

Six minute strategy

The age of disruption

October 2026

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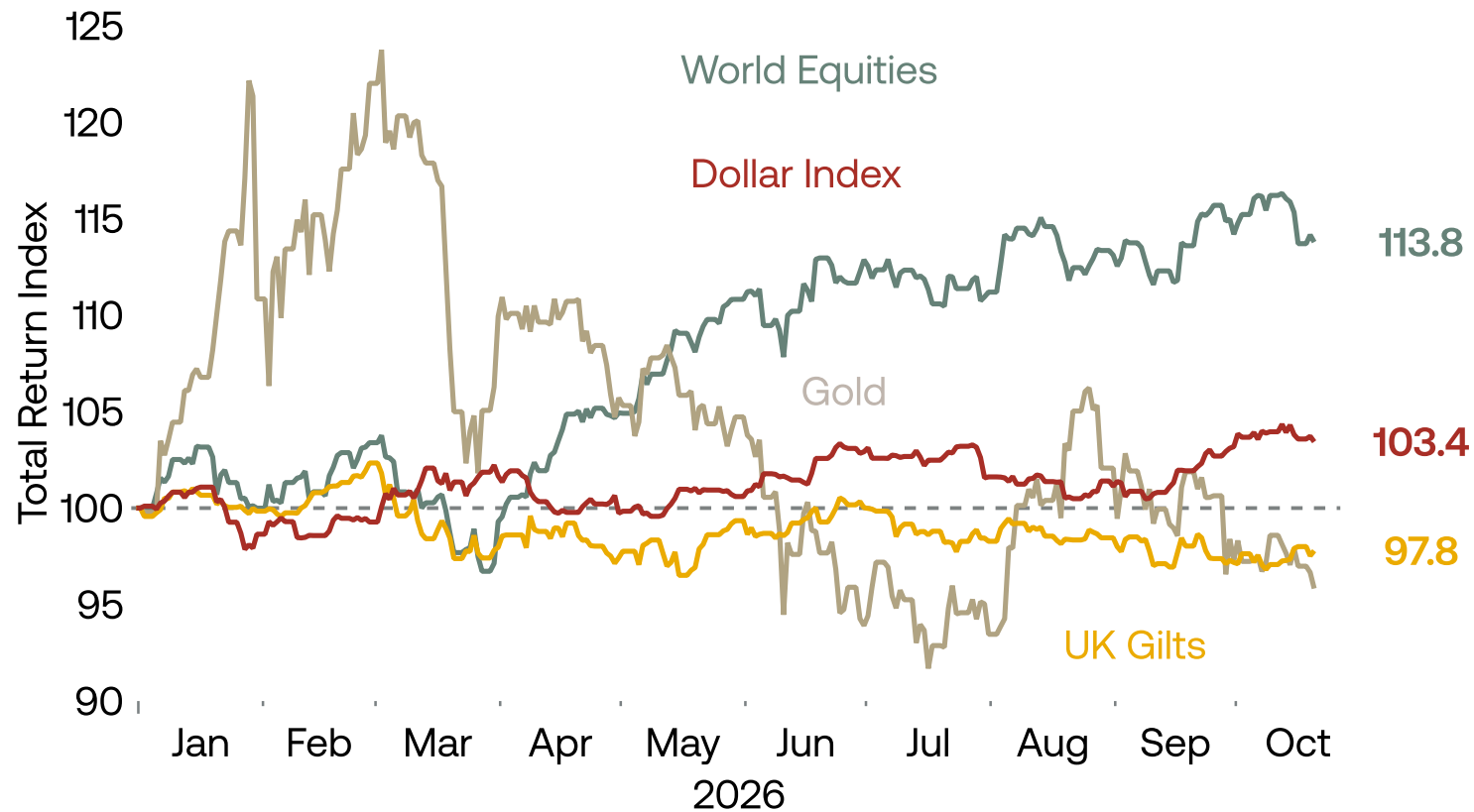
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Asset class performance

Global equities still dominate returns – gold and bonds decline

Asset class performance
31.12.2025 = 100



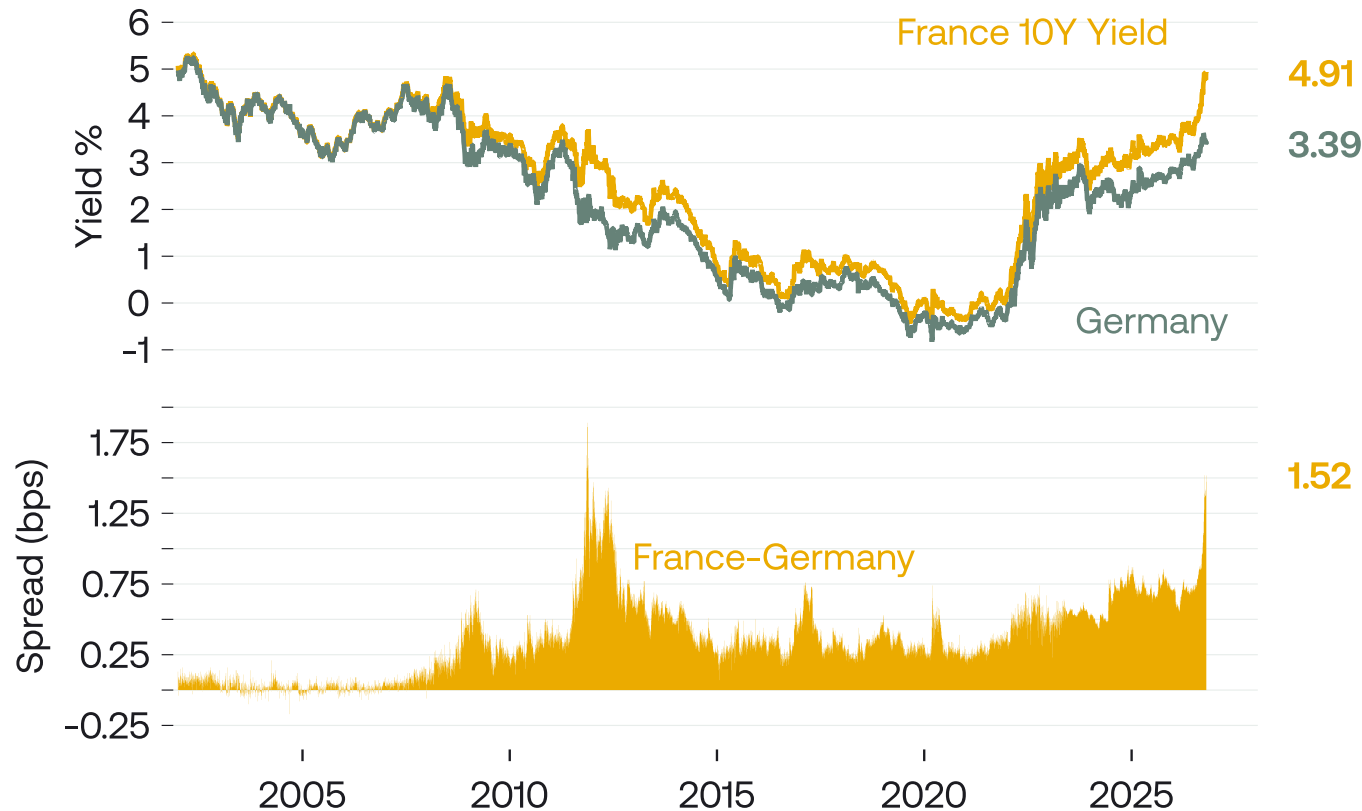
Source: Macrobond, 21.10.26

Past performance is not a reliable indicator of future results and may not be repeated.

1. France

Weak public finances and a ratcheting spread

French and German government bond yields



Source: Macrobond, 21.10.26

France – Fiscal condition

- Debt is about 119% of GDP, a post-war record, and is projected at 121.7% in 2027
- The 2026 deficit is expected at 5.4%, up from 5.1% in 2025 and above the 5.0% target
- French debt today is Euro 3.6 trillion vs Greek debt of Euro 330 billion in the 2010-12 Eurozone crisis. Is France too big to fail?

Source: Sarasin/Bloomberg Oct 20 2026

Source: Macrobond & Sarasin, 24.09.26

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France: market-forced consolidation is the most likely path

Scenarios (not mutually exclusive)

1. Forced consolidation – our position

Likely. A diluted budget passes with National Rally (RN) support. Each spread step forces more piecemeal measures.

Markets: wider spreads, lower ECB rates, steeper curve, weaker EUR, domestic equities lag.

2. ECB support

Likely, after +200bp. The ECB buys first and checks budget-rule compliance later. More bill issuance helps at the margin.

Markets: spreads tighten; curve and EUR effects depend on sterilisation.

3. Redenomination

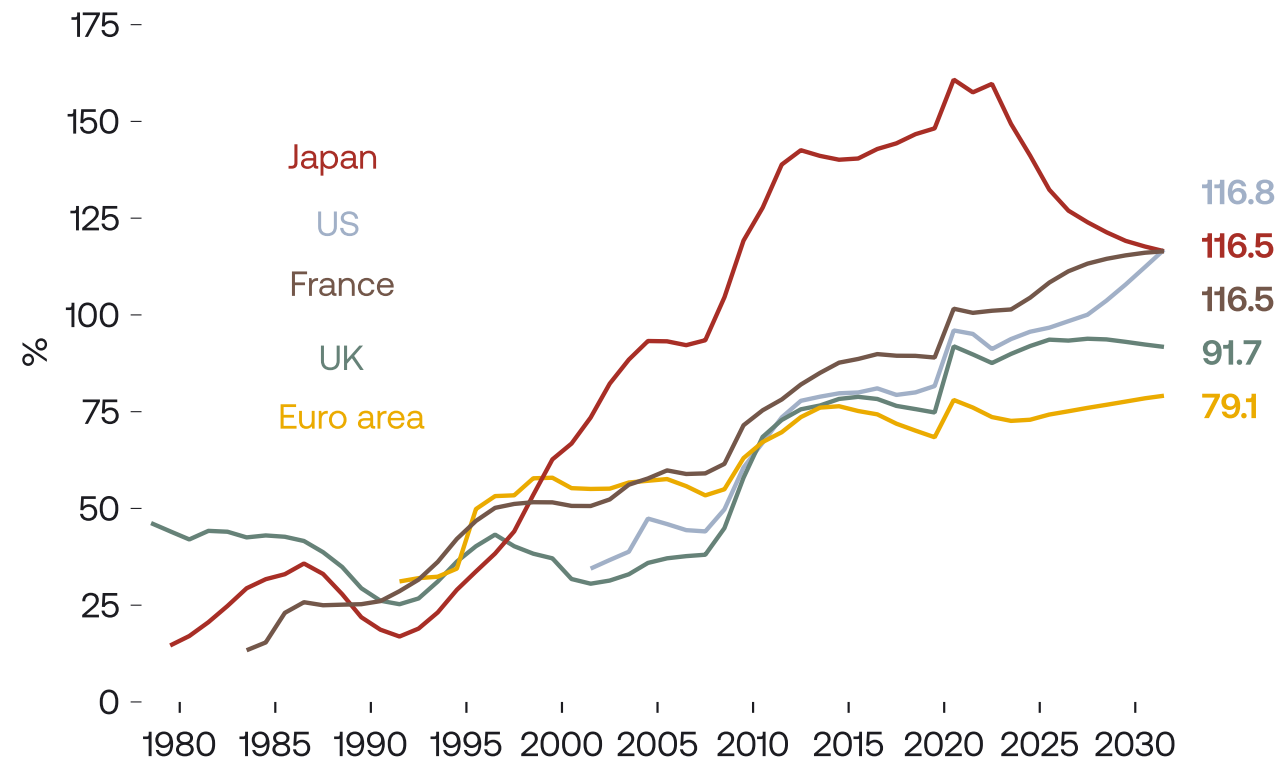
Tail risk. The RN dropped euro exit in 2019, and an ECB backstop makes a forced exit unlikely.

Markets: spreads widen sharply, Bunds rally, EUR falls, banks sell off.

2. Global public debt levels

Governments show little appetite for curbing deficits

Government debt, % of GDP (IMF Fiscal Monitor)



Source: Macrobond, 21.10.26

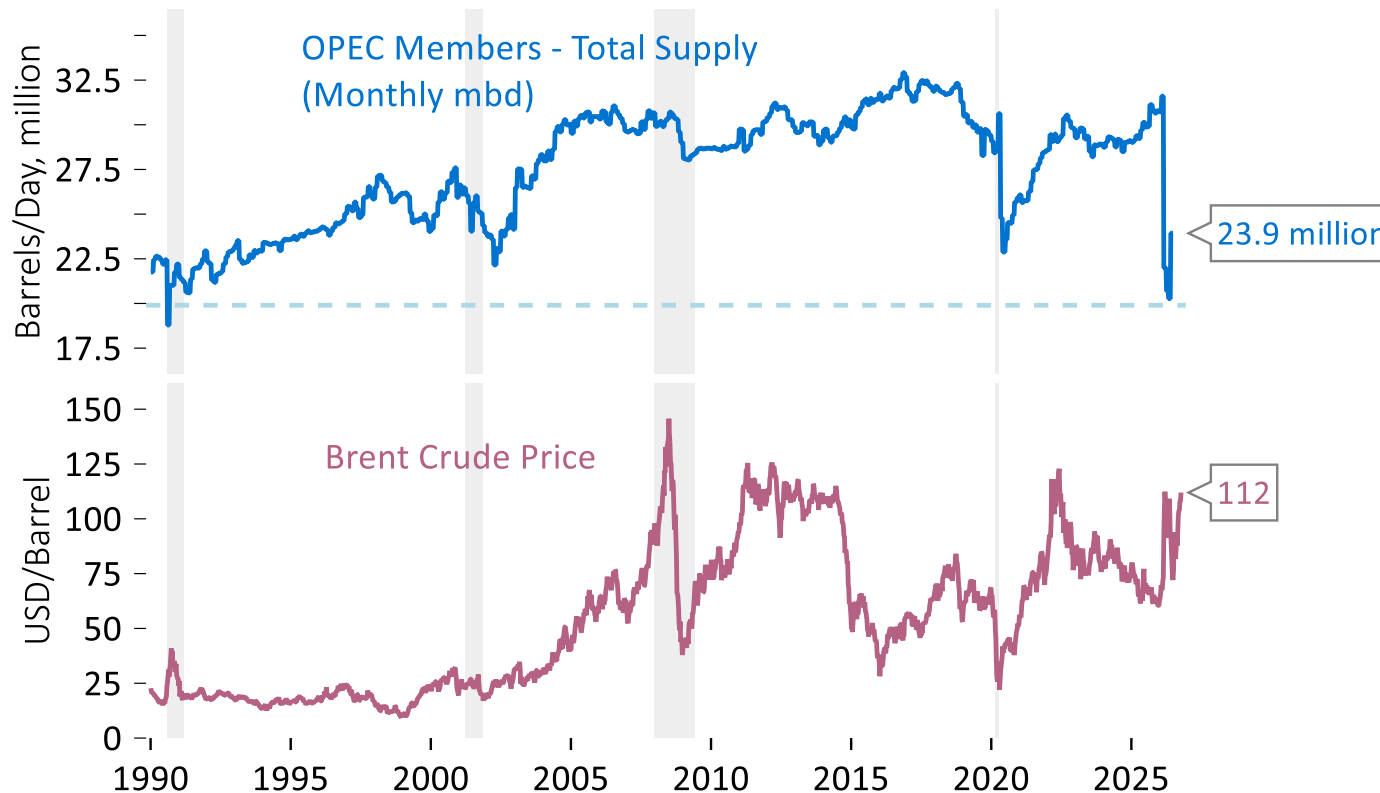
- **Public debt and deficit trajectories** to remain unsustainable as populist governments increase spending on *ageing, climate and defence*.
- **We need a UK budget** on 28 October that *offers households some relief but persuades markets that we can afford it*
- **The UK** is “one country where the action to reduce debt and deficits has been taken decisively.”

Kristalina Georgieva, Managing Director, IMF
October 2026

3. Energy outlook

OPEC oil production slowly climbs – September was best month since the war began

OPEC Members oil production & prices
Shaded areas US recessions



Source: Macrobond, 21.10.26

- Saudi Arabia reported it produced 8.3mbp in September – the highest level since the outbreak of the Iran war
- Most Gulf oil shipments move through a dark, US-protected corridor that Iran is now targeting
- Global oil supplies increasingly tight – some increase in production from Saudi Arabia and Iraq

Bloomberg/Sarasin Oct 2026

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4. Global equities

Overweight: robust earnings – valuations less challenging

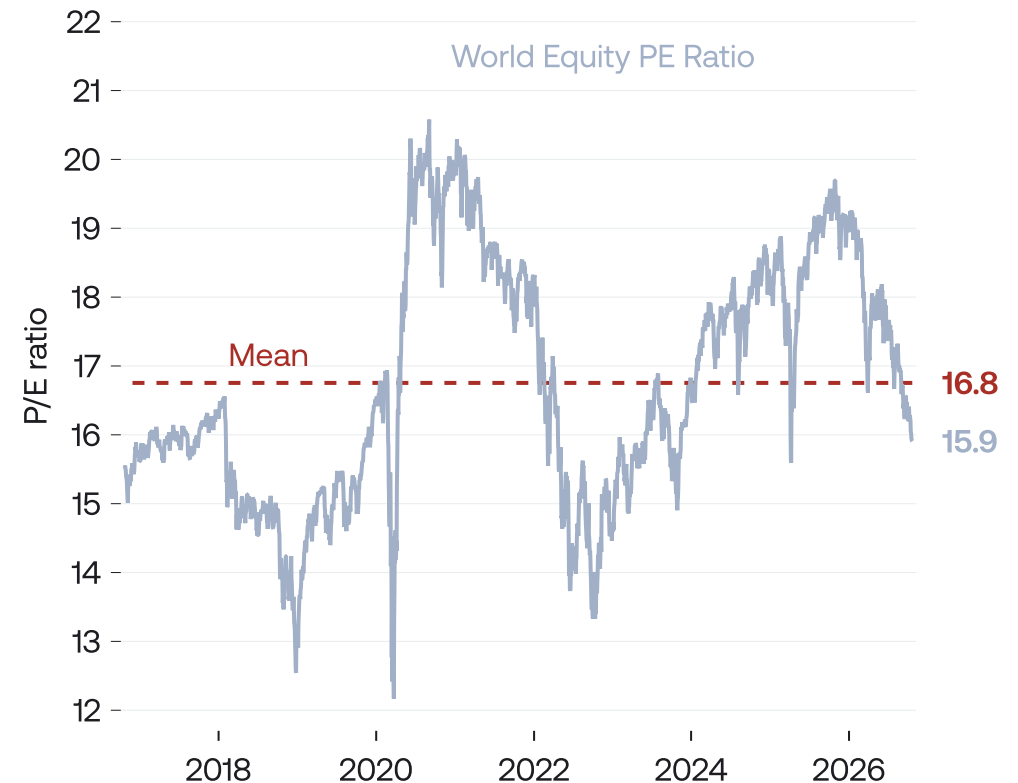
Earnings strong despite Iran war – revisions turning modestly lower



Source: Macrobond, 21.10.26

Equity market valuations decline as profits surge

Global equity valuations



Source: Macrobond, 21.10.26

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October 2026: global policy stance

Bonds Underweight	Equities Overweight	Alternatives Overweight	Cash Underweight	Risks
Neutral government bonds: higher yields reflect fiscal risks Underweight credit: spreads remain historically tight	Overweight equity: global equity earnings remain robust; nominal growth remains high Valuation: earnings estimates continue to climb despite the Iran war	Overweight alternatives: provide better risk adjusted return than fixed income Emerging market local currency debt offers attractive returns Broader allocation to commodities	Opportunities to invest elsewhere	1. Inflationary risks remain persistent as economies run hot and energy shock persists 2. AI returns could prove elusive – earnings shock would risk derating in global markets 3. Liquidity squeeze / disorderly bond markets – rising net issuance in equity and fragility in French bonds could raise funding costs globally

Source: Sarasin & Partners, September 2026

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