

« Predictions are difficult, especially when they're about the future. »

André Isaac, known as Pierre Dac (1893-1975), was a French humourist and actor.

► Europe's Automotive Industry: Revival or Decline?

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For more than a century, the automobile has been one of the symbols of European industrial power. Mercedes, BMW, Volkswagen, Porsche, Renault, Peugeot, Fiat... are all brands that have carried the continent's expertise around the world.

Yet the car itself is changing. It remains a mechanical object, but it is also becoming a battery, a computer, a software platform and, increasingly, an application of artificial intelligence. A growing share of its value therefore lies not under the bonnet, but in electronic components and lines of code. And that is precisely where the balance of power has shifted.

China has changed the rules of the game. It did not simply decide to manufacture cheaper electric cars. Over nearly twenty years, it built an entire ecosystem: batteries, raw materials, electronics, software, charging infrastructure and vast industrial capacity. The results are spectacular: in 2025, nearly 55% of new cars sold in China were electric, and the country accounted for almost three-quarters of global electric vehicle production. Chinese manufacturers that were virtually unknown in Europe just a few years ago now offer sophisticated, well-equipped vehicles that are often significantly cheaper than those of their Western competitors. Today, everyone knows BYD, which has become a global giant in record time. The message is clear: the boundaries between the automotive and technology industries are disappearing. Meanwhile, European manufacturers continued to perfect what they already did remarkably well: ever more efficient combustion engines and increasingly refined cars.

The problem is a familiar one when technological disruption occurs: you can excel in the old world while falling behind in the new one.

Electrification is probably only the first step. The next battleground will be software and artificial intelligence. Cars are gradually becoming capable of learning, anticipating, assisting their drivers and improving their functionality through simple software updates. In these areas, the Americans and Chinese are advancing very rapidly. And the automotive industry illustrates a broader European problem: in artificial intelligence, semiconductors and cloud computing, the leading global players are predominantly American or Asian. Yet in this new environment, speed has itself become a competitive advantage.

Europe must rediscover its sense of urgency. It would be simplistic to blame regulation for all of Europe's difficulties. Our standards have also helped improve vehicle safety and quality, as well as reduce their environmental impact. But all of this comes at a cost. In a world where technological cycles are becoming ever shorter, Europe sometimes seems to devote more energy to regulating the technologies of the future than to creating the conditions in which its companies can dominate them. Environmental, social and digital objectives are legitimate, but they must also be weighed against a new reality: our companies are competing with American and Asian players operating in more responsive environments. An economy does not win a technological race simply by setting the rules. It must also foster companies capable of winning that race.

Nothing has been decided yet. Europe still has global brands, outstanding engineers,

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considerable industrial capacity and exceptional expertise. It is also beginning to respond: electrification, longer-range batteries, software and artificial intelligence are now at the heart of manufacturers' investment strategies. Political discourse is also changing. Competitiveness, industrial sovereignty, investment and regulatory simplification are gradually returning to the centre of European concerns, which is an encouraging sign.

Above all, Europe must rediscover its appetite for risk, its ability to make decisions quickly and its determination to help its companies grow. The automotive industry could therefore become a real-world test of our ability to adapt to the new economic and technological landscape. Because in the emerging global economy, being right too late is of no use.

Economy - Markets - Strategy: trends

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The third quarter of 2026 was once again marked by a turbulent environment. After the hopes raised in June by the agreement between the United States and Iran, the resumption of hostilities quickly brought the Middle East and oil back to the forefront of investors' concerns. The Strait of Hormuz and, more broadly, the Red Sea and the Bab el-Mandeb Strait once again became major flashpoints for global energy supplies. Every threat or incident triggered a rapid rise in oil prices, while each prospect of renewed negotiations prompted an equally significant easing. This volatility revived inflation concerns and complicated the task facing central banks.

In the United States, the Federal Reserve (Fed) adopted a firmer stance. With the fight against inflation remaining a priority against the backdrop of a still-resilient economy, the Fed ultimately raised interest rates by 0.25 percentage points in September, taking the target range to 3.75%–4%. This was its first increase since 2023. The decision was widely anticipated but its unanimous nature and the firm stance displayed by Fed Chairman Kevin Warsh reassured the markets about the central bank's credibility. Despite Donald Trump's repeated calls for lower interest rates, the Fed clearly reaffirmed its independence. A further rate hike remains possible before the end of 2026 if inflation fails to slow sufficiently.

In the run-up to the November 3 midterm elections, the US political backdrop is adding another significant source of uncertainty. All seats in the House of Representatives and one-third of those in the Senate will be contested, with control of Congress for the final two years of Donald Trump's term at stake. The result could therefore significantly influence his ability to pursue his economic, fiscal and trade policies.

In Europe, the European Central Bank (ECB) also continued to tighten monetary policy. After an initial hike in June, it raised its deposit rate again in September, to 2.5%.

Rising energy prices are keeping inflation under pressure, and economists now see the possibility of a further 0.25 percentage-point increase in December. ECB President Christine Lagarde reiterated that the outlook remained highly uncertain, with upside risks to inflation as well as downside risks to growth.

This new monetary backdrop was particularly visible in the bond markets. In the United States, the yield on 10-year government bonds exceeded 5%, reaching its highest level since 2007, while yields also rose in Europe. Persistent inflation, rising energy prices and concerns over public finances have led investors to demand a higher risk premium. The large volume of new bond issuance, including debt issued to finance massive investment in artificial intelligence (AI), also added to the pressure on long-term interest rates.

Despite this less favourable backdrop, equity markets once again proved remarkably resilient. In the United States, the S&P 500 and Nasdaq reached new highs, supported by strong corporate earnings and continued enthusiasm for AI. Investment in data centres, semiconductors and digital infrastructure continues to grow at an exceptional pace.

This trend has not, however, been entirely smooth. Technology stocks have experienced several episodes of high volatility as investors questioned the future profitability of the huge sums being committed to AI. High valuations are also making markets far less forgiving. For the time being, however, strong earnings growth has enabled the major US indices to withstand the increase in the cost of capital.

European markets also held up well, albeit against a more mixed backdrop. Valuations remain generally more reasonable than in the United States, but rising interest rates, higher energy costs and concerns over public finances weighed on some markets, particularly France.

In commodities, oil remained the principal barometer of geopolitical risk, fluctuating sharply in response to developments in the Middle East. At the end of the quarter, the absence of any de-escalation between Washington and Tehran and the continued disruption in the Strait of Hormuz





kept oil prices elevated, up 61.1% since the start of the year. Markets continue to hope for a resumption of negotiations but now seem to be factoring in more lasting disruptions to oil supply. Gold delivered a more mixed performance, weighed down by rising interest rates and falling 3.8% since the beginning of 2026. The dollar, meanwhile, regained support as the Fed tightened policy, rising 3.5% over the year to date.

The third quarter served as a reminder that the return of expensive money is changing the landscape. Equity markets have so far held up well thanks to robust earnings and the momentum surrounding artificial intelligence, but persistently high interest rates, volatile oil prices and weaker public finances call for greater selectivity. In this still-uncertain environment, a balanced and diversified approach, with a focus on high-quality assets, remains more important than ever.

Recommended asset allocation for a MEDIUM risk investor in EUR

Asset allocation		Currency exposure	
Total individual equities and equity funds (including real estate)	47%	EUR	81%
European equities	20%	USD	16%
US equities	22%	Other	3%
Emerging market and Japanese equities	5%		
Bonds and bond funds	33%		
AIFs	8%		
Miscellaneous (gold and other commodities)	5%		
Cash and money market funds	7%		
	100 %		100 %

Guidelines for our in-house policy. For many reasons, differences, sometimes substantial, may exist between different portfolios. Drafting completed on 01/10/2026

Indexes

EQUITIES	2026 Q3	2026 YTD
EURO STOXX 50	-0,93%	8,25%
STOXX Europe 600	-1,07%	7,21%
BEL 20	-2,53%	10,39%
S&P 500	2,03%	11,77%
S&P 500 Equal Weight	-2,29%	8,57%
NASDAQ 100	0,44%	20,43%
NIKKEI 225	-4,72%	32,61%
HANG SENG	7,57%	-3,97%
MSCI EMERGING	-1,05%	21,40%
MSCI WORLD	1,60%	10,66%

COMMODITIES (in USD)	Gold	Oil (BRENT)	Bloomberg Agriculture
As at 31/12/25	4.319,37	60,85	53,44
As at 30/09/26	4.157,41	98,03	61,27
%	-3,75%	61,10%	14,66%

CURRENCIES	USD	GBP	CHF	JPY
As at 31/12/25	1,1746	0,8717	0,9307	184,0100
As at 30/09/26	1,1330	0,8541	0,9469	178,3500
%	3,54%	2,02%	-1,74%	3,08%

BONDS	2026 Q3	2026 YTD
Bloomberg Barclays Euro Aggregate Total Return Index	-3,77%	-2,52%
Bloomberg Barclays US Aggregate Total Return Index	-3,51%	-2,91%
Bloomberg Barclays EM USD Aggregate Total Return Index	-3,46%	-1,51%



Investment school: Interest Rates at the Heart of the Markets

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Recently, if you have been following the financial news, you will probably have noticed that three topics keep coming up: oil, inflation and interest rates.

Of these, interest rates are perhaps one of the most complex subjects. The term « rates » covers a wide range of concepts, from central bank policy rates to long-term yields, as well as mortgage and lending rates. So what exactly are we referring to, and why do movements in interest rates matter so much for the economy and financial markets?

The rate we hear about most often is the policy rate set by central banks. When a central bank raises rates, it effectively increases the « price of money ». This affects the cost of short-term financing and, over time, feeds through to financing.

The mechanism is relatively straightforward: when funding becomes more expensive for banks, they gradually pass on the higher cost. The impact then spreads to bank lending, mortgages and corporate financing.

Longer-term rates, such as the 10-year rate, however, do not depend solely on central bank decisions. They also reflect investors' expectations for inflation, economic growth and the future path of monetary policy. For example, the US 10-year yield rose from 4.15% on 31 December 2025 to 5.29% on 30 September 2026, an increase of 1.14 percentage points, while the Fed raised its policy rate by only 0.25 percentage points.

Such an increase has very tangible consequences: borrowing becomes more expensive, some investment

projects become less profitable, and households have a greater incentive to save rather than spend. Over time, this can slow economic activity and weigh on corporate earnings growth.

In addition, for equity markets, there is a second effect: when bonds offer higher yields, they become relatively more attractive. Investors may then demand a higher potential return to accept the additional risk associated with equities, making higher valuations harder to justify.

However, high interest rates do not necessarily mean a fall in the equity markets. High interest rates do not, however, necessarily mean falling equity markets. If corporate earnings grow sufficiently, they can continue to support valuations despite a less favourable interest-rate environment. This is particularly what we are seeing at the moment, with equity markets continuing to hold up well, supported among other things by earnings growth prospects, particularly in the technology sector for companies participating in or benefiting from the rise of AI (artificial intelligence).

On the bond side, the current volatility in interest rates encourages us to limit the portfolio's sensitivity to rate movements. We therefore prefer short maturities and floating-rate instruments (whose coupons vary depending on changes in interest rates).

In the current environment, understanding the evolution of interest rates is therefore essential: they influence both the cost of credit, the growth of companies and the relative attractiveness of different asset classes.

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