Investment strategy Q4 2025

Multi-Asset Strategies

29.09.2025

Summary: well balanced portfolios, focus on unique opportunities

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Macro: US growth got slower, but less, than expected, and as fiscal policy remains loose and interest rates will be cut further, a drastic slowdown looks less likely. The eurozone economy will manage a soft landing in H2, and growth could reaccelerate by the end of 2026. In Europe, headline inflation is back on target, but in the US, inflation is diverging from the target, and tariffs will drive it further up. ECB's rate cutting cycle has ended at the neutral level of 2%, in case of the Fed, the priced in rate trajectory looks to be overly optimistic. Hungarian GDP growth could reach 0.6% in 2025 and ~3% in 2026, thanks to a large fiscal stimulus, which may push the deficit above 5% next year. In 2026, inflation may return back to the target level, however risks are tilted to the upside. The market expects 75-100 bps rate cuts by the MNB, but we think 6.5% will be kept for longer. Till December, HUF long positions looks to be more attractive, however after the last rating action in December this could change due to election risks.

Equities: In the short term, the negative impact of tariffs coupled with elevated valuation levels, have increased the risk of a mild correction. However, as the threat of recession is moderate, the fiscal and monetary policy are supportive, commercial bank lending is improving, we would maintain neutral equity exposure and look for buying opportunities during corrections. Although the US market is the most expensive, profit dynamics are strong, so we do not expect a sustained downturn. Encouraging developments are emerging in Europe, but there are still obstacles to overcome, which prevents outperformance. The weakening of the dollar and the Fed's interest rate cut are tailwinds for EM, but they are no longer cheap, and profit momentum is deteriorating. Although CEE related risks are increasing, investors are still compensated by the depressed valuations.

Bonds: As there are no signs of recession in either America or Europe, we recommend choosing the short/medium end of the yield curve in developed countries due to high budget deficits, rising debt trajectories, and political pressure on the Fed. We do not consider corporate bonds attractive due to narrow bond spreads.

Commodities: We maintain an overall neutral view on commodities due to various uncertainties surrounding the global economic outlook from US labor market to Chinese growth prospects. Several markedly different outcomes are possible, hence some caution is warranted. We recommend selective exposure (e.g., gold, copper, uranium).

	Underweight ←		Neutral		Overweight →
Asset Class					
Equities					
Bonds					
Commodities					
Cash					
Equities - regions					
US					
Europe					
Emerging markets					
CEE					

6-12-month market perspective, rebalancing quarterly

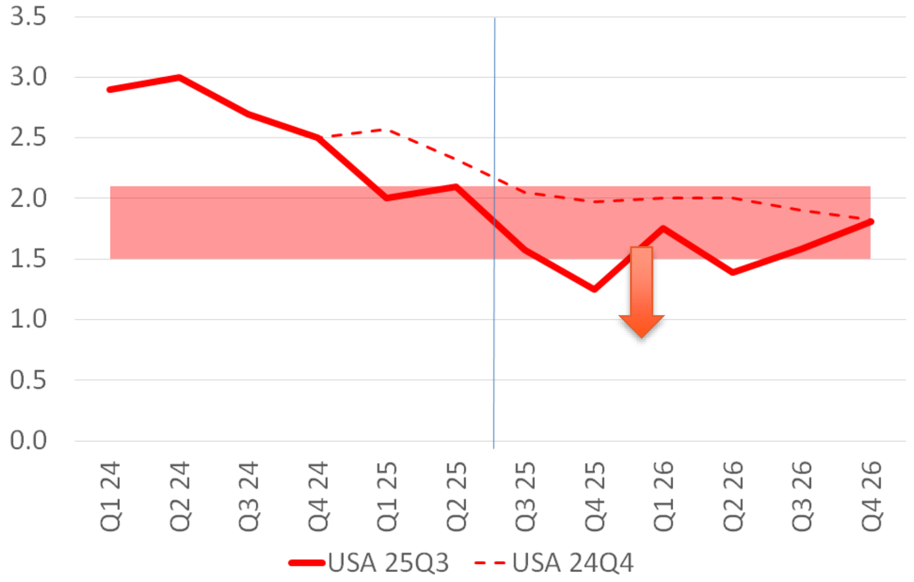
The most favoured investment topics:

- Technology
- Utilities/Renewables
- Miners
- Gold
- Japan
- LatAm
- Poland

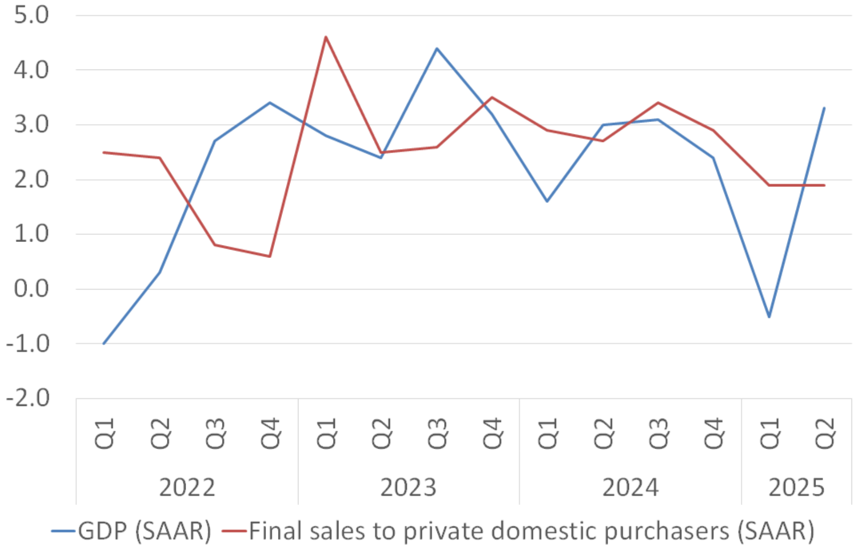
Newly added topic to the list

US: There has been no sign of a recession

Quarterly YoY GDP growth, fact and forecast (%)



Annual GDP growth forecast (%)



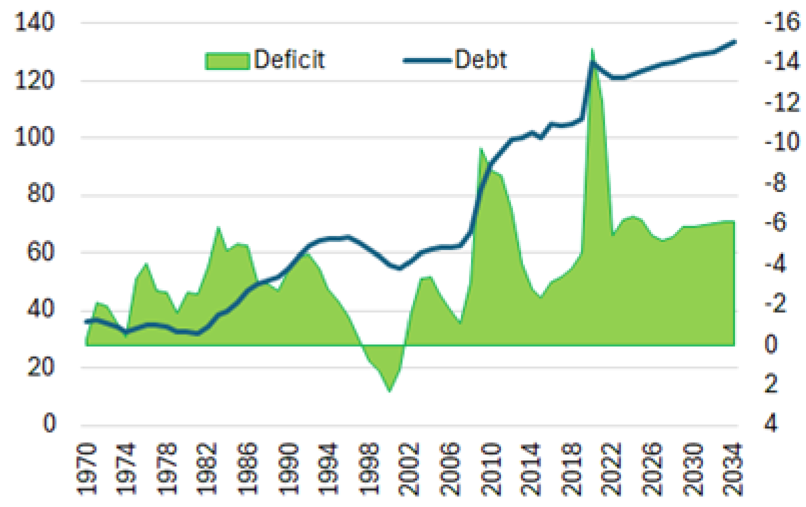
After a temporary slowdown the economy reaccelerated in Q2. Domestic demand is losing some steam, but growth could exceed expectations in the short run.

- Q1-Q2: The up-and-downs made by net exports camouflaged the fact that there was a gradual deceleration in domestic demand, in consumption and investment. The labour market performed also much weaker than previously expected, based on recent revisions.
- Q3: based on available high-frequency data, GDP growth may have remained strong in Q3, around 3% (SAAR), so most likely it could outperform expectations as consumption, non-residential investments looks to reaccelerate after the weak performance in Q2.
- 2026: Growth expectations for next year improved modestly, to 1.7%, from 1.5% three months ago. The trade war, tariffs, higher prices and uncertainty are expected to take their toll on domestic demand, while net exports could positively contribute to growth, as imports are expected to fall. As fiscal policy remains loose and interest rates will be cut to around 3.5% soon, a drastic slowdown looks less likely.
- Risks are balanced: the strong underlying growth from AI and IT could cause a positive surprise, while weaker labour markets and still high uncertainty around tariffs could cause negative surprises. Recession probabilities moderated in the past few months, from 40% to a still above-normal 30%.

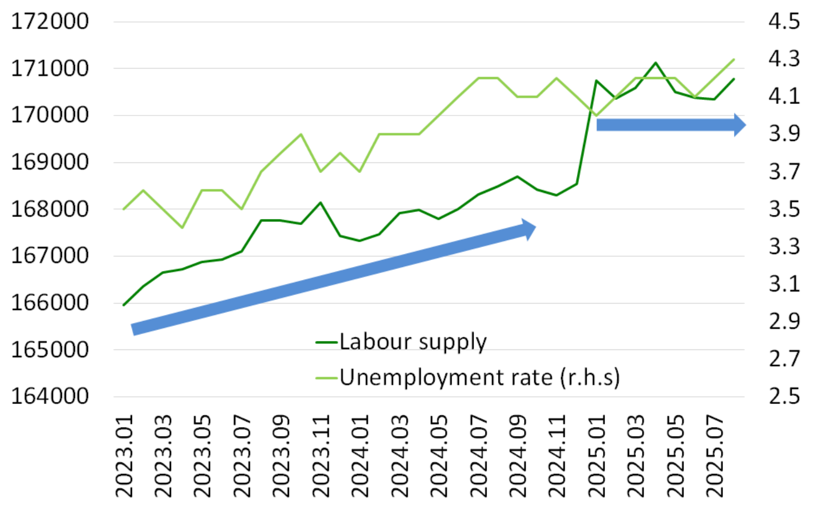
Source: Bloomberg, OTP Research

US: high and fast-rising debt in the US is a cause for concern

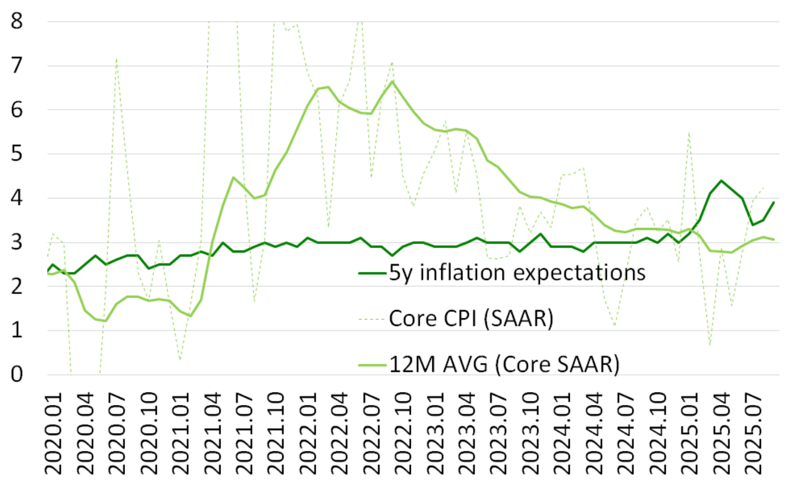
Budget, %



Labour market



Inflation, %



- Hopes of drastic expenditure cuts evaporated
- The „Big Beautiful Bill" made the already high and rising debt track even less sustainable
- The low approval rate of President Trump, weak growth and mid-term elections could easily end up in additional easing

- Deportations and weak immigration slow down labour-supply growth
- The target of reindustrialization and loose fiscal policy is inconsistent with tight labour markets
- Inflation pressures could remain elevated

- Disinflation halted
- Longer-term inflation expectations rose
- Tariffs themselves add to inflation pressures, the problem could be made worse by loose fiscal policy and tight labour supply
- Political pressure on the Fed is on the rise. Losing central bank credibility might have serious consequences

Source: Bloomberg, OTP Research

Eurozone: ongoing weak recovery against strong headwinds

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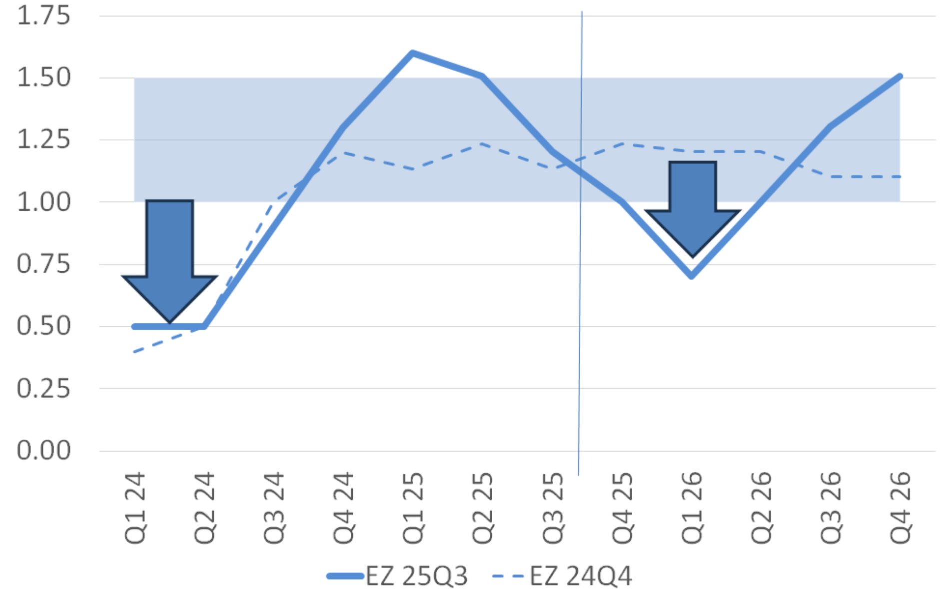
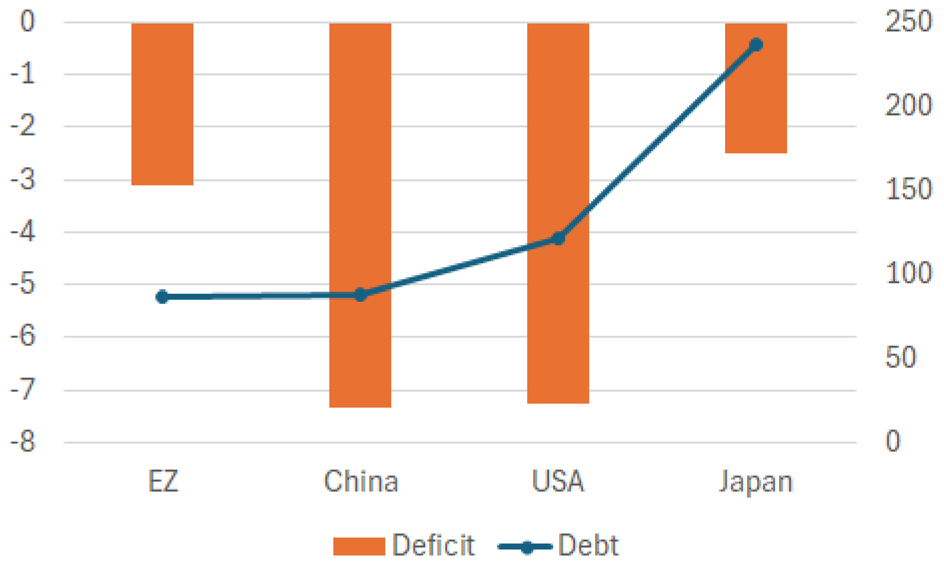
Quarterly YoY GDP growth, Eurozone, %



Deficit and debt in major economies % of GDP



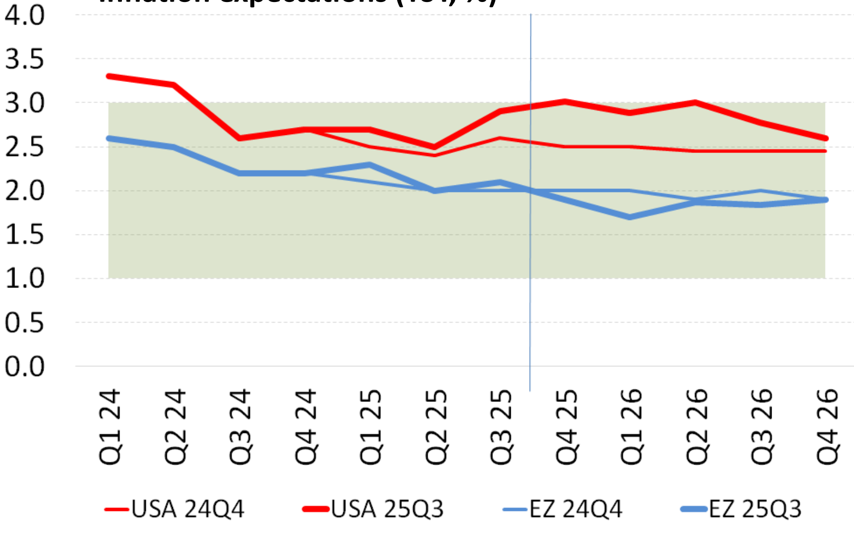
Weak but steady recovery

- Q1-Q2: the trade war caused large swings in headline GDP figures via imports brought forward by USA. After filtering off this noise, underlying GDP growth could be around a modest but stable 0.8%, which could be seen as solid in these headwinds. Growth patterns have not changed: Mediterranean looks to be leading, industry-driven countries are laggards. The labour market remained very tight, real wage growth remained strong in historical comparison.
- Q3: the market consensus is 0.1% QoQ and 1% YoY, but even negative quarterly growth could not be ruled out, as underlying growth might lose momentum due to tariffs, while the Q1 Irish effect could be fully reversed. Ireland's industrial production, which skyrocketed from 8% YoY in December to 50% in March, has already fallen to 18% in April (MoM: -15%).
- 2025H2: tariff war could slow down QoQ growth rate to around zero and the YoY rate to around 0.5%. Full-year growth could be just below 1%.
- 2026: Looser fiscal policy, especially in Germany, could propel up GDP growth to around 1.5% by the end of 2026, and full-year growth could reach 1.2%. Europe still has the largest elbow-room in fiscal policy.
- Risks are tilted to the downside both in 2025 and 2026 as fiscal spending in Germany is a new project.

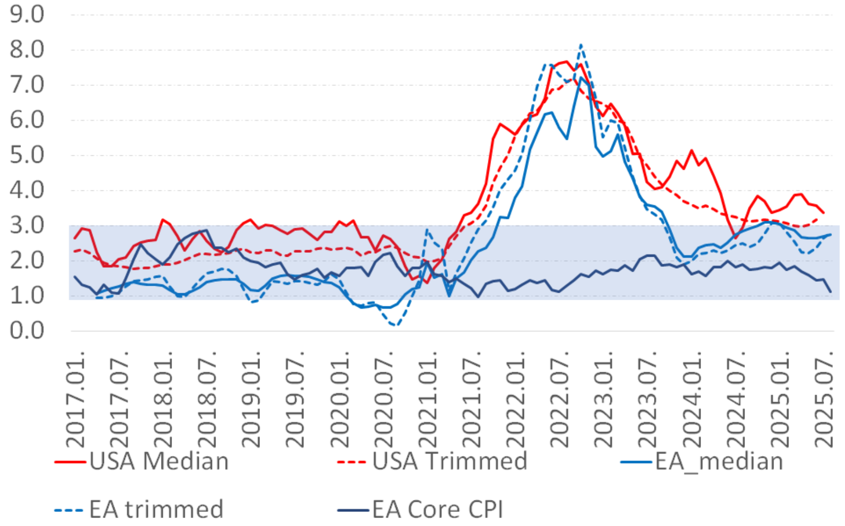
Source: Bloomberg, Eurostat, OTP Research

Inflation: In Europe headline inflation is back on the target

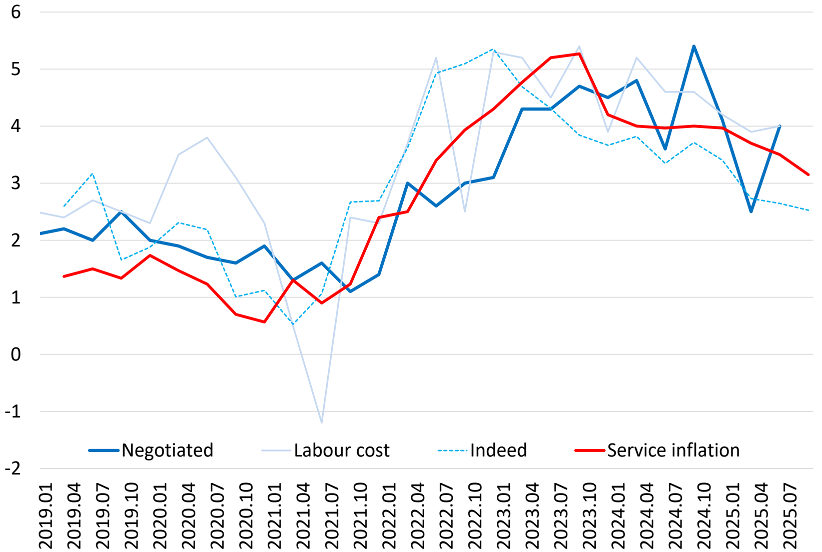
Inflation expectations (YoY, %)



Indicators of underlying inflation (3M, SAAR; %)



Wage & service price setting in the eurozone (YoY; %)



Inflation outlook: on target in Europe, above it and rising in the US. Risks are tilted to the upside due to oil prices, geopolitics, tight labour market, and loose fiscal policies

Eurozone:

- After a long process of sluggish disinflation, inflation has fallen back to the target, whit underlying inflation indicators, like core and services inflation converging to levels consistent with the target. In Q2 wage growth rebounded however, signalling that labour market tightness could be a source of tensions ahead.

US:

- Inflation runs around 3.5-4% based on recent annualized monthly figures, mainly due to fast service inflation, while tariff impacts are still expected to affect prices.
- While tariff effects are expected to be temporary, with loose policies and tight labour supply they could contribute to above-target inflation for a longer period.

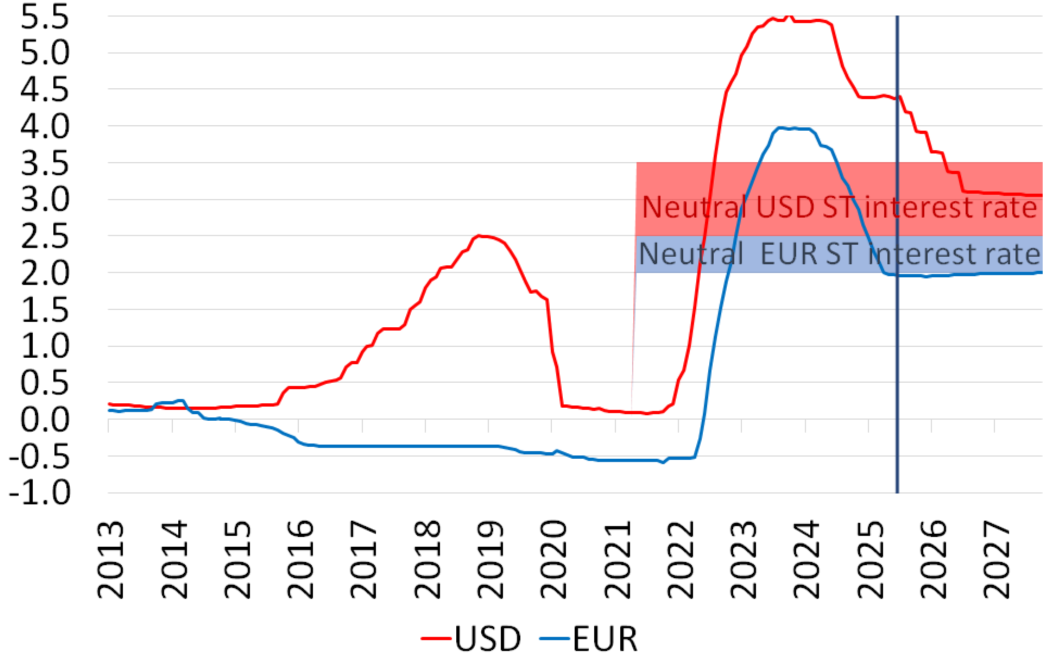
Risks:

- in the medium term, geopolitics, tight labour markets and loose fiscal policies and fiscal dominance add to strong upward risks.
- In the long run, weaker independence of the Fed, and of other central banks in the medium run could lose the anchor of inflation expectations.

Source: Bloomberg, OTP Research

In Europe, the rate cutting cycle ended, in the US it has been just restarted

Priced USD and EUR base rate trajectories (%)



Big picture: short-term rates should reach or exceed the inflation targets to keep inflation at bay and long-term yields should exceed the short rates due to fiscal risks. The risk that politics will not tolerate this is on the rise

- Positive real interest rates are required to reduce inflation to their targets in a fragmented world, with tariffs, high deficit, and tight labour markets. We expect short-term rates to fluctuate around 2-2.5% in the eurozone and around 3% in the USA. Term premiums on long-dated yields should also remain positive due to high financing requirement. The 10-year term premium may reach 100-150 bps.
- The willingness to make fiscal policy sustainable is low and the temptation is strong to restrict central bank commitment for low inflation and to impose measures of financial repression.

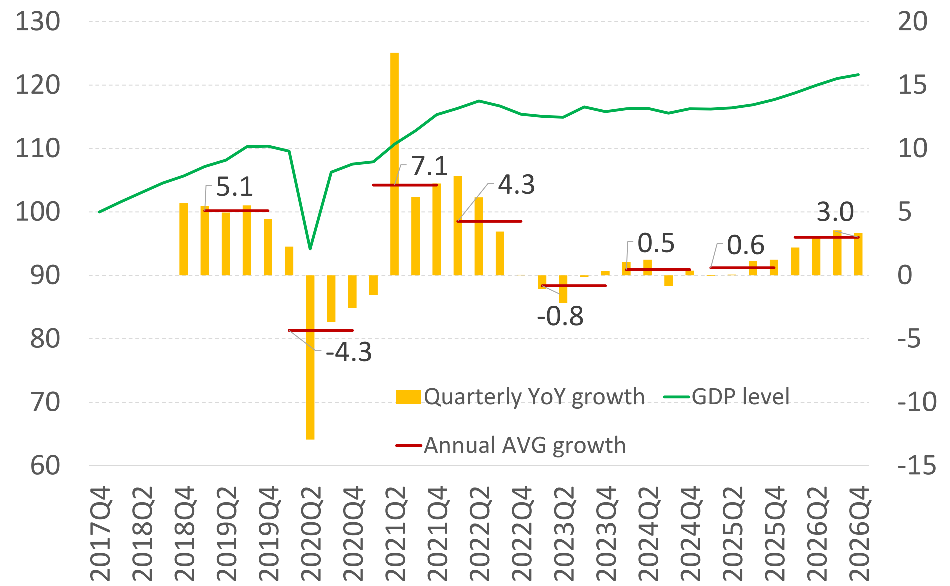
Short-term outlook: in the current environment we think that possible gains on potential further fall in yields are modest, while risk are sizeable. The priced in USD rate trajectory looks to be overly optimistic, while in Europe rising deficits could drive yields further up

- The Fed Board of Governors started rate cuts in September, foresaw two additional cuts for this year, but only one additional for 2026, falling behind the three moves priced in. The reasoning for restarting the cycle was not really convincing, given rising inflation, higher growth and inflation forecasts, and the division of decision-makers over the rate outlook. To put it short, rate cutting expectations might be too optimistic. The Fed's new chair could be announced very soon.
- The ECB has arrived at the neutral level of 2% and feels itself comfortable at this level in a wait-and-see mode.
- Taking into account the small potential gains and the sizeable risk at the long end, we do not find long USD and EUR bonds attractive, so we recommend below-neutral positioning.

Source: Bloomberg, OTP Research

Hungarian GDP growth could reach 0.6% in 2025

GDP trajectory



Investments and exports will continue to strongly restrain growth in 2025

2025: 0.6% GDP growth

- Consumption is the only driver of growth in 2025, just like in 2024.
- Investments have been declining for the third consecutive year as fiscal tightening and the freeze of EU funds are drag on public investments, while weak outlook and the excess capacities built up in previous years make the private sector cautious.
- Exports are declining due to weak growth in Europe, fragile demand for industrial goods and cars and the strong competition from China.

2026: +3% GDP growth

- Consumption will continue to grow by 5%+ because of significant fiscal support, fast wage growth (around 10%).
- Investments: public and residential investment will rise; we expect weak performance in private non-residential investments.
- Export is expected to pick up moderately.
- However, growth in 2026 will be temporary, and after the fading of many election-related stimulus measures, growth will slow down again in 2027. The rising deficit will have to be adjusted again, which may further worsen growth prospects.

Source: Bloomberg, OTP Research

The fiscal tightening will come to an end in the following years

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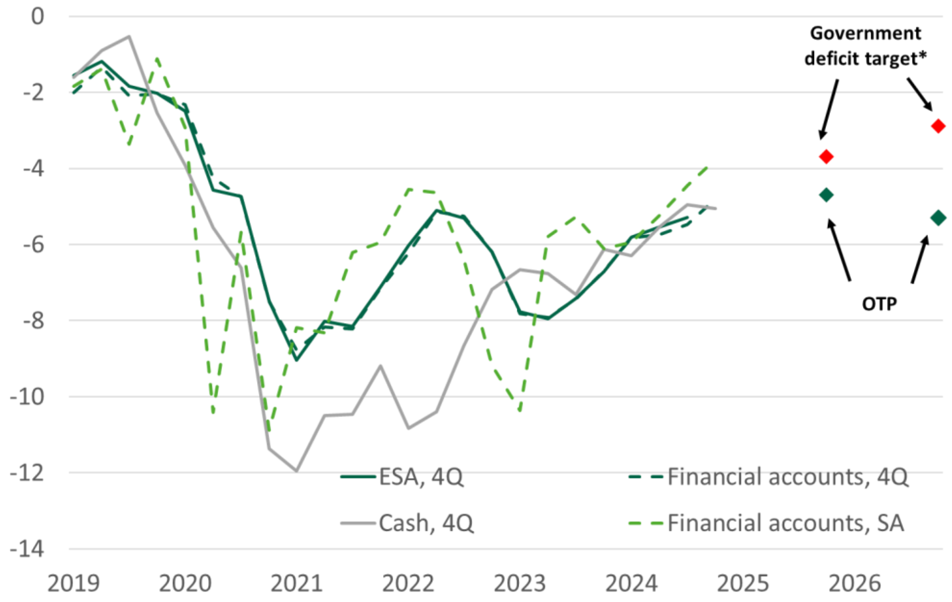
Indicators of budget balance (% of GDP)



Budgetary effect of the measures announced in 2025 (% of GDP)

	PIT exemption for mothers with two and three children	Food vouchers for pensioners	6-month bonus for the armed forces	Otthon Start, home support for public servants	Reduction of SSC by 1 ppt	Total
2025	+0.04%	+0.06%				+0.10%
2026	+0.25%	+0.06%	+0.26%	0.14%	0.32%	+1.03%
2027	+0.41%	+0.06%		0.18%	0.32%	+0.97%
2028	+0.57%	+0.06%		0.17%	0.32%	+1.12%

- 2020-2023: Covid, elections: 6-8% deficit
- 2024-2025: below 5% deficit after the adjustment (tax hikes, cut in public investment)
- Under a no-policy-change trajectory, the deficit would remain around 5% of GDP for many years. The deficit targets in the near future (2025: 4.0-4.5%; 2026: 3.7%) would call for further adjustments
- 2026 is an election year. Many measures have been already announced, pushing the deficit above 5% under a no-policy change scenario.
- Further measures could come, but most likely after 6 December (the last credit rating decision).
- No progress regarding EU funds

Agency	Rating decision	Rating	Outlook
S&P:	**25-Oct**	**BBB- (Junk+1)**	**Negative**
Moody's:	29-Nov	Baa2 (Junk+2)	Negative
Fitch:	6-Dec	BBB (Junk+2)	Neutral

Source: Bloomberg, OTP Research

The C/A surplus started to decrease in 2025

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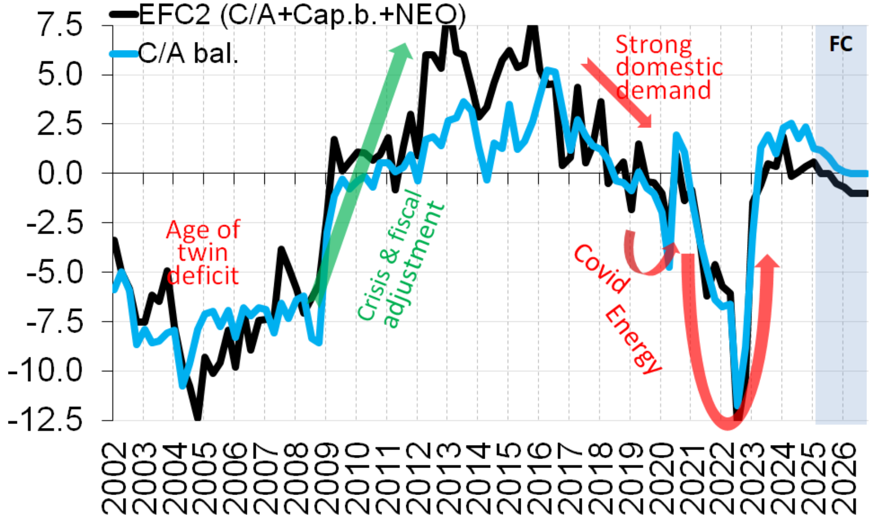
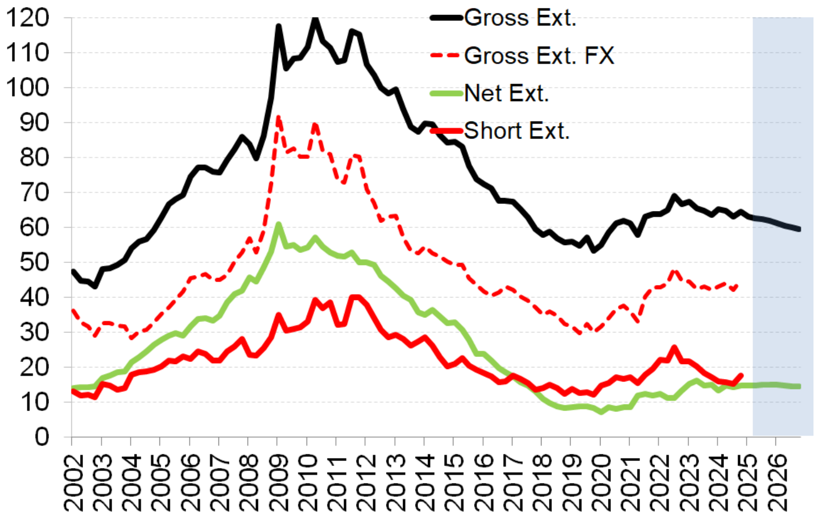
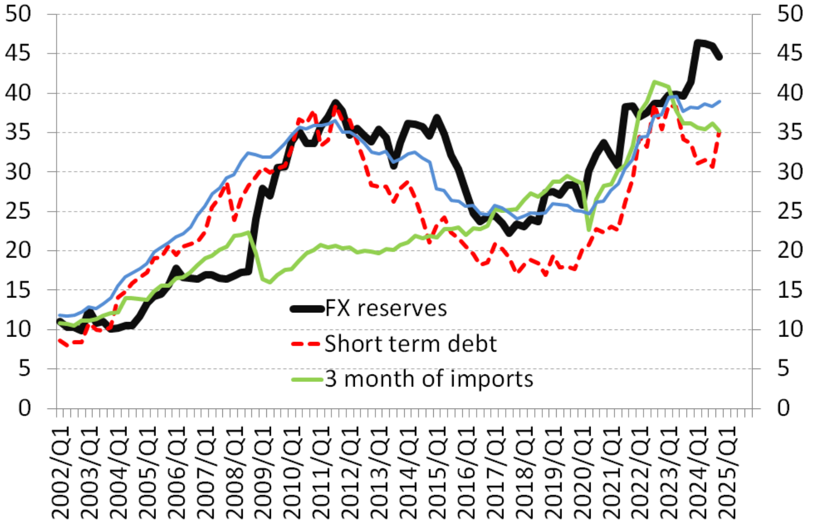
Indicators of external imbalances (% of GDP)



External debt (% of GDP)



FX reserves and reserve adequacy rules (EUR bn)



Gradual erosion of the surplus has already started

- By 2023, Hungary's external balance returned to the 2017-2020 level of modest surplus (+1% of GDP) after the temporary but drastic deterioration (-8/-9% of GDP), caused by the energy crisis and 2022 election spending.
- In 2024, the external position improved further to around 2-3% of GDP, due to the sharp fall in investment-related imports.
- In 2025 the surplus has started to decrease in Q1 and Q2. We expect the C/A balance to reach 1% of GDP in 2025 and to reach zero in 2026, on account of weak exports and stronger imports due to rising consumption.
- The net financing capacity is around zero. As the use of available EU funds is scheduled to have a significant effect around the elections (spring 2026), the surplus can increase this year. Net errors and omissions remained highly negative (-2/-2.5% of GDP), caused most likely by below-radar capital outflows).
- Net FDI inflow remained weak, partly due to the recessionary environment and partly due to M&A activities of Hungarian entities.

External debt: the period of fast increase came to an end; we expect it to remain around 65% of GDP.

FX reserves rose, reserve adequacy improved, providing a bit more elbow-room for the MNB to intervene, if needed.

This level of surplus suggests that the fair value of the HUF could be around 370-375.

Source: Bloomberg, OTP Research

We expect around 4.5% inflation in 2025

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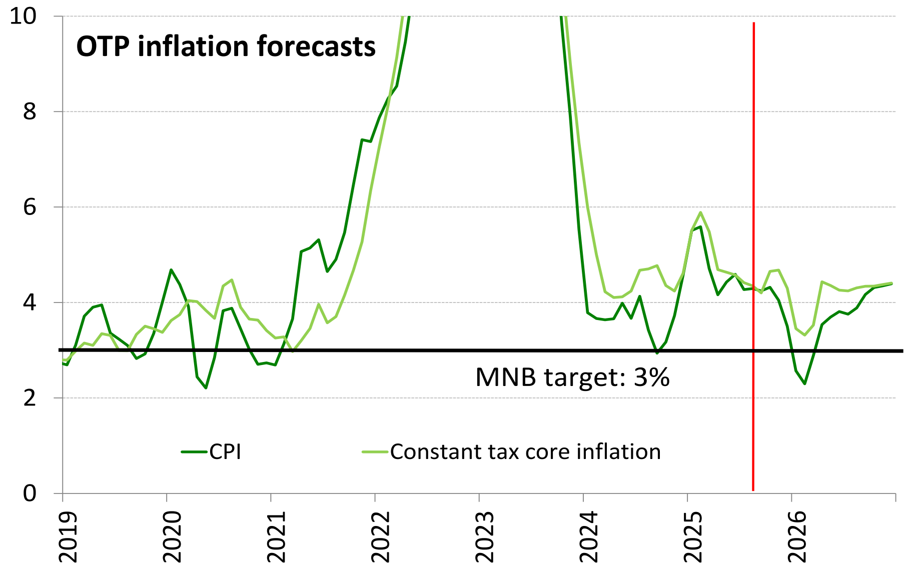
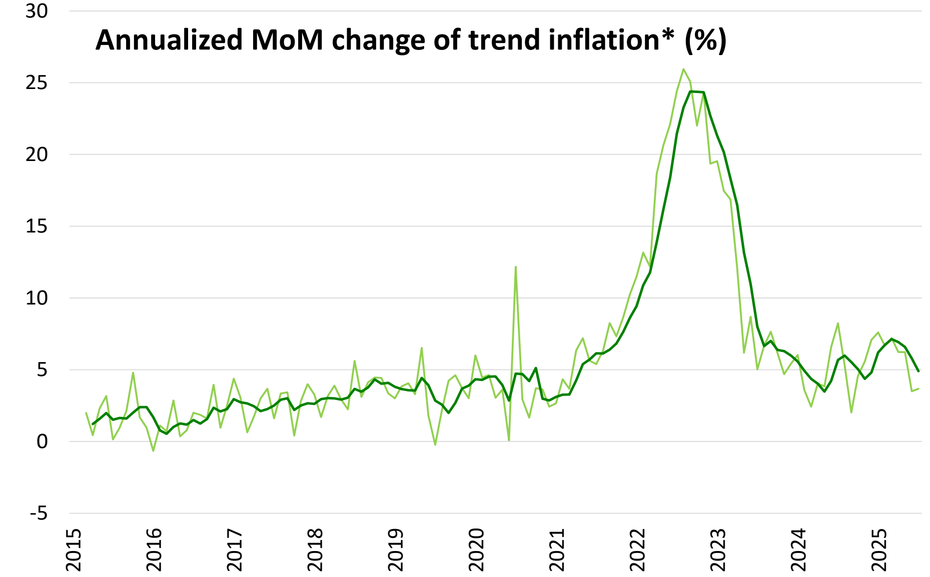


- 2024 H2: Disinflation stopped as food and energy deflation exhausted
- 2025 Q1: inflation rose to 6%, due to strong demand, unanchored expectations and active corporate repricing to pass through the weak HUF, tax hikes, as well as rising agro-commodity and natural gas prices
- 2025 Q2-Q3: moderation to around 4.5%. The government implemented administered measures (margin caps, 'voluntary' price cuts of medicines and services), with an effect of 1.5 ppts. The reappreciation of the HUF has already kicked in, too: goods inflation moderates.



Outlook: until the end of 2025, inflation can be around 4.5%.

Early 2026: sharp fall below 3%:

- Excise duty hikes usually take place in January; in 2026 they will be delayed until July (elections will be held in April)
- Oil prices down on lower oil prices, weaker USD, stronger HUF

2026/27: rising above the target, risks tilted to the upside:

- Already announced 13% minimum wage hike in 2026
- Further and further fiscal stimulus measures; credit boom generated by the new subsidized housing loan scheme
- We assumed that margin caps will be kept. If they are phased out, that could increase inflation by another 1-1.5 percentage points

*goods and market services w/o backward-looking pricing items

Sources: Bloomberg, OTP Research

In 2026, the market expects the MNB to cut the base rate by 75-100 bps

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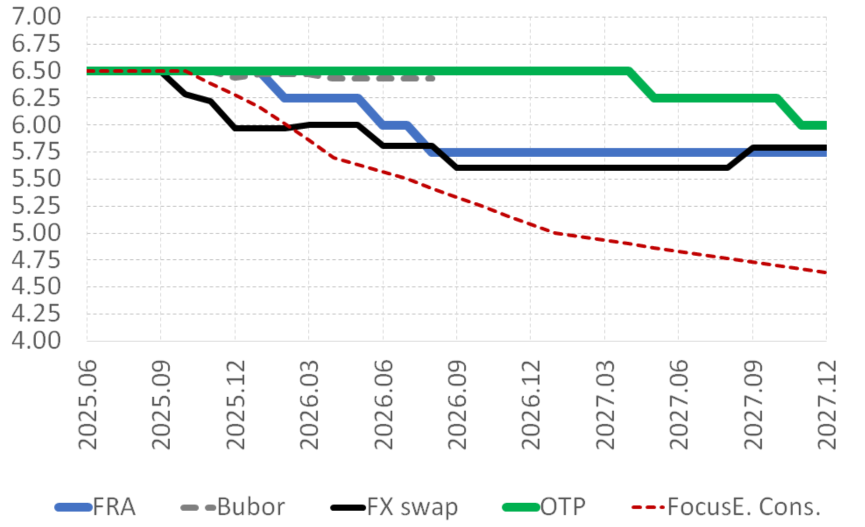
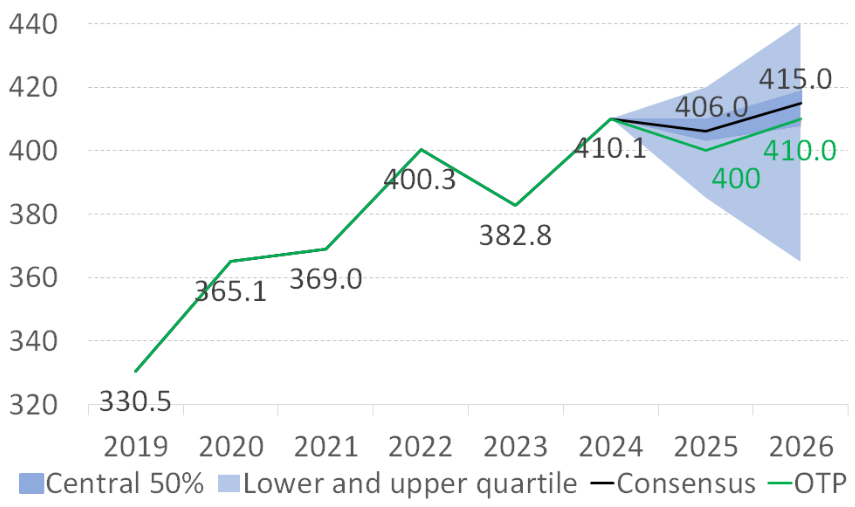
Effective rate evolution (OTP forecast and pricing)



We maintain our view that no rate cut in 2025 should be expected as prudent monetary policy and political rationality both call for a stable HUF and lower long yields instead of rate cuts.

- After being cut from 18% to 6.5% by September 2024, the base rate has been on hold since then.
- The market expects a new rate-cutting cycle in 2026, with three to four 25-basis-point cuts.
- We expect the base rate to be remain on hold for a while. Mihály Varga, the central bank's new governor has already expressed his view that he would prefer a more stable exchange rate. Inflation outlook is also challenging. Therefore, we think that in order to meet this target and to build credibility, the new governor might prefer to keep the base rate at the current level in 2025.
- Long-dated bonds: the current trend of falling yields could continue, especially taking into account the sharp, but temporary fall in inflation at the beginning of the year. So, until the rate-cutting decision, the long end looks to be attractive; however, from December we suggest to decrease exposure.

EURHUF expectations (EOP figures)



EURHUF: we expect caution from December

- The weaker USD, ceasefire hopes, and the new central bank governor helped the HUF appreciate. Despite the appreciation, the HUF remained slightly undervalued, by 4% in our view, as the fair EUR/HUF level could be around 370-375 according to our estimations.
- The 390 level is key, from here a smaller weakening of the forint is in the cards, but even with this, its strengthening trend is still alive, and reaching near-380 levels cannot be ruled out. In the short run, we believe that HUF long positions look to be more attractive until December; however, this could change after the last rating action in December. Then we expect HUF to weaken to around 400 due to election risks, despite the base rate kept at the current high level. Downgrades could not be ruled out, elections spending might continue, and ceasefire hopes could evaporate.

Source: Bloomberg, OTP Research

Asset classes

Equities

The likelihood of a correction has increased in the short term, but the risk of recession is moderate. Fiscal and monetary policy are supportive, AI is a growth option. It is worth increasing exposure in corrections.

Bonds

There are no strong signs of recession, while budgets are loose, debt levels are rising, and politics are putting pressure on the central bank (Fed). For these reasons, we continue to favor short/medium maturities.

Commodities

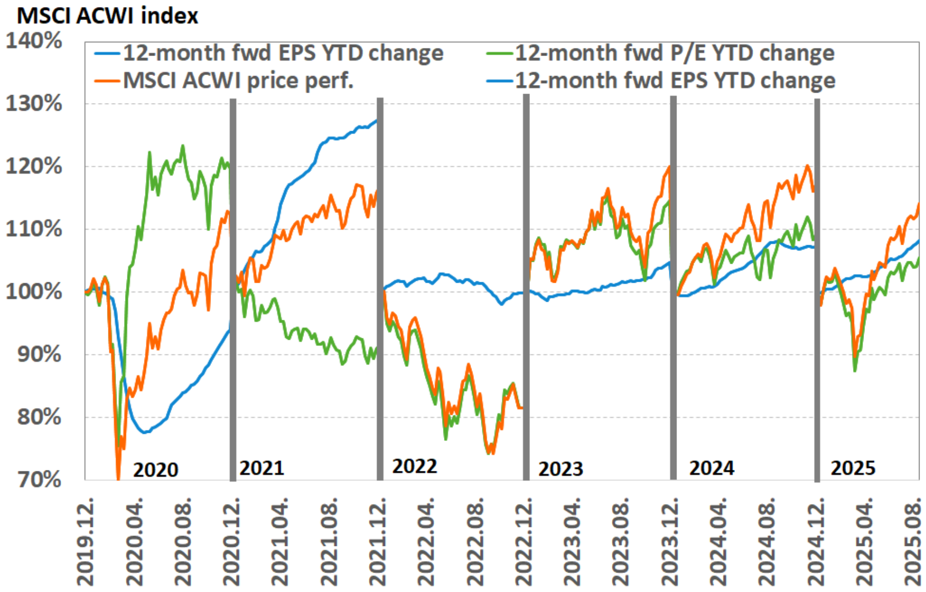
The economic outlook remains surrounded by uncertainties, hence some caution is still warranted. However, selective exposure is recommended (e.g., gold, copper, uranium).

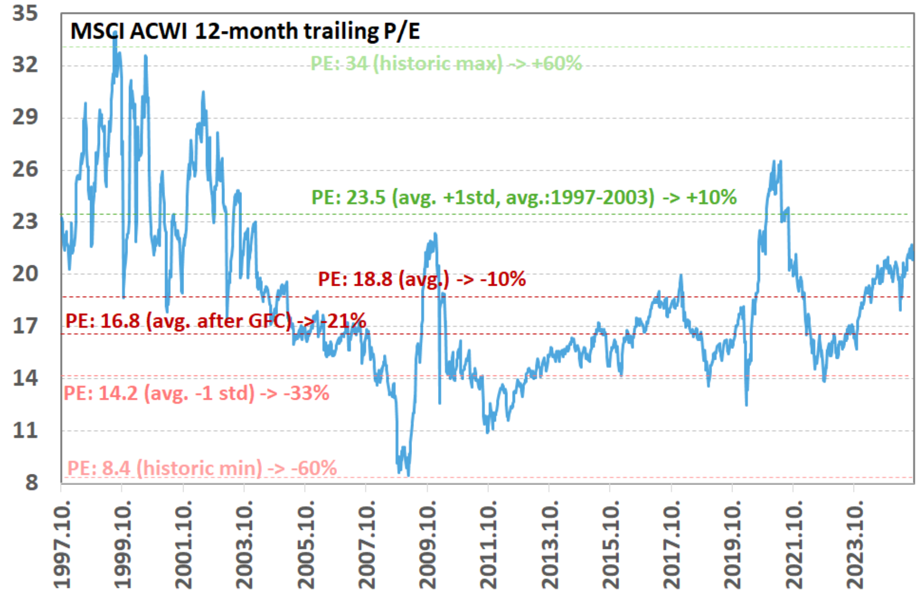
Overweight

Neutral

Underweight

Equities: a mild correction may come, but the long-term outlook is positive



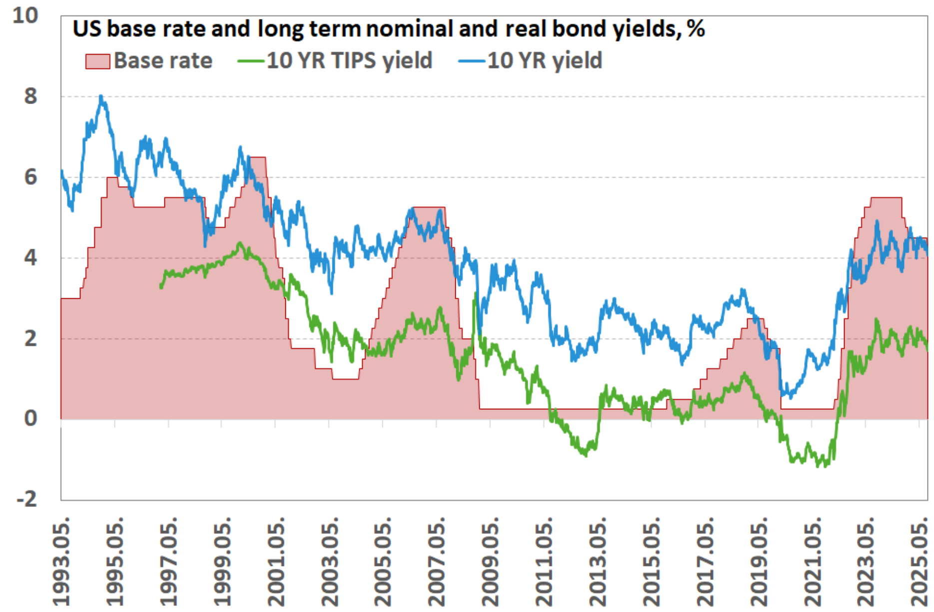


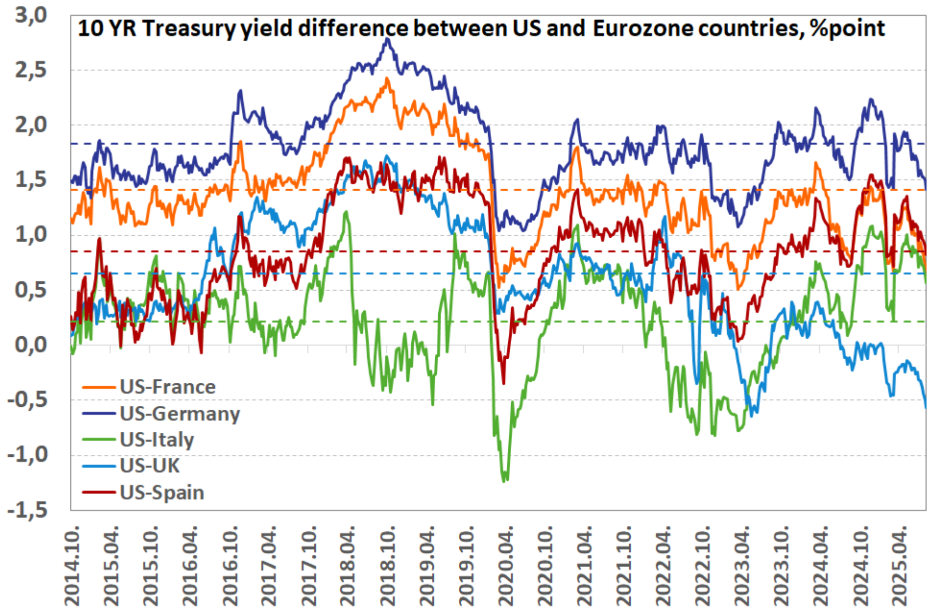
Source: Bloomberg, OTP Multi-Asset Strategies

- Fears of a trade war continued to ease during the summer months, economic data surprised on the upside in all major regions, the earnings season was above expected, with healthy profit growth and corporate profit margins rising back to previous highs. Large tech companies typically significantly beat expectations, and since the big players did not cut back their spending plans, the AI story have also helped push the stock market up. From a global perspective, central bank monetary policies are increasingly loosening, the liquidity picture is supportive, which has pushed stock market valuations to new local highs.
- In the short term, the likelihood of a downward correction has increased. Although the worst-case scenario regarding tariffs has been avoided, the average tariff of 15-20% (no final agreement has been reached with certain players yet) is still at a level not seen in a century. In the first half of the year, the stockpiling effect may have mitigated the negative impact of tariffs, but in the coming months it could erode corporate profit margins, posing a downside risk to profit expectations. On the other hand, this also carries upside risks for inflation figures, which would make the stock market vulnerable in case of moderating rate cut expectations, since valuation levels are significantly above average (forward P/E: 19.3 vs. 14.7, Shiller P/E: 30 vs. 20).
- However, the longer-term outlook is more supportive. Currently, none of the major economies show any signs of a strong recession risk, fiscal policies are loose and supportive, activity in the service sector remains strong, and even in the manufacturing sector, which is more affected by tariffs, improvements have begun in all major regions. Corporate profits are growing, and even stronger than expected for the time being. If the economy (and here it is worth watching the US) experiences a soft landing, while the Fed begins to cut interest rates, and a looser monetary policy direction arrives with the new leadership next year, this could push even the currently high valuation levels even higher. Even if inflationary risks intensify in the short term and expectations of interest rate cuts ease, investors may easily overlook this, as commercial bank lending (credit impulse) has begun to improve, bringing liquidity to the market. Due to the parallels between the macroeconomics and an emerging new innovation (AI), a situation similar to that of 1998-2001 may develop, meaning that it is worth maintaining neutral equity exposure despite fears of a correction.

In the short term, correction risks have increased due to the negative impact of tariffs, and elevated valuations. However, given that the risk of recession is moderate, and we have supportive fiscal and monetary policy, improving commercial bank lending and an AI growth option, we would maintain neutral equity exposure and look for buying opportunities during corrections.

Bonds: the long end does not adequately compensate for the risks



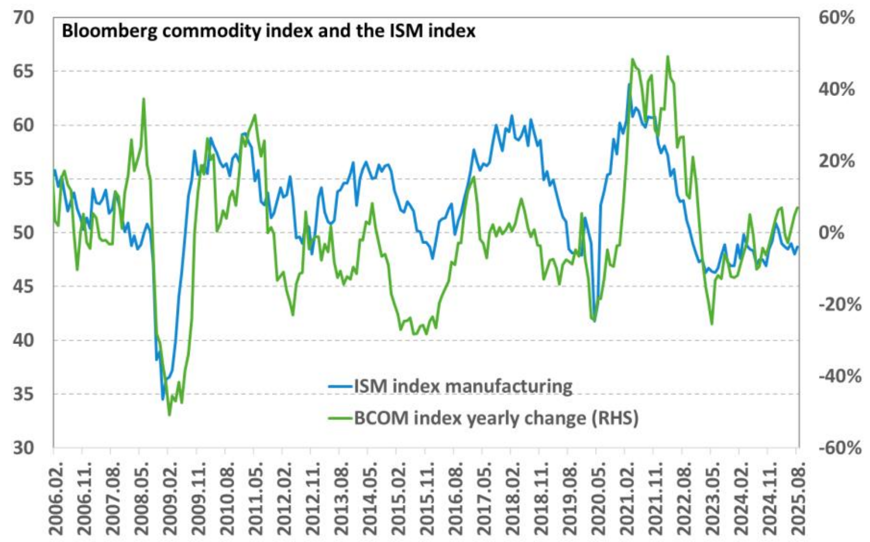


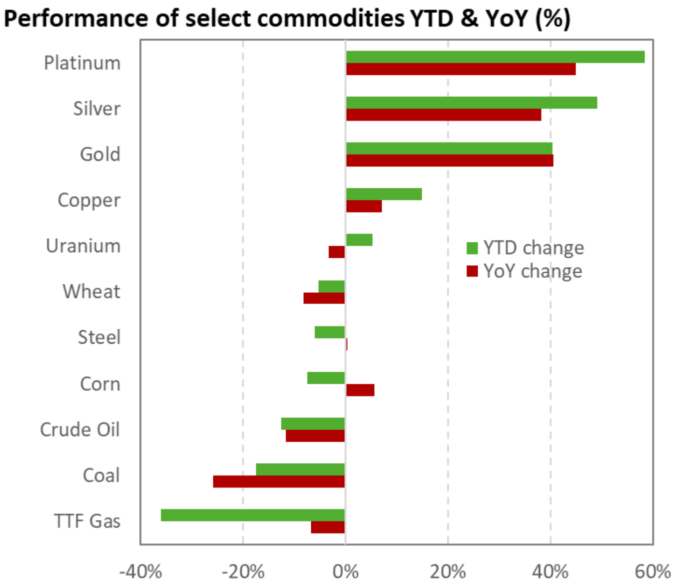
Source: Bloomberg, IMF, OTP Multi-Asset Strategies

- Although trade agreements have managed to avert the worst-case scenarios, they have a negative impact on growth prospects and increase inflation risks. In the US, the weakening labor market adds to the downside growth risks, but even so, there are no strong signs of recession. Growth in Q3 may remain surprisingly strong, while fiscal policy is loose (Big Beautiful Bill) and the Fed has also begun preventive interest rate cuts. As a result, although ten-year bond yields are on a downward trend, in the absence of a strong recessionary outcome, the 3.6-3.9% range represents a strong floor. In the short term, the market may have gotten somewhat ahead of itself with its aggressive interest rate cut expectations, while the rising and high indebtedness, the risk of further stimulus measures due to Trump's deteriorating popularity ahead of the midterm elections, and strong political pressure on the Fed all pose upside risks to the long end of the curve (for which the 40 bp term premium does not compensate sufficiently).
- European economies have managed a soft landing, with growth stabilizing at low levels this year and expected to remain so early next year. However, there are no signs of inflationary pressure similar to that seen in the US, wage growth has slowed, and inflation has returned to target, but the ECB has already reached a neutral level of 2% with its interest rate cuts, where it can adopt a wait-and-see stance. However, long-term yields are subject to similar risks as in the US, as many European countries are struggling with high budget deficits, debt levels are significant, military spending needs to be increased, and partly for this reason, the Germans will also start spending next year. For the time being, the market is punishing countries that are weaker from a fiscal and political perspective (the UK and France), where yield spreads have fallen to local lows (vs. the US). However, deteriorating debt trajectories pose a general risk to long-term bonds, not just in the US, but also in Europe.
- Corporate bond spreads remained very tight, close to historic lows, which means that their potential continues to lie in their income-generating capacity rather than in capital gains. It is still worth favoring the IG segment over HY, avoiding sectors exposed to tariffs.

As there are no signs of recession in either the US or Europe, we continue to dislike long bond exposure due to high budget deficits, rising debt trajectories, and political pressure on the Fed. We recommend choosing the short/medium end of the yield curve in developed countries, with slightly favoring euro bonds due to the trend of dollar weakness.

Commodities: we maintain our neutral outlook





- Due to several uncertainty factors, we maintain our overall neutral outlook for the commodity sector for the time being. The weakening of the dollar since the beginning of the year, US core inflation jumping back above 3%, and the Fed's interest rate cut in September were favorable developments for commodities. At the same time, the Chinese economy held up relatively well in the first half of the year, but August data point to a slowdown in economic growth. If the US labor market and Chinese economic data continue to deteriorate and recession risks grow, this could have a negative impact on industrial metals and oil. On the other hand, if a stagflationary or reflationary scenario materializes, commodities and real assets may perform better. For now, however, it is difficult to determine which narrative will prevail based on the current market picture.
- The Bloomberg Commodity Index, which tracks a diverse set of raw materials has performed moderately well this year amid greater volatility, but is underperforming the major stock indices. However, it should be noted that there has been considerable variation in the performance of various commodities this year. The energy segment (e.g., oil, natural gas), which has a greater weighting in the index, was relatively weak in 2025, while precious metals rallied strongly and agricultural products and industrial metals showed mixed results. In addition, among the more exotic commodities, tungsten, used in the defense and electronics industries, and certain rare earths continue to perform well this year.
- Oil prices have been basically trending downward since the beginning of the year, with some major fluctuations (e.g., the Iran-Israel conflict). This is partly due to uncertainties related to tariffs and partly because the oil cartel decided in early March to gradually reverse some of its previous production cuts, and later the pace of this was even accelerated. Of course, this was not welcomed by investors, as it caused supply to jump over a short period of time, while downside risks remain on the demand side (e.g., Chinese economic growth, the US labor market, etc.). On the positive side, however, OPEC's September data suggest that global demand could grow by more than 1 million barrels this year and next, exceeding 106 million barrels per day in 2026. At the same time, oil market activity has also declined amid lower prices.

Overall, we maintain our neutral view on commodity markets due to uncertainties surrounding the economic outlook, where several markedly different outcomes are possible. However, selective exposure is recommended (e.g., gold, copper, uranium).

Source: Bloomberg, OTP Multi-Asset Strategies, OPEC

Equities - Regions

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US

Tariff increases and peak valuations may lead to a correction in the short term. Given that fiscal and monetary policy is loose, the likelihood of recession is low, profits are growing, and the impact of AI is strongest here, a sustained downturn is not expected.

Europe

Encouraging trends are emerging (the decline in profit dynamics has stopped, valuations are depressed), but there are still obstacles to overcome (the French government crisis), which prevents the sustained outperformance for the time being.

Emerging Markets

The weakening of the dollar, the Fed's interest rate cut, and the stable macro environment are tailwinds, but we no longer consider it cheap, and profit dynamics are deteriorating, which may limit further sustained outperformance. Be selective in EM.

CEE

Although risks related to the region are increasing (corporate tax increases due to high budget deficits), we believe that still depressed valuation levels still offer investors ample compensation. We would keep the overweighted exposures.

Overweight

Neutral

Underweight

US: there are risks, but we also have an appealing upside scenario

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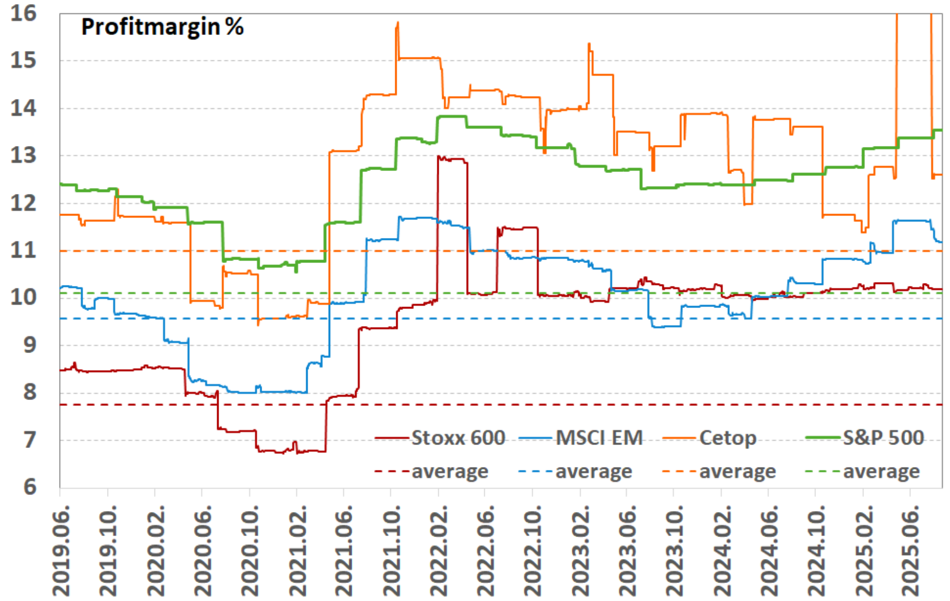
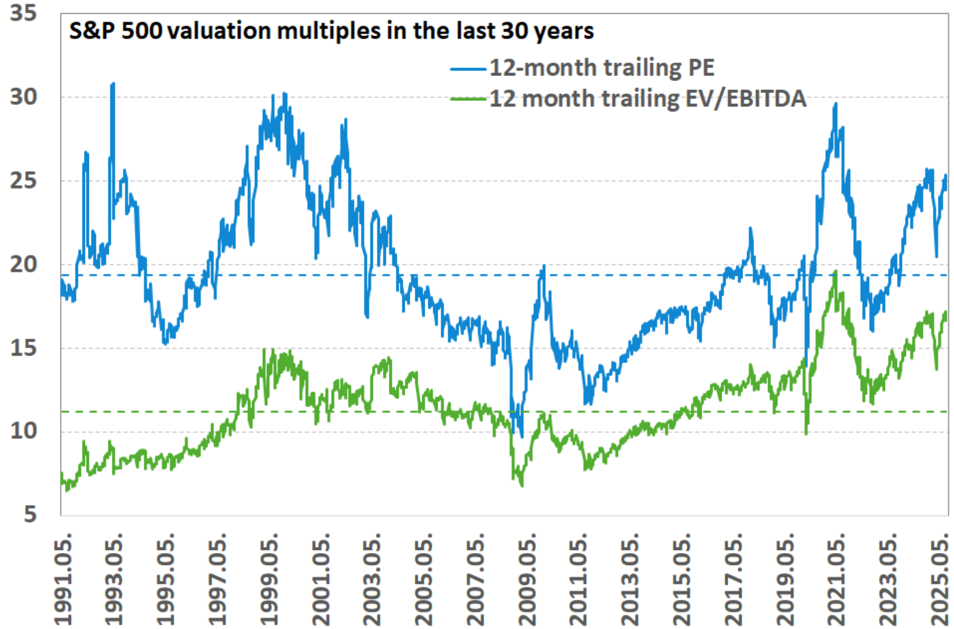
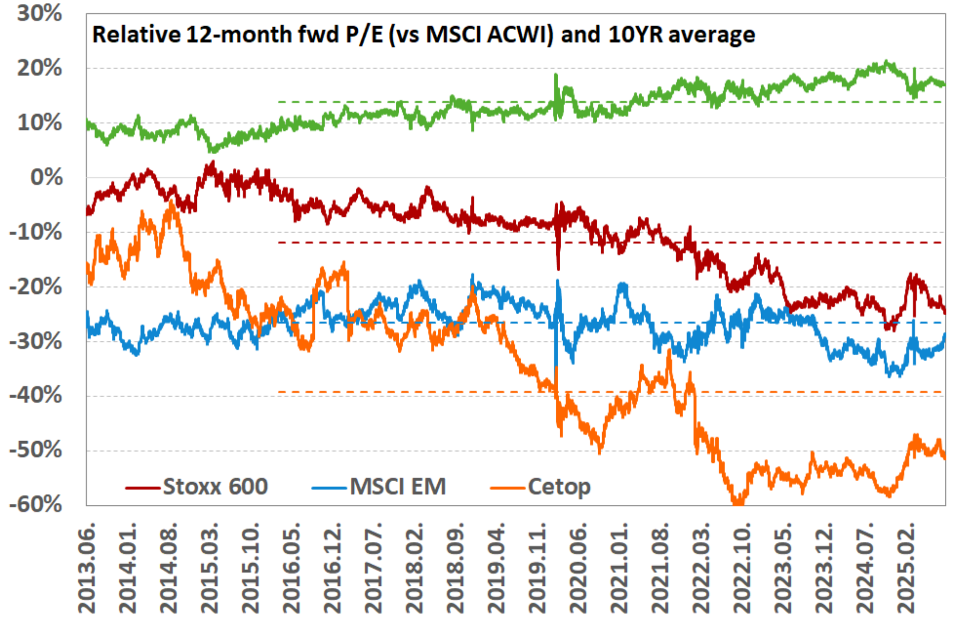


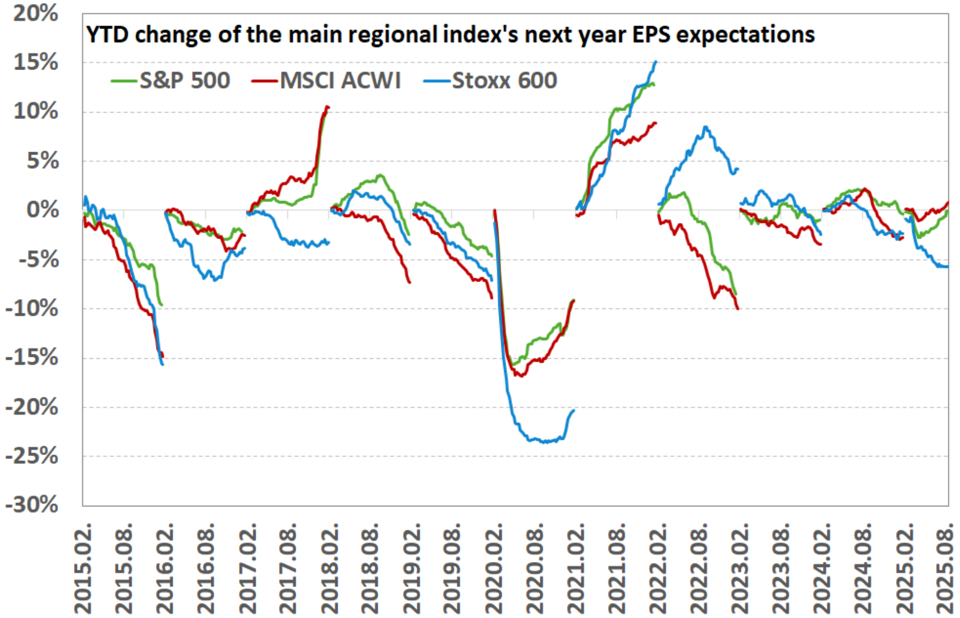


Source: Bloomberg, OTP Multi-Asset Strategies

- Although some agreements are still pending, the average US import tariff will be between 15 and 20%, the negative effects of which are expected to be felt mainly by US consumers and companies. Stockpiling before the tariffs came into effect at the beginning of the year and then releasing these stocks has mitigated these effects so far, but in the coming months, this may increasingly manifest itself in the form of higher inflation and a temporary deterioration in corporate profit margins and growth prospects.
- As profit margins have risen back to local peaks and the profit cycle has entered a mature phase, this poses a downside risk to profit growth prospects, like the worrying summer slowdown in the labor market, which needs to be monitored. However, it is important to note that there are also factors that offset these, as data showing improved activity are coming in from several segments of the US economy, the latest corporate reporting season has been stronger than expected, so analysts are revising their profit expectations upwards, and the Fed has also cut rates in September in a preemptive manner. Furthermore, according to CBO estimates, the negative effects of tariffs may be offset this year by the adoption of the latest fiscal stimulus package (Big Beautiful Bill), which may even have a positive impact on growth next year, which is also a priority for economic policy ahead of the midterm elections. So, the question is, if investors will be willing to overlook any short-term profit risks, as the likelihood of a recession, which would pose a more serious threat, remains low.
- In the short term, we expect a slight downward correction, mainly due to the inflationary effects of tariffs, as in such a scenario the market's expectations of aggressive interest rate cuts may be exaggerated, which in turn would call into question the justification for valuation levels at their local peaks. However, a sustained downturn is not expected in this case either, as even if the Fed does not cut as much, financial conditions can already be considered very loose (lending standards are loosening, credit spreads are low, the yield curve is steeper), and next year, with the appointment of a new central bank president, there is a greater chance that monetary policy will shift towards a more dovish stance, which, thanks to fiscal easing, a soft landing, and AI-driven innovation, could easily create a period similar to that between 1998 and 2001, characterized by a bubble and a significant stock market rally (the best case scenario for stocks).
- In other words, although there are downside risks in the short term, the investment community may be willing to overlook these, and while US equities are relatively expensive, they remain world leaders in terms of quality, efficiency, margin generation, and innovation, so we are maintaining neutral exposure.

Europe: keep a close eye on it, but some patience is still warranted

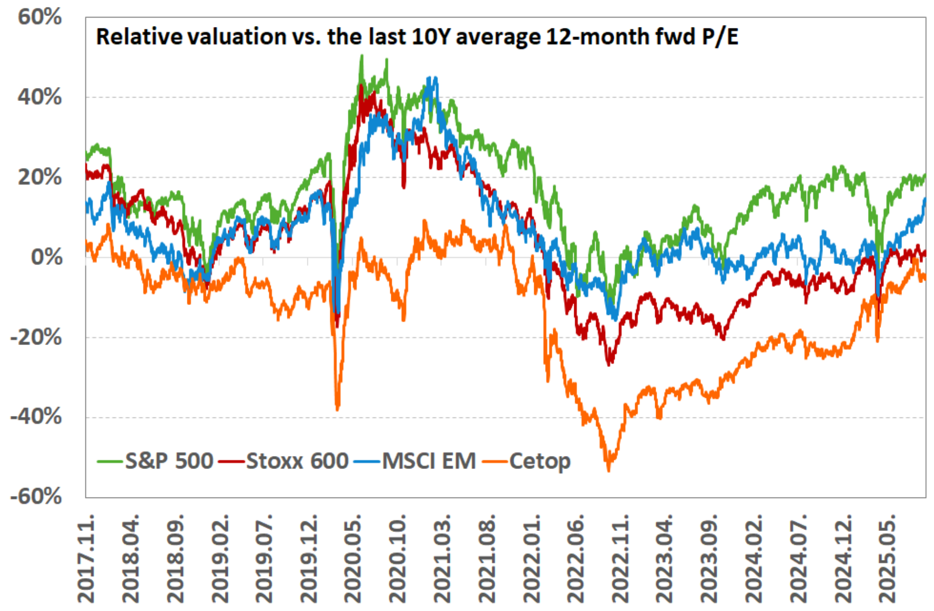


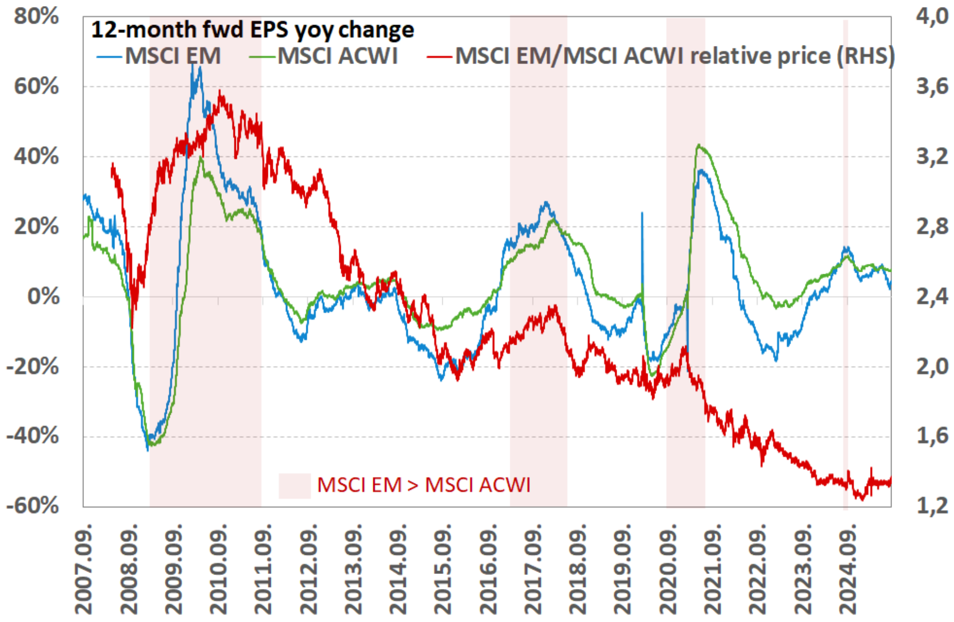


Source: Bloomberg, OTP Multi-Asset Strategies

- Overall, there are many encouraging developments in the European stock market, but there are still obstacles to overcome, which is why we do not expect the region to outperform for the time being.
- On the one hand, European economies managed to land softly, with favorable activity in the service sector and significant improvement in manufacturing, ending a short and shallow corporate profit recession. Analysts have cut their European profit forecasts at the fastest pace this year (vs. other regions), but this process is also coming to an end, as the relative decline in profit dynamics has also stopped. In addition, the already cheap European stock market has become even more attractive in relative terms, and we believe that in this respect it has overtaken emerging markets as a whole and has become the second most attractive region after CEE in terms of value.
- For these reasons, the European market is definitely worth keeping an eye on, but in our opinion, the factors mentioned above are necessary but not sufficient conditions for sustained outperformance. To this end, we would like to see a more rapid improvement in corporate profit dynamics, which has not yet materialized. We do see positive catalysts here as well: the German budget is loosening, military and infrastructure spending is rising, but the positive effects of this on GDP growth are not expected to materialize until the second half of 2026; however, credit demand is improving (helping consumption), and the trade uncertainties that have been holding back investments are also beginning to fade after the agreement with the US (15%, as with other strong US allies). The problems of the European economy are already being discussed at the political level, with plans for solutions on the way.
- However, in many cases, solutions exist only in words, without concrete action, while significant budget deficits and deteriorating debt trajectories have developed in several countries. This is not yet the focus of investors (although there is some pressure on the bond markets of the countries concerned), but this will not always be the case, and there is no remedy in sight. Most recently, France has once again experienced a government crisis due to the need for austerity measures, and the rise of extremism/populism in politics continues to be a cause for concern (e.g. the rise of AfD in the North Rhine-Westphalia local elections). In addition, lagging behind in AI, aging societies, competitiveness issues (vs. Cheap Chinese products), overregulation, market fragmentation, and geopolitical conflicts are all drag factors that partly justify the depressed valuation levels. A way out could be found in increasing efficiency in the corporate sector (M&A volume increased in H1, but is still not enough), in which the stronger euro is not helpful.

Emerging markets: the honeymoon period is still going strong

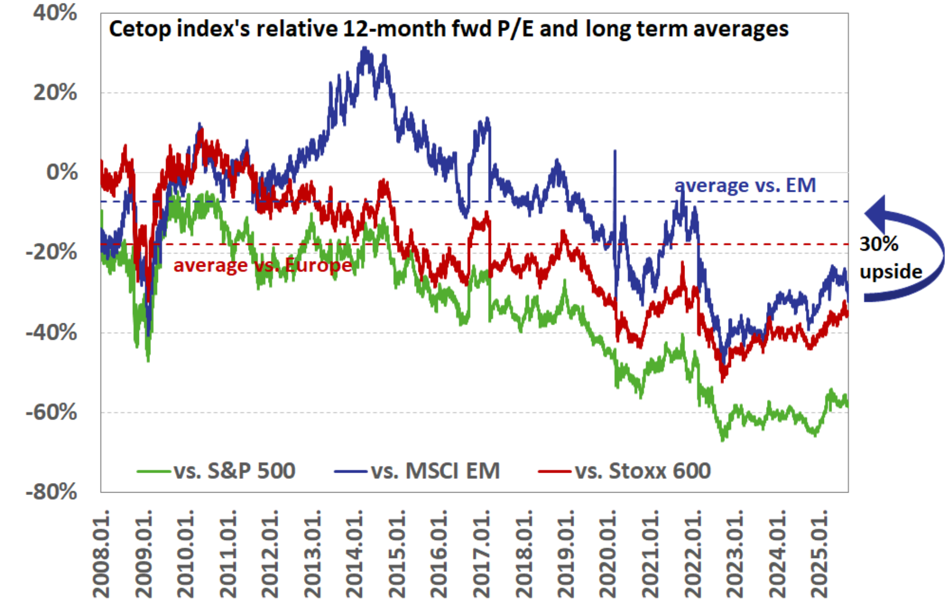


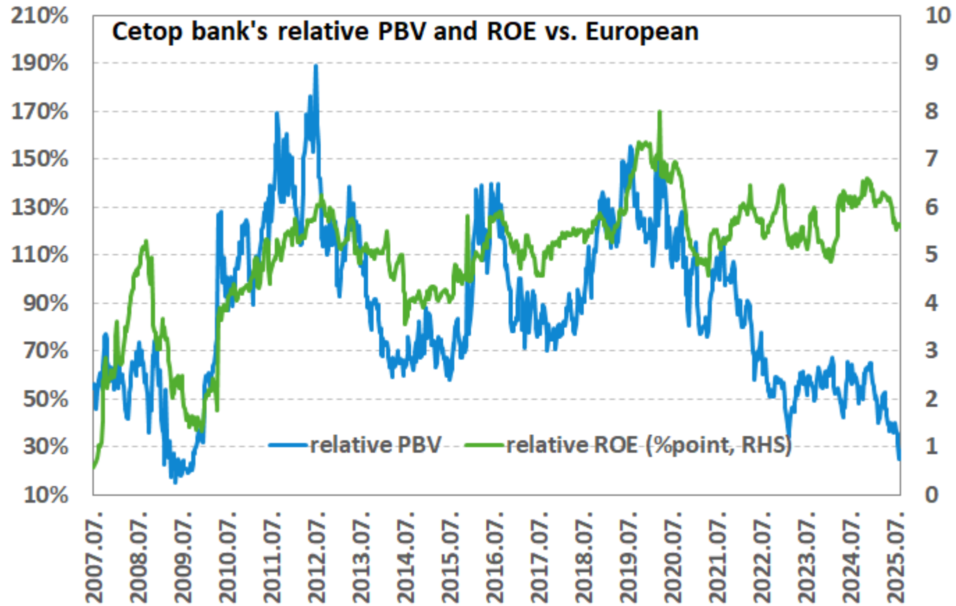


Source: Bloomberg, OTP Multi-Asset Strategies

- The weakening of the dollar, the Fed's interest rate cut, and the generally stable macroeconomic environment are tailwinds for emerging stock markets. The service sector is strong, and the manufacturing industry has also recovered from the shocks of the trade war, with agreements reached with the US in most cases, albeit with higher but not unbearable tariffs. Inflation has returned to pre-pandemic levels in many places, allowing several central banks to continue cutting interest rates.
- For all these reasons, emerging markets have been a popular destination for diversification away from the US market in Q3, which has led to an increase in valuation levels. Although in relative terms there is still a lag behind the US-dominated global levels, overall we no longer consider emerging markets to be cheap at current price levels. In addition, profit dynamics are not convincing, with the region once again lagging behind global levels, which may limit the extent of further index-level outperformance.
- India faces higher US tariffs than previously expected, and its stock market is one of the most expensive among emerging markets, while profit growth has disappeared due to cyclical reasons. All of these factors will continue to cause the index to underperform in the short term. However, the longer-term outlook remains favorable, as demographics are favorable and infrastructure investments may provide support, while India could also emerge as a winner from the transformation of supply chains. Public sector wage increases, simplification of the VAT system, and tax cuts in key segments may have a positive impact on consumption, but the effect on corporate profits will not be more visible until 2026 at the earliest.
- Thanks to its dominant position in the rare earth metals sector, China has also managed to avoid the worst-case scenario regarding US tariffs, although negotiations are still ongoing. This may have helped the already cheap Chinese stock market, where promising AI developments have been announced, to rise to a nearly four-year local high (MSCI China). The momentum may continue in the short term, but looking ahead, caution is warranted, as Chinese stocks are no longer cheap, economic growth is expected to slow in the second half of this year, while deflationary pressures continue to be a challenge, meanwhile Chinese companies are becoming less welcome in high-income countries. It remains one of the US's key rivals geopolitically, and Taiwan's reunification plans continue to loom as a risk.
- We continue to find the South Korean stock market attractive, although it has already been one of the best-performing this year, which means, we do not see any favorable entry opportunities for the time being. Still attractively valued, the investment story and growth prospects are also positive: economic activity is slowly improving as political uncertainties fade, the central bank has room to cut rates, the new president is also pro-capital market, reinforcing the planned (Value UP) reforms, the market also has technology exposure.

CEE: risks have increased, but low valuations still compensate for this





Source: Bloomberg, OTP Multi-Asset Strategies

- The economies of the CEE region are characterized by high budget deficits, high GDP growth, exceeding the eurozone average, and stickier inflation, which in turn leads to more cautious central bank policies with regard to interest rate cuts. Due to loose fiscal policies, there is a growing possibility that credit rating agencies may change their opinion of these countries in a negative direction, but high deficits are a global phenomenon, which means that investors may remain more lenient for the time being.
- Given that the financial sector dominates the region, high or only slowly declining interest rates tend to have a favorable impact on the index level, in line with stable and relatively high economic growth. It is no coincidence that the Cetop index has outperformed this year. Although the third quarter brought further growth, it was not enough to maintain the outperformance. The planned increase in Polish bank taxes played a major role in this. With the sudden fall in the market, the effects of the bank tax increase were priced in, but the deterioration in investor sentiment in regional markets may be more difficult to remedy. With this move, following several other countries in the region (Hungary, Romania), even Poland, which is otherwise considered market-friendly, is resorting to taxing the currently highly profitable banking sector in an attempt to plug the gaping hole in its budget.
- We have therefore reached a level where banks will no longer be able to fully enjoy the growth surplus resulting from fiscal spending and higher interest rates. In addition, the unpredictability resulting from the special taxation of companies in the region is becoming an increasingly significant risk. It is difficult to translate the impact of this into figures, but overall, profit dynamics are still sufficiently strong and valuation levels are low enough to compensate for such risks in our view.
- In terms of valuation, it can still be said that CEE remains one of the most attractive regions globally in relative terms: the discount compared to larger regions is close to its 2008 low, and has widened in recent months, primarily against the US and EM. Compared to the long-term average P/E ratio, only the CEE region is still trading at a discount (12%), while the others are already above average. If we compare the companies that make up the Cetop index with their European peers, we see that while they have a 5 percentage point advantage in profit growth on average, their relative valuation has fallen back to the low point of a year ago. The same is true for the banking sector, which has been hit by special taxes. Although it still has an advantage in terms of ROE compared to Western European banks, the long-standing premium on a P/BV basis has now narrowed to 2009 lows. In other words, although risks related to the region are increasing, we believe that current valuation levels more than compensate investors. We are therefore maintaining our overweight exposure for the time being.

Long-term mega trends

Demography

Population aging and rising life expectancy remain among the most powerful structural forces shaping the global economy. The impact is very broad based, as most emerging markets are still experiencing population growth, which is generally accompanied by economic growth and rising living standards, and thus significant capital market effects. Rising life expectancy and an ageing society are creating many new markets for companies to serve. Perhaps the most direct beneficiary is the healthcare sector.

Artifical intelligence

Artificial intelligence continues to be the defining force behind the current wave of technological progress, reshaping industries and accelerating innovation at an unprecedented pace. The momentum shows no signs of slowing: in 2025 alone, U.S. tech giants such as Amazon, Microsoft, Alphabet, and Meta are projected to invest over $300 billion in AI infrastructure and data centers, up sharply from $230 billion in 2024. These investments underscore a long-term commitment to AI as a foundational growth driver, despite market volatility and questions about sustainability. From an economic perspective, the Jevons paradox offers an important perspective: as AI systems become more efficient and cost-effective, their adoption accelerates, driving up overall demand for compute, energy, and related resources rather than reducing it. Alongside and related to AI, robotics and automation could also gain new momentum. Maintaining a positive outlook on innovation, the technology sector could remain attractive in the long term, while a major technological breakthrough could create new opportunities in the field.

Energy transition

The transition from fossil fuels to renewable, clean energy is also a long-term process. Although there are bumps in the road (e.g., the temporary reopening of some coal mines in Europe due to the Russian-Ukrainian conflict and less supportive US renewable policies under the Trump administration), the decarbonisation drive will be with us for decades to come. The energy transition has many positive effects, as polluting activities become 'clean', but it also has less positive effects, such as higher inflation, as energy may be more expensive to produce or require significant investment and development in certain areas.

Deglobalisation

The deglobalisation trends have been reinforced in recent years by events such as the emergence of Covid and supply chain problems, and then wars. With the election of Donald Trump and the return of the America First policy, deglobalisation trends got a new boost. The tariff war, the orientation of investments and manufacturing capacity towards the US, and the confrontation with China all point in this direction – not to mention the recent conflict between Israel and Iran. While tariffs may remain a real threat with China, we see the potential for softer tariffs than current threats with allied countries in the future.

Source: OTP Multi-Asset Strategies

The most favoured investment topics

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Technology

Valuations remain elevated, which leaves limited margin for error, but the secular drivers of AI justify exposure in the segment.

Utilities/Renewables

Rising electricity demand is a structural tailwind for both. Renewable expansion will continue, valuations are more reasonable now.

Gold

Buoyant central bank demand, high geopolitical risks and no signs of improvement in fiscal discipline support gold.

Miners

Electrification, Chinese stimulus measures, and weak supply help copper; uranium market is still in structural deficit.

Japan

Deflation is over, corporate reforms may attract further capital to the under-owned market. Cheaper than the US market.

LatAm

Mexico may be a relative winner of Trump's tariffs, nearshoring trends may continue. Brazil is globally one of the cheapest.

Poland

Still attractive valuation, growth advantage vs. Europe. European fiscal spending indirectly positive, Ukraine ceasefire would help.

Removed topics from the list

Newly added topics to the list

Technology: AI momentum fuels tech leadership

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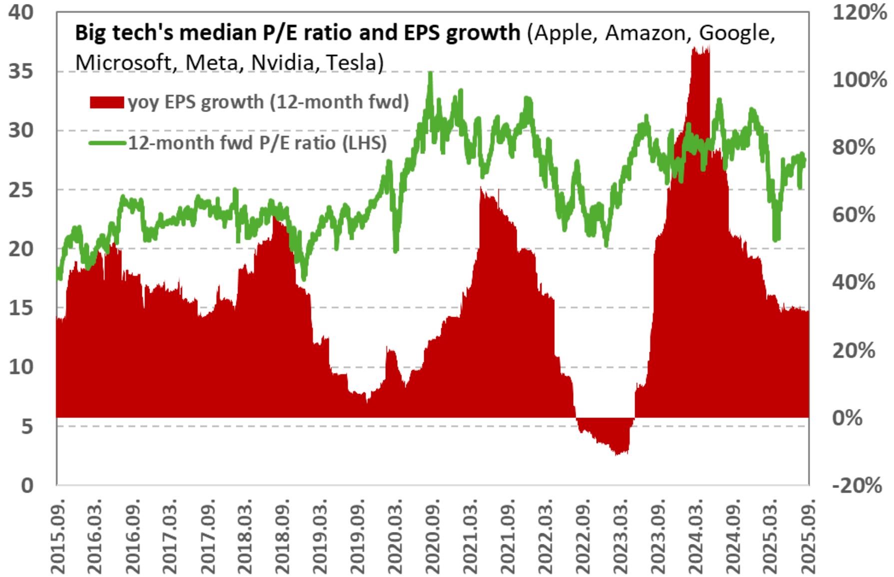
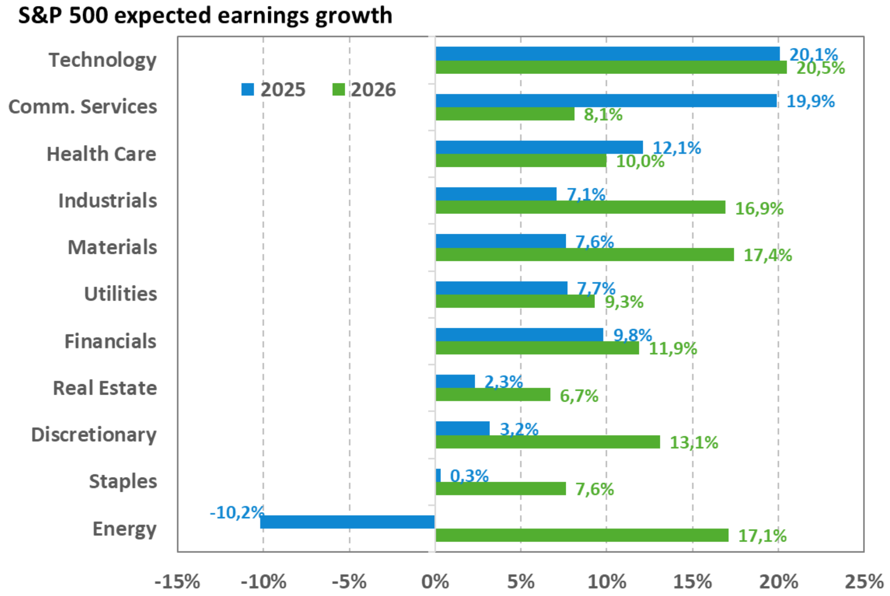


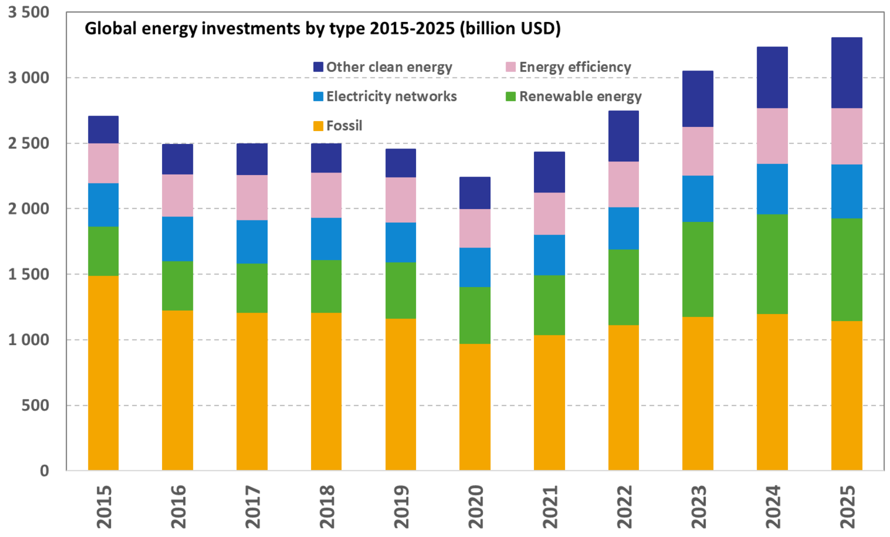


Source: Bloomberg, OTP Multi-Asset Strategies

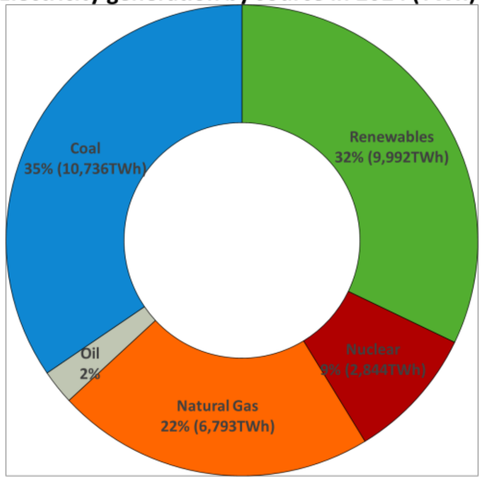
- The technology sector has rebounded sharply from its April lows and is now trading near all-time highs. Momentum intact across AI infrastructure and cloud services. Hyperscaler results and guidance over the past quarter reinforce a multiyear AI capex cycle (>$300bn annualized across the largest platforms on current run rates) and visible annual recurring revenue conversion in subsectors like semiconductors, datacenters, and enterprise software.
- Microsoft reported Azure growth of 39% in the June quarter, reflecting continued enterprise adoption of cloud-based AI services. Nvidia delivered $46.7 billion in revenue, marking a +56% YoY increase, driven by surging demand for its data center GPUs and AI accelerators, while Alphabet's Google Cloud posted +32% YoY growth, while management raised full-year 2025 capex guidance to $85 billion. Oracle's latest quarter saw RPO (total value of contracted revenue that Oracle has yet to recognize) expand to $455bn (+359% YoY), underpinned by multibillion AI contracts.
- These results suggest that AI is moving from experimentation to paid workloads , with monetization increasingly visible across infrastructure, developer tools, and productivity-enhancing applications. This shift is driving recurring revenue growth and margin expansion across the value chain.
- The technology sector has led upward earnings revisions for Q3 2025 (+4.4%) over the past two months according to FactSet. While valuations remain elevated at current levels (fwd P/E: 29.5) but accompanied by best-in-class net profit margin (25.5%) and expected EPS growth (+20%).

We maintain a constructive outlook on the technology sector, underpinned by the structural growth potential of AI as a long-term investment theme. While current valuations remain elevated and market expectations leave limited margin for error, we believe the secular drivers of AI adoption continue to justify strategic exposure to this segment.

Utilities & Renewables: we are optimistic about solar and wind



Electricity generation by source in 2024 (TWh)



- We continue to favor the utilities sector, where expected growth in electricity consumption provides an important structural tailwind. This is not only due to demand from data centers, but also from cooling / heating requirements, electric vehicles, and other industrial applications. Here, we primarily favor companies with diversified power generation assets (e.g., natural gas, nuclear energy, renewables, etc.).
- At the same time, we see favorable long-term opportunities in the renewable energy sector as well, which experienced several years of decline following the 2021 bubble (in terms of stock prices). The Trump administration's tax and spending bill (OBBBA), passed in July this year, dealt another blow to the industry, significantly reducing a number of previous tax credits. Among other things, the tax credit for residential solar panel installations will expire at the end of the year, while utility-scale solar and wind energy projects will only be eligible if construction begins by July 4, 2026. On the positive side, however, there have been no major changes to the manufacturing tax credit and the previous 2032 deadline still applies to energy storage projects.
- Although the new Trump package is unfavorable for the broader renewable energy sector, but on the one hand, the final legislative measures were less stringent than initially feared. On the other hand, it has also removed a significant source of uncertainty regarding regulatory risks, which had previously deterred some potential investors. In addition, thanks to the significant decline in recent years, the valuation of companies in the sector has also improved.
- It is also important to note that demand for solar and wind energy is likely to remain high in the coming years. According to data from the International Energy Agency (IEA), renewables accounted for more than 70% of the expansion in electricity generation last year, where solar was the largest contributor. The IEA forecasts that renewable capacity could nearly triple by 2030 compared to the 2022 base year. China will be the main driver of this growth.

Due to structural factors driving up electricity demand, we continue to favor the utilities sector in the longer term. We are also optimistic about the outlook for the renewable energy sector, where further significant expansion is expected in the coming years, while the 2021 bubble has deflated and important regulatory uncertainties have been removed recently.

Source: Bloomberg, OTP Multi-Asset Strategies, IEA

Gold: still worth having exposure to the sector

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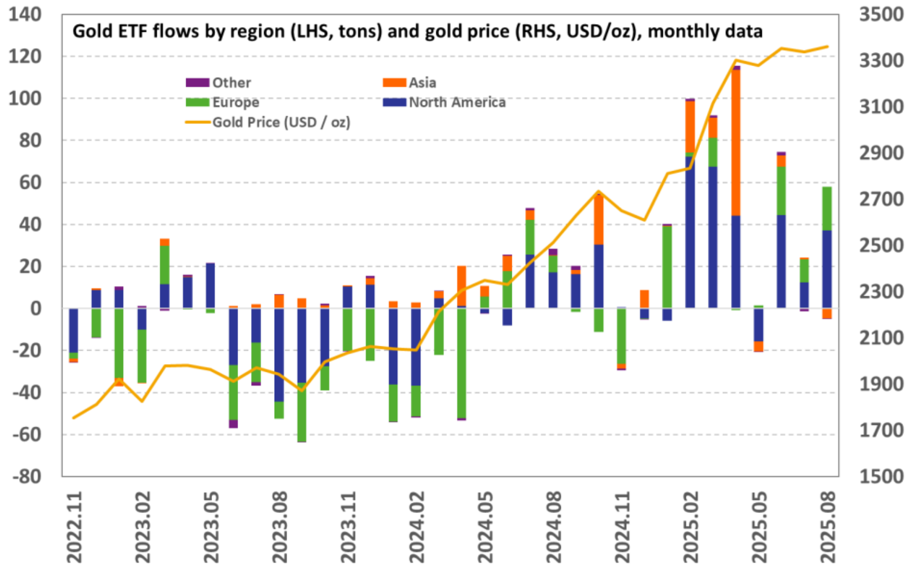
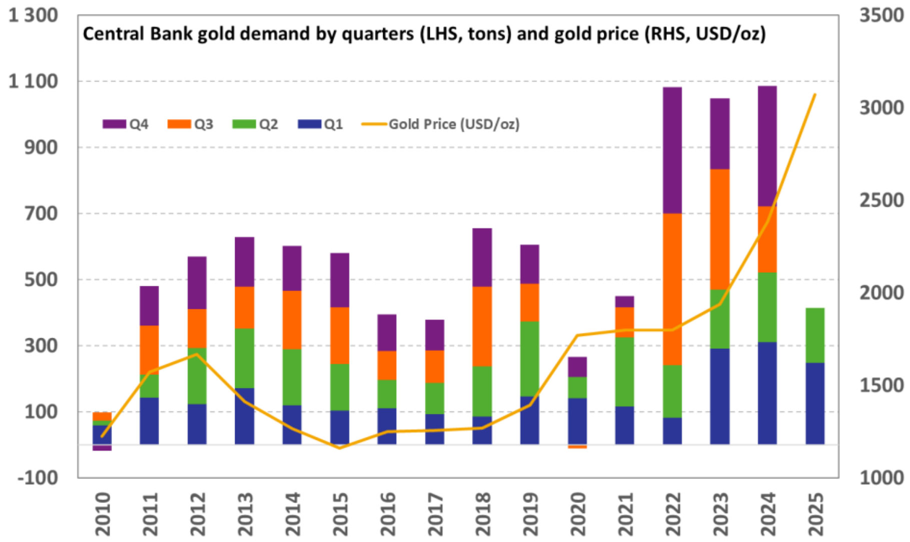


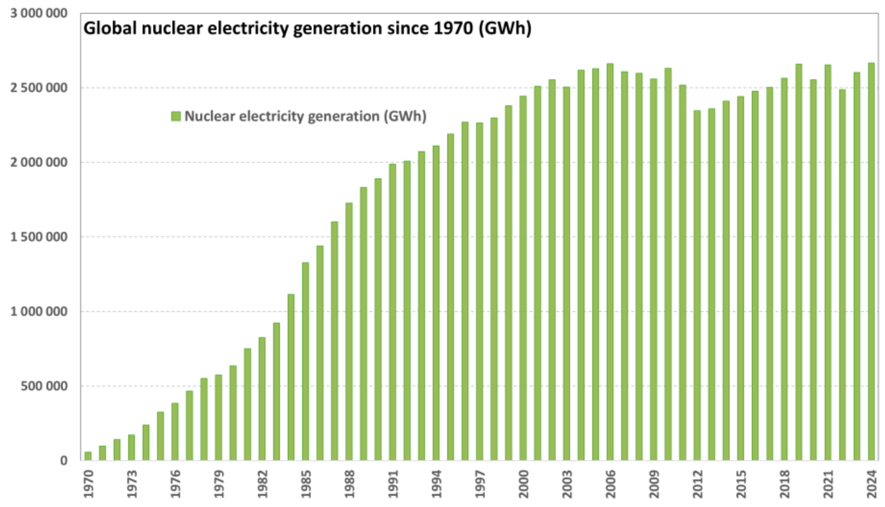


- The yellow precious metal performed particularly well in the third quarter, and at the end of August, the price rose sharply again, briefly exceeding $3,700 per ounce, and has risen more than 40% since the beginning of the year.
- Central banks' demand for gold fell by around 20% YoY in the first half of this year, but remains historically high. Poland is by far the largest buyer in 2025 with nearly 70 tons, but Azerbaijan, Kazakhstan, China, and Turkey also purchased significant amounts of gold.
- Following moderate outflows in May, demand for gold ETFs was strong again between June and August, primarily from North America and Europe. According to data from the World Gold Council (WGC), inflows continued in the first half of September.
- The rise in the gold price was also supported by the weakness of the dollar since the beginning of the year, which is traditionally favorable for commodities, and the Fed's interest rate cut in September helped as well, while US core inflation jumped back above 3% (lower real interest rates). High public debt and budget deficits (e.g., France, US) remain a concern, which is a favorable structural factor for gold.
- In addition to gold, the price of silver also continued to rise, exceeding $40 per ounce in September, the highest level since 2011. It is worth noting, however, that unlike gold, silver has significant industrial uses, which may account for nearly 60% of total demand in 2025 (mainly in electronic products and solar panels). As a result, its price may be more sensitive to an economic slowdown or recession. The same can be said about platinum and palladium, which are also performing excellently this year, although there has been some correction / sideways movement since July.

The price of gold has risen significantly over the past few months, hence a significant short-term correction cannot be ruled out, but the structural factors supporting the rise remain in place, so holding physical gold or gold mining exposure is still recommended for the longer term.

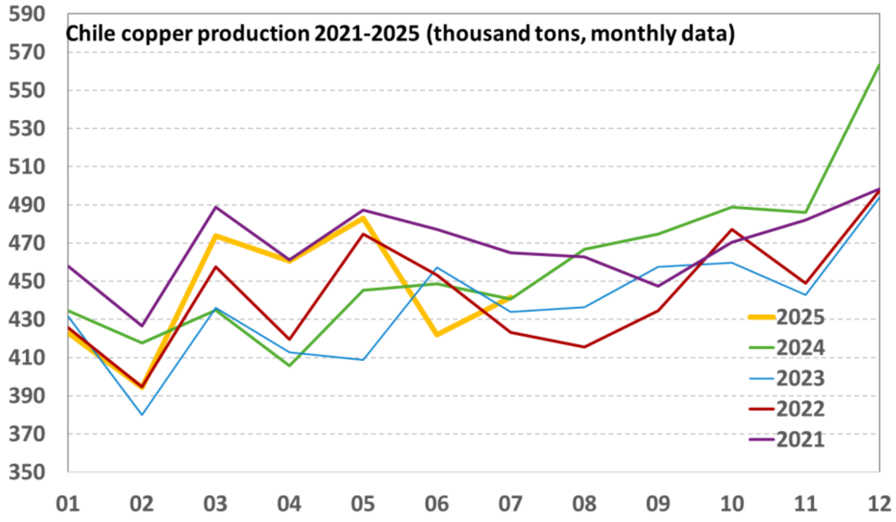
Source: Bloomberg, OTP Multi-Asset Strategies, WGC

Miners: improved uranium sentiment, tight copper market



- Although the uranium price has fluctuated between USD 70 and USD 80 in recent months, investor sentiment has clearly improved, which is also reflected in the performance of uranium mining companies. However, it should be noted that activity in the uranium market appears to be somewhat subdued so far this year, partly due to the uncertainty related to tariffs.
- However, industry newsflow remains very positive: in June, the World Bank lifted its ban on financing new nuclear energy projects, which had been in place since 2013. Several major players in the US technology sector have signed nuclear energy agreements, the Trump administration is also a strong supporter of the sector, and new constructions in China are proceeding at a rapid pace. According to a new analysis by the World Nuclear Association (WNA), demand for uranium, which serves as fuel for nuclear reactors could increase significantly in the coming years. Meanwhile, on the supply side, production problems and delays are continuous.

The uranium market remains in deficit, while demand, which is currently stagnant, may start to grow in the coming years, and problems on the supply side continue. Despite this year's subdued market activity, the longer-term outlook is favorable, and maintaining exposure to uranium mining is recommended.

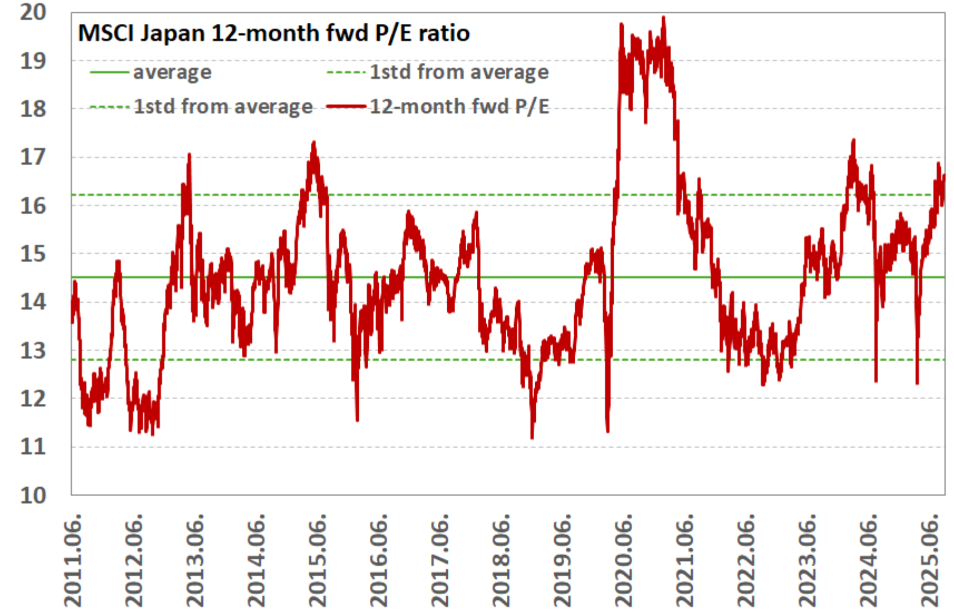


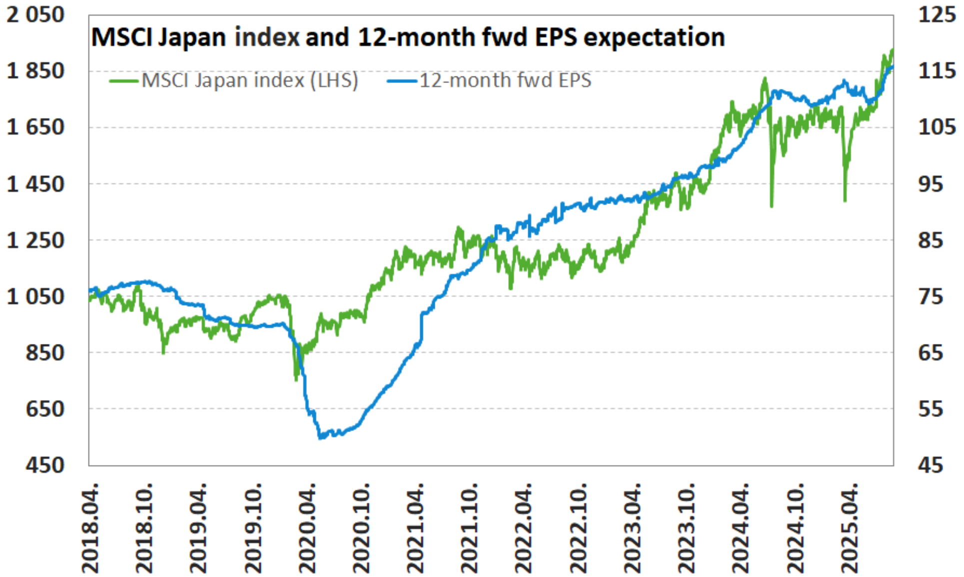
- Chile, the world's largest producer, increased its production by 2.3% YoY between January and July, even though the Chilean Copper Commission had expected growth of nearly 5% at the beginning of the year. Currently, growth is expected to be only 1.5% in 2025, while globally it may be even lower, at 0.5%. The supply chain remains vulnerable: Ivanhoe Mines, which operates one of the world's largest copper mines (Kamoa-Kakula, DRC), cut its production targets for this year by nearly 30% a few months ago due to damage caused by seismic activity. In early September, production at the world's second-largest mine (Grasberg, Indonesia) has been temporarily suspended due to a mudflow that trapped several workers.
- Meanwhile, Chinese economic data, which is particularly important for copper demand, seems somewhat weaker. Retail sales rose 3.4% YoY in August, while industrial growth was 5.2%. Both figures fell short of analysts' expectations and showed a slowdown compared to July. The real estate sector continues to suffer.

As an industrial metal, copper is sensitive to changes in the economic environment, so Chinese data pointing to slowing growth is unfavorable in the short term. However, this is largely offset by the weakness on the supply side for the time being. In the longer term, we continue to favor the sector due to structural factors, and it may be worth maintaining exposure to copper mining.

Source: Bloomberg, OTP Multi-Asset Strategies, Cochilco, China NBS, WNA

Japan: the structural story still drives it, but it's no longer cheap





Source: Bloomberg, OTP Multi-Asset Strategies

- The Japanese investment story in a nutshell: the country has broken 30 years of deflation, wages are rising, the economy is growing, while corporate reforms are being implemented, boosting shareholder value (not just higher dividends and share buybacks, but also reorganising boards, cutting costs, simplifying complex structures, divesting businesses, eliminating cross-ownerships). The local equity market is trading at attractive valuations compared to the US, with foreign investors (e.g. Berkshire Hathaway) has further increased its Japanese exposure this year, like the local retail investors (thanks to the positive interest rates and growth and the popular investment accounts with tax benefits). In the summer, Japan was among the first to reach an agreement on US tariffs (~15%), where lower tariffs were negotiated for several product segments (e.g., cars).
- In July, the ruling LDP lost its majority in the upper house elections, and after some wrangling, President Ishiba resigned in September. The next LDP leader will inherit a party that is in the minority in both houses of parliament, so there is no guarantee that he will become prime minister. Currently, the market widely considers former Economic Security Minister Sanae Takaichi to be the most likely candidate, who supports fiscal stimulus measures and loose monetary policy. If Takaichi emerges victorious in early October, this will mean stronger growth expectations, which is positive from a market perspective. On the other hand, it may raise inflation and interest rates, but the latter is favorable for the banking sector, which has a large weighting in the market.
- With the recent rise, the Japanese market is beginning to show signs of being overbought in the short term, as although its P/E-based valuation remains relatively attractive compared to the US, in absolute terms, a P/E of over 16 is already one standard deviation above the long-term average. Although interest rates remain negative, inflation appears to be sticky, forcing the BOJ to gradually raise interest rates (a 25bp hike is expected in October), after in September, the central bank surprisingly announced that it would begin normalizing monetary policy, including the slow and gradual sale of ETF holdings. These changes do not justify a further revaluation towards even higher valuation multiples. In any case, there is no cause for concern at present, as profit expectations are rising nicely to new highs.

In the short term, valuation have risen to local highs, which could pose an obstacle alongside tightening monetary policy, but profit growth dynamics has also gained new momentum, which is a supportive factor. The long-term structural investment story remains favorable, so it is worth maintaining exposure.

Poland: still cheap enough, with favourable growth prospects

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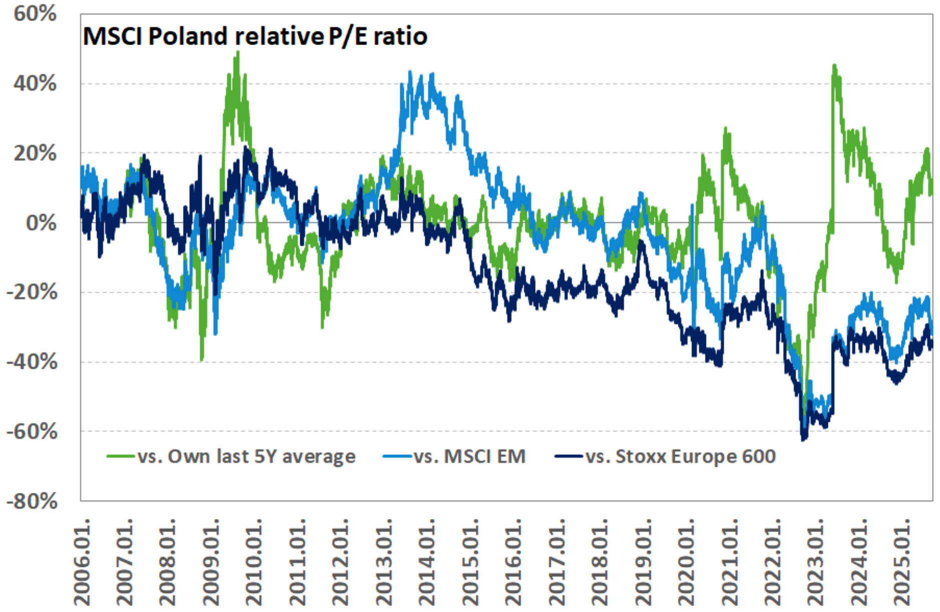
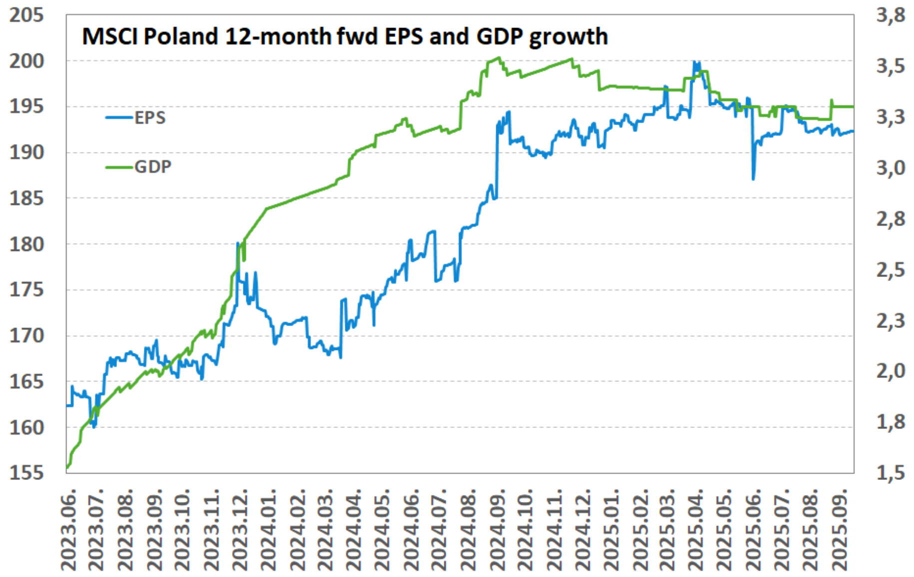


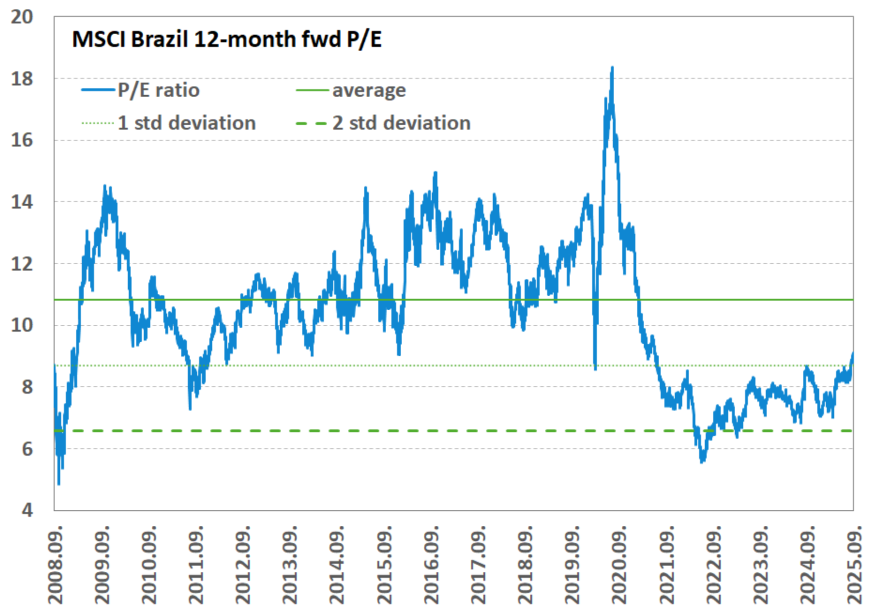


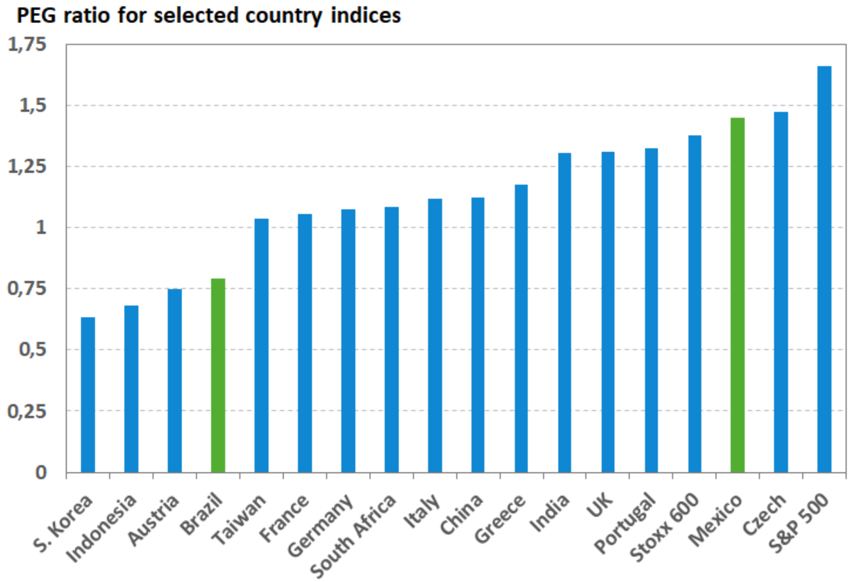
- The Polish investment story in brief: the economy and companies are growing faster than the European peers, the domestic market is large, consumption is strengthening, there is no direct exposure to the US trade war, and last year's change of government is helping access to EU funds. The Germans' shift towards greater spending is indirectly beneficial, while the Polish market would be the biggest beneficiary of the end of the Russian-Ukrainian war (although Russian drone incursions into Polish territory have distanced us from this) and the start of reconstruction in Ukraine. In addition, there are plans for an investment account called OKI, which aims to channel household savings (a large proportion of which are held in bank deposits) into the capital market.
- The Polish economy grew by 3.4% in the second quarter compared to the same period last year, representing an acceleration from 3.2% in the first quarter. This remains outstanding at the European level, but it is partly due to the fact that the budget deficit is high, mainly due to military spending, and will be close to 5% of GDP this year, with no significant reduction expected next year. In early September, Fitch maintained Poland's credit rating at A-, but changed the outlook from stable to negative for the first time since 2007. Moody's then followed suit, changing Poland's outlook from stable to negative. Since many other economies are also struggling with high deficits, investors are not questioning this for the time being, and as long as this situation persists, it is positive from a stock market perspective. This is because it keeps interest rates higher, which, combined with strong economic growth, is favorable for the index-dominated by banks.
- An unfavorable development is that corporate income tax on banks is planned to be raised from the current 19% to 30% in 2026, followed by a reduction to 26% in 2027 and then to 23% in subsequent years, which could initially reduce bank profits by as much as 15-20%. The stock market quickly priced this in, but the market-friendly government set an unfavorable precedent by justifying it with patching the budget deficit. Although this increases the risks regarding the Polish market, valuation indicators remained sufficiently depressed, so this should not cause lasting pressure on the stock market. In any case, for the outperformance movement to continue, an improvement, not a deterioration, in earnings outlook would be needed to break the temporary loss of momentum caused partly by the tax increase.

In relative terms, the Polish stock market continues to trade at a significant (30-35%) discount, and although the P/E ratio is already 10% above the average for the past five years, the value below 10 can still be considered comfortable, which sufficiently compensate for the increased risks.

Source: Bloomberg, OTP Multi-Asset Strategies

LatAm: Brazil is cheap, Mexico is a structural story





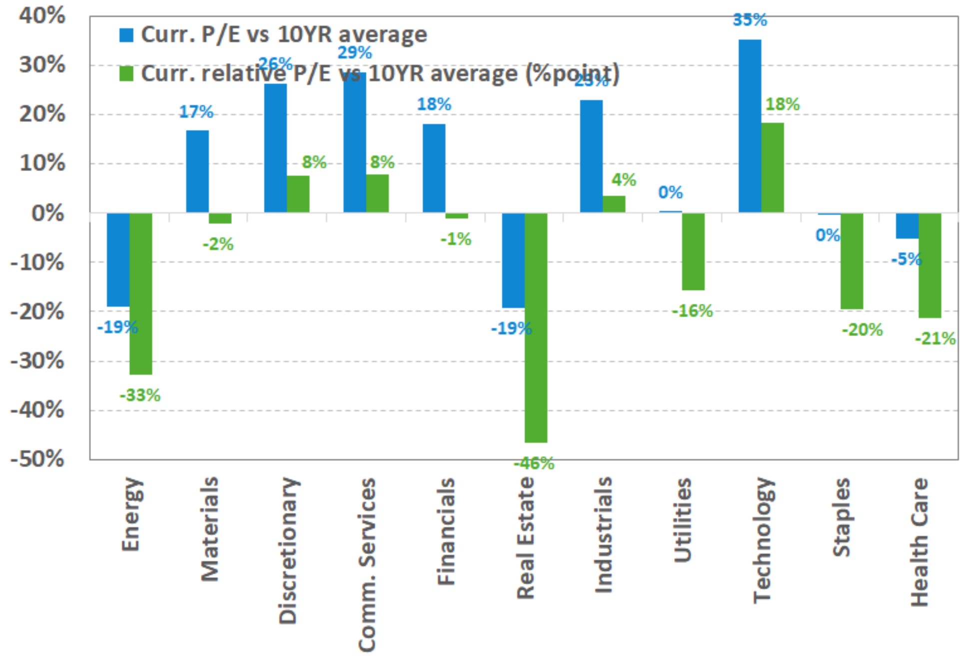
Source: Bloomberg, OTP Multi-Asset Strategies

- The Brazilian stock market is one of the cheapest globally, through which (due to the country's significant raw material exports) we can gain protection against upward inflation risks. The populist political direction is a risk for the time being, but elections are scheduled for 2026, which could bring about change, while a future decline in high real interest rates could be another driving force. The market has responded positively in recent weeks to the fact that, according to polls, Tarcisio de Freitas, the challenger and governor of São Paulo, took the lead in August, albeit by a small margin. The 50% US tariffs are significant, but Brazilian exports can be redirected, and the government is providing temporary assistance to the companies affected, so the economic impact may remain mild due to strengthening Chinese and European relations.
- Expectations are fundamentally low, so although the country's GDP growth slowed in the second quarter, it exceeded expectations. US tariffs, fiscal risks, high inflation, and consequently high interest rates are currently limiting growth, but these effects may fade over time. In September, at its second consecutive meeting, the Brazilian central bank left its base rate unchanged at 15%, the highest level since 2006. The series of interest rate hikes appears to be over, but given the central bank's hawkish messages and stubborn inflation above the 3% target, a series of interest rate cuts is not expected to start this year and may be postponed until 2026.
- One of the winners of US tariffs is Mexico, in relative terms, as nearly 80% of its exports to the United States are tariff-free, which represents an effective tariff rate of nearly 7% overall, the lowest among the US's partners. However, the USMCA free trade agreement (US, Mexico, Canada) will be formally reviewed until early 2026, which still carries uncertainties. In any case, Mexico has made a gesture to the US by raising tariffs on cars from China and other Asian countries to 50%. So, the main investment story, the nearshoring trend may therefore continue to gain attention, bringing efficiency gains and potential GDP growth for Mexico in the long term.
- After modest growth of 0.2% in Q1, real GDP grew by 0.6% in Q2 (above expectations), mainly due to growth in manufacturing and services. In terms of monetary policy, the Bank of Mexico (Banxico) cut its benchmark interest rate by 25 basis points to 7.75% in August, emphasizing the need for a less restrictive policy, while signaling that the easing cycle is coming to an end.

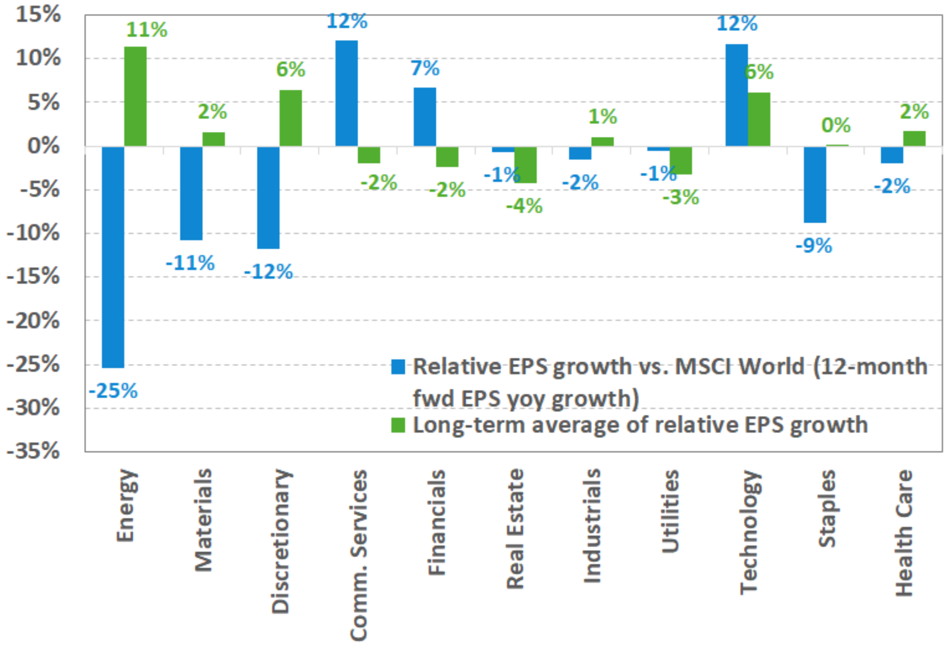
Within emerging markets, maintaining exposure to Brazil and Mexico remains advisable, as the weakening dollar and Fed interest rate cuts are favorable in both cases (currencies at 18-month highs), while there are also specific drivers.

Sector ranking and relative position

Relative P/E to MSCI World vs long term average



Relative EPS growth vs long term average



Bottom-up factor ranking by sectors, 1 is the best, 11 is the worst

S&P 500	Value	Size	Beta	Momentum	Profitability	Quality	Overall
Energy	1	5	4	9	9	8	4
Materials	6	3	6	7	7	4	6
Industrials	9	4	8	5	6	3	7
Financials	4	8	7	3	8	11	8
Consumer Discretionary	10	9	10	2	5	1	9
Consumer Staples	7	6	1	8	3	2	1
Health Care	5	7	3	10	4	5	5
Information Technology	11	10	11	4	2	6	10
Communication Services	3	11	9	1	1	7	2
Real Estate	8	1	5	11	11	10	11
Utilities	2	2	2	6	10	9	3

Stoxx 600	Value	Size	Beta	Momentum	Profitability	Quality	Overall
Energy	1	9	5	6	7	3	1
Materials	6	3	7	7	8	5	7
Industrials	10	6	8	2	3	6	6
Financials	4	7	9	1	10	11	9
Consumer Discretionary	9	8	10	8	5	7	10
Consumer Staples	7	5	3	5	4	1	4
Health Care	8	10	6	10	2	4	8
Information Technology	11	11	11	9	1	2	11
Communication Services	5	2	1	3	6	9	2
Real Estate	3	1	4	11	11	10	5
Utilities	2	4	2	4	9	8	3

Source: Bloomberg, OTP Multi-Asset Strategies

+ : outperforming, 0 : neutral, - : underperforming

2025 YTD performance review

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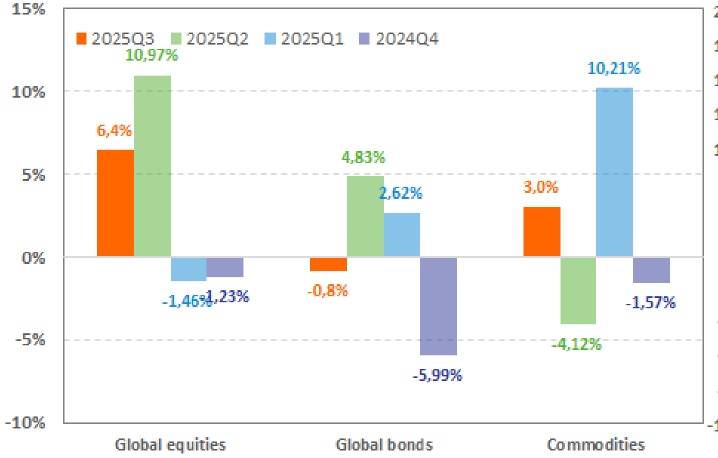
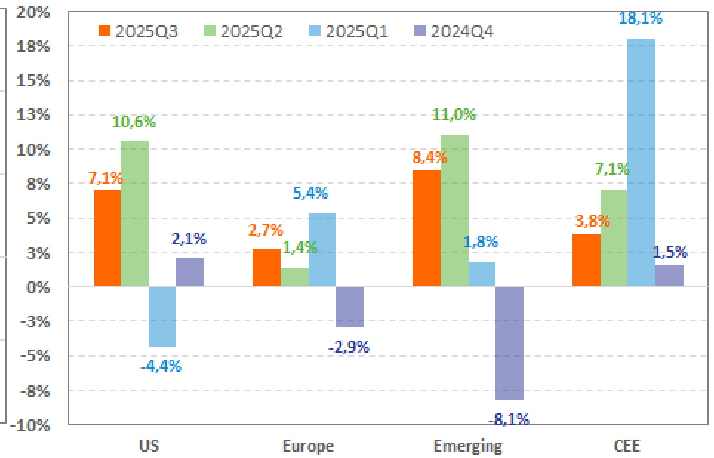
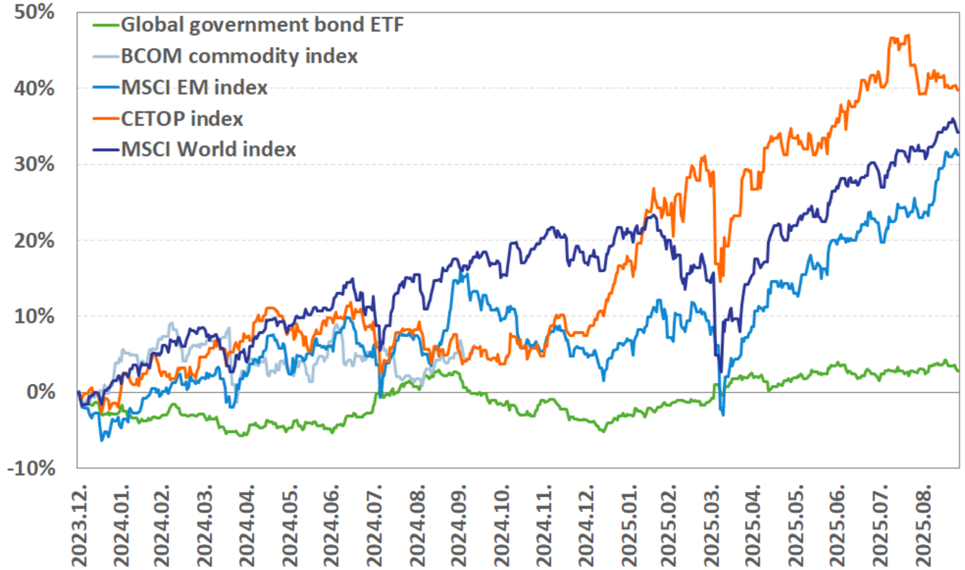
Asset Class performance



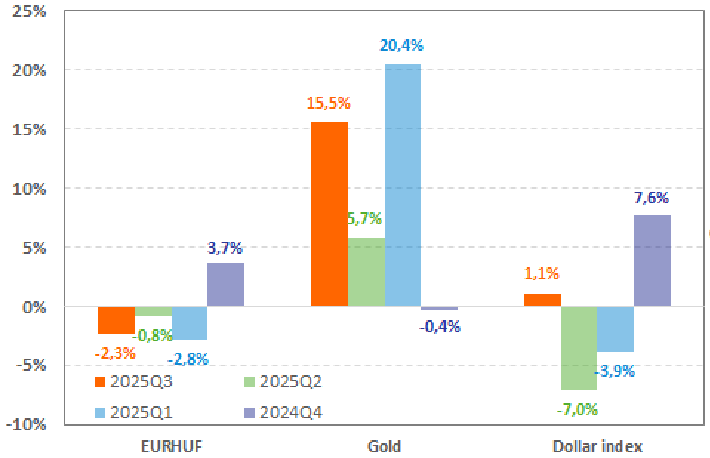
Equity regions' performance



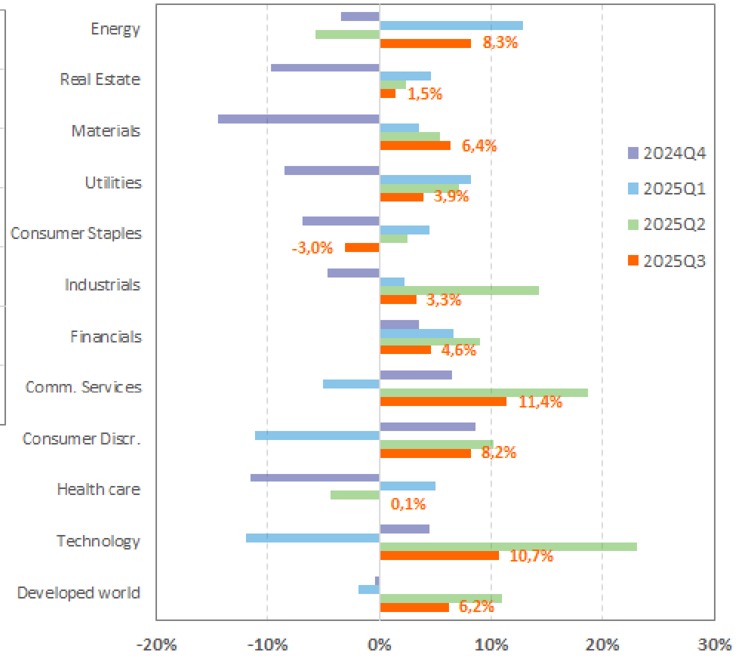
Relative performance of main asset classes



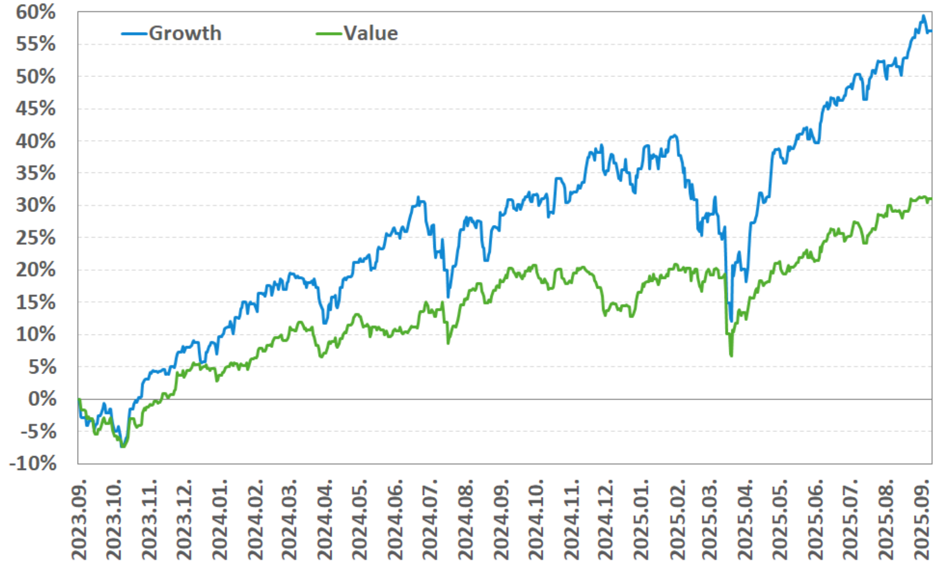
FX and gold performance



Equity sectors' performance



MSCI ACWI growth and value relative performance



Source: Bloomberg, OTP Multi-Asset Strategies

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Closing date of the report: 22.09.2025