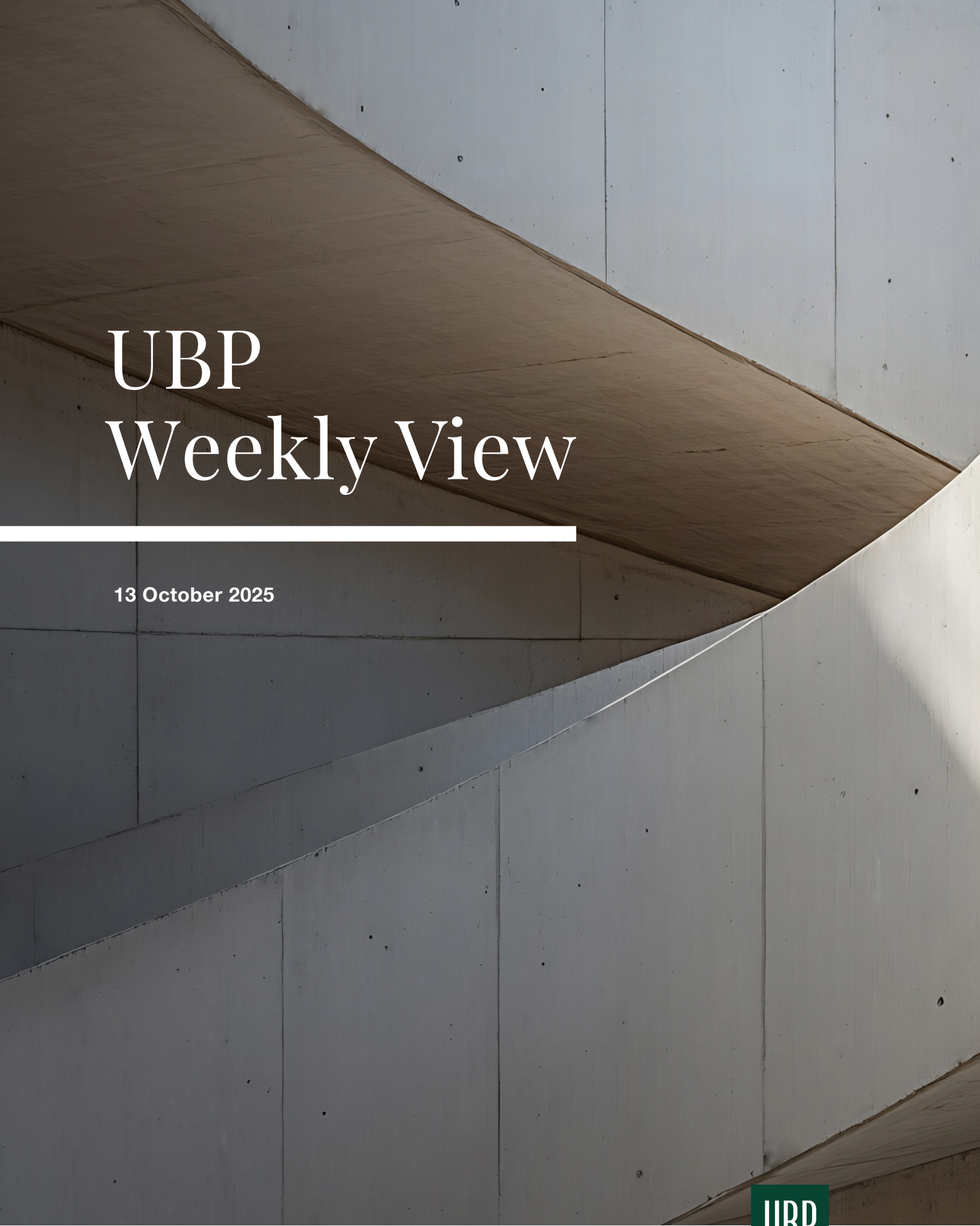

UBP Weekly View

13 October 2025

UBP

Union Bancaire Privée

UBP WEEKLY VIEW

Earnings season kicks off

Summary

Investors have been wary of circular AI investments, stretched equity valuations, the threat of the trade war escalating, and the ripple effects of a prolonged US government shutdown, which itself has further disrupted economic data. This week, Q3 earnings will be in the spotlight, with the US's largest banks set to lead the reporting season.

Market recap

	Last Close (10.10.2025)	1-Week Total Return	1-Month Total Return	Year-to-Date Total Return
S&P 500	6 553	-2.4%	0.4%	12.5%
STOXX Europe 600	564	-1.1%	2.3%	14.5%
NASDAQ Composite	22 204	-2.5%	1.5%	15.6%
MSCI EM	1 366	-0.6%	4.6%	30.1%
US 10yr yield	4.06%	-10 bps	-1 bps	-51 bps
Gold (USD/oz)	4 019	1.5%	10.3%	53.1%
Brent Crude Oil (USD/bbl)	62	-5.2%	-7.2%	-17.0%

Source(s): Refinitiv

Beyond the numbers

Macroeconomics

Over the past week, German economic data disappointed, with industrial production falling by 4.3% month-on-month and orders falling by 0.8% month-on-month. This weakness was due to negative momentum in the automotive sector and falling foreign orders, as well as falling exports, except to China. Nevertheless, there was an increase in orders for domestic intermediate and capital goods. Therefore, the scenario for Germany remains unchanged, but the data point to ongoing weak activity and a partial and selective rebound in some sectors related to the initial phase of the German reflation policy. The full recovery of Germany is now expected in 2026, as indicated in our scenario.

With the US government shutdown continuing and no major data having been published except for consumer confidence (which has stabilised), the last FOMC minutes were interesting; they pointed to an agreement to continue easing the Fed's policy, but there are still concerns and diverging views about the

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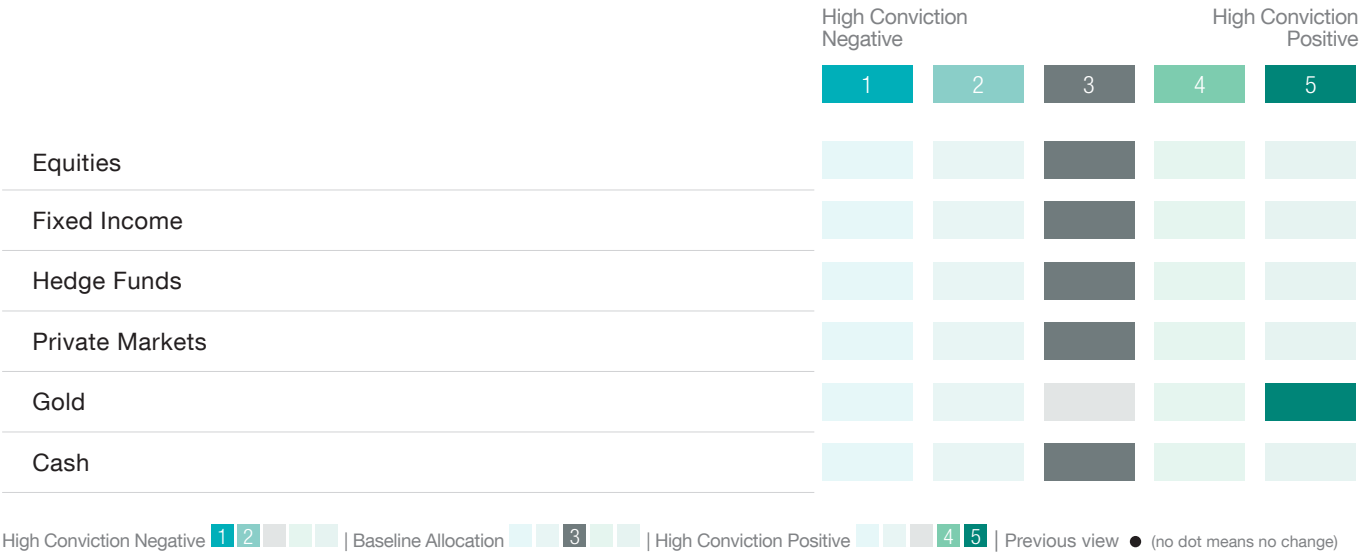
inflation scenario. There is a consensus on lower job growth, and the FOMC pointed to lower immigration and an ageing population, but it did not indicate a sharp deterioration in the labour market. These minutes are consistent with a gradual reduction in interest rates, while Miran's position (namely a 50-bp rate cut) seems far from becoming the consensus.

Inflation data will be published for China and the eurozone next week, and the US CPI will be published later in the month (25 October), with uncertainties persisting about when the government shutdown will end (in particular the ongoing layoffs of government workers) and when other data, such as retail sales, producer prices and production, will be released.

In political news, the agreement reached between Israel and Hamas has reduced the list of geopolitical risks. President Trump has threatened to impose additional 100% tariffs on Chinese exports and more export control on software after China reinforced its controls on rare earths and related technologies.

In France, Sébastien Lecornu was re-appointed prime minister. The budget and pension reforms are expected to be key priorities for the new French government, but snap elections and a no-confidence vote remain major risks over the coming weeks.

Asset allocation: strategic views as at October 2025



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Equities

Global equities reversed recent gains last week, declining by -2.1% (MSCI ACWI total return). Markets started the week on a positive note, buoyed by optimism in the technology sector. However, concerns lingered about circular investments in the AI ecosystem, elevated market valuations, and the impacts of a prolonged US government shutdown.

These concerns culminated in a sharp sell-off at the end of the week after President Trump threatened increased tariffs on China: US equities registered their largest one-day decline since April, with the S&P 500 falling -2.7% on Friday. Over the weekend, Trump softened his rhetoric, leaving the door open for negotiations, which investors will monitor closely in the week ahead.

Q3 earnings season is also getting under way, with 7% of S&P 500 companies, including the major US banks, set to report. With over USD 7 trillion still sitting in money market assets and equity sentiment not euphoric, market dips could attract buyers if corporate earnings remain resilient and US–China trade tensions de-escalate.

Market dips could attract buyers if corporate earnings remain resilient

Fixed income

Volatility increased significantly towards the end of the week following the escalation of trade tensions between the US and China. The risk-off move pushed rates lower (US 10-year paper finished the week at 4.03%) and spreads higher, with high yield (HY) widening by 40 bps. Performance-wise, investment grade (IG) was largely unchanged, while HY and AT1s lost 0.8% and 0.5%, respectively.

The collapse of subprime auto lender Tricolor Holdings (amid fraud allegations) and auto supplier First Brands Group (for allegations of hidden off-balance-sheet debt) mostly rattled publicly listed business development companies (BDCs: these are listed vehicles that usually leverage themselves to invest in loans). The sector is now trading at deep discounts to NAV as investors question the value of the underlying loan portfolios.

UBS was in the news due to its USD 500 million exposure to First Brands, mostly through its O'Connor working-capital funds unit. This negative headline was compared by some to Credit Suisse's Greensill issues in 2022/2023. However, it should be pointed out that UBS's O'Connor unit was already set to be sold to Cantor Fitzgerald (with the completion expected by year-end) and the size of the unit is considerably smaller. We therefore expect the newsflow to pass, with the focus shifting back to the Switzerland government demanding that UBS hold even higher levels of capital given its size relative to the Swiss economy.

The risk-off move pushed US 10-year yields to 4.03%

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Forex & Commodities

Last week, the USD edged higher against most of the major G10 currencies, reflecting weakness in non-US data, an idiosyncratic EUR (given the current political uncertainty in France) and JPY weakness (the LDP leadership election). There were few US data releases, reflecting the ongoing US government shutdown. The coming week would normally see the publication of US CPI data, but this may not happen, again, due to the shutdown. We do not expect significant USD moves over the coming week, given the lack of data releases.

The GBP has modest downside risk this week, with the publication of ILO labour market data on Tuesday. If the number of payrolled employees declines again, it will put the Bank of England in a bind, though we think that investors will not take on significant GBP positions until after the UK budget (27 November).

In Asia, the highlight is the release of the Monetary Authority of Singapore's monetary policy outlook on Tuesday. We expect it to maintain the current band and slope of the S$NEER, meaning no significant upside risks for the USD/SGD over the coming week.

Gold continues to rise, hitting new highs at levels of USD 4,070 per oz. The latest US–China trade headlines imply a more stagflationary effect on markets, which is highly constructive for the yellow metal. We continue to expect further upside to levels of at least USD 4,600 per oz by Q4 2026. Silver also set its own records, reaching new highs of USD 51.50 per oz. We note that there are large variations in futures prices, illustrating classic signs of a physical shortage in markets. Like gold, we expect further upside for silver over the coming year to levels of at least USD 57 per oz by Q4 2026.

No significant USD moves are expected this week, given the lack of US data releases

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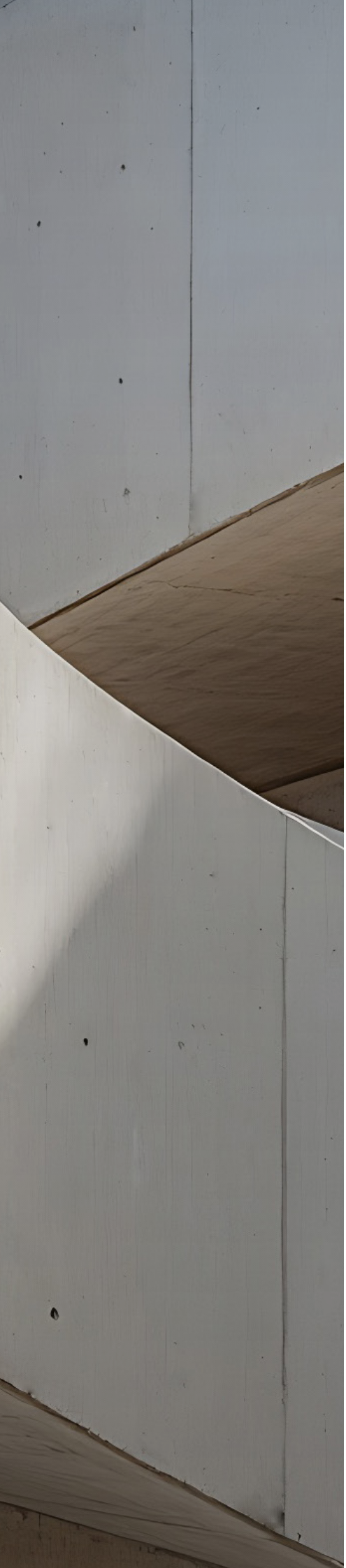

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