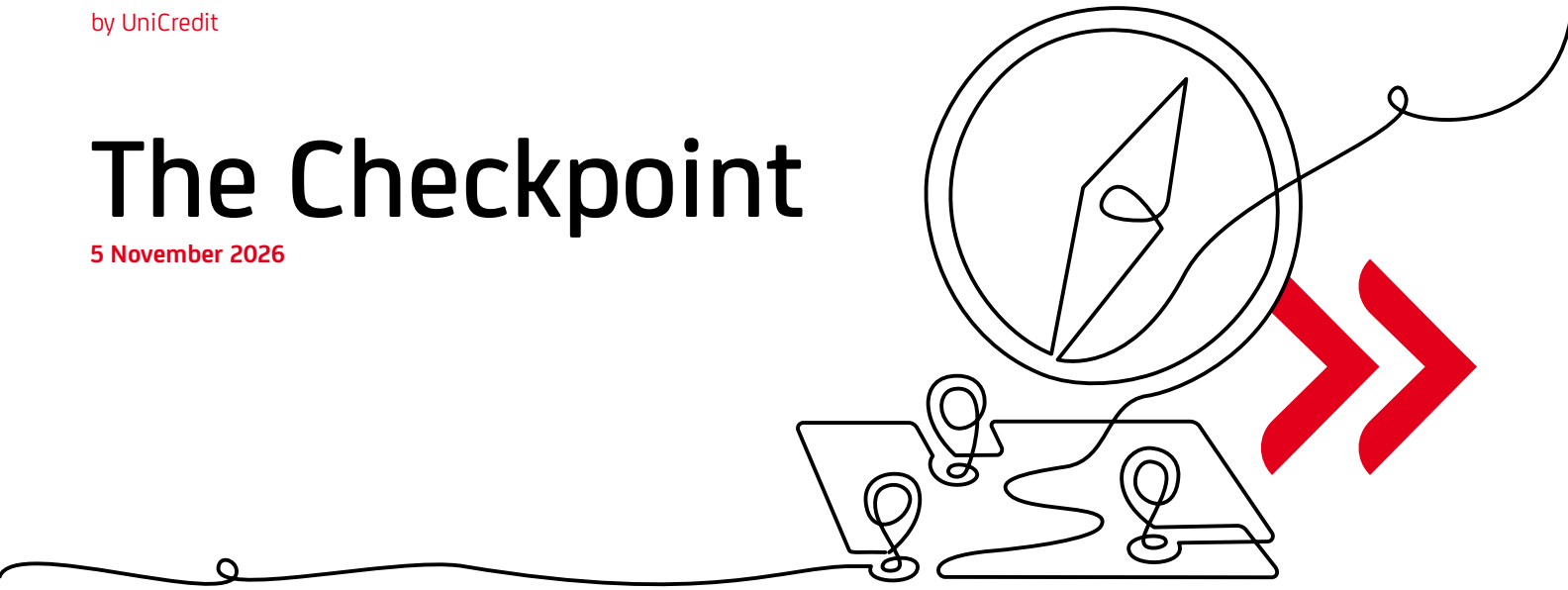
The Investment Institute
by UniCredit

The Checkpoint

5 November 2026



America's state capitalism

In July, the Trump administration quietly expanded its growing equity portfolio, announcing that the Department of Commerce would take minority stakes in seven semiconductor and AI-related companies in exchange for USD 874mn of CHIPS and Science Act funding. Since January 2025, the Trump administration has announced 32 deals involving direct equity ownership, with the most prominent ones including a 10% equity stake in Intel and a golden share in U.S. Steel, a subsidiary of Nippon Steel.

In September, this trend gained traction. Alongside the announcement of what President Donald Trump called "the biggest oil deal in world history" – the acquisition of rights over 64 billion barrels of Venezuelan oil reserves – the White House revealed that the Pentagon's Office of Strategic Capital would take a 35% stake in North American Blue Energy Partners, a private Venezuelan oil producer. Yet the push towards greater public ownership is not coming solely from Washington. OpenAI CEO Sam Altman, for example, suggested that the federal government take a 5% stake in the company.

Since the COVID-pandemic, the crisis of the neoliberal era has paved the way for the state's return to the economy. Industrial policy, once anathema in Western policy circles, has been rehabilitated across much of the developed world. Yet the activism emerging in the US goes well beyond subsidies, tax credits or strategic procurement. The state is increasingly acting as a shareholder rather than a regulator or policymaker.

This is more than the rise of a radical form of industrial policy. It suggests that we are entering a neo-mercantilist age in which state and corporate power are merging in unprecedented ways. Europe, meanwhile, risks finding itself at a disadvantage as rivals embrace forms of state capitalism that sit uneasily with its traditional competition model and constraints on state intervention.

So far, markets have welcomed the government's new role as a shareholder. Intel stocks surged when Washington became a shareholder, while MP Materials and Trilogy Metals rallied following federal investments and strategic support. Yet the enthusiasm has been selective and often short-lived. Investors reward government involvement when it genuinely de-risks a business through financing, procurement, infrastructure support or regulatory certainty, but are more sceptical when it primarily dilutes existing shareholders.

Fabio Petti
Co-Chair of
The Investment Institute

Edoardo Campanella
Director and Chief Editor of
The Investment Institute

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Our Asset Allocation

Authors: Fabio Petti, Alessandro Caviglia, Erik Haubold, Martin Mayer

ASSET CLASS	VIEW*	RATIONALE
Global equities	=	**Global equities remain supported by resilient economic activity, sustained private and public investment and strong earnings growth momentum. The solid YTD performance increases the risk of profit taking in the event of disappointing earnings releases.**
US equities	=	US equities continue to be supported by strong earnings growth and AI-related investment. Semiconductor companies remain the main beneficiaries of the AI-spending cycle, although market leadership has gradually broadened. Uncertainty around the path of monetary policy and UST yields deserve close monitoring as they could increase equity market volatility.
Europe equities	=	European economic growth weathered the energy shock better than expected, prospects remain positive and markets have adjusted well to expectations of further rate hikes. Sector composition provides some tailwind amid growing investor interest in value stocks.
Pacific equities (developed markets[1])	=	The outlook remains supported by solid technology-sector earnings and continued demand for AI infrastructure. Japan benefits from improving domestic fundamentals and governance reforms, while semiconductor trends continue to drive regional equities despite ongoing reliance on external factors.
Emerging market equities	+	Emerging markets remain our preferred region. Earnings growth is being driven by semiconductor leaders in Taiwan and South Korea, supported by structural AI demand. Attractive multi-year low valuations and exposure to both technology and commodities, combined with strong earnings growth, underpin the constructive medium-term outlook.
Global bonds	=	**Elevated inflation and uncertain monetary policy stimulus create upside risks to long-term yields and suggest keeping a cautious approach to duration. Selected opportunities arise on emerging-markets issuers and currencies.**
Government bonds (EMU)	=	The ECB is expected to hike rates once more this year, while energy prices continue to put pressure on yields. The short and intermediate parts of the curve offer interesting carry with limited duration risk.
Government bonds (non-EMU)	–	Uncertainty surrounding the Fed policy, inflation and fiscal policy create risk of term premium repricing. The risk of rising long-term yields could be accompanied by pressure on the USD, further reducing the appeal of USTs.
Corporate bonds (EUR-denominated IG)	=	The asset class has shown resilience, supported by still-solid fundamentals. However, global risk factors argue in favour of elevated credit risk premiums.
Corporate bonds (HY)	–	After the recent spread widening, credit risk premiums face, at least temporarily, further upside in the current environment, with low-quality credit underperforming the most.
Emerging market bonds (hard currency)	=	The UST yield environment and solid investor demand for carry should prove supportive, although these forces are likely to be counterbalanced by challenges resulting from renewed tensions in the Middle East.
Emerging market bonds (local currency)	+	An attractive yield environment in EM, including the appealing yield differential to USTs, and expectations of a weaker USD, leading to EM FX appreciation, should continue to boost appetite for EM local-currency debt.
Money markets	=	**As the asset class offers limited real return potential, we remain neutral.**
Alternatives	=	**Alternative strategies continue to provide diversification benefits. However, stronger momentum across certain traditional asset classes and elevated valuations in parts of the alternatives universe support maintaining a neutral stance.**
Bitcoin	=	Bitcoin has weakened amid ETF outflows, softer spot demand and elevated leverage. Institutional adoption remains supportive over the medium term, but regulatory and security risks warrant near-term caution.
Commodities	=	**Commodity markets remain driven by geopolitical tensions, supply disruptions and resilient demand. Depleted inventories and tight product markets provide support, but elevated prices and global growth uncertainty warrant neutral positioning.**
Oil	=	Persistent conflict, vulnerable Gulf shipping and depleted inventories keep oil exposed to renewed supply shocks. Even with diplomatic progress, normalisation is likely to be slow, sustaining elevated prices and volatility.
Gold	=	Elevated real yields and hawkish Fed repricing have weighed on gold. However, strong central-bank buying, record ETF holdings and fiscal risks should limit downside, supporting our neutral to slightly constructive view.

As of 4 November 2026; 1. Developed markets: Australia, Japan, Hong Kong, New Zealand, Singapore

*VIEW: + Overweight = Neutral – Underweight

Unorder

Author: Edoardo Campanella
Director and Chief Editor of The Investment Institute



A chat with... Mark Leonard

Co-founder and director of the European Council on Foreign Relations, and author of "Surviving Chaos". The following is an edited excerpt of an interview recorded on 15 September.

Edoardo Campanella: You tend to enrich our vocabulary by coining new terms. In your previous book, you talked about "unpeace." In your new book, you introduce the term "unorder." Can you explain the difference between unorder and disorder, and why it matters?

Mark Leonard: Disorder exists within a system where there are still agreed rules and a balance of power capable of enforcing them. Unorder is different: there is no longer broad agreement on the rules themselves, nor a stable balance of power to uphold them. Today's world is characterised by shifting power balances, competing narratives and the erosion of common frameworks. States increasingly act according to their own interests rather than shared rules. This creates fragmentation, cross-domain contagion of conflicts, and the weaponisation of globalisation through control of trade routes, technology, finance and supply chains.

Edoardo Campanella: What role do leaders such as Putin, Xi Jinping and Trump play in this transition toward unorder?

Mark Leonard: Structural forces are driving change, but leaders shape how countries respond to them. Vladimir Putin sees Russia as a declining power facing demographic and geopolitical contraction. His actions, including the invasion of Ukraine, reflect concerns about Russia's long-term status and influence. Xi Jinping views the current era as one of "great changes unseen in a century." China's strategy focuses on ensuring that it benefits from the major transformations affecting the world, emphasising self-reliance and resilience rather than preserving the existing order. Donald Trump believes the post-Cold War order no longer serves American interests. Instead of maintaining a rules-based system, he favours leveraging US power to extract advantages from allies and rivals alike. All three leaders accelerate the transition toward a more fragmented and competitive world.

Edoardo Campanella: Why are you relatively optimistic about Europe?

Mark Leonard: Europe's strength lies in its ability to act as an "artisan" rather than an "architect." Architects seek to design systems from first principles. Artisans adapt to changing circumstances, experiment, and repurpose existing structures. The European Union has historically evolved through pragmatic experimentation rather than grand designs. This flexibility is a competitive advantage in a world characterised by uncertainty and rapid change. Europe can increase its influence and resilience if it shifts its focus from preserving yesterday's order to building agency within a world without order.

Edoardo Campanella: How do current political trends in France, Germany and elsewhere affect Europe's future?

Mark Leonard: The rise of right-wing populist parties reflects a broader crisis of liberalism and globalisation. Many voters feel that economic integration, migration and international openness have produced unequal outcomes. Europe's challenge is to create a new political settlement that combines greater economic and strategic integration; more protection for citizens affected by globalisation; a stronger sense of sovereignty and control. If Europe succeeds in doing so, it can strengthen both its political legitimacy and its ability to act strategically.

The rise of state capitalism

Authors: Tobias Keller, Stefan Kolek, Andreas Rees

Government participation in companies is not new, with its roots going back to the chartered trading companies of the early modern period. Since the 19th century, governments have expanded their involvement in the corporate sector by acquiring stakes to support industrial development and infrastructure, and later to stabilise firms during crises. Today, the motives are more complex, with equity investment increasingly used to strengthen strategic sectors, secure critical resources and reduce external dependencies globally.

State equity participation can indeed address certain aspects of corporate policies where market forces fail. Notably, government involvement can ease financing constraints, support technology commercialisation and facilitate projects with long payback periods. A deep-pocketed shareholder may provide financial stability and reduce the risk that strategically important projects are abandoned during periods of market stress, which is particularly relevant for emerging technologies requiring substantial upfront investment. Government participation may also help coordinate investment across complex supply chains. However, governments may struggle to identify actual technological winners, and state ownership can increase political, regulatory and bureaucratic uncertainty. In addition, state ownership may introduce non-commercial objectives into corporate strategy, which may not necessarily be aligned with maximising shareholder value (see also Chart 1.1).

In this context it is worth highlighting that the OECD Guidelines on Corporate Governance of State-Owned Enterprises emphasise professional and independent management, commercial operating conditions and a competitive environment for state owned enterprises in order to achieve sustainable returns comparable to private-sector competitors operating under similar conditions. However, government approaches to state ownership in the economy vary among the world's major economies.

US state capitalism: targeting strategically important corporate sectors and ...

In the US, the CHIPS and Science Act of 2022 allows the government to use "equity or equity-like instruments" alongside grants, loans and subsidies. Since then, the US government has announced more than 40 direct and quasi-equity investments in semiconductors, critical minerals, nuclear energy and other strategic sectors, with the largest being a 10% stake in Intel (USD 8.9bn). The government's main motives include supporting key US firms, reducing US dependence on China, reshoring critical manufacturing and providing financial support for innovative domestic firms, alongside concerns that private capital may underinvest in sectors with high capital requirements, long investment horizons and considerable technological uncertainty.

CHART 1.1: OPPORTUNITIES AND RISKS OF STATE EQUITY OWNERSHIP

Theme	Potential benefits	Potential drawbacks
Strategic resilience	Strengthens domestic capabilities in critical sectors and reduces reliance on vulnerable supply chains.	May prioritise security objectives over economic efficiency and cost competitiveness.
Patient capital	Supports long-term investments where private capital may hesitate due to uncertain returns.	Political cycles may undermine investment continuity and strategic consistency.
Innovation & scale-up	Facilitates commercialisation of new technologies and accelerates industrial scale-up.	Governments may back unsuccessful technologies, limiting competition and innovation.
Crowding-in capital	Can reduce financing risk and attract additional private-sector investment.	May create expectations of future government support and encourage excessive risk-taking.
National champions	Supports the development of globally competitive firms in strategically important industries.	Risks favouring selected firms over competitors and distorting market outcomes.
Taxpayer participation	Allows taxpayers to participate in the upside if strategic investments succeed.	Taxpayers remain exposed to losses if projects underperform or fail.
Market impact	May improve credit quality, financing conditions and investor confidence.	Equity returns may increasingly reflect policy objectives alongside commercial considerations.

Source: OECD, CSIS, CFR, CFA Institute, The Investment Institute by UniCredit



... critical minerals

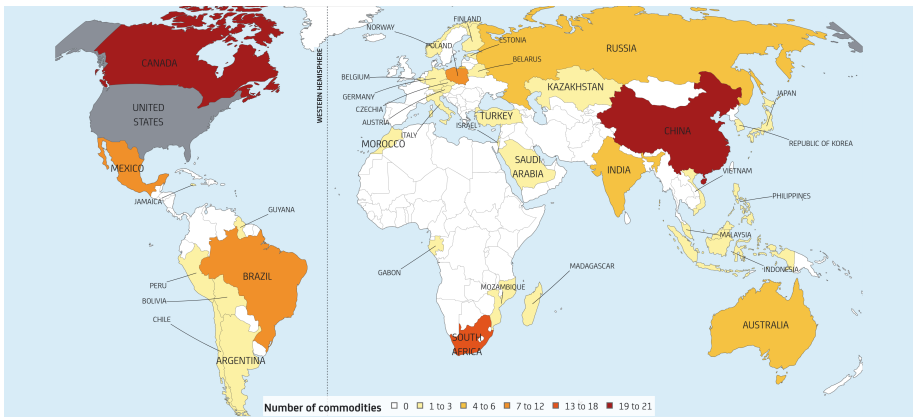
As critical minerals have become a battleground in intensifying geopolitical rivalries, the Trump administration has made securing access to them part of its state capitalist strategy. Under the 2025 National Security Strategy and its "Trump Corollary" to the Monroe Doctrine, the administration reaffirms its aim to assert US pre-eminence in the Western Hemisphere, not least given the region's critical and strategic minerals resources. As Chart 1.2 shows, Canada, Brazil and Mexico have most of the minerals for which the US is more than 50% import-dependent, highlighting the country's strategic interest in maintaining its influence across the region.

The US administration's approach to securing strategic mineral supplies, primarily aimed at reducing dependence on foreign supply chains, particularly those in which China has significant leverage, rests on three pillars: **1.** The Executive Order 14241, issued in March 2025, aims to "facilitate domestic mineral production to the maximum possible extent" by fast-tracking permitting processes, expanding federal financing and easing environmental restrictions. **2.** The One Big Beautiful Bill Act of 2025 provides USD 7.5bn in funding for acquiring equity stakes in companies involved in critical minerals. Under the Act, the administration has acquired stakes in, or provided direct loans to companies across the value chain: exploration and development (Trilogy Metals), mining (MP Materials, Lithium Americas), refining (ReElement Technologies) and downstream components, such as magnets (Vulcan Elements). **3.** The Pax Silica initiative, launched in December 2025, aims to build up resilient supply chains for AI-related technologies between the US and its partners, including Australia, Israel, Japan, the Netherlands, Singapore, South Korea, and the UK. The initiative aims to create a "coalition of capabilities", bringing together a coordinated ecosystem spanning energy, processing, logistics and advanced manufacturing, including private sector companies such as ASML, Rio Tinto and Samsung. The expansion of US overseas minerals activity is supported by the International Development Finance Corporation (DFC) and the Export-Import Bank (EXIM), mainly through guarantees where private markets struggle with political and operational risks and market volatility. The DFC is also involved in the US-Ukraine investment fund, among other initiatives.

The EU approach: public financing, regulatory incentives and coordinated purchasing

Europe's emerging version of state capitalism is different. Rather than becoming a major corporate shareholder, the EU is increasingly seeking to shape industrial development through public financing, regulatory incentives and coordinated purchasing. Defence provides an important and revealing example. Despite a sharp increase in military expenditure following Russia's invasion of Ukraine, European defence procurement remains fragmented. Collaborative procurement has accounted for only 13% of equipment spending since 2022, compared to an EU target of 40% by the end of 2027. Different national requirements, procurement cycles and industrial interests prevent European governments from fully exploiting economies of scale. The EU's SAFE programme, which provides up to EUR 150bn in loans to support defence investment and procurement, seeks to overcome these obstacles. Alongside European Investment Bank financing and rules favouring European and eligible partner suppliers, it aims to turn rising defence budgets into more predictable demand for Europe's defence industry.

CHART 1.2: US IMPORT SOURCES FOR CRITICAL NON-FUEL MINERALS
NUMBER OF COMMODITIES FOR WHICH US IMPORT RELIANCE EXCEEDS 50%



Source: US Geological Survey 2025, The Investment Institute by UniCredit

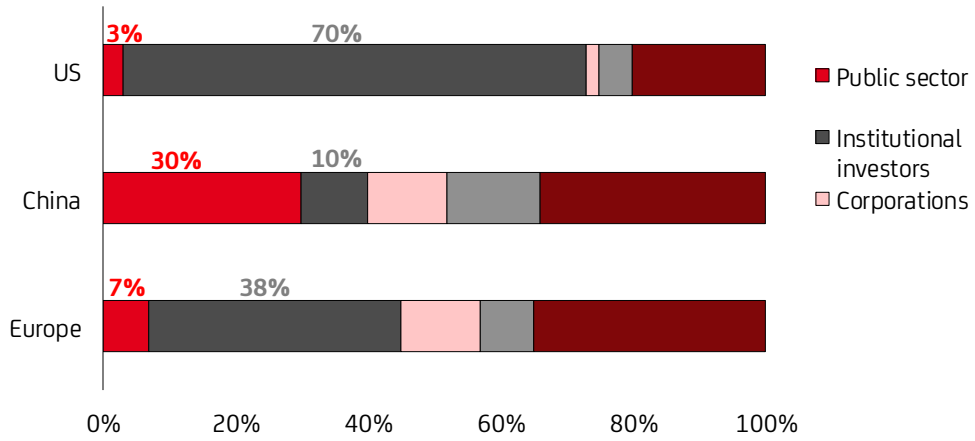
Rising geopolitical competition, demand for transition minerals and increasing concerns over supply chain resilience have also led the EU to adopt a critical minerals strategy, anchored in the European Critical Raw Materials Act, which entered into force in May 2024. The Act identifies 34 critical raw materials (CRMs), of which 17 are classified as strategic raw materials, including lithium, nickel and rare earths, because of their importance for the green and digital transitions, as well as for defence and aerospace. The EU approach is targeted towards reducing excessive dependence on a small number of suppliers, particularly in China, while securing raw materials required for technologies of the 21st century, notably electric vehicles, batteries, semiconductors and renewable energy. Unlike the US model involving state ownership, the EU approach relies on a combination of regulation, trade diversification, public financing and industrial partnerships.

No single model of state capitalism – the US and EU models versus China

While the governments of the US, China and Europe increasingly seek to influence investment decisions in strategic industries, they start from very different positions. In China, the state is already a major shareholder. In the US, government equity participation remains selective. Europe, meanwhile, relies mainly on financing, regulation and political efforts to coordinate demand. The growing role of the state therefore does not imply convergence towards a single model of state capitalism worldwide.

The differences between the US and EU approaches and that of China are indeed striking (Chart 1.3). According to the OECD, China's public sector owns roughly a third of listed equity, compared to just 3% in the US and 7% in Europe. Thus, public ownership in China is deeply embedded in the corporate system, giving the state a more direct role in corporate governance, investment decisions and the allocation of capital. Despite Washington's recent acquisitions of stakes in strategically important companies, corporate America remains overwhelmingly in private hands. Institutional investors hold almost 70% of publicly listed equity in the US compared with only 9% in China and nearly 40% in Europe.

CHART 1.3: US-CHINA OWNERSHIP SYSTEMS REMAIN WORLDS APART
OWNERSHIP OF PUBLICLY LISTED COMPANIES BY STAKEHOLDER, IN % (2025)



Source: OECD, The Investment Institute by UniCredit

Implications for investors

For investors, the form of state involvement matters. Government ownership or financing may support credit quality by reducing funding risk and strengthening demand, particularly where the state is a committed, deep-pocketed stakeholder. This can be supportive for credit investors, while the implications for equity investors are less clear: policy support can create attractive opportunities in strategic sectors, but political objectives may constrain profitability, capital allocation and shareholder returns. Assessing state-backed firms therefore increasingly requires a comprehensive analysis of industrial policy, governance and the explicit and implicit conditions attached to government ownership alongside traditional financial metrics.

Macro Stories

Authors: Jonathan Schroer, Marco Valli

1 ECB firmly on track for a December hike

The ECB left interest rates unchanged on 29 October and signalled that the direction of policy would largely depend on two factors: whether high energy prices trigger broader inflationary pressures through wages, and how rising long-term interest rates affect financial conditions. The central bank is alert to rising tensions in government bond markets. ECB President Christine Lagarde reiterated that fiscal discipline is essential and that ECB tools remain available should sovereign bond markets become disorderly and disconnect from underlying fundamentals, impairing the transmission of monetary policy. At the same time, quantitative tightening (QT) will continue as planned. **Overall, the ECB remains firmly on track for a December rate increase, and we see growing risks that persistently high energy prices could require additional tightening in early 2027**. Separately, Lagarde announced that she will leave the ECB on 7 February. The appointment of her successor will form part of broader political negotiations among EU leaders over three key vacancies on the ECB's Executive Board due to arise next year. While Klaas Knot (Dutch) and Pablo Hernández de Cos (Spanish) are widely regarded as leading contenders for the presidency, the outcome remains highly uncertain, and an alternative compromise candidate cannot be ruled out.

2 Hawkish Fed has more work to do

The Fed left rates unchanged at 3.75-4.00% on 28 October in a 10-2 vote, with two policymakers favouring a 25bp hike. While the decision was widely expected, the meeting reinforced a hawkish underlying message. The Fed is becoming increasingly constructive on economic growth and with jobless claims still near historic lows, it can focus squarely on inflation risks. This strengthens the case for additional policy tightening. At the same time, the Fed does not appear inclined to move aggressively. Fed Chair Kevin Warsh emphasised that the economy is running hot, but not excessively so, inflation expectations remain anchored, and policymakers want to gather more information before acting again. **The bar for a December hike looks very low and risks are increasingly skewed toward further tightening next year given strong growth, higher energy prices and ongoing supply-side constraints linked to the AI investment boom**.

3 Blue tsunami will upend US politics

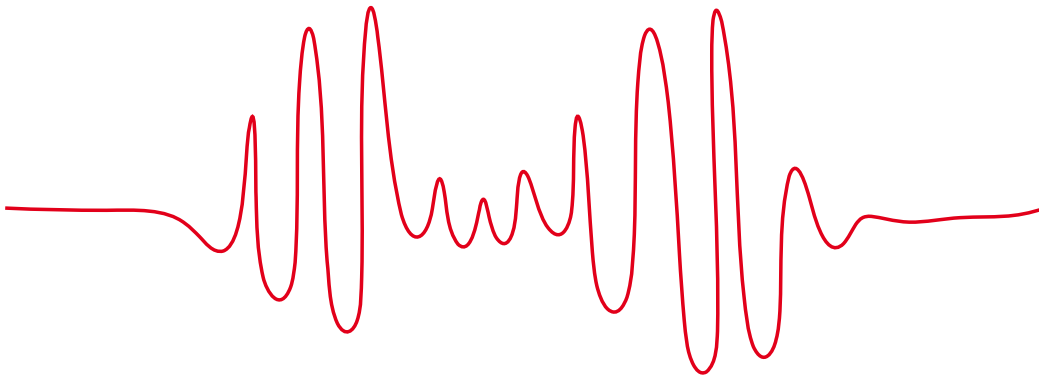
Democrats won convincing majorities in both the House of Representatives and the Senate that exceeded even the most optimistic forecasts. The shift in control of Congress will serve as a new check on presidential power and usher in a new era of executive accountability that was previously lacking. Voters expressed discontent mainly over the cost of living and rejected Republican priorities in Trump's second term. Democrats appear likely to address health care spending cuts, and both parties appear more willing to increase regulation of data centres and the AI industry. Although a Democratic Congress is unlikely to be able to reverse tariffs or stop the Iran war, investigations into previous Trump policies will constrain the president's domestic agenda and could bring more policy stability in the US. However, Trump will face few limitations on the international stage, which raises the potential for more volatility in US international relations.

Market Stories

Authors: Francesco Maria Di Bella, Tobias Keller, Stefan Kolek, Roberto Mialich, Jonathan Schroer, Christian Stocker, Thomas Strobel, Michael Teig

The noise ...

The further increase in energy prices since mid-September has only had a temporary impact on core government bonds, whose yields have edged lower after reaching multi-year highs. The 10Y UST yield is back below the 5% threshold. Non-core EGBs, especially those issued by more indebted countries, have underperformed, with the 10Y OAT-Bund spread widening to 175bp before tightening back. While tech stocks have come under pressure, other sectors have remained resilient, leaving equity markets more or less at their levels from 45 days ago.



... and the signal

Geopolitical developments will remain key in shaping market moves during the remainder of the year. While inflation is expected to remain elevated in the coming months, likely prompting both the ECB and the Fed to hike rates in December, easing tensions between the US and Iran would lead to a decline in energy prices and more contained inflationary pressure. Against this backdrop, the macroeconomic outlook remains resilient, supporting earnings momentum worldwide. We therefore remain constructive on global equity markets and we continue to see value in emerging markets, which are characterised by attractive valuations. The increase in yields has made fixed-income assets more appealing, especially those with contained duration risk. While we remain cautious on USTs due to fiscal risks, we have a more constructive view on EGBs. Geopolitical risks and tighter refinancing costs continue to be a headwind for corporate credit, which, however, remains supported by solid fundamentals.

Equities

Volatility rises, but earnings fundamentals remain supportive

Global equity markets remain supported by resilient fundamentals and a constructive earnings backdrop. While recent volatility has been concentrated in technology stocks and the AI investment theme, underlying earnings trends remain solid across most major regions. Importantly, earnings momentum is no longer confined to a handful of large US technology companies. Revisions are improving in Europe, profit growth remains solid in the US, and several emerging markets (EM) continue to benefit from structural growth drivers. While higher bond yields, geopolitical uncertainty and elevated energy prices remain important risks, the earnings cycle is broadening, reducing market concentration and supporting a more balanced market environment despite a still challenging macro backdrop.

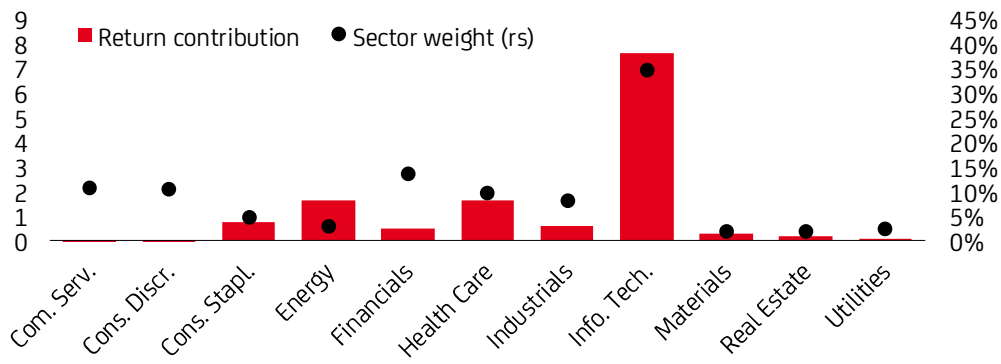
Technology remains central to the equity story, particularly in the US, supported by superior earnings growth and robust demand for semiconductors, data-centre infrastructure and AI-related software. However, recent earnings reactions suggest that investors are becoming more selective. Strong revenue growth is no longer sufficient: markets increasingly want evidence that AI investment can generate sustainable cash flow and attractive returns on capital. This does not undermine the structural technology case, but points to more differentiated performance and broader market leadership. Elevated bond yields and lingering inflation risks further increase the focus on earnings quality and valuation discipline, supporting opportunities beyond large-cap technology.

Outside the US, the earnings picture is becoming increasingly encouraging. **European equities** are benefiting from improving earnings momentum, strengthening economic activity and more positive analyst revisions. Combined with their Financials and Industrials bias, European markets appear well positioned to benefit from broader market leadership, although political uncertainty in France remains a risk. Across **Asia and EM**, technology investment and digitalisation continue to support earnings. However, heavy semiconductor exposure in Taiwan and South Korea leaves markets vulnerable to any slowdown in AI spending and to geopolitical tensions. Attractive valuations and favourable long-term growth prospects nevertheless leave **EM as our preferred regional equity allocation**.

Overall, **we remain constructive on global equities**. Volatility has risen in recent weeks, but supportive earnings trends and improving profit momentum beyond US technology suggest that the current equity rally is becoming broader and less dependent on a small group of market leaders. That said, higher bond yields and geopolitical risks are likely to keep market conditions more volatile than in recent years.

CHART 2.1: TECHNOLOGY LEADERSHIP PERSISTS DESPITE RECENT VOLATILITY

CONTRIBUTION TO S&P 500 TOTAL RETURN YTD (IN PP) AND SECTOR WEIGHT (IN %)



Source: LSEG Datastream, The Investment Institute by UniCredit

Fixed Income

Govies unlikely to recoup YTD losses

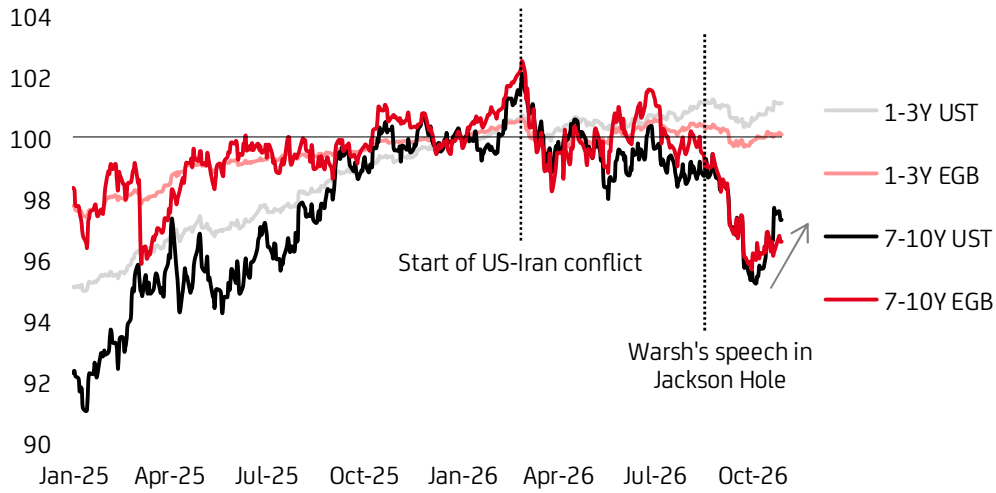
Following a disappointing September, when core government bond yields reached levels last seen before the great financial crisis, USTs and Bunds recovered some ground in October. The relief rally was driven by an overall risk-off mood due to volatility in equity markets and investor concerns regarding fiscal stability in France, ahead of next year's presidential election. Multi-year high yields provided another good reason to re-enter fixed-income markets.

Against this backdrop, **the macroeconomic outlook remains challenging for govies**. Energy prices rose further in October, supported by ongoing tensions in the Middle East. Recent data indicate economic resilience in both the US and the eurozone, although consumer confidence indicators have decreased in the last few months. Both the Fed and the ECB kept rates steady at their latest meetings but, with inflation likely to remain elevated in the near term, are set to raise rates again in December. From a longer-term perspective, expectations of abundant supply and fiscal risks remain intact, prompting investors to require a compensation for such factors. This is especially the case for more indebted countries, including France and Italy. In October, the 10Y OAT-Bund spread traded in a 140-175bp range, not far from its peak of 190bp, reached in November 2011.

The 10Y UST yield is currently trading below 5%, the 10Y Bund at 3.25%. We expect them to remain at current levels in the near term as opposing factors will probably offset each other. On the one hand, persistently high energy prices will keep rate hike expectations lively. On the other hand, govies increasingly offer an appealing alternative to stocks, especially after this year's impressive gains in technology sector. Despite their rebound in October (Chart 2.2), 7-10Y UST and EGB indices are still in negative territory, having lost around 2% YTD in local currency and are unlikely to recoup these losses by year-end. Considering that yield curves are very flat, geopolitical risks remain elevated and central banks continue to sound hawkish, **we continue to prefer shorter-dated govies, which have outperformed so far this year**.

CHART 2.2: GOVIES RECOVERED GROUND IN OCTOBER

BLOOMBERG EGB AND UST INDICES; 1 JAN 26=100



Source: Bloomberg, The Investment Institute by UniCredit

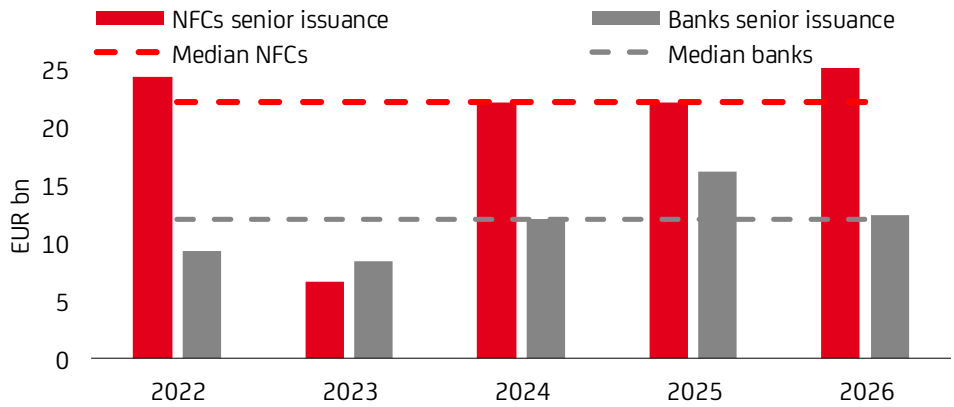
Corporate credit: primary market activity (so far) unaffected by tighter lending standards

Fiscal uncertainties surrounding French public debt, geopolitical tensions in the Middle East and related growth uncertainties create an adverse environment for lending conditions. According to the latest Bank Lending Survey (BLS), credit standards in the eurozone have experienced further net tightening for loans or credit lines to firms vs the previous quarter, with short-term lending more affected than long-term lending. In terms of country, French and German banks have reported tighter credit standards for firms, while credit standards have eased in Italy and remained unchanged in Spain. For 4Q26, amid persisting risk perceptions and lower risk tolerance, banks expect a further net tightening of credit standards – for loans to large firms more than for loans to SMEs, and also more for long-term loans rather than for short-term ones. So far, the primary market for banks and corporates remains open. As our chart shows, October issuance of new senior bonds by investment-grade-rated banks and non-financials is above the five-year median. We expect issuance activity to slow in the coming weeks, mainly due to seasonal effects. **However, the BLS results point towards persisting wider credit risk premiums**.

Two thirds of European banks have reported their 3Q26 results. While banks' top-line results have outperformed expectations over the last eight quarters, 3Q26 results have so far been only in line with consensus. Net results were still 4% above consensus but the beat was weaker than in the last eight quarters where results came in 7% above consensus on average. The weaker results were driven by pressure on net interest margins, lower fixed-income trading results and partly by higher loan-loss provisions. **Despite the weakening dynamics in profit growth, we think the European banking sector is in a solid position** with an average CET1 ratio above 16% and a return on equity above 11%.

At slightly above 100bp for banks senior and slightly above 90bp for non-financials seniors, corporate spreads are at their highest levels since May last year. **Sector-wise, we regard automobiles & parts and chemicals as being particularly vulnerable in the current environment, while oil & gas should continue to outperform**.

CHART 2.3: OCTOBER SENIOR BOND ISSUANCE BY IG BANKS AND NON-FINANCIAL CORPORATIONS (NFCs)
IN EUR BN



Source: Bloomberg, The Investment Institute by UniCredit

FX

EUR-USD: political tensions in the eurozone to act as a brake

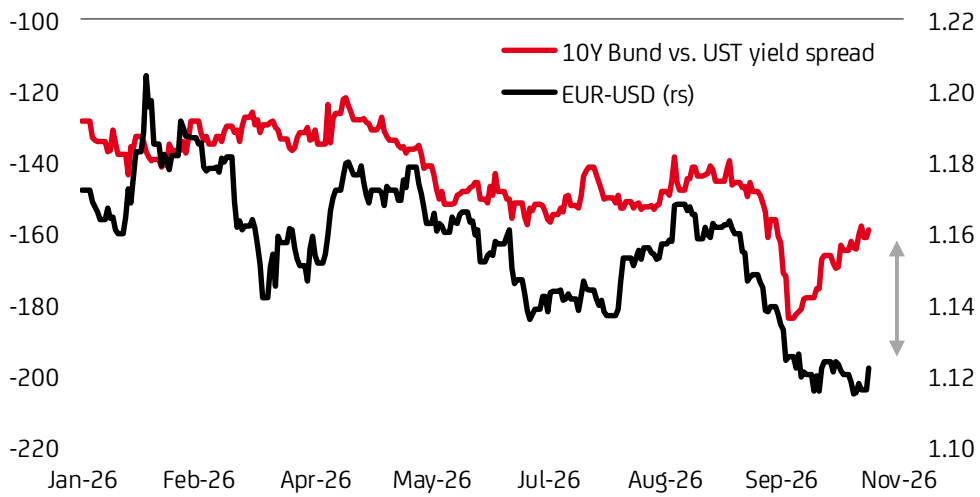
The outlook for EUR-USD remains sluggish after the pair reached a YTD low of 1.1106 on 29 October. Soaring UST long-term yields, which boosted the USD across the board, had initially been the main reason behind the fall of EUR-USD from its high above 1.17 in early August. The pair consolidated its partial rebound above 1.12 following the Democrats' victory in the US mid-term elections, as US President Trump threatened to use immense power to counteract the defeat of the Republican party.

Two worrisome signals, however, have emerged of late: the euro has failed to recover, despite **1. tighter spreads between German Bunds and US Treasuries, as shown in the chart below, and 2. a lull in the sell-off of French debt**, with the 10Y OAT yield falling below 5.00% and its spread against Bund dropping below 160bp. A partial correction of these two trends emerged early this week when some short-covering ahead of US vote and in the wake of a possible re-opening in US-Iran talks with the consequent new drop in prices lifted EUR-USD back above 1.12. AI jitters hurting US equities again, bringing UST yields down and narrowing spreads offered support too (see the chart below).

We still consider the sharp rise in US long-term bonds as an overshooting rather than the result of a permanent increase in US GDP growth or a reflection of soaring inflation expectations. The risk of the Fed overtightening remains a possibility and the recent retreat of UST yields from their peaks supports this hypothesis. The US forward curve has also scaled back the intensity of further rate hikes by the Fed, now pricing in three moves in almost twelve months' time, after a few FOMC voting members sounded more cautious on rate hikes.

If the rise in US bond yields eases further, mainly when looking at 2027, the USD would lose part of its grip. A return of the 10Y UST yield to early-September levels at around 4.80% (before the bond market sell-off) would likely signal that the crisis is over. **Still, a recovery to 1.16, the EUR-USD value at the time, looks quite challenging** if German Bund vs. UST yields do not tight in favour of the euro. By contrast, growing political tensions across the eurozone represent a risk premium that is also increasingly weighing on the euro. Developments in the Russia-Ukraine conflict and risks of new tensions in the Middle East after the US midterm election are two other factors that may act as a brake on any EUR-USD recovery attempt.

CHART 2.4: TIGHTER 10Y BUND – UST YIELD SPREAD IS NOT HELPING EUR-USD ENOUGH
EUR-USD AND 10Y BUND VS. UST YIELD SPREAD



Source: LSEG, The Investment Institute by UniCredit

Commodities

Crude oil

Oil prices remain elevated as the conflict between the US, Israel and Iran continues to dominate the outlook for Gulf energy markets. Regional oil flows have recovered significantly from earlier disruptions, supported by rerouting, ship-to-ship transfers and escorted transits, but the improvement remains fragile. October recorded the highest number of attacks on commercial shipping in and around the Strait of Hormuz, underscoring the continued vulnerability of vessels, energy infrastructure and critical export routes. A sizeable geopolitical premium therefore remains embedded in prices, while tight product markets and depleted crude inventories provide additional support and leave the market vulnerable to another major supply shock. A credible ceasefire, meaningful diplomatic progress and improved shipping security could allow part of that premium to unwind relatively quickly. However, a full return to pre-war conditions, shipping patterns and inventory levels is likely to take longer than previously anticipated. **The balance of risks remains tilted towards pronounced price volatility**.

Natural gas

The benchmark European natural gas price (TTF) rose by 44% in October alone, ending the month **at EUR 104/MWh**. This is the highest mark since the end of 2022 when Europe was still coming to terms with the breakdown in its trading relationship with Russia. The supply-demand balance has not changed and remains tight since Qatari LNG exports are largely trapped inside the Strait of Hormuz. The recent TTF price increase therefore appears to factor in a sizeable geopolitical premium. European inventories are below the levels of previous years but, at 75% of capacity, are only 8pp below where they were at the start of November 2025. Fears of another cold winter with constrained supply due to missing Qatari LNG flows have further supported the recent price increase. Although the geopolitical premium remains the primary near-term price driver for TTF, weather conditions will also keep markets on edge in the coming weeks. Therefore, **a further escalation of hostilities can be expected to drive gas prices up further, while a lasting deescalation could lead to dramatic price relief** – as occurred during the brief ceasefire in June, when TTF fell to around EUR 40/MWh.

Gold

Gold has recently retreated to **around USD 3,900/oz**, reflecting the impact of elevated real yields and renewed expectations of a higher-for-longer Fed. While higher rates remain a headwind by increasing the opportunity cost of holding a non-yielding asset, investors are increasingly focused on what is driving yields higher. A steepening curve driven by stronger growth is typically negative for gold, whereas higher term premia linked to fiscal deficits and debt-sustainability concerns can be supportive, particularly if confidence in the US dollar weakens. Against this backdrop, **we maintain a neutral to slightly constructive view on gold**. Although hawkish Fed repricing and elevated bond yields may continue to weigh on sentiment, strong central-bank buying, record ETF holdings, diversification demand and concerns about rising public debt should provide an important buffer against deeper downside. **We keep our end-2026 forecast range to USD 3,900-4,500/oz** and expect gold to remain broadly range-bound. While higher rates may cap upside in the near term, structural demand and fiscal-related risks should help limit downside and support a gradual recovery over time.

Forecast Tables

UniCredit Forecasts

GDP, CPI AND BUDGET BALANCE FORECASTS

	Real GDP (% Y/Y)			Consumer prices (% Y/Y)			Budget balance (% of GDP)		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Global	**3.2**	**3.1**	**3.2**	-	-	-	-	-	-
US	**2.3**	**2.3**	**2.0**	**2.7**	**3.5**	**2.7**	**-5.8**	**-6.5**	**-6.5**
Eurozone	**1.3***	**1.1***	**1.2***	**2.1**	**3.1**	**2.6**	**-2.9**	**-4.5**	**-4.4**
Germany	0.2**	1.2**	1.6**	2.2	2.8	2.5	-3.0	-4.3	-4.3
France	0.9	0.3	0.8	0.9	2.2	2.0	-5.4	-5.3	-5.0
Italy	0.7	0.8	0.6	1.5	3.2	2.5	-3.1	-2.9	-3.4
Spain	2.8	2.6	1.8	2.7	3.9	3.0	-2.4	-2.3	-2.1
UK	**1.3**	**1.1**	**1.2**	**3.4**	**3.2**	**2.6**	**-5.2**	**-4.0**	**-3.5**
China	**5.0**	**4.6**	**4.2**	**0.1**	**1.0**	**1.1**	**-7.9**	**-8.2**	**-8.4**
Japan	**1.2**	**0.7**	**0.8**	**3.2**	**2.1**	**2.2**	**-1.1**	**-2.3**	**-2.6**
India	**7.8**	**7.0**	**7.0**	**2.0**	**5.0**	**4.4**	**-7.4**	**-7.5**	**-7.2**

Source: The Investment Institute by UniCredit
*Eurozone excluding Ireland: 1.0% (2025), 1.1% (2026), 1.2% (2027)
**Non-WDA figures. Adjusted for working days: 0.3% (2025), 1.0% (2026) and 1.5% (2027)

CENTRAL BANKS WATCH

	Current	4Q26	1Q27	2Q27	3Q27	4Q27
Fed	4.00	4.25	4.25	4.25	4.25	4.25
ECB	2.50	2.75	2.75	2.75	2.75	2.50
BOE	3.75	4.00	4.25	4.25	4.25	4.25
BoJ	1.25	1.50	1.50	1.75	1.75	2.00
Riksbank	2.00	2.00	2.00	2.00	2.00	1.75
Norges Bank	4.50	4.50	4.50	4.50	4.50	4.50

Source: The Investment Institute by UniCredit
Note: Figures are end-of-period

INTEREST RATE AND YIELD FORECASTS

	Current	4Q26	1Q27	2Q27
Eurozone				
Depo rate	2.50	2.75	2.75	2.75
3M Euribor	2.76	2.80	2.80	2.80
2Y Schatz	3.00	3.10	3.10	2.90
10Y Bund	3.27	3.40	3.40	3.30
2Y EUR swap	3.28	3.25	3.25	3.05
10Y EUR swap	3.36	3.45	3.45	3.35
10Y swap-Bund spread	9	5	5	5
2Y BTP	3.38	3.30	3.30	3.10
10Y BTP	4.31	4.15	4.15	4.10
10Y BTP-Bund spread	104	75	75	80
US				
Fed fund rate	4.00	4.25	4.25	4.25
3M OIS SOFR	4.06	4.17	4.17	4.17
2Y UST	4.58	4.70	4.60	4.40
10Y UST	4.89	5.00	4.90	4.75
10Y UST-Bund spread	162	160	150	145

FX FORECASTS

	Current	4Q26	1Q27	2Q27
EUR-USD	1.12	1.14	1.15	1.16
USD-JPY	158	156	154	153
EUR-JPY	178	178	177	177
GBP-USD	1.35	1.33	1.33	1.33
EUR-GBP	0.83	0.86	0.87	0.87
USD-CNY	6.67	6.65	6.63	6.62
EUR-CNY	7.49	7.58	7.62	7.68

Source: Bloomberg, The Investment Institute by UniCredit

RISKY ASSETS FORECASTS

	Current	End-2026	Mid-2027
Oil			
Brent USD/bbl.	95	92	78
Equities			
Euro STOXX 50	6,266	6,600	6,800
STOXX Europe 600	657	670	700
DAX	26,438	26,500	28,500
MSCI Italy	131	135	140
S&P 500	7,689	8,000	8,500
Nasdaq 100	28,437	31,000	33,000
Credit *			
iBoxx Non-Financials Senior	93	80	80
iBoxx Banks Senior	99	75	75
iBoxx High Yield NFI	353	280	280

*Credit spread forecasts are currently under review.
Source: Bloomberg, S&P Global, The Investment Institute by UniCredit

For detailed forecast tables click the following links:

Economics > | **FI >** | **FX >** | **Risky Assets >**

Development of selected financial market indices

From	03.11.21	03.11.22	03.11.23	03.11.24	03.11.25	03.11.21	01.01.26
To	03.11.22	03.11.23	03.11.24	03.11.25	03.11.26	03.11.26	03.11.26
STOCK MARKET INDICES (TOTAL RETURN, IN %)							
MSCI World (in USD)	-21.6	19.4	30.8	22.2	12.1	66.9	11.0
MSCI Emerging Markets (in USD)	-29.6	13.6	24.2	29.2	12.4	41.4	12.5
MSCI US (in USD)	-20.7	19.2	35.0	21.6	11.2	71.8	11.4
MSCI Europe (in EUR)	-10.9	12.2	18.6	15.4	16.4	59.8	12.4
MSCI AC Asia Pacific (in USD)	-28.3	17.0	23.1	27.3	13.9	47.3	14.6
STOXX Europe 600 (in EUR)	-12.2	12.1	19.0	15.8	16.3	57.9	12.1
DAX 40 (Germany, in EUR)	-17.7	15.7	27.2	25.3	7.2	62.1	5.6
MSCI Italy (in EUR)	-11.6	32.7	29.5	30.7	18.4	135.1	12.5
ATX (Austria, in EUR)	-19.5	13.2	18.6	43.6	36.1	110.8	23.7
SMI (Switzerland, in CHF)	-11.0	1.9	16.7	5.5	24.2	39.5	14.6
S&P 500 (US, in USD)	-18.9	19.1	34.6	21.2	11.8	75.5	11.6
Nikkei (Japan, in JPY)	-4.2	18.0	21.3	40.4	22.4	135.4	27.2
CSI 300 (China, in Yuan)	-22.7	0.8	12.8	22.9	-11.8	-5.9	-11.6
BOND MARKET INDICES (TOTAL RETURN, IN %)							
US government bonds 10Y (in USD)	-18.2	0.1	6.4	6.8	-1.8	-9.6	-2.4
German Bunds 10Y (in EUR)	-18.7	-0.2	5.0	0.7	-1.8	-16.2	-0.7
EUR government bonds 1Y-10Y (iBOXX, in EUR)	-17.5	-0.3	6.9	2.2	-2.6	-12.8	-2.1
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	-15.6	5.0	8.2	4.5	-0.8	-0.8	-0.5
BOND YIELDS (CHANGE IN BASIS POINTS = 0.01 PERCENTAGE POINTS)							
US government bonds 10Y (in USD)	254	45	-30	-27	85	341	82
German Bunds 10Y (in EUR)	242	35	-26	22	66	344	46
EUR government bonds 1Y-10Y (iBOXX, in EUR)	258	49	-49	14	90	367	74
EUR corporate bonds 1Y-10Y (iBOXX, in EUR)	381	-13	-92	-17	109	372	88
EURO EXCHANGE RATES (CHANGE, IN %)							
US dollar (EUR-USD)	-15.8	9.7	2.1	5.8	-2.9	-3.7	-4.9
British pound (EUR-GBP)	2.8	-0.3	-3.8	4.3	-4.9	-1.9	-4.5
Swiss franc (EUR-SFR)	-6.4	-2.7	-2.0	-1.4	-1.4	-13.5	-1.6
Japanese yen (EUR-JPY)	9.6	10.6	3.5	7.3	-0.4	34.0	-3.9
COMMODITIES (CHANGE, IN %)							
Commodity Index (GSCI, in USD)	-8.1	22.0	37.0	44.4	-2.6	112.4	-9.7
Industrial metals (GSCI, in USD)	-15.0	0.3	14.0	10.4	17.2	23.2	8.1
Gold (in USD per fine ounce)	-7.7	22.6	38.3	46.0	-1.7	120.0	-9.0
Crude oil (Brent, in USD per barrel)	16.2	-9.7	-15.5	-11.8	60.0	22.7	70.6

Source: LSEG Datastream, The Investment Institute by UniCredit (as of 3 November 2026)
Note: Past values and forecasts are not a reliable indicator of future performance. Indices cannot be purchased and therefore do not include costs. When investing in securities, costs are incurred which reduce the performance. The return on investments in foreign currencies may also rise or fall as a result of currency fluctuations. So-called synthetic bonds are calculated to reflect the performance of government bonds in a fixed maturity range. In each case, the most "suitable" real federal bond at the relevant time is used as a reference for the yield opportunity of the synthetic bond. The development of the expected yield to maturity is shown under the following conditions: servicing of interest payments and redemption in accordance with the terms and conditions and holding until maturity. In this respect, it is a yield opportunity. The yield opportunities reflect the different risk assessments of the investors for the respective products or countries (higher yield opportunity=higher risk assessment). The synthetic bonds cannot be purchased and therefore do not include any costs. In the case of currencies and commodities, acquisition and/or custody costs incurred are not included.

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