

Banque Richelieu

L'esprit de conquête

Monthly Investment Strategy

4 November 2026

Summary as of 4 November 2026

01 Macroeconomic outlook

- Three holds in 48 hours: Fed at **4.00%** on 28 October, ECB at 2.50% on the 29th, BoJ at 1.25% on the 30th. None signalled the end of the cycle: markets price an ECB hike in December.
- Long yields eased: US 10Y from 5.29% to **4.91%** (-38bp), 30Y at 5.28%, Bund from 3.60% to 3.34%. The move came through real yields; inflation expectations (2.29% on the 10Y) barely moved.
- Euro-area inflation rose to **4.0%** in October (3.8% in September), the highest since 2023. France at 3.8%, Italy at 5.6%, Germany back down to 2.8%. Energy +20.8% year on year.
- Equities rotated: Nasdaq 100 **-6.6%** in October, STOXX 600 +2.0%, Dow Jones +1.8%. US semiconductors -21% over one month; healthcare +14.9% in Europe and +10.8% in the US.
- Democrats won both houses of Congress on 3 November: US 10Y at **4.90%** on 4 November, dollar at a one-month low, gold back above $4,000.
- Brent back at **$104** after a peak of $112 on 22 October, on signs of progress in talks with Iran; the energy shock remains the main risk to inflation.

02 Asset allocation

- **US and Japanese equities raised from neutral to overweight**, overall equity exposure kept at neutral: the question is no longer how much risk, but where it sits.
- The US is favoured for the strength of earnings, driven by AI and by upward revisions that keep surprising, despite a tighter rate regime.
- Japan is raised for cyclical and structural reasons: rising capex, semiconductor exports, governance reform and share buybacks.
- **Europe and emerging markets kept at neutral**: persistently expensive oil, a tightening Fed and the risk of a stronger dollar. The upgrade is funded by relative weightings, not by the risk budget.
- Bonds neutral with a positive view on duration: yields are attractive and sovereigns can once again cushion a slowdown.
- **Gold returns to neutral** after -6.3% in October: higher real yields weigh on a non-yielding asset. **Cash moves to underweight** in favour of bond carry.

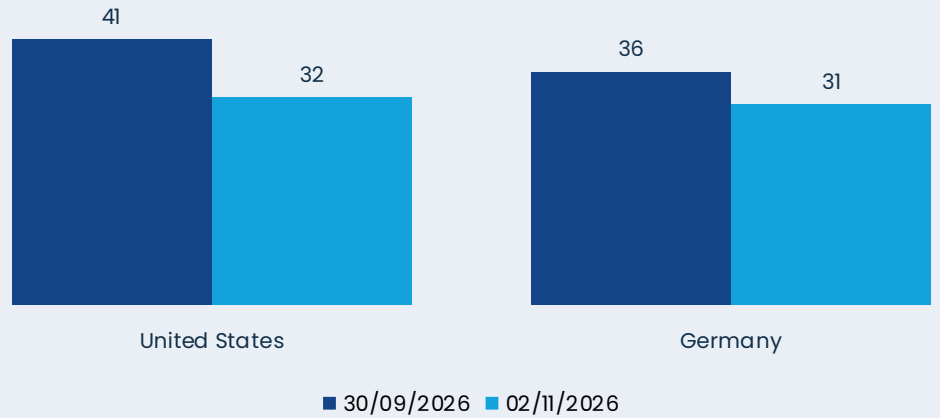
Sources: FactSet, Fed, ECB, BoJ, Eurostat, ICE BofA (FRED) — data as at 04/11/2026

Our reading of the rates market

01 Yield curves

	2Y	10Y	30Y	2–10Y slope
United States	4.59%	4.91%	5.28%	+32bp
Germany	3.03%	3.34%	3.68%	+31bp
US change (1M)	-29bp	-38bp	-36bp	-9bp
DE change (1M)	-21bp	-26bp	—	-5bp

2–10Y slope (bp): slight flattening in October



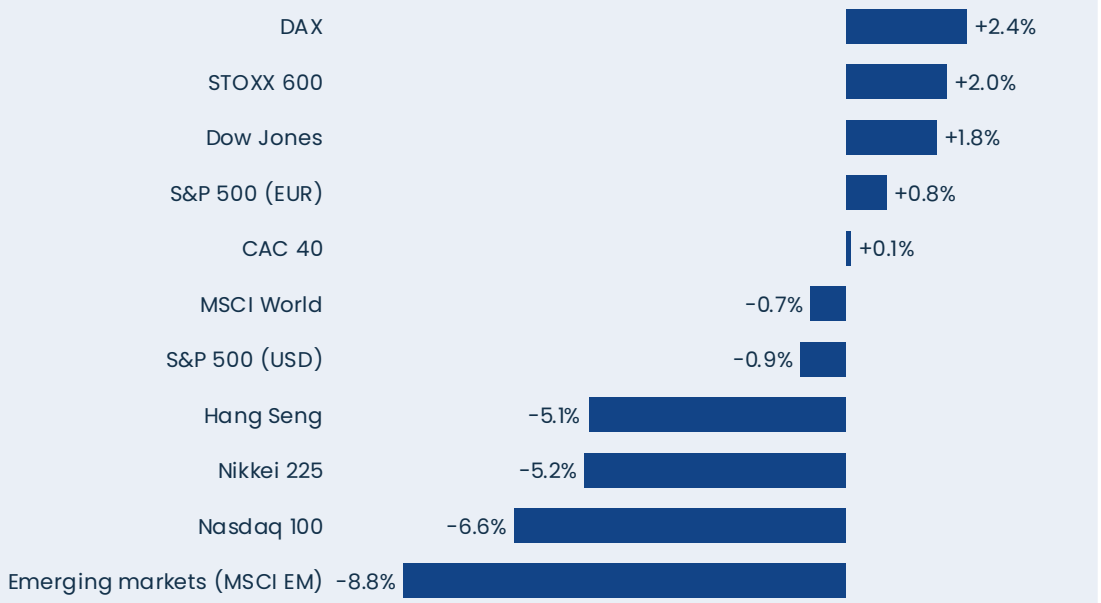
02 Our reading

- October reversed September's move: **-38bp** on the US 10Y, -26bp on the Bund, without any central bank acting.
- The easing came through **real yields**: 10-year inflation expectations (TIPS) gave up only 7bp, to 2.29%. The market removed a tightening premium, not an inflation premium.
- We keep bonds at **neutral, with a positive view on duration**: at 4.91% on the US 10Y and 3.34% on the Bund, carry remains high and sovereigns once again cushioned a shock, the election.
- The Democratic Congress strengthens the case: less fiscal stimulus expected, long yields fell 7bp on 4 November.
- The front end is still held by central banks: the US 2Y at 4.59% still prices one more Fed hike, and the ECB should hike in December. The peak of the front end looks close to us.
- In credit, spreads remain tight: most of the yield comes from rates. We favour issuer quality.

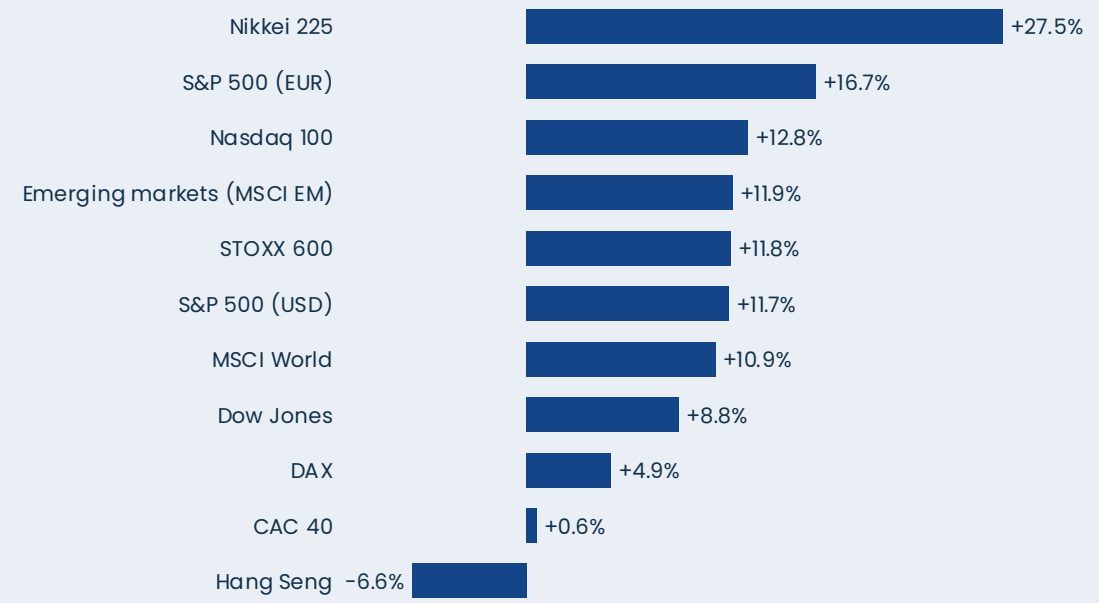
Sources: FactSet (Fed, Bundesbank) — data as at 02/11/2026; Germany 30Y: Cbonds, 30/10/2026

Equity markets — performance

01 October 2026



02 Year to date (YTD)



+11.7% S&P 500 year to date in USD (+16.7% in EUR)

+11.8% STOXX 600 year to date

34.1 pts Gap between the best and worst major index (YTD)

Source: FactSet — index ETFs, dividends reinvested, local currency (EM and MSCI World in USD; S&P 500 in EUR via the FXE ETF), as at 30/10/2026

Our reading of equity markets

01 Europe — STOXX 600 sectors

Sector	1M	YTD
Healthcare	+14.9%	+10.4%
Food & beverage	+13.4%	+13.5%
Oil & gas	+4.7%	+45.4%
Automobiles	+3.9%	-15.1%
Industrials	-2.7%	+7.7%
Technology	-5.0%	+21.9%
Banks	-6.7%	+10.4%
Basic resources	-9.2%	+12.7%

- Defensives led: healthcare **+14.9%** and food & beverage +13.4% over one month, as the oil shock and the French sovereign stress pushed investors into visibility.
- Cyclicals paid: basic resources **-9.2%**, banks -6.7% (French exposure), technology -5.0% in the wake of US semiconductors.
- Year to date the picture is unchanged: oil & gas **+45%** far ahead, technology +22%, autos the only sector in the red (-15%).

02 United States — S&P 500 sectors

Sector	1M	YTD
Healthcare	+10.8%	+20.4%
Consumer staples	+10.5%	+16.8%
Utilities	+9.1%	+3.9%
Financials	+7.0%	+5.7%
Energy	+6.2%	+52.1%
Industrials	+0.8%	+11.4%
Technology	-11.6%	+23.1%
Semiconductors	-21.0%	+54.7%

- A month of **rotation, not de-rating**: semiconductors **-21%** and technology -11.6%, while healthcare, staples and utilities gained 9 to 11%. The S&P 500 ended October at -0.9%.
- Value against growth, the gap of the year: Russell 1000 Value **+24.3%** year to date, Growth -0.4% (+3.7% against -7.6% over one month).
- Semiconductors keep **+55%** year to date: the correction brings valuations back towards earnings, it does not undermine the monetisation of AI. We keep the US at overweight, balancing technology and value.

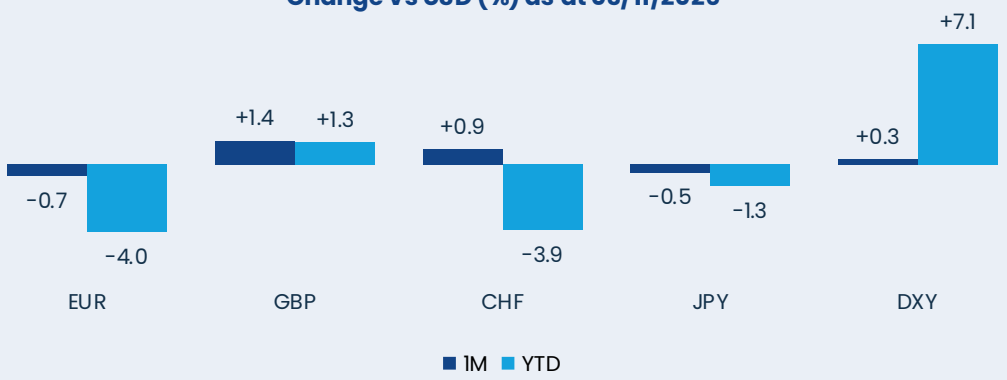
Source: FactSet — sector ETFs (iShares STOXX Europe 600, SPDR Select Sector), dividends reinvested, 1M = 03/10–03/11/2026, YTD as at 03/11/2026

Our reading of currency markets

01 Exchange rates

	ECB fixing 03/11	1M vs USD	YTD vs USD
EUR/USD	1.118	-0.7%	-4.0%
EUR/GBP	0.834	GBP +1.4%	GBP +1.3%
EUR/CHF	0.917	CHF +0.9%	CHF -3.9%
EUR/JPY	176.95	JPY -0.5%	JPY -1.3%
Dollar Index (DXY)	101.3 (04/11)	+0.3%	+7.1%

Change vs USD (%) as at 03/11/2026



02 Our reading

- The dollar has made the year: Dollar Index **+7.1%** year to date, EUR/USD at a 2026 low of 1.113 on 29 October, on a rate differential the Fed kept at 4.00%.
- 4 November reversed the move: Democrats took Congress, long yields gave up 7bp and the Dollar Index hit a **one-month low** at 101.3; EUR/USD recovered to 1.123.
- The euro has no engine of its own: inflation at 4.0% but French sovereign stress and sluggish growth. An ECB hike in December supports the currency at the margin, no more.
- The yen remains the weak G10 currency (EUR/JPY at **177**, USD/JPY at 158) despite a BoJ at 1.25%: the differential with the Fed does not close before 2027.
- Sterling is the only currency up against the dollar this year (+1.3%), with the Bank of England expected to hike on 5 November; the Swiss franc has lost 3.9%.
- **Dollar kept at neutral**: less US fiscal stimulus is a bearish argument, the Fed remains the bullish one. Opportunistic currency hedging, no directional bet.

Sources: ECB (reference rates of 03/11/2026), FactSet — currency ETFs CurrencyShares / DB US Dollar Index, 1M = 03/10–03/11/2026, YTD as at 03/11/2026

Our allocation grid

01 Equities

	– – – 0 + + +		
Equities (global)	○ ○ ● ○ ○	=	Exposure kept at neutral: conflict, high rates, midterm elections.
Europe	○ ○ ● ○ ○	=	Kept at neutral: dearer oil, restrictive Fed, firm dollar.
United States	○ ○ ○ ● ○	▲	Raised to overweight: solid earnings, AI capex monetisation.
Japan	○ ○ ○ ● ○	▲	Raised to overweight: rising capex, semiconductor exports.
Emerging markets	○ ○ ● ○ ○	=	Kept at neutral: same headwinds as Europe, dollar first.

02 Bonds & cash

	– – – 0 + + +		
US sovereign	○ ○ ● ○ ○	=	Positive view on duration: attractive yield and protective role.
European sovereign	○ ○ ● ○ ○	=	Same logic in the euro area, despite the wider French spread.
US IG	○ ○ ● ○ ○	=	Attractive nominal yield but spreads near their lows.
European IG	○ ○ ● ○ ○	=	Solid fundamentals, very thin spread cushion.
US HY	○ ○ ● ○ ○	=	Attractive yields, solid fundamentals and technicals.
European HY	○ ○ ● ○ ○	=	Carry still worthwhile despite tight spreads.
EM credit	○ ○ ● ○ ○	=	High real yields and improving flows.
Cash	○ ● ○ ○ ○	▼	Cut to underweight: bond carry preferred to cash.

03 Currencies & commodities

	– – – 0 + + +		
US dollar	○ ○ ● ○ ○	=	Fed tightening pushes the dollar against the euro.
Oil	○ ○ ● ○ ○	=	Kept at neutral, geopolitical tensions persist.
Gold	○ ○ ● ○ ○	▼	Back to neutral: real yields weigh on the hedge.

How to read the grid — filled dot: current positioning, from – – (strongly underweight) to + + (strongly overweight). ▲ raised, ▼ lowered, = unchanged vs. 13 October 2026.

Source: Groupe Banque Richelieu — positioning set by the Group Investment Committee of 4 November 2026

Equities — positioning

Overall equity exposure does not change, but its distribution does: the US and Japan move to overweight, Europe and emerging markets stay at neutral. **We choose where the risk sits rather than adding to it.**

United States	▲ Overweight	Earnings and revisions ahead of other regions, AI capex monetisation. The Nasdaq correction in October (-6.6%) argues for a balance between technology and value, not a reduction.
Europe	= Neutral	October's rebound was driven by energy and defensives, with banks and basic resources lagging. We prefer quality stock selection to an index bet.
Japan	▲ Overweight	Semiconductor exporters, announced capex increases, governance and share buybacks. A 5.2% pullback in October; the yen at 158 and the pace of BoJ normalisation remain to be watched.
Emerging markets	= Neutral	Dearer oil and a restrictive Fed remain in place; the dollar eased after the elections. October cost the index 8.8%, which keeps **+11.9%** year to date.

Year to date, the gap between the best and worst major index reaches **34 points** (Nikkei 225 +27.5%, Hang Seng -6.6%): we concentrate the allocation where earnings are materialising, and the management effort on stock selection.

Sources: FactSet, Fed, ECB, BoJ, Eurostat, ICE BofA (FRED) — data as at 04/11/2026

Bonds & credit — positioning

October gave back part of September's rise: **-38bp** on the US 10Y, -26bp on the Bund, and sovereigns cushioned the election shock. Risk premia, however, remain tight.

US & European sovereigns	= Neutral	No change, but a positive view on duration: at **4.91%** on the US 10Y and 3.34% on the Bund, the yield remains attractive and sovereigns played their protective role in October. We add duration gradually.
IG credit	= Neutral	No change. Yields of **5.95%** in the US and 4.19% in the euro area; US IG spread at 94bp, close to its lows: carry comes from rates, not from spreads. We favour issuer quality.
US & European HY credit	= Neutral	No change. Yield of **8.1%** in the US, HY spreads at 343bp in the US (+31bp over one month) and 354bp in Europe: the speculative segment absorbed October's tension without dislocation. Worthwhile carry, greater selectivity.
EM credit	= Neutral	No change. High real yields and improving flows continue to support emerging-market debt.
Cash	▼ Underweight	Cut to underweight. Sovereign yield and credit carry are preferred to cash returns, which should fall once the hiking cycle is over.

Our guiding principle — we do not pay more for credit risk, we get paid through duration. Spreads no longer offer a cushion; sovereign yields have regained an attractive level and their shock-absorbing role.

Sources: FactSet (sovereign yields at 02/11/2026, LQD/HYG/IEAC ETF yields at 02/11/2026), ICE BofA via FRED (OAS spreads at 30/10 and 02–03/11/2026)

Gold · Dollar · Oil — positioning

Gold moves from overweight to neutral; oil and the dollar stay at neutral.

01 Oil

= Kept at neutral

- Brent touched **$112** on 22 October (Hormuz, attacks on Saudi sites) before falling back to $104 on signs of progress in talks with Iran.
- Oil remains the asset class of the year: **+7.3%** over one month and +128% year to date for the USO ETF (WTI), FactSet data as at 3 November.
- The level is high, but the geopolitical risk premium already looks largely priced in.

02 Gold

▼ Back to neutral

- We bring the position back to neutral: higher real yields weigh on a non-yielding asset.
- The metal fell **-6.1%** over one month and 8.9% year to date (GLD ETF, FactSet as at 3 November), to $3,870 an ounce, before climbing back above $4,000 on 4 November as the dollar and yields fell after the elections.
- Sovereigns, at 4.91% on the US 10Y, offer a paid hedge: portfolio protection comes through duration.

03 US dollar

= Kept at neutral

- The dollar hit a high for the year in October (EUR/USD at 1.112) before easing to **1.123** after the elections, the Dollar Index at a one-month low.
- A Democratic Congress means less fiscal stimulus: modest support for the euro, but the Fed remains the dominant factor.
- We favour opportunistic currency hedging over a directional bet.

Sources: FactSet, Fed, ECB, BoJ, Eurostat, ICE BofA (FRED) — data as at 04/11/2026

“What if?” — our plan if the scenario goes wrong

For every risk scenario, a prepared response. With two equity overweights, gold at neutral and cash underweight, **we know what we would cut first.**

01 If this happens	02 What we would do
The Fed does not hike on 16 December	Keep and increase our duration extension: move further out the curve (7–10Y Treasuries and Bunds) · keep the US and Japan overweights
The US 10Y settles back above 5.25%	Stop the duration extension · favour the 2–5Y and investment grade carry
Talks with Iran fail, Brent stays above $120	Trim European and EM equities · add energy and gold · extend sovereigns
The Nasdaq correction drags on and AI results disappoint	Bring the US and Japan back to neutral · rebalance towards value and balance-sheet quality
Sharp widening of credit spreads	Cut high yield to underweight · add short-dated investment grade

Sources: FactSet, Fed, ECB, BoJ, Eurostat, ICE BofA (FRED) — data as at 04/11/2026

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