ECONOMIC UPDATE

NOVEMBER 2026

ASSET MANAGEMENT SERVICES



15, Rue de la Fontaine – 1204 GENEVE

Site internet : www.asset-ms.ch

Tel : + 41 22 73 13 263

Société de gestion agréée par la FINMA le 9 février 2022

THE MACROECONOMIC SITUATION

UNITED STATES
FIGURES FROM ACTIVITY SURVEYS

In the United States, business activity surveys are good, as indicated by the results of the PMI indices (table below):

USA	August	September	October
Manufact	53,9	55,9	56,0
Services	56,5	58,8	57,9
Composit	56,0	58,4	57,6

The indices are above 50 (the level above which activity is maintained or expanding) with a slight improvement in the manufacturing sector.

REAL RATES HAVE TURNED POSITIVE

Over the past few years, companies, households and investors have lived in an environment of near-zero interest rates, i.e. an environment where capital costs nothing. For several months now, the situation has changed radically: in the United States, ten-year rates have reached **5.08%,** in France **5.06%,** in the United Kingdom **5.44%,** in Spain **4.01%** and in Germany, the best signature in the euro zone, ten-year rates are at **3.34%.**

For about ten years, savings were abundant and demand for investment was weaker; real rates were close to zero or even negative; today, **the massive investments made around AI** – the creation of data centers, the energy demand of AI – are reflected in calls to the bond markets and are driving up interest rates. **Spending in the defense sector** – the German plan – and **the relocation of industries** to Western countries are accelerating this movement. Finally**, the deficits of Western states** are forcing them to issue debt.

The **real return** in the United States – i.e. the return on an investment after taking inflation into account – which was still negative in 2021 is now **2.7%.**

It is not only the rebound in inflation that is at the origin of the rise in long-term rates, but also **a revaluation of the price of money linked to borrowing needs.** .

THE EURO AREA
FIGURES FROM ACTIVITY SURVEYS

The conclusions of business activity surveys in the euro zone are significantly less favourable than in the United States. Pressures on energy costs are weighing on the economy.

Zone Eur	August	September	October
Manufact	52,7	52,7	52,4
Services	51,6	53,0	51,7
Composit	52,0	53,1	51,9

THE CONSEQUENCES OF THESE POSITIVE REAL RATES

This rise in real returns is leading investors to ask a key question: will the investments made – particularly in AI – be sufficiently profitable in terms of the cost of capital?

For some investors, **AI will accelerate the productivity of companies quickly** , leading to stronger growth and better profitability of companies; investments will then be justified, even with positive real rates.

For the pessimists, AI will certainly accelerate the productivity of companies, but **the time lag between** investments made today and an improvement in productivity that will extend over several years will necessarily cause a slowdown in these investments.

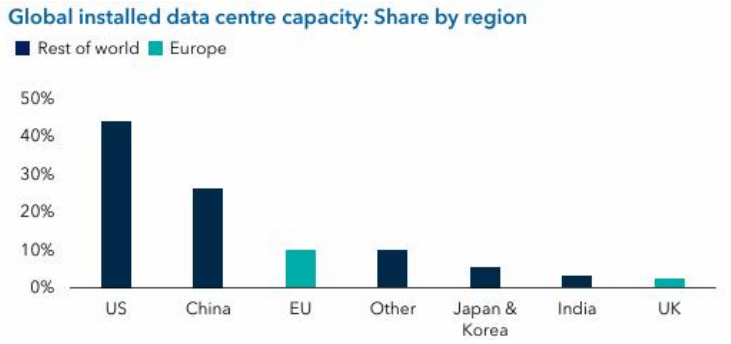
* * *

Bonds are once again becoming a central part of our clients' portfolios and an investment opportunity; for equities, valuation calculations are not identical with long-term rates at 1% or 5.5%. Above all, an assurance of receiving an annual return of 5.5% on good investments (investment grade) should be considered as an interesting alternative.

EUROPE SHOULD ALSO BENEFIT FROM AI-RELATED PRODUCTIVITY GAINS

Europe is of course far behind the United States and China in terms of investment, but should nevertheless benefit from the AI-related investment cycle and the resulting productivity gains. Many European companies are present in the value chain related to AI capital expenditure (**e.g. ASML – SCHNEIDER ELECTRIC – SIEMENS ENERGY – ASM INTERNATIONAL – BE SEMICONDUCTOR INDUSTRIES – INFINEON – SAP**). In addition, the development of AI in companies could help solve one of the main challenges of the European economy: low productivity.

Below is the comparison of installed data centers by region:



ANTHROPIC REPORTS STRONG RESULTS AHEAD OF IPO

The IPO could take place soon.

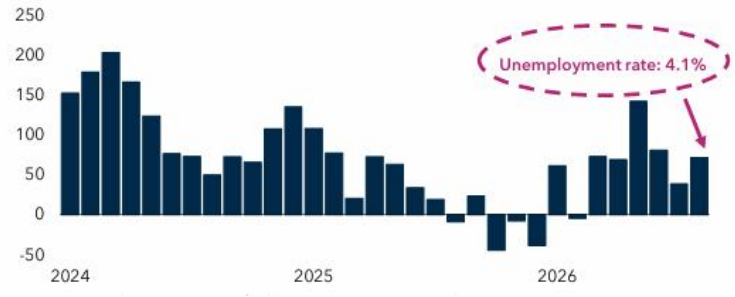
The company has published its financial results for the 1st half of 2026. Revenue amounted to USD 16.3 billion in the 1st half of 2026 compared to USD 1.2 billion for the 1st half of 2025. Revenue based on the consumption of AI tokens represents 80% and subscriptions 20%.

The company wants to carry out vertical integration by increasing its investments in computing power, an essential element of its growth. The group will buy chips and computing power from its suppliers, BROADCOM, SPACE X, GOOGLE and AMAZON.

IN THE UNITED STATES, CONSUMPTION IS HOLDING UP UNEMPLOYMENT REMAINS STABLE AT A LOW LEVEL

The resilience of the US economy is remarkable, despite higher interest rates and geopolitical uncertainty. The growth rate remains higher than in most developed countries. (**3.4%** in Q3 2026 vs. **2.2%** in Q2 2026)

Investments in the artificial intelligence sector are a determining factor, but **consumption remains a key growth factor.** The main reason for the strong consumption is the labour market; the unemployment rate remains at a low level (see below) at **4.1%** and wage growth has allowed households to preserve their purchasing power and supported consumption.



The rise in US equity markets, the appreciation of real estate values and the good performance of the labour market have helped to maintain robust consumption among households with medium to high incomes; only households with very low incomes have reduced their consumption due to rising prices.

We must not forget that investments in AI are a complement to support US growth but cannot replace **household consumption, which remains the main driver of this economy (67.6% of GDP).** Thus, a relatively small change in household spending can have a significant effect on overall growth.

THE DEBT OF THE "NEOCLOUDS"

The "neoclouds", as opposed to the major historical providers of computing power such as AMAZON, MICROSOFT and ALPHABET, have been trying to establish themselves for 4 years.
They buy GPU chips (from NVIDIA, AMD or INTEL) and build datacenters to run the models of companies such as OPEN AI, ANTHROPIC, MICROSOFT or META.

The problem with "neoclouds" is this: the prospects for revenue and profits are excellent and the contracts with OPEN AI and ANTHROPIC are long-term and very profitable, but the investments required to build the data centers are gigantic. And these investments must be made upstream of the revenues generated by these contracts.

To finance these investments – estimated at USD 6,000 billion over the next three years – these companies resort to debt.

For example, **COREWEAVE** has a debt of USD 50 billion for a turnover of USD 5.1 billion in 2025. This situation worries investors since the **bonds issued by COREWEAVE** trade between 70% and 80% of the nominal amount and the yields are between 14% and 16%.
The **COREWEAVE share** price is down 20% since the beginning of the year.

More broadly, the question investors are asking is: **will the revenue generated by AI from businesses and consumers be sufficient to ensure the profitability of all these investments?** The answer is most likely no.

The question is topical because these players use debt as a raw material and **interest rates have risen sharply**.

The demand for computing power is still increasing, but financing investments is becoming more and more expensive; some projects will most likely be stopped and the "neoclouds" will have to explain to investors the profitability of these colossal investments.

THE WINNERS AND LOSERS OF AI

Gradually, the market is distinguishing between the winners and losers of AI. After being heavily punished by the market, companies active in software or consulting - **SAP** - **SERVICENOW** - **ACCENTURE** have recently regained favor with investors. They consider that the relationships of these companies with their customers are strong and that these companies have already largely integrated AI into their process and should ultimately benefit from it.

Today, it is the "neoclouds" that are suffering on the stock market because of their high debt.

Generally speaking, the adoption of a new technology such as AI does not take place in a linear way but in phases – acceleration phase and then calmer phase.

To date, **generative AI** – which produces content from a demand – is widely adopted by businesses and households.

Agentic **AI**, which can plan, decide, sequence steps and adapt, is still not widely adopted by companies and not at all by households. Agentic AI is **much more expensive in tokens** and requires larger budgets from companies.

FIXED INCOME MARKETS

UNITED STATES: INFLATION REBOUNDS DURING THE MONTH OF SEPTEMBER

In the United States, headline inflation in September came in at **3.7%** versus **3.6%** expected by analysts. Core inflation is also rising under moderate upward pressure on rents.

USA	July	August	September
Inflation	3,4%	3,4%	3,7%
Infl (core)	2,5%	2,4%	2,6%

For the Fed, this means that disinflation has not begun and should therefore delay any easing of its monetary policy.

Kevin Warsh, the new chairman of the Fed, admitted for the first time that AI could have inflationary effects in the short term due to overheating investment demand, but said that the effect would be very beneficial for the US economy in the medium term.

* * *

The Fed is expected to leave its key rates unchanged at 3.75% 4%. US growth is solid, the labour market is doing well but the economy is not overheating; in particular, the rebound in inflation has not had an impact on wages, which are struggling to keep pace with inflation, for the most modest salaries.

US rates have eased in recent days due to investors' shift to "risk-free" assets. After peaking at 5.35%, the US 10-year yield has fallen back to around 5%.

For 2027, the Fed's monetary policy will largely depend on the evolution of oil prices; **the longer the energy shock, the greater the risk of an inflationary spiral**; on the other hand, a slowdown in growth or a deterioration in the labour market will put an end to the restrictive monetary policy.

EUROPE : ECARTEMENT DU SPREAD BUND – OAT

In Europe, growth is significantly lower than in the United States – 1.2% for 2025 – 1.1% for 2026 and 1.2% for 2027 according to IMF forecasts compared to 2.3% for the United States for these three years.

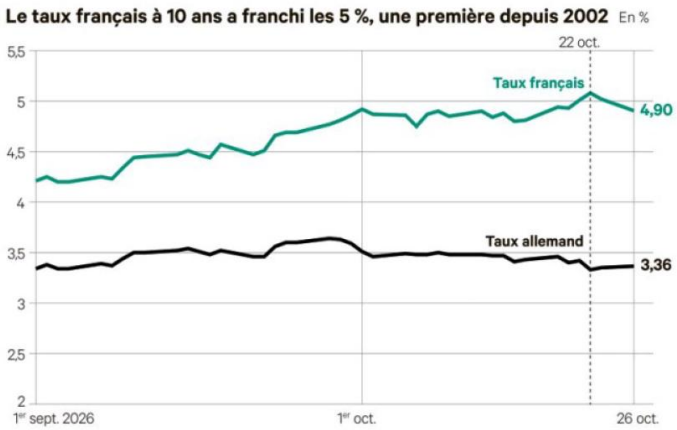
Eurozone	July	August	September
Inflation	2,9%	3,4%	3,8%
Infl (core)	2,3%	2,4%	2,5%

The risk of an inflationary spiral – rising prices – rising wages – rising prices – is therefore lower in Europe.



* * *

Due to the deterioration of France's fiscal situation and political uncertainty, the spread between the French 10-year rate and the German 10-year rate reached 170bp before falling back to 150bp.



AMS – Asset Management Services
15, Rue de la Fontaine – 1204 GENEVA
Website: www.asset-ms.ch Tel: +41 22 73 13 263
Asset management company authorised by FINMA on 9 February 2022

AMS
ASSET MANAGEMENT SERVICES

Equity market performance since the beginning of 2026	
US action	Ytd
S & P 500	+ 10,73%
Dow Jones	+ 7,71%
Nasdaq Comp.	+ 9,44%
Indices Europe	Ytd
EuroStoxx 50	+ 5,87%
EuroStoxx 600	+ 8,49 %
European actions by country	Ytd
DAX	+ 5,21%
CAC 40	- 2,76%
FTSE 100	+ 7,82%
IBEX 35	+ 6,63%
MIB	+ 10,14%
SMI (Swiss Market Index)	+ 11,80%
Asia Equities	Ytd
NIKKEI 225	+ 22,10%
Shanghai Composite (SSE)	- 10,55%
Hang Seng HK composite	- 9,11%
Brent Oil (USD 117.70)	+ 95,39%
Once d'Or (USD 3.875,36)	- 10,19%

Government bond yield					
Currency	Country	2 years	5 years	7 years	10 years
Dollars US	USAs	4,69%	4,90%	4,90%	5,04%
Euro	Germany	3,03%	3,12%	3,20%	3,32%
	Portugal	3,11%	3,41%	3,59%	3,82%
	Spain	3,21%	3,48%	3,71%	3,92%
	Italy	3,30%	3,95%	4,21%	4,39%
	France	3,77%	4,27%	5,16%	4,88%
Pound Sterling	United Kingdom	4,80%	5,02%	5,14%	5,38%

Indices PMI					
		Sept.			Oct.
United States	*Manuf.*	57,0	USA	*Manuf.*	56,0
	Services	58,7		*Services*	57,9
	Composite	58,4		*Composite*	57,6
Eurozone	*Manuf.*	52,9	Euro zone	*Manuf.*	52,4
	Services	53,0		*Services*	51,7
	Composite	53,1		*Composite*	51,9

	Inflation « Headline »	&	Inflation « Core »
	AUGUST on a rolling year basis		*SEPTEMBER On a rolling year basis*
USA (Global)	3,4 %		3,7%
USA(core)	2,4 %		2,6%
Eurozone (global)	3,2 %		3,8 %
Zone Euro (core)	2,4 %		2,5 %

Prices as of October 31, 2026

AMS – Asset Management Services
15, Rue de la Fontaine – 1204 GENEVA
Website: www.asset-ms.ch Tel: +41 22 73 13 263
Asset management company authorised by FINMA on 9 February 2022

AMS
ASSET MANAGEMENT SERVICES

IN CONCLUSION

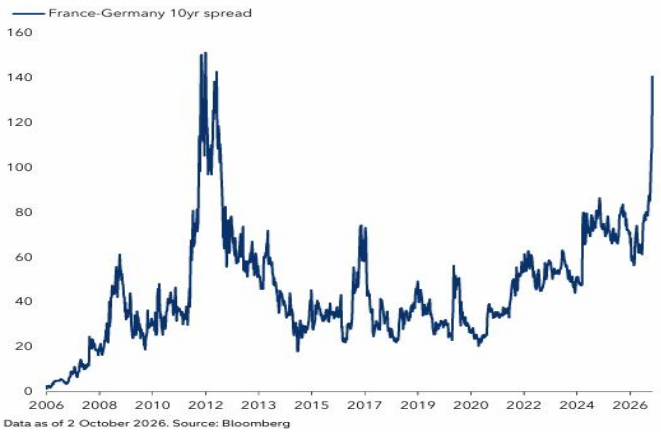
Despite the return of inflationary pressures linked to energy prices, the Fed and the ECB are not expected to continue their restrictive monetary policy and raise their key rates.

In Europe, the ECB seems more concerned about the risk of an economic slowdown than about the risk of an inflationary cycle – rising prices – rising wages – rising prices. Inflation today has a recessionary content. There is therefore little risk of second-round inflation; companies are suffering from the increase in production prices but have difficulty passing on these increases in their selling prices to protect their margins.

Thus, the risk is more of a stall in demand because rates are too high and because prices are high. This is why central banks are not raising rates today.

* * *

Will the ECB do what is necessary to avoid a widening of credit spreads between Germany and France? (see chart below)
The ECB will end up holding a firm speech, such as Mario Draghi's "Whatever it takes", only if the credit spread between the rates of the different countries of the euro zone continues to widen. This would be the only way to calm speculation against French government bonds.



* * *

SUMMARY OF THE INVESTMENT STRATEGY FOR 2026

Equity portfolios

High interest rates are not necessarily an obstacle to the good performance of equity markets, provided that the economy grows satisfactorily.

However, the growth of the US economy for the 3rd quarter of 2026 is 3.4%, which is a high level (growth was 2.2% in the 2nd quarter of 2026).

Market leaders combine strong market positions with high growth prospects (our AMS GLOBAL LEADERS fund is up +11.36% since the first of January). However, valuations are high and do not allow for disappointment.

Bond portfolios

For the fixed income side, we consider that the levels of long-term rates are becoming a buying opportunity and we are gradually extending the durations for both Euro-denominated and USD-denominated bond portfolios.

We favour bank issuers because of the financial strength of banks in the United States and Europe.

Finally, we always avoid sovereign debt.

Written October 31, 2026

AMS – Asset Management Services
15, Rue de la Fontaine – 1204 GENEVA
Website: www.asset-ms.ch Tel: +41 22 73 13 263
Asset management company authorised by FINMA on 9 February 2022

ASSET MANAGEMENT SERVICES

Important information

This document has no pre-contractual or contractual value, It is given to its recipient for information purposes,

The information contained in this document is provided for information purposes only and does not constitute a guarantee of performance,

This document has been prepared by the AMS – Asset Management Services teams based on information from public sources,

The analyses contained in this document should not be construed as investment recommendations by AMS,

Glossary

The consumer price index ***"CPI"*** *measures the average change in the prices of products consumed by households,*

The Basic Consumer Price Index ***(PCE)*** *measures the change in the prices of goods and services purchased by individuals excluding food and energy products.*

The "PMI" *stands for "Purchasing Manager's Index"; it is a survey carried out among purchasing managers in large companies that allows a better appreciation of the economic situation of a sector of activity.*

Investment grade ***bonds*** *refer to bond securities issued by companies whose risk of default is considered very low (AAA) to moderate (BBB-) according to the rating of Standard & Poor's, for example,*

High yield ***bonds*** *are bonds issued by companies with a higher risk of default than investment grade bonds; in return, they generally offer a higher coupon to investors.*

Duration is the average life of a bond discounted across all flows (interest payments and principal repayments)

The ***"spread"*** *refers to the difference between the actuarial rate of return of a bond and that of a risk-free loan of the same maturity; the spread for French debt is, for example, the difference in profitability between the French OAT and the German Bund at the same maturity; for a company, the "spread" measures the difference in interest rates with that of the sovereign debt of its country of origin.*