NOVEMBER 2026

Equity Focus
Turning Gridlock into Goldilocks

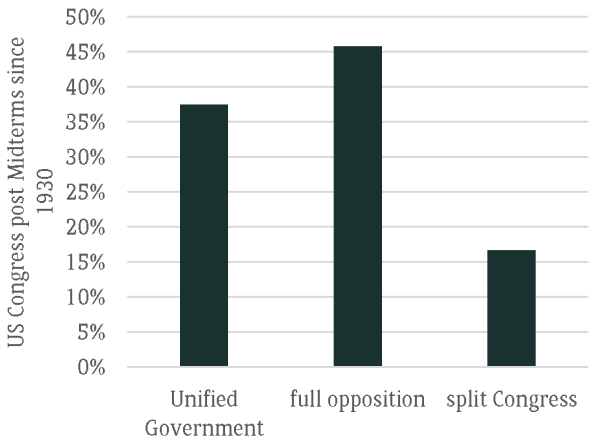
Summary

1. **Turning Gridlock into Goldilocks.** Divided US government has historically supported equities by limiting major policy changes and reducing uncertainty. The post-election sell-off reflects fears of tighter AI and data centre regulation. We expect local constraints to increase costs and delay some projects rather than halt the investment cycle.
2. **A market reset.** The sharp equity decline and exceptional volatility surge suggest capitulation. Similar episodes have historically preceded stronger medium-term returns, although they do not confirm that markets have bottomed. Lower technology valuations provide support, provided corporate earnings expectations hold up.
3. **The AI investment case remains intact.** Strong cloud revenue growth and continuing infrastructure plans support our outlook. We favour established cloud platforms and chipmakers with sound financing and sustainable cash flows over heavily indebted neocloud providers. Power infrastructure, cooling equipment and copper remain essential to expansion. We remain overweight US equities and the global AI build-out theme.
4. **Earnings and sector positioning.** US earnings remain strong, while European results have exceeded expectations, led by Energy. Growth should moderate rather than collapse. We see opportunities in Technology and Industrials following the correction and favour Healthcare among defensives. European Healthcare and Utilities offer attractive diversification. We remain cautious on US Utilities until regulation and electricity pricing become clearer.

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CHART 1: A DIVIDED GOVERNMENT POST MID-TERMS IS THE NORM



Source: BNP Paribas, U.S. House of Representatives, Office of the Historian; U.S. Senate Historical Office

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Turning Gridlocks into Goldilocks

"Gridlock is not an American problem. It is an American achievement.." (George Will)

That the Democrats won control of US Congress was expected. However, their margin of victory was far greater than expected. Since 1930, the party ruling the White House lost seats in the House of Representatives and the Senate in 87,5% and 62,5% of the cases, respectively. On average, the losses amounted to 26 seats in the House and 4 Seats in the Senate. As a result, a divided Government (with Congress and the White House being led by opposing parties) is the most common result of mid-term elections, occurring in circa 46% of the cases (Chart 1).

For equities, historical data suggest that mid-term elections rarely disrupt the broader market trajectory. When the opposition controls both chambers, major tax, regulatory, and legislative changes become less likely. This reduces policy uncertainty and improves visibility for businesses and investors. At the same time, the need for compromise can encourage reciprocal concessions that result in a more supportive fiscal policy. Hence for equities, political gridlock is relatively positive. Looking back as far as 1930, Presidential/Congressional gridlock has provided the strongest returns on a 3-, 6-and 12-month basis, far outperforming all other scenarios both in terms of performance and positive outcomes (Chart 2).

A reversal of a well kwon pattern in slow motion

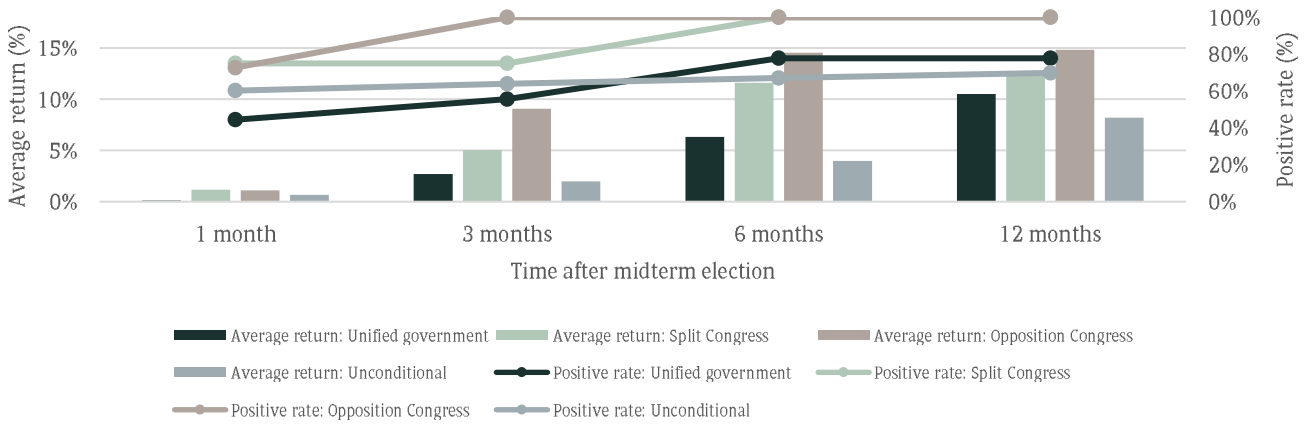
A 'blue sweep' was perceived as a potential source of financial market risk. Specifically, there were concerns that such an outcome could dampen the AI investment boom and lead to a further widening of budget deficits.

While the presidential veto makes broad federal regulation unlikely in the short term, a unified Democratic mandate may cause markets to price in a potential 'blue wave' for 2028. This could heighten expectations for stricter AI safety guardrails, increased regulation of industry concentration, and greater scrutiny of the energy costs associated with data centres. The market has already started to price those risks, beginning in late summer when many subthemes within the AI trade started to correct. In a sense, we saw a "buy the rumor, sell the news" pattern playing out in reverse slow motion. The sharp selloff which we saw last Thursday seems to have been the culmination point of those fears, triggering massive deleverage from Hedge Funds which in turn caused levered ETFs to unwind tens of billions of equity exposure. As a result, the S&P 500 suffered an exceptionally sharp decline. The index fell 4.4%, while the VIX surged 70%—a combination not previously observed in the historical data series since 1990.

A day for the history books

The equity sell-off alone ranks among the most severe daily declines in the sample: only 36 trading days recorded an equally large or larger loss, placing the move at the 0.39th percentile. The most recent comparable decline was on 4 April 2025, when the index fell 5.97% The volatility response was even more unusual. In percentage terms, the 70% surge was the third-largest increase on record, although the low starting level amplified that figure. Measuring the change in points reduces this base effect, but still shows an exceptional move: the VIX rose 11.6 points, its 17th-largest

CHART 2: A DIVIDED GOVERNMENT HAS HISTORICALLY BEEN THE MOST PRODUCTIVE BACKGROUND FOR EQUITY PERFORMANCE



Source: BNP Paribas, U.S. House of Representatives, Office of the Historian; U.S. Senate Historical Office

daily point increase since 1990, in the 99th percentile.

Investors hitting the panic bottom

Was the volatility response disproportionate to the equity decline? To assess this, We used a historical model incorporating both the magnitude of the S&P 500 decline and the starting level of the VIX.

Under comparable conditions, the model estimates a VIX increase of 6.5 points, versus the actual rise of 11.6 points. The response therefore exceeded the model estimate by 5.1 points, or 77%. This excess response falls at the 99.6th percentile of historical model residuals, with only about 0.4% of days on which the S&P 500 declined showing a larger positive deviation from the model estimate.

Even after accounting for the low starting VIX of 16.6 and the 4.4% equity decline, the volatility response was substantially larger than the model would suggest. A historically typical reaction would have taken the VIX to approximately 23.1. Instead, the VIX reached 28.2. This suggests that investors were not simply responding mechanically to falling equity prices but were pricing in substantially greater uncertainty and a potential shift in the volatility regime.

Where do markets go from here?

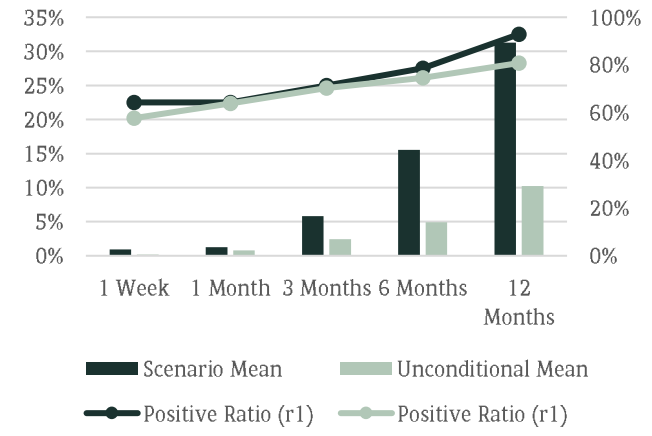
Historical S&P 500 returns following declines of more than 4% accompanied by VIX increases of at least 10 points paint an encouraging picture. Average returns after six and twelve months were 15.5% and 31.3%, respectively, compared with unconditional averages of 4.9% and 10.2%.The key takeaway is that a large equity decline combined with a major volatility shock has historically been followed by substantially stronger medium- and long-term returns than the unconditional market average. The most striking result is that the market was higher twelve months later in 13 of the 14 cases, a positive ratio of 92.9%, compared with an unconditional ratio of 80.8% (Chart 3). This does not ensure that a market low has been reached. Historically, however, such events have been associated more often with late-stage capitulation and subsequent recovery than with the start of a prolonged bear market decline.

Was the sell off justified?

The sell-off was triggered by a reassessment of the physical AI supply chain following the Democrats' "blue sweep" and US local ballot initiatives, where voters opposed new data centre projects by 43 to 1. Investors have begun to fear that tighter land-use, permitting and power-grid restrictions could delay the completion of sufficient data centre shells by 2028. Customers could then be left with expensive, often debt-financed semiconductors and memory systems (DRAM and NAND) that cannot be deployed in operating, cash-flow-generating facilities. This explains the pressure on chipmakers, memory producers, construction and engineering companies, independent power producers — particularly those exposed to Texas, Georgia and Ohio — and highly leveraged neocloud providers. Copper also fell to its lowest level since July.

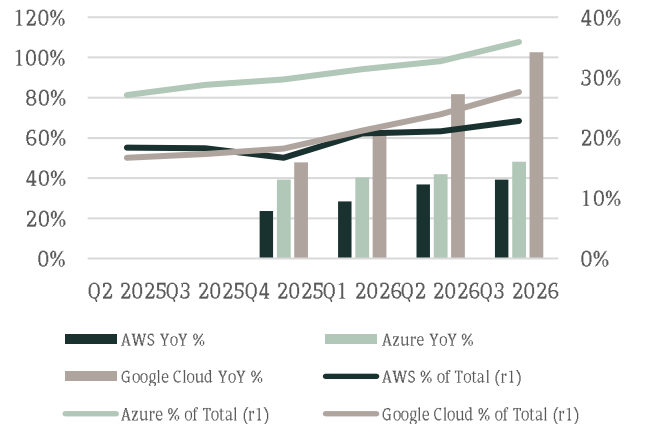
We think that those fears are materially overstated for several reasons. First, the underlying investment case has not materially changed. Plans to expand AI infrastructure remain in place, and rising cloud revenues increasingly support the rationale for that spending (Chart 4). As discussed above, the correction reflects concerns that markets had already begun to price in during late summer. In our view, the

CHART 3: STRONG SELLOFFS HAVE USUALLY BEEN FOLLOWED BY STRONG RECOVERIES



Source: BNP Paribas, Bloomberg

CHART 4: CLOUD REVENUE GROWTH REMAINS STRONG



Source: BNP Paribas, Factset

subsequent capitulation is more consistent with a reset of expectations within an intact longer-term trend than with a fundamental reversal of the AI investment cycle.

Second, valuations already appear to discount a substantial slowdown as the following examples illustrate. The Korean KOSPI index's price-to-earnings ratio recently fell below 4 (more than 4 standard deviations below its long-term average), while the Nasdaq's valuation premium over the S&P 500 is at its lowest since 2013 (Charts 5 & 6). These lower valuations should provide a cushion against further losses, provided corporate earnings expectations do not collapse. That qualification matters: cheaper shares alone cannot offset a deterioration in the underlying businesses.

Third, local opposition is more likely to alter the pace and cost of the build-out than to stop it. Operators are already responding to residents' concerns by adjusting how grid-expansion costs are allocated and installing closed-loop cooling systems. Local tax revenues also provide a tangible counterweight to opposition, funding projects such as school renovations and new fire stations. We therefore expect manageable delays and some additional costs rather than a lasting halt to expansion. With many companies along the supply chain already booked through 2028 and beyond, the impact of this adjustment should be limited—and appears, in many cases, already reflected in share prices.

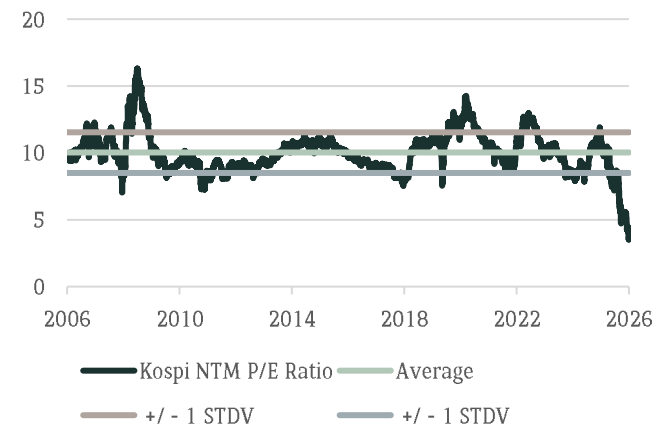
A more discriminating market ahead

This does not mean all AI-related companies will emerge equally well. The more important distinction is increasingly between businesses that can earn sustainable returns on their investment and those requiring ever more capital. Large cloud platforms and established chipmakers benefit from scale, access to financing and flexibility to develop infrastructure across different locations. Smaller, heavily indebted neocloud providers with expensive funding and no clear path to positive free cash flow remain more vulnerable. The financing risks described earlier are real but argue for greater sector differentiation rather than rejecting the entire investment theme.

The same reasoning extends beyond technology. AI expansion is increasingly an energy and infrastructure challenge: US data centre electricity demand could rise sharply over the coming years, while European grid-connection requests are increasing, reinforced by broader electrification. Utilities, grid operators and suppliers of power, cooling and related equipment remain central to enabling expansion. Strategic industrial metals such as copper, and their producers, also retain a role in this investment cycle. Recent pressure on these areas should therefore be weighed against the continuing need for their infrastructure.

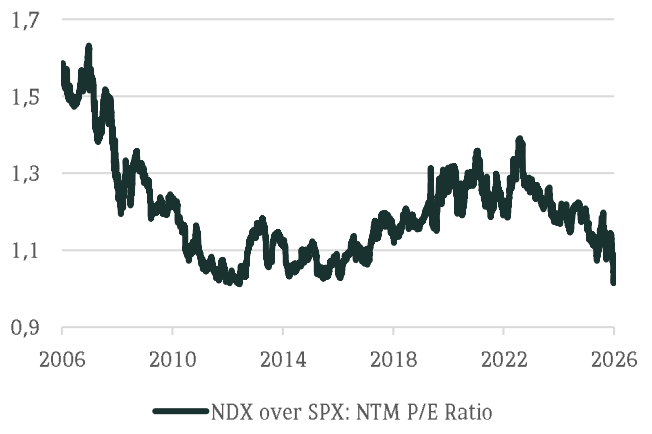
Although we acknowledge that our call to overweight US equities in general and US tech stocks in particular came too early, we stand by it. Together with the post-capitulation evidence presented above, we find the case even more appealing. Neither historical pattern guarantees that the low is behind us, but intact investment plans, lower valuations and scope to address local constraints leave us encouraged that there is no compelling fundamental case for a sustained downtrend. **We remain overweight US equities and the AI build-out trade on a global basis and recommend embracing recent weakness as an opportunity.**

CHART 5: THE KOSPI VALUATION RECENTLY HIT AN ALL TIME LOW



Source: BNP Paribas, Bloomberg

CHART 6: THE VALUATION PREMIUM OF TECH IS AT A DECADE LOW



Source: BNP Paribas, Bloomberg

US and Europe Equity Performances and Sector Positioning

US equities hesitating

After a strong start to 2026, driven by optimism around AI advancements, equity markets began consolidating over the summer amid concerns about rising oil prices, climbing bond yields, and the sustainability of AI financing and monetisation—especially given the significant capital raises this year.

However, the US economy continues to defy expectations, demonstrating resilience with controlled inflation. New (agentic) AI products have been launched, and corporate earnings forecasts have been upward-trending. This momentum regained traction in September, but fresh uncertainties emerged ahead of the US elections, particularly regarding potential regulatory risks for AI and data centres, including possible moratoria in states like Texas.

A reduction in production capacity would be detrimental to the entire AI infrastructure supply chain. After the Democratic sweep in the mid-term elections, the market began pricing in the worst-case scenario. While stricter regulation at the state level in the US is likely, given the scarcity of AI components, we expect many of them to be redeployed to complete existing projects or to build data centres in other US states or countries.

Semiconductors are currently trading at extremely low valuations, limiting their downside potential (see chart 7). Should AI infrastructure development extend over the coming years as we expect, the AI trade—particularly semiconductors and other scarce components—is likely to regain leadership in equity markets.

Market rotating to defensives

Under these conditions, equity investors shifted significantly toward sectors that had underperformed in the first nine months of the year—namely consumer staples, healthcare, and utilities—each gaining around 10% in October. Meanwhile, energy remained the standout performer in October (+14%), before giving up most of those gains in early November.

Therefore, despite the Technology's counter-performance, the S&P 500 limited its decline to 1% in October, supported by strong gains in defensive sectors.

Year-to-date, as of November 5th, energy, consumer staples, and healthcare are the top-performing sectors in the US (see chart 8).

Among defensive US sectors, we currently favour Healthcare, whose P/E has recovered to 19.4x due to strong earnings growth expectations: +22.9% in 2027 and a relative normalization to +11.1% in 2028.

Consumer staples appear fully priced, trading at a P/E of ~22.7x with expected growth rates of 6% in 2027 and 8% in 2028.

For Utilities, we would wait for greater clarity on potential new data center regulations, construction, electricity price caps, infrastructure deployment, and the impact of elevated energy prices and inflation before considering overweighing the sector again.

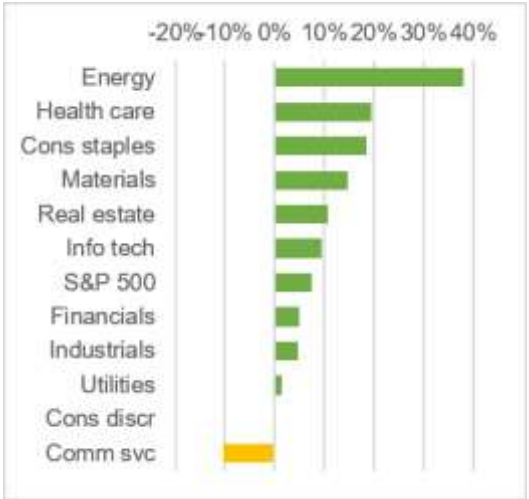
In the meantime, we see attractive opportunities in Technology and Industrials (especially in the infrastructure/ electrification theme) following the recent correction.

CHART 7: GLOBAL SEMICONDUCTORS NOW TRADING AT VERY LOW VALUATIONS AND AT A DISCOUNT RELATIVE TO THE MSCI ACWI (GLOBAL) INDEX.



Source: BNP Paribas Equity Research, Bloomberg

CHART 8: US SECTOR PERFORMANCE YTD: ENERGY AND DEFENSIVES LEADING; COMM. SERVICES, CONSUMER DISCR. & UTILITIES AT THE BOTTOM.



Source: S&P 500, 2026 performances as at 5th of Nov. 2026.

Outperformance of the European Stoxx 600 in October, driven by strong Q3 results, lower energy prices, and its more diversified composition.

In the US, Information Technology accounts for 37% of the MSCI USA index. When combined with other sectors highly exposed to Technology/AI—such as Communication Services (e.g., Alphabet, Meta) and Consumer Discretionary (e.g., Amazon, Tesla)—the exposure to the Tech/AI theme reaches 55%. This number is even higher when including major construction and infrastructure companies involved in building data centers and other AI-related equipment. Defensive sectors with low AI exposure represent roughly 20% of the index, while Financials account for 12%.

By comparison, Information Technology is only the fifth-largest sector in Europe, with a 9% weight. While Industrials (18%), Materials (5%), and Utilities (5%) have some AI exposure, it is clear that Europe is far less exposed to the AI trade than the US, Japanese, Korean, or Taiwanese equity markets.

It is therefore no surprise that Europe has become a haven for investors seeking diversification away from AI. Defensive sectors—primarily Healthcare (OW) and Consumer Staples (UW) —account for over 25% of the Stoxx 600 index, while the relatively undervalued Financials sector (N) represents another 24%.

The decline in energy prices and exceptionally strong Q3 earnings have further fueled the rotation to European equities. While analysts had forecasted earnings growth of +22% for Q3, European companies have so far delivered a staggering +40% (with 55% of companies having reported), driven by significant gains in the Energy sector. Further details are provided later in this report.

European defensives offer attractive diversification, especially Healthcare

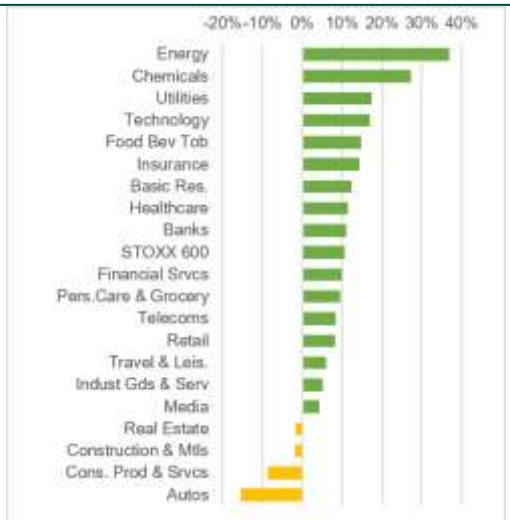
As previously noted, US defensive sectors represent a relatively small portion of major indices and appear fairly valued. However, we still see potential in certain areas of US Healthcare (forward P/E = 19.4x), particularly:

- Innovation-driven segments are likely to be more resilient to healthcare pricing pressures currently being pushed by Republicans to reduce US health costs. Such pressures on older franchises may persist following the Democrats' mid-term election sweep.
- Strategically, many countries now prioritize leadership in research, development, and production to secure their supply chains.
- AI is expected to enhance Healthcare across multiple processes, including: diagnoses (systemisation), accelerating drug discovery and development, better tailoring to individual cases (with the support of genomics, robotisation among others), predictive analytics, automatization of medical administration, commercialization and marketing.

The relative visibility, predictability, and stability of cash flows in this sector have naturally attracted investors questioning the profitability and growth expectations of AI-related investments, following the Democrats' mid-term election sweep.

European Healthcare (fwd P/E = 15.2x) trades at lower valuations than its US peer and remains attractive on a historical basis (see chart 10). European Utilities (OW) also trade at a discount to US peers (fwd P/E: 14.5x vs. 16.5x). Similarly, European Staples (UW) have a fwd P/E of 16x, compared to 22.7x for their US counterparts.

CHART 9: EU SECTOR PERFORMANCE YTD: DEFENSIVES HAVE STRONGLY RECOVERED; ENERGY REMAINS AHEAD; CONSUMER RELATED & HIGH-ENERGY USERS LAGGING



Source: Stoxx600, 2026 performances as at 5th of Nov. 2026.

CHART 10: EU HEALTHCARE P/E AT THE LOW END OF ITS 14X-18X RANGE OF THE LAST 12 YEARS, AMID EXPECTED AI-DRIVEN EFFICIENCY GAINS



Q3-26 US earnings: strong but less exceptional than prior quarters

Q3-26 US corporate results were anticipated to be robust, particularly in Energy, Technology, Communication Services, and Materials. With over 90% of companies having reported (a few major names, such as Nvidia on November 16th, are still pending), earnings growth is set to exceed +30% again, supported by the resilient US economy and AI-related spending.

While ~30% growth was initially expected, Q3 US earnings rose +32% YoY (and +34% excluding one-off negative impacts at some hyperscalers) – see Table 1 below. **Energy and Semiconductors delivered particularly strong results, while Healthcare and Utilities (among defensives) also outperformed expectations.**

On the weaker side, Magnificent Seven results were mixed. Investors are now demanding better returns from heavy AI investments. Companies with uncertain profitability paths saw their stocks sharply correct post-earnings. At contrary, a company like Microsoft—with its strong cloud revenue growth and superior free cash flow generation— significantly outperformed its peers post Q3 earnings release.

In general, Materials, and Communication Services fell slightly short of (high) expectations and Consumer Discretionary was a mixed bag.

It's worth reminding that 2026 has been unusual, with earnings growth estimates continuously revised upward, providing strong support for equities—though this trend is now plateauing. Typically, expectations start high at the beginning of the year and tend to moderate later, particularly during the summer.

Q3-26 European earnings growth extremely strong; +30% could be reached by the end of the reporting season

European earnings are recording exceptionally strong growth this quarter. Before the reporting season, analysts had forecasted +22% growth. However, after major oil & gas companies reported extremely strong Q3 profits (~+150% Y/Y), European earnings—with 55%-60% of companies having reported so far—are now up +40%. This figure is likely to moderate toward +30% as more companies in other sectors report, given their less spectacular growth rates.

Beyond Energy, other sectors have also delivered solid earnings growth e.g. Technology and Financials. There were also positive surprises in Consumer Staples. Similar to the US, after a disappointing Q2 reporting season, Healthcare reassured markets with solid results and positive outlooks.

Europe is now expected to record very strong EPS growth close to 20% in 2026, before moderating to +9% in both 2028 and 2029 (see chart 11). Its forward P/E of 14x appears fairly valued. By comparison, the US is projected to deliver EPS growth of +35% in 2026, followed by a return to a more normalized (yet still elevated) +18% in 2027 and +16% in 2028. The S&P 500's forward P/E of 19x does not seem excessive given these expectations.

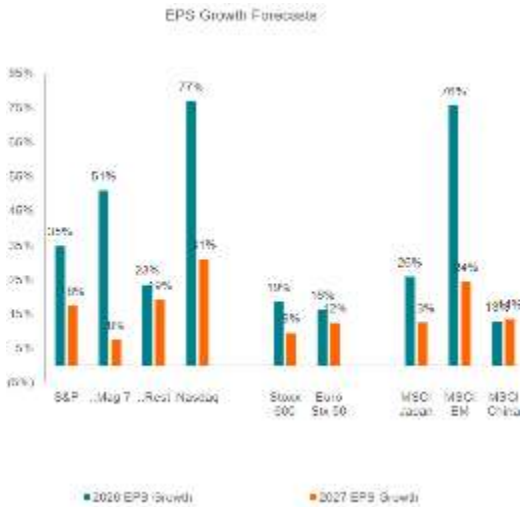
That said, uncertainty remains over whether these forecasts are too optimistic, particularly in light of US political shifts and an expected slowdown in AI investments. **While we also anticipate a moderation in AI growth rates—likely leading to a better controlled and sustainable development—we disagree with bearish views predicting a collapse in AI infrastructure earnings.**

TABLE 1 : Q3 US EARNINGS GROWTH : STRONGEST IN ENERGY+ SEMICONDUCTORS; WEAKEST IN CONSUMER-RELATED SECTORS

Sector	Earnings YoY%	Sales YoY%
Consumer Discr	2,8%	5,4%
Consumer Staples	6,1%	5,8%
Energy	151,1%	36,1%
Financials	5,8%	6,8%
Health Care	9,3%	6,3%
Industrials	17,8%	12,7%
Technology	70,1%*	42,8%**
Materials	28,8%	10,2%
Real Estate	7,6%	11,5%
Communic. Serv.	24,9%	14,1%
Utilities	14,4%	9,3%
S&P 500	31,5%	14,2%

**Semiconductors: +132,4% earnings growth Y/Y;*
***Semis: +82,8% sales growth Y/Y*
Source: FactSet, BOFAML, BNP Paribas

CHART 11: 2026 EPS GROWTH HIGHEST IN THE NASDAQ AND EMERGING MARKETS BUT SLOWDOWN IS EXPECTED IN 2027



Source: BNP Paribas Equity Research, Datastream, Bloomberg

European and US Sectors in a nutshell

Sector (STOXX Europe 600)	View			YTD (05 Nov)	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care			X	11,52%	0,94%	**Defensive compounder with attractive valuations.** This sector should be a key AI beneficiary; expect efficiency gains in a structually growing market (e.g. demographics, obesity etc). **Key risks: weakening USD, tariffs. Negotiations with the US administration (lowering drug prices, etc) look more constructive now.**
Industrial Goods & Services			X	5,24%	-5,34%	**A main beneficiary of infrastructure, defense spending, data centers construction, renewable energy projects, re-/ nearshoring, and electrification** although short term, there are some market frustrations that these investments are a bit slow to translate in new earnings. Higher energy prices could hurt profits in some instances.
Technology			X	17,08%	6,50%	**Quarter after quarter, solid results & perspectives, supported by new AI developments.** Volatility in software & services due to the risk of business loss to AI (although certain companies are integrating AI quite well in their solutions).
Utilities			X	17,42%	6,84%	**European infrastructure spending and energy independence willingness are tailwinds, whereas (green and AI-related) power demand continues to grow.** However, higher bond yields and energy prices have been hurting.
Auto & Parts		X		-15,42%	-26,00%	Automotives still weak due to intense competition with China, high EV investment costs and energy prices. However, **a more supportive European Union and the ongoing restructuring could stabilize this industry.**
Banks		X		11,15%	0,57%	**Cheap valuations** (avg fwd P/E under 10x) and solid balance sheets. New business opportunities. **However, rising inflation, yields and political issues have hurt banking businesses and pushed certain investors to book some profits.** Wait for a more stable environment before re-entering this sector and/ or buy on dip.
Basic Resources		X		12,30%	1,72%	We have recommended energy transition commodities (huge needs due to AI & energy independence) and precious metals (cf. geopolitics) for a long time. Watch also metals/ rare earths necessary for (electronic) defense.
Chemicals		X		27,29%	16,71%	The sector should profit from **EU infrastructure plans** as well as from some end markets revivals. **Competition from China, overcapacity, tariffs and other trade issues have been headwinds**, except for some fertilizer and other chemical companies benefiting of the tensions in the Hormuz strait.
Construction Materials		X		-1,92%	-12,50%	**(German) infrastructure and energy efficiency spending are catalysts for some.** On the other hand, rebuilding Ukraine theme still looks distant. Elevated energy prices have been a headwind. Be selective.
Cons. Products and Services		X		-8,65%	-19,23%	**The sector has suffered from tariffs, elevated fuel prices and geopolitical uncertainties.** Target areas showing solid and visible growth (i.e. the USA, some Asian markets, high-end luxury). Be selective.
Financial Services		X		9,92%	-0,66%	Latest corporate results were fine but ongoing **concerns relating to private credits/ equity businesses and possible AI disruption**, i.e. AI startups aiming to automate some fin services' tasks (pressure on revenues and margins).
Insurance		X		14,28%	3,70%	Solid and rather defensive sector. **Cash returns attractive but European insurance now looks fully priced** at an avg fwd P/E of 11,7. Also, there is a risk that some private loans exposure could turn sour. Be selective.
Media Price EUR		X		4,19%	-6,39%	**AI impact has been very negative for the sector as well as Meta Platforms** entering and threatening many (European) media and ads businesses.The sector is adaping and somewhat recovering now.
Real Estate		X		-1,54%	-12,12%	**Defensive sector hit by rising bond yields.** However, logistics and data centers still enjoy tailwinds from e-commerce/ AI. Be selective.
Retail		X		8,29%	-2,29%	The sector has now found some capital discipline allowing for cash distribution. However, higher energy prices and other disruptions are putting pressure on margins.
Telecommunications		X		8,45%	-2,13%	**Mix of business opportunities and threats relating to AI.** The sector's free M&A option and EU infrastructure plans are tailwinds. **Rising bond yields & SpaceX ambitions are currently hurting the sector performance.**
Travel & Leisure		X		5,98%	-4,60%	Higher energy prices, travelling issues in some parts of the world, high competition and capacity expansion have been **headwinds. But most big airline companies were hedged to a certain degree; adaptation happened relatively fast and high demand has been supportive.**
Energy	X			36,83%	26,25%	The sector profits from high and volatile energy prices as well as elevated refining margins. However, it is still at (high) risk of a full reopening of the strait of Hormuz and of overcapacity of production. Medium term, **we like renewables, energy infrastructure, equipment and services.** Necessity to rebuild and develop new energy sources as some others have become unreliable.
Food, Bev and Tobacco	X			14,74%	4,16%	**Sluggish earnings growth** and lack of upside catalysts**. Favour 'self help' stories and those companies adapting well to consumers' new habits, tastes and demands.**
Personal Care	X			9,57%	-1,01%	The sector still faces **headwinds from rising input costs while consumers are increasingly price sensitive**. Valuations still high. Lack of upside catalysts apart from its defensive characteristics.

Sector (S&P 500 Level 1)	View			YTD (5 Nov)	Out/ underperf. vs index	Our view at a glance
	UW	N	OW			
Health Care			X	19,35%	11,93%	**Defensive compounder with attractive valuations in a structually growing market** (e.g. demographics, obesity etc). AI to bring more efficiency gains. Negotiations with the US administration (lower drug prices, etc) look more constructive now.
Industrials			X	4,70%	-2,72%	**Re-shoring, reindustrialization, defense, AI and other infrastructure (re)develoment are major tailwinds**. But higher energy prices have been a headwind for some.
Information Technology			X	9,50%	2,08%	**Quarter after quarter, solid results & perspectives, supported by new AI developments, especially at semiconductors.** Volatility in software & services due to the risk of business loss to AI. Among hyperscalers, target those showing a clear path to growth, cash & profits generation.
Communication Services		X		-10,32%	-17,74%	The sector is **dominated by 2 mega tech companies, growing fast, and now regularly raising new debt and equity**. The rest of the sector is not cheap and is also facing challenges and opportunities. Be selective.
Consumer Discretionary		X		-0,09%	-7,51%	The sector is **dominated by 2 expensive mega tech companies, facing various issues**. However, their strong exposure to AI, automation and robotics keeps attracting interest. Other names in the sector could profit from a relatively resilient discretionary consumption in the US.
Financials		X		4,94%	-2,48%	**After the recent correction, the sector now looks fairly valued.** Deregulation, numerous profitable corporate activities (e.g. big IPOs, M&As) and volatile/ active capital markets are bringing support.
Materials		X		14,71%	7,29%	Medium term, the sector should benefit from reshoring and reindustrialization. In the short term, we prefer stocks with exposure to precious metals, rare earths and metals & mining necessary for (electronic) defense and energy transition.
Real Estate		X		10,60%	3,18%	Activity is still sluggish in residential RE. New construction activity is still muted. Commercial RE stabilising. **Momentum is better at some logistics and specialized REITs.**
Utilities		X		1,39%	-6,03%	**Solid growth in power demand due to AI & electrification but** there is now a **growing risk of more controls or price caps** on surging electricity prices in certain American states. Higher bond yields not helping either.
Consumer Staples	X			18,50%	11,08%	**The sector looks fully priced**. Costs have risen due to tariffs and higher energy prices. Besides, consumers may continue to "trade down" due to inflation. However, some names exposed to emerging markets, or expected to strongly benefit from AI or new consumption habits, have performed well in 2026. Be selective.
Energy	X			38,03%	30,61%	The sector profits from high and volatile energy prices as well as elevated refining margins. However, it is still at (high) risk of a full reopening of the strait of Hormuz and of overcapacity of production. **Medium term, we like renewables, energy infrastructure, equipment and services.** Necessity to rebuild and develop new energy sources as some others have become unreliable.

Valuations

TABLE : GLOBAL INDICES



TABLE : EUROPEAN SECTORS



TABLE : US SECTORS



Source: BNP Paribas, Bloomberg

Z-Score: Defines the number of standard deviations a value is from the mean of a given distribution. Negative z-scores indicate the value lies below the mean. Positive z-scores indicate the value lies above the mean.

Date: 6 November 2026

Our key convictions at a glance (Overweight equity)

		USA	Europe	Japan	Emerging Markets
Relative view*		Overweight	Underweight	Overweight	Overweight
What we (especially) like		Information Technology	Information Technology	Info Tech. + Domestically exposed names benefiting from wage gains or GDP growth	Northeast Asia (China A shares, Korea, Taiwan)
What we don´t (really) like					
Preferred themes & trades	Regional basis		Strategic Autonomy	Governance Reform achievers	APAC Tech
	Global basis	Infrastructure and Industrials exposed to Artificial Intelligence, Energy independence, Fiscal Spending and Re-shoring Innovation in Healthcare Metals & mining, particularly those critical for renewables, electrification and defense electronics			

* Relative view: against your benchmark

Economic, FX forecast tables

Strong growth outlook despite Iran conflict

BNP Paribas Forecasts

GDP growth %	2025	2026	2026 Bloomberg Consensus	2027	2027 Bloomberg Consensus
United States	2.9	2.2	2.9	2.3	2.2
Japan	1.2	1.0	0.8	1.2	0.8
United Kingdom	1.2	1.3	1.3	1.3	1.2
Switzerland	1.8	2.0	2.0	1.7	1.4
Eurozone	**1.3**	**1.1**	**1.0**	**1.6**	**1.3**
Germany	0.3	1.0	1.0	1.5	1.1
France	0.9	0.5	0.4	0.8	0.8
Italy	0.7	0.8	0.6	0.8	0.7
Emerging					
China	5.0	4.6	4.6	4.5	4.4
India**	7.8	7.1	7.5	6.9	7.1
Brazil	2.3	1.9	1.9	1.5	1.5

** Fiscal year

Source : BNP Paribas, Bloomberg - 02.11.2026

Inflationary pressure persists

BNP Paribas Forecasts

CPI inflation %	2025	2026	2026 Bloomberg Consensus	2027	2027 Bloomberg Consensus
United States	2.7	3.5	3.4	2.5	2.5
Japan	3.1	1.9	1.9	2.1	2.1
United Kingdom	3.4	3.2	3.2	3.5	3.1
Switzerland	0.2	0.6	0.7	0.7	0.8
Eurozone	**2.1**	**3.1**	**3.0**	**3.2**	**2.6**
Germany	2.3	2.7	2.8	2.8	2.6
France	0.9	2.5	2.4	2.4	2.2
Italy	1.6	3.4	3.0	3.1	2.5
Emerging					
China	0.0	1.0	1.0	1.2	1.1
India*	2.1	3.1	3.0	4.0	3.1
Brazil	5.0	4.5	4.5	4.5	4.4

* Fiscal year

Source : BNP Paribas, Bloomberg - 02.11.2026

FX FORECASTS EUR

	Country		Spot 02/11/2026	Trend	Target 3 months (vs. EUR)	Trend	Target 12 months (vs. EUR)
	United States	EUR / USD	1.12	Neutral	1.12	Negative	1.20
	United Kingdom	EUR / GBP	0.83	Neutral	0.84	Negative	0.87
	Japan	EUR / JPY	176.77	Neutral	177	Negative	186
	Switzerland	EUR / CHF	0.92	Negative	0.94	Neutral	0.92
	Australia	EUR / AUD	1.60	Neutral	1.60	Negative	1.64
	New-Zealand	EUR / NZD	1.99	Neutral	1.96	Neutral	2.0
	Canada	EUR / CAD	1.56	Neutral	1.57	Negative	1.62
	Sweden	EUR / SEK	10.97	Neutral	11.00	Neutral	10.80
	Norway	EUR / NOK	10.39	Negative	10.80	Neutral	10.60
Asia	China	EUR / CNY	7.44	Neutral	7.50	Negative	7.92
	India	EUR / INR	106.26	Neutral	106.40	Negative	114.0
Latam	Brazil	EUR / BRL	6.09	Positive	5.82	Neutral	6.0
	Mexico	EUR / MXN	20.79	Positive	19.04	Positive	20.16

Source: BNP Paribas, LSEG

FX FORECASTS USD

	Country		Spot 02/11/2026	Trend	Target 3 months (vs. USD)	Trend	Target 12 months (vs. USD)
	Eurozone	EUR / USD	1.12	Neutral	1.12	Positive	1.20
	United Kingdom	GBP / USD	1.34	Neutral	1.33	Positive	1.38
	Japan	USD / JPY	157.88	Neutral	158	Neutral	155
	Switzerland	USD / CHF	0.82	Negative	0.84	Positive	0.77
	Australia	AUD / USD	0.70	Neutral	0.70	Positive	0.73
	New-Zealand	NZD / USD	0.56	Neutral	0.57	Positive	0.60
	Canada	USD / CAD	1.40	Neutral	1.40	Positive	1.35
Asia	China	USD / CNY	6.65	Neutral	6.70	Neutral	6.60
	India	USD / INR	94.90	Neutral	95.0	Neutral	95.0
Latam	Brazil	USD / BRL	5.44	Positive	5.20	Positive	5.00
	Mexico	USD / MXN	18.57	Positive	17.00	Positive	16.80
EMEA	South Africa	USD / ZAR	16.58	Positive	16.00	Positive	15.75
	USD Index	DXY	101.75	Neutral	101.92	Negative	96.31

Source: BNP Paribas, LSEG

Sources: BNP Paribas, LSEG

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