

NOVEMBER 2026

Investment Strategy Focus

Bonds are bouncing

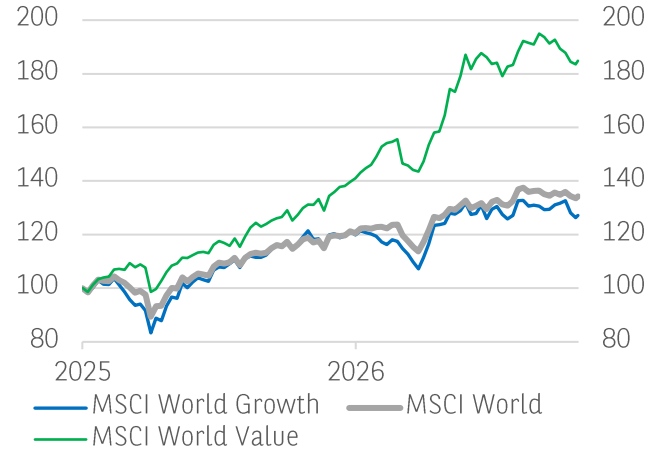
Summary

1. **Bonds get an October boost:** US, Japanese and German 10-year sovereign bond yields broke their steady upwards march despite sticky inflation, falling around 0.2% from end-September. US trend growth of ca. 2% and US core inflation, expected to ease towards 2.6%, gives us a target 10-year US bond yield of around 4.75%, versus the current 5% yield.
2. **AI top or just a correction?** The global technology sector sold off 4% over October as concerns mount over funding for the investment buildout. We see this as a short-term correction rather than a peak, given strong earnings growth and rising AI token demand and GPU rental prices. AI is a mega-boom punctuated by mini-busts; Positive on technology exposure.
3. **Defensive rotation in stocks:** Global consumer staples and health care rallied sharply in October as bond yields declined and investors sought shelter from the correction in the AI trade. Investors are actively trying to determine the long-term winners and losers of AI, leading to a sharp sell-off in selected technology themes.
4. **Commodities bull market rolls on, fuelled by energy:** Brent crude oil at USD110/barrel, record-high diesel refining margins and rising Europe natural gas prices drove a 9% monthly gain in the Bloomberg energy index. Positive on industrial and precious metal exposure.
5. **Oil prices, climate accelerate electrification:** while the bull case for growing global electricity demand has been focused on the AI data centre buildout, the reality may be more prosaic. High diesel and natural gas prices plus summer heatwaves are key drivers of electricity demand via electric/hybrid cars and air conditioning. Buy the electricity infrastructure theme.

Contents

Macro and Market Views	2
Bond yields may have peaked	3
Stock markets stay close to peaks, but weakness beneath the surface	4
Persistent risks to energy prices from Hormuz?	5
The commodity supercycle still in operation	6
Our main recommendations	7
Economic, FX tables, Team	8
Disclaimer	9

VALUE STOCKS HAVE LED GROWTH SINCE THE START OF 2025



Source: BNP Paribas, Bloomberg.

Edmund Shing, PhD

Global CIO

BNP Paribas Wealth Management



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The bank for a changing world

Macro and Market Views

	Macro		- Global expansion remains on a solid footing, driven by resilient consumer spending, improving business sentiment and a surge in AI-driven capital spending. - With no clear catalysts to de-escalate the conflict, elevated energy costs are expected to sustain inflationary pressure in the near term, but not to undermine the overall resilience of global growth.
	Bonds	+/=	- Positive on core eurozone sovereigns (favour maturities of 7-10 years), Neutral on US Treasuries; prefer shorter-term (ca. 5 year) maturities. - Positive on UK gilts (12-month yield target is 4.65%). - The ECB should raise its deposit rate once more in December to 2.75%. The Fed should raise rates in December and January to a 4.5% Fed Funds target rate. - We see the US 2-year yield at 4.35% in 12 months and the 10-year yield at 4.75%. - Our 12-month target on the German 10-year bund yield is 3.0%.
	Credit	+	- We prefer EUR and GBP (Positive view) to USD IG bonds (Neutral view) given the supply dynamics and the level of yields/spreads. We focus on quality. - Neutral on US high yield credit. Spreads fell back close to their historical lows even though uncertainty remains high. They do not remunerate the underlying risk.
	Equities	+	- Positive on Equities: we are constructive on equities considering the resilience of the global economy, the high earnings growth and the seasonality. - Favour the US, Japan and Emerging Markets, with a preference for Northeast Asia (China A shares, South Korea and Taiwan). - Underweight Europe on a relative basis. - Positive on Global Health Care, Industrials, Information Technology, Metals and Mining, EU Utilities.
	Real Estate	=	- INREV European private real estate funds continue to see steady growth in net asset values, delivering an average return of 0.9% q/q to investors in Q2 2026 after 1.3% in Q1. - Industrial/logistics exposure preferred for healthy yields, higher expected rental growth on robust underlying demand growth.
	Commod-ities	+/+ /-	- Precious Metals: we remain Positive on precious metals. Our 12-month price target for gold is USD5,000 per ounce and USD80 per ounce for silver. - Positive view on strategic industrial metals, such as copper, aluminium and tin. - Negative stance on Oil, 12-month price range for Brent crude oil of USD65.
	Alternative UCITS/ Private Assets		- Positive opinion on Macro. We also like Event-Driven strategies, in particular M&A arbitrage. - Positive on infrastructure, given medium-term structural growth boosted by government spending and emerging market demand.
	FX		- The short-term strengthening of the US dollar in the current risk-off environment is unlikely to persist in the longer term, given supplementary US spending increasing the US budget deficit and a gradual de-dollarisation trend. - EUR/USD 12-month target USD 1.20 (value of one EUR).

Bond yields may have peaked

Bond yields fall even as oil prices rise

The start of the US-Iran war in March dramatically changed the environment for bonds. Up until March, global inflation rates were on a declining trend, allowing US and European central banks to continue to cut benchmark interest rates further over the following months.

Instead, the resulting surge in energy prices following the start of the (now 7-month-long) Iran conflict has forced central banks to raise interest rates in the face of inflation which has stayed stubbornly high. As a result, 10-year government bond yields rose by anywhere from 1% to 1.8% to their peaks in late September/October.

But in the last 3 weeks, most 10-year bond yields look to have peaked, retreating 0.1% to 0.3% by 23 October. This coincides with the market's reassessment of how many central bank interest rate hikes are forecast over the next 12 months. More importantly, bond yields have broken their positive correlation to oil prices, as yields fell in October even as oil prices rose further. Ultimately, persistently high energy prices are a drag on the consumer and on companies, hurting demand and cooling demand-driven inflation.

In the case of the US Federal Reserve, interest rate futures markets currently price between 2 and 3 more Fed rate hikes between now and June 2027. At the start of October, the expectation was 3-4 more rate hikes. Somewhat softer US economic and inflation data in October led to this adjustment, despite elevated energy prices.

Bonds benefit from safe-haven buying

This is not the only reason for the fall in bond yields. After all, crude oil and diesel prices have not declined, but if anything, have continued to go up, with the Brent crude benchmark hitting a new year high of USD117/barrel on 23 October.

A major factor in this retreat in bond yields is a flight to safety, i.e. the renewed buying of bonds by both professional and retail investors as they reduced exposure to riskier technology stocks in favour of the relative safety and attractive income offered by bonds. For investors that have benefited from a 115% return in USD and 88% in EUR from global equities (MSCI ACWI) since October 2022, there is an obvious temptation to take some profits to rebalance portfolios in favour of fixed income when historically high yields are on offer. This is evident in the strong inflows recorded by US bond ETFs since the start of the year, according to data provider Morningstar.

Global pension funds rebalance into bonds

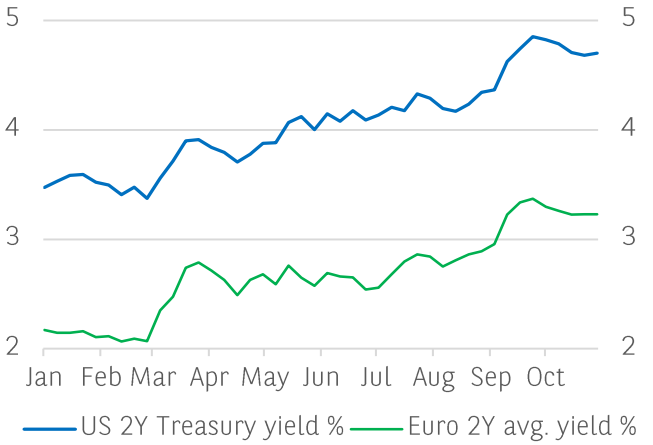
Higher yields have also spurred a large allocation shift by global pension funds, which redirected USD1.2 trillion from equities to bonds over the first eight months of 2026, according to pensions consultant Willis Towers Watson. Better funding levels (current pension fund assets versus the net present value of future pensions to be paid) and higher yields on long-term bonds allow pension funds to lock in yields that can then fund future pension payouts. This also reduces the risk to fund assets from future stock market volatility.

10-YEAR SOVEREIGN BOND YIELDS HAVE EASED FROM RECENT HIGHS

Country	10Y Yield: 1 March	10Y yield Sep./Oct. peak	10Y Yield: 25 October
US	4.00%	5.30%	5.00%
Germany	2.60%	3.60%	3.40%
Japan	2.10%	3.10%	2.80%
UK	4.30%	5.50%	5.40%

Source: Bloomberg, BNP Paribas

SHORT-TERM SOVEREIGN BOND YIELDS BEGIN TO EASE AFTER A 1%+ INCREASE



Source: Bloomberg, BNP Paribas

Stock markets stay close to peaks, but weakness beneath the surface

Mini-bear markets in multiple tech-related themes

Major stock markets are still close to multi-year or all-time highs despite the seasonal weakness over September and October. The MSCI All-Country World Index and S&P 500 index have fallen only 2%-3% from recent highs. Eurozone stocks (-6% from peak) and the tech-heavy Nasdaq Composite index (-5%) weakened marginally more over these last two months. However, the apparent resilience of major World and US stock markets masks greater damage underneath the surface in various themes and sectors.

US retail investors have been hard hit by the correction in several formerly high-flying themes, such as AI infrastructure, photonics, space and memory semiconductors. The Defiance Retail Kings ETF captures the US stocks that are most popular with US retail investors across technology and biotech including SpaceX, AMD and Moderna. This ETF has fallen a cumulative 32% since June, 21% in October alone.

Memory semiconductor stocks have corrected 42%, Space 41% and Blockchain 42% since their mid-year peaks in a violent rotation from high-momentum growth themes into Energy (+11% in October) and defensive sectors, such as Health care (+8%) and Consumer Staples (+13%). This sector rotation into more defensive segments of the global stock market reflects growing concerns over the sustainability of the AI investment boom, with memory semiconductor companies, such as Micron and SK Hynix, now valued at just 5x and 3x forecast P/Es.

Stock market corrections represent an opportunity given positive seasonality to come

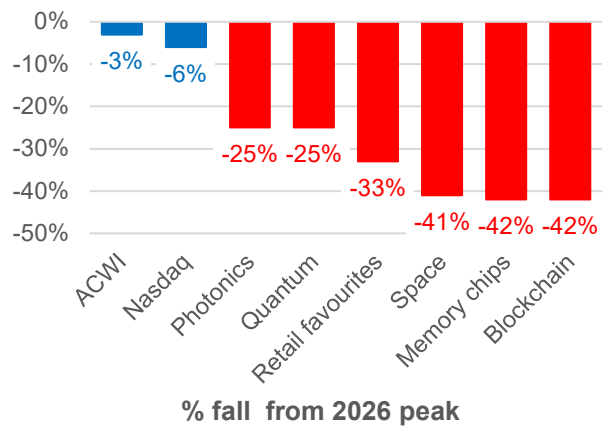
In many ways, the current correction in many of the formerly high-flying themes and sectors is a healthy reset for the current bull market, providing a more modest entry point at lower valuations for patient investors. Despite the apparent strength of the global stock market on the surface, this correction in valuations combined with strong fundamental momentum in earnings growth and a positive post mid-term election seasonal effect should sustain this bull market in stocks for longer.

Taking the 1996 to 2000 US internet boom as a parallel, the Nasdaq Composite index suffered five market corrections of 10% or more in just over four years. This did not stop the stock bull market from registering a cumulative 630% gain for the Nasdaq from mid-1994 to March 2000, a compound annual growth rate of over 41%.

Thus far, the Nasdaq Composite index today has fallen around 6% from its early October peak, having already corrected a more substantial 13% between January and March. Despite these setbacks, the Nasdaq remains 13% up for this year to date, similar to the broader MSCI ACWI's year to date return in USD.

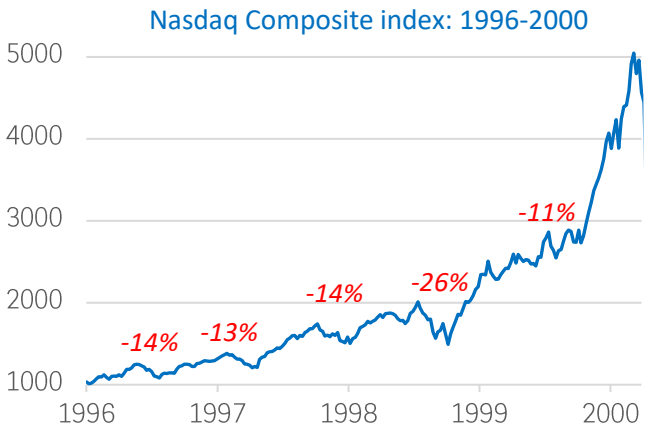
We see no reason to change our positive 12-month outlook for global stocks at this point and believe that the Q3 2026 reporting season will reaffirm the strong earnings momentum in global stocks, as the AI investment boom continues.

MANY TECH/GROWTH THEMES HAVE SOLD OFF HARD SINCE MID-YEAR



Source: Bloomberg, BNP Paribas

THE NASDAQ INDEX SAW FIVE 10%+ CORRECTIONS FROM 1996 TO MARCH 2000



Source: Bloomberg, BNP Paribas

Persistent risks to energy prices from Hormuz

Risks post Israeli, US mid-term elections

One reason that Brent crude oil prices have reached their highest level since the start of the Iran conflict at USD115/barrel is the risk that the US resumes attacks on Iranian nuclear facilities after the 3 November US mid-term elections. Oil markets are thus pricing the significant risk of a military re-escalation in the near term in the form of higher oil and gas prices.

However, we should also factor in the efforts of member countries of the Mecca Joint Defence Agreement, namely Saudi Arabia, Pakistan and Turkey, to engage in negotiations with Iran to avoid such a re-escalation. Gulf states are clear that they do not want to pay a further heavy price for a new war in the region. Ultimately, Gulf states recognise that they need to i) develop security arrangements independent from the US, and ii) maintain channels of communications with the Iranian leadership. Key regional players are increasingly looking to prevent a re-escalation of hostilities and then establish a more sustainable security framework.

If they can succeed with these aims, then the world can look forward to greater availability of crude oil, refined oil products and liquefied natural gas exports from the Gulf region in the months to come. This, in turn, should allow energy prices to cool, providing welcome respite to the global economy and to energy-importing nations in particular.

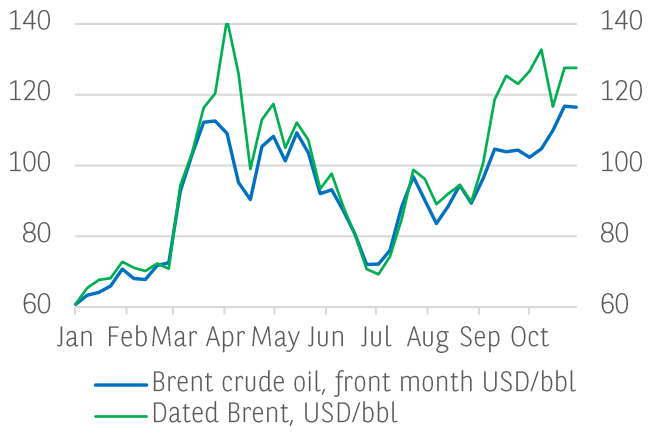
Watch rising credit spreads for warning signs

A classic "canary in the coalmine" early warning signal of rising risks to the stock market is high yield credit spreads. Investors in corporate and sovereign bonds are generally perceived to be more risk-aware than stock investors, and so early warning signs of a deteriorating macro environment can often be detected first in credit markets.

Since April of this year, the lowest-rated corporate bonds in the high yield category, CCC-rated credit, have seen credit spreads over equivalent maturity US Treasury bonds rise sharply from 7% to over 11%. However, for now, this is restricted to just the bonds with the lowest credit rating (which only represents 7% of the US high yield bond universe), as even single B-rated high yield credit spreads (just one notch above) have only widened modestly so far.

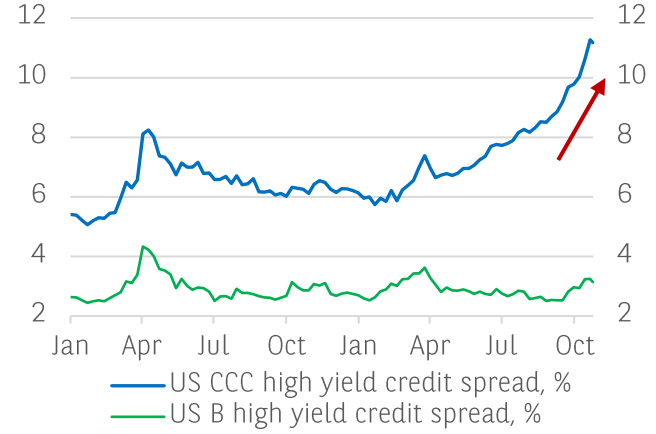
Overall, current US high yield credit spreads are not at all as extreme as in 2022, 2023 or even April 2025 (US "Liberation Day" tariff announcement). Nevertheless, for investors who are heavily invested in high yield credit or stocks, high yield credit spreads are an indicator worth following closely.

BRENT CRUDE OIL RETURNS TO THE APRIL HIGHS



Source: Bloomberg, BNP Paribas

WATCH B AND CCC CREDIT SPREADS FOR SIGNS OF FINANCIAL STRESS



Source: Bloomberg, BNP Paribas

The commodity supercycle still in operation

Commodities top the leaderboard in 2026

Once again in 2026, commodities are the leading asset class by performance. The Bloomberg energy & metals equal-weight index has gained 35% so far this year, far outstripping the 12% total return from global stocks. Since the beginning of 2021, largely thanks to the geopolitical turbulence triggered by the conflicts, first in Ukraine and then in Iran, this commodities index has risen 144% in total, far in excess of the 98% returned by the MSCI ACWI index of global stocks.

Over these last five years, this strong commodities performance has come from different sources – industrial metals such as copper, aluminium and zinc, precious metals such as gold and silver, and of course energy commodities in the form of crude oil, diesel and natural gas.

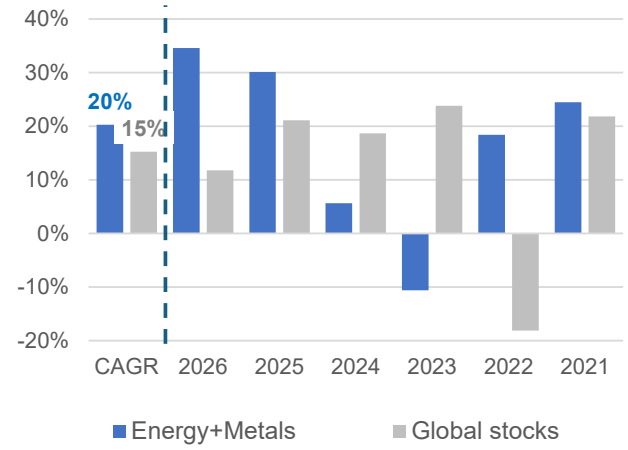
In a world increasingly marked by geopolitical volatility and economic nationalism, and where central banks struggle to return core inflation to their 2% target, we maintain our positive recommendation on the commodities asset class, particularly focusing on precious and industrial metals despite a more volatile path for precious metals prices since February. Scarce supply against a backdrop of steady global demand growth (driven by electrification, technology, defence, and store of value needs) remains the key long-term driver for commodities.

Value leads again in 2026, after leading in 2025

While technology mega-cap stocks have been the principal driver of cumulative global stock returns since 2016, it is rather value stocks (cheap on P/E, price/book or price/cash flow valuations) that have outperformed both in calendar 2025 (+39%) and over the year to date at +33% in US dollars for the MSCI World Enhanced Value index. Commodity-related stocks have been big contributors to this value factor outperformance, notably energy stocks which have benefitted from a combination of surging crude oil and natural gas prices and record refining margins.

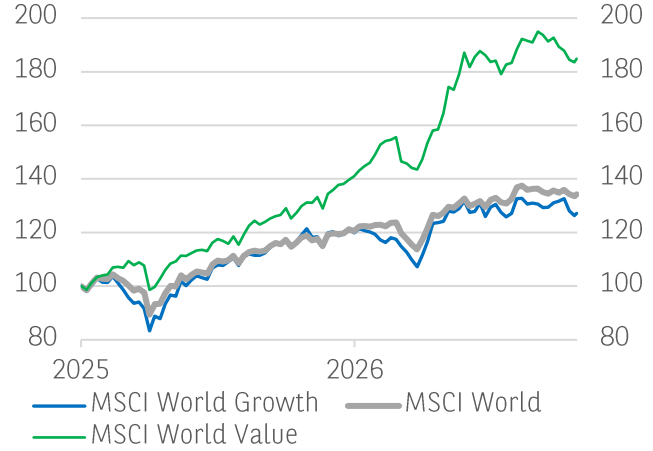
For investors who remain heavily exposed to the US technology sector and mega-cap growth stocks following their long run of impressive gains over the past 10+ years, it would make good sense to diversify stock portfolios by rebalancing away from growth and technology exposure towards value exposure in commodity-related, Health Care, Utilities and industrial sectors.

ENERGY + METALS +144% SINCE 2020, BEATING GLOBAL STOCKS (+98%)



Source: Bloomberg, BNP Paribas. Note: annual total returns in USD

VALUE STOCKS HAVE LED GROWTH SINCE THE START OF 2025



Source: Bloomberg, BNP Paribas

Summary of our main recommendations, by asset class

	Current Recom	Prior Recom	Segments	We overweight	We underweight	Comments
EQUITIES	+	+	Markets	US, Japan, EM (China A shares, Tawain, South Korea)	Europe	**Overweight Equities**: despite potential volatility surrounding the US midterm elections, historical trends and strong earnings growth support a resilient equity market, particularly for high-quality tech.
			Sectors	Global Health Care, Information Technology, Industrials, Metals & Mining, EU Utilities	Consumer Staples	**Industrials:** re-shoring, reindustrialisation, defence, AI and other infrastructure (re)development are major tailwinds. But higher energy prices have been a headwind for some. **Health Care** is still undervalued, given the promising new drugs, AI benefits, and the current surge in M&A activity. **Information Technology:** our confidence in hyperscalers' ROI has increased, while global IT equity valuations are currently attractive.
			Styles/ Themes	Metals & Mining, Electrification, Defence electronics		Commodity-related stocks
BONDS	+/=	+/=	Govies	Core Eurozone sovereign bonds UK Gilts		Positive on core Eurozone sovereign bonds, favour maturities of 7-10 years. Neutral on US Treasuries (ca. 5 years). 12-month US 10Y yield target 4.75%, German 10Y bund yield 3.0%, UK 10Y gilt yield 4.65%.
	+	+/=	Credit	Euro and GBP IG		We prefer the EUR and GBP corporate bonds (Positive view) to USD bonds (Neutral view) given the supply dynamics and the level of spreads. Focus on quality.
	=	=	EM bonds			EM central banks have less potential to cut rates, and we see less downside for the USD. We are Neutral on EM local and hard currency bonds.
CASH	=	=				The ECB is expected to hike rates in December to 2.75%. The Fed should raise rates in December and January to a 4.5% Fed Funds target rate.
COMMO-DITIES	+/+/-	+/+/-		Copper (+) Gold (+)		Oil (-) Negative stance. Our view in 12 months is USD65, due to a likely return to global overproduction combined with less OPEC discipline. Base Metals (+) The outlook for the industrial sector is favoured by rising demand and constrained supply. Gold (+) The last correction offers higher upside potential for gold, our 12m target is USD5000. Silver (+) USD80 for our 12m target.
FOREX			EUR/USD			Our EUR/USD 12m target is USD 1.20.
REAL ESTATE	=	=		Residential, Health Care, logistics/ warehouses		A slow improvement in net asset values post 2022-24 NAV adjustment should support unlisted real estate.
ALTERNATIVE UCITS				Global Macro, Event Driven		Rising M&A volumes should support event-driven arbitrage strategies.
INFRA STRUCTURE	+	+		Energy, transportation, water		Excellent long-term returns expected from private and listed infrastructure given the long-term underinvestment.

Economic and FX forecast tables

BNP Paribas Forecasts			
GDP Growth %	**2025**	**2026**	**2027**
United States	2.3	2.2	2.3
Japan	1.2	1.0	1.2
UK	1.2	1.3	1.3
Switzerland	1.8	2.0	1.7
Eurozone	**1.3**	**1.1**	**1.6**
Germany	0.3	1.0	1.3
France	0.9	0.3	0.8
Italy	0.7	0.8	0.8
Emerging			
China	5.0	4.6	4.5
India*	7.8	7.1	6.9
Brazil	2.3	1.9	1.3
* Fiscal year			
Source : BNP Paribas - 02.11.2026			

BNP Paribas Forecasts			
CPI Inflation %	**2025**	**2026**	**2027**
United States	2.7	3.5	2.5
Japan	3.1	1.9	2.6
UK	3.4	3.2	3.5
Switzerland	0.2	0.6	0.7
Eurozone	**2.1**	**3.1**	**3.2**
Germany	2.3	2.7	2.8
France	0.9	2.5	2.4
Italy	1.6	3.4	3.1
Emerging			
China	0.0	1.0	1.2
India*	2.1	5.1	4.9
Brazil	5.0	4.5	4.6
* Fiscal year			
Source : BNP Paribas - 02.11.2026			

	Country	Spot 02/11/2026		Target 3 months	Target 12 months
Against euro	United States	EUR / USD	1.12	1.12	1.20
	United Kingdom	EUR / GBP	0.83	0.84	0.87
	Switzerland	EUR / CHF	0.92	0.94	0.92
	Japan	EUR / JPY	177	177	186
	Sweden	EUR / SEK	10.97	11.00	10.80
	Norway	EUR / NOK	10.39	10.80	10.60
Against dollar	Japan	USD / JPY	158	158	155
	Canada	USD / CAD	1.40	1.40	1.35
	Australia	AUD / USD	0.70	0.70	0.73
	New Zealand	NZD / USD	0.56	0.57	0.60
	Brazil	USD / BRL	5.44	5.20	5.0
	India	USD / INR	94.90	95.0	95.0
	China	USD / CNY	6.65	6.70	6.60

Source: BNP Paribas, Refinitiv Datastream. As at 2 November 2026

THE INVESTMENT STRATEGY TEAM

FRANCE

Edmund SHING
Global Chief Investment Officer

Hiba MOUALLEM
Investment Strategist

Isabelle ENOS
Senior Investment Advisor

Charles GIROT
Senior Investment Advisor

ITALY

Luca IANDIMARINO
Chief Investment Advisor

BELGIUM

Philippe GIJSELS
Chief Investment Advisor

Alain GERARD
Senior Investment Advisor, Equities

Mattias DEMETS
Senior Investment Advisor, Commodities

GERMANY

Stephan KEMPER
Chief Investment Officer, Germany

LUXEMBOURG

Guy ERTZ
Deputy Global Chief Investment Officer

Gurminder SINGH
Investment Strategist, Forex

ASIA

Prashant BHAYANI
Chief Investment Officer, Asia

Grace TAM
Chief Investment Strategist

Dannel LOW
Investment Services Analyst

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