Monthly Newsletter

NORMAN K.
WEALTH DESIGNERS

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In October, the Fed, ECB and Bank of Japan held rates steady, but their tone remained far from accommodative: the Fed emphasised that inflation remained high, while the ECB warned that rising energy prices were fuelling inflationary risks and weighing on growth. Amid geopolitical uncertainty, markets still anticipate further monetary tightening.

Bond markets moved at two speeds. High-quality government bonds rallied as investors sought diversification and yields retreated from their September highs; the US 10-year Treasury yield ended near 4.9%. France was the exception: its 10-year yield briefly exceeded 5% for the first time since 2002, while the OAT–Bund spread widened to around 165 basis points amid political and fiscal concerns. Equity markets held up relatively well: the S&P 500 fell around 0.9%, while its equal-weight counterpart gained nearly 5%, reflecting a marked rotation and greater selectivity towards AI-related stocks.

Our convictions remain unchanged. We remain constructive on risk assets, with an emphasis on diversification, quality and valuation discipline. The main opportunity lies in fixed income, where yields allow investors to lock in attractive income for several years through high-quality sovereign and corporate bonds, while remaining selective on duration given renewed inflation risk.

**According to NK Views*

POTENTIAL MARKET CATALYSTS

- Monetary policy and interest rate uncertainty
- An AI sector that is increasingly following a ‘K’-shaped curve
- Energy, raw materials and consumption
- Budgetary and fiscal trade-offs (Europe / France)

Next



NK VIEWS

01 The final quarter combines resilient economic activity, inflation that remains a risk and fiscal uncertainty. Central banks are therefore staying cautious and long-term yields remain elevated. Our positioning remains balanced, with priority given to resilience and diversification in the face of a possible renewed rise in volatility.

02 Q3 results are good, but high valuations and the strong concentration in a handful of tech giants argue for greater diversification across regions, sectors and styles. We favour quality companies with solid balance sheets, recurring cash flows and pricing power, while maintaining selective exposure to value and cyclical stocks.

03 The rise in long-term yields makes the asset class more attractive and offers an opportunity to lock in carry, particularly through investment-grade bonds. To avoid excessive duration given inflation and fiscal risks, we favour intermediate maturities, with rigorous duration management.

04 Real assets remain a key source of diversification. Gold is still a strategic allocation, supported by central-bank purchases and its role as a hedge against monetary and geopolitical risks. Selected infrastructure and energy-related assets also offer attractive diversification.

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