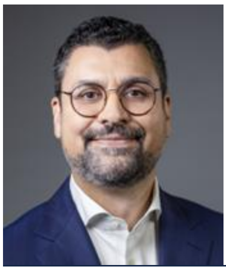
CIO View

Investment Traffic Lights

November 5, 2025
Marketing material

Our monthly market analysis and positioning



Vincenzo Vedda
Chief Investment Officer

IN A NUTSHELL

- October saw strong markets with some trade war de-escalation and the artificial intelligence (AI) boom fueling optimism. Many equity indices hit new record highs.
- Gold's ascent to almost 4,400 U.S. dollar (USD) per ounce, however, revealed some nervousness amongst investors
- For now it seems that markets are eager to deliver the year-end rally that investors tend to expect. Even high valuations don't seem to be an obstacle.

1 / Market overview

1.1 Artificial and political intelligence shape October

Anyone focusing solely on the month-on-month price changes of gold (+4%) and oil (–3%) might mistakenly conclude that October was geopolitically uneventful.[1] But intra-month volatility tells a different story: gold surged as much as 13% from the start of the month, nearly breaking the USD 4,400 per ounce barrier, before slipping below USD 4,000 and then stabilizing at about that level. Brent crude, on the other hand, moved in the opposite direction–falling from USD 68 to near USD 60 per barrel, then rebounding to USD 65. Equity markets across the globe meanwhile climbed to new record highs, interrupted only by a short-lived but severe setback.

These swings were mainly triggered by political developments. Donald Trump's renewed threat on October 10 to impose 100% tariffs on Chinese imports shocked markets – maybe for the last time. They reacted sharply, with the S&P 500 dropping 2.7% in a single day, its biggest fall since April. But, as so often, the U.S. president quickly backpedaled and before his hastily arranged meeting with Chinese President Xi Jinping in South Korea at the end of the month it had become clear who held the upper hand. Rare earths seem to remain key. China has near-monopolistic control and the U.S. (and much of the world) is heavily dependent, across industries ranging from renewable energy and semiconductors to automotive and defense.[2]

This probably sets the stage for developments in coming years. The rest of the world will scramble to secure alternative sources of rare earths, while China might do everything it can to challenge the West in the semiconductor space – crucial not least for artificial intelligence. One company currently dominates this segment: Nvidia,[3] which in October became the first firm ever to surpass a valuation of USD 5 trillion. This might suggest that the AI boom is showing no signs of slowing and nor do the investments of the five biggest U.S. hyperscalers – Microsoft, Alphabet, Amazon, Meta, and Oracle. But at the end of the month investors greeted the ambitious spending plans of the latter two with skepticism, probably reflecting

[1] All data – unless otherwise quoted – from Bloomberg Finance L.P., as of 10/31/25
[2] See, for example BBC, "China has found Trump's pain point - rare earths," as of 10/17/25
[3] Any mentions of specific properties or securities are for illustrative purposes only and should not be considered a recommendation.

their history of spending cash in a very generous way. Furthermore, the circular relationships between the biggest AI players are raising eyebrows.

1.2 Political continuity and changes marked October

There were many political turning points during the past month. The collapse of yet another government in France further deepened doubts – also among rating agencies – about the country's ability to implement meaningful reforms. Meanwhile, in Argentina's Casa Rosada, the radical reformer Javier Milei emerged strengthened from the election, sparking enthusiasm across currency, bond, and equity markets. By contrast, Dutch voters expressed clear dissatisfaction with the far-right PVV's performance in government over the past two years. Its leader, Geert Wilders, was punished at the ballot box, while the center-left D66, led by 38-year-old Rob Jetten, claimed victory. Japan witnessed a historic moment as Sanae Takaichi became the country's first female Prime Minister. Her debut was welcomed by financial markets (the Topix gained 8%) as she refrained from endorsing tax hikes and instead signaled continuing the accommodative monetary policy and an expansionary fiscal policy. She also succeeded in managing the U.S. President well during his recent visit to Japan.

The U.S. President, for his part, now holds the dubious distinction of having presided over the two longest government shutdowns in American history. These shutdowns have left around 1.5 million federal employees without regular income and forced the U.S. Federal Reserve (Fed) to base its "data-dependent" interest rate decisions on increasingly patchy data. Adding to the uncertainty, inflation and economic activity – both in the U.S. and globally – have led many central banks to reconsider their assumption that they would be implementing further interest rate cuts. As a result, yields on long-term government bonds in both the U.S. and Europe began to rise again in the second half of October.

2 / Outlook and changes

Who would dare bet against a year-end rally? The stars seem nicely aligned: the AI train is still going strong, the reporting season has been benign so far, President Trump is successfully undoing some of the damage he did previously to trading relationships with Asia, and central banks are delivering -- broadly – what was expected. But of course it is not all that rosy, as a couple of examples highlight. The Fed's decision-making is complicated by the lack of data it stresses it relies on as the U.S. government is still in shutdown at the beginning of November. This means that both inflation and jobs data is difficult to gather and to evaluate. Other problems too might derail the year-end rally. U.S. equity valuations are at record highs and so is the level of concentration of the U.S. stock market in a handful of (AI-leaning) companies with almost incestuous relationships. It is increasingly hard to tell whether one company is a customer, strategic partner, investor or competitor of another. They're all in it together, for better or worse. Private debt, too, has its risks, as some senior U.S. bankers pointing out.

2.1 Fixed Income

Government bond yields have been range-bound for the last couple of weeks or even months. Yet, this obscures the fact that central banks are not all going in the same direction or at the same speed anymore. The European Central Bank (ECB) might or might not cut rates one more time this or next year. The Fed left open whether it would cut again this year, and investors appear still very convinced that the Fed will cut several times next year. The Bank of Japan (BoJ) is likely to hike twice more but the timing is uncertain. Switzerland's Swiss National Bank (SNB) has already reached 0% and – for now – is not widely expected to test negative territory again. The Bank of England would like to cut but cannot, because of inflation.

While current sovereign yields are generally trading not too far from our strategic targets (which we will update in three weeks' time), here are the tactical changes we've made in October:

We have downgraded **10-year UK gilts** to neutral as we see yields being range-bound from here, with more up- than down-side risks.

We have downgraded **EUR Investment Grade (EUR IG) corporate bonds** as spreads are close to the lowest levels we have seen since the Great Financial Crisis – in other words these bonds are almost priced for perfection. Nevertheless, the technical picture remains supportive for this asset class, with demand robust.

In currencies, we have cut **pound sterling (GBP) vs. USD** to neutral as the dollar weakness of the first half of the year has come to an end for now while fragile UK government finances with no solution in sight don't speak for a stronger pound.

2.2 Equities

Excitement about mankind's new ability to convert zeros and ones into intelligent words, videos and insights have pushed equity indices to record highs. This has made our index targets for September 2026 (S&P 500 6,800 / Dax 25,900) obsolete already, making a fresh look at them necessary at our November 20 Chief Investment Office (CIO) Day meeting. With three to four likely Fed cuts to follow over the coming 12 months and continued high single-digit earnings per share (EPS) outlooks for 2026 and 2027, we will probably maintain a constructive view on diversified,[4] global equity portfolios.

At the beginning of October we upgraded **German equities** within the European universe to +1. Once the euphoria that followed the May election had waned, a period of disappointment set in. That, in turn, may now be coming to an end as investors warm the idea that the positive impacts of the new fiscal spending commitments will only be felt at the end of the year in defense spending and in 2026 in infrastructure. Meanwhile, both in terms of public debt to gross domestic product (GDP) considerations and political stability, Germany currently looks more solid than most of its bigger European neighbors.

We have downgraded the global **Healthcare sector** to Neutral. Following very negative headlines after the U.S. election, we have recently seen some agreements between U.S. pharma and the White House, which markets were happy to price in. While the sector in historical context still looks relatively cheap, we foresee only lackluster sales and earnings growth for the medium term as many patents are running out. We remain positive, however, on the Life science and Tools sub-sectors.

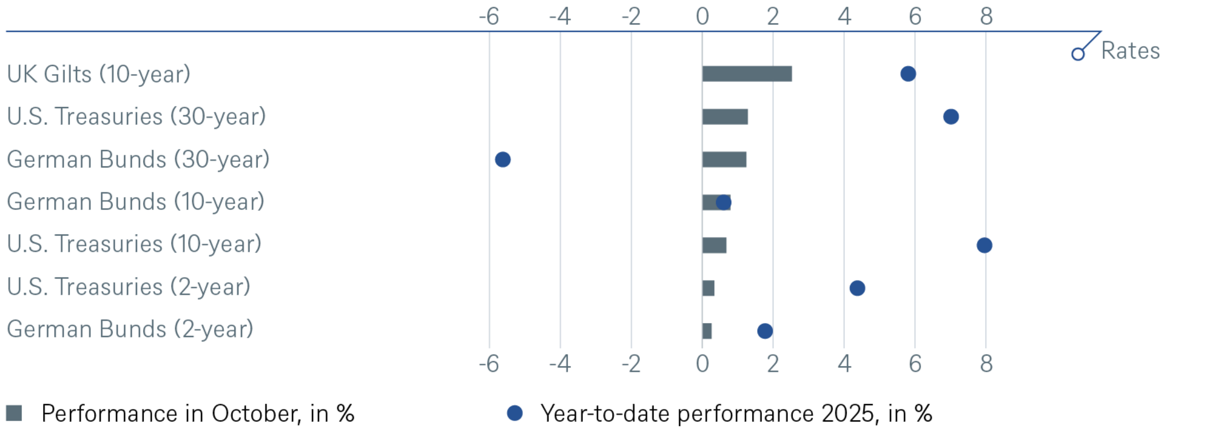
2.3 Alternatives

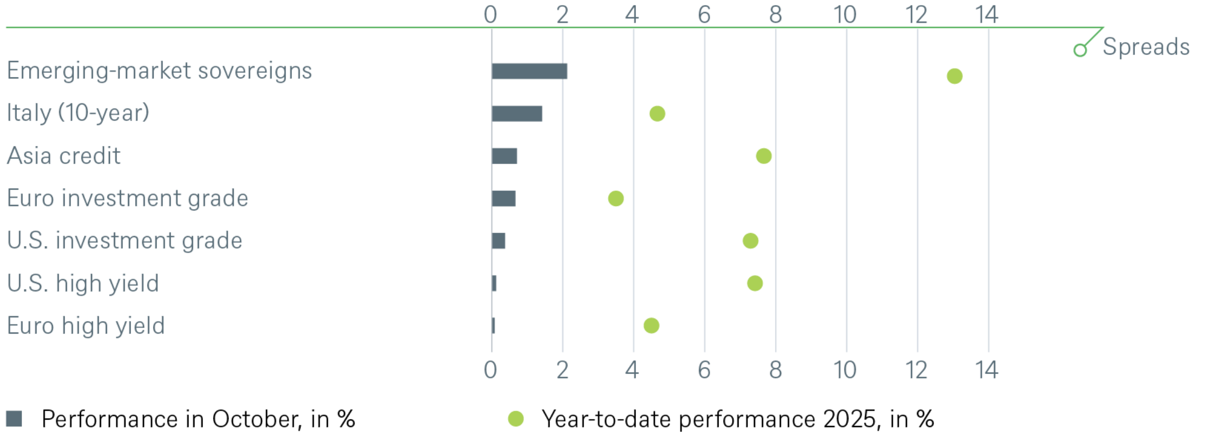
In early October we downgraded the entire commodity index (Bloomberg Commodity Index) as well as gold to neutral. Although the announcement by the Trump administration that it would apply sanctions on the two largest Russian oil companies led to a short-term rise in the oil price, we expect the longer-term weakness to persist. Supply is still growing faster than demand and OPEC+ at the beginning of November only decided to pause further production expansions from January 2026 onward. For the rest of the year, production volume is still supposed to increase. As for gold, we see two short-term headwinds. First, a higher gold price has an impact on price-sensitive buyers: in particular, demand from Chinese and Indian retail segments has eased. Second, central banks have, if anything, become slightly more hawkish in recent weeks and a more bullish outlook for interest rates and yields is liable to be detrimental to gold demand from financial investors.

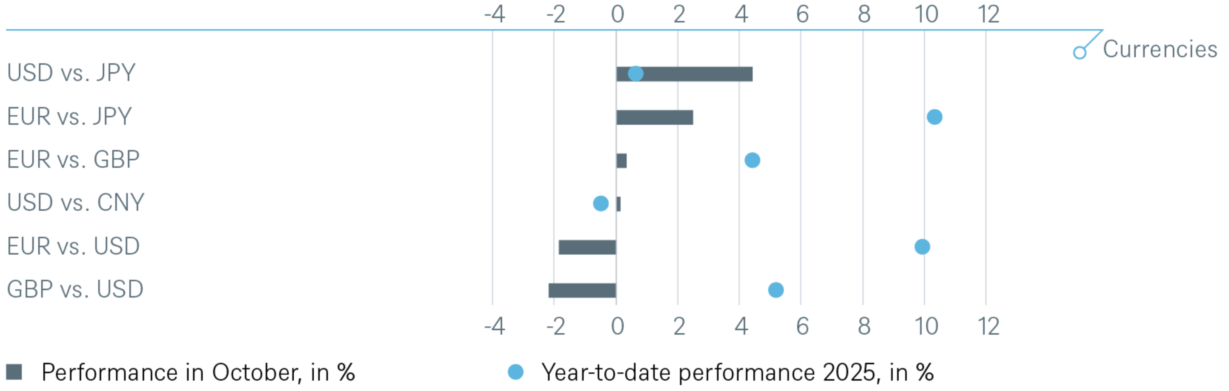
[4] Diversification neither assures a profit nor guarantees against loss.

3 / Past performance of major financial assets

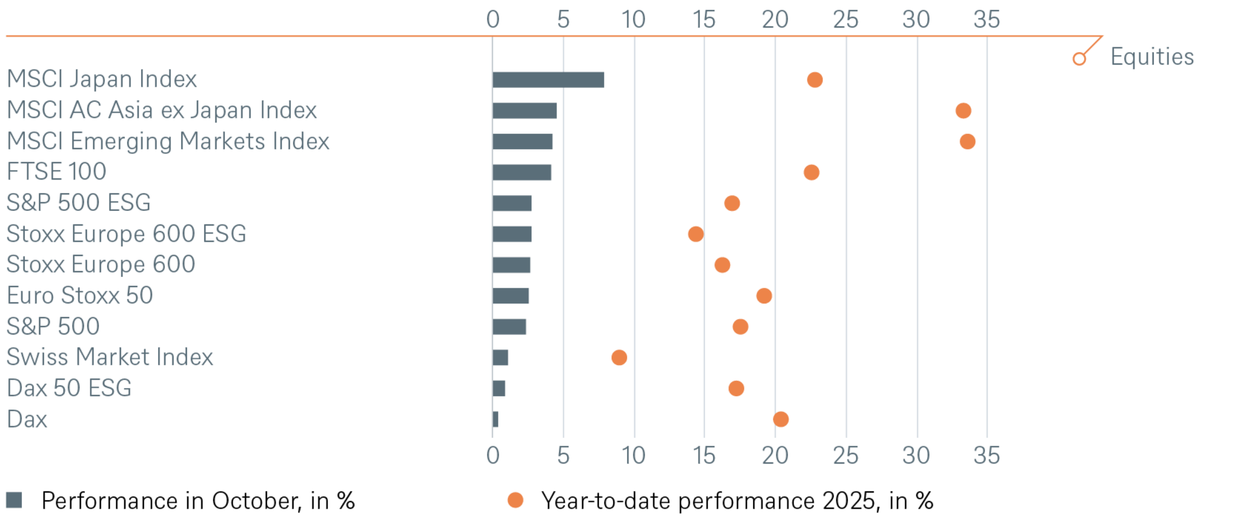
Total return of major financial assets year-to-date and past month

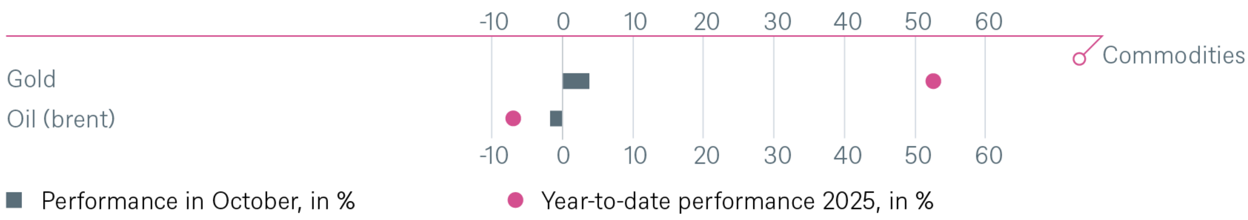






This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.





Past performance is not indicative of future returns.
Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 10/31/25

4 / Tactical and strategic signals

The following exhibit depicts our short-term and long-term positioning.

4.1 Fixed income

Rates	1 to 3 months	through Sept 2026
U.S. Treasuries (2-year)	🟡	🟢
U.S. Treasuries (10-year)	🟡	🟢
U.S. Treasuries (30-year)	🟡	🟢
German Bunds (2-year)	🟡	🟡
German Bunds (10-year)	🟡	🟢
German Bunds (30-year)	🟡	🟢
UK Gilts (10-year)	🟡	🟢
Japanese government bonds (2-year)	🟡	🟡
Japanese government bonds (10-year)	🟡	🔴

Spreads	1 to 3 months	through Sept 2026
Italy (10-year)[1]	🟡	🟡
U.S. investment grade	🟡	🟢
U.S. high yield	🟡	🟢
Euro investment grade[1]	🟡	🟢
Euro high yield[1]	🟡	🟡
Asia credit	🟡	🟢
Emerging-market sovereigns	🟡	🟡

Securitized / specialties	1 to 3 months	through Sept 2026
Covered bonds[1]	🟡	🟢
U.S. municipal bonds	🟡	🟢
U.S. mortgage-backed securities	🟡	🟢

Currencies	1 to 3 months	through Sept 2026
EUR vs. USD	🟢	🟢
USD vs. JPY	🔴	🔴
EUR vs. JPY	🟡	🔴
EUR vs. GBP	🟡	🔴
GBP vs. USD	🟡	🟢
USD vs. CNY	🟡	🟡

4.2 Equities

Regions	1 to 3 months[2]	through Sept 2026
United States[3]	🟡	🟡
Europe[4]	🟢	🟢
Eurozone[5]	🟡	🟢
Germany[6]	🟢	🟢
Switzerland[7]	🟡	🟢
United Kingdom (UK)[8]	🟡	🟡
Emerging markets[9]	🟡	🟡
Asia ex Japan[10]	🟡	🟡
Japan[11]	🟡	🟡

Sectors	1 to 3 months[2]
Consumer staples[12]	🟡
Healthcare[13]	🟡
Communication services[14]	🟡
Utilities[15]	🟡
Consumer discretionary[16]	🟡
Energy[17]	🟡
Financials[18]	🟡
Industrials[19]	🟡
Information technology[20]	🟡
Materials[21]	🟡

Style	1 to 3 months
U.S. small caps[22]	🟡
European small caps[23]	🟢

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4.3 Alternatives

Alternatives	1 to 3 months	through Sept 2026
Commodities[24]	🟡	🟢
Oil (brent)	🟡	🔴
Gold	🟡	🔴
Carbon		🟢
Infrastructure (listed)	🟢	🟢
Infrastructure (non-listed)		🟢
Real estate (listed)	🟡	🟢
Real estate (non-listed) APAC[25]		🟢
Real estate (non-listed) Europe[25]		🟢
Real estate (non-listed) United States[25]		🟢

[1] Spread over German Bunds. [2] Relative to the MSCI AC World Index (only for the tactical signals),[3] S&P 500, [4] Stoxx Europe 600, [5] Euro Stoxx 50, [6] Dax, [7] Swiss Market Index, [8] FTSE 100, [9] MSCI Emerging Markets Index, [10] MSCI AC Asia ex Japan Index, [11] MSCI Japan Index, [12] MSCI AC World Consumer Staples Index, [13] MSCI AC World Health Care Index, [14] MSCI AC World Communication Services Index, [15] MSCI AC World Utilities Index, [16] MSCI AC World Consumer Discretionary Index, [17] MSCI AC World Energy Index, [18] MSCI AC World Financials Index, [19] MSCI AC World Industrials Index, [20] MSCI AC World Information Technology Index, [21] MSCI AC World Materials Index, [22] Russell 2000 Index relative to the S&P 500, [23] Stoxx Europe Small 200 relative to the Stoxx Europe 600, [24] Relative to the Bloomberg Commodity Index, [25] Long-term investments.

Tactical view (1 to 3 months)

The focus of our tactical view for fixed income is on trends in bond prices.

- 🟢 Positive view
- 🟡 Neutral view
- 🔴 Negative view

Strategic view through September 2026

- The focus of our strategic view for sovereign bonds is on bond prices.
- For corporates, securitized/specialties and emerging-market bonds in U.S. dollars, the signals depict the option-adjusted spread over U.S. Treasuries. For bonds denominated in euros, the illustration depicts the spread in comparison with German Bunds. Both spread and sovereign-bond-yield trends influence the bond value. For investors seeking to profit only from spread trends, a hedge against changing interest rates may be a consideration.
- The colors illustrate the return opportunities for long-only investors.
  - 🟢 Positive return potential for long-only investors
  - 🟡 Limited return opportunity as well as downside risk
  - 🔴 Negative return potential for long-only investors

Glossary

The aim of an accommodative monetary policy is to support the economy by means of monetary expansion.

Artificial intelligence is the theory and development of computer systems able to perform tasks normally requiring human intelligence

The Bank of Japan (BoJ) is the central bank of Japan.

The Bloomberg Commodity Index (BCOM) traces 23 commodities and reflects commodity futures price movements.

Brent crude is a grade of crude oil dominant in the European market.

The Dax is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

Earnings per share (EPS) is calculated as a company's net income minus dividends of preferred stock, all divided by the total number of shares outstanding.

The Euro Stoxx 50 is an index that tracks the performance of blue-chip stocks in the Eurozone.

The European Central Bank (ECB) is the central bank for the Eurozone.

The financial crisis refers to the period of market turmoil that started in 2007 and worsened sharply in 2008 with the collapse of Lehman Brothers.

Fiscal policy describes government spending policies that influence macroeconomic conditions. Through fiscal policy, the government attempts to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy.

The FTSE 100 is an index that tracks the performance of the 100 major companies trading on the London Stock Exchange.

Gilts are bonds that are issued by the British Government.

The gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Hawks are in favor of a restrictive monetary policy.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Investment grade (IG) refers to a credit rating from a rating agency that indicates that a bond has a relatively low risk of default.

Monetary policy focuses on controlling the supply of money with the ulterior motive of price stability, reducing unemployment, boosting growth, etc. (depending on the central bank's mandate).

A monopoly is a market with only one supplier.

The MSCI AC World Communication Services Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Communications Sercives sector.

The MSCI AC World Consumer Discretionary Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Discretionary sector.

The MSCI AC World Consumer Staples Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Staples sector.

The MSCI AC World Energy Index captures large- and mid-cap securities across 23 developed-markets classified in the Energy sector.

The MSCI AC World Financials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Financials sector.

The MSCI AC World Health Care Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Health Care sector.

The MSCI AC World Index captures large- and mid-cap companies across 23 developed- and 24 emerging-market countries.

The MSCI AC World Industrials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Industrials sector.

The MSCI AC World Information Technology Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Information Technology sector.

The MSCI AC World Materials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Materials sector.

The MSCI AC World Real Estate Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Real Estate sector.

The MSCI AC World Utilities Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Utilities sector.

The MSCI AC Asia ex Japan Index captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 emerging-market countries.

The MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

OPEC+ is an informal alliance of OPEC members and other oil-producing countries, led by Russia, aiming to coordinate their production strategies.

The pound sterling (GBP), or simply the pound, is the official currency of the United Kingdom and its territories.

A rating is a standardized assessment of the creditworthiness of the issuer and its debt instruments by specialized agencies. The main three rating agencies are the Moody's (Aaa over Baa1 to C, best to worst), S&P (AAA over BBB+ to D, best to worst) and Fitch (AAA over BBB+ to D, best to worst).

The Russell 2000 Index is an index that captures the 2,000 smallest stocks of the Russell-3000 index, which again comprises 3,000 small- and mid-cap U.S. listed stocks.

The S&P 500 is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

The spread is the difference between the quoted rates of return on two different investments, usually of different credit quality.

The Stoxx Europe 600 is an index representing the performance of 600 listed companies across 18 European countries.

The Stoxx Europe Small 200 is an index representing the performance of 200 small capitalization companies across 17 European countries.

The Swiss Market Index (SMI) is Switzerland's most important equity index, consisting of the 20 largest and most liquid large- and mid-cap stocks.

The Swiss National Bank (SNB) is the Swiss central bank.

The Topix (Tokyo Stock Price Index) captures all companies (almost 2000) of the First Section of the Tokyo Stock Exchange.

The U.S. Federal Reserve, often referred to as "the Fed," is the central bank of the United States.

Valuation attempts to quantify the attractiveness of an asset, for example through looking at a firm's stock price in relation to its earnings.

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

The White House is the official residence and principal workplace of the President of the United States.

Yield is the income return on an investment referring to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Important information – EMEA, APAC, LATAM & MENA