Perspectives
Financial Markets

SwissLife Asset Managers

November/December 2026

Interest rates & bonds

AI trade unwind supports government bonds

	10-year government bond yield			Investment-grade credit spread		
	Current	Oct. 2026*	Year-to-date*	Current	Oct. 2026*	Year-to-date*
US	4.9%	-35 bps	77 bps	87 bps	7 bps	9 bps
Eurozone	3.4%	-23 bps	50 bps	103 bps	12 bps	25 bps
UK	5.3%	-13 bps	82 bps	101 bps	10 bps	18 bps
CH	0.5%	-8 bps	20 bps	78 bps	0 bps	-1 bps

10-year government bond yield eurozone = DE, bps = basis points.
* Change as at 29 October. Source: Bloomberg

USA

- In October, US Treasury yields declined due in part to weak labour market data and worries regarding AI-overinvestment. USD credit spreads widened, with CCC spreads underperforming the most.
- US inflation remains above the central bank's target amid a resilient labour market. We expect the Federal Reserve to deliver two additional rate hikes.

Eurozone

- German Bund yields declined in October, supported by safe-haven demand amid concerns over French sovereign risk. EUR IG and HY spreads widened more noticeably than their US counterparts.
- The ECB kept the policy rate unchanged in October, as expected. We anticipate one additional rate hike, likely in December 2026.

UK

- Core inflation increased slightly to 2.8% in September, but markets focused more on the autumn budget, which was viewed as solid and led to lower 10-year Gilt yields. IG spreads widened in line with the more cautious tone in credit markets overall.
- Given above-target inflation, we expect two additional rate hikes by the Bank of England.

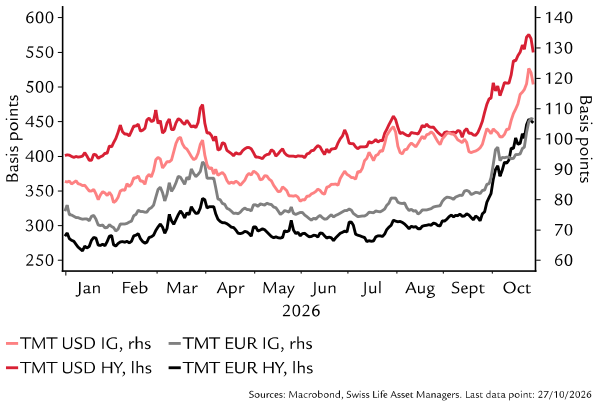
Switzerland

- Swiss 10-year government bond yields also declined in October, while IG spreads remained unchanged.
- The relatively weak CHF and improved economic data provide an opportunity for the SNB to normalise monetary policy to some extent. We expect two interest rate hikes of 25 basis points in 2027.

TMT sector spread widening in October

Triggered by higher interest rates and elevated bond supply, credit spreads in the telecom, media and technology (TMT) sector widened in October. This drove higher spread volatility across the AI infrastructure ecosystem, including AI cloud providers, firms linked to leading AI developers, and BBB/BB-rated data centre project finance bonds. As a result, the debate over AI capex versus AI revenues and circular AI financing intensified. Combined with elevated AI-related equity valuations, market expectations became increasingly optimistic, leaving little room for weaker-than-expected earnings. This triggered a broader rotation away from highly valued and rate-sensitive AI credit exposure. Expectations of lower AI capital spending would imply weaker data centre construction activity, reduced corporate borrowing needs, softer commodity demand, and a diminished growth and inflation impulse. Hence, an unwinding of the "AI trade" would be supportive for government bonds. In credit, fundamentals remain solid, although risks such as geopolitical tensions, volatile energy prices and higher rates persist. We therefore remain neutral on USD IG and HY spreads. We view the widening in French sovereign and EUR IG spreads as overdone and adopt a positive stance on EUR IG. Given elevated uncertainty, we are neutral on 2-year and 10-year government bond yields across the US, eurozone and Switzerland over a 1-month horizon.

TMT credit spreads over government bonds



Sources: Macrobond, Swiss Life Asset Managers. Last data point: 27/10/2026

Equities

The earnings season delivers

Regional equity markets	Oct. 2026*	Year-to-date*
USA	0.9%	13.3%
Eurozone	-0.5%	10.3%
UK	1.3%	11.0%
Switzerland	6.4%	13.6%
Emerging markets	-6.5%	15.3%

MSCI net total return indices in local currency.
* Performance as at 29 October. Source: Bloomberg

USA

- US equities gained slightly in October despite high bond yields and geopolitical uncertainties. The market was supported by solid earnings (see main text).
- Market leadership remains concentrated in large-cap technology stocks, while valuations remain above long-term averages.

Eurozone

- Eurozone equities declined in October, continuing to lag the US year-to-date performance amid rising bond yields in France and lower economic growth expectations compared to the US.
- Valuations remain reasonable, with high-dividend stocks still offering attractive income.

UK

- UK equities rose in October in line with US equities, outperforming continental Europe.
- Attractive valuations and a defensive market composition continue to support the market.

Switzerland

- Swiss equities rebounded strongly in October and outperformed most developed markets.
- Defensive sectors and heavyweight quality stocks were the main drivers of performance.

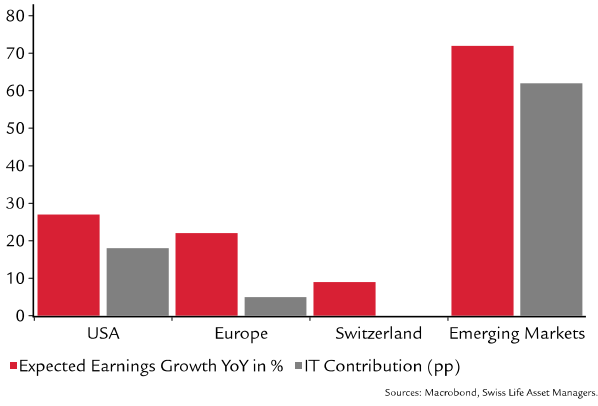
Emerging markets

- Emerging markets fell significantly in October, with weakness in China and India outweighing gains in parts of Latin America.
- Valuations remain attractive, although index concentration in Asian technology and AI-related stocks remains elevated.

The earnings season

The earnings season is roughly halfway through and, as expected, results have been strong so far. Expectations remain elevated, with consensus forecasting earnings growth of 27% in the US (while the median company is growing earnings by 8-9%), 72% in Emerging Markets, 22% in Europe, and 11% in Switzerland. In addition, upward earnings revisions continue to outnumber downward revisions. However, earnings growth remains highly concentrated. In the US, the IT and energy sectors alone are expected to generate around 80% of overall earnings growth. Micron and Nvidia account for 35% by themselves. In emerging markets, 90% of earnings growth is coming from North Asia and, from a sector perspective, more than 80% from information technology. In Europe, energy and financials are the main drivers, together accounting for roughly 70% of expected earnings growth.

Expected Q3 2026 earnings growth and IT contribution



Sources: Macrobond, Swiss Life Asset Managers.

A broad-based market correction appears unlikely. Earnings growth remains exceptionally strong, while the ongoing reassessment of AI-related investments, circular financing structures and other themes highlighted in our AI special report reflects a healthier balance between opportunities and risks. We do not expect an imminent unwinding of the "AI trade". The true test will come only once the current wave of data centre and computing capacity investments becomes operational, allowing depreciation charges, potential write-downs and capacity leasing costs to be fully reflected. Overall, we continue to see modest upside for equity markets, supported by our expectation that rates will not rise materially further and by historically favourable fourth-quarter seasonality.

Currencies

Stabilisation in the EUR after recent sell-off

	Oct. 2026*	Year-to-date*	1-month view
EUR/USD	-1.3%	-4.8%	→
EUR/CHF	-2.7%	-1.0%	→
GBP/USD	0.8%	-0.7%	↘
USD/JPY	0.2%	0.6%	↗

* Performance as at 29 October. Source: Bloomberg

USA

- On a trade-weighted basis, the USD moved sideways in October. The meeting of the US Federal Reserve, which held policy rates stable in October, did not give any fresh impetus for the greenback.
- The US economic outperformance, which was evident in the very strong Q3 GDP data, as well as the favourable interest rate differential, still speak in favour of the USD. We thus expect renewed USD appreciation against most major currencies apart from EUR, which already depreciated substantially in October.

Eurozone

- The EUR showed the worst performance of all major currencies in October due to French bond market turmoils and an uncertain ECB monetary policy outlook (see main text).
- After the strong EUR sell-off, we have now adopted a neutral view on EUR/USD and EUR/CHF.

UK

- GBP appreciated 1.5% on a trade-weighted basis in October, driven by hawkish signals from the Bank of England and an autumn budget which was taken positively by markets, limiting fiscal risks.
- We believe that the move has gone a bit too far and thus expect GBP to weaken against EUR and USD in November.

Switzerland

- The CHF appreciated in October as it benefitted from its safe haven status.
- We shift our view on EUR/CHF from negative to neutral after the strong move in October.

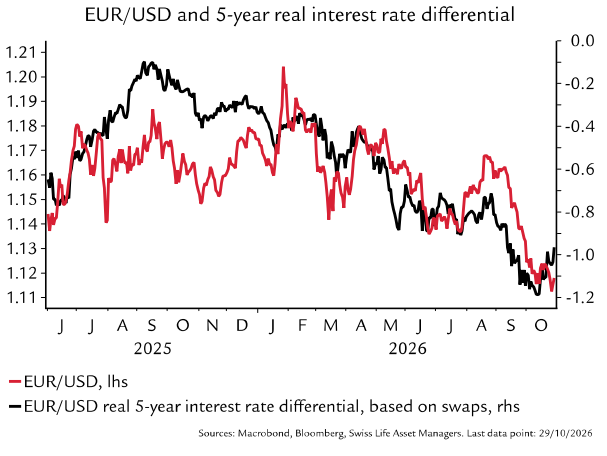
Japan

- The JPY was little changed against USD in October.
- The Bank of Japan is widely expected to hike policy rates in December after a hold in October. In our view the tightening is too slow to remove depreciation pressure on the JPY vs. USD given the significant interest rate differential.

EUR/USD now trading at around its fair value

The main feature of the FX market in October was the pronounced weakness of EUR, which depreciated around 2% on a trade-weighted basis. Our negative views on EUR versus USD and CHF thus turned out to be correct. The main driver for EUR weakness was concerns over the French political and fiscal outlook, which led to sell-off in French government bonds. The ECB finds itself in a difficult spot. Core inflation remains above target and suggests a need to tighten monetary policy further. However, the renewed spike in energy prices, which acts as an external shock for the eurozone, as well as the tighter financial condition due to rising long-term yields, cloud the economic outlook and will in our view limit the extent of monetary tightening by the ECB. In our base case, we only expect one additional policy rate hike in December 2026 and then foresee the ECB remaining on hold. While this is still less monetary tightening than market expectations, the latter have shifted in our direction in October, which likely contributed to the general EUR weakness. That said, the uncertainty regarding the monetary policy outlook was amplified at the end of the month by the announcement of ECB President Lagarde's departure.

In our view, the EUR/USD has now moved to a level which is around our estimate of fair value, as suggested by 5-year real yield differentials. We therefore adopt a neutral view on EUR/USD.



Sources: Macrobond, Bloomberg, Swiss Life Asset Managers. Last data point: 29/10/2026

We also expect a stabilisation of EUR/CHF after the strong move in October, which was also fuelled by safe-haven flows into CHF due to general risk-off sentiment in financial markets.

Asset allocation

Risk takes a reality check

October in review

- Global equity markets delivered a mixed performance in October as concerns about AI weighed on sentiment. Emerging markets, China and technology stocks led the decline, while Japan and Switzerland bucked the trend and delivered positive returns.
- Sovereign bond yields moved in different directions across markets. US Treasury yields moved lower across the curve. French yields rose substantially amid political turmoil. German yields declined.
- Credit spreads widened, reflecting a more cautious risk environment. The move was particularly pronounced in high-yield and emerging-market credit, while investment-grade spreads widened more moderately.
- The USD was flat on a trade-weighted basis.

Current asset allocation views

Asset class	Active weight
Global government bonds	neutral
Global investment-grade credit	underweight
Global equities	overweight

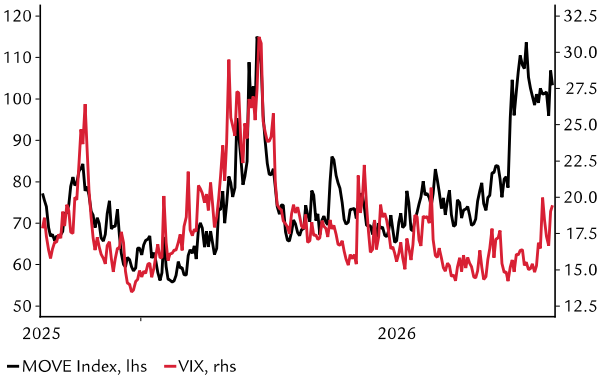
Source: Swiss Life Asset Managers

- We maintain an overweight in equities. The recent correction has taken some of the excess out of the market and, in our view, represents a healthy reality check rather than a fundamental change in the outlook. Underlying support remains intact, with continued strong earnings momentum. Valuations have become somewhat more reasonable and positioning less stretched.
- Within global equities, we favour US and emerging-market equities for their strong fundamentals, as well as European equities given Germany's improving economic backdrop.
- We remain neutral on government bonds, but prefer shorter duration, as resilient growth and concerns about longer-term fiscal sustainability warrant some caution at the long end of the curve.
- We remain underweight credit, as we see a more attractive risk/reward profile in equities and real assets.
- For CHF portfolios, we continue to favour Swiss NAV-based real estate and infrastructure and are tactically increasing our exposure to Swiss traded real estate.

A multi-asset perspective on risk

Market risk is often viewed through an equity lens. Yet the VIX captures only one dimension of volatility. The MOVE Index, which reflects volatility in US Treasury markets, provides a complementary perspective. Recent years have shown that volatility across equities and bonds can evolve quite differently as inflation, monetary policy and growth expectations change.

Equity and bond market volatility



Sources: Macrobond, Swiss Life Asset Managers Research. Last data point: 23.10.2026

For multi-asset investors, this matters. Elevated interest rate volatility can affect portfolios through changes in discount rates, financing conditions and correlations, even when equity volatility remains relatively contained. At the same time, equity indices themselves can mask significant dispersion across sectors, factors and individual securities.

The relevant question is therefore not simply whether volatility is high or low, but where risk is being priced and how it may transmit across asset classes. This has direct implications for portfolio construction. Higher yields have restored the income potential of fixed income, but duration and quality remain important factors to consider. Within equities, diversification across regions, sectors and factors can reduce dependence on concentrated return drivers. Real assets, gold and selected alternative strategies can provide additional sources of diversification, particularly when traditional equity–bond correlations become less reliable. For multi-asset investors, portfolio construction therefore becomes increasingly important when volatility signals and correlations differ across markets. The focus should be on balancing complementary risk premia and return drivers, rather than relying disproportionately on a single market regime or source of performance.

Swiss Life Asset Managers



Sven Kreitmair
Portfolio Manager Fixed Income
sven.kreitmair@swisslife-am.com
in sven_kreitmair



Andreas Homberger
Head Quantitative Equities
andreas.homberger@swisslife-am.com
in andreas_homberger



Damian Künzi
Head Macroeconomic Research
damian.kuenzi@swisslife-am.com
in damian_künzi



Florence Hartmann
Economist Developed Markets
florence.hartmann@swisslife-am.com
in florence_hartmann



Stephanie Zwick
Head Multi Asset
stephanie.zwick@swisslife-am.com
in stephanie_zwick

2025 ConsensusEconomics FORECAST ACCURACY AWARDS FRANCE

2025 ConsensusEconomics FORECAST ACCURACY AWARDS SWITZERLAND

If you have any questions or if you would like to subscribe to this publication,
please send an e-mail to: info@swisslife-am.com.
For more information visit our website at: www.swisslife-am.com/research

in

Released and approved by the Macroeconomic Research Department, Swiss Life Investment Management Holding Ltd, Zurich

Swiss Life Asset Managers may have acted upon or used research recommendations before they were published. The contents of this document are based upon sources of information believed to be reliable, but no guarantee is given as to their accuracy or completeness. This document includes forward-looking statements which are based on our current opinions, expectations and projections. We undertake no obligation to update or revise any forward-looking statements. Actual results could differ materially from those anticipated in the forward-looking statements.
France: This publication is distributed in France by Swiss Life Asset Managers France, 122 Rue La Boétie, F-75008 Paris to its clients and prospects. **Germany**: This publication is distributed in Germany by Swiss Life Asset Managers Deutschland GmbH, Clever Strasse 36, D-50668 Köln, Swiss Life Asset Managers Luxembourg, Niederlassung Deutschland, Darmstädter Landstraße 125, D-60598 Frankfurt am Main and BEOS AG, Kurfürstendamm 188, D-10707 Berlin. **UK**: This publication is distributed by Swiss Life Asset Managers UK Ltd., 55 Wells Street, London W1T 3PT. **Switzerland**: This publication is distributed by Swiss Life Asset Management Ltd., General-Guisan-Quai 40, CH-8022 Zürich. **Norway**: This publication is distributed by Swiss Life Asset Managers Holding AS, Haakon VIIs gt 1, NO-0161 Oslo. **Italy**: This publication is distributed by Swiss Life Asset Managers Luxembourg, succursale Italia, Via San Prospero 1, I-20121 Milano. **Denmark**: This publication is distributed by Swiss Life Asset Managers Danmark, filial af Swiss Life Asset Managers Luxembourg, Luxembourg Frederiksgade 11, 1. tv, 1265 København K.