8%	55,60	60	2,4%
Credit EUR HY - Itraxx Xover	0,4%	4,6%	266,20	300	3,6%
Credit USD IG - CDX IG	1,9%	5,8%	0,00	75	1,7%
Credit USD HY - CDX HY	0,2%	6,1%	334,16	400	5,3%

FIXED INCOME - EM

	Performance Last 30 days	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Indices					
Turkey - 10yr Gov bond (local)	-1,9%	1,7%	29,77	30,00	27,9%
China - 10yr Gov bond (local)	0,9%	0,8%	1,74	1,25	5,7%
India - 10yr Gov bond (local)	0,4%	7,6%	6,52	5,75	12,7%
Singapore - 10yr Gov bond (local)	-0,5%	9,8%	1,91	2,25	-0,8%
Indonesia - 10yr Gov bond (local)	0,3%	12,6%	6,13	5,75	9,2%
South Korea - 10yr Gov bond (local)	-2,3%	-0,7%	3,18	2,75	6,6%
Taiwan - 10yr Gov bond (local)	0,7%	4,4%	1,24	2,50	-8,8%
Philippines - 10yr Gov bond (local)	1,8%	7,2%	5,82	5,00	12,4%
Malaysia - 10yr Gov bond (local)	0,3%	5,8%	3,49	3,00	7,4%
Thailand - 10yr Gov bond (local)	0,2%	3,3%	2,05	1,75	4,5%
Vietnam - 10yr Gov bond (local)	-1,1%	-4,3%	3,88	3,00	10,9%
Mexico - 10yr Govie (Loc)	0,5%	23,1%	8,64	9,25	3,8%
Mexico - 10yr Govie (USD)	-0,3%	12,7%	5,81	6,25	2,2%
Brazil - 10yr Govie (Loc)	2,2%	23,3%	13,82	14,25	10,4%
Brazil - 10yr Govie (USD)	5,3%	14,5%	6,01	6,75	0,1%

COMMODITIES & FX

	Performance Last 30 days	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Indices					
Oil (WTI)	-3,5%	-16,3%	60,1	65,00	8,1%
GOLD	0,8%	45,5%	4.006,0	3.000	-25,1%
EURUSD (price of 1 EUR)	-0,8%	11,4%	1,15	1,15	-0,3%
GBPUSD (price of 1 GBP)	-2,3%	4,7%	1,31	1,36	3,8%
EURGBP (price of 1 EUR)	1,5%	6,4%	0,88	0,85	-4,0%
USDCHF (price of 1 USD)	0,8%	-11,0%	0,81	0,87	7,7%
EURCHF (price of 1 EUR)	0,0%	-0,8%	0,93	1,00	7,3%
USDJPY (price of 1 USD)	0,5%	-2,4%	153,45	150,0	-2,2%
EURJPY (price of 1 EUR)	-0,3%	8,8%	177,04	172,5	-2,6%
USDMXN (price of 1 USD)	1,2%	-10,9%	18,54	20,00	7,9%
EURMXN (price of 1 EUR)	0,4%	-0,7%	21,39	23,00	7,5%
USDBRL (price of 1 USD)	0,1%	-13,4%	5,35	5,40	0,9%
EURBRL (price of 1 EUR)	-0,6%	-3,6%	6,17	6,21	0,6%
USDARS (price of 1 USD)	1,4%	40,7%	1.450	1.000	-31,0%
USDINR (price of 1 USD)	-0,1%	3,7%	88,69	86	-3,0%
CNY (price of 1 USD)	0,0%	-2,4%	7,12	7,50	5,3%





MACRO ECONOMY

Page 3

USA

The Fed could still cut rates further in 2025 given the volatility in markets

Government Shutdown

The federal government shutdown has now entered its twentieth day, with little indication of a near-term resolution. Partisan gridlock remains entrenched as Democrats in the Senate continue to demand an extension of health care subsidies under the Affordable Care Act (ACA), which Republicans firmly oppose. Meanwhile, thousands of federal employees have been furloughed (with back pay expected once the government reopens). President Trump's threat to permanently dismiss large numbers of workers—over 4,100 layoffs confirmed before a judicial injunction temporarily blocked the measure—has added further uncertainty.

The longer the shutdown persists, the greater the economic toll. GDP is estimated to decline by roughly 0.1% per week, primarily due to the loss of federal paychecks, delayed procurement, and reduced consumption. Another major consequence is the temporary suspension of key economic data releases, leaving markets with limited visibility on short-term trends.

Early indicators suggest labor markets are gradually softening, though overall activity remains resilient. In a recent speech, Chair Powell reaffirmed the Fed's intention to proceed with another 25 bps rate cut at the October 29th FOMC meeting, citing both the shutdown's fiscal drag and moderating inflation as key considerations.

Equity Markets

The third-quarter earnings season is underway. As of October 10, consensus expectations point to year-over-year earnings growth of 8.5% for the S&P 500, up from 7.3% projected on June 30. Revenue growth expectations have also improved, from 4.8% to 6.3%. The "Magnificent Seven"—the largest tech and growth-oriented firms—are projected to post robust 14.9% earnings growth, compared with 6.7% for the remaining 493 companies.

So far, 12% of the index's constituents have reported results: 86% have beaten earnings estimates, and 84% have exceeded revenue forecasts. The financial sector has delivered the strongest positive surprises, both in EPS and revenues, contributing significantly to aggregate earnings momentum. Market sentiment remains supported by resilient corporate profitability, though valuation concerns and macro uncertainty could limit further upside.

Fixed Income

U.S. credit markets have faced renewed pressure amid a combination of idiosyncratic events and broader liquidity concerns. While systemic risk remains contained, vulnerabilities have emerged, particularly in lower-quality credit and private lending segments. The rapid growth of private credit portfolios, often outside the traditional regulatory perimeter, has raised questions about underwriting standards and loan covenant deterioration.

Recent isolated incidents—such as defaults by Tricolor, a subprime auto lender; First Brand, an auto parts manufacturer accused of accounting irregularities; and regional banks' exposure to distressed commercial mortgage funds—highlight the potential fragility in pockets of the market. Although these appear to be contained events for now, the extent of interconnectedness between traditional banks and shadow lenders remains unclear and deserves close monitoring.

Looking ahead, the focus will be on the Fed's communication and whether financial conditions continue to ease enough to offset the fiscal drag from the shutdown. The resilience of corporate balance sheets and the stability of credit channels will be key to sustaining the current expansion.

Market outlook – Recommendations & Targets

Equities: S&P MARKETWEIGHT

Bonds: Govies UNDERWEIGHT. 10Y UST Target 4.25%

Credit – CDX (IG): OVERWEIGHT (Target Spread 75)

Credit – CDX (HY): MARKETWEIGHT (Target Spread 400)

Forex: DXY index MARKETWEIGHT

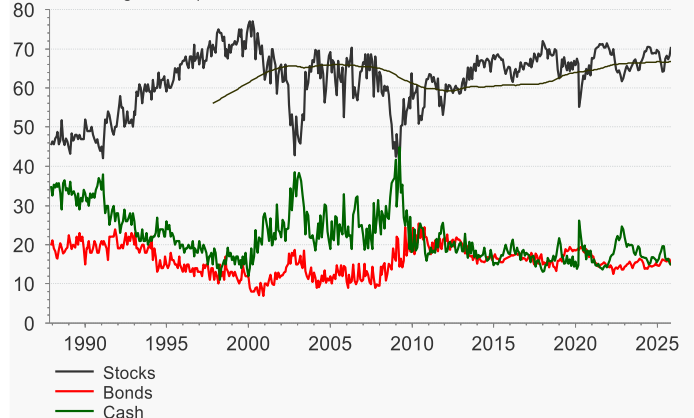
US price-to-earning ratio
S&P 500



Source: LSEG Datastream / ANDBANK

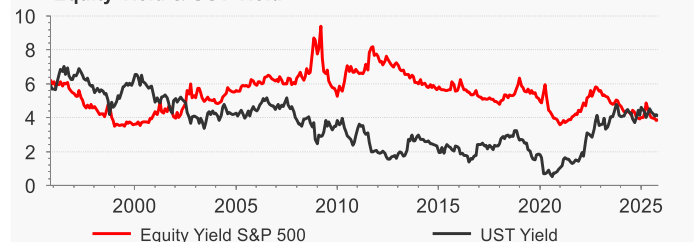
Asset Allocation - US investors

Percentage of the portfolio held in each asset class



Source: LSEG Datastream / ANDBANK

Equity Yield & UST Yield



Source: LSEG Datastream / ANDBANK



MACRO ECONOMY

Page 4

EUROPE

France Regains Footing, Europe Adjusts to Changing Global Dynamics

France Steps Back from the Brink, but Fiscal and Political Risks Endure

France appears to have avoided tail-risk scenarios (snap elections, Macron's resignation), after the Lecornu 2.0 government suspended the pension reform and survived two votes of no confidence. The new administration has proposed a reduction in the deficit-to-GDP ratio to 4.7% next year (5.5% in 2025), including €17 billion in spending cuts (notably in social security) and €14 billion in additional revenue measures. However, the lack of lasting solutions, weak leadership, and ongoing credit rating downgrades (three within a year) remain concerning.

As for Europe, China's tightened licensing requirements for the export of critical minerals and rare earths carry significant implications, particularly for German industry. Last year, Germany imported nearly one-fifth of China's exports of permanent magnets containing rare earths, and this share has increased further in 2025. The general export ban on rare earths for defense purposes thus poses a risk to German investment plans. While some large corporations have indicated that they hold sufficient stockpiles to last several years, many small and medium-sized enterprises are unlikely to be in a similar position.

Political Factors

Bullish: 1) German fiscal impulse, larger than expected in 2026 catching up on foregone 2025 spending; 2) Proposals for Pension & Investment Reforms (Savings & Investment Union) in the right direction; 3) Europe's goal of reducing red tape by 25% to solve the need of a lower regulatory burden.

Bearish: 1) Hybrid war with Russia, that seems testing NATO's limits; 2) Europe's political and economic fragility in a multipolar and more competitive world; 3) France as a chronic problem?

Macro Factors

Bullish: 1) Private consumption could surprise in a positive way, on the grounds of a solid labour market and high savings rate; 2) inflation remains under control, despite September's uptick (2.4% y/y core); 3) industrial sentiment is recovering, though well below previous upturns and time has come for "Germany to deliver"; 4) housing prices are on the rise.

Bearish: 1) GDP growth expectations remain subdued, not benefiting as other regions from upward revisions due to AI investments; 2) a clear turnaround in the "hard" industrial figures is still pending and retail sales send mixed signals; 3) UK's need of fiscal consolidation. (Autumn Statement in November).

Bonds

Bullish factors: 1) Steep yield curve provides opportunities (capturing roll-down); 2) with ECB depo rates at neutral levels, bar is high for further easing; 3) more rate cuts to come from the BoE as unemployment rises.

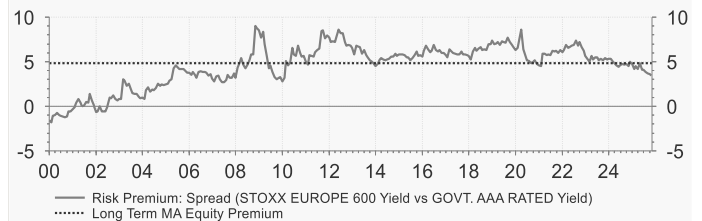
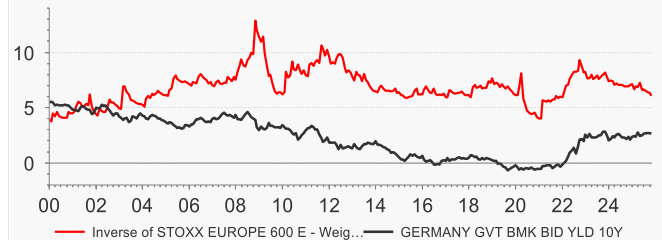
Bearish factors: 1) ECB seems to be in "a good place", with no further easing in sight; 2) increasing debt supply due to fiscal expansion from Germany or to finance defense needs from other countries could demand higher term premia.

Equity Market

MSCI Europe gained +1.5% in September, and despite weak momentum in earnings revisions, October has also been a positive month. Over the past weeks, market performance has been driven by Basic Resources, Consumer, Utilities, and Healthcare, while Autos and Financials have been the only sectors posting negative returns.

Earnings season remains in its early stages, with 68% of STOXX Europe 600 constituents expected to report by the end of November. The 3Q25 bar is relatively low at +0.5% y/y versus +1.2% in 2Q25. Negative revisions have been significantly above the 2019–2024 average, and a few early profit warnings have dampened sentiment. Financials, Banks, and Travel & Leisure have been the top-performing sectors over the past three months, while Autos, Consumer Discretionary, and Chemicals have lagged. EPS growth estimates for MSCI Europe currently stand at -1.5%, reflecting (1) higher-than-expected tariff absorption, at least for now, and (2) lingering FX effects from the roll-forward of hedging positions. Looking ahead, we continue to see a greater challenge in 2026 consensus EPS growth expectations of +12.7% for Europe, while US estimates of +14% also appear demanding.

Equity Yield (Europe) vs Risk Free Yield10Y



Source: LSEG Datastream / ANDBANK

Euro area price-to-earnings

Europe Stoxx 600



Source: LSEG Datastream / ANDBANK

In Spain, the IBEX 35 remains one of the best-performing developed indices year-to-date, outperforming MSCI Europe by roughly 100 bps since September 1st. Sector leadership has shifted from banks to technology, materials, utilities, and consumer discretionary, underscoring a broadening of market drivers beyond the financial sector.

Market outlook – Recommendations & Targets

Equities – Stoxx Europe: MARKETWEIGHT

Bonds – Core governments: UNDERWEIGHT (Bund target 2.8%), France 3.80%

Peripheral UW: IT 3.65%, SP 3.45%, PT 3.30%, IE 3.20%, GR 3.70%.

Credit – Itraxx Europe (IG): MARKETWEIGHT (Target Spread 60 bps)

Credit – Itraxx Europe (HY): UNDERWEIGHT (Target Spr. 300 bps)

FX – EUR/USD tactical band is adjusted to 1.1-1.20, while the long-term structural band is one notch lower, around parity, reflecting the dominant corporate role of US companies and the waning role of European ones.



MACRO ECONOMY

Page 5

CHINA

A Fragile US-China Truce in the Making: Markets Brace for Uneasy Stability

US-China Tensions Reignite: Markets Weigh Short-Term Volatility Against a Structural Bull Cycle.

The renewed escalation of trade tensions between the United States and China since late September has weighed on global markets, with more intensity in China. For example, oil prices are down 9% and the MSCI China Index has fallen 4%, while the Nasdaq remains up 1.5%, reflecting a divergence likely linked to China's strong equity rebound earlier this year. October's correction raises the question of whether the deterioration in bilateral relations truly justifies such a market reaction, or whether, instead, these bouts of volatility still represent opportunities within a longer-term structural bull cycle. Investor focus now turns to the evolution of the Washington–Beijing relationship, as China leverages its dominance in the rare earth supply chain as a geoeconomic tool. The direction taken by both powers will determine whether the current episode leads to a negotiated de-escalation or ushers in a more prolonged phase of friction with significant implications not only for the Chinese market, but also for commodities, currencies, and the technology sector.

Where will US-China relations go from here?

1. Negotiated de-escalation — HIGH PROBABILITY: We see a de-escalation between the United States and China, as both sides recognize that further deterioration would be politically and economically costly. A friendly meeting between the two leaders in Seoul at the end of October could reinforce perceptions of cooperation and help stabilize markets. In this scenario, the renminbi (and possibly the yen) would appreciate, long-dated U.S. yields would edge higher, precious metals could correct, and oil and Chinese equities would likely rebound. If semiconductor restrictions were eased, equipment manufacturers in the sector could see significant gains.

2. Strategic Confrontation Scenario — LOW PROBABILITY: In this scenario, China maintains a hardline stance, leveraging years of preparation to decouple its supply chain from the West since the 2018 chip ban. It is now positioned to exert significant pressure on the U.S. economy, which remains reliant on Chinese rare earths for defense and industrial production. Beijing would resist any concession until it can claim a material victory (namely, the lifting of U.S. semiconductor restrictions). However, the likelihood of full escalation is limited by China's overriding priority: preserving domestic social and economic stability.

3. Chip War Escalation Scenario — LOW PROBABILITY: In this scenario, the U.S. administration escalates pressure by further restricting China's access to advanced semiconductors. The likelihood of full escalation is also limited because the outcome would be broadly negative as chipmakers and Western defense contractors would probably face supply disruptions due to limited access to Chinese rare earths, while U.S. arms deliveries to Ukraine and Israel could be jeopardized. Given the strong influence of the U.S. defense lobby, this scenario is considered the least likely.

Toward a Fragile Truce: Global Markets Brace for Uneasy Stability

In summary, the most probable outcome is a managed compromise, one that de-escalates tensions but leaves the rare-earth issue unresolved, lingering as a structural risk for many global industries.

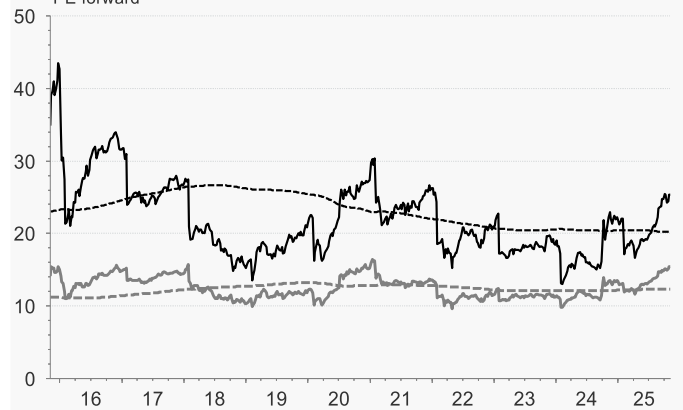
Understanding the Past to Foresee the Future

The 2018 US semiconductor embargo forced a major policy shift in China, where capital—both human and financial—was redirected toward addressing national technology and security priorities. As such, the country entered a prolonged period of significant equity underperformance, not only because shareholders, as a rule, are rarely enthusiastic when their companies are called upon to perform “national service”, but also because it was unclear whether China's industry could remain competitive without access to the West's most advanced chips. The key questions we still have are twofold:

1. Has China truly demonstrated the capability to develop its own high-performance semiconductor technology and thereby compete head-to-head with the West—not only in technology, but also in industry and services? We believe it has not. Building a fully integrated and efficient semiconductor industry within a single nation is virtually impossible. Doing so would require the creation of globally competitive leaders across multiple segments: Electronic Design Automation (EDA), IP cores, chip architecture, memory, storage, pure-play foundries, front-end testing and wafer processing, back-end assembly, silicon wafers, ultra-pure chemicals, and advanced packaging.

CHINA SSE & SHENZHEN Index - PE Ratio

PE forward



— SHANGHAI SSE A - PE FY1 Fiscal Period
— IBES SHENZHEN A - PE FY1 Fiscal Period

Source: LSEG Datastream / ANDBANK

Chinese Equities Underperforms World & US indices

MSCI China vs MSCI Global and MSCI USA



— MSCI China / MSCI World — MSCI China / MSCI US

Source: LSEG Datastream / ANDBANK

In each of these areas, only one or two companies worldwide—of diverse national origins—have achieved global leadership after decades of research, protected by deep competitive moats.

2. The second issue concerns the confidence of U.S. CEOs in opening new factories domestically when their production chains depend on Chinese rare earths or magnets (critical inputs whose availability has become more uncertain than ever). In a world where essential components can disappear with a single tweet, will U.S. executives choose caution and postpone major investment decisions? It is encouraging to hear JPMorgan CEO Jamie Dimon announce a US\$1.5 trillion plan to strengthen America's critical industries, focusing on four key sectors: advanced technology, supply chains, defense, and energy. So, with Dimon's announcement, we know that the mighty JPMorgan will finance this effort. My question is: will there truly be credit demand in those sectors? Will those loans be used to build new factories—or to repurchase shares?

Market outlook – Recommendations & Targets

Equities – SHANGHAI: UW // SHENZHEN Idx: UW // Hang Seng MW

Bonds – Govies: MW-OW (10Y Yield target 1.25%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)



MACRO ECONOMY

Page 6

JAPAN

Stimulus and Stability: Takaichi's Abenomics Revival Meets the Bond Supply Challenge

Financial markets in Japan were also impacted by emerging reports of loan fraud issues in the U.S., just when Japanese market sentiment was stabilizing

Benchmarks traded lower in recent days, mirroring the broad weakness in U.S. markets, as concerns mounted over the regional banking sector following the disclosure of loan fraud-related losses at Zions Bancorp (ZION) and Western Alliance Bancorp (WAL). Japanese tech stocks declined alongside most other sectors, with uninspiring cues from the U.S. market. These renewed credit concerns in the U.S. surfaced just as market sentiment in Japan had begun to stabilize, buoyed by growing expectations of a near-term political resolution—namely, the potential formation of an LDP-JIP coalition that would enhance Takaichi's prospects in the upcoming parliamentary vote for prime minister, scheduled for 21 October.

Sanae Takaichi as new president of LDP and possibly Japan's first female Prime Minister. Economic, Fiscal and Monetary Policy Stance

Sanae Takaichi has positioned herself as a pro-growth candidate who seeks to revive key elements of the Abenomics playbook—namely, aggressive fiscal stimulus, strategic public investment, and a supportive monetary environment.

Fiscal stance: She has publicly advocated for income tax cuts, direct cash payments to households, and increased government spending in key sectors such as employment, infrastructure, and advanced technology (including semiconductors and AI). At the same time, she has shown some awareness of fiscal risks, stating that additional government bond issuance would be justified "only if truly necessary".

Monetary stance: While not openly critical of the Bank of Japan, she clearly favors continued monetary accommodation. She supports an environment where low interest rates and central bank support continue to underpin growth-oriented policy.

Geopolitics: She also supports Japan's economic security agenda, which includes investment in domestic production to reduce supply chain dependence on China.

Fx: A weak yen could result from policy divergence with the Fed/ECB and continued BOJ accommodation. This, in turn, could further boost export-oriented companies.

Is Takaichi Market-Friendly?

Takaichi's macroeconomic stance is reflationary and market-friendly in the short term, with a bias toward stimulus and state-led growth. The potential impact on markets is positive, the main market drivers being a pro-growth fiscal agenda combined with continued monetary support, which is likely to be welcomed by equity markets, particularly in sectors tied to infrastructure, tech, and industrial policy. Expectations of increased public investment may benefit Japanese equities, especially domestic demand plays and firms exposed to semiconductors, defense, and digital infrastructure. Foreign investor sentiment could also improve as political uncertainty eases and the prospect of a coherent reform narrative takes shape.

However, three periods must be distinguished: 1) Short-term: Takaichi's expected fiscal stimulus, dovish monetary posture, and tech-friendly investment plans should support risk assets and sentiment in Japan. 2) Medium-term: The real test will be execution. If her policies are delivered effectively, Japan may enter a phase of renewed domestic investment and technological upgrading, which markets could reward. 3) Long-term: Risks will mount if public debt expands unsustainably, the yen weakens too far, or inflationary pressures re-emerge without wage support. From a portfolio management perspective, her leadership could open a tactical window for increased Japanese equity exposure—particularly in sectors aligned with her policy agenda (technology, defense, infrastructure)—while remaining attentive to FX volatility and long-end JGB risk.

Risks and headwinds

Expanded fiscal spending entails long-term risks if not coupled with credible fiscal consolidation measures. Bond issuance could raise concerns over Japan's debt sustainability, especially if global yields rise. This could place pressure on JGBs and weaken foreign appetite for Japanese debt. A weaker yen, while supportive for exporters, could exacerbate imported inflation, particularly in energy and food—potentially eroding households and squeezing margins for domestically focused firms. Additionally, if Takaichi's coalition government proves politically fragile, markets could quickly reassess the credibility of her agenda. Market optimism may prove premature if policy execution falters or becomes mired in factional LDP politics.

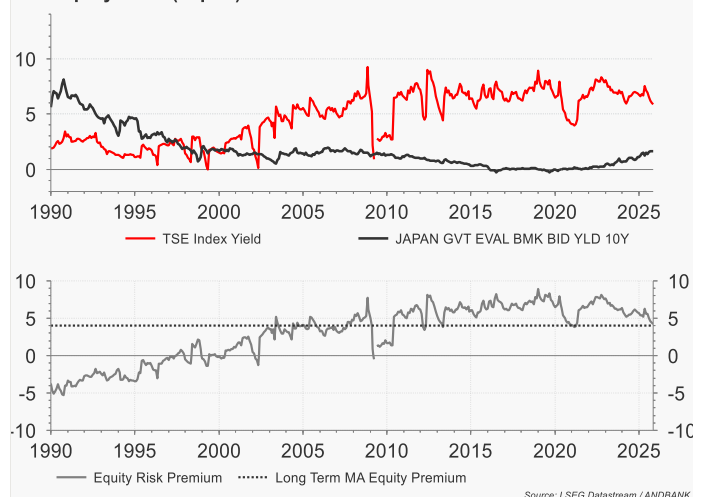
LDP-JIP to form coalition

JIP co-leader Hirofumi Yoshimura said they have largely reached agreement with LDP on their 12-point policy demands and will thus form a coalition, ensuring Takaichi's chances of being elected prime minister. LDP has not accepted key proposals for a two-year suspension of the consumption tax on food products.

Japan Nikkei 225 price / earnings



Equity Yield (Japan) vs Risk Free Yield10Y



JGB market facing biggest net supply glut in two decades

Nikkei top story discussed the outlook for JGB supply-demand conditions as BOJ gradually retreats from the market. Main implication is that yields stand to rise further (and perhaps sharply) if private sector demand proves insufficient to absorb supply. Estimates from BOJ board member Takata were that new supply issued to the private sector ballooned by ¥42.5T (\$283B) in FY25, an increase of 77% on the year, and FY26 seen accelerating towards the recent record ¥64T logged in FY04. Yet in 2004, much of the supply went to postal savings and the predecessor to GPIF so the net amount going to banks and other private investors was smaller.

BOJ: Takata says now is "prime opportunity" for rate hike

BOJ board member Takata (the second dissenter at the September MPM) echoed positive takeaways from the BOJ Tankan survey as key evidence that US tariff effects have been limited. Based on broader array of data, Takata saw no alarm signals in four main tests: (1) adverse impacts on business fixed investment, (2) notable slowdown in exports, (3) downturn in corporate profits that threatens wage growth, and (4) yen appreciation. With tariff outlook uncertainties fading, he believes "now is the prime opportunity to raise the policy interest rate."

Market outlook – Recommendations

Equities (Topix): MARKETWEIGHT

Bonds – Govies: UNDERWEIGHT (Target yield 1.75%)

Forex – USD-JPY: MARKETWEIGHT (Mid-term target 150)



MACRO ECONOMY

Page 7

INDIA

Could a Yuan–Rupee Link Fuel India's Next Bull Market?

Rupee-Yuan pact could reshape India's markets: Cheaper funding, rising margins, and a boom in equities

A potentially consequential factor has emerged. Indian importers of Russian oil are reportedly being asked to settle their purchases in renminbi—an event that some describe as one of the most important developments of the past decade. Does this mean that China's currency is about to become a reserve currency, replacing the US dollar? Not at all. However, when an importer settles transactions in another country's currency, it often signals closer cooperation between the two nations' central banks—typically through the establishment of bilateral currency swap lines. The mechanism would work as follows: the People's Bank of China (PBoC) could deposit, for example, RMB 700 billion (around USD 100 billion) with the Reserve Bank of India (RBI), which in turn would deposit the equivalent amount in rupees (INR 8.6 trillion) with the Chinese central bank. This arrangement would allow India to use the renminbi to pay for its Russian oil imports, while Chinese companies could use the rupees obtained from the PBoC to finance infrastructure projects in India. When such long-term monetary relationships are established, long-term interest rates in both countries often tend to converge. Today, China's 10-year government bond yields 1.8%, compared with 6.3% for the Indian equivalent. Hence, this development, if it materializes, could represent a powerful long-term driver for Indian debt assets, potentially leading to a significant reduction in India's funding costs, higher corporate margins, and a structural tailwind for Indian equities. If we see Indian yields begin to converge with Chinese yields, that will be a clear sign that the Indian stock market will begin to benefit from this over the next few years, as it will mean that long-term interest rates in India, and the cost of funding, have entered a structural decline.

Gold-to-Equity signal flashes green: Indian investors poised to rotate into stocks.

The typical Indian investor sees gold not only as a store of value but also as a benchmark of value, switching into equities only when the stock market trades at least one standard deviation below gold. Given the importance of the assets considered stores of value in India—a country where inflation has historically been a persistent issue—it is worth examining the pattern that links the two (key) assets: gold and equities, and what this may imply for their relative performance going forward. Indeed, the total return of the MSCI Equity India Index in USD, divided by the price of gold, reveals a clear long-term pattern. The relationship between both assets has remained broadly stable over time, with a historical mean around 90. When the ratio rises above 110–115, investors tend to sell Indian equities and buy gold; when it falls below 70, the opposite applies—sell gold and buy Indian equities. Today, the ratio stands at 68, suggesting that many local investors—having accumulated substantial gains in gold—may now be preparing to shift part of their profits into Indian equities. Local managers advise foreign investors to consider doing the same.

Solid macroeconomic data, recent cuts to the Goods and Services Tax (GST), and domestic flows, continue to act as structural tailwinds.

Nevertheless, gains have so far been capped by U.S. policy measures, including higher H1-B visa fees and new tariffs on branded pharmaceuticals. The Consumer Price Index (CPI) rose to 2.1%, but remains comfortably under control, allowing the Reserve Bank of India (RBI) room for accommodative policy. Core inflation stands at 4.2%. On a positive note, NYMEX crude prices fell 2.6% month-on-month and are 8.5% lower year-on-year, providing significant support to India's economy and its markets. According to the latest data from the RBI, India's foreign exchange reserves reached around USD 702.5 billion—among the largest in the world—making the market more resilient to external shocks. Regarding investment flows, foreign investors remained as net sellers of equities (~USD 2.7 billion) in September, while domestic investors were net buyers of equities, adding roughly USD 7.4 billion during the month.

Market outlook – Recommendations & Targets

Equities – SENSEX: OVERWEIGHT

Bonds – Govies: OVERWEIGHT (New target yield 5.75%)

Bonds – Corporates: OVERWEIGHT

Forex – INR/USD: NEUTRAL (Target 86)

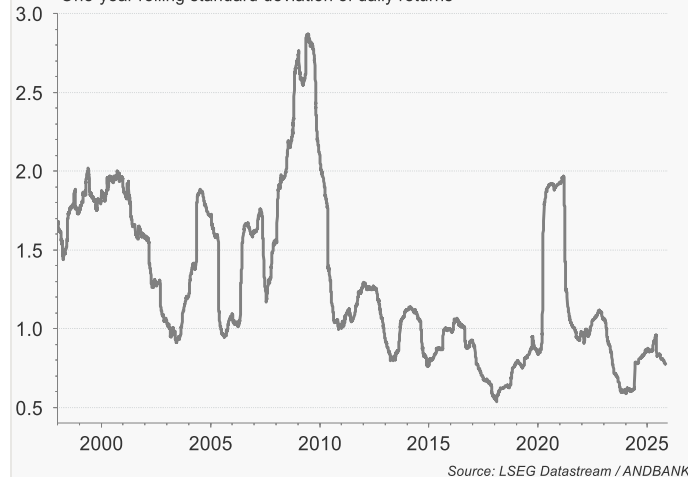
PE (ltm) - India

MSCI India



India NIFTY 50 realised volatility

One-year rolling standard deviation of daily returns



Indian stocks relative to gold

Rebase to 100





MACRO ECONOMY

Page 8

ISRAEL

Breathing Again: Recovery, Risk, and Renewal After Two Tumultuous Years

Emerging from the Shadow of War

After two of the most difficult years in Israel's history, the country can finally begin to breathe again. The end of the war has lifted much of the weight that hung over the economy, allowing Israelis to look forward and hope for a return to normalcy. Yet, along with this optimism come complex economic questions.

Economic Resilience and Fiscal Costs

Israel's economy demonstrated remarkable resilience during the conflict, reflecting the structural strength built over the past three decades. These solid foundations allowed the government to mobilize vast resources to meet military and humanitarian needs. Still, the cost was significant: nominal GDP per capita fell in Q2 2025 to its lowest level since 2022, and in real terms the decline was even sharper.

Financing the war required a sharp fiscal expansion, with public debt rising from 60% to 70% of GDP. Unlike the post-COVID episode, when the debt ratio quickly returned to pre-crisis levels, this time stabilization near the higher level seems more likely.

Market Optimism and Policy Challenges

Despite these challenges, investors remain surprisingly optimistic. The 10-year government bond yield fell from 4.2% before the war to 3.95%, signaling expectations of a rapid recovery. Whether Israel can meet these expectations will depend on its economic and political decisions.

A key test lies in the 2026 state budget, which has yet to be submitted amid political gridlock and upcoming elections. On the monetary side, easing inflation and reduced security risks increase the likelihood of a rate cut in November. If inflation hovers near 2.25% and the real rate around 1.5%, the policy rate could fall to roughly 3.75%.

The Federal Reserve's recent rate cut has strengthened the shekel, driven by both optimism and capital inflows. However, if the Fed accelerates its easing cycle, the Bank of Israel may need to follow to avoid excessive currency appreciation.

Exports and Geopolitical Opportunities

Exports remain crucial. Defense exports are expected to surge, supported by technological advances developed during the war and strong demand from Western Europe and parts of Asia. Together with Israel's robust tech sector, this could fuel further shekel appreciation—a potential challenge for policymakers.

At the same time, geopolitical shifts could reshape the regional landscape. A normalization agreement with Saudi Arabia or Indonesia would bring immense economic benefits, potentially transforming trade, investment, and security cooperation across the Middle East.

Investment View

Overall, the bond market appears overly optimistic, with the recent rally compressing yields and limiting returns. We maintain significant exposure to the Israeli market, particularly in the financial sector and among companies with global operations in semiconductors, defense, and renewable energy.

After descending into an unimaginable abyss two years ago, Israel has re-emerged with exceptional strength. The recovery opens the door to unprecedented regional cooperation and growth—if policymakers act wisely and decisively.

Market outlook – Recommendations & Targets

Equities – TLV35 Index: MARKETWEIGHT

Bonds – Government–10Y Gov: MARKETWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER

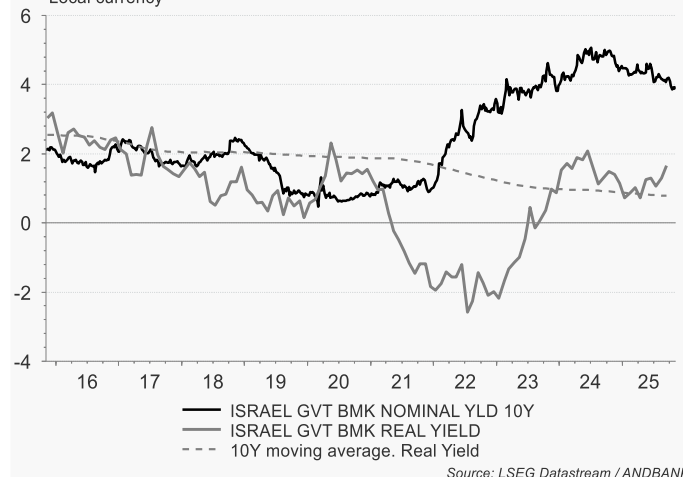
Israel price-to-earning ratio

Trailing & Forward PE



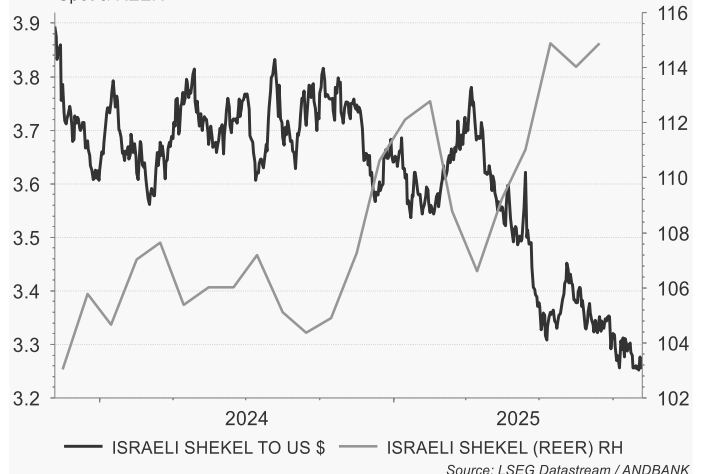
ISRAEL GOVERNMENT BMK REAL & NOMINAL YIELD 10Y

Local currency



Israel Shekel

Spot & REER





MACRO ECONOMY

Page 9

BRAZIL

Economic Activity Softens, Yet the Central Bank Maintains a Wait-and-See Stance on Rates

Monetary Policy Remains Very Restrictive

The Central Bank continues to adopt a distinctly hawkish stance. Recent statements from its board members have not indicated any intention to cut rates, despite market pricing suggesting the first reduction could come in the 1Q26. The monetary authority's policy horizon to bring inflation back to target extends to 1Q27. At that point, the Bank's model projects consumer inflation at 3.4% y/y. Given the official target of $3\% \pm 1.5$ percentage points, inflation would be close to the midpoint of the target range. One reason the model's inflation projection has not eased further is that the Central Bank revised upward its estimate of the current output gap, signaling that economic activity remains stronger than previously expected. We believe part of the Central Bank's conservative stance reflects its determination to firmly anchor inflation expectations. However, we see room for a gradual easing cycle in 2026. Our baseline forecast assumes a 300 bps reduction in the Selic rate, from 15% to 12%. For deeper cuts to be feasible, the government would need to demonstrate stronger commitment to stabilizing the debt-to-GDP ratio.

Activity Shows Clear Signs of Cooling

The IBC-Br (monthly proxy for GDP) continues to point to a slowdown in economic activity. Although the indicator rose in August after three consecutive declines, temporary factors likely contributed to the rebound. On a year-over-year basis, the index showed almost no change, and the 12-month cumulative measure continues to decelerate. In July, the government injected around R\$70 billion into the economy through the settlement of court-ordered payments (*precatórios*). This one-off event likely influenced some of the recent short-term improvements. However, more recent surveys suggest that economic activity continued to soften in September. With interest rates still very high, household indebtedness has increased alongside a deterioration in disposable income. Delinquency rates are rising, and credit conditions are tightening. The labor market remains tight, with unemployment at record lows. However, recent data point to some stabilization in both employment levels and labor force participation. The question ahead is whether the job market will begin a slow deterioration. Over the next few months, weaker activity data could provide the Central Bank with the confidence needed to start partially unwinding its restrictive stance.

One Year Away from the Presidential Election

General elections will take place one year from now. President Lula da Silva is widely expected to seek a fourth mandate. On the center-right, the political landscape remains fluid. Former President Jair Bolsonaro has been declared ineligible and was recently sentenced to prison for his involvement in the January 2023 coup attempt. Consequently, the right-wing opposition is still defining who will emerge as Lula's main challenger. Speculation continues over whom Bolsonaro will endorse, as his support base represents a significant share of the electorate. Among potential center-right candidates are several state governors: Ratinho Júnior (Paraná), Ronaldo Caiado (Goiás), and Romeu Zema (Minas Gerais)—all popular locally but with limited national recognition. São Paulo's governor, Tarcísio de Freitas, is also a key figure and polls suggest that Tarcísio could be the most competitive challenger from the center-right, but he is unlikely to run without Bolsonaro's explicit endorsement. If no clear leader emerges, the center-right vote could fragment in the first round of the election. For financial markets, the 2026 race is highly consequential and seen as a binary event for Brazil's economic outlook. A victory for the incumbent would signal continuity—perceived by many as a more challenging scenario for fiscal consolidation—while a win by the opposition could bring expectations of a more reform-oriented agenda. Regardless of the outcome, political developments over the next year will increasingly shape market sentiment and asset prices.

Market outlook – Recommendations & Targets

Equities – iBovespa: UNDERWEIGHT

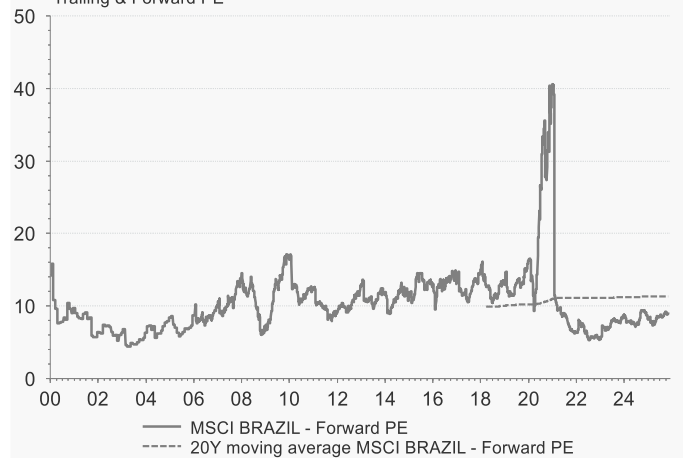
Bonds – Govies Local: OW (Target Spread 1000 => Target yield 14.25%)

Bonds – Govies USD: UW (Target Spread 250 => Target yield 6.75%)

FX – BRL/USD: MARKETWEIGHT (Mid-term target 5.40)

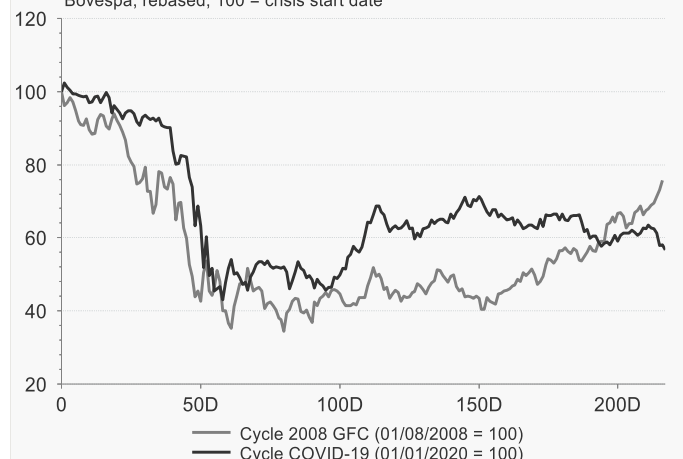
Brazil MSCI Index price-to-earning

Trailing & Forward PE



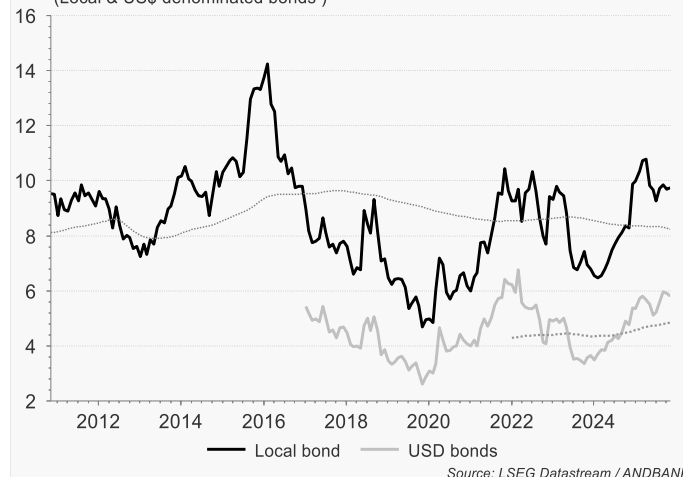
Brazil equities (USD), 2008 vs 2020

Bovespa, rebased, 100 = crisis start date



BRAZIL - SPREAD 10Y GOV BOND vs UST

(Local & US\$ denominated bonds)





MACRO ECONOMY

Page 10

MEXICO

Policy Rate Cuts Continue as Banxico Prioritizes Growth Risks

Monetary Policy

The central bank cut its policy rate once again (25 bps), in contrast with the 50 bps reductions implemented during the first three meetings of the year. The overall stance remains dovish, as its decisions continue to emphasize the risk of an economic slowdown that has been evident since early 2025. It is worth noting that the central bank's mandate focuses solely on price stability, yet the institution has shown increasing flexibility on this front, lowering rates even while raising its forecasts for core inflation over the coming quarters. Previously, Banxico had justified its rate cuts by citing an historically restrictive ex-ante real rate. However, after a cumulative 175 bps of easing, the spread between that rate and the neutral rate has narrowed significantly. The decision to continue cutting is now guided by expectations of inflation convergence toward the long-term target by 2Q26.

Economy and Inflation

Headline inflation rose from 3.57% to 3.76% in September, reflecting a rebound in volatile price components that had previously favored inflation dynamics, particularly following the expiration of electricity subsidies and higher agricultural prices. Core inflation remains persistent, standing 28 bps above the upper limit of Banxico's long-term target range (3% +/- 1%). On the growth front, the main positive catalysts are concentrated in exports, as negotiations continue to reduce the 30% "fentanyl tariff." Private consumption is expected to gradually strengthen after a period of weakness, although it has been negatively affected by the under-execution of public spending. On the downside, industrial production has declined over the past year and gross fixed investment has stagnated since mid-2024.

Trade and Fiscal Policy

The extension announced in early August to negotiate a reduction of the "fentanyl tariff" will expire during the first week of November. An agreement is expected that will allow Mexico to retain its preferential trade status, maintaining an effective tariff level no higher than 5%. Mexico is also considering imposing tariffs of around 20% on imports from China, which account for a large share of intermediate goods in various manufacturing supply chains.

The recently approved Revenue Law introduces higher excise taxes on several products, including sugary drinks, sweetened beverages, flavored electrolytes, cigarettes, violent video games, and online betting activities. Additionally, the withholding tax on real interest income from debt investments increased from 0.50% to 0.90%.

Financial Markets

Equities: After a strong recovery in 2025 following a period of deeply discounted valuations—both relative to global peers and to historical averages—the Mexican market continues to offer attractive upside potential. The country's positive differentiation amid shifting global trade dynamics and the absence of domestic risk factors have supported the revaluation of peso-denominated assets and improved investor confidence in the local market.

Fixed Income & FX: The 10-yr bond spread stands at 477 bps, below the 12M avg. of 520 bps. We expect this spread to remain close to 500 bps, consistent with the expected trajectory of monetary policy and the recent adjustments in long-term U.S. yields. In USD terms, the spread has narrowed even more sharply, currently standing at 155 bps, although our medium-term expectation remains at 200 bps.

The peso has continued to demonstrate notable resilience, trading consistently within a range of 18.30 to 18.50. We maintain our year-end target of 19.50 pesos, acknowledging potential volatility in the final quarter of the year related to a possible review of the USMCA, but balancing this risk with a generally favorable environment supported by the depreciation of the USD and the sustained appetite for peso-denominated assets among global investors.

Market outlook — Recommendations & Targets from fundamental analysis

Equities – Mex IPC: UNDERWEIGHT

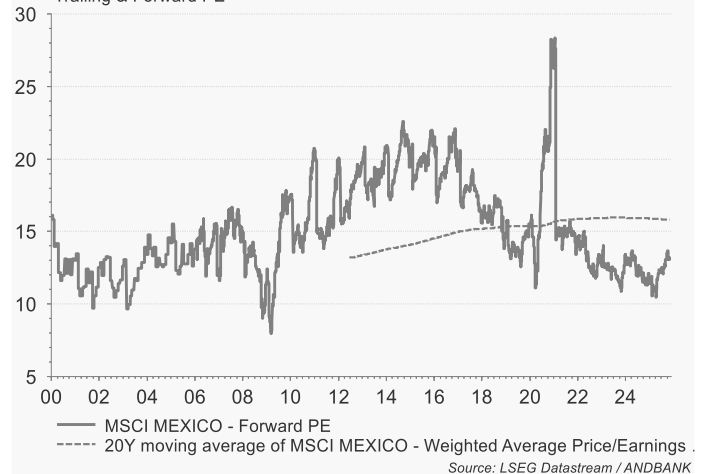
Bonds – Govies Local: UW (Target Spread 500 => Target yield 9.25%)

Bonds – Govies USD: UW (Target Spread 200 => Target yield 6.25%)

FX – MXN/USD: UNDERWEIGHT (Mid-term target 20)

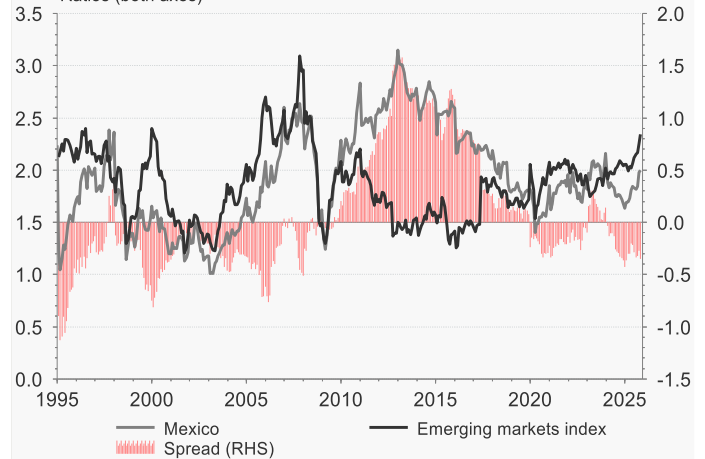
Mexico MSCI Index price-to-earning

Trailing & Forward PE



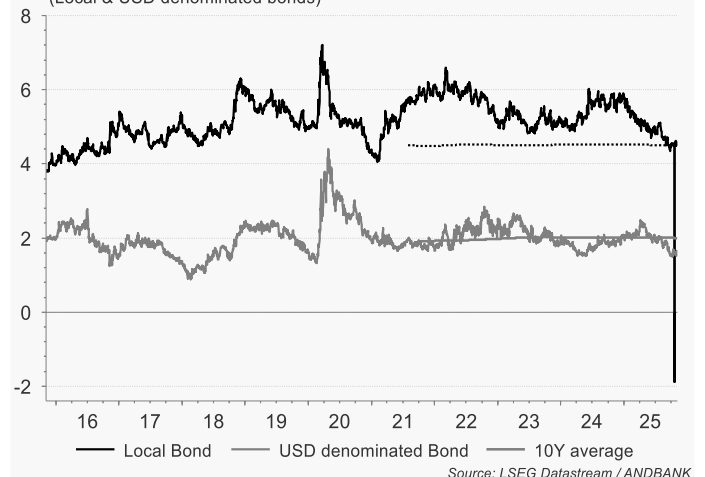
Mexico price-to-book ratio

Ratios (both axes)



MEXICO - SPREAD 10 GOV BOND vs UST

(Local & USD denominated bonds)





MACRO ECONOMY

Page 11

ARGENTINA

A Vote for Change: Milei's Mandate and the New Political Order

Politics: Milei's Mid-Term Triumph

Mid-term elections marked a decisive turning point in both its political landscape and market outlook. The ruling party, *La Libertad Avanza* (LLA), achieved a landslide victory with 40.8% of votes, winning 15 of the 24 provinces. The Province of Buenos Aires (PBA) delivered the most striking result of the election. Home to nearly 40% of the national electorate, it has traditionally been a stronghold of Peronism. Yet in this election, LLA secured 41.45% of the vote, defeating the Peronist alliance *Fuerza Patria* (FP), which obtained 40.9%—a dramatic reversal from just seven weeks earlier, when Peronism had won the provincial election by nearly 14%. Nationally, Peronism (FP plus other allies) suffered a major setback, taking only 33.4% of the vote and carrying just eight provinces. The centrist coalition *Provincias Unidas*, which had attempted to position itself as an alternative to the polarization between Milei and the Kirchnerist bloc, performed poorly, receiving only 8.3% of the vote and winning solely in Corrientes. The outcome came as a surprise compared with most polls, which had predicted a much tighter race, particularly in Buenos Aires Province. The magnitude of LLA's victory overturned expectations of a Peronist resurgence and prompted a major reassessment of Argentina's political trajectory. Observers interpreted the result as evidence that a broad segment of the electorate continues to support Milei's stabilization program and views his reformist narrative as a credible alternative to the past decade of economic stagnation. Politically, the vote signals the continued erosion of Kirchnerism's influence and the emergence of a new realignment centered around Milei's libertarian movement. The election reshaped the composition of Congress in a way that significantly strengthens the government, although without granting it an outright majority. Together with its allies in the PRO, LLA will control around 43% of the Chamber of Deputies—up from 31% before the election—and 33% of the Senate, compared to 18% previously. This gives Milei enough support to sustain presidential vetoes and decrees, but not enough to pass major reforms unilaterally. To advance his legislative agenda—which includes ambitious tax, labor, and administrative reforms—Milei will need to negotiate with provincial governors and centrist blocs. The Peronist opposition, meanwhile, lost weight in both chambers, and the smaller centrist forces saw their relevance diminish. Markets responded immediately and forcefully. Sovereign bonds in USD rallied about 20%, bringing the country risk index down to around 650 bps, while the Merval index surged 30% in USD, led by banking stocks. Looking ahead, Argentina faces a genuine opportunity to redefine its economic and political path. If Milei manages to leverage his political momentum to build coalitions and pass structural reforms, the country could consolidate a period of sustained growth and renewed market confidence. Government projections point to 4% GDP growth in 2026, driven by roughly 35 bn. USD in planned investments under the RIGI framework. Coupled with stronger external financing and gradual reserve accumulation, these developments could mark the beginning of a more stable and predictable macroeconomic environment.

Prices: Limited passthrough despite ARS depreciation

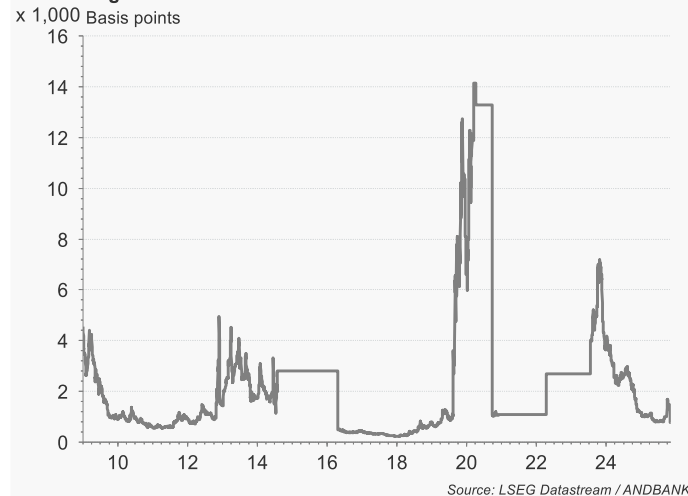
CPI increased 2.1% m/m in September, slightly above the 1.9% m/m recorded in August, and broadly in line with market expectations. On an annual basis, inflation eased to 31.8% y/y, compared with 33.6% y/y the previous month. Breaking down the components, core inflation—which excludes volatile and regulated items—rose 1.9%, suggesting that underlying price momentum remains contained but not yet firmly anchored. Regulated prices, including utilities, public transport, and other government-administered tariffs, climbed 2.6%, reflecting the ongoing normalization of previously frozen prices. Meanwhile, seasonal prices, such as fruits, vegetables, and tourism-related items, rose around 2.2%. Regarding the exchange-rate pass-through, economists highlight that it has been surprisingly muted in recent months. Despite volatility in the peso following the Buenos Aires provincial election and subsequent financial turbulence, price-setting behavior appears to have become less reactive to currency fluctuations.

Market outlook – Recommendations & Targets

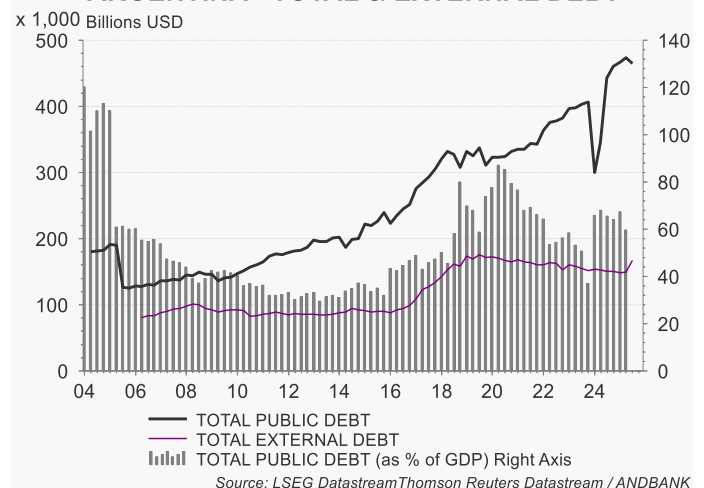
Bonds – 10YGov USD: NEUTRAL

FX – USDARS: NEGATIVE (2025 year-end target 1300)

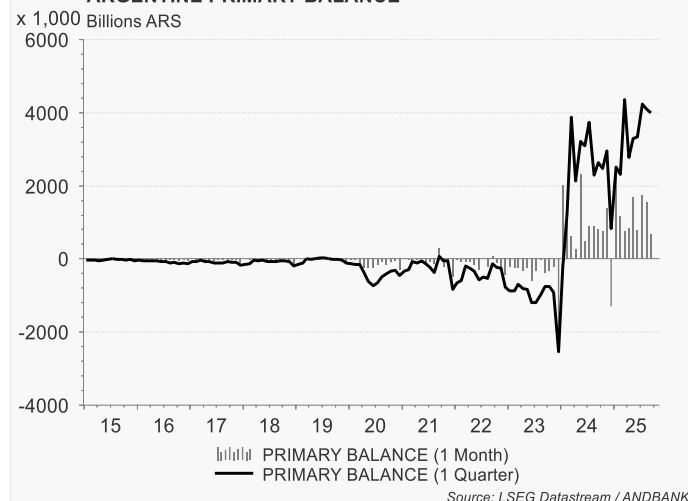
Argentina 5Y CDS



ARGENTINA - TOTAL & EXTERNAL DEBT



ARGENTINE PRIMARY BALANCE





EQUITIES

Page 12

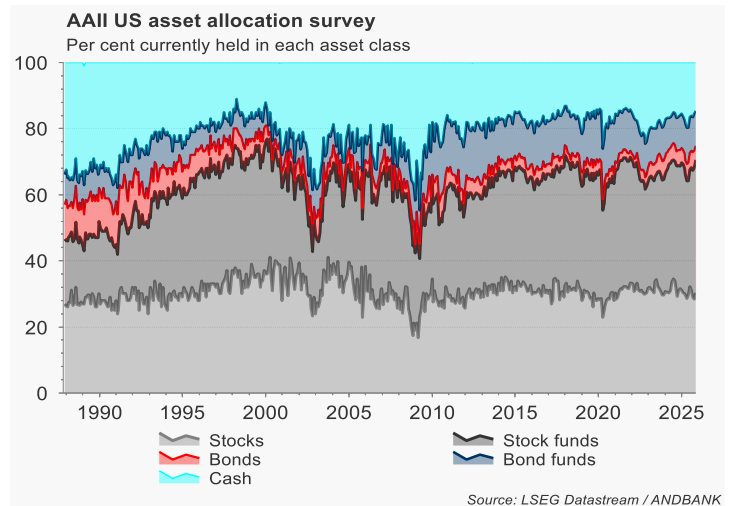
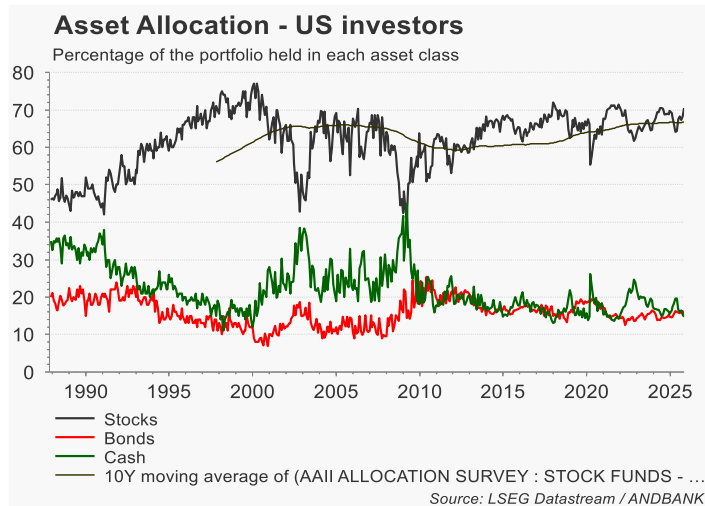
GLOBAL EQUITY INDICES

Fundamental Assessment

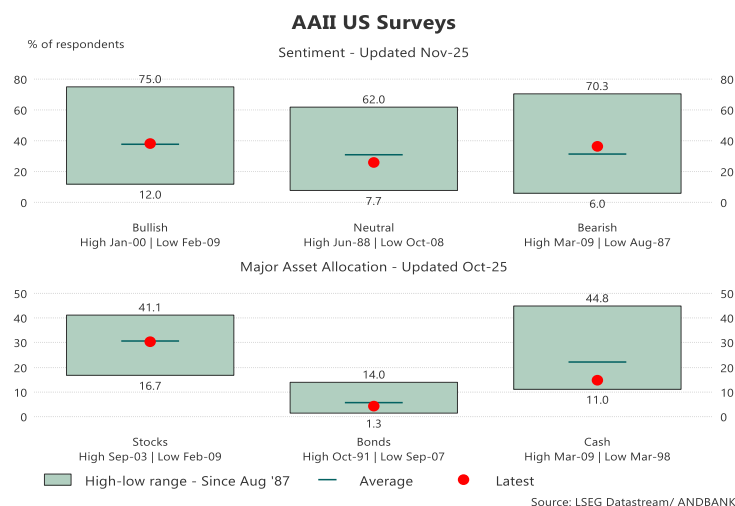
Index	Projected EPS 2025	PE (EPS 2025)	Price Earning (forward)	Equity Yied	Current Risk Premium	Hist Risk Premium	Spread curr RP vs hist RP	Target PE Trailing (year end 2025) set on the Strategic Committee	INDEX CURRENT PRICE	Andbank's Target Price (year end 2025)	Expected performance to target Price	Recommended Strategy	Exit Point (Strong Sell)
USA S&P 500	265,0	25,36	22,85	4,38%	0,27%	2,00%	-1,73%	26,00	6.720	6.890	2,5%	MW	7.579
Europe - Stoxx Europe 600	36,0	15,75	14,86	6,73%	4,06%	5,00%	-0,94%	16,00	567	576	1,6%	MW	634
Spain IBEX 35	1.100,0	14,57	14,15	7,07%	3,89%	5,70%	-1,81%	14,00	16.031	15.400	-3,9%	UW	16.940
Mexico IPC GRAL	4.800	13,14	12,76	7,84%	-0,80%	-0,90%	0,10%	13,00	63.093	62.400	-1,1%	UW	68.640
Brazil BOVESPA	16.000	9,58	9,30	10,75%	-3,08%	-1,10%	-1,98%	9,00	153.339	144.000	-6,1%	UW	158.400
Japan TOPIX	186,0	17,74	17,22	5,81%	4,13%	4,00%	0,13%	17,75	3.299	3.302	0,1%	MW	3.632
China SSE Comp. A share	247,0	16,97	16,47	6,07%	4,33%	4,80%	-0,47%	16,00	4.191	3.952	-5,7%	UW	4.347
China Shenzhen Comp	94,7	26,60	25,83	3,87%	2,13%	1,25%	0,88%	25,00	2.519	2.368	-6,0%	UW	2.604
India SENSEX	3.800	21,90	21,26	4,70%	-1,81%	-2,00%	0,19%	22,50	83.222	85.500	2,7%	OW	94.050
MSCI EM ASIA	49,4	15,67	15,21	6,58%				15,75	774	779	0,5%	MW	856

ANDBANK ESTIMATES

Positioning Indicators (Funds & direct assets): Equities, Fixed Income, and Cash

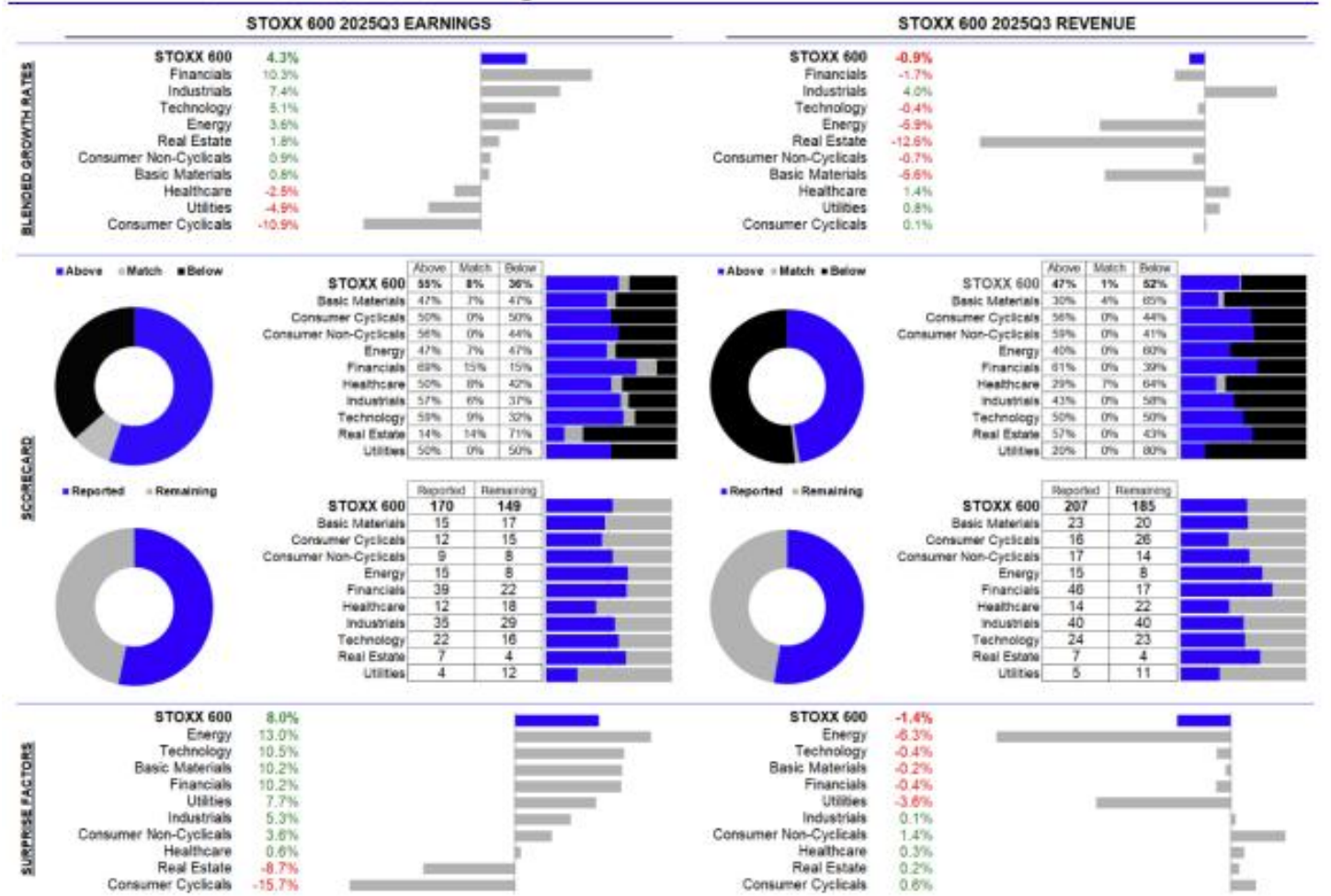


Positioning Indicators (Direct assets only): Stocks, Bonds, and Cash



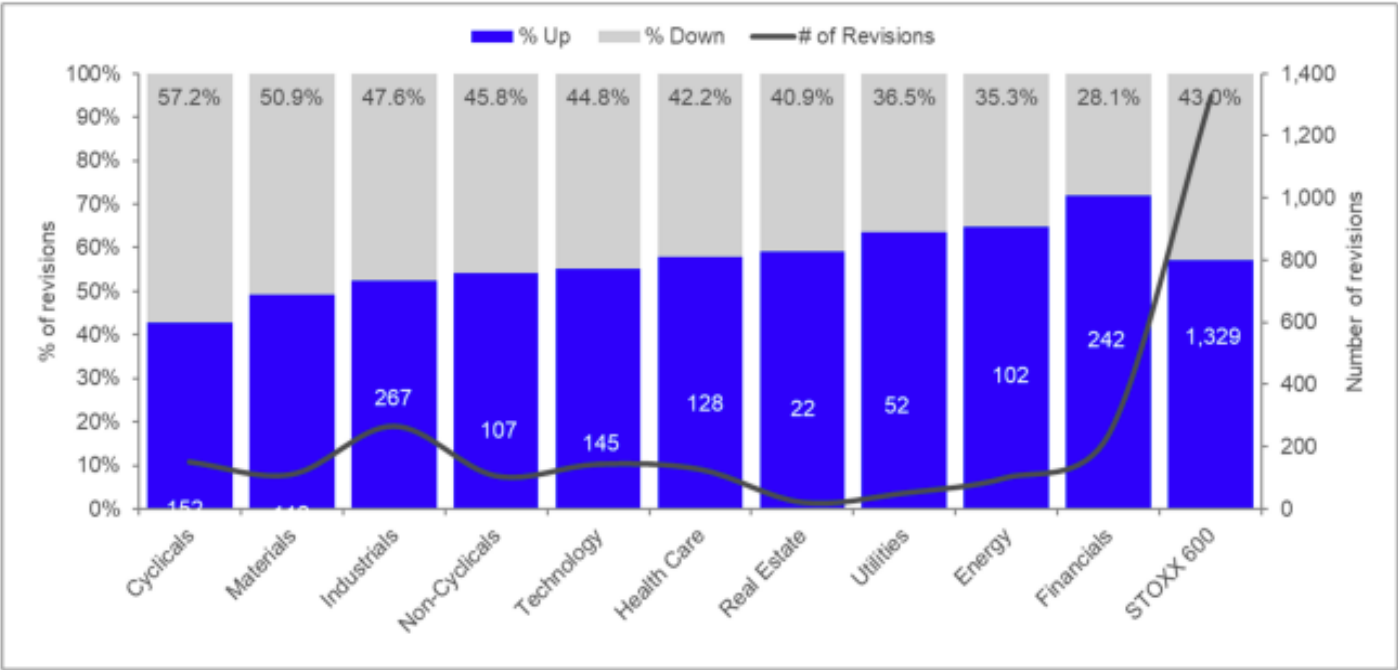
GLOBAL EQUITY INDICES
EU Earnings Dashboard

Exhibit 1A. STOXX 600: Q3 2025 Earnings Dashboard



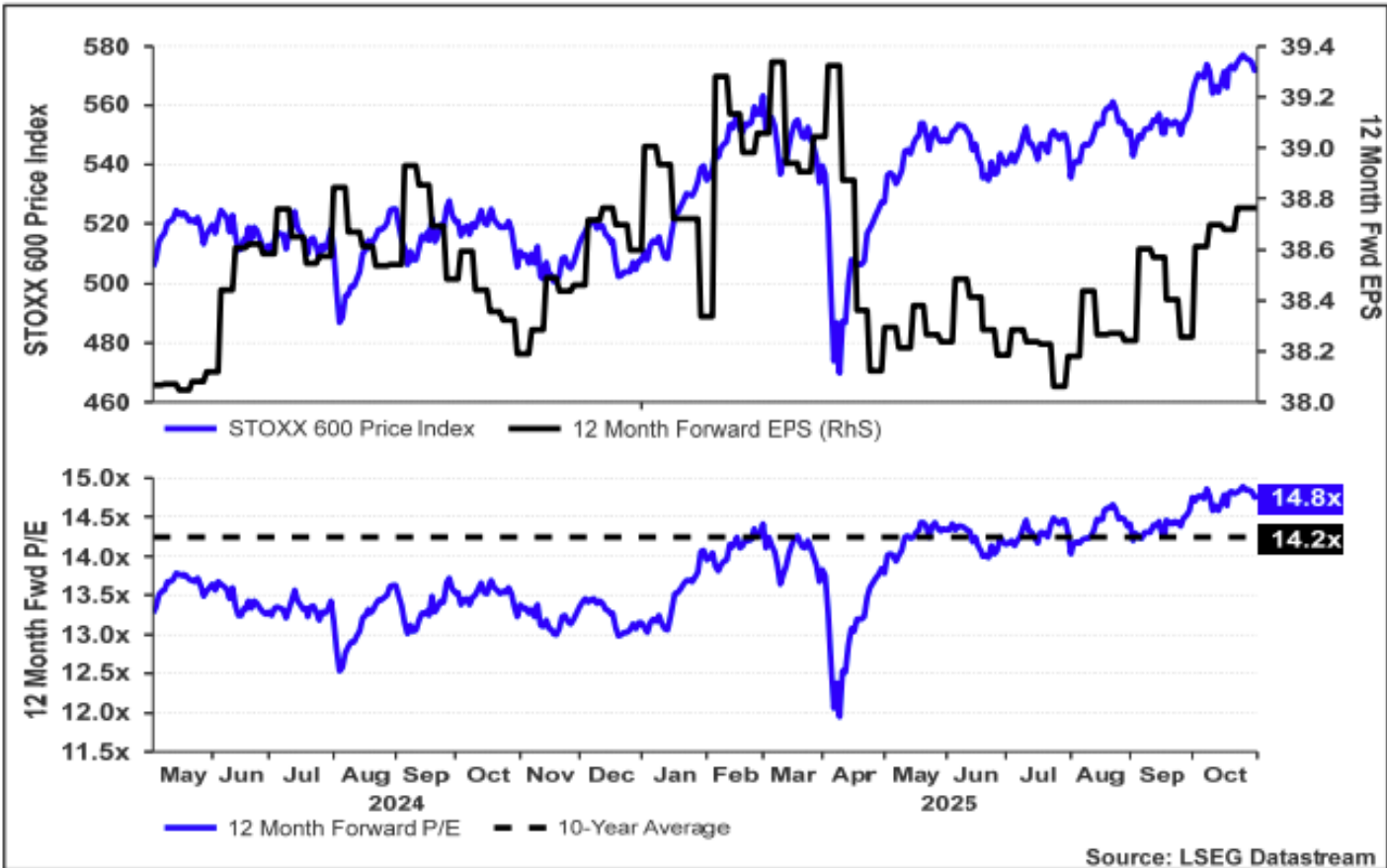
GLOBAL EQUITY INDICES
EU Corporate Earnings Estimates Revision

Exhibit 16A. STOXX 600: Weekly Earnings Estimate Revisions by Sector



Source: LSEG I/B/E/S

Exhibit 17A. STOXX 600: 12-month Forward Price/Earnings Ratio



Source: LSEG Datastream

GLOBAL EQUITY INDICES
EU Corporate Earnings Revision Trend

Exhibit 15A. STOXX 600 Earnings Estimate Revision Trend

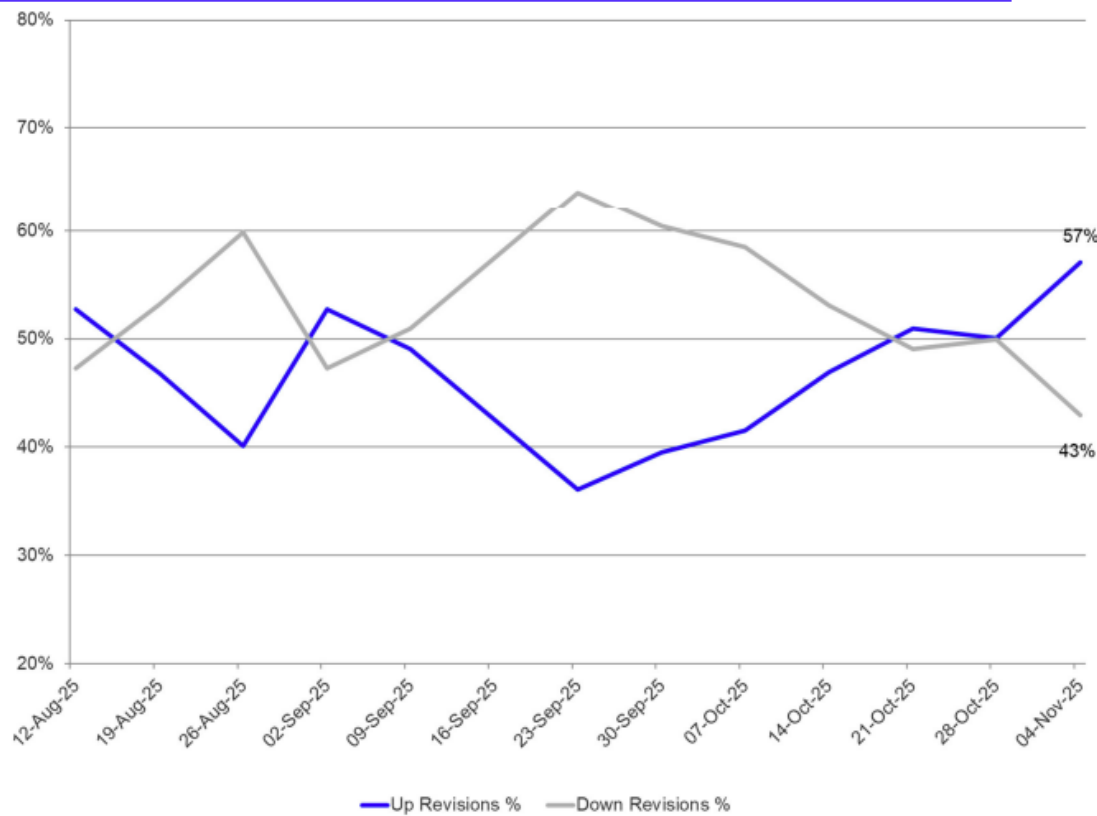
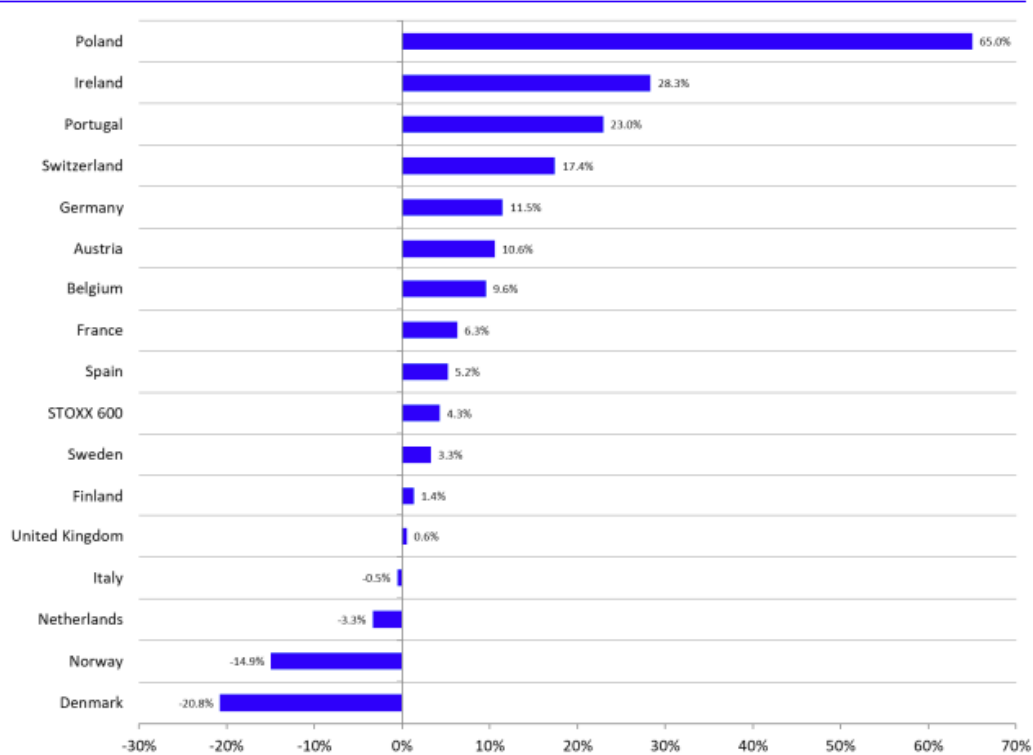


Exhibit 12A. STOXX 600: Q3 2025 Earnings Growth Rate Estimates by Country



Source: LSEG I/B/E/S



EQUITIES

Page 16

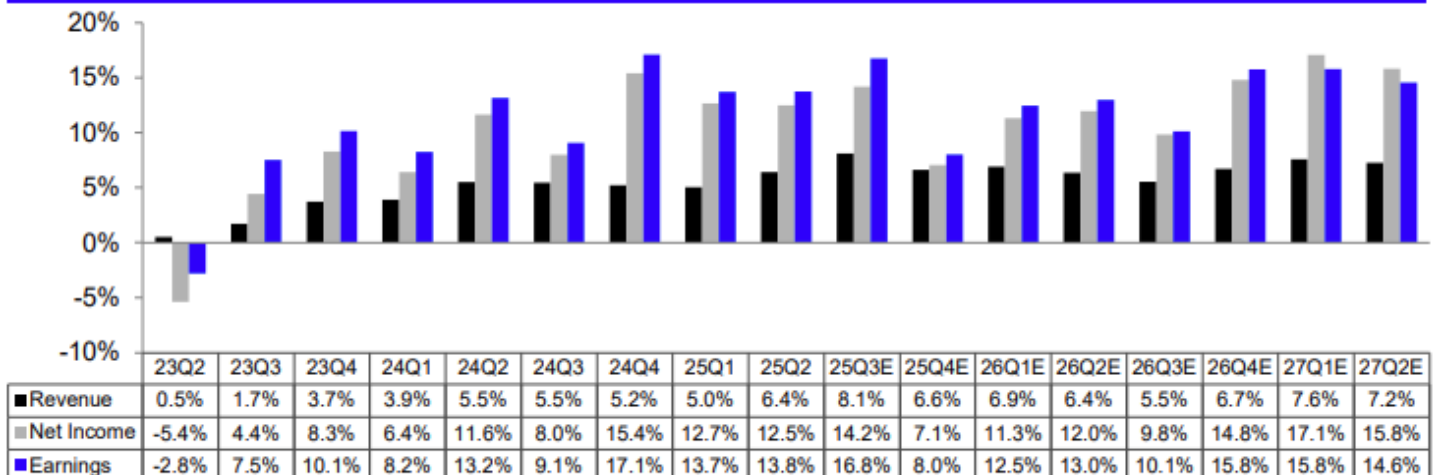
GLOBAL EQUITY INDICES

US Earnings Dashboard

Exhibit 1. 2025Q3 S&P 500 Earnings Dashboard



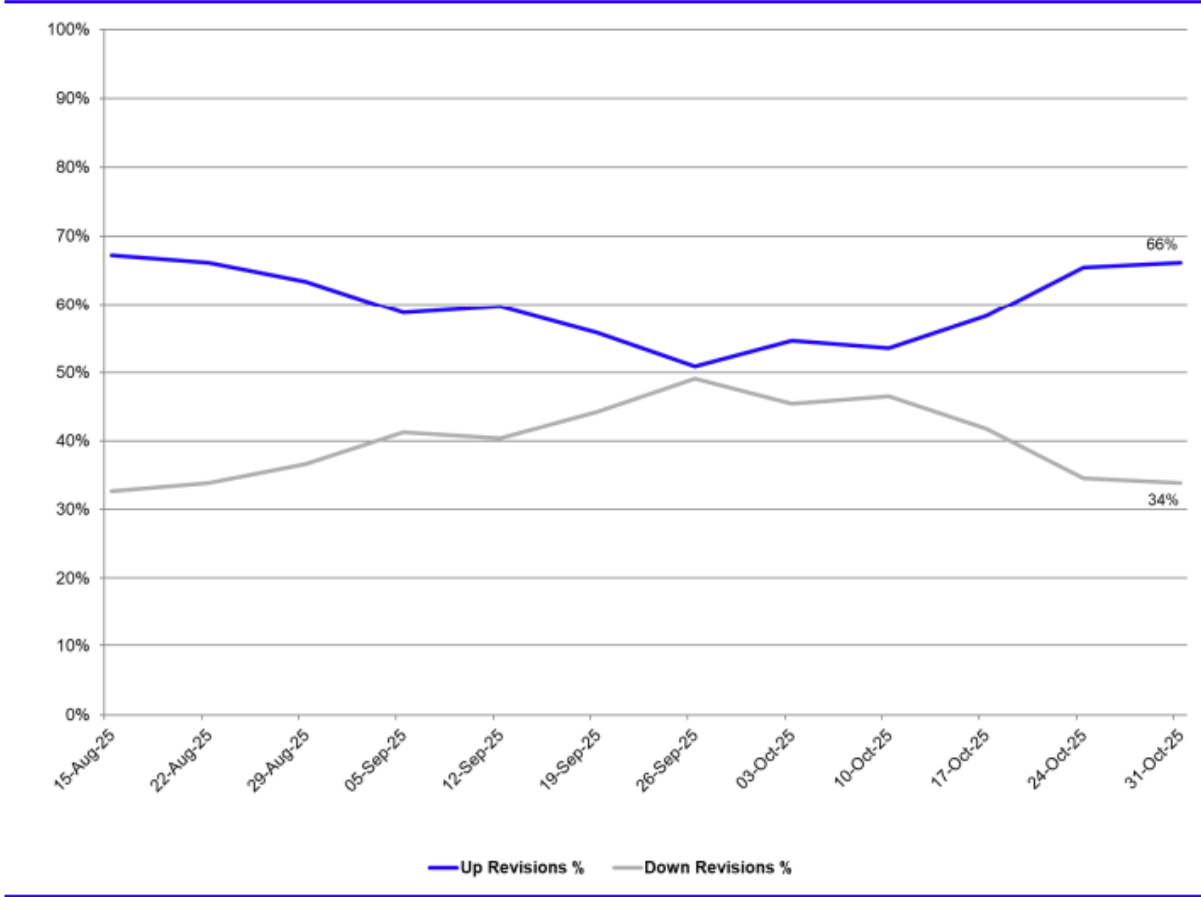
Exhibit 5. S&P 500 YoY Growth Rates



Source: LSEG I/B/E/S

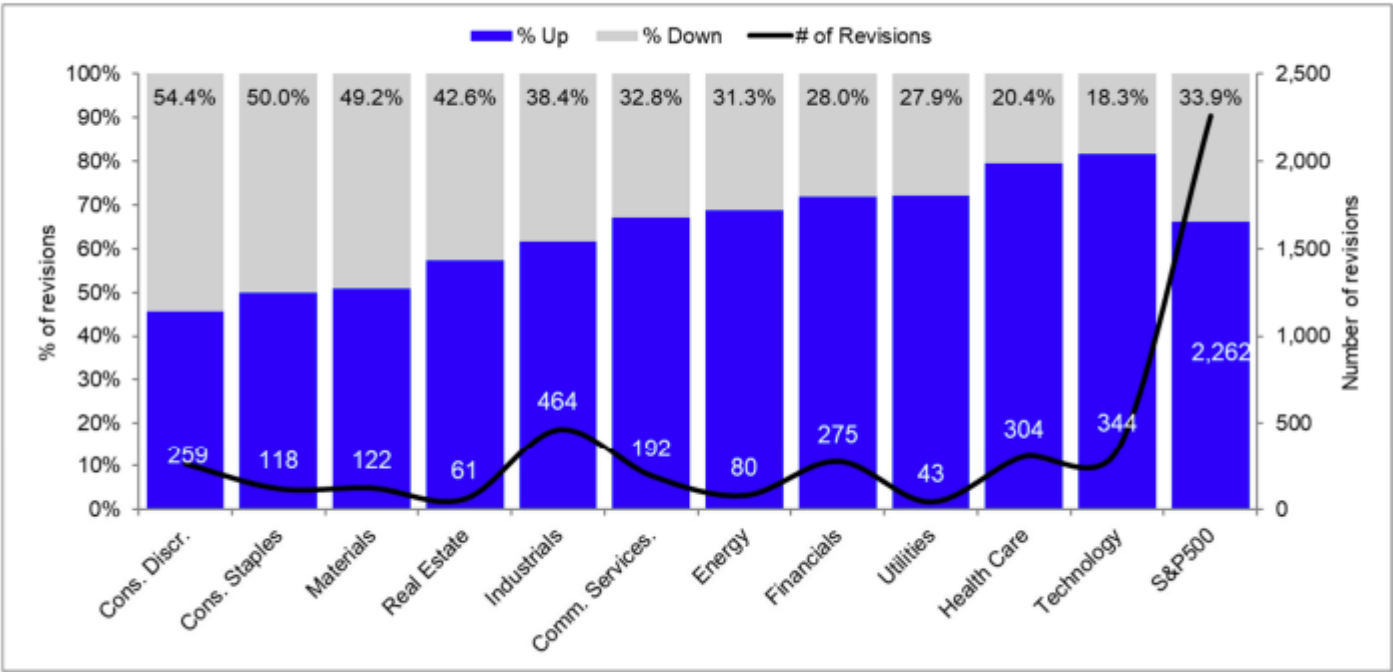
GLOBAL EQUITY INDICES
US Corporate Earnings Revision Trend

EXHIBIT 9A. S&P 500: EARNINGS ESTIMATE REVISION TREND



Source: LSEG I/B/E/S

EXHIBIT 12A. S&P 500: WEEKLY EARNINGS ESTIMATE REVISIONS BY SECTOR



Source: LSEG I/B/E/S



COMMODITIES

Page 18

ENERGY – OIL

Fundamental view (WTI): Target range USD60-70bbl

Buy < USD60; Sell >USD70.

Short-term drivers

(Bearish price factor) – Modest output hike: FT reports OPEC+ producers agreed this weekend to boost production by 137K bpd for November, a more modest increase than the 500K bpd that some had expected (which OPEC+ called “inaccurate and misleading”). although OPEC+ is producing under their quota, the market still does not seem to like the expected announcement of more production at Oct-5 meeting.

(Bearish price factor) – Gaza Ceasefire: Trump’s Gaza ceasefire plan seems to be gaining traction, with Hamas reportedly set to accept the deal over the coming days, further alleviating geopolitical risk in the region.

(Bearish price factor) – Glut signs: Bloomberg reported unsold Mideast crude cargoes are pointing to early signs of expected global oil surplus.

(Bearish price factor) – New pipeline: Oilprice.com reported Alberta may build new pipeline to British Columbia coast that could carry 1M bpd of crude oil, to be exported to Asian markets.

(Bearish price factor) – Macquarie forecast: Bloomberg reported Macquarie sees oil dropping into the \$50s over coming quarters on expectations for “punishing oversupply”.

(Bearish price factor) – India-Russia: Bloomberg reported India’s oil imports from Russia dipped in September but held at about a third of overall shipments.

(Bearish price factor) – LNG focus: Oilprice.com reported Shell is aiming to strengthen its focus on LNG over the next decade.

(Bearish price factor) – Kurdish exports: Reuters reported oil has officially begun flowing from Kurdistan region to Turkey for the first time in 2-1/2 years.

(Slightly Bullish price factor) – Danish vigilance: Bloomberg reports Danish authorities have pledged to tighten regulation of oil tankers passing through its waters as they work to constrain Russia’s “shadow fleet” of oil tankers.

(Slightly Bullish price factor) – Drone strikes: Bloomberg reports Rosneft’s Tuapse 240K bpd refinery was again hit by Ukrainian drones overnight.

(Bullish price factor) – Fuel oil demand: Reuters reported fuel oil demand is rising faster than expected due to Red Sea disruptions and shadow fleet expansion.

(Bullish price factor) – Russia vs Europe: Reuters reported German Chancellor Merz said Europe “is not at war ... but no longer at peace” with Russia.

(Bullish price factor) – US imports: Reuters reported US Gulf Coast fuel oil imports hit 2.5-year high amid Venezuelan, Russian sanctions.

(Bullish price factor) – G7 agreement: Bloomberg reported G7 nations are nearing agreement to significantly increase sanctions on Russia.

(Slightly Bullish price factor) – Port ban: Reuters reported China’s terminal operators in Shandong province are set to introduce measures to ban shadow fleet vessels.

(Slightly Bullish price factor) – Iran sanctions: Reuters reported EU and UN reinstated sanctions against Iran over its nuclear program.

Long-term drivers

(Price Negative) – Alternative energies picking up the baton: Conventional producers must bear in mind that the value of their reserves is dictated by the amount of time they can pump before alternative energies render oil obsolete. In order to push back this deadline as far as possible, it is in producers’ interest to keep oil prices low for as long as possible (keeping the opportunity cost of alternative energy sources as high as possible).

(Price Negative) – Growing environmental problems will gradually tighten legislation on production levels. The value of producers’ reserves depends on the amount of time they can pump at current levels before tougher environment-inspired regulations come into play. With growing environmental problems, which will likely continue to put a lot of pressure on the market for fossil fuels over the coming decades, OPEC’s most serious risk is of sitting on a big chunk of “stranded reserves” that it can no longer extract and sell. Producers therefore have a powerful incentive to monetise as much of their reserves as soon as they can.

(Price Negative) – Are OPEC producers able to structurally fix prices? While it is true the agreement between the Saudis and Russia to strangle the global energy market has worked well in achieving a considerable increase in the price of oil, this has been at the cost of a loss of market share, meaning that OPEC producers are no longer able to easily fix prices without bearing costs. Back in the 1970s and the early 2000s, the exporters cartel agreed to cut output, and the approach worked well, as the principal competition was among conventional oil producers (in particular between OPEC and non-OPEC producers). Today’s biggest threat to any conventional oil producer comes from non-conventional producers and alternative energy sources. Energy cuts from conventional oil should therefore easily be offset (in theory) by a rapid increase in shale oil production. The experiment of the 1970s and 2000s by conventional producers in colluding to fix the price of crude oil by strangling supply may no longer offer the same results due to the emergence of new unconventional agents.



COMMODITIES

Page 19

PRECIOUS METALS - GOLD

Gold remains well-supported from a political risk perspective. Based on relative pricing versus other assets, gold price seems expensive

Positive drivers for gold

Evolution of the Foreign Exchange Reserves of the People's Bank of China (PBoC) (2015–2025). The recent rise in the price of gold cannot be explained by an increase in trade or in the overall volume of official reserves, but rather by a drastic change in their composition. I know this because the metal's share in central bank reserves has climbed from barely 10% to around 30%, surpassing U.S. Treasuries for the first time since 1996 as a proportion of the total. It's no revelation to say that over the past three years, the international economy has gone through a period of deep geopolitical transformation, marked by the formation of opposing economic blocs locked in a dynamic of confrontation. One of these blocs is led by China, the other by the United States. In this context of extreme rivalry, with each player deploying its own strategy, Beijing has played its hand as well. It was already known that China lacked the capacity to displace the dollar as a reserve currency—but what was not known was its ability to inflict meaningful pain on the dollar, as we have now seen. Looking at official data from the PBoC, we can see that this shift is not the result of a generalized move by all central banks to alter the composition of their reserves by substituting Treasuries for gold. It has been China that has driven this transformation. Can China continue to push gold prices higher? That will depend on how much room Beijing still has to keep unloading Treasuries from its official reserves and replacing them with gold. In this regard, it's worth noting that Beijing has been able to pursue this strategy up to now because gold represented a relatively small share of its official reserves for a long time — leaving ample room to add more metal. To be more precise: gold accounted for just about 2.4% of China's total reserves in 2015 and around 5% before 2023. Since then, amid an open economic confrontation with the United States, the People's Bank of China has stepped up its gold purchases, thereby reducing its dependence on Treasuries and the dollar. In fact, according to July data, the PBoC extended its gold purchases for the ninth consecutive month, announcing an additional 2 tonnes of the metal, bringing total purchases for the year to 21 tonnes. According to official figures, gold now represents roughly 7% of the PBoC's total official reserves (see Chart 5 below). Is that a lot or a little? A 7% share suggests that China still has significant room to continue adding gold to its reserves—and with it, to keep supporting the price of the metal. However, it's important to mention that this portfolio rebalancing toward gold has natural limits, since no central bank should concentrate excessive amounts in an illiquid asset. In principle, reserves should be allocated mainly to the world's most liquid and stable debt instruments—which, in our time, remain U.S. Treasury bonds. Departing too far from this orthodoxy introduces risks, in terms of both liquidity and solvency, for a country's reserves.

Within the four-quadrants framework, the projected scenario is still favourable for gold: The best scenario for gold would be one where inflation is combined with recession (stagflation). A scenario that is steadily gaining traction. The scenario we are projecting places us in a quadrant where some inflation is combined with a mildly favourable cycle (inflationary boom). Such a scenario, while not the best, is still favourable for gold, although in this scenario gold should not outperform equities. The price of gold is also determined by other factors, such as the PBoC, in their decision to displace the USD in their strategic reserves, a factor currently favourable to gold.

A gold bull market usually feeds on its own momentum for quite a while.

Gold has just lost one of the drivers that made it the best antifragile asset: a lower relative supply. Gold, much like US Treasuries, is an antifragile asset. Investors must decide which to hold as protection against market instability, based on which is expected to perform better in times of shock. This choice largely depends on relative supply: the scarcer asset tends to outperform. While the Federal Reserve pursued quantitative tightening (QT)—selling Treasuries and thus increasing their supply—gold outperformed. However, now that the Fed is slowing QT, thereby reducing the supply of US Treasuries, those bonds could regain their dominant role as the preferred safe-haven asset in 2025. Looking ahead to 2026–2027, when the Fed is expected to resume QT and further offload Treasuries, gold may once again take the lead—hence its sustained momentum. That said, once QT concludes, possibly in 2028, the supply of US Treasuries would become limited once more, favouring a return to Treasuries as the top-performing safe-haven asset and relegating gold to a secondary position in terms of returns.

Let us turn to the four risks identified for the current bullish trend in gold—all of which remain under control. The gold rally of 1976–1980 ended when U.S. short-term interest rates were raised to contain inflation, triggering an appreciation of the dollar. The rally of 1985–1988 came to an end when Germany withdrew from the Plaza Accord and U.S. interest rates began to rise (and with them, the dollar). During the 2001–2011 period, gold prices surged from USD 300/oz to USD 1,800/oz alongside George W. Bush's "guns and butter" policy, which fueled expansions in emerging-market countries that became the new buyers of gold. That rally lasted until the dollar began to strengthen again in 2011. Therefore, the only four threats to the ongoing bull market in gold appear to be: higher nominal interest rates; an increase in real rates; appreciation of the U.S. dollar; and loss of buying momentum from emerging-market countries. Let us assess, in relation to each of these risks, their actual ability to abruptly halt the advance in gold prices.

Risk #1. Higher nominal rates (LOW RISK).

Risk #2. A stronger USD (LOW-MEDIUM RISK).

Risk #3. A rise in real rates (LOW RISK).

Risk #4. Momentum – (LOW RISK).

Negative drivers for gold

Gold in real terms: Given the global deflator (now at 1.27641), the price of gold in real terms (calculated as the current nominal price divided by the US Implicit Price Deflator-Domestic as a proxy for the global deflator) is US\$2,599. In real terms gold continues to trade well above its 20-year average of US\$1,346/oz. For the gold price to stay near its historical average in real terms, the nominal price must remain near US\$1,718.

Gold in terms of silver: The Gold/Silver ratio rose to 90.95, still above its 20-year average of 73.43x, suggesting that gold is expensive relative to silver (or silver is cheap relative to gold). For this ratio to reach its long-term average, assuming that silver is better priced than gold (which is highly probable), then the gold price should go to US\$2,679/oz.

Gold in terms of palladium: The Gold/Palladium ratio increased to 2.94x, above its 20-year average of 1.88x. This implies that gold is currently expensive compared to palladium. To bring this ratio to its long-term average, assuming that palladium is well valued, then the price of gold should reach \$2,121 per ounce.

Gold to oil ratio: This ratio is at 47.98x, still well above its 20-year average of 21.27x. Considering our mid-term outlook for WTI oil at US\$65 (the midpoint of our new fundamental target range of \$60-70pbl for oil) and assuming that the utility function of both commodities remains unchanged, the price of gold must approach US\$1,382 for this ratio to remain near its LT average.

The massive negative returns in bonds have disappeared: During the 2010-2017 and 2020-2022 periods, gold's disadvantage against fixed income instruments (gold does not offer a coupon) was neutralised by nominal negative yields in a large number of global bonds, leading to strong arguments for the purchase of gold. But this is no longer the case, with most bonds in the USD universe offering positive returns, making them attractive against gold, which again suffers from the disadvantage of not offering a coupon or yield.



CURRENCIES

Page 20

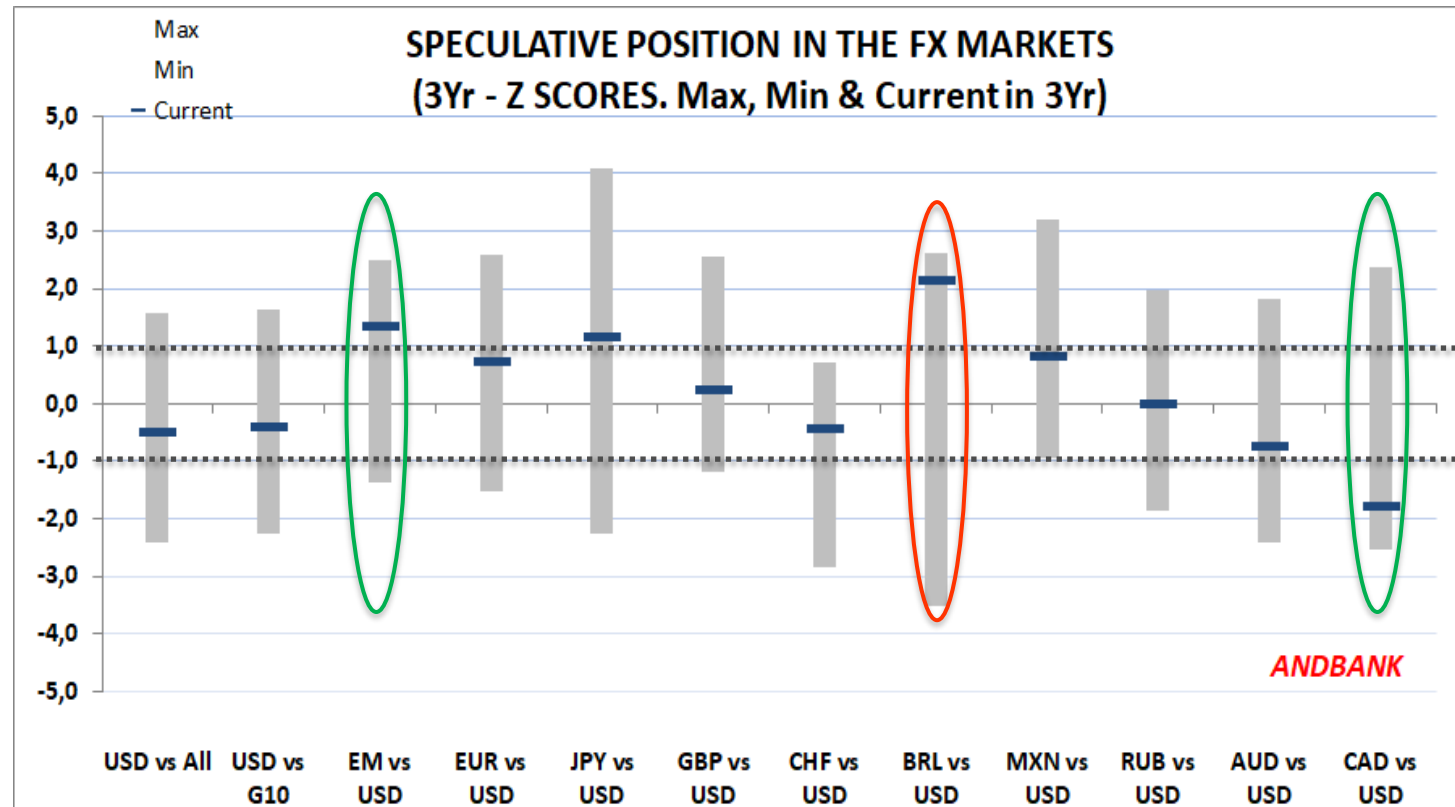
EXCHANGE RATES

Flow analysis & Short-term view

Currency	Mkt Value of Net positions in the currency (Bn \$)	Change vs last month (Bn \$)	3-yr Max (Bn \$)	3-yr Min (Bn \$)	3-yr Avg (Bn \$)	Current Z-score 3-yr
USD vs All	-9,86	-3,73	32,1	-28,2	-0,9	-0,47
USD vs G10	-6,35	-2,60	32,7	-25,4	0,6	-0,39
EM	3,51	1,13	3,9	-0,8	1,9	1,35
EUR	16,89	-1,02	23,4	-8,6	10,1	0,73
JPY	6,73	-0,43	15,7	-15,0	-4,0	1,16
GBP	-0,17	2,48	4,4	-6,5	-0,9	0,26
CHF	-3,64	0,56	0,2	-6,1	-2,9	-0,43
BRL	1,24	0,71	1,2	-0,8	0,1	2,15
MXN	2,27	0,42	3,3	-0,5	1,5	0,83
RUB	0,00	0,00	1,2	-0,3	0,3	0,00
AUD	-3,93	2,60	6,1	-6,5	-1,3	-0,74
CAD	-8,30	-0,71	6,1	-9,1	-1,3	-1,76

ANDBANK

Positive
Neutral-Positive
Neutral-Negative
Negative



ANDBANK

Positive
Neutral-Positive
Neutral-Negative
Negative

The currencies we technically
favour are circled in green



SUMMARY TABLE OF EXPECTED RETURNS

Page 21

Asset Class	Indices	Performance Last 30 days	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Equity	USA - S&P 500	-0,5%	14,3%	6.720	6.890	2,5%
	Europe - Stoxx Europe 600	-1,7%	11,1%	564	576	2,2%
	SPAIN - IBEX 35	1,7%	37,5%	15.949	15.400	-3,4%
	MEXICO - MXSE IPC	3,6%	27,4%	63.093	62.400	-1,1%
	BRAZIL - BOVESPA	7,9%	27,5%	153.339	144.000	-6,1%
	JAPAN TOPIX	2,0%	18,5%	3.299	3.302	0,1%
	China SSE Comp. A share	3,0%	19,3%	4.191	3.952	-5,7%
	CHINA - SHENZEN COMPOSITE	0,0%	28,7%	2.519	2.368	-6,0%
	INDIA - SENSEX	1,8%	6,5%	83.216	85.500	2,7%
	VIETNAM - VN Index	-5,8%	26,2%	1.599	1.517	-5,1%
	MSCI EM ASIA (in USD)	1,7%	29,7%	774	779	0,5%
Fixed Income Core countries	US Treasury 10 year Govie	0,6%	7,8%	4,09	4,25	2,8%
	UK 10 year Gilt	2,4%	4,7%	4,46	4,75	2,2%
	German 10 year BUND	0,4%	-0,4%	2,66	2,80	1,5%
	Japanese 10 year Govie	0,3%	-3,8%	1,67	1,75	1,1%
Fixed Income Peripheral	Spain - 10yr Gov bond	0,6%	1,7%	3,17	3,45	1,0%
	Italy - 10yr Gov bond	1,0%	3,8%	3,41	3,65	1,5%
	Portugal - 10yr Gov bond	0,7%	0,9%	3,01	3,30	0,7%
	Ireland - 10yr Gov bond	0,5%	0,2%	2,87	3,20	0,3%
	Greece - 10yr Gov bond	0,5%	1,8%	3,27	3,70	-0,2%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,2%	2,8%	55,61	60	2,4%
	Credit EUR HY-Itraxx Xover	0,3%	4,5%	266,93	300	3,7%
	Credit USD IG - CDX IG	0,3%	4,2%	53,59	75	3,9%
	Credit USD HY - CDX HY	0,2%	6,1%	334,16	400	5,3%
Fixed Income EMEA	Turkey - 10yr Gov bond (local)	-2,6%	1,0%	29,86	30,00	28,7%
Fixed Income Asia (Local currency)	China - 10yr Gov bond (local)	0,9%	0,8%	1,74	1,25	5,7%
	India - 10yr Gov bond (local)	0,4%	7,7%	6,51	5,75	12,6%
	Singapore - 10yr Gov bond (local)	-0,5%	9,8%	1,91	2,25	-0,8%
	Indonesia - 10yr Gov bond (local)	0,4%	12,7%	6,12	5,75	9,1%
	South Korea - 10yr Gov bond (local)	-1,8%	-0,2%	3,12	2,75	6,1%
	Taiwan - 10yr Gov bond (local)	0,7%	4,4%	1,24	2,50	-8,8%
	Philippines - 10yr Gov bond (local)	1,8%	7,2%	5,82	5,00	12,4%
	Malaysia - 10yr Gov bond (local)	0,3%	5,8%	3,49	3,00	7,4%
	Thailand - 10yr Gov bond (local)	0,2%	3,3%	2,05	1,75	4,5%
	Vietnam - 10yr Gov bond (local)	-1,1%	-4,3%	3,88	3,00	10,9%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	0,5%	23,1%	8,64	9,25	3,8%
	Mexico - 10yr Govie (USD)	-0,4%	12,6%	5,81	6,25	2,3%
	Brazil - 10yr Govie (Loc)	2,2%	23,3%	13,82	14,25	10,4%
	Brazil - 10yr Govie (USD)	5,2%	14,5%	6,02	6,75	0,2%
Commodities	Oil (WTI)	-3,8%	-16,6%	59,9	65,00	8,4%
	GOLD	0,6%	45,2%	3.997,7	3.000	-25,0%
Fx	EURUSD (price of 1 EUR)	-0,6%	11,7%	1,16	1,15	-0,5%
	GBPUSD (price of 1 GBP)	-2,1%	4,9%	1,31	1,36	3,7%
	EURGBP (price of 1 EUR)	1,6%	6,5%	0,88	0,85	-4,0%
	USDCHF (price of 1 USD)	0,5%	-11,2%	0,81	0,87	8,0%
	EURCHF (price of 1 EUR)	-0,1%	-0,9%	0,93	1,00	7,5%
	USDJPY (price of 1 USD)	0,3%	-2,6%	153,10	150,0	-2,0%
	EURJPY (price of 1 EUR)	-0,3%	8,7%	176,98	172,5	-2,5%
	USDMXN (price of 1 USD)	1,2%	-10,9%	18,55	20,00	7,8%
	EURMXN (price of 1 EUR)	0,6%	-0,5%	21,43	23,00	7,3%
	USDBRL (price of 1 USD)	0,3%	-13,2%	5,36	5,40	0,7%
	EURBRL (price of 1 EUR)	-0,2%	-3,2%	6,20	6,21	0,2%
	USDARS (price of 1 USD)	0,4%	39,3%	1.435	1.000	-30,3%
	USDINR (price of 1 USD)	-0,1%	3,6%	88,67	86	-3,0%
	CNY (price of 1 USD)	0,0%	-2,5%	7,12	7,50	5,3%

* For Fixed Income instruments, the expected performance refers to a 12 month period

UPWARD REVISION DOWNWARD REVISION



PRINCIPAL CONTRIBUTORS

Page 22

**Together
Everyone
Achieves
More**



Marian Fernández
Europe: Government bonds, Macro & ECB
+34 639 30 43 61



Marcus Vinicius de Macedo
Brazil: Bonds, Equity & FX
+55 11 3095-7045



Gonzalo Lardies
Spain: Equity & Rates
+34 91 205 42 42



Idan Azoulay
Israel: Rates, Corporate Bonds & Equities
+972 3 6138218



Alvaro Millán
US: Equity, Bonds & Corporates
+1 305 702 0601



Juan Manuel Lissignoli
Argentina & Cono Sur: Bonds, FX, Macro
& Politics. +598 2626 2333



Jonathan Zuloaga
Mexico: Rates, Equity & FX
+52 55 53772810



Sofiane Benzarti
Luxembourg: Global Flows & Positioning
+352 26 19 39 21



Alex Fusté
EM Asia & Japan: Bonds, Equities & FX
Commodities: Energy & Precious Metals
+34 673 041 058

LEGAL DISCLAIMER

Page 23

All notes and sections in this document have been prepared by the team of financial analysts at ANDBANK. The opinions stated here are based on a combined assessment of studies and reports drawn from third parties. These reports contain technical and subjective assessments of data and relevant economic and sociopolitical factors, from which ANDBANK analysts extract, evaluate and summarise the most objective information, agree on a consensual basis and produce reasonable opinions on the questions analysed here.

The opinions and estimates contained here are based on market events and conditions occurring up until the date of the document's publication and cannot therefore be decisive in evaluating events after the document's publication date.

ANDBANK may hold views and opinions on financial assets that may differ partially or totally from the market consensus. The market indices have been selected according to those unique and exclusive criteria that ANDBANK considers to be most suitable.

ANDBANK in no way guarantees that the forecasts and facts contained here will be confirmed and expressly warns that past performance is no guide to future performance, that the investments analysed might not be suitable for all investors, that investments can vary over time in value and price and that changes in interest rates or forex rates are factors which could alter the accuracy of the opinions expressed herein.

In compliance with Andorran Law 17/2019, of 15 February, amending Law 8/2013, of 9 May, on the organisational requirements and operating conditions of financial system operating entities, investor protection, market abuse and financial collateral agreements, this document can in no event be considered an offer or proposal to sell the products or financial assets mentioned in this document. All information contained here is indicative and must not be taken as the only relevant factor in the decision to make a specific investment.

There are also additional major factors influencing this decision that are not analysed in this document, including the investor's risk profile, financial expertise and experience, financial situation, investment time horizon and the liquidity of the investment.

Investors are therefore responsible for seeking and obtaining appropriate financial advice to help them assess the risks, costs and other characteristics of the investment that they are willing to undertake.

ANDBANK expressly disclaims any liability for the accuracy and completeness of the evaluations mentioned here or for any mistakes or omissions which might occur during the process of publishing this document. Neither ANDBANK nor the author of this document shall be liable for any losses that investors may incur, either directly or indirectly, as a result of any investment made on the basis of information contained here.

The information and opinions contained here are subject to change without notice.