ACT MA People & Planet

Markets Stabilise After a Robust Ten-Month Rally

- Changes in FED policy and concerns over AI valuation influence market movements
- Optimism for peace in Ukraine increased as the US endorsed a peace framework
- Marginal gains in defensive sectors fail to offset broader challenges this month

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What's happening?

Looking for Normalisation, there are emerging signs that the White House is moving away from policy radicalism. Recent concessions to China aimed at maintaining the trade truce, along with new tariff exemptions on basic goods such as coffee, indicate that the U.S. administration acknowledges the negative impact of the trade war on consumer purchasing power—though this shift remains tentative.

In the U.S., job creation rebounded above expectations in September, but downward revisions to previous months reveal a slowdown following April's tariff announcements. The unemployment rate climbed to 4.4%, its highest level since October 2021, while dovish comments from the Federal Reserve offered some market relief, leaving a December rate cut uncertain.

In the Eurozone, GDP growth accelerated to 0.2% quarter-on-quarter in Q3, with underlying data painting a more optimistic picture. Persistent services inflation and reduced downside risks have closed the door on near-term ECB cuts, though we still anticipate one final reduction in March 2026 as headline inflation bottoms out and downside risks re-emerge.

Meanwhile, China's growth momentum weakened in October, with fixed asset investment posting its sharpest decline since the pandemic—down 11.4% year-on-year—amid continued weakness in manufacturing and infrastructure. Although fiscal support announced in late October has yet to materialize in the data, we expect improvement in the coming months.

Looking ahead, central banks are likely to adjust policy gradually: the Fed is expected to deliver a series of insurance cuts, lowering rates to 3.0% by Q3 2026; the ECB may cut once more to 1.75% in March 2026; the Bank of England's rate could fall to 3.5% by year-end 2026; and the Bank of Japan is projected to hike to 0.75% in January, supported by a positive domestic outlook.

Portfolio positioning and performance

ACT MA PEOPLE & PLANET	Dec-24	Oct-25	Nov-25
Net Equity	*69,3%*	*70,4%*	*71,8%*
Equities	*69,3%*	70,4%	71,8%
Equities derivatives	*0,0%*	0,0%	0,0%
Risk Mitigation Strategies	***0,0%***	**0,0%**	**0,0%**
Fixed Income	***26,5%***	**28,4%**	**28,1%**
Govies	*6,9%*	8,0%	8,0%
Bond Derivatives	*16,8%*	4,5%	0,5%
High Yield Credit	*1,5%*	1,0%	1,0%
Investment Grade	*16,5%*	18,1%	17,6%
Emerging Debt	*1,5%*	1,4%	1,5%
Diversification	***0,0%***	**0,0%**	**0,0%**
Cash & Money Market	***4,1%***	**1,2%**	**0,1%**

November proved to be a challenging month for global markets, characterized by increased volatility and widespread declines across various asset classes. Equity markets faced downward pressure amid ongoing inflation concerns, expectations of tighter monetary policy, and geopolitical uncertainties. In response, the portfolio reduced cash holdings and tactically repositioned to capitalize on emerging opportunities and maintain flexibility in a turbulent environment. Most equity exposures posted declines, particularly in the real estate sector, which was impacted by rising interest rates and fears of economic slowdown. While some defensive sectors like healthcare and utilities performed relatively better, supported by stable demand fundamentals and their resilience in uncertain times. However, these gains were not enough to offset the broader challenges faced by the portfolio.

Fixed income allocations fared somewhat better but still experienced some softness. Despite signs of stabilization in market sentiment, bond prices remained volatile, driven by shifting expectations around monetary as the markets flipped sentiment around the Fed's December meeting. Overall, fixed income performance was modest; however, our focus on investment-grade assets helped cushion downside risks and protect capital. We continue to carefully manage duration risk and favour bonds with strong credit profiles, aiming to generate income while preserving capital in an environment that remains potentially volatile.

Given the complex macroeconomic landscape, our strategy remains cautious and vigilant. Ongoing geopolitical tensions and signs of slower economic growth impacted markets such as Japan, where tensions with China influenced investor sentiment. Similarly, Canadian markets were affected by shifts in the labour market and fluctuations in commodity prices. We remain attentive to these evolving risks, adjusting our positioning to navigate a landscape marked by uncertainty..

Focus stock of the month:

AstraZeneca

: AstraZeneca is a British and Swedish multinational pharmaceutical and biotechnology company with headquarters at Cambridge's Biomedical Campus. Founded through the merger of Swedish Astra AB and the British Zeneca Group in 1999, it provides today a portfolio of products for major diseases in areas including oncology, cardiovascular and neuroscience. It also contributed in 2020 to the developments of the COVID-19 vaccine research and development. The company primary listing is on the London Stock Exchange and is a constituent of the FTSE 100 Index, but it is also listed on Nasdaq Stockholm and as a Nasdaq-100 company in the American markets.

AstraZeneca made notable contributions to sustainable development and innovation in recent months through:

7.2 and 7.3: AstraZeneca has committed to the Science Based Targets initiative (SBTi) and aims to reach net-zero emissions across its value chain by 2045. In 2024, AstraZeneca launched its “Ambition Zero Carbon” strategy, successfully sourcing 97% of electricity from certified renewable sources and reducing global Scope 1 and 2 emissions by 78% compared to 2015. Its operations in Sweden achieved a 98% reduction in emissions 18 months ahead of schedule, exemplifying its leadership in decarbonization.

9.5: AstraZeneca invested over 8% of its revenue into healthcare access initiatives in 2024, reinforcing its leadership in equitable healthcare delivery. The company supported programs that reached over 90 million people globally, including underserved communities in low- and middle-income countries. A key focus was expanding access to life-saving medicines through tiered pricing, patient assistance programs, and innovative delivery models. For instance, AstraZeneca's Healthy Heart Africa program has provided screening and treatment for over 12.9 million individuals with elevated blood pressure since 2014, significantly reducing healthcare disparities in Africa.

12.2: AstraZeneca operates ISO 14001-certified manufacturing facilities and actively promotes circular economy practices across its operations. In 2024, the company recycled over 85% of its process solvents, reprocessed chemical sludge, and recovered electronic-grade materials used in production, reducing waste sent to landfills to below 1% for the tenth consecutive year. Additionally, AstraZeneca has invested in sustainable water management practices, restoring over 3 million cubic meters of groundwater through efficient water reuse and conservation programs.

AstraZeneca’s sustainability strategy especially focussed on the future of healthcare is deeply integrated in their business approach. By helping to build health systems resilience, improve health equity and decarbonize the operations, the company exemplifies how to operate as a sustainable global and science-led pharmaceutical company..

Outlook:

Global investor attention has shifted from idiosyncratic issues in credit markets—despite persistent concerns around private credit highlighted in the financial press—to the outlook for Federal Reserve policy following the end of the U.S. government shutdown. The conclusion of 40 days of uncertainty is broadly positive for policy and market sentiment, albeit with one caveat: limited fresh labour market data ahead of the December Fed meeting. Several Board members have signalled the need for pragmatism and additional time before voting on another Fed Funds rate cut. Available data remains reassuring, showing a softening labour market trend without significant deterioration during the shutdown. If a December cut is delayed, January appears likely, as the Fed prioritizes credibility and stability in the U.S. dollar and Treasury markets. Importantly, investors should not interpret this as a reversal of the Fed’s commitment to the three near-term insurance cuts outlined in September.

The backdrop remains supportive for risk assets. Earnings season delivered strong results across the U.S. and Europe, while policy accommodation from the Fed appears only delayed, not derailed. Limited macro data, complemented by alternative sources, shows no signs of slowing activity, with the Atlanta Fed’s GDP Nowcast hovering near 4% annualized. In Europe, survey data has held firm despite lingering deflationary risks in core economies.
Investor positioning adds further support. Discretionary allocations remain below long-term equity norms, while systematic positioning—previously stretched—has begun to normalize, which should prove constructive over time. Near-term, cross-market volatility needs to subside, but structurally, our machine-learning Bull/Bear model continues to signal a bull market, intact since the U.S. policy pivot in late April.

Crypto market turbulence may have amplified recent risk aversion. Bitcoin's sharp correction (-33% from early October to late November) and weakness across other digital assets likely reduced retail buying power in equities. While institutional exposure remains minimal (0.4% of cash per BoA's November survey), U.S. retail investors are more heavily involved, and flow data confirms their seasonal absence. Encouragingly, retail-favoured momentum stocks appear to have bottomed at depressed levels, consistent with prior recovery patterns this year.

Credit markets remain resilient, reinforcing a neutral stance. Despite recent equity volatility and last month's focus on issuer-specific challenges, investment-grade CDS spreads have resisted widening. Issuance from AI corporates seeking infrastructure funding has surged, but cash-rich balance sheets suggest these firms are not driving stress or risk aversion.
In summary, the combination of easier monetary policy, steady economic growth, enthusiasm for AI-driven infrastructure and productivity gains, ongoing fiscal stimulus in Germany, Japan, and China, and robust corporate earnings—even amid negative reactions to strong results from names like Nvidia—continues to underpin a constructive outlook for risk assets into 2026.

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