



*November saw the return of macroeconomic uncertainty and higher volatility across different asset classes. The market environment was fragile, marked by the delayed publication of many important economic statistics in the United States and by new concerns over the momentum in artificial intelligence. Nevertheless, **our allocations continue to reflect our constructive view**, as we await better entry points.*

David TAIEB, Chief Investment Officer - Listed Assets (CIO)

SUMMARY



Growth

The **global composite PMI is in expansion territory for the 33rd consecutive month**, standing at 52.9 in October. The index has risen to 54.6 in the United States (+0.7 point compared to September) and to **52.5 in the Eurozone**, its highest point since May 2023. Conversely, **it has retreated in China** (51.8 in October, down from 52.5 in September) and in France (47.7 in October, down from 48.1 in September).



Inflation

For almost a year now, **global inflation has remained stable**, slightly below the 3%-mark year-over-year. Prices in services have gradually slowed down, offsetting the rise observed within the industrial sector. **In the EU, inflation stood at 2.1% in October, close to the 2% target set by the ECB. In France, inflation readings remained stable in November at 0.9%.**



Monetary policy

After lowering its rates at the end of October, the Fed will meet again on December 10th. According to experts, the cost of borrowing could be lowered by a further 25 basis points **to settle within a range of 3.50% to 3.75%**. In Europe, the consensus of economists only expects one more rate cut by the ECB before June 2026. We, on the other hand, **anticipate two further cuts that would bring the key rate to 1.50%.**



SUSTAINABLE

SFDR 2, an overhaul for European sustainable finance



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The European commission has released the much-awaited proposals for SFDR 2, due to replace the current SFDR (Sustainable Finance Disclosure Regulation). These proposals mark **a significant regulatory change** for the sustainable finance market in Europe and could **come into effect in 2027 or 2028**.

Since 2021, the SFDR has imposed that financial industry players in the EU publish mandatory disclosures on the way sustainability is embedded within their investment process. **The introduction of these revisions to the SFDR** aims at simplifying the information required and correcting erroneous interpretations of **current articles 8 and 9**.

The main draft proposals are the following:

▶ **The introduction of new categories.** Current articles 8 and 9 are removed and replaced by three new categories:

Transition category (article 7): for funds that invest in companies and projects that are on a credible transition path, that contribute towards issues such as climate change or gender equality, for example.

ESG Basics category (article 8): funds that integrate extra-financial criteria into their investment strategy.

Sustainable category (article 9): funds that already contribute positively to sustainability objectives (environmental or social).





SUSTAINABLE (continued)

SFDR 2, an overhaul for European sustainable finance

▲ New mandatory exclusions.

Until now, SFDR has been a transparency regime. SFDR 2 will enforce sector exclusions specific to each category. For example, three fund categories will be subject to CTB (Carbon Transition Benchmark) exclusions: tobacco, controversial weapons, and UN Global Compact breaches. Activity exclusions shall apply to the coal sector. Sustainable funds will apply PAB (Paris-Aligned Benchmark) exclusions on issuers operating in the oil, gas and power generation industries, based on pre-defined thresholds.

▲ Recognising the notion of impact.

The Transition and Sustainable category funds may adopt an impact strategy only if the latter meets the impact criteria defined by SFDR 2.

▲ PAI (Principal Adverse Impact) disclosures are to be removed at entity level. They remain mandatory for Transition and Sustainable categories.

The draft proposals have now been submitted to the European Union's legislative process. A final version is not expected until 2026-2027, with the new SFDR 2 not due to come into force before 2027-2028. Delegated acts will define the thresholds and methodologies used. The schedule and the final rules to be implemented are therefore still pending confirmation.



A wide, horizontal photograph of a rugged, snow-covered mountain range under a cloudy sky. The mountains are dark and jagged, with white snow clinging to their peaks and ridges. The sky is a mix of light and dark clouds.

TREND

The global economy is back on track

In October, the global economy grew at a healthy pace, buoyed by the robust performances recorded by the services and manufacturing sectors.

In the US, the shutdown ended after a 43-day funding freeze. Federal operations have now resumed, but the deep political divisions that underpin the shutdown have not been addressed. Another standstill in early 2026 remains a possibility, as the temporary funding agreement only runs until January 30th. This situation has been highly disruptive for the US economy: data blackout, concerns for households at the start of the holiday season, and unpaid Federal agents. According to the Congressional Budget Office, the impact of the shutdown on the economy is estimated at around 1.5 point of annualised GDP growth in Q4 2025.

In the Eurozone, third quarter growth came in above expectations. GDP grew by 0.2% – an annual pace of 1.4%. Spain remains the top-performing economy in the area, with 0.6% growth (+2.8% over one year).

France is also enjoying a healthy momentum, with GDP growth at 0.5% (+0.9% over one year). In contrast, the German economy is at a standstill, impacted by the weakness of foreign demand.



TREND (continued)

The global economy is back on track.

In China, third quarter growth came in at 4.5%, also beating expectations.

All listed asset class (stocks, bonds and credit), except for gold, underwent some profit taking during the past month. This move reflects a market adjustment stemming from investors' expectations of rate cuts in the US. The equity market also suffered from fears of a bubble forming around AI. However, this correction remains concentrated on equity markets as the third-quarter earnings season closed on a very positive note: in the US, 60% of companies beat their sales expectations, while 80% beat their earnings expectations.

We believe that the current weakness observed in equity markets will be short-lived. Nonetheless, despite this optimistic environment overall, several major risks call for some caution: a possible bubble on AI, liquidity tensions in the US interbank market, and the Supreme Court's ruling on the legality of Trump's tariffs before the end of the year.

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CONVICTIONS

Every month, our Allocation Committee brings together our entire investment team to determine our asset allocation strategies, which are then implemented in the daily management of our funds.

EQUITIES



EUROZONE

European business activity is holding up well, supported by robust domestic momentum and corporate investment. We have switched from a neutral position to overweight. We have maintained our overweight on German mid-caps as well as our exposure to European small and mid-caps but have exited the real estate sector.



UNITED STATES

Our view remains neutral on US equities and we shall be vigilant on the potential slowdown in business activity that could weigh on corporate investment. We have kept our exposure to technology stocks, despite the recent correction within the AI space.



EMERGING COUNTRIES

We have taken our profits on tech players in the emerging region but remain exposed to Chinese large caps. We have also maintained our exposure to Indian stocks.

FIXED INCOMES



SOVEREIGN BONDS

We remain positive on sovereign debt as a whole, as the potential downside on US and European long-term rates is still limited. The risk/return ratio of this asset class remains moderate.



CREDIT

The asset class is resilient and performing well. European credit markets rose roughly 3% in 2025. Our view on the asset class remains positive; we prefer the risk/return ratio offered by European Investment Grade, Euro High Yield, and subordinated financial debt.



Change in view versus previous month.



Investment team's asset class views.

CONVICTIONS (continued)



CURRENCIES

The political and economic environment in Japan is expected to support a rise for the Yen. We have therefore kept our long position on the Japanese currency relative to the Euro.



COMMODITIES

Gold remains an attractive and resilient asset in a variety of scenarios. However, prices are still very high at over \$4,000 per ounce. Oil is trading at a fair price with the Brent priced at around \$60/bbl. Our view therefore remains neutral on all commodity markets.



Change in view versus
previous month.



Investment team's
asset class views.



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